MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Essential Energy Services Ltd. ("Essential" or the "Company") is for the three months ended March 31, 2019.

This MD&A should be read in conjunction with Essential's March 31, 2019 unaudited condensed consolidated interim financial statements and the audited annual consolidated financial statements and MD&A included in Essential's 2018 Financial Report for the financial year ended December 31, 2018. No update is provided where an item is not material or where there has been no material change from the discussion in the aforementioned annual MD&A. Readers should carefully read the sections regarding "Forward-Looking Statements and Information" and "Non-IFRS Measures" in this report. All references to dollar amounts are to Canadian dollars, except where otherwise indicated. This MD&A was prepared effective May 7, 2019 and was approved and authorized for issuance by the Board of Directors of the Company on May 7, 2019.

Essential was incorporated under the *Business Corporations Act* (Alberta). The common shares trade on the Toronto Stock Exchange ("TSX") under the symbol ESN. Additional information regarding Essential can be found under Essential's profile on SEDAR at www.sedar.com or the Company's website at www.essentialenergy.ca.

SELECTED INFORMATION

(in thousands of dollars except per share, percentages, hours and fleet data)	For the three months ended March 31, 2019	2018
Revenue	**$ 47,446**	$ 60,134
Gross margin(i)	**10,559**	12,470
Gross margin %	**22%**	21%
EBITDAS(1)(i)	**7,544**	9,145
Net income(i)	**1,407**	5,053
Per share – basic and diluted	**0.01**	0.04
Operating hours		
Coil tubing rigs	**13,418**	16,170
Pumpers	**16,082**	20,439
	As at March 31, 2019	2018
Working capital	**$ 53,808**	$ 69,959
Total assets	**207,704**	241,472
Long-term debt	**12,827**	31,943
Equipment fleet(ii)		
Coil tubing rigs	**29**	30
Pumpers	**27**	26

(i) Effective January 1, 2019, Essential adopted the IFRS 16 – Leases standard ("IFRS 16"). Comparative information has not been restated and therefore may not be comparable. This change in accounting policy increased gross margin, EBITDAS(1), and net income for the three months ended March 31, 2019 by $0.9 million, $1.2 million and $0.1 million, respectively, compared to the prior year period. For further information see the section titled "Change in Accounting Policy – IFRS 16 - Leases".

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

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

INDUSTRY OVERVIEW

First quarter 2019 activity in the Canadian oil and natural gas industry was significantly below the first quarter 2018. Political, regulatory and market access issues resulted in reduced capital spending by Canadian exploration and production ("E&P") companies during the first quarter. Well completions, a key indicator of industry activity in the Western Canadian Sedimentary Basin ("WCSB") declined 24%[a] compared to the first three months of 2018.

A temporary production curtailment was put in place by the Alberta government on January 1, 2019, requiring the largest oil producers in the province to reduce production. While it was successful in increasing Canadian crude oil prices, the program has done little to restore investor confidence in the Canadian oil and natural gas industry or increase E&P spending during the quarter.

HIGHLIGHTS

Revenue for the three months ended March 31, 2019 was $47.4 million, a 21% decrease from the first quarter 2018, due to lower activity. In particular, March 2019 was slower than March 2018 as spring break-up conditions materialized earlier and certain customers reduced capital spending in the latter part of the quarter. EBITDAS[1] was $7.5 million, $1.6 million lower compared to the same prior year period due primarily to lower revenue, partially offset by cost savings realized as a result of proactive cost management during the quarter and the impact of IFRS 16.

Key operating highlights included:

- Essential Coil Well Service ("ECWS") revenue was $26.1 million, 20% lower than the first quarter 2018. Despite a reduction in activity, gross margin as a percentage of revenue increased to 25% due to proactive cost management during the quarter.
- Tryton revenue was $21.4 million, 22% lower than the first quarter 2018. Tryton's Canadian downhole tool operations were negatively impacted by deferred or reduced customer spending on completion, production and decommissioning activities during the first quarter of 2019. Tryton gross margin as a percentage of revenue was 21% for the quarter.

At March 31, 2019, Essential was financially well-positioned with long-term debt of $12.8 million and funded debt[1] to bank EBITDA[1] of 0.7x. Long-term debt decreased $8.6 million from December 31, 2018. Working capital[1] was $53.8 million on March 31, 2019, exceeding long-term debt by $41.0 million. On May 7, 2019, Essential had $10.1 million of long-term debt outstanding.

CHANGE IN ACCOUNTING POLICY – IFRS 16 - LEASES

On January 1, 2019, Essential adopted the IFRS 16 – Leases standard ("IFRS 16"). Comparative information, including non-GAAP measures, has not been restated and therefore may not be comparable. Where the impact was material, the amounts have been quantified for comparative analysis purposes in the respective sections of this document. The implications for the first quarter 2019 were:

- On January 1, 2019, Essential recognized a right-of-use asset of $14.1 million, and a lease liability of $18.4 million for its office and shop premises. Leases are capitalized at the commencement of each lease at the present value of the future lease payments;
- Lease payments, which were previously expensed as either an operating or general and administrative expense, are no longer expensed. There is now a depreciation charge for the right-of-use asset on a straight-line basis over the lease term; and
- As lease payments are made, the lease liability is reduced by the discounted value of each lease payment, with the difference between the amount of the lease payment and the discounted value of the lease payment recognized as a finance cost over the term of the lease.

(a) Source: Daily Oil Bulletin

This change in accounting policy increased gross margin, EBITDAS(1) and net income for the three months ended March 31, 2019 by $0.9 million, $1.2 million and $0.1 million, respectively, compared to the prior year period. Depreciation expense and finance costs related to the right-of-use asset and lease liability increased by $0.8 million and $0.3 million, respectively, compared to the prior year.

OVERVIEW OF ESSENTIAL

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

Essential Coil Well Service

Coil Tubing Rigs – Essential operates one of the largest coil tubing fleets in Canada. Coil tubing rigs provide completion, stimulation and work-over services on long-reach horizontal and vertical wells. Essential's coil tubing rigs are equipped to work with coil tubing ranging from 1 ½ inches to 2 ⅞ inches in diameter. The rigs have a depth capacity using 2 ⅜ inch coil of up to 7,200 meters when the coil is transported on the rig and up to 9,400 meters if the coil is transported separately. Essential's coil tubing fleet is comprised of Generation I, II, III and IV coil tubing rigs, which are differentiated by capability to service wells with varying depths and well pressures. The varied limit, capacity and coil diameter of Essential's coil tubing fleet make this equipment ideally suited to work in all facets of a customer's horizontal well completion and work-over program.

Coil tubing rigs are typically used in the completion and stimulation of a horizontal well in the following areas:

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

Pumpers – Coil tubing rigs are packaged with and supported by a fleet of fluid and nitrogen pumpers. Fluid pumpers are used to maintain downhole circulation, provide ancillary acid/solvent treatments and inject friction reducers and other chemicals into the wellbore. Fluid pumpers also perform stand-alone pump-down work independent of the coil tubing fleet. Nitrogen pumpers are used to pump inert nitrogen gas into the wellbore for stimulation or work-over operations and to purge the coil tubing of fluids once the coil tubing work has been completed.

