MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011

The following Management's Discussion and Analysis ("MD&A") of Essential Energy Services Ltd. ("Essential" or the "Company") is for the year ended December 31, 2011.

This MD&A should be read in conjunction with Essential's audited consolidated financial statements as at and for the years ended December 31, 2011 and 2010 and the notes contained therein. All references to dollar amounts are to Canadian dollars, except where otherwise indicated. This MD&A was prepared effective March 12, 2012.

BASIS OF PRESENTATION

The following MD&A and the audited consolidated financial statements as at and for the year ended December 31, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except where otherwise indicated.

SELECTED FINANCIAL INFORMATION

The increased size and nature of the Company's operations due to the completion of the acquisition of Technicoil Corporation (the "Technicoil Acquisition") on May 31, 2011 impacts the results for 2011 compared to 2010. Except where otherwise noted, Essential's results for the year ended December 31, 2011 include the results for Technicoil for the period June 1, 2011 to December 31, 2011.

	Year ended December 31,		
(Thousands, except per share amounts)	**2011**	2010	2009*
Revenue	**$ 317,214**	$ 166,601	$ 111,722
Gross margin	**$ 86,587**	$ 41,352	$ 19,479
Gross margin %[(1)]	**27%**	25%	17%
EBITDA[(1)]	**$ 72,386**	$ 29,407	$ 10,021
EBITDA %[(1)]	**23%**	18%	9%
Funds flow from operations [(1)]	**$ 63,342**	$ 29,426	$ 8,791
Per share – basic and diluted [(1)]	**$ 0.61**	$ 0.43	$ 0.15
Net income (loss) attributable to shareholders of Essential	**$ 31,122**	$ 11,997	$ (9,480)
Per share – basic	**$ 0.31**	$ 0.18	$ (0.16)
Per share – diluted	**$ 0.30**	$ 0.17	$ (0.16)
Total assets	**$ 421,590**	$ 173,803	$ 169,380
Total long-term debt	**$ 63,576**	$ 396	$ 16,600

* 2009 results have not been restated under IFRS and are reported in accordance with Canadian GAAP

ACQUISITION OF TECHNICOIL CORPORATION

On May 31, 2011, Essential completed the Technicoil Acquisition pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta). To assist the reader in understanding the current operations of Essential, management has provided the combined results for Essential assuming the Technicoil Acquisition had occurred on January 1, 2011.

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

Essential and Technicoil Operations Combined as of January 1, 2011

(Thousands)	Three Months Ended March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	Year Ended December 31, 2011
Revenue	$ 101,176	$ 48,471	$ 99,416	$ 110,903	$ 359,966
Gross margin	$ 29,135	$ 1,324	$ 31,100	$ 35,758	$ 97,317
Gross margin % [1]	29%	3%	31%	32%	27%
EBITDA[1]	$ 24,849	$ (2,506)	$ 27,293	$ 31,829	$ 81,465
EBITDA %[1]	25%	(5)%	27%	29%	23%
Utilization - Canada					
Deep coil tubing rigs	122%	35%	104%	111%	93%
Service rigs	65%	28%	54%	59%	52%

Management has also provided the following reconciliation between the results from the table above to the financial results for Essential for the year ended December 31, 2011.

(Thousands)	Revenue	EBITDA[1]
Combined results	$ 359,966	$ 81,465
Less: results from Technicoil for the period January 1 to May 31, 2011	(42,752)	(9,079)
Essential Consolidated Financial Statements	$ 317,214	$ 72,386

OVERVIEW OF ESSENTIAL

EQUIPMENT FLEET

As at December 31, 2011	**2011**	2010
Coil Tubing Rigs		
Deep	**25**	5
Shallow/Intermediate	**26**	28
Nitrogen pumpers	**12**	10
Fluid pumpers	**15**	-
Service Rigs		
Singles	**38**	29
Doubles	**21**	23

CANADA

Coil tubing rigs

Essential operates the largest coil tubing well servicing fleet in the Western Canadian Sedimentary Basin ("WCSB"). There are two distinct operating categories within Essential's coil tubing rig fleet, deep coil tubing rigs and shallow/intermediate coil tubing rigs.

