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, 2022.

This MD&A should be read in conjunction with Essential's March 31, 2022 unaudited condensed consolidated interim financial statements and the audited annual consolidated financial statements and MD&A included in Essential's 2021 Financial Report for the year ended December 31, 2021. 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 and Other Financial Measures" in this report. All references to dollar amounts are to Canadian dollars, except where otherwise indicated. This MD&A was prepared effective May 12, 2022 and was approved and authorized for issuance by the Board of Directors of the Company on May 12, 2022.

Essential was incorporated under the *Business Corporations Act* (Alberta). The common shares ("Shares") of the Company trade on the Toronto Stock Exchange ("TSX") under the symbol ESN. Additional information regarding Essential, including its Annual Information Form ("AIF") for the year ended December 31, 2021, 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 and percentages)	For the three months ended March 31, 2022	2021
Revenue	**$ 37,741**	$ 30,150
Gross margin	**6,021**	6,738
Gross margin %	**16%**	22%
EBITDAS (1)	**3,615**	4,888
EBITDAS % (1)	**10%**	16%
Net loss	**$ (3,921)**	$ (2,593)
Per share - basic and diluted	**$ (0.03)**	$ (0.02)
Operating hours		
Coiled tubing rigs	**10,016**	8,629
Pumpers	**13,014**	11,603
	As at March 31, 2022	2021
Working capital (1)	**$ 45,235**	$ 47,638
Cash, net of long-term debt (1)	**1,075**	6,198

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

INDUSTRY OVERVIEW

First quarter 2022 industry drilling and well completion activity in the Western Canadian Sedimentary Basin ("WCSB") was ahead of the same prior year period as higher commodity prices have led to increased exploration and production ("E&P") company spending.

The price of West Texas Intermediate ("WTI") averaged US$94.82 per barrel in the first quarter of 2022, with prices exceeding US$110 per barrel early in March 2022, compared to an average of US$58 per barrel in the first quarter of 2021. Canadian natural gas prices ("AECO") averaged $4.54 per gigajoule during the first quarter of 2022, compared to an average of $3.00 per gigajoule during the comparative prior year quarter.

Inflation rates in Canada during the first quarter of 2022 were the highest since the early 1990s[a] which increased overall cost structures. Oilfield service pricing showed modest signs of improvement; but rising costs continued to be a concern. The oilfield services sector was impacted by labor shortages during the first quarter as retaining and attracting personnel continued to be challenging.

HIGHLIGHTS

Revenue for the three months ended March 31, 2022 was $37.7 million, 25% higher than the same prior year quarter as a result of increased activity due to improved industry conditions. In the first quarter of 2022, Essential recorded $0.2 million of funding from Government Subsidy Programs[b], compared to $1.6 million in the first quarter of 2021. First quarter EBITDAS[1] was $3.6 million, $1.3 million lower than the same prior year period. Higher activity was offset by higher operating costs and lower funding received from Government Subsidy Programs.

Key operating highlights included:

- Essential Coil Well Service ("ECWS") first quarter 2022 revenue was $19.7 million, 24% higher than the same prior year period due to improved activity. Gross margin was $2.8 million, $0.9 million lower than the same prior year period as a result of higher operating costs and no funding from Government Subsidy Programs. With the larger labor force in ECWS, the Government Subsidy Programs had a greater impact on financial results, compared to Tryton. In the first quarter of 2021, ECWS received $0.9 million of funding from Government Subsidy Programs.
- Tryton first quarter 2022 revenue was $18.1 million, 26% higher than the same prior year period due to increased conventional tool activity. Gross margin was $3.4 million, an increase of $0.2 million compared to the same prior year period due to higher activity, offset by lower funding from Government Subsidy Programs and higher operating costs.

During the first quarter of 2022, Essential acquired and cancelled 1,659,516 Shares under its Normal Course Issuer Bid ("NCIB") with a weighted average price of $0.42 per share for a total cost of $0.7 million.

Cash and Working Capital[1]

At March 31, 2022, Essential continued to be in a strong financial position with cash, net of long-term debt[1] of $1.1 million and working capital[1] of $45.2 million. On May 12, 2022 Essential had $1.5 million of cash.

(a) Source: Bank of Canada – Consumer Price Index
(b) Government subsidy programs include the Canadian Emergency Wage Subsidy, Canadian Emergency Rent Subsidy and the Employee Retention Tax Credit program and Paycheque Protection Program in the U.S. (collectively, "Government Subsidy Programs").

OVERVIEW OF ESSENTIAL

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

<u>Essential Coil Well Service</u>

Coiled Tubing Rigs – Essential operates one of the largest coiled tubing well service fleets in Canada. Coiled tubing rigs provide completion, stimulation and work-over services on long-reach horizontal wells. Essential's coiled tubing rigs are typically equipped to work with coiled tubing ranging from 2 ⅜ inches to 2 ⅞ inches in diameter. The rigs have a depth capacity, using 2 ⅜ inch coil, of up to 8,000+ meters when the coil is transported on the rig and up to 9,400 meters if the coil is transported separately. Essential's coiled tubing fleet is comprised of Generation I, II, III and IV coiled tubing rigs, which are differentiated by their capability to service wells with varying depths and well pressures. The varied rig size, reel capacity and coil diameter of Essential'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. Essential operates masted and conventional coiled tubing rigs.

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 – Coiled 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 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.

<u>Tryton</u>

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

- Tryton Multi-Stage Fracturing System ("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.
- 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.
- 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 Bridge Plugs, 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 – Conventional downhole tools are used in production, abandonment and wellsite restoration activities. Tryton offers a wide range of products, including downhole packers, tubing anchors, bridge plugs, sub-surface safety valves, cement retainers and related accessories.

• Rentals – Tryton Rentals offers oilfield service equipment, including specialty drill pipe and various other tools and handling equipment.