Tryton

Essential's Tryton segment provides a wide range of downhole tools and rental services across the WCSB and in the U.S. for completion, production and decommissioning of oil and natural gas wells, including:

- Tryton MSFS® – Tryton MSFS® tools are used for horizontal well completions, allowing producers to isolate and fracture intervals of the horizontal section of a well separately and continuously. Tryton offers a variety of MSFS® tools that provide customers with a choice of completion technologies to use on their horizontal well completion program. 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:

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

- 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.
- V-Sleeve – The Tryton V-Sleeve is a cemented-in-liner system that involves cementing a tool string into the wellbore with sliding sleeves set at specified intervals and using a coil-actuated sleeve shifting tool to sequentially open each sliding sleeve. The Tryton V-Sleeve system enables customers to fracture an unlimited number of stages in the horizontal leg.
- Composite Bridge Plug – Tryton's Composite Bridge Plug 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.
- Hybrid MSFS® – Tryton's Hybrid MSFS® combines Tryton's Ball & Seat system, installed closer to the "toe" of the horizontal leg of a well, with Tryton's Composite Bridge Plug, installed towards the "heel" of the well. The Hybrid MSFS® enables customers to fracture an unlimited number of stages in the horizontal leg.

- Conventional Tools – These include conventional packers, tubing anchors, bridge plugs, cement retainers and related accessories that are used in completion, production and decommissioning operations.
- Rentals – The rental business offers a broad range of oilfield equipment, including specialty drill pipe, blowout preventers and various other tools and handling equipment.

Patent Litigation

Appeal Update – On April 25, 2019, the Federal Court of Appeal (the "Appeal Court") released its decision (the "Appeal Decision"), dismissing the appeal filed by Packers Plus Energy Services Inc. ("Packers Plus") in January 2018 (the "Appeal") with costs in favour of Essential and the other respondents. In its reasons, the Appeal Court upheld the portion of the trial decision that was released on December 6, 2017, that the asserted patent was invalid for obviousness and, as a result, it was not necessary for the Appeal Court to consider the other two findings of the Federal Court of Canada (the "Trial Court") of invalidity due to prior disclosure and non-infringement.

Packers Plus is not entitled to appeal the Appeal Decision as a right. Rather, it would have to first seek and obtain leave from the Supreme Court of Canada (the "Supreme Court") to hear an appeal. If it intends to seek leave, Packers Plus would have to file its application for leave to appeal on or before June 24, 2019. Filing an application for leave to appeal to the Supreme Court does not guarantee that the Supreme Court will agree to hear the matter.

Trial Decision – Essential successfully defended itself against the patent litigation initiated by Packers Plus in October 2013. As previously reported, on December 6, 2017, the trial judgment in the Trial Court was released. The trial judge held that the asserted Packers Plus patent was invalid on two, independent grounds (either of which would have been sufficient to invalidate the patent) and that Essential did not, in any event, infringe the patent and therefore Packers Plus' action was dismissed with costs in favour of Essential and the other defendants (the "Trial Decision"). After release of the Trial Decision, in January 2018 Packers Plus filed the Appeal with the Appeal Court.

Based on the strength of both the Trial Decision and the Appeal Decision, Essential continues to believe this litigation is without merit.

Cost Recovery – As noted above, in both the Trial Decision and the Appeal Decision, Essential was awarded costs related to this litigation.

Over the past five and a half years, Essential has incurred approximately $5.0 million in costs. In calculating the cost awards, the Trial Court and the Appeal Court will separately consider costs incurred by Essential related to the following three aspects of this litigation:

1. Trial Costs – Costs incurred between October 2013 and March 2017 to prepare for and participate in the trial.
2. Post-Trial Costs – Costs incurred between the end of trial in March 2017 up to December 2017 when the Trial Decision was released.
3. Appeal Costs – Costs incurred between December 2017 and April 2019 related to the Appeal.

In setting Essential's cost awards, the Trial Court and Appeal Court will separately consider the nature and quantum of the costs incurred for each aspect of the litigation over which they presided. The successful party is generally awarded a portion of the actual legal fees and disbursements that it incurred rather than obtaining full cost recovery.

On May 10, 2019, the Trial Court will hold a hearing on Essential's submission related to quantification of its Trial Costs. The timing of the release of the Trial Court's decision with respect to Essential's Trial Costs is unknown.

Cost recovery submissions related to the other two aspects of Essential's litigation costs will be prepared and submitted once the Trial Court has released its decision on Essential's cost award related to its Trial Costs.

RESULTS OF OPERATIONS

	For the three months ended March 31,	
(in thousands of dollars, except per share amounts)	**2019**	2018
Revenue	**$ 47,446**	$ 60,134
Operating expenses[(i)]	**36,887**	47,664
Gross margin[(i)]	**10,559**	12,470
General and administrative expenses[(i)]	**3,015**	3,325
EBITDAS[(1)(i)]	**7,544**	9,145
Depreciation and amortization[(i)]	**4,302**	3,852
Share-based compensation expense (recovery)	**446**	(848)
Other expense (income)	**388**	(938)
Finance costs[(i)]	**496**	281
Income before income tax[(i)]	**1,912**	6,798
Current income tax expense	**32**	8
Deferred income tax expense	**473**	1,737
Income tax expense	**505**	1,745
Net income[(i)]	**$ 1,407**	$ 5,053
Net income per share Basic and diluted	**$ 0.01**	$ 0.04

(i) Effective January 1, 2019, Essential adopted IFRS 16. Comparative information has not been restated and therefore may not be comparable. For further information see the section titled "Change in Accounting Policy – IFRS 16 - Leases".

SEGMENT RESULTS – *ESSENTIAL COIL WELL SERVICE*

(in thousands of dollars, except percentages, hours and fleet data)	For the three months ended March 31, 2019	2018
Revenue	**$ 26,069**	$ 32,574
Operating expenses(i)	**19,557**	26,351
Gross margin	**$ 6,512**	$ 6,223
Gross margin %	**25%**	19%

	2019	2018
Operating hours		
Coil tubing rigs	**13,418**	16,170
Pumpers	**16,082**	20,439
Equipment fleet(ii)		
Coil tubing rigs	**29**	30
Fluid pumpers	**19**	19
Nitrogen pumpers	**8**	7

(i) Effective January 1, 2019, Essential adopted IFRS 16. Comparative information has not been restated and therefore may not be comparable. This change in accounting policy increased ECWS gross margin for the three months ended March 31, 2019 by $0.5 million compared to the prior year. For further information see the section titled "Change in Accounting Policy – IFRS 16 - Leases".

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

ECWS first quarter 2019 revenue was $26.1 million, 20% lower than the same prior year period, consistent with the decrease in industry well completions. The majority of ECWS's revenue decline was driven by reduced activity for Essential's shallower coil tubing rigs and low rate pumpers. Customer demand for Essential's deeper Generation III and IV coil tubing rigs and high rate fluid pumpers was consistent with the first quarter 2018. This equipment worked for a number of different customers, primarily in the Montney and Duvernay regions of the WCSB. Pricing for coil tubing rigs and pumpers was relatively consistent compared to the same prior year period.

ECWS's gross margin percentage improved significantly compared to the same prior year period. The year-over-year improvement is due primarily to proactive cost management, including effective control of variable operating costs and wage reductions during the quarter.

SEGMENT RESULTS – *TRYTON*

(in thousands of dollars, except percentages)	For the three months ended March 31, **2019**	2018
Revenue	**$ 21,377**	$ 27,560
Operating expenses(i)	**16,929**	20,713
Gross margin	**$ 4,448**	$ 6,847
Gross margin %	**21%**	25%
Tryton revenue – % of revenue		
Tryton MSFS®	**40%**	47%
Conventional Tools & Rentals	**60%**	53%

(i) Effective January 1, 2019, Essential adopted IFRS 16. Comparative information has not been restated and therefore may not be comparable. This change in accounting policy increased Tryton gross margin for the three months ended March 31, 2019 by $0.4 million compared to the prior year. For further information see the section titled "Change in Accounting Policy – IFRS 16 - Leases".