- Deep coil tubing rigs include both masted and conventional coil tubing rigs that have a depth capacity up to 6,600 meters. The deep coil tubing rigs primarily provide completion, fracture stimulation and workover services primarily on long reach horizontal wells. These rigs are supported by a fleet of nitrogen and fluid pumpers, which broadens Essential's services. The deep coil tubing rig fleet is primarily focused on providing services on horizontal oil and liquids-rich natural gas resource plays.
- Shallow/intermediate coil tubing rigs are conventional coil tubing rigs that have a depth capacity up to 2,500 meters. These rigs primarily provide workover services on existing wells; the intermediate rigs are typically more oil focused while the shallow rigs are focused on natural gas.

Service rigs

Essential's mobile service rig fleet operates from eight service locations across western Canada providing well completion and production/workover services in all major resource plays across the WCSB. Service rigs are used primarily on oil wells which are typically more service intensive than natural gas wells.

These rigs are deployed to repair, re-complete and stimulate existing wells and perform completions on new wells.

Downhole tools
Essential provides a wide range of downhole tools and rental services to assist with the completion and production operations of oil and natural gas wells. These services offer a full range of downhole tools, including the Tryton Multi-Stage Fracturing System ("Tryton MSFS") which is used for horizontal well completions.

CORPORATE INFORMATION

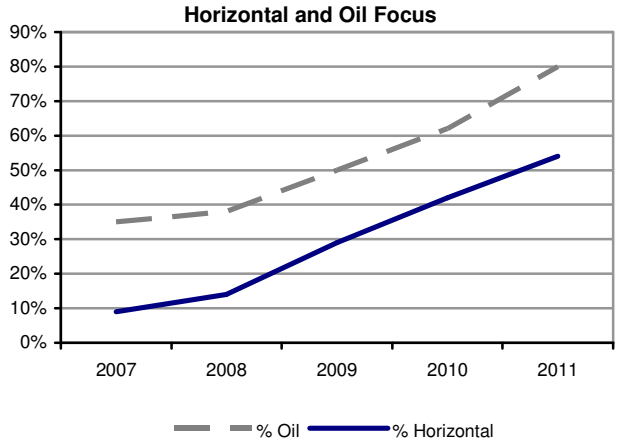
Essential was incorporated under the *Business Corporations Act* (Alberta). The common shares trade on the Toronto Stock Exchange under the symbol ESN.

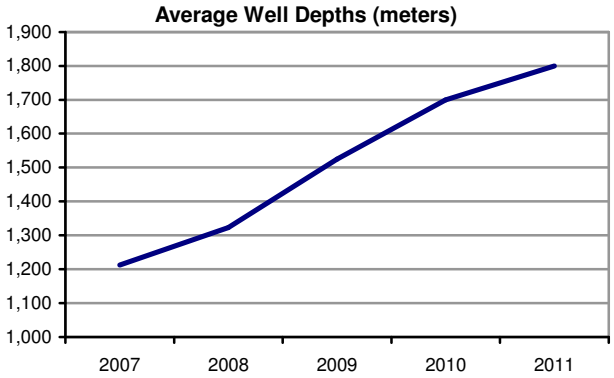
Additional information regarding Essential, including the March 31, 2011, June 30, 2011 and September 30, 2011 interim reports, 2010 interim reports, 2011 Annual Report and the Annual Information Form for the year ended December 31, 2011, can be found under Essential's profile on SEDAR at www.sedar.com.

