

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Essential Energy Services Ltd. ("Essential" or the "Company") is for the three and six months ended June 30, 2022.

This MD&A should be read in conjunction with Essential's June 30, 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 August 3, 2022 and was approved and authorized for issuance by the Board of Directors of the Company on August 3, 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](http://www.sedar.com) or the Company's website at [www.essentialenergy.ca](http://www.essentialenergy.ca).

## SELECTED INFORMATION

(in thousands of dollars except per share and percentages)	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Revenue	\$ 28,642	\$ 22,441	\$ 66,383	\$ 52,591
Gross margin	4,220	5,291	10,241	12,029
Gross margin %	15%	24%	15%	23%
EBITDAS <sup>(1)</sup>	1,920	3,429	5,535	8,317
EBITDAS % <sup>(1)</sup>	7%	15%	8%	16%
Net loss	\$ (1,576)	\$ (5,019)	\$ (5,497)	\$ (7,612)
Per share - basic and diluted	\$ (0.01)	\$ (0.04)	\$ (0.04)	\$ (0.05)
Operating hours				
Coiled tubing rigs	6,205	7,414	16,221	16,043
Pumpers	8,444	9,647	21,458	21,250
			As at June 30,	
			2022	2021
Working capital <sup>(1)</sup>			\$ 43,065	\$ 47,670
Cash			2,107	11,627
Long-term debt			-	301

<sup>1</sup> Non-IFRS and Other Financial Measures. Refer to "Non-IFRS and Other Financial Measures" section for further information.

## INDUSTRY OVERVIEW

The price of West Texas Intermediate (“WTI”) averaged US\$108 per barrel in the second quarter of 2022, with prices exceeding US\$120 per barrel at the start of June 2022, compared to an average of US\$66 per barrel in the second quarter of 2021. Canadian natural gas prices (“AECO”) averaged \$6.83 per gigajoule during the second quarter of 2022, compared to an average of \$2.96 per gigajoule during the comparative prior year quarter.

Activity is traditionally slowest in the second quarter with melting snow and thawing ground-frost rendering many roadways incapable of supporting heavy equipment. Second quarter 2022 industry drilling and well completion activity in the Western Canadian Sedimentary Basin (“WCSB”) was ahead of the same prior year quarter as higher commodity prices resulted in increased exploration and production (“E&P”) company spending.

Inflation rates in Canada during the first half of 2022 have been the highest since the early 1990s<sup>(a)</sup> which has increased overall cost structures. There have been several oilfield service companies that have reported improved service pricing during the quarter; but rising costs due to significant inflation continued to be a concern.

## HIGHLIGHTS

Revenue for the three months ended June 30, 2022 was \$28.6 million, 28% higher than the same prior year quarter due to improved industry conditions. Second quarter EBITDAS<sup>(1)</sup> was \$1.9 million, \$1.5 million lower than the same prior year period mainly due to no funding from Government Subsidy Programs<sup>(b)</sup> (2021 - \$2.1 million) and increased operating costs as a result of significant inflation.

Key operating highlights included:

- Essential Coil Well Service (“ECWS”) second quarter 2022 revenue was \$15.3 million, 15% higher than the same prior year quarter due to higher revenue per operating hour, offset slightly by lower activity. Revenue per operating hour improved in the current quarter, compared to the prior year quarter, due to the nature of work performed and improved service pricing in the latter half of the quarter. ECWS activity decreased in the quarter, compared to the same prior year quarter, as certain customer work scheduled for June 2022 was deferred on short notice until the third quarter. Gross margin was \$2.0 million, \$1.4 million lower than the same prior year quarter due to no funding from Government Subsidy Programs (2021 - \$1.1 million) and higher operating costs.
- Tryton second quarter 2022 revenue was \$13.3 million, 46% higher than the same prior year quarter due to increased activity in Canada and the U.S. Gross margin was \$2.5 million, an increase of \$0.3 million compared to the same prior year quarter due to higher revenue, offset by no funding from Government Subsidy Programs (2021 - \$0.7 million) and higher operating costs.

For the six months ended June 30, 2022, Essential reported revenue of \$66.4 million, 26% higher than the same prior year period as a result of improved industry activity in the first half of the year and improved customer service pricing in the latter half of the second quarter. For the six months ended June 30, 2022, EBITDAS<sup>(1)</sup> was \$5.5 million, \$2.8 million lower than the prior year period as higher activity during the first half of 2022 was offset by \$3.5 million lower Government Subsidy Program benefits and higher operating costs.

During the first half of 2022, Essential acquired and cancelled 2,285,516 Shares under its Normal Course Issuer Bid (“NCIB”) with a weighted average price of \$0.42 per share for a total cost of \$1.0 million. Essential is limited to a daily maximum number of 23,482 Shares that may be purchased each business day, subject to the weekly block purchase exemption.

### Cash and Working Capital<sup>(1)</sup>

At June 30, 2022, Essential continued to be in a strong financial position with no long-term debt outstanding, cash of \$2.1 million and working capital<sup>(1)</sup> of \$43.1 million. On August 3, 2022 Essential had \$1.7 million of cash, with no long-term debt outstanding.

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(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.

### Essential Coil Well Service

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 3/8 inches to 2 7/8 inches in diameter. The rigs have a depth capacity, using 2 3/8 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.