First quarter 2019 Tryton revenue was $21.4 million, a 22% decrease compared to the first quarter 2018 similar to the decrease in industry activity. Tryton's Canadian downhole tool operations were negatively impacted by deferred or reduced customer spending on completion, production and decommissioning activities. Lower demand resulted in decreased revenue for both Tryton MSFS® and conventional tools in the first quarter 2019 in comparison to the same prior year period. The percentage of revenue from MSFS® tools was lower than the first quarter 2018. The revenue split from MSFS® and conventional tools varies from quarter to quarter due to changes in key customer spending.

Tryton U.S. revenue increased slightly during the first three months of 2019 compared to the same prior year period, as Tryton experienced an increase in activity, particularly in the Permian Basin.

Pricing continued to be very competitive throughout the first quarter of 2019 for Tryton's Canadian and U.S. operations.

Gross margin was 21% for the three months ended March 31, 2019 due to lower activity, competitive pricing pressure and fixed costs comprising a greater portion of revenue than the same prior year period.

GENERAL AND ADMINISTRATIVE

(in thousands of dollars)	For the three months ended March 31, **2019**	2018
General and administrative expenses	**$ 3,015**	$ 3,325

General and administrative expenses ("G&A") are comprised of wages, professional fees and other corporate and operational administrative costs. G&A for the first quarter 2019 decreased compared to the same period 2018 due to employee wage reductions implemented at the beginning of the quarter and the impact of IFRS 16.

DEPRECIATION AND AMORTIZATION

(in thousands of dollars)	For the three months ended March 31, 2019		2018
Depreciation and amortization expense	**$ 4,302**	$	3,852

Depreciation and amortization expense for the first quarter 2019 increased compared to the same period in 2018. During the first quarter 2019, the Company recorded additional depreciation expense of $0.8 million related to the right-of-use asset recognized under IFRS 16. This was partially offset by lower depreciation as a result of a reduction in net book value of the Company's equipment following the write-down recognized in the fourth quarter 2018.

SHARE-BASED COMPENSATION

(in thousands of dollars)	For the three months ended March 31, 2019		2018
Share-based compensation expense (recovery)	**$ 446**	$	(848)

During the three months ended March 31, 2019, share-based compensation expense primarily related to vesting of grants under the share-based compensation plans, as Essential's share price did not change relative to December 31, 2018. In comparison, the Company's share price declined during the same prior year period and resulted in a recovery for the first quarter 2018.

Essential's liability for share-based compensation fluctuates based on Essential's share price. When Essential's share price increases (decreases), the estimated amount of future payments also increases (decreases) and results in higher (lower) share-based compensation expense.

OTHER EXPENSE (INCOME)

(in thousands of dollars)	For the three months ended March 31, 2019		2018
Gain on disposal of assets	**$ (145)**	$	(565)
Foreign exchange loss (gain)	**311**		(345)
Other loss (gain)	**222**		(28)
Other expense (income)	**$ 388**	$	(938)

The strengthening of the Canadian dollar in relation to the U.S. dollar during the first three months of 2019 resulted in unrealized foreign exchange loss.

FINANCE COSTS

(in thousands of dollars)	For the three months ended March 31, 2019		2018
Finance costs	**$ 496**	$	281

Finance costs for the first quarter 2019 increased compared to the same period in 2018, due to $0.3 million associated with lease liabilities recognized under IFRS 16.

INCOME TAXES

(in thousands of dollars)		For the three months ended March 31, 2019		2018
Current income tax expense	**$**	**32**	$	8
Deferred income tax expense		**473**		1,737
Income tax expense	**$**	**505**	$	1,745

Essential's statutory income tax rate was 27% for the first quarter 2019, consistent with the same prior year period. For the three months ended March 31, 2019, the Company's effective income tax rate was 26%, consistent with the first quarter 2018.

FINANCIAL RESOURCES AND LIQUIDITY

OPERATING CASH FLOW BEFORE CHANGES IN NON-CASH OPERATING WORKING CAPITAL

(in thousands of dollars, except per share amounts)		For the three months ended March 31, 2019		2018
Net cash provided by (used in) operating activities	**$**	**12,839**	$	(11,234)
Decreases (increases) in non-cash working capital[1]		**6,200**		(21,770)
Operating cash flow before changes in non-cash operating working capital[1]	**$**	**6,639**	$	10,536
Per share – basic and diluted	**$**	**0.05**	$	0.07

WORKING CAPITAL

(in thousands of dollars, except ratios)		**As at March 31, 2019**		As at December 31, 2018
Current assets	**$**	**74,493**	$	78,614
Current liabilities		**(20,685)**		(17,766)
Working capital[1]	**$**	**53,808**	$	60,848
Working capital ratio		**3.6:1**		4.4:1

Working capital[1] is comprised primarily of accounts receivable and inventory, net of accounts payable. Working capital[1] typically grows through the first, third and fourth quarters of the year when industry activity is stronger. Essential uses its revolving credit facility (the "Credit Facility") to meet the variable nature of its working capital[1] for the cost of carrying customer accounts receivable and inventory. Collection periods for accounts receivable are typically longer than payment cycles to vendors and employees. In periods of higher activity, debt tends to increase and in periods of lower activity, debt tends to decline.

CREDIT FACILITY

Essential's Credit Facility is comprised of a $50 million revolving secured term loan facility with a $20 million accordion feature available at the lender's consent. The Credit Facility matures on June 30, 2021, is renewable at the lender's consent and is secured by a general security agreement over the Company's assets, among other requirements and restrictions. To the extent the Credit Facility is not renewed, the balance becomes immediately due and payable on the maturity date.

The Credit Facility contains a number of terms and conditions, including:

- certain financial covenants, with the covenant thresholds detailed in the table below; and
- an equity cure provision whereby the proceeds from an equity offering may be applied to the calculation of bank EBITDA(1) in the funded debt(1) to bank EBITDA(1) covenant and the fixed charge coverage ratio(1) covenant. An equity cure cannot be used more than two times over the term of the Credit Facility and cannot be used in consecutive quarters.

As at March 31, 2019, Essential had consolidated funded debt(1) of $12.1 million, consisting of long-term debt plus deferred financing fees, net of cash. Essential does not anticipate financial resource or liquidity issues to restrict its future operating, investing or financing activities. On May 7, 2019, Essential had $10.1 million of long-term debt.

Financial Covenants

As at March 31, 2019 the maximum of $50 million under the Credit Facility was available to Essential and all financial debt covenants and banking requirements under the Credit Facility were satisfied.

	Covenant Threshold	**As at March 31, 2019**
Funded debt(1) to capitalization(1)	≤ 50%	**7%**
Funded debt(1) to bank EBITDA(1)	≤ 3.50x	**0.7x**
Fixed charge coverage ratio(1)	≥ 1.25x	**14.6x**
Distributions(i) cannot exceed distributable cash flow(1)		**N/A**

(i) Distributions include dividends and share buybacks.

EQUIPMENT EXPENDITURES

(in thousands of dollars)	For the three months ended March 31, **2019**	2018
ECWS	**$ 314**	$ 3,624
Tryton	**1,267**	657
Corporate	**84**	181
Total equipment expenditures	**1,665**	4,462
Less proceeds on disposal of property and equipment	**(957)**	(1,816)
Net equipment expenditures(1)	**$ 708**	$ 2,646

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

(in thousands of dollars)	For the three months ended March 31, **2019**	2018
Growth capital(1)	**$ 630**	$ 1,929
Maintenance capital(1)	**1,035**	2,533
Total equipment expenditures	**$ 1,665**	$ 4,462

First quarter 2019 growth capital included the purchase of Tryton rental pipe and costs to finish upgrading the Generation IV coil tubing reel trailer. Essential's 2019 capital budget remains at $6 million, primarily for maintenance capital.