INDUSTRY OVERVIEW

CANADA

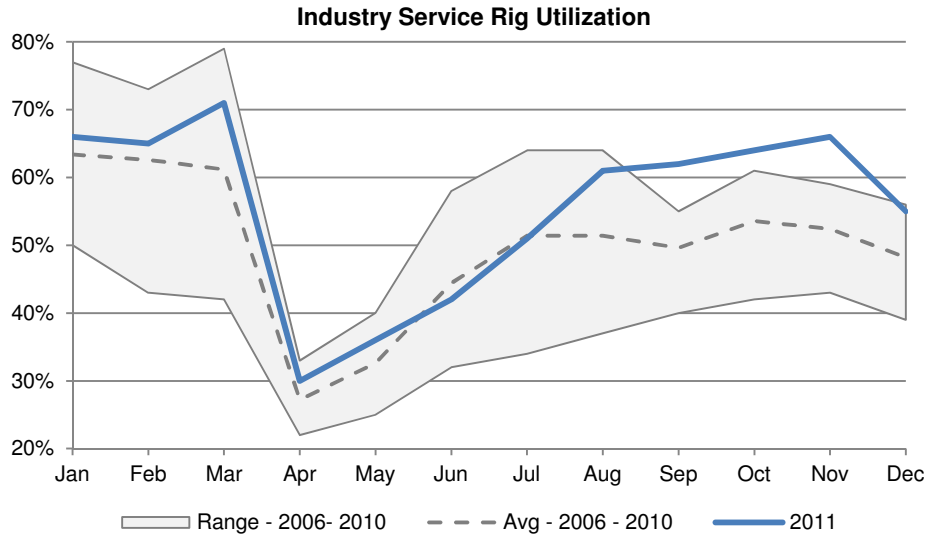
Throughout 2011, well service activity in the WCSB was driven by horizontal drilling and stimulation and completion work on oil and liquids-rich natural gas plays. The sustained strength of oil prices during the year provided a significant lift to activity levels. The focus on horizontal wells contributed to increased demand for oilfield service equipment, including deep coil tubing rigs and multi-stage completion services, as horizontal wells typically require more investment capital and increased rig time per well due to their depth and complexity compared to conventional vertical wells.





Source: Petroleum Services Association of Canada

Additionally, service rig utilization during 2011, as reported by the Canadian Association of Oilwell Drilling Contractors ("CAODC"), exceeded the average utilization over the last five years and reached its highest levels since 2006 during the latter part of the year.



Source: CAODC

The increasing demand for services in the WCSB continued to create labour constraints and cost escalations in the oilfield services sector throughout 2011.

OPERATING HIGHLIGHTS – ESSENTIAL

2011 was a record year for Essential. The Technicoil Acquisition, completed in the second quarter, strengthened Essential's position as the predominant coil tubing well service provider in Canada.

On a year over year basis, the key factors that enabled Essential to generate record results included:

- The Technicoil Acquisition – This acquisition added 16 masted deep coil tubing rigs, 6 fluid pumpers, 9 service rigs and 5 hybrid drilling rigs to Essential's fleet.
- Integration of coil tubing fleet – The additions to the coil tubing and fluid pumper fleets have allowed Essential to provide integrated services and expand its service offerings.
- Downhole tools – Essential's downhole tool segment benefited from higher demand for horizontal stimulation and completion work and increased demand for conventional tools on oil wells.
- Utilization – The quality, location and versatility of Essential's equipment fleet resulted in improved utilization.

Essential's $47 million capital expenditure program in 2011 focused on:

- Investing in high demand assets – Essential increased its deep coil tubing fleet to meet the growing demand for deep coil tubing rigs in the key resource plays within the WCSB.
- Responding to industry needs – Essential expanded its pumper fleet to reduce reliance on third party contractor equipment.
- The capital program in 2011 was below the previously announced program of $56 million due to deferrals into 2012, which have been included in Essential's announced 2012 capital program, and revisions of the preliminary capital program related to Technicoil.