RESULTS OF OPERATIONS

(in thousands of dollars, except per share amounts)	For the three months ended March 31, **2022**	2021
Revenue	**$ 37,741**	$ 30,150
Operating expenses	**31,720**	23,412
Gross margin	**6,021**	6,738
General and administrative expenses	**2,406**	1,850
EBITDAS (1)	**3,615**	4,888
Depreciation and amortization	**4,186**	4,813
Share-based compensation expense	**3,039**	2,309
Other expense	**93**	127
Finance costs	**218**	231
Loss before income taxes	**(3,921)**	(2,592)
Current income tax expense	**-**	1
Income tax expense	**-**	1
Net loss	**$ (3,921)**	$ (2,593)
Net loss per share		
Basic and diluted	**$ (0.03)**	$ (0.02)

SEGMENT RESULTS – *ESSENTIAL COIL WELL SERVICE*

(in thousands of dollars, except percentages, hours and fleet data)	For the three months ended March 31, **2022**	2021
Revenue	**$ 19,679**	$ 15,856
Operating expenses	**16,903**	12,147
Gross margin	**$ 2,776**	$ 3,709
Gross margin %	**14%**	23%
Operating hours		
Coiled tubing rigs	**10,016**	8,629
Pumpers	**13,014**	11,603
Active equipment fleet (i) (ii)		
Coiled tubing rigs	**12**	12
Fluid pumpers	**11**	9
Nitrogen pumpers	**4**	4
Total equipment fleet (i) (iii)		
Coiled tubing rigs	**25**	29
Fluid pumpers	**13**	19
Nitrogen pumpers	**6**	8

(i) Fleet data represents the number of units at the end of the period. Crewed equipment is less than active equipment.
(ii) In January 2022, one additional quintuplex fluid pumper went into service.
(iii) Total equipment fleet was reduced in the third quarter of 2021 for shallow coiled tubing rigs and lower capacity pumpers which are no longer expected to be reactivated.

First quarter 2022 ECWS revenue was $19.7 million, an increase of 24% compared to the same prior year quarter. Improved industry conditions resulted in a 14% increase in operating hours when compared to the first quarter of 2021. Revenue per operating hour was higher than the same prior year period, mainly attributed to the nature of the work performed and a revenue surcharge for fuel, which allowed ECWS to offset some inflationary cost increases.

Gross margin for the first quarter of 2022 was $2.8 million, $0.9 million lower than the same prior year period due to inflationary cost increases and no funding from Government Subsidy Programs. Cost inflation was significant in the first quarter of 2022 and resulted in higher operating costs related to wages, fuel and repairs & maintenance ("R&M"). ECWS had no Government Subsidy Program benefits in the first quarter of 2022, compared to $0.9 million of funding in the prior year quarter. Although revenue per operating hour increased in the quarter, it was insufficient to cover increased operating costs and lower government funding. With the larger labor force in ECWS, the Government Subsidy Programs had a greater impact on financial results, compared to Tryton. Gross margin percentage was 14% in the current period, compared to 23% in the same prior year quarter.

SEGMENT RESULTS – *TRYTON*

(in thousands of dollars, except percentages)	For the three months ended March 31, 2022	2021
Revenue	**$ 18,062**	$ 14,294
Operating expenses	**14,680**	11,106
Gross margin	**$ 3,382**	$ 3,188
Gross margin %	**19%**	22%
Tryton revenue - % of revenue		
Tryton MSFS®	**27%**	34%
Conventional Tools & Rentals	**73%**	66%

First quarter 2022 Tryton revenue was $18.1 million, an increase of 26% compared to the same prior year quarter. Conventional tool activity in Canada and the U.S. improved compared to the prior year quarter as stronger industry conditions resulted in higher customer spending on production and abandonment work. Tryton MSFS® activity remained consistent with 2021 as drilling rig delays for certain customers resulted in slower MSFS® activity than expected. Pricing continued to be competitive during the quarter.

First quarter gross margin was $3.4 million, $0.2 million higher than the prior year quarter due to an increase in activity, offset by lower funding from Government Subsidy Programs and higher operating costs related to inventory and wages. Tryton received $0.2 million of funding from the Employee Retention Tax Credit program in the U.S. in the first quarter of 2022 compared to $0.5 million of Government Subsidy Program benefits in the same prior year quarter. As pricing remained competitive during the quarter, Tryton was unable to recover increased operating costs from customers through higher prices. Gross margin percentage was 19% in the current quarter, compared to 22% in the same prior year quarter.

GENERAL AND ADMINISTRATIVE

(in thousands of dollars)	For the three months ended March 31, 2022	2021
General and administrative expenses	**$ 2,406**	$ 1,850

General and administrative expenses ("G&A") consist of wages, professional fees and other administrative costs. G&A for the three months ended March 31, 2022 increased compared to the same prior year quarter mainly due to the reinstatement of certain employee compensation programs that were temporarily suspended, or reduced, during the COVID-19 pandemic and lower Government Subsidy Program benefits. No benefits related to Government Subsidy Programs were recorded in the first quarter of 2022, compared to $0.2 million in the same prior year period.

DEPRECIATION AND AMORTIZATION

(in thousands of dollars)	For the three months ended March 31, 2022	2021
Depreciation and amortization expense	**$ 4,186**	$ 4,813

Depreciation expense for the three months ended March 31, 2022 was lower than the first quarter of 2021 as a result of a lower fixed asset base and certain fixed assets being fully depreciated.

SHARE-BASED COMPENSATION

(in thousands of dollars)	For the three months ended March 31, 2022	2021
Share-based compensation expense	**$ 3,039**	$ 2,309

Essential's liability for share-based compensation fluctuates based on Essential's share price and the number of share-based units outstanding. 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.

For the three months ended March 31, 2022, share-based compensation expense was $3.0 million, an increase of $0.7 million compared to the same prior year period mainly due to an increase in the number of share-based units outstanding during the period.

OTHER EXPENSE

(in thousands of dollars)	For the three months ended March 31, 2022	2021
Gain on disposal of assets	**$ (82)**	$ (29)
Realized foreign exchange gain	**-**	(6)
Unrealized foreign exchange loss	**201**	175
Other income	**(26)**	(13)
Other expense	**$ 93**	$ 127

For the three months ended March 31, 2022 and 2021, Essential realized a gain on disposal of assets related to the sale of surplus equipment no longer used in operations.

During the three months ended March 31, 2022 and 2021, the strengthening of the Canadian dollar in relation to the U.S. dollar resulted in an unrealized foreign exchange loss.

Finance Costs

	For the three months ended March 31,	
(in thousands of dollars)	**2022**	2021
Finance costs	**$ 218**	$ 231

Finance costs consist of interest expense related to lease liabilities and interest and other long-term debt costs related to the Company's Credit Facility (as described below).