### Tryton

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:

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® 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		For the six months ended	
	June 30, 2022	2021	June 30, 2022	2021
Revenue	\$ 28,642	\$ 22,441	\$ 66,383	\$ 52,591
Operating expenses	24,422	17,150	56,142	40,562
Gross margin	4,220	5,291	10,241	12,029
General and administrative expenses	2,300	1,862	4,706	3,712
EBITDAS <sup>(1)</sup>	1,920	3,429	5,535	8,317
Depreciation and amortization	4,163	4,448	8,349	9,261
Share-based compensation (recovery) expense	(11)	3,641	3,028	5,950
Other (income) expense	(869)	133	(776)	260
Finance costs	213	224	431	455
Loss before income taxes	(1,576)	(5,017)	(5,497)	(7,609)
Current income tax expense	-	2	-	3
Net loss	\$ (1,576)	\$ (5,019)	\$ (5,497)	\$ (7,612)
Net loss per share				
Basic and diluted	\$ (0.01)	\$ (0.04)	\$ (0.04)	\$ (0.05)

**SEGMENT RESULTS – ESSENTIAL COIL WELL SERVICE**

(in thousands of dollars, except percentages, hours and fleet data)	For the three months ended		For the six months ended	
	June 30,	2021	June 30,	2021
	2022		2022	
Revenue	\$ 15,337	\$ 13,355	\$ 35,016	\$ 29,211
Operating expenses	13,362	10,028	30,265	22,175
Gross margin	\$ 1,975	\$ 3,327	\$ 4,751	\$ 7,036
Gross margin %	13%	25%	14%	24%
<b><u>Operating hours</u></b>				
Coiled tubing rigs	6,205	7,414	16,221	16,043
Pumpers	8,444	9,647	21,458	21,250
<b><u>Active equipment fleet</u></b> <sup>(i) (ii)</sup>				
Coiled tubing rigs	12	12	12	12
Fluid pumpers	11	9	11	9
Nitrogen pumpers	4	4	4	4
<b><u>Total equipment fleet</u></b> <sup>(i) (iii)</sup>				
Coiled tubing rigs	25	29	25	29
Fluid pumpers	13	17	13	17
Nitrogen pumpers	5	8	5	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.

Second quarter 2022 ECWS revenue was \$15.3 million, an increase of 15% compared to the same prior year quarter. Revenue per operating hour was higher due to the nature of the work performed combined with improved customer service pricing. During the quarter, ECWS successfully negotiated higher customer pricing; however, these price increases only came into effect during the latter half of the quarter. Second quarter activity was lower than expected as certain customer work scheduled for June 2022 was deferred on short notice until the third quarter.

Gross margin for the second quarter of 2022 was \$2.0 million, \$1.4 million lower than the same prior year quarter due to no funding from Government Subsidy Programs (2021 - \$1.1 million) and higher operating costs. Cost inflation resulted in higher operating costs related to wages, fuel, supplies and coiled tubing inventory. The improved customer service pricing only partially offset the impact of higher operating costs as the increases came into effect during the latter half of the quarter. Gross margin percentage was 13% in the current period, compared to 25% in the same prior year quarter.

On a year-to-date basis, ECWS revenue was \$35.0 million, 20% higher than the same prior year period due to an increase in revenue per operating hour. Revenue per operating hour was higher due to the nature of work performed in 2022 and customer price increases implemented during the latter half of the second quarter. Activity remained flat to 2021 largely due to lower activity in the second quarter as certain customer work scheduled for June was deferred to the third quarter. Gross margin was \$4.8 million, \$2.3 million lower than 2021 due to no Government Subsidy Program benefits in the current year (2021 - \$2.0 million) and overall cost inflation. Gross margin percentage was 14%, compared to 24% for the same prior year period.

## SEGMENT RESULTS – TRYTON

(in thousands of dollars, except percentages)	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Revenue	\$ 13,305	\$ 9,086	\$ 31,367	\$ 23,380
Operating expenses	10,838	6,884	25,518	17,990
Gross margin	\$ 2,467	\$ 2,202	\$ 5,849	\$ 5,390
Gross margin %	19%	24%	19%	23%
Tryton revenue - % of revenue				
Tryton MSFS®	18%	10%	23%	25%
Conventional Tools & Rentals	82%	90%	77%	75%

Second quarter 2022 Tryton revenue was \$13.3 million, an increase of 46% compared to the same prior year quarter. Conventional tool revenue in Canada and the U.S. was stronger than the same prior year quarter due to improved industry conditions which increased customer spending on production-related activity. Tryton MSFS® revenue was higher than the same prior year quarter due to increased completion-related activity. Pricing continued to be competitive during the quarter.

Second quarter gross margin was \$2.5 million, \$0.3 million higher than the same prior year quarter as a result of increased activity and a beneficial mix of work, offset by no funding from Government Subsidy Programs (2021 - \$0.7 million) and cost inflation which increased operating costs related to inventory and wages. Despite significant inflation, pricing remained competitive during the quarter and Tryton was unable to recover increased operating costs through higher customer pricing. Gross margin percentage was 19% in the current period, compared to 24% in the same prior year quarter.

On a year-to-date basis, Tryton revenue was \$31.4 million, 34% higher than the same prior year period due to increased activity in Canada and the U.S. Gross margin was \$5.8 million, an increase of \$0.5 million compared to the same prior year period due to increased activity, offset by \$1.0 million lower Government Subsidy Program benefits and higher operating costs. Gross margin percentage was 19%, compared to 23% in the same prior year quarter.

## GENERAL AND ADMINISTRATIVE

(in thousands of dollars)	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
General and administrative expenses	\$ 2,300	\$ 1,862	\$ 4,706	\$ 3,712

General and administrative expenses (“G&A”) consist of wages, professional fees and other administrative costs. G&A for the three and six months ended June 30, 2022 increased compared to the same prior year periods mainly due to the reinstatement of certain employee compensation programs that were temporarily suspended, or reduced, during the COVID-19 pandemic and no Government Subsidy Program benefits. For the three and six months ended June 30, 2021 \$0.3 million and \$0.5 million, respectively, of Government Subsidy Program benefits were recorded.