SUMMARY OF QUARTERLY DATA

($Thousands, except per share amounts)	**Dec 31, 2011**	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010
Well servicing revenue:								
Coil tubing	**43,945**	36,349	9,871	14,131	11,373	8,859	4,939	8,507
Service rigs	**25,060**	20,969	9,606	23,873	17,747	12,796	8,394	19,334
Other	**7,735**	7,148	3,526	2,206	2,457	2,454	2,409	2,801
Total well servicing	**76,740**	64,466	23,003	40,210	31,577	24,109	15,742	30,642
Downhole tools & rentals revenue:								
Tryton MSFS	**11,034**	16,459	7,195	9,223	8,059	6,005	3,104	2,361
Conventional downhole tools & rentals	**16,430**	13,778	8,839	12,822	10,485	8,537	5,037	9,089
Downhole tools & rentals	**27,464**	30,237	16,034	22,045	18,544	14,542	8,141	11,450
Wireline	**4,651**	3,079	1,081	4,161	3,822	2,593	1,311	4,128
Total downhole tools & rentals	**32,115**	33,316	17,115	26,206	22,366	17,135	9,452	15,578
Colombia	**2,048**	1,634	361	-	-	-	-	-
Total revenue	**110,903**	99,416	40,479	66,416	53,943	41,244	25,194	46,220
Gross margin[1]	**35,758**	31,100	3,077	16,652	14,636	10,186	3,150	13,380
Gross margin %[1]	**32%**	31%	8%	25%	27%	25%	13%	29%
EBITDA[1]	**31,829**	27,293	(137)	13,401	11,293	7,248	413	10,450
EBITDA %[1]	**29%**	27%	0%	20%	21%	18%	2%	23%
Net income (loss) attributable to shareholders of Essential	**17,559**	13,678	(6,364)	6,248	6,121	2,663	(2,466)	5,679
Per share – basic and diluted	**$0.14**	$0.11	$(0.07)	$0.09	$0.09	$0.04	$(0.03)	$0.09
Total assets	**421,590**	411,084	370,897	190,926	173,803	160,797	153,490	158,449
Total long-term debt	**63,576**	79,230	63,459	7,392	396	471	695	875
Equity attributable to shareholders of Essential	**288,828**	271,561	256,999	156,694	149,660	143,989	141,138	143,384
Utilization								
Coil tubing rigs – deep	**111%**	104%	37%	85%	81%	70%	33%	62%
Coil tubing rigs – other	**30%**	25%	18%	34%	35%	38%	29%	40%
Service rigs	**59%**	54%	27%	64%	51%	40%	26%	55%
Hybrid drilling rigs*	**47%**	48%	47%	-	-	-	-	-
Operating Hours								
Coil tubing rigs – deep	**23,524**	21,938	3,638	4,575	3,740	2,305	1,181	1,644
Coil tubing rigs – other	**6,778**	5,813	3,805	7,033	8,704	8,647	6,530	9,352
Service rigs	**31,005**	28,201	13,229	28,710	24,072	18,752	12,257	25,128
Hybrid drilling rigs	**5,192**	5,337	1,696	-	-	-	-	-
Equipment fleet **								
Canada								
Coil tubing rigs	**49**	48	48	32	32	32	32	30
Service rigs	**57**	57	58	52	51	51	51	51
Nitrogen pumpers	**10**	9	8	8	9	10	10	7
Fluid pumpers	**15**	12	6	-	-	-	-	-
Hybrid drilling rigs	**5**	5	5	-	-	-	-	-
Rod rigs	**14**	14	14	20	20	23	23	23
Colombia								
Coil tubing rigs	**2**	2	2	2	1	-	-	-
Service rigs	**2**	1	1	1	1	-	-	-
Nitrogen pumpers	**2**	2	2	2	1	-	-	-
Rod rigs	**3**	3	3	3	3	-	-	-

* Hybrid drilling rig utilization is calculated using a 24 hour day.
** Fleet data represents the number of units at the end of the period.

Over the past two years, Essential has improved and focused its fleet through the Technicoil Acquisition, the purchase and build of new equipment and ongoing maintenance and modifications to its existing fleet. Acquisitions and modifications have focused primarily on expanding the depth capacity and service capabilities of coil tubing rigs. Essential's equipment fleet is well suited to meet the changing needs of the WCSB market.

RESULTS OF OPERATIONS

(Thousands, except per share amounts)	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
Revenue	**$ 110,903**	$ 53,943	**$ 317,214**	$ 166,601
Operating expenses	**75,145**	39,307	**230,627**	125,249
Gross margin	**35,758**	14,636	**86,587**	41,352
Gross margin %[1]	**32%**	27%	**27%**	25%
General and administrative expenses	**3,929**	3,343	**14,201**	11,945
EBITDA[1]	**31,829**	11,293	**72,386**	29,407
EBITDA %[1]	**29%**	21%	**23%**	18%
Depreciation and amortization	**7,751**	3,330	**21,798**	12,777
Share-based compensation	**416**	201	**1,504**	761
Equity taxes	**28**	-	**506**	-
Other (income) expense	**(270)**	(517)	**1,224**	(624)
Operating income	**23,904**	8,279	**47,354**	16,493
Transaction costs	**14**	-	**3,018**	-
Finance costs	**774**	77	**2,088**	720
Income before income tax	**23,116**	8,202	**42,248**	15,773
Current income tax expense	**3,098**	-	**6,349**	-
Deferred income tax expense	**2,505**	2,089	**5,124**	3,784
Total income tax expense	**5,603**	2,089	**11,473**	3,784
Net income	**$ 17,513**	$ 6,113	**$ 30,775**	$ 11,989
Net income (loss) attributable to:				
Shareholders of Essential	**$ 17,559**	$ 6,121	**$ 31,122**	$ 11,997
Non-controlling interest	**(46)**	(8)	**(347)**	(8)
	$ 17,513	$ 6,113	**$ 30,775**	$ 11,989
Net income per share				
Basic, attributable to shareholders of Essential	**$ 0.14**	$ 0.09	**$ 0.31**	$ 0.18
Diluted, attributable to shareholders of Essential	**$ 0.14**	$ 0.09	**$ 0.30**	$ 0.17