For the three months ended March 31, 2022, finance costs decreased compared to the same prior year period due to lower outstanding lease liabilities and lower standby fees.

Income Taxes

	For the three months ended March 31,	
(in thousands of dollars)	**2022**	2021
Current income tax expense	**$ -**	$ 1

For the three months ended March 31, 2022 and 2021, Essential did not recognize any amounts related to deferred income tax expense or recovery.

As at March 31, 2022 and 2021, Essential was in an unrecognized deferred income tax asset position. An assessment was performed, which determined that Essential did not meet the criteria to recognize a deferred tax asset.

FINANCIAL RESOURCES AND LIQUIDITY

Net Cash (Used In) Provided By Operating Activities

	For the three months ended March 31,	
(in thousands of dollars)	**2022**	2021
Funds flow [1]	**$ 301**	$ 2,374
Changes in non-cash working capital [1]	**(2,305)**	841
Net cash (used in) provided by operating activities	**$ (2,004)**	$ 3,215

WORKING CAPITAL[1]

(in thousands of dollars, except ratios)		**As at March 31, 2022**		As at December 31, 2021
Current assets	**$**	**69,516**	$	68,740
Current liabilities		**(24,281)**		(23,450)
Working capital [1]	**$**	**45,235**	$	45,290
Working capital ratio [1]		**2.9:1**		2.9:1

Working capital[1] is comprised primarily of cash, accounts receivable and inventory, net of accounts payable and current portion of lease liabilities. As required, Essential uses its Credit Facility to meet the variable nature of its working capital[1] requirements 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.

Management analyzes working capital[1] and working capital ratio[1] as part of the Company's overall capital management strategy to ensure adequate sources of capital are available to maintain operational activities, carry out the planned capital program and have sufficient cash sources to sustain the business.

CREDIT FACILITY

Essential has a revolving credit facility (the "Credit Facility") with a syndicate of lenders (the "Lenders"). The Credit Facility is comprised of a $25.0 million revolving term loan facility. The Credit Facility matures on November 30, 2024, is renewable at the Lenders' consent and is secured by a general security agreement over the Company's assets. To the extent the Credit Facility is not extended, any balance would be immediately due and payable on the maturity date.

The Credit Facility contains certain financial covenants with the covenant thresholds detailed in the table below. It 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.

As at March 31, 2022 there was $2.6 million outstanding of the $25.0 million available. Essential does not anticipate financial resource or liquidity issues to restrict its future operating, investing or financing activities.

Financial Covenants

As at March 31, 2022, all financial debt covenants and banking requirements under the Credit Facility were satisfied.

(in millions of dollars, except percentages)	Covenant Threshold	**As at March 31, 2022**
Funded debt to capitalization	≤ 50%	**N/A**
Funded debt to Bank EBITDA	≤ 3.5x	**N/A**
Fixed charge coverage ratio	≥ 1.25x	**24.26x**

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 liabilities. Capitalization is defined in Essential's Credit Facility as the aggregate of its funded debt and equity. Bank EBITDA is generally defined in Essential's Credit Facility as EBITDAS[1], excluding severance costs ("Permitted Adjustments") and the impact of IFRS 16. Fixed charge coverage ratio is generally defined in Essential's Credit Facility as the ratio of Bank EBITDA less cash tax expense to the cash interest expense. Financial covenants are calculated in accordance with Essential's Credit Facility agreement which can be found on SEDAR.

PURCHASE OF PROPERTY AND EQUIPMENT

	For the three months ended March 31,	
(in thousands of dollars)	**2022**	2021
ECWS	**$ 565**	$ 2,180
Tryton	**796**	64
Purchase of property and equipment	**1,361**	2,244
Less proceeds on disposal of equipment	**$ (165)**	$ (303)
Net equipment expenditures [1]	**$ 1,196**	$ 1,941

Essential classifies its purchase of property and equipment as growth capital[1] and maintenance capital[1]:

	For the three months ended March 31,	
(in thousands of dollars)	**2022**	2021
Growth capital [1]	**$ -**	$ 1,663
Maintenance capital [1]	**1,361**	581
Purchase of property and equipment	**$ 1,361**	$ 2,244

For the three months ended March 31, 2022, Essential's maintenance capital spending was focused on costs incurred to maintain the ECWS active fleet and replace pickup trucks in Tryton.

Essential's 2022 capital budget remains unchanged at $6 million and is focused on the purchase of property and equipment for maintenance activities and the replacement of pickup trucks for each of ECWS and Tryton. Essential will continue to monitor activity and industry opportunities and adjust its spending as appropriate. The 2022 capital budget is expected to be funded with cash, operational cashflow and, if needed, the Credit Facility.

SHARE CAPITAL

As at May 12, 2022, there were 140,062,797 Shares and 449,000 share options ("Share Options") outstanding. All of the 449,000 Share Options outstanding were exercisable and "in-the-money".

COMMITMENTS

Essential has lease commitments for office and shop premises with contractual undiscounted lease payments as follows:

(in thousands of dollars)	As at March 31, 2022	As at December 31, 2021
Less than one year	$ **5,321**	$ 5,446
One to five years	**7,071**	7,136
	$ **12,392**	$ 12,582

NORMAL COURSE ISSUER BID

On December 17, 2021, the Company received approval from the TSX to implement a NCIB for Essential's Shares. Any Shares purchased by Essential pursuant to the NCIB will be cancelled. The NCIB commenced on December 21, 2021 and will terminate on December 20, 2022, or at such earlier date as the NCIB is completed, or terminated, at the option of Essential.

Under the NCIB, Essential may purchase up to 10,374,478 of its issued and outstanding Shares on the open market through the facilities of the TSX and/or other alternative trading systems. In accordance with the provisions of the TSX Company Manual, the maximum number of Shares that may be purchased on one day may not exceed 23,482 Shares, which is 25% of the six-month average daily trading volume of Shares on the TSX, at November 30, 2021. The price which Essential will pay for any Shares purchased will be the prevailing market price of such Shares at the time of purchase. Shareholders may obtain a copy of the "Notice of Intention to make a Normal Course Issuer Bid" that was filed by the Company with the TSX, free of charge, by contacting the Company.

