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 nine months ended September 30, 2022.

This MD&A should be read in conjunction with Essential's September 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 November 2, 2022 and was approved and authorized for issuance by the Board of Directors of the Company on November 2, 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 September 30, **2022**	2021	For the nine months ended September 30, **2022**	2021
Revenue	**$ 43,369**	$ 33,513	**$ 109,752**	$ 86,104
Gross margin	**10,090**	6,094	**20,331**	18,123
Gross margin %	**23%**	18%	**19%**	21%
EBITDAS [(1)]	**7,418**	4,441	**12,953**	12,758
EBITDAS % [(1)]	**17%**	13%	**12%**	15%
Net income (loss)	**$ 5,225**	$ 684	**$ (272)**	**$** (6,928)
Per share - basic and diluted	**$ 0.04**	$ 0.00	**$ (0.00)**	**$** (0.05)
Operating hours				
Coiled tubing rigs	**9,424**	7,816	**25,645**	23,859
Pumpers	**11,580**	10,827	**33,038**	32,077

	As at September 30, **2022**	2021
Working capital [(1)]	**$ 50,290**	$ 48,683
Cash	**620**	10,885
Long-term debt	**5,300**	-

[1] 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$92 per barrel in the third quarter of 2022, compared to an average of US$71 per barrel in the third quarter of 2021. Canadian natural gas prices ("AECO") averaged $4.01 per gigajoule during the third quarter of 2022, compared to an average of $3.42 per gigajoule during the comparative prior year quarter.

Third 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 2022 have been the highest since the early 1990s[a] which has increased overall cost structures.

HIGHLIGHTS

Revenue for the three months ended September 30, 2022 was $43.4 million, 29% higher than the same prior year quarter due to improved industry conditions. Management is pleased to report third quarter EBITDAS[1] of $7.4 million, $3.0 million higher than the same prior year quarter due to improved customer pricing and higher activity. The third quarter of 2022 included no funding from Government Subsidy Programs[b] (2021 - $0.8 million) and continued to experience higher operating costs as a result of cost inflation.

Key operating highlights included:

- Essential Coil Well Service ("ECWS") third quarter 2022 revenue was $23.5 million, 58% higher than the same prior year quarter due to higher revenue per operating hour combined with increased activity. Revenue per operating hour improved significantly in the current quarter due to increased customer pricing and nature of work performed. Management is pleased to report ECWS gross margin of $6.1 million, $4.3 million higher than the same prior year quarter.
- Tryton third quarter 2022 revenue was $19.9 million, 7% higher than the same prior year quarter due to increased conventional tool activity in Canada and the U.S., offset by lower Multi-Stage Fracturing System ("MSFS®") activity. Gross margin was $4.4 million, an increase of $0.3 million compared to the same prior year quarter due to increased activity.

For the nine months ended September 30, 2022, Essential reported revenue of $109.8 million, 27% higher than the same prior year period as a result of higher industry activity and improved customer pricing. For the nine months ended September 30, 2022, EBITDAS[1] was $13.0 million, $0.2 million higher than the prior year period. Higher activity and improved pricing during the third quarter was offset by $4.5 million lower funding from Government Subsidy Programs and higher operating costs due to inflation.

During the nine months ended September 30, 2022, Essential acquired and cancelled 3,468,516 Shares under its Normal Course Issuer Bid ("NCIB") with a weighted average price of $0.41 per share for a total cost of $1.4 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

At September 30, 2022, Essential continued to be in a strong financial position with long-term debt, net of cash[1] of $4.7 million and working capital[1] of $50.3 million. During periods of high activity, accounts receivable tends to build, resulting in a lower cash balance. On November 2, 2022 Essential had $4.6 million of long-term debt, net of cash[1].

(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").

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

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 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.

Tryton

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

- Tryton MSFS® – Tryton MSFS® tools are used for horizontal well completions, allowing producers to isolate and fracture intervals of the horizontal section of a well separately and continuously. Tryton offers a variety of MSFS® tools that provide customers with a choice of completion technologies to use on their horizontal well completion program. The completion technology selected varies based on wellbore characteristics and client preference. Revenue and cost parameters of each completion technology vary depending on the nature of the tools used and the services provided:
    - Ball & Seat – Tryton's Ball & Seat system uses open hole packers and sleeves, which are opened in sequential order by dropping progressively larger balls through a liner, to isolate and fracture each zone along the non-cased horizontal leg of a well. The number of zones, or "stages", that can be fractured using a Ball & Seat system is limited by the size specifications of the balls and seats used.