SHARE CAPITAL

As at May 7, 2019, there were 141,856,813 common shares and 5,059,971 share options ("Share Options") outstanding. Of the 5,059,971 Share Options, 4,021,106 were exercisable of which nil were "in-the-money".

COMMITMENTS

Leases

Essential has entered into leases for office and shop premises that provide for contractual undiscounted lease payments as follows:

(in thousands of dollars)		Amount
Less than one year	$	4,992
One to five years		13,875
More than five years		1,292
As at March 31, 2019	$	20,159

DISCLOSURE CONTROLS AND PROCEDURES

The Company's President and Chief Executive Officer ("CEO") and Vice President, Finance and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO, particularly during the period in which annual, interim or other reports are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Essential reported on disclosure controls and procedures as part of its 2018 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2018, which is available on SEDAR at www.sedar.com and on Essential's website at www.essentialenergy.ca). There have been no significant changes to the Company's disclosure controls and procedures in the current period.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's CEO and CFO are responsible for designing, or causing to be designed under their supervision, ICFR related to the Company, including its consolidated subsidiaries.

Essential reported on ICFR as part of its 2018 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2018, which is available on SEDAR at www.sedar.com and on Essential's website at www.essentialenergy.ca). There have been no significant changes to ICFR in the current period that have materially affected, or are reasonably likely to affect, the Company's ICFR.

OUTLOOK

The Canadian oil and natural gas industry continues to be challenged by political, regulatory and market access issues. These issues, along with the Alberta government's mandated production curtailments and commodity price uncertainty, resulted in lower E&P capital spending plans for 2019, compared to 2018. The first quarter 2019 showed evidence of that with Canadian drilling activity and well completions tracking below the prior year quarter. Canadian oil prices have improved compared to the latter part of 2018, however it remains to be seen if E&P companies will translate stronger cash flow to increased capital spending budgets. Canadian natural gas prices continue to be volatile and low.

Due to spring break-up, activity in April was slow. Similar to the first quarter, in April, Essential experienced reduced activity compared to the prior year period. Activity for the remainder of the second quarter is also expected to be below the prior year period. At this point, although Canadian oil prices have improved, activity and demand for the second half of 2019 remains uncertain.

Essential continues to be focused on what it can control in this environment: cost management, capital discipline, ensuring its service offerings meet customer demand and allocating free cash flow to reduce debt.

On April 25, 2019, the Appeal Court released its Appeal Decision dismissing the Packers Plus appeal. This was a significant win for Essential.

Essential continues to have low debt with long-term debt outstanding at May 7, 2019 of $10.1 million. At March 31, 2019, funded debt(1) to bank EBITDA(1) was 0.7x. Essential believes it is financially well-positioned to meet its working capital and capital spending requirements.

SUMMARY OF QUARTERLY DATA

Essential operates primarily in western Canada, where activity is directly impacted by seasonality. Activity is traditionally higher in the first, third and fourth quarters of the year and lower in the second quarter. With the onset of spring, melting snow and thawing ground frost renders many roadways incapable of supporting heavy equipment. In addition, certain areas in Canada are typically only accessible during the winter months.

The industry downturn has disrupted typical historic oilfield services seasonal and quarterly patterns in western Canada as E&P companies' spending decisions are driven by constrained cash flow in addition to weather and access issues.

The following table provides the Company's quarterly information for the past eight quarters:

(in thousands of dollars, except per share amounts, percentages, hours and fleet data)	**Mar 31, 2019**	Dec 31, 2018	Sept 30, 2018	June 30, 2018	**Mar 31, 2018**	Dec 31, 2017	Sept 30, 2017	June 30, 2017
Essential Coil Well Service	**26,069**	18,334	27,831	20,774	**32,574**	22,002	28,606	14,569
Tryton	**21,377**	22,852	22,805	17,164	**27,560**	21,260	20,145	13,076
Total revenue	**47,446**	41,186	50,636	37,938	**60,134**	43,262	48,751	27,645
Gross margin(i)	**10,559**	5,261	10,112	4,838	**12,470**	4,522	11,524	1,484
Gross margin %	**22%**	13%	20%	13%	**21%**	10%	24%	5%
EBITDAS(1)(i)(ii)	**7,544**	1,690	7,047	1,837	**9,145**	1,153	8,541	(1,291)
Bank EBITDA(1)	**6,378**	2,170	7,264	1,871	**9,150**	1,220	8,624	(1,272)
Net income (loss)(i)(ii)(iii)	**1,407**	(13,654)	2,228	(2,405)	**5,053**	(3,843)	2,344	(5,005)
Per share – basic and diluted	**0.01**	(0.10)	0.02	(0.02)	**0.04**	(0.03)	0.02	(0.04)
Total assets	**207,704**	201,270	229,358	221,935	**241,472**	219,448	223,695	208,337
Long-term debt	**12,827**	21,388	23,667	19,087	**31,943**	17,975	20,606	13,337
Operating hours								
Coil tubing rigs	**13,418**	8,262	13,236	9,311	**16,170**	11,215	13,751	7,039
Pumpers	**16,082**	12,146	17,237	13,236	**20,439**	14,581	18,094	9,529
Total equipment fleet(iv)								
Coil tubing rigs	**29**	29	28	30	**30**	30	31	31
Fluid pumpers	**19**	19	19	20	**19**	18	18	20
Nitrogen pumpers	**8**	8	7	7	**7**	8	11	11
Tryton - % of revenue								
Tryton MSFS®	**40%**	43%	41%	47%	**47%**	44%	48%	42%
Conventional Tools & Rentals	**60%**	57%	59%	53%	**53%**	56%	52%	58%

(i) Effective January 1, 2019, Essential adopted IFRS 16. Comparative information has not been restated and therefore may not be comparable. For further information see the section titled "Change in Accounting Policy – IFRS 16 - Leases".
(ii) The quarter ended December 31, 2018 includes an onerous lease contract expense of $0.5 million.
(iii) The quarter ended December 31, 2018 includes an asset write-down of $17.9 million.
(iv) Fleet data represents the number of units at the end of the period.

FORWARD-LOOKING STATEMENTS AND INFORMATION

This MD&A contains "forward-looking statements" and "forward-looking information" (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to a number of material factors, assumptions, risks and uncertainties, many of which are beyond the control of the Company.

Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "continues", "projects", "forecasts", "potential", "budget" and similar expressions, or are events or conditions that "will", "would", "may", "likely", "could", "should", "can", "typically" or "tends to" occur or be achieved. This MD&A contains forward-looking statements, pertaining to, among other things, the following: Essential's belief that Packers Plus' claims are without merit and the cost recovery process in connection therewith; the impact of Essential's financial resources or liquidity on its future operating, investing and financing activities and financial condition; Essential's capital budget; oil and natural gas industry activity and outlook; political and regulatory uncertainty; Essential's activity levels; Essential's operational focus, outlook and the demand for Essential's services; Essential's focus on what it can control and each of those elements; and Essential's financial position and ability to meet its working capital and capital spending requirements.