For the three months ended March 31, 2022, 1,659,516 Shares were acquired and cancelled under the NCIB with a weighted average price of $0.42 per share for a total cost of $0.7 million.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's President and Chief Executive Officer ("CEO") 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 2021 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2021, 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 International Financial Reporting Standards ("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 2021 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2021, 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.

RISKS AND UNCERTAINTIES

For a discussion of the risks and uncertainties which apply to Essential's business and its operating results, please refer to the Company's AIF for the year ended December 31, 2021, which is available on SEDAR (www.sedar.com). Investors should carefully consider the risks and uncertainties described in Essential's AIF. The risks and uncertainties in Essential's AIF are not the only ones it faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect its business, financial condition, results of operations or cashflows.

OUTLOOK

During the first quarter of 2022, commodity prices continued to strengthen and forward curve expectations improved over December 31, 2021. With these strong commodity prices, the outlook for industry drilling and completion activity in 2022 and beyond is quite optimistic. The Company expects strong commodity prices, combined with the constant degradation effect of well declines, to drive an increase in spending on drilling and completions for the remainder of 2022 and suggests the start of a strong multi-year performance cycle.

To date in 2022, E&P company surplus cash flow has generally been applied to debt reduction and returning funds to shareholders through dividends and share repurchases. General industry expectations suggest that as E&P companies continue to significantly reduce debt, capital investment may increase as they shift their focus back to incremental growth and drilling and completion spending.

During the first quarter of 2022, cost inflation in Canada was significant and continued to impact expenses such as wages, fuel, inventory and R&M. Supply chain disruptions could further increase costs in the oilfield services sector for the remainder of 2022. The oilfield services sector in Canada is experiencing labor shortages and retaining and attracting personnel to the oilfield services sector is a challenge in today's market.

ECWS has one of the industry's largest active and total deep coiled tubing fleets. ECWS's active fleet includes 12 coiled tubing rigs and 11 fluid pumpers. ECWS is not crewing this entire active fleet. Maintenance of an active fleet above what is currently crewed allows customers to have access to preferred, efficient equipment for differing completion techniques and formation/well pad needs. As the industry continues to recover, ECWS has additional equipment available for reactivation. An anticipated shift in E&P company capital spending for the second half of 2022 and beyond, combined with the tightening of crewed-equipment available, is expected to drive demand for ECWS services towards the latter half of 2022.

To date in 2022, Tryton MSFS® activity has been slower than anticipated largely due to drilling rig delays for certain customers. With an expected increase in E&P company drilling and completion spending, Tryton anticipates increased demand for its MSFS® completion downhole tools in later 2022. As E&P companies seek growth through increased production, it is expected that Tryton's conventional downhole tool business in Canada and the U.S. will benefit from increased activity. Tryton's ability to expand in a strengthening industry environment could also be impacted by a tight labor market, but that is not currently anticipated to be a constraint.

In the first quarter of 2022, pricing for Essential's services was not sufficient to offset inflationary cost increases. For ECWS, conversations are currently underway in conjunction with primary E&P customer requests for future pricing and service commitments. ECWS is targeting price increases with a premium in excess of inflationary cost. To date, responses from ECWS's primary customers to the price increases have been positive. These price increases will go into effect during the second quarter, with the expected benefit being reflected in ECWS's third and subsequent quarters' results. In addition, commencing in May, service requests from non-primary customers are expected to be priced at a further premium. The ECWS price increase strategy is expected to increase gross margin in the second half of 2022. Unfortunately, for Tryton, intense competition in the downhole tools and rentals markets is expected to preclude Tryton from implementing service price increases in the near term.

Essential is well positioned to benefit from the anticipated oilfield service sector recovery cycle. Essential's strengths include its well-trained workforce, industry leading coiled tubing fleet, value-adding downhole tool technologies and sound financial footing. As industry activity improves, Essential will focus on obtaining appropriate pricing for its services. Essential is committed to meeting the growing demands of its key customers, the continued focus on Environmental, Social and Governance initiatives, maintaining its strong financial position and developing its cash flow generating businesses. On May 12, 2022, Essential had cash of $1.5 million. Essential's ongoing financial stability is a strategic advantage as the industry continues to transition into a period of expected growth.

SUMMARY OF QUARTERLY DATA

Essential operates primarily in western Canada, where activity is directly impacted by seasonality. Activity is traditionally lowest 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 western Canada are typically only accessible during the winter months.

Industry downturns and recovery periods tend to disrupt typical historic oilfield services seasonal and quarterly patterns in western Canada as E&P companies prioritize cash flow spending decisions 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, 2022**	Dec 30, 2021	Sept 30, 2021	June 30, 2021	**Mar 31, 2021**	Dec 31, 2020	Sept 30, 2020	June 30, 2020
Essential Coil Well Service	**19,679**	15,134	14,908	13,355	**15,856**	13,059	9,909	6,116
Tryton	**18,062**	19,970	18,605	9,086	**14,294**	11,495	9,332	4,839
Total revenue	**37,741**	35,104	33,513	22,441	**30,150**	24,554	19,241	10,955
Gross margin	**6,021**	5,105	6,094	5,291	**6,738**	5,810	5,314	876
Gross margin %	**16%**	15%	18%	24%	**22%**	24%	28%	8%
EBITDAS (1)	**3,615**	2,423	4,441	3,429	**4,888**	4,105	4,033	(492)
Bank EBITDA	**2,218**	1,128	3,255	2,217	**3,836**	3,038	3,193	(691)
Net (loss) income	**(3,921)**	(4,469)	684	(5,019)	**(2,593)**	(4,226)	(1,529)	(6,030)
Per share - basic and diluted	**(0.03)**	(0.03)	0.00	(0.04)	**(0.02)**	(0.03)	(0.01)	(0.04)
Total assets	**158,003**	159,086	162,794	157,616	**161,283**	159,863	163,188	161,531
Cash	**3,675**	6,462	10,885	11,627	**6,251**	6,082	6,625	5,664
Long-term debt	**2,600**	-	-	301	**53**	53	145	665
Operating hours								
Coiled tubing rigs	**10,016**	7,630	7,816	7,414	**8,629**	7,047	5,348	3,060
Pumpers	**13,014**	10,228	10,827	9,647	**11,603**	9,242	7,131	3,712
Tryton - % of revenue								
Tryton MSFS®	**27%**	45%	39%	10%	**34%**	33%	40%	34%
Conventional Tools & Rentals	**73%**	55%	61%	90%	**66%**	67%	60%	66%