- Composite/Dissolvable Bridge Plugs – Tryton's Bridge Plugs, typically used in "plug-and-perf" completion programs, provides customers the ability to fracture an unlimited number of stages in the horizontal leg. These plugs are relatively quick to mill-out post-fracturing.
- 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 September 30,		For the nine months ended September 30,	
	2022	2021	**2022**	2021
Revenue	**$ 43,369**	$ 33,513	**$ 109,752**	$ 86,104
Operating expenses	**33,279**	27,419	**89,421**	67,981
Gross margin	**10,090**	6,094	**20,331**	18,123
General and administrative expenses	**2,672**	1,653	**7,378**	5,365
EBITDAS (1)	**7,418**	4,441	**12,953**	12,758
Depreciation and amortization	**4,265**	4,345	**12,614**	13,606
Share-based compensation (recovery) expense	**(740)**	(604)	**2,288**	5,346
Other (income) expense	**(1,566)**	(230)	**(2,342)**	30
Finance costs	**234**	246	**665**	701
Income (loss) before taxes	**5,225**	684	**(272)**	(6,925)
Current income tax expense	**-**	-	**-**	3
Net income (loss)	**$ 5,225**	$ 684	**$ (272)**	$ (6,928)
Net income (loss) per share				
Basic and diluted	**$ 0.04**	$ 0.00	**$ (0.00)**	$ (0.05)

SEGMENT RESULTS – *ESSENTIAL COIL WELL SERVICE*

(in thousands of dollars, except percentages, hours and fleet data)	For the three months ended September 30, **2022**	2021	For the nine months ended September 30, **2022**	2021
Revenue	**$ 23,508**	$ 14,908	**$ 58,524**	$ 44,119
Operating expenses	**17,367**	13,026	**47,632**	35,201
Gross margin	**$ 6,141**	$ 1,882	**$ 10,892**	$ 8,918
Gross margin %	**26%**	13%	**19%**	20%
Operating hours				
Coiled tubing rigs	**9,424**	7,816	**25,645**	23,859
Pumpers	**11,580**	10,827	**33,038**	32,077
Active equipment fleet (i)				
Coiled tubing rigs	**12**	12	**12**	12
Fluid pumpers	**9**	9	**9**	9
Nitrogen pumpers	**4**	4	**4**	4
Total equipment fleet (i) (ii)				
Coiled tubing rigs	**19**	25	**19**	25
Fluid pumpers	**11**	13	**11**	13
Nitrogen pumpers	**5**	6	**5**	6

(i) Fleet data represents the number of units at the end of the period. Crewed equipment is less than active equipment.
(ii) Total equipment fleet was reduced in the third quarter of 2022 for Generation II coiled tubing rigs and lower capacity pumpers which are no longer expected to be reactivated.

Third quarter 2022 ECWS revenue was $23.5 million, 58% higher than the same prior year quarter as a result of improved revenue per operating hour combined with higher activity. Revenue per operating hour improved significantly in the quarter as a result of customer price increases, implemented in the second quarter of 2022, combined with nature of work performed.

Gross margin for the third quarter of 2022 was $6.1 million, $4.3 million higher than the same prior year quarter due to significantly improved revenue per operating hour and higher activity, combined with a continued focus on cost management. Cost inflation resulted in higher operating costs related to wages, fuel and inventory, compared to the same prior year quarter. ECWS received no funding from Government Subsidy Programs in the third quarter of 2022 (2021 - $0.2 million). Improved revenue per operating hour and higher activity resulted in a gross margin percentage of 26% in the current period, a significant improvement compared to 13% in the same prior year quarter.

On a year-to-date basis, ECWS revenue was $58.5 million, 33% higher than the same prior year period due to higher revenue per operating hour and increased activity. Revenue per operating hour was higher due to customer price increases and the nature of work performed in 2022. Gross margin was $10.9 million, $2.0 million higher than 2021 due to increased activity and improved revenue per operating hour. Improved customer service pricing only partially offset the impact of higher operating costs as the price increases came into effect in the latter half of the second quarter. ECWS received no funding from Government Subsidy Programs in the current year (2021 - $2.2 million). Gross margin percentage was 19%, compared to 20% for the same prior year period.

SEGMENT RESULTS – *TRYTON*

(in thousands of dollars, except percentages)	For the three months ended September 30, **2022**	2021	For the nine months ended September 30, **2022**	2021
Revenue	**$ 19,861**	$ 18,605	**$ 51,228**	$ 41,985
Operating expenses	**15,430**	14,509	**40,948**	32,499
Gross margin	**$ 4,431**	$ 4,096	**$ 10,280**	$ 9,486
Gross margin %	**22%**	22%	**20%**	23%
Tryton revenue - % of revenue				
Conventional Tools & Rentals	**74%**	**61%**	**76%**	69%
Tryton MSFS®	**26%**	**39%**	**24%**	31%

Third quarter 2022 Tryton revenue was $19.9 million, an increase of 7% 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 resulted in increased customer spending on production-related activity. Tryton MSFS® revenue was lower than the same prior year quarter due to lower activity. Implications of customer spending patterns for MSFS® activities are noticeable within discrete quarters given the limited customer base for MSFS® tools.

Third quarter gross margin was $4.4 million, $0.3 million higher than the same prior year quarter as a result of increased conventional tool activity in Canada and the U.S., offset by higher operating costs related to inventory and wages and no funding from Government Subsidy Programs (2021 - $0.5 million). Gross margin percentage was 22% in the current period, consistent with the same prior year quarter.

On a year-to-date basis, Tryton revenue was $51.2 million, 22% higher than the same prior year period due to increased activity in the U.S. and Canada. Gross margin was $10.3 million, an increase of $0.8 million compared to the same prior year period due to increased activity, offset by $1.5 million lower funding from Government Subsidy Programs and higher operating costs. Gross margin percentage was 20%, compared to 23% in the same prior year quarter.