## DEPRECIATION AND AMORTIZATION

(in thousands of dollars)	For the three months ended		For the six months ended	
	June 30, 2022	2021	June 30, 2022	2021
Depreciation and amortization expense	\$ 4,163	\$ 4,448	\$ 8,349	\$ 9,261

Depreciation expense for the three and six months ended June 30, 2022 was lower than the same prior year periods 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		For the six months ended	
	June 30, 2022	2021	June 30, 2022	2021
Share-based compensation (recovery) expense	\$ (11)	\$ 3,641	\$ 3,028	\$ 5,950

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 (recovery) expense.

For the three and six months ended June 30, 2022, share-based compensation (recovery) expense decreased compared to the same prior year periods due to a decrease in the number of share-based units outstanding during the period and a decrease in share price.

## OTHER (INCOME) EXPENSE

(in thousands of dollars)	For the three months ended		For the six months ended	
	June 30, 2022	2021	June 30, 2022	2021
Gain on disposal of assets	\$ (519)	\$ (43)	\$ (601)	\$ (72)
Realized foreign exchange loss	-	6	-	-
Unrealized foreign exchange (gain) loss	(410)	195	(209)	370
Other expense (income)	60	(25)	34	(38)
Other (income) expense	\$ (869)	\$ 133	\$ (776)	\$ 260

For the three and six months ended June 30, 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 and six months ended June 30, 2022 the weakening of the Canadian dollar in relation to the U.S. dollar resulted in an unrealized foreign exchange gain. In comparison, during the three and six months ended June 30, 2021 the strengthening of the Canadian dollar in relation to the U.S. dollar resulted in an unrealized foreign exchange loss.

## **FINANCE COSTS**

(in thousands of dollars)	For the three months ended		For the six months ended	
	June 30, 2022	2021	June 30, 2022	2021
Finance costs	\$ 213	\$ 224	\$ 431	\$ 455

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 and six months ended June 30, 2022, finance costs slightly decreased compared to the same prior year periods due to lower outstanding lease liabilities and lower standby fees.

## **INCOME TAXES**

(in thousands of dollars)	For the three months ended		For the six months ended	
	June 30, 2022	2021	June 30, 2022	2021
Current income tax expense	\$ -	\$ 2	\$ -	\$ 3

For the three and six months ended June 30, 2022 and 2021, Essential did not recognize any amounts related to current deferred income tax expense or recovery.

As at June 30, 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 PROVIDED BY OPERATING ACTIVITIES**

(in thousands of dollars)	For the three months ended		For the six months ended	
	June 30, 2022	2021	June 30, 2022	2021
Funds flow <sup>(1)</sup>	\$ 2,281	\$ (387)	\$ 2,582	\$ 1,987
Changes in non-cash working capital <sup>(1)</sup>	215	7,641	(2,090)	8,482
Net cash provided by operating activities	\$ 2,496	\$ 7,254	\$ 492	\$ 10,469

### **WORKING CAPITAL<sup>(1)</sup>**

(in thousands of dollars, except ratios)	As at	As at
	June 30, 2022	December 31, 2021
Current assets	\$ 63,128	\$ 68,740
Current liabilities	(20,063)	(23,450)
Working capital <sup>(1)</sup>	\$ 43,065	\$ 45,290
Working capital ratio <sup>(1)</sup>	3.1:1	2.9:1

Working capital<sup>(1)</sup> 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<sup>(1)</sup> 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<sup>(1)</sup> and working capital ratio<sup>(1)</sup> 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 June 30, 2022 there were no amounts outstanding and \$25.0 million was available. Essential does not anticipate financial resource or liquidity issues to restrict its future operating, investing or financing activities.

#### **Financial Covenants**

As at June 30, 2022, all financial debt covenants and banking requirements under the Credit Facility were satisfied.

<u>(in millions of dollars, except percentages)</u>	Covenant Threshold	As at June 30, 2022
Funded debt to capitalization	≤ 50%	N/A
Funded debt to Bank EBITDA	≤ 3.50x	N/A
Fixed charge coverage ratio	≥ 1.25x	<b>20.17x</b>

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<sup>(1)</sup>, 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

(in thousands of dollars)	For the three months ended		For the six months ended	
	June 30, 2022	2021	June 30, 2022	2021
ECWS	\$ 465	\$ 979	\$ 1,030	\$ 3,159
Tryton	471	227	1,267	291
Corporate	135	14	135	14
Purchase of property and equipment	\$ 1,071	\$ 1,220	\$ 2,432	\$ 3,464
Less proceeds on disposal of equipment	(1,343)	(283)	(1,508)	(586)
Net equipment (proceeds) expenditures <sup>(1)</sup>	\$ (272)	\$ 937	\$ 924	\$ 2,878

Essential classifies its purchase of property and equipment as growth capital<sup>(1)</sup> and maintenance capital<sup>(1)</sup>:

(in thousands of dollars)	For the three months ended		For the six months ended	
	June 30, 2022	2021	June 30, 2022	2021
Growth capital <sup>(1)</sup>	\$ -	\$ 331	\$ -	\$ 1,994
Maintenance capital <sup>(1)</sup>	1,071	889	2,432	1,470
Purchase of property and equipment	\$ 1,071	\$ 1,220	\$ 2,432	\$ 3,464

For the three and six months ended June 30, 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 forecast has increased from \$6 million to \$9 million, which includes \$3 million for growth capital<sup>(1)</sup> and \$6 million for maintenance capital<sup>(1)</sup>. Early in the third quarter, ECWS committed to purchasing two 1,000 horsepower quintuplex fluid pumpers. The total cost for this project is expected to be \$3 million. ECWS will complete technical upgrades on the pumpers with an expectation that they will be available for use by early in the fourth quarter. The remaining equipment expenditures are mainly focused on the maintenance of ECWS's active fleet and replacement of pickup trucks. The 2022 capital forecast is expected to be funded with cash, operational cashflow and, if needed, the Credit Facility.