SEGMENT RESULTS - *WELL SERVICING - CANADA*

(Thousands)	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
Revenue				
Coil tubing rigs*	**$ 43,945**	$ 11,373	**$ 104,296**	$ 33,678
Service rigs	**25,060**	17,747	**79,508**	58,271
Other	**7,735**	2,457	**20,615**	10,121
Total revenue	**76,740**	31,577	**204,419**	102,070
Operating expenses	**50,505**	23,552	**144,670**	76,252
Gross margin	**$ 26,235**	$ 8,025	**$ 59,749**	$ 25,818
Gross margin %[1]	**34%**	25%	**29%**	25%
Utilization				
Deep coil tubing rigs				
Utilization	**111%**	81%	**99%**	63%
Operating hours	**23,524**	3,740	**53,675**	8,870
Service rigs				
Utilization	**59%**	51%	**52%**	43%
Operating hours	**31,005**	24,072	**101,145**	80,209

* Includes revenue from nitrogen and fluid pumpers and other ancillary equipment.

During 2011, Essential experienced substantial changes to its well servicing fleet. The Technicoil Acquisition significantly expanded the size and depth capabilities of the coil tubing fleet, enhanced the pumper fleet and increased the size of Essential's service rig fleet.

Coil tubing rig revenue increased significantly over the prior year. Through the Technicoil Acquisition and execution of its 2011 capital budget, Essential increased the size and scope of its coil tubing fleet. High demand for equipment capable of working on horizontal wells and quality crews contributed to improved utilization of the coil tubing fleet. Essential also benefited from expanding its fleet with high demand equipment. In total during 2011, the Company added 20 deep coil tubing rigs, 15 fluid pumpers and 2 nitrogen pumpers. These equipment additions enabled Essential to increase the operating hours as well as the average rate per hour of its coil tubing fleet and, as a result, generated considerably higher revenue. Operating margins improved due to increased utilization and hourly rates and the addition of the fluid pumper fleet, which allowed Essential to reduce its reliance on third party contractor equipment.

Service rig revenue increased during the year as Essential added 9 service rigs through the Technicoil Acquisition and increased utilization across the fleet. The strength of oil prices, increased maintenance requirements for oil wells and Essential's service rig operating locations near key resource plays within the WCSB all contributed to improved utilization and operating results for the service rig fleet during the year.

Other revenue increased over the prior year from the addition of hybrid drilling rigs. The Technicoil Acquisition added 5 hybrid drilling rigs capable of drilling with jointed pipe or coil tubing. Utilization of these rigs remained strong during the year as the rigs are focused on heavy oil drilling, oilsands coring and shallow directional drilling. Rod rig revenue also increased over the prior year as oil well workovers were in higher demand in 2011.

Both coil tubing rig revenue and service rig revenue increased significantly in the fourth quarter of 2011 compared to 2010 as a result of the Technicoil Acquisition, the completion of the 2011 capital program and an overall increase in utilization levels. Essential was able to improve gross margins during the quarter as increased demand for services and the change in mix of services generated improvements compared to the prior year.

SEGMENT RESULTS - *DOWNHOLE TOOLS & RENTALS - CANADA*

(Thousands)	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
Revenue				
Tryton MSFS	**$ 11,034**	$ 8,059	**$ 43,911**	$ 19,529
Conventional downhole tools & rentals	**16,430**	10,485	**51,869**	33,148
Downhole tools & rentals	**27,464**	18,544	**95,780**	52,677
Wireline services	**4,651**	3,822	**12,972**	11,854
Total revenue	**32,115**	22,366	**108,752**	64,531
Operating expenses	**21,478**	16,307	**76,335**	46,706
Gross margin	**$ 10,637**	$ 6,059	**$ 32,417**	$ 17,825
Gross margin %[1]	**33%**	27%	**30%**	28%

The Tryton MSFS and conventional downhole tools & rentals operations were a primary contributor to the increase in revenue and gross margins over the prior year. The Tryton MSFS product experienced continued growth in 2011 compared to 2010 as the industry continued to utilize this completion technique on horizontal wells. The emphasis on oil wells in the WCSB during 2011 generated significant growth in the conventional downhole tools business compared to the prior year. In addition, Essential's tubular and pipe rentals business, which primarily offers equipment related to conventional oil and gas drilling, also generated higher revenue in 2011 due to higher drilling activity compared to the prior year.