GENERAL AND ADMINISTRATIVE

(in thousands of dollars)	For the three months ended September 30, **2022**	2021	For the nine months ended September 30, **2022**	2021
General and administrative expenses	**$ 2,672**	$ 2,096	**$ 7,378**	$ 5,808
Patent litigation - cost recovery	-	(443)	-	(443)
General and administrative expenses	**$ 2,672**	$ 1,653	**$ 7,378**	$ 5,365

General and administrative expenses ("G&A") consist of wages, professional fees and other administrative costs. G&A for the three and nine months ended September 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 funding from Government Subsidy Programs realized in the current year. For the three and nine months ended September 30, 2021, $0.1 million and $0.6 million, respectively, of funding from Government Subsidy Programs were recorded.

In the third quarter 2021, the Federal Court of Canada awarded Essential $0.4 million for post-trial cost recovery in connection with the Packers Plus Energy Services Inc. patent litigation.

DEPRECIATION AND AMORTIZATION

(in thousands of dollars)	For the three months ended September 30, 2022	2021	For the nine months ended September 30, 2022	2021
Depreciation and amortization expense	**$ 4,265**	$ 4,345	**$ 12,614**	$ 13,606

Depreciation expense for the three and nine months ended September 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 September 30, 2022	2021	For the nine months ended September 30, 2022	2021
Share-based compensation (recovery) expense	**$ (740)**	$ (604)	**$ 2,288**	$ 5,346

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 months ended September 30, 2022 and 2021, Essential recorded a share-based compensation (recovery) due to a decrease in the share price in each period.

For the nine months ended September 30, 2022, share-based compensation expense decreased compared to the same prior year period due to a decrease in the number of share-based units outstanding during the period and a nominal decrease in share price during the current year, compared to an increase in the prior year.

OTHER (INCOME) EXPENSE

(in thousands of dollars)	For the three months ended September 30, 2022	2021	For the nine months ended September 30, 2022	2021
(Gain) loss on disposal of assets	**$ (734)**	$ 148	**$ (1,335)**	$ 76
Realized foreign exchange loss	**-**	1	**-**	1
Unrealized foreign exchange gain	**(838)**	(375)	**(1,047)**	(5)
Other expense (income)	**6**	(4)	**40**	(42)
Other (income) expense	**$ (1,566)**	$ (230)	**$ (2,342)**	$ 30

For each of the three and nine months ended September 30, 2022 and 2021, (gain) loss on disposal of assets related to the sale of surplus equipment no longer used in operations.

During the three and nine months ended September 30, 2022 and 2021, the weakening of the Canadian dollar in relation to the U.S. dollar resulted in an unrealized foreign exchange gain.

FINANCE COSTS

(in thousands of dollars)	For the three months ended September 30, 2022	2021	For the nine months ended September 30, 2022	2021
Finance costs	**$ 234**	$ 246	**$ 665**	$ 701

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 nine months ended September 30, 2022, finance costs slightly decreased compared to the same prior year periods primarily due to lower outstanding lease liabilities.

INCOME TAXES

(in thousands of dollars)	For the three months ended September 30, 2022	2021	For the nine months ended September 30, 2022	2021
Current income tax expense	**$ -**	$ -	**$ -**	$ 3

For the three and nine months ended September 30, 2022 and 2021, Essential did not recognize any amounts related to current income tax expense.

As at September 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 (USED IN) PROVIDED BY OPERATING ACTIVITIES

(in thousands of dollars)	For the three months ended September 30, 2022	2021	For the nine months ended September 30, 2022	2021
Funds flow (1)	**$ 9,095**	$ 4,950	**$ 11,677**	$ 6,937
Changes in non-cash working capital (1)	**(10,628)**	(2,958)	**(12,718)**	5,524
Net cash (used in) provided by operating activities	**$ (1,533)**	$ 1,992	**$ (1,041)**	$ 12,461

WORKING CAPITAL

(in thousands of dollars, except ratios)	**As at September 30, 2022**	As at December 31, 2021
Current assets	**$ 73,866**	$ 68,740
Current liabilities	**(23,576)**	(23,450)
Working capital (1)	**$ 50,290**	$ 45,290
Working capital ratio (1)	**3.1:1**	2.9:1

Working capital 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 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 and working capital ratio 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 September 30, 2022 there was $5.3 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 September 30, 2022, all financial debt covenants and banking requirements under the Credit Facility were satisfied.