## SHARE CAPITAL

As at August 3, 2022, there were 139,247,297 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	As at
	June 30, 2022	December 31, 2021
Less than one year	\$ 5,157	\$ 5,446
One to five years	5,894	7,136
	\$ 11,051	\$ 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. Essential may make one block purchase per calendar week which exceeds the daily purchase limitation. 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 June 30, 2022, 626,000 Shares were acquired and cancelled under the NCIB with a weighted average price of \$0.43 per share for a total cost of \$0.3 million.

For the six months ended June 30, 2022, 2,285,516 Shares were acquired and cancelled under the NCIB with a weighted average price of \$0.42 per share for a total cost of \$1.0 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](http://www.sedar.com) and on Essential's website at [www.essentialenergy.ca](http://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](http://www.sedar.com) and on Essential's website at [www.essentialenergy.ca](http://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](http://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

With the continued strong commodity price environment, the outlook for industry drilling and completion activity in 2022 and beyond continues to be quite optimistic. It is generally expected that these strong commodity prices, combined with the constant degradation effect of well declines, should drive an increase in spending on drilling and completions for the remainder of 2022 and potentially lead to a strong multi-year oil and gas performance cycle.

To date in 2022, E&P company surplus cash flow has been significant with a large portion of these funds 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 drilling and completion or production-related spending.

During the first half of 2022, cost inflation in Canada was significant for most businesses, including oilfield services companies. Supply chain disruptions have increased costs and created logistical challenges of providing oilfield services, which is expected to continue for the remainder of the year. The oilfield services sector in Canada is also experiencing labor shortages. Retaining and attracting personnel to the oilfield services sector continues to be a challenge in today's market. Despite this, E&P companies, until very recently, had been reluctant to accept oilfield service price increases.

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.

Early in the third quarter of 2022, ECWS purchased two 1,000 horsepower ("hp") quintuplex fluid pumpers. ECWS will complete technical upgrades on the pumpers with an expectation that they will be available for use by early in the fourth quarter. Once the new pumpers are ready, they will replace two existing 600 hp triplex fluid pumpers. The 1,000 hp quintuplex fluid pumpers will appropriately support the ECWS deep-capacity Generation III and Generation IV coiled tubing rigs as E&P customers continue to require greater pumping fluid capacity and pressure capability.

During the latter portion of the second quarter of 2022, ECWS introduced service pricing increases to customers. These higher prices, combined with improved E&P company capital spending and activity anticipated for the second half of 2022, are expected to positively impact ECWS margins and financial results. The price increase strategy is striving to offset recent significant inflationary impacts. Going forward, ECWS and Tryton will be in regular dialogue with E&P customers pursuing cost inflation pass-through.

In the first half of 2022, Tryton activity in both Canada and the U.S. improved largely due to higher commodity prices. Customer spending on production-related activity improved as E&P companies continued to seek cash-flow growth. It is expected that Tryton's conventional downhole tool business in Canada and the U.S. will continue to benefit from this form of increased activity. With an expected increase in E&P company completion spending, Tryton anticipates increased demand for its MSFS<sup>®</sup> downhole tools in the second half of 2022. Tryton's long-tenured work-force and ability to expand through the use of sub-contractors in a strengthening industry cycle, despite the broader sectoral tight labor market, is expected to provide Tryton with the ability to execute on operational demands in the second half of 2022 if activity improves as anticipated.

Essential is well-positioned to benefit from the oilfield services 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 continue to focus on obtaining appropriate pricing for its services. Essential is committed to meeting the demands of its key customers, a continued focus on Environmental, Social and Governance, and maintaining its strong financial position. On August 3, 2022, Essential had cash of \$1.7 million, with no long-term debt outstanding. 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)	June 30, 2022	Mar 31, 2022	Dec 30, 2021	Sept 30, 2021	June 30, 2021	Mar 31, 2021	Dec 31, 2020	Sept 30, 2020
Essential Coil Well Service	15,337	19,679	15,134	14,908	13,355	15,856	13,059	9,909
Tryton	13,305	18,062	19,970	18,605	9,086	14,294	11,495	9,332
<b>Total revenue</b>	<b>28,642</b>	<b>37,741</b>	<b>35,104</b>	<b>33,513</b>	<b>22,441</b>	<b>30,150</b>	<b>24,554</b>	<b>19,241</b>
Gross margin	4,220	6,021	5,105	6,094	5,291	6,738	5,810	5,314
Gross margin %	15%	16%	15%	18%	24%	22%	24%	28%
EBITDAS <sup>(1)</sup>	1,920	3,615	2,423	4,441	3,429	4,888	4,105	4,033
Bank EBITDA	548	2,218	1,128	3,255	2,217	3,836	3,038	3,193
Net (loss) income	(1,576)	(3,921)	(4,469)	684	(5,019)	(2,593)	(4,226)	(1,529)
Per share - basic and diluted	(0.01)	(0.03)	(0.03)	0.00	(0.04)	(0.02)	(0.03)	(0.01)
Total assets	147,741	158,003	159,086	162,794	157,616	161,283	159,863	163,188
Cash	2,107	3,675	6,462	10,885	11,627	6,251	6,082	6,625
Long-term debt	-	2,600	-	-	301	53	53	145
Operating hours								
Coiled tubing rigs	6,205	10,016	7,630	7,816	7,414	8,629	7,047	5,348
Pumpers	8,444	13,014	10,228	10,827	9,647	11,603	9,242	7,131
Tryton - % of revenue								
Tryton MSFS®	18%	27%	45%	39%	10%	34%	33%	40%
Conventional Tools & Rentals	82%	73%	55%	61%	90%	66%	67%	60%

## 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 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 forecast, expectations of how it will be funded and the cost and the timing for the quintuplex fluid pumpers going into service; 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, outlook and performance cycle; 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 and continued focus on appropriate pricing; Essential’s commitments, strategic position, strengths, focus, outlook, activity levels and margins; the impact of inflation; supply chain implications; active and inactive equipment, market share, crew counts and use of sub-contractors; 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](http://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](http://www.sedar.com).