Although the Company believes that the material factors, expectations and assumptions expressed in such forward-looking statements are reasonable based on information available to it on the date such statements are made, undue reliance should not be placed on the forward-looking statements because the Company can give no assurances that such statements and information will prove to be correct and such statements are not guarantees of future performance. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual performance and results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: known and unknown risks, including those set forth in the Company's Annual Information Form (a copy of which can be found under Essential's profile on SEDAR at www.sedar.com); the risks associated with the oilfield services sector, including demand, pricing and terms for oilfield services; current and expected oil and natural gas prices; exploration and development costs and delays; reserves discovery and decline rates; pipeline and transportation capacity; weather, health, safety, market and environmental risks; integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation including, but not limited to, tax laws, royalties, incentive programs and environmental regulations; stock market volatility and the inability to access sufficient capital from external and internal sources; the ability of the Company's subsidiaries to enforce legal rights in foreign jurisdictions; general economic, market or business conditions; global economic events; changes to Essential's financial position and cash flow; the availability of qualified personnel, management or other key inputs; currency exchange fluctuations; changes in political and security stability; risks and uncertainty related to distribution and pipeline constraints; and other unforeseen conditions which could impact the use of services supplied by the Company. Accordingly, readers should not place undue importance or reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive.

Statements, including forward-looking statements, contained in this MD&A are made as of the date they are given and the Company disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with applicable securities regulatory authorities and may be accessed under Essential's profile on SEDAR at www.sedar.com.

[1]Non-IFRS Measures

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

Bank EBITDA – Bank EBITDA is generally defined in Essential's Credit Facility as EBITDAS, including the equity cure, excluding onerous lease contract expense and severance costs ("Permitted Adjustments") and excluding the impact of IFRS 16.

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

Distributable cash flow – This measure is generally defined in Essential's Credit Facility as net income excluding share-based compensation expense, depreciation and amortization, deferred income tax expense, provision for accounts receivable impairment, gains/losses on disposal, write-down of assets, onerous lease contract expense and severance costs, less required principal repayments for the most recent trailing twelve months. The impact of IFRS 16 is excluded from the calculation.

EBITDAS (Earnings before finance costs, income taxes, depreciation, amortization, transaction costs, losses or gains on disposal, write-down of assets, impairment loss, foreign exchange gains or losses, and share-based compensation, which includes both equity-settled and cash-settled transactions) – These adjustments are relevant as they provide another measure which is considered an indicator of Essential's results from its principal business activities.

The following table reconciles Bank EBITDA, EBITDAS and EBITDA, to the IFRS measure, net income:

	For the three months ended March 31,			
(in thousands of dollars)		**2019**		2018
Bank EBITDA	**$**	**6,378**	$	9,150
Add impact of IFRS 16		**(1,246)**		-
Deduct Permitted Adjustments		**80**		5
EBITDAS[(i)]	**$**	**7,544**	$	9,145
Share-based compensation expense (recovery)		**446**		(848)
Other expense (income)		**388**		(938)
EBITDA[(i)]	**$**	**6,710**	$	10,931
Depreciation and amortization		**4,302**		3,852
Finance costs		**496**		281
Income before income tax[(i)]	**$**	**1,912**	$	6,798
Total income tax expense		**505**		1,745
Net income[(i)]	**$**	**1,407**	$	5,053

(i) Effective January 1, 2019, Essential adopted IFRS 16. Comparative information has not been restated and therefore may not be comparable. This change in accounting policy increased EBITDAS, EBITDA, income before income tax and net income for the three months ended March 31, 2019 by $1.2 million, $1.2 million, $0.2 million and $0.1 million, respectively, compared to the prior year. For further information see the section titled "Change in Accounting Policy – IFRS 16 - Leases".

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

(in thousands of dollars, except ratios)	Trailing 12 months ended March 31, 2019
Bank EBITDA	**$ 17,683**
Less current income tax expense	**87**
	$ 17,596
Finance costs(i)	**$ 1,208**
Fixed charge coverage ratio	**14.6x**

(i) Finance costs in the Credit Facility exclude finance costs related to IFRS 16.

Funded debt – Funded debt is generally defined in Essential's Credit Facility as long-term debt, including current portion of long-term debt plus deferred financing costs and bank indebtedness, net of cash. It does not include the lease liability related to IFRS 16.

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

Maintenance capital – Equipment additions that are incurred in order to refurbish, replace or extend the life of previously acquired equipment. Such additions do not provide incremental revenue.

Net equipment expenditures(i) – This measure is equipment expenditures less proceeds on the disposal of equipment. Essential uses net equipment expenditures to describe net cash outflows related to the cost of Essential's capital program.

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

(i) Net equipment expenditures is calculated from the IFRS measures, total equipment expenditures less proceeds on disposal of property and equipment, in the table "Equipment Expenditures".

Unaudited Condensed Consolidated Interim Financial Statements

Essential Energy Services Ltd.

March 31, 2019

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

(in thousands of dollars)		**As at March 31, 2019**		As at December 31, 2018
Assets				
Current				
Cash	**$**	**988**	$	410
Trade and other accounts receivable *(note 5)*		**34,739**		35,775
Inventories *(note 6)*		**37,170**		40,255
Prepayments and deposits		**1,596**		2,174
		74,493		78,614
Non-current				
Property and equipment *(note 7)*		**115,795**		118,249
Right-of-use lease assets *(note 4)*		**13,268**		-
Intangible assets		**480**		662
Goodwill		**3,668**		3,745
		133,211		122,656
Total assets	**$**	**207,704**	$	201,270
Liabilities				
Current				
Trade and other accounts payable *(note 8)*	**$**	**16,081**	$	16,092
Share-based compensation *(note 12)*		**495**		657
Income taxes payable		**36**		-
Current portion of lease liability *(note 4)*		**4,073**		-
Current portion of onerous lease contracts		**-**		1,017
		20,685		17,766
Non-current				
Long-term lease liability *(note 4)*		**13,328**		-
Long-term onerous lease contracts		**-**		2,816
Share-based compensation *(note 12)*		**1,868**		2,093
Long-term debt *(note 9)*		**12,827**		21,388
Deferred tax liability		**5,478**		5,025
		33,501		31,322
Total liabilities		**54,186**		49,088
Contingencies *(note 14)*				
Equity				
Share capital *(note 10)*		**272,732**		272,732
Deficit		**(125,437)**		(126,734)
Other reserves *(note 11)*		**6,223**		6,184
Total equity		**153,518**		152,182
Total liabilities and equity	**$**	**207,704**	$	201,270

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

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

	For the three months ended March 31,			
(in thousands of dollars, except per share amounts)		**2019**		2018
Revenue	**$**	**47,446**	$	60,134
Operating expenses		**36,887**		47,664
Gross margin		**10,559**		12,470
General and administrative expenses		**3,015**		3,325
Depreciation and amortization *(notes 4 & 7)*		**4,302**		3,852
Share-based compensation expense (recovery) *(note 12)*		**446**		(848)
Other expense (income)		**388**		(938)
Operating income		**2,408**		7,079
Finance costs		**496**		281
Income before taxes		**1,912**		6,798
Current income tax expense		**32**		8
Deferred income tax expense		**473**		1,737
Income tax expense		**505**		1,745
Net income		**1,407**		5,053
Unrealized foreign exchange gain (loss)		**33**		(41)
Comprehensive income	**$**	**1,440**	$	5,012
Net income per share *(note 13)*				
Basic and diluted	**$**	**0.01**	$	0.04
Comprehensive income per share *(note 13)*				
Basic and diluted	**$**	**0.01**	$	0.04