(in millions of dollars, except percentages)	Covenant Threshold	**As at September 30, 2022**
Funded debt to capitalization	≤ 50%	**4%**
Funded debt to Bank EBITDA	≤ 3.50x	**0.47x**
Fixed charge coverage ratio	≥ 1.25x	**26.3x**

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, 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 September 30, 2022	2021	For the nine months ended September 30, 2022	2021
ECWS	**$ 4,230**	$ 1,086	**$ 5,260**	$ 4,245
Tryton	**629**	761	**1,896**	1,052
Corporate	**19**	48	**154**	62
Purchase of property and equipment	**$ 4,878**	$ 1,895	**$ 7,310**	$ 5,359
Less proceeds on disposal of equipment	**(1,468)**	(506)	**(2,976)**	(1,092)
Net equipment expenditures [1]	**$ 3,410**	$ 1,389	**$ 4,334**	$ 4,267

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

(in thousands of dollars)	For the three months ended September 30, 2022	2021	For the nine months ended September 30, 2022	2021
Growth capital [1]	**$ 3,020**	$ 843	**$ 3,020**	$ 2,837
Maintenance capital [1]	**1,858**	1,052	**4,290**	2,522
Purchase of property and equipment	**$ 4,878**	$ 1,895	**$ 7,310**	$ 5,359

For the three and nine months ended September 30, 2022, Essential's growth capital spending was for the purchase and technical upgrades of two 1,000 horsepower quintuplex fluid pumpers in ECWS. Early in the fourth quarter, ECWS completed technical upgrades on both fluid pumpers, which are now in service.

For the three and nine months ended September 30, 2022, Essential's maintenance capital spending was focused on costs to maintain the ECWS active fleet and replace pickup trucks in both ECWS and Tryton.

Essential's 2022 capital forecast remains unchanged at $9 million, which includes $3 million for growth capital[1] and $6 million for maintenance capital[1]. The remaining equipment expenditures are mainly focused on the maintenance of ECWS's active fleet and replacement of pickup trucks. The supply chain for pickup trucks has been unpredictable. Essential's capital forecast may fluctuate as a result of securing pickup trucks earlier or later than anticipated. The 2022 capital forecast is expected to be funded with cash, operational cash flow and the Credit Facility.

SHARE CAPITAL

As at November 2, 2022, there were 138,097,597 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 September 30, 2022	As at December 31, 2021
Less than one year	$ 4,863	$ 5,446
One to five years	4,886	7,136
	$ 9,749	$ 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 September 30, 2022, 1,183,000 Shares were acquired and cancelled under the NCIB with a weighted average price of $0.37 per share for a total cost of $0.4 million.

For the nine months ended September 30, 2022, 3,468,516 Shares were acquired and cancelled under the NCIB with a weighted average price of $0.41 per share for a total cost of $1.4 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 cash flows.

OUTLOOK

While commodity prices have softened, they remain strong from a historical perspective. It is generally expected that these relatively strong commodity prices, combined with the constant degradation effect of well declines, should drive a modest increase in E&P spending on drilling and completions activity into 2023. E&P 2023 capital spending plans have generally not been announced. The outlook for activity is expected to become clearer towards the end of 2022 and into the early part of 2023.

The recession risk and implications are uncertain. However, oilfield service company activity may be somewhat resilient to recessionary concerns given ongoing reservoir declines and limited recent production growth. In addition, the industry E&P capital reinvestment ratio (capital spending as a percentage of cash flow) is projected to be 28%[a] in 2022. This low ratio of E&P cash flow allocated to capital spending may provide a buffer for capital spending if commodity price volatility continues and customer cash flows are negatively impacted.

ECWS has one of the industry's largest active and deep coiled tubing fleets. ECWS's active fleet includes 12 coiled tubing rigs and 11 fluid pumpers. In the third quarter of 2022, ECWS purchased two 1,000 horsepower quintuplex fluid pumpers. Technical upgrades on the pumpers were completed early in the fourth quarter and both fluid pumpers are now in service. The quintuplex fluid pumpers 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. ECWS introduced service pricing increases to customers during the second quarter of 2022. These higher prices, combined with improved activity in the third quarter, resulted in significantly improved gross margin for ECWS.

Tryton activity in both Canada and the U.S. improved in 2022 mainly due to increased customer spending on production-related activities 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. Service pricing for downhole tools remains competitive. 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 as activity improves as anticipated.

For Essential, fourth quarter activity to date has been steady. However, as is typical with seasonality factors impacting the fourth quarter, activity is expected to slow as the quarter progresses with anticipated E&P capital budget exhaustion.