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", "anticipates", "believes", "forward", "intends", "estimates", "continues", "future", "outlook", "opportunity", "budget", "ongoing" and similar expressions, or are events or conditions that "will", "would", "may", "likely", "could", "can", "typically", "traditionally" or "tends to" occur or be achieved. This MD&A contains forward-looking statements, pertaining to, among other things, the following: the impact of Essential's financial resources or liquidity on its future operating, investing and financing activities; the carrying values of Essential's assets and liabilities; Essential's capital spending budget and expectations of how it will be funded; the NCIB; critical accounting estimates and the impact thereof; risks and uncertainties; ICFR; oil and natural gas prices, oil and natural gas industry outlook, industry drilling and completion activity and outlook and oilfield services sector activity and outlook; the impact of E&P surplus cashflow, the deployment of cash flow and E&P capital spending; the Company's capital management strategy and financial position; Essential's pricing, including timing of and benefit from increases; Essential's commitments, strategic position, strengths, focus, outlook, activity levels, impact of inflation, supply chain implications, active and inactive equipment, market share and crew counts; demand for Essential's services; labor markets; and Essential's financial stability as a strategic advantage.

The forward-looking statements contained in this MD&A reflect several material factors and expectations and assumptions of Essential including, without limitation: the potential impact of the COVID-19 pandemic on Essential; supply chain disruptions; oil and natural gas industry exploration and development and the geographic region of such activity; that Essential will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; availability of debt and/or equity sources to fund Essential's capital and operating requirements as needed; and certain cost assumptions.

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 AIF (a copy of which can be found under Essential's profile on SEDAR at www.sedar.com); a significant expansion of COVID-19 pandemic and the impacts thereof; 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, climate 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 including those in the event of an epidemic, natural disaster or other event; global economic events; changes to Essential's financial position and cash flow, and the higher degree of uncertainty related to the estimates and judgements made in the preparation of financial statements; the availability of qualified personnel, management or other key inputs; cost increases of key inputs; currency exchange fluctuations; changes in political and security stability; potential industry developments; 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 and should refer to "Risk Factors" set out in the AIF.

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 and Other Financial Measures

Throughout this MD&A, certain terms that are not specifically defined under IFRS are considered non-IFRS and other financial measures as defined in National Instrument 52-112. These non-IFRS and other financial measures are used to analyze Essential's operations. These measures are identified and presented, where appropriate, together with reconciliations to the most directly comparable IFRS measure. These measures are intended to supplement Essential's results provided in accordance with IFRS. In addition to the primary measures of net loss and net loss 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 loss and net loss per share as calculated in accordance with IFRS.

Funds Flow – Funds flow is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other companies. Management believes that in addition to net cash provided by operating activities, the most directly comparable IFRS measure, funds flow is a useful measure to enhance investors understanding of Essential's cash flow and ability to fund principal debt repayments and capital programs. Funds flow is generally defined as net cash provided by operating activities before changes in non-cash operating working capital. Funds flow is presented on the Consolidated Interim Statements of Cash Flows. A reconciliation of funds flow is provided in the Consolidated Interim Statements of Cash Flows in Essential's consolidated financial statements.

EBITDAS and EBITDAS % – EBITDAS and EBITDAS % are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other companies. Management believes that in addition to net loss, the most directly comparable IFRS measure, EBITDAS is a useful measure to enhance investors understanding of Essential's results from its principal business activities prior to consideration of how those activities are financed, how the results are taxed and how the results are impacted by non-cash charges. EBITDAS is generally defined as 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. EBITDAS % is a non-IFRS ratio and is calculated as EBITDAS divided by total revenue. It is used as a supplemental financial measure by management to evaluate cost efficiency.

The following table reconciles Bank EBITDA and EBITDAS[1] to net loss:

	For the three months ended March 31,			
(in thousands of dollars)		**2022**		2021
Bank EBITDA	**$**	**2,218**	$	3,836
Impact of lease accounting under IFRS		**(1,417)**		(1,081)
Permitted Adjustments		**20**		29
EBITDAS	**$**	**3,615**	$	4,888
Share-based compensation expense		**3,039**		2,309
Other expense		**93**		127
Depreciation and amortization		**4,186**		4,813
Finance costs		**218**		231
Loss before income tax	**$**	**(3,921)**	$	(2,592)
Income tax expense		**-**		1
Net loss	**$**	**(3,921)**	$	(2,593)

The following table calculates EBITDAS %:

(in thousands of dollars, except percentages)	For the three months ended March 31, **2022**	2021
EBITDAS	**$ 3,615**	$ 4,888
Revenue	**$ 37,741**	$ 30,150
EBITDAS %	**10%**	16%

OTHER FINANCIAL MEASURES

Growth capital – Growth capital is capital spending which is intended to result in incremental revenue. The determination of what constitutes growth capital involves judgement by management. A reconciliation of growth capital to the Consolidated Interim Statements of Cash Flows is provided in the *Purchase of Property and Equipment* table in the *Financial Resources and Liquidity section of this MD&A.*

Maintenance capital – Maintenance capital is capital spending that is incurred in order to refurbish, replace or extend the life of existing equipment. The determination of what constitutes maintenance capital involves judgement by management. A reconciliation of maintenance capital to the Consolidated Interim Statements of Cash Flows is provided in the *Purchase of Property and Equipment* table in the *Financial Resources and Liquidity section of this MD&A.*

Net equipment expenditures – This measure is calculated as the purchase of property and equipment less proceeds on the disposal of equipment. Essential uses net equipment expenditures to describe net cash outflows related to managing Essential's property and equipment. A reconciliation of net equipment expenditures to the Consolidated Interim Statements of Cash Flows is provided in the *Purchase of Property and Equipment* table in the *Financial Resources and Liquidity section of this MD&A.*

Working capital – Working capital is calculated as current assets less current liabilities. A reconciliation of working capital to the Consolidated Interim Statements of Financial Position is provided in the *Working Capital* table in the *Financial Resources and Liquidity section of this MD&A.*

Working capital ratio – Working capital ratio is calculated as current assets divided by current liabilities. A reconciliation of working capital ratio to the Consolidated Interim Statements of Financial Position is provided in the *Working Capital* table in the *Financial Resources and Liquidity section of this MD&A.*

Cash, net of long-term debt – Cash, net of long-term debt is calculated as cash, as reported in the Consolidated Interim Statements of Financial Position, less long-term debt, as reported in the Consolidated Interim Statements of Financial Position.