#### <sup>(1)</sup>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<sup>(1)</sup> to net loss:

(in thousands of dollars)	For the three months ended		For the six months ended	
	June 30, 2022	2021	June 30, 2022	2021
Bank EBITDA	\$ 548	\$ 2,217	\$ 2,766	\$ 6,053
Impact of lease accounting under IFRS	(1,376)	(1,229)	(2,793)	(2,310)
Permitted Adjustments	4	17	24	46
EBITDAS	\$ 1,920	\$ 3,429	\$ 5,535	\$ 8,317
Share-based compensation(recovery) expense	(11)	3,641	3,028	5,950
Other (income) expense	(869)	133	(776)	260
Depreciation and amortization	4,163	4,448	8,349	9,261
Finance costs	213	224	431	455
Loss before income tax	\$ (1,576)	\$ (5,017)	\$ (5,497)	\$ (7,609)
Income tax expense	-	2	-	3
Net loss	\$ (1,576)	\$ (5,019)	\$ (5,497)	\$ (7,612)

The following table calculates EBITDAS %:

(in thousands of dollars, except percentages)	For the three months ended		For the six months ended	
	June 30, 2022	2021	June 30, 2022	2021
EBITDAS	\$ 1,920	\$ 3,429	\$ 5,535	\$ 8,317
Revenue	\$ 28,642	\$ 22,441	\$ 66,383	\$ 52,591
EBITDAS %	7%	15%	8%	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.

## **Unaudited Condensed Consolidated Interim Financial Statements**

Essential Energy Services Ltd.

June 30, 2022

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

	As at June 30, 2022	As at December 31, 2021
<i>(in thousands of dollars)</i>		
<b>Assets</b>		
Current		
Cash	\$ 2,107	\$ 6,462
Trade and other accounts receivable <i>(note 3)</i>	23,205	29,341
Inventory <i>(note 4)</i>	34,880	31,111
Prepayments and deposits	2,936	1,826
	<b>63,128</b>	<b>68,740</b>
Non-current		
Property and equipment <i>(note 5)</i>	76,561	81,532
Right-of-use lease assets <i>(note 8)</i>	8,052	8,814
	<b>84,613</b>	<b>90,346</b>
Total assets	<b>\$ 147,741</b>	<b>\$ 159,086</b>
<b>Liabilities</b>		
Current		
Trade and other accounts payable <i>(note 6)</i>	\$ 13,558	\$ 14,399
Share-based compensation <i>(note 11)</i>	1,813	4,115
Income taxes payable	-	23
Current portion of lease liabilities <i>(note 8)</i>	4,692	4,913
	<b>20,063</b>	<b>23,450</b>
Non-current		
Share-based compensation <i>(note 11)</i>	5,958	6,188
Long-term lease liabilities <i>(note 8)</i>	5,438	6,622
	<b>11,396</b>	<b>12,810</b>
Total liabilities	<b>31,459</b>	<b>36,260</b>
<b>Equity</b>		
Share capital <i>(note 9)</i>	268,338	272,732
Deficit	(162,104)	(156,607)
Other reserves <i>(note 10)</i>	10,048	6,701
Total equity	<b>116,282</b>	<b>122,826</b>
Total liabilities and equity	<b>\$ 147,741</b>	<b>\$ 159,086</b>

*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)**

<i>(in thousands of dollars, except per share amounts)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Revenue <i>(note 15)</i>	\$ 28,642	\$ 22,441	\$ 66,383	\$ 52,591
Operating expenses <i>(note 2)</i>	24,422	17,150	56,142	40,562
Gross margin	4,220	5,291	10,241	12,029
General and administrative expenses <i>(note 2)</i>	2,300	1,862	4,706	3,712
Depreciation and amortization <i>(notes 5 and 8)</i>	4,163	4,448	8,349	9,261
Share-based compensation (recovery) expense <i>(note 11)</i>	(11)	3,641	3,028	5,950
Other (income) expense	(869)	133	(776)	260
Operating loss	(1,363)	(4,793)	(5,066)	(7,154)
Finance costs	213	224	431	455
Loss before taxes	(1,576)	(5,017)	(5,497)	(7,609)
Current income tax expense	-	2	-	3
Income tax expense	-	2	-	3
Net loss	(1,576)	(5,019)	(5,497)	(7,612)
Unrealized foreign exchange (loss) gain <i>(note 10)</i>	(130)	78	(66)	144
Comprehensive loss	\$ (1,706)	\$ (4,941)	\$ (5,563)	\$ (7,468)
Net loss per share <i>(note 12)</i>				
Basic and diluted	\$ (0.01)	\$ (0.04)	\$ (0.04)	\$ (0.05)
Comprehensive loss per share <i>(note 12)</i>				
Basic and diluted	\$ (0.01)	\$ (0.03)	\$ (0.04)	\$ (0.05)