[a] Source: ARC Energy Charts – November 1, 2022

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 including pursuing cost inflation pass-through. Essential is committed to meeting the demands of its key customers, a continued focus on Environmental, Social and Governance, efficient and safe operations and maintaining its strong financial position. On November 2, 2022, Essential had long-term debt, net of cash(1) of $4.6 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)	**Sept 30, 2022**	June 30, 2022	Mar 31, 2022	Dec 30, 2021	**Sept 30, 2021**	June 30, 2021	Mar 31, 2021	Dec 31, 2020
Essential Coil Well Service	**23,508**	15,337	19,679	15,134	**14,908**	13,355	15,856	13,059
Tryton	**19,861**	13,305	18,062	19,970	**18,605**	9,086	14,294	11,495
Total revenue	**43,369**	28,642	37,741	35,104	**33,513**	22,441	30,150	24,554
Gross margin	**10,090**	4,220	6,021	5,105	**6,094**	5,291	6,738	5,810
Gross margin %	**23%**	15%	16%	15%	**18%**	24%	22%	24%
EBITDAS (1)	**7,418**	1,920	3,615	2,423	**4,441**	3,429	4,888	4,105
Bank EBITDA	**6,107**	548	2,218	1,128	**3,255**	2,217	3,836	3,038
Net income (loss)	**5,225**	(1,576)	(3,921)	(4,469)	**684**	(5,019)	(2,593)	(4,226)
Per share - basic and diluted	**0.04**	(0.01)	(0.03)	(0.03)	**0.00**	(0.04)	(0.02)	(0.03)
Total assets	**158,456**	147,741	158,003	159,086	**162,794**	157,616	161,283	159,863
Cash	**620**	2,107	3,675	6,462	**10,885**	11,627	6,251	6,082
Long-term debt	**5,300**	-	2,600	-	**-**	301	53	53
Operating hours								
Coiled tubing rigs	**9,424**	6,205	10,016	7,630	**7,816**	7,414	8,629	7,047
Pumpers	**11,580**	8,444	13,014	10,228	**10,827**	9,647	11,603	9,242
Tryton - % of revenue								
Conventional Tools & Rentals	**74%**	82%	73%	55%	**61%**	90%	66%	67%
Tryton MSFS®	**26%**	18%	27%	45%	**39%**	10%	34%	33%

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", "forecast", "future", "outlook", "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 forecast 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, outlook and recovery cycle; E&P capital spending; recession risk and implications; 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); 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 income (loss) and net income (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 income (loss) and net income (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 income (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 to net income (loss):

(in thousands of dollars)	For the three months ended September 30, 2022	2021	For the nine months ended September 30, 2022	2021
Bank EBITDA	**$ 6,107**	$ 3,255	**$ 8,873**	$ 9,308
Impact of lease accounting under IFRS	**(1,336)**	(1,290)	**(4,129)**	(3,600)
Permitted Adjustments	**25**	104	**49**	150
EBITDAS	**$ 7,418**	$ 4,441	**$ 12,953**	$ 12,758
Share-based compensation (recovery) expense	**(740)**	(604)	**2,288**	5,346
Other (income) expense	**(1,566)**	(230)	**(2,342)**	30
Depreciation and amortization	**4,265**	4,345	**12,614**	13,606
Finance costs	**234**	246	**665**	701
Income (loss) before taxes	**$ 5,225**	$ 684	**$ (272)**	$ (6,925)
Current income tax expense	**-**	-	**-**	3
Net income (loss)	**$ 5,225**	$ 684	**$ (272)**	$ (6,928)

The following table calculates EBITDAS %:

(in thousands of dollars, except percentages)	For the three months ended September 30, **2022**	2021	For the nine months ended September 30, **2022**	2021
EBITDAS	**$ 7,418**	$ 4,441	**$ 12,953**	$ 12,758
Revenue	**$ 43,369**	$ 33,513	**$ 109,752**	$ 86,104
EBITDAS %	**17%**	13%	**12%**	15%

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.*

Changes in non-cash working capital – Changes in non-cash working capital is calculated on the Consolidated Interim Statements of Cash Flows.

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

Unaudited Condensed Consolidated Interim Financial Statements

Essential Energy Services Ltd.

September 30, 2022

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

(in thousands of dollars)		**As at September 30, 2022**		As at December 31, 2021
Assets				
Current				
Cash	**$**	**620**	$	6,462
Trade and other accounts receivable *(note 3)*		**35,658**		29,341
Inventory *(note 4)*		**34,900**		31,111
Prepayments and deposits		**2,688**		1,826
		73,866		68,740
Non-current				
Property and equipment *(note 5)*		**77,401**		81,532
Right-of-use lease assets *(note 8)*		**7,189**		8,814
		84,590		90,346
Total assets	**$**	**158,456**	$	159,086
Liabilities				
Current				
Trade and other accounts payable *(note 6)*	**$**	**16,580**	$	14,399
Share-based compensation *(note 11)*		**2,405**		4,115
Income taxes payable		**-**		23
Current portion of lease liabilities *(note 8)*		**4,591**		4,913
		23,576		23,450
Non-current				
Share-based compensation *(note 11)*		**4,356**		6,188
Long-term debt *(note 7)*		**5,300**		-
Long-term lease liabilities *(note 8)*		**4,377**		6,622
		14,033		12,810
Total liabilities		**37,609**		36,260
Equity				
Share capital *(note 9)*		**266,064**		272,732
Deficit		**(156,879)**		(156,607)
Other reserves *(note 10)*		**11,662**		6,701
Total equity		**120,847**		122,826
Total liabilities and equity	**$**	**158,456**	$	159,086