Unaudited Condensed Consolidated Interim Financial Statements

Essential Energy Services Ltd.

March 31, 2022

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

(in thousands of dollars)		As at March 31, 2022		As at December 31, 2021
Assets				
Current				
Cash	$	3,675	$	6,462
Trade and other accounts receivable *(note 3)*		30,794		29,341
Inventory *(note 4)*		33,444		31,111
Prepayments and deposits		1,603		1,826
		69,516		68,740
Non-current				
Property and equipment *(note 5)*		79,550		81,532
Right-of-use lease assets *(note 8)*		8,937		8,814
		88,487		90,346
Total assets	$	158,003	$	159,086
Liabilities				
Current				
Trade and other accounts payable *(note 6)*	$	18,008	$	14,399
Share-based compensation *(note 11)*		1,464		4,115
Income taxes payable		23		23
Current portion of lease liabilities *(note 8)*		4,786		4,913
		24,281		23,450
Non-current				
Share-based compensation *(note 11)*		6,319		6,188
Long-term debt *(note 7)*		2,600		-
Long-term lease liabilities *(note 8)*		6,540		6,622
		15,459		12,810
Total liabilities		39,740		36,260
Equity				
Share capital *(note 9)*		269,542		272,732
Deficit		(160,528)		(156,607)
Other reserves *(note 10)*		9,249		6,701
Total equity		118,263		122,826
Total liabilities and equity	$	158,003	$	159,086

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

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

		For the three months ended March 31,		
(in thousands of dollars, except per share amounts)		**2022**		2021
Revenue *(note 15)*	**$**	**37,741**	$	30,150
Operating expenses *(note 2)*		**31,720**		23,412
Gross margin		**6,021**		6,738
General and administrative expenses *(note 2)*		**2,406**		1,850
Depreciation and amortization *(notes 5 and 8)*		**4,186**		4,813
Share-based compensation expense *(note 11)*		**3,039**		2,309
Other expense		**93**		127
Operating loss		**(3,703)**		(2,361)
Finance costs		**218**		231
Loss before taxes		**(3,921)**		(2,592)
Current income tax expense		**-**		1
Income tax expense		**-**		1
Net loss		**(3,921)**		(2,593)
Unrealized foreign exchange gain *(note 10)*		**64**		66
Comprehensive loss	**$**	**(3,857)**	$	(2,527)
Net loss per share *(note 12)*				
Basic and diluted	**$**	**(0.03)**	$	(0.02)
Comprehensive loss per share *(note 12)*				
Basic and diluted	**$**	**(0.03)**	$	(0.02)

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

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

	For the three months ended March 31,			
(in thousands of dollars)		**2022**		2021
Equity:				
Share Capital				
Balance, January 1	**$**	**272,732**	$	272,732
Shares cancelled under normal course issuer bid *(note 9)*		**(3,190)**		-
Balance, March 31		**269,542**		272,732
Deficit				
Balance, January 1	**$**	**(156,607)**	$	(145,210)
Net loss		**(3,921)**		(2,593)
Balance, March 31	**$**	**(160,528)**	$	(147,803)
Other reserves				
Balance, January 1	**$**	**6,701**	$	6,656
Other comprehensive gain *(note 10)*		**64**		66
Share-based compensation *(note 11)*		**-**		2
Shares cancelled under normal course issuer bid *(note 9)*		**2,484**		-
Balance, March 31	**$**	**9,249**	$	6,724
Total equity	**$**	**118,263**	$	131,653

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

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

	For the three months ended March 31,	
(in thousands of dollars)	**2022**	2021
Operating Activities:		
Net loss	**$ (3,921)**	$ (2,593)
Non-cash adjustments to reconcile net loss to operating cash flow:		
Depreciation and amortization *(notes 5 and 8)*	**4,186**	4,813
Share-based compensation *(note 11)*	**-**	2
Recovery of impairment of trade accounts receivable *(note 3)*	**(100)**	(50)
Finance costs	**218**	231
Gain on disposal of assets	**(82)**	(29)
Funds flow	**301**	2,374
Changes in non-cash operating working capital:		
Trade and other accounts receivable before provision	**(1,273)**	(4,638)
Inventory	**(2,353)**	556
Prepayments and deposits	**223**	168
Trade and other accounts payable	**3,618**	3,490
Share-based compensation	**(2,520)**	1,265
Net cash (used in) provided by operating activities	**(2,004)**	3,215
Investing Activities:		
Purchase of property and equipment *(note 5)*	**(1,361)**	(2,244)
Non-cash investing working capital in trade and other accounts payable	**(9)**	51
Proceeds on disposal of equipment	**165**	303
Net cash used in investing activities	**(1,205)**	(1,890)
Financing Activities:		
Increase in long-term debt *(note 7)*	**2,600**	-
Repurchase of shares under normal course issuer bid (*note 9)*	**(706)**	-
Finance costs paid	**(46)**	(61)
Payments of lease liabilities *(note 8)*	**(1,417)**	(1,081)
Net cash provided by (used in) financing activities	**431**	(1,142)
Foreign exchange loss on cash held in a foreign currency	**(9)**	(14)
Net (decrease) increase in cash	**(2,787)**	169
Cash, beginning of period	**6,462**	6,082
Cash, end of period	**$ 3,675**	$ 6,251

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

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

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, 2022, and 2021 were approved by the Board of Directors of Essential ("Board of Directors") on May 12, 2022.

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, 2022 were prepared in accordance with IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The same accounting policies and methods of computation were followed in the preparation of these Financial Statements as were followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2021. Accordingly, these Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021.

Government Grants

For the three months ended March 31, 2022, government grants of $nil (2021 – $1.1 million) related to the Canadian Emergency Wage Subsidy program have been included in the condensed consolidated interim statements of net loss and comprehensive loss. For the three months ended March 31, 2022, $nil (2021 – $1.0 million) has been recorded as a reduction of operating expenses and $nil (2021 – $0.1 million) has been recorded as a reduction of general and administrative expenses.