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

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

<i>(in thousands of dollars)</i>	For the six months ended	
	June 30,	
	<b>2022</b>	2021
<b>Equity:</b>		
<u>Share Capital</u>		
Balance, January 1	\$ 272,732	\$ 272,732
Shares cancelled under normal course issuer bid <i>(note 9)</i>	<b>(4,394)</b>	-
Balance, June 30	<b>268,338</b>	272,732
<u>Deficit</u>		
Balance, January 1	\$ (156,607)	\$ (145,210)
Net loss	<b>(5,497)</b>	(7,612)
Balance, June 30	<b>\$ (162,104)</b>	\$ (152,822)
<u>Other reserves</u>		
Balance, January 1	\$ 6,701	\$ 6,656
Other comprehensive (loss) gain <i>(note 10)</i>	<b>(66)</b>	144
Share-based compensation <i>(note 11)</i>	-	5
Shares cancelled under normal course issuer bid <i>(note 9)</i>	<b>3,413</b>	-
Balance, June 30	<b>\$ 10,048</b>	\$ 6,805
<b>Total equity</b>	<b>\$ 116,282</b>	<b>\$ 126,715</b>

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

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

	For the six months ended	
	June 30,	
<i>(in thousands of dollars)</i>	<b>2022</b>	2021
<b>Operating Activities:</b>		
Net loss	\$ (5,497)	\$ (7,612)
Non-cash adjustments to reconcile net loss to operating cash flow:		
Depreciation and amortization <i>(notes 5 and 8)</i>	8,349	9,261
Share-based compensation <i>(note 11)</i>	-	5
Recovery of impairment of trade accounts receivable <i>(note 3)</i>	(100)	(50)
Finance costs	431	455
Gain on disposal of assets	(601)	(72)
Funds flow	2,582	1,987
Changes in non-cash operating working capital:		
Trade and other accounts receivable before provision	6,170	3,603
Inventory	(3,798)	607
Income taxes payable	(22)	(25)
Prepayments and deposits	(1,110)	(1,225)
Trade and other accounts payable	(799)	1,646
Share-based compensation	(2,531)	3,876
Net cash provided by operating activities	492	10,469
<b>Investing Activities:</b>		
Purchase of property and equipment <i>(note 5)</i>	(2,432)	(3,464)
Non-cash investing working capital in trade and other accounts payable	(43)	151
Proceeds on disposal of equipment	1,508	586
Net cash used in investing activities	(967)	(2,727)
<b>Financing Activities:</b>		
Increase in long-term debt <i>(note 7)</i>	-	248
Repurchase of shares under normal course issuer bid <i>(note 9)</i>	(981)	-
Finance costs paid	(99)	(123)
Payments of lease liabilities <i>(note 8)</i>	(2,793)	(2,310)
Net cash used in financing activities	(3,873)	(2,185)
Foreign exchange loss on cash held in a foreign currency	(7)	(12)
Net (decrease) increase in cash	(4,355)	5,545
Cash, beginning of period	6,462	6,082
Cash, end of period	\$ 2,107	\$ 11,627

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

## ESSENTIAL ENERGY SERVICES LTD.

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2022 and 2021

(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 and six months ended June 30, 2022, and 2021 were approved by the Board of Directors of Essential (“Board of Directors”) on August 3, 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 and six months ended June 30, 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 and six months ended June 30, 2022, there were no amounts related to the Canadian Emergency Wage Subsidy program recorded in the condensed consolidated interim statements of net loss and comprehensive loss. For the three and six months ended June 30, 2021, government grants of \$1.5 million and \$2.6 million, respectively, were included in the condensed consolidated interim statement of net loss and comprehensive loss, of which \$1.3 million and \$2.2 million, respectively, were recorded as a reduction to operating expenses and \$0.2 million and \$0.4 million, respectively, were recorded as a reduction to general and administrative expenses.

For the three and six months ended June 30, 2022, there were no amounts related to the Canadian Emergency Rent Subsidy program recorded in the condensed consolidated interim statements of net loss and comprehensive loss. For the three and six months ended June 30, 2021, government grants of \$0.5 million and \$0.8 million, respectively, were included in the condensed consolidated interim statements of net loss and comprehensive loss, of which \$0.4 million and \$0.6 million, respectively, were recorded as a reduction to operating expenses and \$0.1 million and \$0.2 million, respectively, were recorded as a reduction to general and administrative expenses.

For the three and six months ended June 30, 2022, there were no amounts and \$0.2 million (2021 - \$0.1 million and \$0.2 million), respectively, related to the U.S. Employment Retention Tax Credit program included in the condensed consolidated interim statements of net loss and comprehensive loss and recorded as a reduction to operating expenses.

For the three and six months ended June 30, 2022, there were no amounts related to the Paycheck Protection Plan Loans (“PPP Loans”) program recorded in the condensed consolidated interim statements of net loss and comprehensive loss. For the three and six months ended June 30, 2021, government grants of \$0.2 million and \$0.2 million, respectively, were included in the condensed consolidated interim statement of net loss and comprehensive loss and were recorded as a reduction to operating expense. The PPP Loans were used to cover eligible U.S. expenses, including payroll and utility costs, in the period in which they were incurred.

**ESSENTIAL ENERGY SERVICES LTD.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***As at and for the three and six months ended June 30, 2022 and 2021**(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)***3. TRADE AND OTHER ACCOUNTS RECEIVABLE**

	<b>As at June 30, 2022</b>	<b>As at December 31, 2021</b>
Trade accounts receivable, net of provision	\$ 23,048	\$ 29,256
Other receivables	157	85
	<b>\$ 23,205</b>	<b>\$ 29,341</b>

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

Trade accounts receivable include accrued receivables which primarily relate to Essential's rights to consideration for work completed at the reporting date.