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
(in thousands of dollars, except per share amounts)	**2022**	2021	**2022**	2021
Revenue *(note 15)*	**$ 43,369**	$ 33,513	**$ 109,752**	$ 86,104
Operating expenses *(note 2)*	**33,279**	27,419	**89,421**	67,981
Gross margin	**10,090**	6,094	**20,331**	18,123
General and administrative expenses *(note 2)*	**2,672**	1,653	**7,378**	5,365
Depreciation and amortization *(notes 5 and 8)*	**4,265**	4,345	**12,614**	13,606
Share-based compensation (recovery) expense *(note 11)*	**(740)**	(604)	**2,288**	5,346
Other (income) expense	**(1,566)**	(230)	**(2,342)**	30
Operating income (loss)	**5,459**	930	**393**	(6,224)
Finance costs	**234**	246	**665**	701
Income (loss) before taxes	**5,225**	684	**(272)**	(6,925)
Current income tax expense	**-**	-	**-**	3
Income tax expense	**-**	-	**-**	3
Net income (loss)	**5,225**	684	**(272)**	(6,928)
Unrealized foreign exchange (loss) gain *(note 10)*	**(212)**	(137)	**(278)**	7
Comprehensive income (loss)	**$ 5,013**	$ 547	**$ (550)**	$ (6,921)
Net income (loss) per share *(note 12)*				
Basic and diluted	**$ 0.04**	$ 0.00	**$ (0.00)**	$ (0.05)
Comprehensive income (loss) per share *(note 12)*				
Basic and diluted	**$ 0.04**	$ 0.00	**$ (0.00)**	$ (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)

	For the nine months ended September 30,			
(in thousands of dollars)		**2022**		2021
Equity:				
Share Capital				
Balance, January 1	**$**	**272,732**	$	272,732
Shares repurchased and cancelled under normal course issuer bid *(note 9)*		**(6,668)**		-
Balance, September 30	**$**	**266,064**	$	272,732
Deficit				
Balance, January 1	**$**	**(156,607)**	$	(145,210)
Net loss		**(272)**		(6,928)
Balance, September 30	**$**	**(156,879)**	$	(152,138)
Other reserves				
Balance, January 1	**$**	**6,701**	$	6,656
Other comprehensive (loss) gain *(note 10)*		**(278)**		7
Share-based compensation *(note 11)*		**-**		7
Shares repurchased and cancelled under normal course issuer bid *(note 9)*		**5,239**		-
Balance, September 30	**$**	**11,662**	$	6,670
Total equity	**$**	**120,847**	$	127,264

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

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

	For the nine months ended September 30,	
(in thousands of dollars)	**2022**	2021
Operating Activities:		
Net loss	**$ (272)**	$ (6,928)
Non-cash adjustments to reconcile net loss to operating cash flow:		
Depreciation and amortization *(notes 5 and 8)*	**12,614**	13,606
Share-based compensation *(note 11)*	**-**	7
Provision (recovery) of impairment of trade accounts receivable *(note 3)*	**5**	(525)
Finance costs	**665**	701
(Gain) loss on disposal of assets	**(1,335)**	76
Funds flow	**11,677**	6,937
Changes in non-cash operating working capital:		
Trade and other accounts receivable before provision	**(6,655)**	(3,830)
Inventory	**(3,837)**	1,279
Income taxes payable	**(22)**	(25)
Prepayments and deposits	**(863)**	(656)
Trade and other accounts payable	**2,201**	5,570
Share-based compensation	**(3,542)**	3,186
Changes in non-cash operating working capital	**(12,718)**	5,524
Net cash (used in) provided by operating activities	**(1,041)**	12,461
Investing Activities:		
Purchase of property and equipment *(note 5)*	**(7,310)**	(5,359)
Non-cash investing working capital in trade and other accounts payable	**(22)**	456
Proceeds on disposal of equipment	**2,976**	1,092
Net cash used in investing activities	**(4,356)**	(3,811)
Financing Activities:		
Increase (decrease) in long-term debt *(note 7)*	**5,300**	(53)
Repurchase of shares under normal course issuer bid *(note 9)*	**(1,429)**	-
Finance costs paid	**(190)**	(188)
Payments of lease liabilities *(note 8)*	**(4,129)**	(3,600)
Net cash used in financing activities	**(448)**	(3,841)
Foreign exchange gain (loss) on cash held in a foreign currency	**3**	(6)
Net (decrease) increase in cash	**(5,842)**	4,803
Cash, beginning of period	**6,462**	6,082
Cash, end of period	**$ 620**	$ 10,885

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

1. AUTHORIZATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements ("Financial Statements") of Essential Energy Services Ltd. and its subsidiaries ("Essential" or the "Company") for the three and nine months ended September 30, 2022 and 2021 were approved by the Board of Directors of Essential ("Board of Directors") on November 2, 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 ("TSX"). 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 nine months ended September 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 nine months ended September 30, 2022, there were no amounts related to the Canadian Emergency Wage Subsidy program recorded in the condensed consolidated interim statements of net income (loss) and comprehensive income (loss). For the three and nine months ended September 30, 2021, government grants of $0.3 million and $2.9 million, respectively, were included in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss), of which $0.2 million and $2.4 million, respectively, were recorded as a reduction to operating expenses and $0.1 million and $0.5 million, respectively, were recorded as a reduction to general and administrative expenses.

For the three and nine months ended September 30, 2022, there were no amounts related to the Canadian Emergency Rent Subsidy program recorded in the condensed consolidated interim statements of net income (loss) and comprehensive income (loss). For the three and nine months ended September 30, 2021, government grants of $0.2 million and $1.0 million, respectively, were included in the condensed consolidated interim statements of net income (loss) and comprehensive income (loss), of which $0.1 million and $0.7 million, respectively, were recorded as a reduction to operating expenses and $0.1 million and $0.3 million, respectively, were recorded as a reduction to general and administrative expenses.