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

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

(in thousands of dollars)		For the three months ended March 31, **2019**		2018
Equity:				
Share capital				
Balance, January 1 and March 31 *(note 10)*	**$**	**272,732**	$	272,732
Deficit				
Balance, January 1	**$**	**(126,734)**	$	(117,956)
Adjustment on adoption of IFRS 16 (net of tax) *(note 3)*		**(110)**		-
Net income		**1,407**		5,053
Balance, March 31	**$**	**(125,437)**	$	(112,903)
Other reserves				
Balance, January 1	**$**	**6,184**	$	6,027
Other comprehensive gain (loss)		**33**		(41)
Share-based compensation *(note 12)*		**6**		78
Balance, March 31	**$**	**6,223**	$	6,064
Total equity	**$**	**153,518**	$	165,893

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

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

	For the three months ended March 31,	
(in thousands of dollars)	**2019**	2018
Operating activities:		
Net income	**$ 1,407**	$ 5,053
Non-cash adjustments to reconcile net income to operating cash flow:		
Depreciation and amortization *(notes 4 & 7)*	**4,302**	3,852
Deferred income tax expense	**473**	1,737
Share-based compensation *(note 12)*	**6**	78
Provision for impairment of trade accounts receivable *(note 5)*	**100**	100
Finance costs	**496**	281
Gain on disposal of assets	**(145)**	(565)
Operating cash flow before changes in non-cash operating working capital	**6,639**	10,536
Changes in non-cash operating working capital:		
Trade and other accounts receivable before provision	**1,044**	(19,279)
Inventories	**3,085**	(3,878)
Income taxes payable	**36**	9
Prepayments and deposits	**578**	280
Trade and other accounts payable	**1,844**	3,117
Onerous lease contract	**-**	(264)
Share-based compensation	**(387)**	(1,755)
Net cash provided by operating activities	**12,839**	(11,234)
Investing activities:		
Purchase of property, equipment and intangible assets *(note 7)*	**(1,665)**	(4,462)
Non-cash investing working capital in trade and other accounts payable	**(1,523)**	120
Proceeds on disposal of equipment	**957**	1,816
Net cash used in investing activities	**(2,231)**	(2,526)
Financing activities:		
(Decrease) increase in long-term debt *(note 9)*	**(8,593)**	13,950
Net finance costs paid	**(199)**	(249)
Payments of lease liability *(note 4)*	**(1,246)**	-
Net cash provided by financing activities	**(10,038)**	13,701
Foreign exchange gain on cash held in a foreign currency	**8**	13
Net increase (decrease) in cash	**578**	(46)
Cash, beginning of period	**410**	46
Cash, end of period	**$ 988**	$ -
Supplemental cash flow information		
Cash taxes received	**$ 6**	$ -
Cash interest and standby fees paid	**$ 195**	$ 240

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

1. AUTHORIZATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements ("Financial Statements") of Essential Energy Services Ltd. and its subsidiaries ("Essential" or the "Company") for the three months ended March 31, 2019 and 2018 were approved by the Board of Directors of Essential ("Board of Directors") on May 7, 2019.

Based in Calgary, Alberta, Essential provides oilfield services to oil and natural gas exploration and production companies primarily in western Canada. Essential is publicly traded, was incorporated under the *Business Corporations Act* (Alberta) and is listed under the symbol ESN on the Toronto Stock Exchange. The address of the registered office is 3400, 350 – 7 Avenue S.W., Calgary, Alberta, Canada, T2P 3N9.

2. SUMMARY OF COMPLIANCE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements as at and for the three months ended March 31, 2019 were prepared in accordance with IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). Except the accounting standard adopted during the period as described in note 3, the same accounting policies and methods of computation were followed in the preparation of these Financial Statements as were followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2018. Accordingly, these Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018. This is the first set of the Company's financial statements where International Financial Reporting Standard ("IFRS") 16 has been applied.

3. CHANGE IN ACCOUNTING POLICY

NEW ACCOUNTING STANDARD

Except as noted below, the Company has consistently applied the accounting policies to all periods presented in these Financial Statements.

IFRS 16 Leases

IFRS 16 *Leases* ("IFRS 16") introduced a single, on-balance sheet lease accounting model for lessees, where a lessee recognizes a right-of-use asset representing the rights to the use of the underlying assets and a lease liability representing its obligation to make lease payments.

Effective January 1, 2019, Essential adopted IFRS 16 using a modified retrospective approach without restatement of comparative information. The cumulative effect of the adoption of IFRS 16 is recognized in retained earnings on January 1, 2019. Under this approach, the comparative information presented for 2018 has not been restated and continues to be reported under IAS 17.

On transition to IFRS 16 on January 1, 2019, Essential recognized an additional $14.1 million right-of-use asset and $18.4 million lease liability. The difference was recognized in retained earnings.

Interim consolidated statement of financial position

(in thousands of dollars)	December 31, 2018	Adjustments on adoption	January 1, 2019
Right-of-use asset	$ -	$ 14,102	$ 14,102
Current portion of onerous lease contracts	1,017	(1,017)	-
Trade and other accounts payable	16,092	(330)	15,762
Long-term onerous lease contracts	2,816	(2,816)	-
Deferred tax liability	5,025	(22)	5,003
Lease liability	-	18,398	18,398
Deficit	$ (126,734)	$ (110)	$ (126,844)

When measuring its lease liability, the Company discounted the value of future lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied was 5.95%. Essential's lease liability as at January 1, 2019 was $18.4 million and its undiscounted lease commitment as at January 1, 2019 was $21.4 million.

4. LEASES

The Company applied IFRS 16 using the modified retrospective approach. The impact of changes is disclosed in note 3.

Significant accounting policy

Essential's leases are primarily related to office and shop premises.

At inception, a contract is assessed to determine whether it is, or contains, a lease. A lease conveys the right to control the use of the leased item for a period of time in exchange for payment. Leases are capitalized at the commencement of the lease at the present value of the future lease payments. Obligations recorded under leases are reduced by the lease payments made, net of imputed interest. Leased assets are depreciated using the straight-line method over the lease term.

Essential has applied judgment to determine the lease term of some lease contracts in which it is a lessee that include renewal options and discount rates.

Transition

Previously, Essential classified property leases as operating leases under IAS 17. These include office and shop premises.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate as at January 1, 2019.

Essential used the following practical expedients when applying IFRS 16 to the leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term and for low-value leases; and
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Information about the Company's office and shop premise leases are as follows:

Right-of-use lease assets

(in thousands of dollars)		For the three months ended March 31, 2019
Beginning of period	$	14,102
Depreciation		(824)
Foreign exchange loss		(10)
End of period	$	13,268

Lease Liability

(in thousands of dollars)		As at March 31, 2019
Maturity analysis – contractual undiscounted cash flow		
Less than one year	$	4,992
One to five years		13,875
More than five years		1,292
Total undiscounted lease liability, end of period	$	20,159
Discounted value of future lease payments		
Current portion of lease liability	$	4,073
Long-term portion of lease liability		13,328
Lease liability included in the statement of financial position	$	17,401

For the three months ended March 31, 2019, Essential recognized $0.3 million of finance costs related to lease liabilities in its consolidated interim statements of net income and comprehensive income and $1.2 million of total cash outflow for leases in the consolidated interim statement of cash flows.

5. TRADE AND OTHER ACCOUNTS RECEIVABLE

		As at March 31, 2019		As at December 31, 2018
Trade receivables, net of provision	$	34,685	$	35,298
Other receivables		54		477
	$	34,739	$	35,775

Trade and other receivables are non-interest bearing and are shown net of a provision for impairment. Other receivables are non-interest bearing.