For the three months ended March 31, 2022, government grants of $nil (2021 – $0.3 million) related to the Canadian Emergency Rent Subsidy program have been included in the condensed consolidated interim statements of net loss and comprehensive loss. For the three months ended March 31, 2022, $nil (2021 – $0.2 million) has been recorded as a reduction of operating expenses and $nil (2021 – $0.1 million) has been recorded as a reduction of general and administrative expenses.

For the three months ended March 31, 2022, government grants of $0.2 million (2021 - $0.2 million) related to the U.S. Employment Retention Tax Credit program have been included in the condensed consolidated interim statements of net loss and comprehensive loss and recorded as a reduction to operating expenses.

3. TRADE AND OTHER ACCOUNTS RECEIVABLE

		As at March 31, 2022		As at December 31, 2021
Trade accounts receivable, net of provision	**$**	**30,679**	$	29,256
Other receivables		**115**		85
	$	**30,794**	$	29,341

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

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

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

The aging analysis of trade accounts receivable is as follows:

		As at March 31, 2022		As at December 31, 2021
0-30 days	**$**	**14,414**	$	12,719
31-60 days		**11,501**		9,191
61-90 days		**3,429**		5,429
> 90 days		**1,335**		1,917
	$	**30,679**	$	29,256

Essential considers a trade accounts 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 trade accounts receivable is included in the amounts over 90 days and has been included in operating expenses in the condensed consolidated interim statements of net loss and comprehensive loss. 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, 2022		For the twelve months ended December 31, 2021
Balance, beginning of period	**$**	**503**	$	1,706
Recovery for receivables impairment		**(100)**		(525)
Receivables written off against the provision		**-**		(678)
Balance, end of period	**$**	**403**	$	503

4. INVENTORY

		As at March 31, 2022		As at December 31, 2021
Tryton tools	**$**	**21,658**	$	20,091
Coiled tubing and supplies		**11,786**		11,020
	$	**33,444**	$	31,111

Inventory charged through operating expenses in the condensed consolidated interim statements of net loss and comprehensive loss for the three months ended March 31, 2022 was $10.2 million (2021 – $9.9 million).

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

5. PROPERTY AND EQUIPMENT

As at March 31, 2022	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Coiled tubing rigs, pumpers and equipment	**$ 148,182**	**$ 95,990**	**$ 52,192**
Other oilfield equipment	**59,276**	**42,842**	**16,434**
Vehicles	**31,068**	**21,103**	**9,965**
Other	**13,650**	**12,691**	**959**
	$ 252,176	**$ 172,626**	**$ 79,550**

As at December 31, 2021	Cost	Accumulated Depreciation	Net Book Value
Coiled tubing rigs, pumpers and equipment	$ 147,766	$ 94,298	$ 53,468
Other oilfield equipment	59,031	41,985	17,046
Vehicles	30,530	20,573	9,957
Other	13,628	12,567	1,061
	$ 250,955	$ 169,423	$ 81,532

	For the three months ended March 31, **2022**	2021
Net book value, beginning of period	**$ 81,532**	$ 89,460
Additions	**1,361**	2,244
Transfers	**20**	14
Disposals	**(83)**	(274)
Depreciation	**(3,271)**	(3,970)
Currency translation adjustment	**(9)**	(5)
Net book value, end of period	**$ 79,550**	$ 87,469

6. TRADE AND OTHER ACCOUNTS PAYABLE

	As at March 31, 2022	As at December 31, 2021
Trade accounts payable	**$ 11,506**	$ 8,591
Accrued payroll	**3,771**	1,967
Accrued payables	**2,452**	3,390
Other	**279**	451
	$ 18,008	$ 14,399

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

7. LONG-TERM DEBT

Essential has a revolving credit facility (the "Credit Facility") with a syndicate of lenders (the "Lenders"). The Credit Facility is comprised of a $25.0 million revolving term loan facility. As at March 31, 2022, there was $2.6 million outstanding of the $25.0 million that was available. The Credit Facility matures on November 30, 2024, is renewable at the Lenders' 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.

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

	For the three months ended March 31, **2022**	2021
Balance, beginning of period	**$ -**	$ 53
Cash changes:		
Increase (decrease) in long-term debt	**2,600**	(53)
Non-cash changes:		
Deferred financing costs for Credit Facility renewal	**-**	(132)
Amortization of deferred financing fees	**-**	132
Balance, end of period	**$ 2,600**	$ -

8. LEASES

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

Right-of-use lease assets

	For the three months ended March 31, 2022	For the twelve months ended December 31, 2021
Beginning of period	**$ 8,814**	$ 8,513
Additions	**-**	3,638
Modifications	**1,045**	210
Depreciation	**(915)**	(3,545)
Foreign exchange loss	**(7)**	(2)
End of period	**$ 8,937**	$ 8,814

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

Lease liabilities

		As at March 31, 2022		As at December 31, 2021
Maturity analysis - contractual undiscounted cash flow				
Less than one year	**$**	**5,321**	$	5,446
One to five years		**7,071**		7,136
Total undiscounted lease liabilities, end of period	**$**	**12,392**	$	12,582
Discounted value of future lease payments				
Current portion of lease liabilities	**$**	**4,786**	$	4,913
Long-term portion of lease liabilities		**6,540**		6,622
Lease liabilities included in the statements of financial position	**$**	**11,326**	$	11,535

For the three months ended March 31, 2022, Essential recognized $0.2 million (2021 - $0.2 million) of finance costs related to lease liabilities in its condensed consolidated interim statements of net loss and comprehensive loss and $1.4 million (2021 - $1.1 million) of total cash outflow for leases in the consolidated interim statement of cash flows.

9. 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 shares. 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 December 31, 2021 and January 1, 2021	141,857	$	272,732
Shares repurchased under normal course issuer bid	**(1,660)**		**(3,190)**
As at March 31, 2022	**140,197**	$	**269,542**

On December 17, 2021, the Company received approval from the TSX to implement a Normal Course Issuer Bid ("NCIB") for Essential's Common Shares. Any Common Shares purchased by Essential pursuant to the NCIB will be for cancellation. The NCIB commenced on December 21, 2021 and will terminate on December 20, 2022, or at such earlier date as the NCIB is completed or terminated at the option of Essential. Under the NCIB, Essential may purchase up to 10,374,478 of its issued and outstanding Common Shares on the open market through the facilities of the TSX and/or other alternative trading systems.