For the three and nine months ended September 30, 2022, $nil and $0.2 million (2021 - $0.1 million and $0.3 million), respectively, related to the U.S. Employment Retention Tax Credit program were included in the condensed consolidated interim statements of net income (loss) and comprehensive income (loss) and recorded as a reduction to operating expenses.

For the three and nine months ended September 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 income (loss) and comprehensive income (loss). For the three and nine months ended September 30, 2021, government grants of $0.3 million and $0.5 million, respectively, were included in the condensed consolidated interim statement of net income (loss) and comprehensive income (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.

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

3. TRADE AND OTHER ACCOUNTS RECEIVABLE

		As at September 30, 2022		As at December 31, 2021
Trade accounts receivable, net of provision	$	35,608	$	29,256
Other receivables		50		85
	$	35,658	$	29,341

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:

		As at September 30, 2022		As at December 31, 2021
0-30 days	$	18,370	$	12,719
31-60 days		10,118		9,191
61-90 days		5,386		5,429
> 90 days		1,734		1,917
	$	35,608	$	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 income (loss) and comprehensive income (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 nine months ended September 30, 2022		For the twelve months ended December 31, 2021
Balance, beginning of period	$	503	$	1,706
Provision (recovery) for receivables impairment		5		(525)
Receivables written off against the provision		(63)		(678)
Balance, end of period	$	445	$	503

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

4. INVENTORY

		As at September 30, 2022		As at December 31, 2021
Tryton tools	**$**	**23,356**	$	20,091
Coiled tubing and supplies		**11,544**		11,020
	$	**34,900**	$	31,111

Inventory charged through operating expenses in the condensed consolidated interim statements of net income (loss) and comprehensive income (loss) for the three and nine months ended September 30, 2022 was $14.6 million and $33.5 million (2021 – $11.6 million and $27.5 million), respectively.

5. PROPERTY AND EQUIPMENT

As at September 30, 2022		**Cost**		**Accumulated Depreciation**		**Net Book Value**
Coiled tubing rigs, pumpers and equipment	**$**	**146,851**	**$**	**94,873**	**$**	**51,978**
Other oilfield equipment		**58,559**		**43,555**		**15,004**
Vehicles		**30,830**		**21,302**		**9,528**
Other		**13,812**		**12,921**		**891**
	$	**250,052**	**$**	**172,651**	**$**	**77,401**

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 nine months ended September 30,			
		2022		2021
Net book value, beginning of period	**$**	**81,532**	$	89,460
Additions		**7,310**		5,359
Transfers		**48**		90
Disposals		**(1,639)**		(1,168)
Depreciation		**(9,902)**		(10,970)
Currency translation adjustment		**52**		(2)
Net book value, end of period	**$**	**77,401**	$	82,769

Included in property and equipment is $3.0 million (December 31, 2021 - $1.4 million) of assets under construction which will not be depreciated until put into service.

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

6. TRADE AND OTHER ACCOUNTS PAYABLE

	As at September 30, 2022	As at December 31, 2021
Trade accounts payable	**$ 9,010**	$ 8,591
Accrued payables	**3,620**	3,390
Accrued payroll	**3,595**	1,967
Other	**355**	451
	$ 16,580	$ 14,399

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 September 30, 2022, there was $5.3 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 nine months ended September 30, **2022**	2021
Balance, beginning of period	**$ -**	$ 53
Cash changes:		
Increase (decrease) in long-term debt	**5,300**	(53)
Balance, end of period	**$ 5,300**	$ -

(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

	For the nine months ended September 30, 2022	For the twelve months ended December 31, 2021
Beginning of period	**$ 8,814**	$ 8,513
Additions	**-**	3,638
Modifications	**1,045**	210
Depreciation	**(2,712)**	(3,545)
Foreign exchange gain (loss)	**42**	(2)
End of period	**$ 7,189**	$ 8,814

Lease liabilities

	As at September 30, 2022	As at December 31, 2021
Maturity analysis - contractual undiscounted cash flow		
Less than one year	**$ 4,863**	$ 5,446
One to five years	**4,886**	7,136
Total undiscounted lease liabilities, end of period	**$ 9,749**	$ 12,582
Discounted value of future lease payments		
Current portion of lease liabilities	**$ 4,591**	$ 4,913
Long-term portion of lease liabilities	**4,377**	6,622
Lease liabilities included in the statements of financial position	**$ 8,968**	$ 11,535

For the three and nine months ended September 30, 2022, Essential recognized $0.2 million and $0.5 million (2021 - $0.2 million and $0.5 million), respectively, of finance costs related to lease liabilities in its condensed consolidated interim statements of net income (loss) and comprehensive income (loss) and $1.3 million and $4.1 million (2021 - $1.3 million and $3.6 million), respectively, of total cash outflow for leases in the consolidated interim statement of cash flows.