Trade receivables includes accrued receivables which primarily relate to Essential's rights to consideration for work completed but not invoiced at the reporting date.

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

The aging analysis of trade receivables is as follows:

	As at March 31, 2019	As at December 31, 2018
< 31 days	**$ 15,494**	$ 9,674
31-60 days	**13,472**	13,286
61-90 days	**4,953**	9,762
> 90 days	**766**	2,576
	$ 34,685	$ 35,298

Essential considers a trade receivable balance past due when it exceeds normal customer payment terms, which can range from 30 days to greater than 90 days. The provision for impairment of receivables is included in the amounts over 90 days and has been included in operating expenses in the consolidated interim statements of net income and comprehensive income. Uncollectable amounts included in the provision are written off against the provision when there is no expectation of recovery. The movements in the provision during the period were as follows:

	For the three months ended March 31, 2019	For the twelve months ended December 31, 2018
Balance, beginning of period	**$ 715**	$ 671
Provision for receivables impairment	**100**	100
Receivables written off against the provision	**-**	(56)
Balance, end of period	**$ 815**	$ 715

6. INVENTORIES

	As at March 31, 2019	As at December 31, 2018
Tryton tools	**$ 25,062**	$ 27,441
Coil tubing and supplies	**12,108**	12,814
	$ 37,170	$ 40,255

Inventory charged through operating expenses in the consolidated interim statements of net income and comprehensive income for the three months ended March 31, 2019 was $12.4 million (2018 – $15.8 million).

7. PROPERTY AND EQUIPMENT

As at March 31, 2019	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Coil rigs, pumpers and equipment	**$ 155,574**	**$ 84,826**	**$ 70,748**
Other oilfield equipment	**61,436**	**33,590**	**27,846**
Vehicles	**34,620**	**19,144**	**15,476**
Office and computer equipment	**4,055**	**3,492**	**563**
Other	**4,643**	**3,481**	**1,162**
	$ 260,328	**$ 144,533**	**$ 115,795**

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

As at December 31, 2018		Cost		Accumulated Depreciation		Net Book Value
Coil rigs, pumpers and equipment	$	159,087	$	86,047	$	73,040
Other oilfield equipment		60,408		32,495		27,913
Vehicles		34,259		18,595		15,664
Office and computer equipment		4,044		3,439		605
Other		4,467		3,440		1,027
	$	262,265	$	144,016	$	118,249

Included in property and equipment is $1.0 million (December 31, 2018 – $2.7 million) of assets under construction which will not be depreciated until put into use.

	For the three months ended March 31,			
		2019		2018
Net book value, beginning of period	**$**	**118,249**	$	139,734
Additions		**1,654**		4,452
Disposals		**(812)**		(1,251)
Depreciation		**(3,289)**		(3,623)
Currency translation adjustment		**(7)**		10
Net book value, end of period	**$**	**115,795**	$	139,322

8. TRADE AND OTHER ACCOUNTS PAYABLE

		As at March 31, 2019		As at December 31, 2018
Trade accounts payable	**$**	**8,167**	$	6,882
Accrued payables		**2,872**		4,100
Accrued payroll		**3,729**		3,888
Other		**1,313**		1,222
	$	**16,081**	$	16,092

9. LONG-TERM DEBT

		As at March 31, 2019		As at December 31, 2018
Term loan	**$**	**13,107**	$	21,700
Deferred financing costs		**(280)**		(312)
Non-current portion of long-term debt	**$**	**12,827**	$	21,388

Essential's credit facility is comprised of a $50 million revolving term loan facility with a $20 million accordion feature available at the lender's consent (the "Credit Facility"). The Credit Facility matures on June 30, 2021, is renewable at the lender's consent and is secured by a general security agreement over the Company's assets. To the extent the Credit Facility is not renewed, the balance would be immediately due and payable on the maturity date.

As at March 31, 2019, the maximum of $50 million was available to Essential and all financial debt covenants and all banking requirements under the Credit Facility were satisfied.

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

The following table reconciles the change in long-term debt to cash flows arising from financing activities:

	For the three months ended March 31, 2019	2018
Balance, beginning of period	**$ 21,388**	$ 17,975
Cash changes:		
(Decrease) increase in long-term debt	**(8,593)**	13,950
Non cash changes:		
Amortization of deferred financing costs	**32**	18
Balance, end of period	**$ 12,827**	$ 31,943

10. SHARE CAPITAL

Authorized

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

	Number of Common Shares (000's)	Amount
As at March 31, 2019, December 31, 2018 and January 1, 2018	**141,857**	**$ 272,732**

11. OTHER RESERVES

	Contributed Surplus	Accumulated Other Comprehensive Income	Total
As at January 1, 2018	$ 5,548	$ 479	$ 6,027
Share-based compensation	239	-	239
Unrealized foreign exchange loss	-	(82)	(82)
As at December 31, 2018	$ 5,787	$ 397	$ 6,184
Share-based compensation	**6**	**-**	**6**
Unrealized foreign exchange gain	**-**	**33**	**33**
As at March 31, 2019	**$ 5,793**	**$ 430**	**$ 6,223**

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

12. SHARE-BASED COMPENSATION

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

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

	For the three months ended March 31, **2019**	2018
Share options	**$ 6**	$ 78
Restricted share units	**373**	37
Deferred share units	**67**	(963)
Share-based compensation expense (recovery)	**$ 446**	$ (848)

a) Share Option Plan

Under the Company's Share Option Plan, participants receive options to acquire Common Shares, with terms not to exceed five years from the date of the grant. The exercise price is the weighted-average price of the Common Shares for the five trading days immediately prior to the grant date. Under the Share Option Plan, vesting periods are determined by the Board of Directors at the time of the grant. The options currently outstanding vest over three years with one-third of the options exercisable on each anniversary date from the date of the original grant.

At March 31, 2019 the maximum number of share options issuable under the Share Option Plan may not exceed 6% (2018 – 9%) of the Company's outstanding Common Shares. As at March 31, 2019, the maximum number of share options allowed for issuance was 8,511,409 (2018 – 12,767,114).

	For the three months ended March 31, 2019		For the three months ended March 31, 2018	
	Number of Options (000's)	**Weighted Average Exercise Price**	Number of Options (000's)	Weighted Average Exercise Price
Outstanding, beginning of period	**5,821**	**$ 0.99**	6,398	$ 1.11
Issued	**532**	**0.32**	-	-
Expired	**(465)**	**2.90**	(377)	2.10
Forfeited	**(828)**	**0.77**	-	-
Outstanding, end of period	**5,060**	**$ 0.78**	6,021	$ 1.04
Exercisable, end of period	**4,021**	**$ 0.84**	3,767	$ 1.19

The fair value of the share options issued during the period was $0.15 (2018 – nil). Fair value is estimated using the Black-Scholes Option Pricing Model using the following underlying assumptions:

	2019	2018
Risk-free interest rate	**1.88%**	**n/a**
Expected volatility	**56.3 – 58.7%**	**n/a**
Expected term	**3.9 – 4.6 years**	**n/a**
Expected forfeiture rate	**7.6 - 13.7%**	**n/a**
Dividend yield	**nil**	**n/a**

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

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

The following table summarizes information with respect to the share options outstanding:

Exercise Prices	**Options Outstanding (000's)**	**Weighted Average Remaining Contractual Life (years)**		**Weighted Average Exercise Price (per option)**	**Number of Options Exercisable (000's)**
As at March 31, 2019					
$0.32 – $1.00	**3,685**	**2.56**	**$**	**0.63**	**2,646**
$1.01 – $1.46	**1,375**	**1.11**	**$**	**1.19**	**1,375**
	5,060	**2.18**	**$**	**0.78**	**4,021**
As at March 31, 2018					
$0.55 – $1.00	3,726	3.25	$	0.66	1,897
$1.01 – $2.00	1,630	2.11	$	1.19	1,205
$2.01 – $2.90	665	0.62	$	2.77	665
	6,021	2.65	$	1.04	3,767

b) Restricted Share Units

The Board of Directors is authorized to grant RSUs to participants under the RSU Plan. An RSU gives the participant the right to receive a cash payment at the time of vesting. The grants vest in three equal instalments and contain time vesting and/or performance vesting feature(s). The performance based criteria vest conditionally. Essential's liability as at March 31, 2019 was $0.6 million (December 31, 2018 – $1.0 million) of which $0.5 million is due within one year (December 31, 2018 – $0.7 million).