The aging analysis of trade accounts receivable is as follows:

	<b>As at June 30, 2022</b>	<b>As at December 31, 2021</b>
0-30 days	\$ 12,808	\$ 12,719
31-60 days	6,829	9,191
61-90 days	2,083	5,429
> 90 days	1,328	1,917
	<b>\$ 23,048</b>	<b>\$ 29,256</b>

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:

	<b>For the six months ended June 30, 2022</b>	<b>For the twelve months ended December 31, 2021</b>
Balance, beginning of period	\$ 503	\$ 1,706
Recovery for receivables impairment	(100)	(525)
Receivables written off against the provision	(39)	(678)
Balance, end of period	<b>\$ 364</b>	<b>\$ 503</b>

**ESSENTIAL ENERGY SERVICES LTD.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***As at and for the three and six months ended June 30, 2022 and 2021**(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)***4. INVENTORY**

	<b>As at June 30, 2022</b>	<b>As at December 31, 2021</b>
Tryton tools	\$ 22,607	\$ 20,091
Coiled tubing and supplies	12,273	11,020
	<b>\$ 34,880</b>	<b>\$ 31,111</b>

Inventory charged through operating expenses in the condensed consolidated interim statements of net loss and comprehensive loss for the three and six months ended June 30, 2022 was \$8.7 million and \$18.9 million (2021 – \$6.0 million and \$15.9 million), respectively.

**5. PROPERTY AND EQUIPMENT**

<b>As at June 30, 2022</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Coiled tubing rigs, pumpers and equipment	\$ 146,040	\$ 95,723	\$ 50,317
Other oilfield equipment	59,467	43,726	15,741
Vehicles	30,527	21,006	9,521
Other	13,788	12,806	982
	<b>\$ 249,822</b>	<b>\$ 173,261</b>	<b>\$ 76,561</b>

<b>As at December 31, 2021</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
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
	<b>\$ 250,955</b>	<b>\$ 169,423</b>	<b>\$ 81,532</b>

	<b>For the six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Net book value, beginning of period	\$ 81,532	\$ 89,460
Additions	2,432	3,464
Transfers	29	44
Disposals	(907)	(514)
Depreciation	(6,531)	(7,558)
Currency translation adjustment	6	(13)
Net book value, end of period	<b>\$ 76,561</b>	<b>\$ 84,883</b>

**ESSENTIAL ENERGY SERVICES LTD.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***As at and for the three and six months ended June 30, 2022 and 2021**(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)***6. TRADE AND OTHER ACCOUNTS PAYABLE**

	<b>As at June 30, 2022</b>	<b>As at December 31, 2021</b>
Trade accounts payable	\$ 7,557	\$ 8,591
Accrued payables	3,866	3,390
Accrued payroll	1,842	1,967
Other	293	451
	<b>\$ 13,558</b>	<b>\$ 14,399</b>

**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 June 30, 2022, there were no amounts outstanding on the Credit Facility and the full \$25.0 million 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:

	<b>For the six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Balance, beginning of period	\$ -	\$ 53
Cash changes:		
Increase in long-term debt	-	248
Balance, end of period	\$ -	\$ 301

**ESSENTIAL ENERGY SERVICES LTD.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***As at and for the three and six months ended June 30, 2022 and 2021**(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)***8. LEASES**

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

**Right-of-use lease assets**

	<b>For the six months ended June 30, 2022</b>	For the twelve months ended December 31, 2021
Beginning of period	\$ 8,814	\$ 8,513
Additions	-	3,638
Modifications	1,045	210
Depreciation	(1,818)	(3,545)
Foreign exchange gain (loss)	11	(2)
End of period	\$ 8,052	\$ 8,814

**Lease liabilities**

	<b>As at June 30, 2022</b>	As at December 31, 2021
Maturity analysis - contractual undiscounted cash flow		
Less than one year	\$ 5,157	\$ 5,446
One to five years	5,894	7,136
Total undiscounted lease liabilities, end of period	\$ 11,051	\$ 12,582
Discounted value of future lease payments		
Current portion of lease liabilities	\$ 4,692	\$ 4,913
Long-term portion of lease liabilities	5,438	6,622
Lease liabilities included in the statements of financial position	\$ 10,130	\$ 11,535

For the three and six months ended June 30, 2022, Essential recognized \$0.1 million and \$0.3 million (2021 - \$0.2 million and \$0.3 million), respectively, of finance costs related to lease liabilities in its condensed consolidated interim statements of net loss and comprehensive loss and \$1.4 million and \$2.8 million (2021 - \$1.2 million and \$2.3 million), respectively, of total cash outflow for leases in the consolidated interim statement of cash flows.

**ESSENTIAL ENERGY SERVICES LTD.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***As at and for the three and six months ended June 30, 2022 and 2021**(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)***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 January 1, 2021 and December 31, 2021	141,857	\$ 272,732
Shares repurchased under normal course issuer bid	<b>(2,286)</b>	<b>(4,394)</b>
<b>As at June 30, 2022</b>	<b>139,571</b>	<b>\$ 268,338</b>

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 and six months ended June 30, 2022, 626,000 and 2,285,516, respectively, Common Shares were acquired and cancelled under the NCIB, at a weighted average price of \$0.43 and \$0.42 per share, respectively. Any amounts paid for these Common Shares, relative to their carrying amount, was recorded as a change in contributed surplus.