(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 and cancelled under normal course issuer bid	**(3,469)**		**(6,668)**
As at September 30, 2022	**138,388**	$	**266,064**

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 nine months ended September 30, 2022, 1,183,000 and 3,468,516 Common Shares, respectively, were repurchased and cancelled under the NCIB, at a weighted average price of $0.37 and $0.41 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 repurchased and cancelled under NCIB *(note 9)*		**5,239**		**-**		**5,239**
Unrealized foreign exchange loss		**-**		**(278)**		**(278)**
As at September 30, 2022	**$**	**11,141**	**$**	**521**	**$**	**11,662**

(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 September 30,		For the nine months ended September 30,	
	2022	2021	**2022**	2021
Share Options	**$ -**	$ 2	**$ -**	$ 7
Restricted share units	**230**	253	**3,102**	3,221
Deferred share units	**(970)**	(859)	**(814)**	2,118
Share-based compensation (recovery) expense	**$ (740)**	$ (604)	**$ 2,288**	$ 5,346

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 September 30, 2022, was $2.3 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 nine months ended September 30,	
Number of RSUs (000's)	**2022**	2021
Outstanding, beginning of period	**17,162**	14,483
Issued	**9,282**	10,729
Vested	**(13,934)**	(7,999)
Forfeited	**-**	(422)
Outstanding, end of period	**12,510**	16,791

(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 September 30, 2022, was $4.4 million (December 31, 2021 – $5.2 million) of which $0.6 million 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 nine months ended September 30, **2022**	2021
Outstanding, beginning of period	**13,517**	11,464
Issued	**122**	2,330
Redeemed	**-**	(81)
Forfeited	**-**	(323)
Outstanding, end of period	**13,639**	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 nine months ended September 30, 2022			For the nine months ended September 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 income (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.

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

	For the three months ended September 30,		For the nine months ended September 30,	
(000's)	**2022**	2021	**2022**	2021
Basic	**139,035**	141,857	**140,220**	141,857
Dilutive effect on Common Shares from share options	**56**	23	**-**	-
Total diluted	**139,091**	141,880	**140,220**	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.

b) Tryton

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

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

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 nine months ended September 30, 2022, the Corporate segment includes $2.9 million and $7.5 million (2021 - $1.3 million and $4.9 million), respectively, of corporate costs and certain operational costs, and $(1.9) million and $1.3 million (2021 – $(0.9) million and $6.2 million), respectively, of share-based compensation (recovery) 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 September 30, 2022		**ECWS**		**Tryton**		**Corporate**		**Consolidated**
Revenue	**$**	**23,508**	**$**	**19,861**	**$**	**-**	**$**	**43,369**
Gross margin	**$**	**6,141**	**$**	**4,431**	**$**	**(482)**	**$**	**10,090**
Income (loss) before taxes	**$**	**3,425**	**$**	**2,825**	**$**	**(1,025)**	**$**	**5,225**
Depreciation and amortization	**$**	**2,864**	**$**	**1,173**	**$**	**228**	**$**	**4,265**
Total assets	**$**	**100,066**	**$**	**57,042**	**$**	**1,348**	**$**	**158,456**
Total liabilities	**$**	**17,333**	**$**	**11,538**	**$**	**8,738**	**$**	**37,609**
Purchase of property and equipment	**$**	**4,230**	**$**	**629**	**$**	**19**	**$**	**4,878**

As at and for the three months ended September 30, 2021		ECWS		Tryton		Corporate		Consolidated
Revenue	$	14,908	$	18,605	$	-	$	33,513
Gross margin	$	1,882	$	4,096	$	116	$	6,094
(Loss) income before taxes	$	(1,316)	$	2,363	$	(363)	$	684
Depreciation and amortization	$	2,938	$	1,175	$	232	$	4,345
Total assets	$	102,741	$	56,646	$	3,407	$	162,794
Total liabilities	$	18,924	$	11,514	$	5,092	$	35,530
Purchase of property and equipment	$	1,086	$	761	$	48	$	1,895

As at and for the nine months ended September 30, 2022		**ECWS**		**Tryton**		**Corporate**		**Consolidated**
Revenue	**$**	**58,524**	**$**	**51,228**	**$**	**-**	**$**	**109,752**
Gross margin	**$**	**10,892**	**$**	**10,280**	**$**	**(841)**	**$**	**20,331**
Income (loss) before taxes	**$**	**2,736**	**$**	**5,817**	**$**	**(8,825)**	**$**	**(272)**
Depreciation and amortization	**$**	**8,420**	**$**	**3,498**	**$**	**696**	**$**	**12,614**
Purchase of property and equipment	**$**	**5,260**	**$**	**1,896**	**$**	**154**	**$**	**7,310**

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

As at and for the nine months ended September 30, 2021		ECWS		Tryton		Corporate		Consolidated
Revenue	$	44,119	$	41,985	$	-	$	86,104
Gross margin	$	8,918	$	9,486	$	(281)	$	18,123
(Loss) income before taxes	$	(753)	$	4,881	$	(11,053)	$	(6,925)
Depreciation and amortization	$	9,325	$	3,577	$	704	$	13,606
Purchase of property and equipment	$	4,245	$	1,052	$	62	$	5,359

CORPORATE INFORMATION

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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

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President and Chief Executive Officer

Jeff B. Newman
Chief Financial Officer

Karen Perasalo
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