The following table summarizes information with respect to RSUs outstanding:

	For the three months ended March 31,	
Number of RSUs (000's)	**2019**	2018
Outstanding, beginning of period	**4,930**	4,833
Issued	**5,976**	2,814
Vested	**(1,961)**	(1,134)
Forfeited	**(430)**	(69)
Outstanding, end of period	**8,515**	6,444

c) Deferred Share Units

The Board of Directors is authorized to grant DSUs to participants under the DSU Plan. A DSU gives the participant a right of redemption in the form of a lump sum cash payment when the participant ceases to be a director or employee of the Company. Essential's liability at March 31, 2019 was $1.7 million (December 31, 2018 – $1.8 million) of which nil is due within one year (December 31, 2018 – nil).

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

The following table summarizes information with respect to DSUs outstanding:

Number of DSUs (000's)	For the three months ended March 31, 2019	2018
Outstanding, beginning of period	**6,231**	5,509
Issued	**601**	320
Redeemed	**(646)**	-
Forfeited	**(94)**	-
Outstanding, end of period	**6,092**	5,829

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to shareholders of Essential by the weighted average number of shares issued.

In calculating the diluted earnings per share, share options have been taken into account where the impact is dilutive. During periods of net loss, the dilutive effect on Common Shares from share options are not used in calculating net loss per share as their effect is anti-dilutive.

(000's)	For the three months ended March 31, 2019	2018
Basic and diluted	**141,857**	141,857
Dilutive Common Share from share options	**-**	1,169
Total diluted	**141,857**	143,026

14. CONTINGENCIES

Contingencies

The Company, through the performance of its services and business arrangements, is sometimes named as a defendant in litigation. The outcome of such claims against the Company are not determinable at this time.

On October 23, 2013, Packers Plus Energy Services Inc. ("Packers Plus") filed a Statement of Claim in the Federal Court of Canada (the "Trial Court") against Essential alleging that certain products and methods associated with the Tryton Multi-Stage Fracturing System® infringe a patent issued to Packers Plus.

On November 3, 2017, the Trial Court rendered a decision in Essential's favour, ruling that the asserted patent was not valid and that Essential did not infringe the patent (the "Decision").

On January 5, 2018, Packers Plus filed an appeal of the trial judge's rulings on validity and infringement (the "Appeal"). To have any claim of damages against Essential, Packers Plus must successfully overturn all of the following elements of the Decision:

1. The asserted patent is invalid due to prior disclosure;
2. The asserted patent is invalid due to prior art/obviousness; and
3. Essential did not infringe the patent.

On April 25, 2019, the Federal Court of Appeal (the "Appeal Court") released its decision dismissing the Appeal with costs in favour of Essential. In its reasons, the Appeal Court upheld the portion of the Decision that the asserted patent was invalid for obviousness and, as a result, it was not necessary for the Appeal Court to consider the Trial Court's findings of invalidity and non-infringement.

15. FINANCIAL INSTRUMENTS

Fair value hierarchy

The fair value hierarchy establishes three levels to classify the inputs for valuation techniques used to measure fair value as follows:

i. Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
ii. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means; and
iii. Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company does not use any Level 3 inputs.

16. SEASONALITY OF OPERATIONS

The Company's operations are carried out primarily in western Canada. The oilfield service industry's ability to move heavy equipment in exploration and production areas is dependent on weather conditions. With the onset of spring, melting snow, together with frost coming out of the ground renders many roadways incapable of supporting heavy equipment until sufficient time has passed for them to dry out. In addition, certain areas in Canada are typically only accessible during winter months, when the ground surface is frozen enough to support the heavy equipment. As a result, the activity levels of the Company are directly impacted by this seasonality, whereby activity is traditionally higher in the first, third and fourth quarters of the year and lower in the second quarter.

17. SEGMENTED INFORMATION

Essential has two operating segments, Essential Coil Well Service ("ECWS") and Tryton, and a non-operating segment, Corporate.

Essential's reportable segments are based on services offered. The basis of accounting for transactions between reportable segments is done at fair market value.

a) Essential Coil Well Service

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

b) Tryton

The Tryton segment provides downhole tools and rental services in Canada and the U.S.

c) Corporate

The Corporate segment is comprised of corporate office and certain operational costs, which are managed on a group basis and are not allocated to the operating segments. Loss before income taxes for the three months ended March 31, 2019 for the Corporate segment substantially represents corporate office and certain operational costs of $3.1 million (March 31, 2018 - $3.7 million), respectively, and foreign exchange loss/gain due to the movement of the Canadian dollar in relation to the U.S. dollar.

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

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

As at and for the three months ended March 31, 2019	**ECWS**	**Tryton**	**Corporate**	**Consolidated**
Revenue	**$ 26,069**	**$ 21,377**	**$ -**	**$ 47,446**
Income (loss) before income taxes	**$ 3,592**	**$ 2,906**	**$ (4,586)**	**$ 1,912**
Depreciation and amortization	**$ 2,666**	**$ 1,299**	**$ 337**	**$ 4,302**
Total assets	**$ 129,620**	**$ 73,712**	**$ 4,372**	**$ 207,704**
Total liabilities	**$ 22,023**	**$ 13,761**	**$ 18,402**	**$ 54,186**
Property, equipment and intangible asset expenditures	**$ 314**	**$ 1,267**	**$ 84**	**$ 1,665**

As at and for the three months ended March 31, 2018	ECWS	Tryton	Corporate	Consolidated
Revenue	$ 32,574	$ 27,560	$ -	$ 60,134
Income (loss) before income taxes	$ 3,839	$ 5,603	$ (2,644)	$ 6,798
Depreciation and amortization	$ 2,578	$ 1,060	$ 214	$ 3,852
Total assets	$ 159,730	$ 80,393	$ 1,349	$ 241,472
Total liabilities	$ 24,710	$ 12,867	$ 38,002	$ 75,579
Property, equipment and intangible asset expenditures	$ 3,624	$ 657	$ 181	$ 4,462

CORPORATE INFORMATION

Directors

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Garnet K. Amundson[3]

Michael J. Black[3]

Robert T. German[1,3]

Nicholas G. Kirton[1,2]

Robert B. Michaleski[1, 2]

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

Auditors

KPMG LLP

Bankers

National Bank of Canada

ATB Financial

Canadian Western Bank

Legal Counsel

Fasken Martineau DuMoulin LLP

Transfer Agent

Computershare Trust Company of Canada

Management

Garnet K. Amundson
President and Chief Executive Officer

Jeff B. Newman
Vice President, Finance and Chief Financial Officer

Eldon Heck
Vice President, Downhole Tools & Rentals

Karen Perasalo
Vice President, Investor Relations & Corporate Secretary

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