For the three months ended March 31, 2022, 1,659,516 Common Shares were acquired and cancelled under the NCIB, at a weighted average price of $0.42 per share. Any amounts paid for these Common Shares, relative to their carrying amount, was recorded as a change in contributed surplus.

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

10. OTHER RESERVES

	Contributed Surplus	Accumulated Other Comprehensive Income	Total
As at January 1, 2021	$ 5,892	$ 764	$ 6,656
Share-based compensation	10	-	10
Unrealized foreign exchange gain	-	35	35
As at December 31, 2021	$ 5,902	$ 799	$ 6,701
Shares cancelled under NCIB *(note 9)*	**2,484**	**-**	**2,484**
Unrealized foreign exchange gain	**-**	**64**	**64**
As at March 31, 2022	**$ 8,386**	**$ 863**	**$ 9,249**

11. SHARE-BASED COMPENSATION

The Company offers the following share-based compensation plans: Restricted Share Unit (“RSU”) and Deferred Share Unit (“DSU”) Plan. The Share Option Plan was discontinued by the Board of Directors effective March 9, 2022.

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

	For the three months ended March 31, **2022**	2021
Share Options	**$ -**	$ 2
Restricted share units	**2,356**	1,228
Deferred share units	**683**	1,079
Share-based compensation expense	**$ 3,039**	$ 2,309

a) 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. Grants generally vest in three equal instalments but can be issued with time vesting and/or performance vesting features. The performance-based units vest when certain conditions are met. Essential’s liability as at March 31, 2022 was $1.9 million (December 31, 2021 – $5.1 million) of which $1.5 million is due within one year (December 31, 2021 – $4.1 million).

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

The following table summarizes information with respect to RSUs outstanding:

	For the three months ended March 31,	
Number of RSUs (000's)	**2022**	2021
Outstanding, beginning of period	**17,162**	14,483
Issued	**8,673**	10,729
Vested	**(13,239)**	(4,548)
Forfeited	**-**	(122)
Outstanding, end of period	**12,596**	20,542

b) 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, 2022 was $5.9 million (December 31, 2021 – $5.2 million) of which $nil is due within one year (December 31, 2021 – $nil).

The following table summarizes information with respect to DSUs outstanding:

	For the three months ended March 31,	
Number of DSUs (000's)	**2022**	2021
Outstanding, beginning of period	**13,517**	11,464
Issued	**-**	2,330
Redeemed	**-**	(81)
Forfeited	**-**	(323)
Outstanding, end of period	**13,517**	13,390

c) Share Option Plan

The Share Option Plan was discontinued by the Board of Directors effective March 9, 2022. As a result, as of March 9, 2022, new Share Options cannot be granted. However, Share Options that were previously granted will remain validly outstanding until the earlier of when they are exercised or their expiry in January 2024.

	For the three months ended March 31, 2022		For the three months ended March 31, 2021	
	Number of Options (000's)	**Weighted Average Exercise Price**	Number of Options (000's)	Weighted Average Exercise Price
Outstanding, beginning of period	**1,478**	**$ 0.68**	3,263	$ 0.62
Expired	**(1,030)**	**(0.83)**	(1,045)	0.55
Outstanding, end of period	**448**	**$ 0.32**	2,218	$ 0.65
Exercisable, end of period	**448**	**$ 0.32**	2,069	$ 0.68

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

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net loss 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.

	For the three months ended March 31,	
(000's)	**2022**	2021
Basic and diluted	**140,197**	141,857

13. 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.

14. SEASONALITY OF OPERATIONS

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

15. SEGMENTED INFORMATION

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

The ECWS segment provides completion and production services throughout western Canada. The ECWS fleet is comprised of coiled tubing rigs, fluid pumpers, nitrogen pumpers and ancillary equipment.

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

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 costs and certain operational costs, which are managed on a group basis and are not allocated to the operating segments. For the three months ended March 31, 2022, the Corporate segment includes $2.3 million (2021 - $1.7 million) of corporate costs and certain operational costs, and $3.6 million (2021 – $2.9 million) of share-based compensation expense, depreciation and amortization, finance costs and foreign exchange loss/gain.

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

As at and for the three months ended March 31, 2022		**ECWS**		**Tryton**		**Corporate**		**Consolidated**
Revenue	**$**	**19,679**	**$**	**18,062**	**$**	**-**	**$**	**37,741**
Gross margin	**$**	**2,776**	**$**	**3,382**	**$**	**(137)**	**$**	**6,021**
(Loss) income before taxes	**$**	**(73)**	**$**	**2,052**	**$**	**(5,900)**	**$**	**(3,921)**
Depreciation and amortization	**$**	**2,789**	**$**	**1,159**	**$**	**238**	**$**	**4,186**
Total assets	**$**	**97,861**	**$**	**56,616**	**$**	**3,526**	**$**	**158,003**
Total liabilities	**$**	**19,696**	**$**	**12,743**	**$**	**7,301**	**$**	**39,740**
Purchase of property and equipment	**$**	**568**	**$**	**793**	**$**	**-**	**$**	**1,361**

As at and for the three months ended March 31, 2021		ECWS		Tryton		Corporate		Consolidated
Revenue	$	15,856	$	14,294	$	-	$	30,150
Gross margin	$	3,709	$	3,188	$	(159)	$	6,738
Income (loss) before taxes	$	289	$	1,733	$	(4,614)	$	(2,592)
Depreciation and amortization	$	3,353	$	1,222	$	238	$	4,813
Total assets	$	106,267	$	52,967	$	2,049	$	161,283
Total liabilities	$	15,719	$	10,677	$	3,234	$	29,630
Purchase of property and equipment	$	2,180	$	64	$	-	$	2,244

CORPORATE INFORMATION

Directors

James A. Banister, Chairman[2]

Garnet K. Amundson[3]

Felicia Bortolussi[2]

Robert T. German[1, 3]

Nicholas G. Kirton[1,2]

Robert B. Michaleski[1, 2, 3]

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
Chief Financial Officer

Karen Perasalo
Vice President, Finance and Corporate Secretary

Stock Exchange Listing

TSX: ESN

Calgary Office

Livingston Place West

1100, 250 2nd Street SW

Calgary, Alberta T2P 0C1

Phone: (403) 263-6778

Fax: (403) 263-6737

Email: service@essentialenergy.ca

Website: www.essentialenergy.ca