**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 ( <i>note 9</i> )	<b>3,413</b>	-	<b>3,413</b>
Unrealized foreign exchange loss	-	<b>(66)</b>	<b>(66)</b>
<b>As at June 30, 2022</b>	<b>\$ 9,315</b>	<b>\$ 733</b>	<b>\$ 10,048</b>

**ESSENTIAL ENERGY SERVICES LTD.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***As at and for the three and six months ended June 30, 2022 and 2021**(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)***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 (recovery) expense are as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Share Options	\$ -	\$ 3	\$ -	\$ 5
Restricted share units	516	1,740	2,872	2,968
Deferred share units	(527)	1,898	156	2,977
Share-based compensation (recovery) expense	\$ (11)	\$ 3,641	\$ 3,028	\$ 5,950

**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 June 30, 2022, was \$2.4 million (December 31, 2021 – \$5.1 million) of which \$1.8 million is due within one year (December 31, 2021 – \$4.1 million).

The following table summarizes information with respect to RSUs outstanding:

	For the six months ended	
	June 30,	
Number of RSUs (000's)	2022	2021
Outstanding, beginning of period	17,162	14,483
Issued	8,714	10,729
Vested	(13,239)	(7,762)
Forfeited	-	(122)
Outstanding, end of period	12,637	17,328

**ESSENTIAL ENERGY SERVICES LTD.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***As at and for the three and six months ended June 30, 2022 and 2021**(All tabular amounts in thousands of dollars unless otherwise stated, except for per share amounts)***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 June 30, 2022, was \$5.4 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:

Number of DSUs (000's)	For the six months ended	
	June 30,	
	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 six months ended		For the six months ended	
	June 30, 2022		June 30, 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	3,264	\$ 0.62
Expired	(1,030)	0.83	(1,785)	0.57
Outstanding, end of period	448	\$ 0.32	1,479	\$ 0.68
Exercisable, end of period	448	\$ 0.32	1,329	\$ 0.72

**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.

(000's)	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Basic and diluted	139,571	141,857	139,571	141,857

## ESSENTIAL ENERGY SERVICES LTD.

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2022 and 2021

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

#### 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.

##### **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 and six months ended June 30, 2022, the Corporate segment includes \$2.3 million and \$4.6 million (2021 - \$1.8 million and \$3.6 million), respectively, of corporate costs and certain operational costs, and \$(0.4) million and \$3.2 million (2021 - \$4.2 million and \$7.1 million), respectively, of share-based compensation (recovery) expense, depreciation and amortization, finance costs and foreign exchange loss/gain.

**ESSENTIAL ENERGY SERVICES LTD.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS***As at and for the three and six months ended June 30, 2022 and 2021**(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:

<b>As at and for the three months ended June 30, 2022</b>	<b>ECWS</b>	<b>Tryton</b>	<b>Corporate</b>	<b>Consolidated</b>
Revenue	\$ 15,337	\$ 13,305	\$ -	\$ 28,642
Gross margin	\$ 1,975	\$ 2,467	\$ (222)	\$ 4,220
(Loss) income before taxes	\$ (615)	\$ 940	\$ (1,901)	\$ (1,576)
Depreciation and amortization	\$ 2,767	\$ 1,166	\$ 230	\$ 4,163
Total assets	\$ 93,115	\$ 51,539	\$ 3,087	\$ 147,741
Total liabilities	\$ 16,999	\$ 10,053	\$ 4,407	\$ 31,459
Purchase of property and equipment	\$ 465	\$ 471	\$ 135	\$ 1,071

  

<b>As at and for the three months ended June 30, 2021</b>	<b>ECWS</b>	<b>Tryton</b>	<b>Corporate</b>	<b>Consolidated</b>
Revenue	\$ 13,355	\$ 9,086	\$ -	\$ 22,441
Gross margin	\$ 3,327	\$ 2,202	\$ (238)	\$ 5,291
Income (loss) before taxes	\$ 274	\$ 785	\$ (6,076)	\$ (5,017)
Depreciation and amortization	\$ 3,034	\$ 1,180	\$ 234	\$ 4,448
Total assets	\$ 102,803	\$ 52,459	\$ 2,354	\$ 157,616
Total liabilities	\$ 15,971	\$ 8,562	\$ 6,368	\$ 30,901
Purchase of property and equipment	\$ 979	\$ 227	\$ 14	\$ 1,220

  

<b>As at and for the six months ended June 30, 2022</b>	<b>ECWS</b>	<b>Tryton</b>	<b>Corporate</b>	<b>Consolidated</b>
Revenue	\$ 35,016	\$ 31,367	\$ -	\$ 66,383
Gross margin	\$ 4,751	\$ 5,849	\$ (359)	\$ 10,241
(Loss) income before taxes	\$ (689)	\$ 2,992	\$ (7,800)	\$ (5,497)
Depreciation and amortization	\$ 5,556	\$ 2,325	\$ 468	\$ 8,349
Purchase of property and equipment	\$ 1,030	\$ 1,267	\$ 135	\$ 2,432

  

<b>As at and for the six months ended June 30, 2021</b>	<b>ECWS</b>	<b>Tryton</b>	<b>Corporate</b>	<b>Consolidated</b>
Revenue	\$ 29,211	\$ 23,380	\$ -	\$ 52,591
Gross margin	\$ 7,036	\$ 5,390	\$ (397)	\$ 12,029
Income (loss) before taxes	\$ 563	\$ 2,518	\$ (10,690)	\$ (7,609)
Depreciation and amortization	\$ 6,387	\$ 2,402	\$ 472	\$ 9,261
Purchase of property and equipment	\$ 3,159	\$ 291	\$ 14	\$ 3,464

## CORPORATE INFORMATION

### Directors

James A. Banister, Chairman<sup>2</sup>

Garnet K. Amundson<sup>3</sup>

Felicia Bortolussi<sup>2</sup>

Robert T. German<sup>1, 3</sup>

Nicholas G. Kirton<sup>1, 2</sup>

Robert B. Michaleski<sup>1, 2, 3</sup>

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

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