This segment's rapid pace of growth over the prior year continued with strong operating results during the fourth quarter. Experienced staff and high service levels contributed to Essential's continued success compared to the fourth quarter of the prior year in both its conventional downhole tools & rentals operations and the Tryton MSFS product. The strength of Q3 results and the completion of customer capital programs contributed to the sequential drop in Tryton MSFS activity during the quarter.

Essential sold its slickline assets in the first quarter of 2011 and sold the remaining electric wireline assets in February 2012.

COLOMBIA

Essential services producing wells from its operating base in Barrancabermeja, Colombia. The current operational fleet in Colombia consists of 2 service rigs, 2 coil tubing rigs, 2 nitrogen pumpers and 3 rod rigs. Management is pleased with the results from the Colombian operation during its first year as Essential established an operational foothold and generated positive cash flow for the last half of 2011.

GENERAL AND ADMINISTRATIVE

(Thousands)	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
General and administrative expenses	**$ 3,929**	$ 3,343	**$ 14,201**	$ 11,945
As a % of revenue	**4%**	6%	**4%**	7%

General and administrative costs have declined as a percentage of revenue in 2011 due to the increased size of the Company's operations after the Technicoil Acquisition and from realized corporate integration efficiencies. General and administrative expenses are comprised of wages, professional fees, office space and other administrative costs incurred at the corporate and operations level. General and administrative expenses increased in absolute dollars primarily due to additional administrative costs associated with Technicoil field operations.

SHARE-BASED COMPENSATION

(Thousands)	Three months ended December 31, 2011	2010	Year ended December 31, 2011	2010
Share-based compensation expense	**$ 416**	$ 201	**$ 1,504**	$ 761

Share-based compensation increased over the prior year as a result of the additional options issued in 2011 and the one time reduction in share-based compensation expense that occurred in 2010 from the revaluation of options as part of the conversion to a corporation.

DEPRECIATION AND AMORTIZATION

(Thousands)	Three months ended December 31, 2011	2010	Year ended December 31, 2011	2010
Depreciation and amortization expense	**$ 7,751**	$ 3,330	**$ 21,798**	$ 12,777

Increased depreciation and amortization expense during 2011 was due to increased capital asset and intangible asset values as a result of the Technicoil Acquisition and Essential's 2011 capital program.

EQUITY TAXES

(Thousands)	Three months ended December 31, 2011	2010	Year ended December 31, 2011	2010
Equity tax expense	**$ 28**	$ -	**$ 506**	$ -

Equity tax for the current year of $0.5 million represents a Colombian tax of 6.0% on the balance sheet equity recorded in Essential's Colombia branch at January 1, 2011. The equity tax is assessed every four years. The tax for the four-year period from 2011 to 2014 is payable in eight semi-annual installments over the four-year period but was expensed in the first quarter of 2011.

TRANSACTION COSTS

(Thousands)	Three months ended December 31, 2011	2010	Year ended December 31, 2011	2010
Transaction costs	**$ 14**	$ -	**$ 3,018**	$ -

Transaction costs for the current year of $3.0 million represents the costs incurred by Essential to complete the Technicoil Acquisition and is comprised primarily of credit facility, legal and consulting fees.

FINANCE COSTS

(Thousands)	Three months ended December 31, 2011	2010	Year ended December 31, 2011	2010
Bank borrowings	**$ 755**	$ 68	**$ 2,049**	$ 663
Lease financing	**19**	9	**39**	57
	$ 774	$ 77	**$ 2,088**	$ 720

The increase in finance costs from 2010 is due to the increase in long-term debt from the Technicoil Acquisition and Essential's capital expenditure program. The Company had an average long-term debt

outstanding during the three months and year ended December 31, 2011 of $69.3 million and $34.0 million, respectively (2010 - $0.3 million and $4.0 million respectively).

INCOME TAXES

(Thousands)	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
Current income tax expense	**$ 3,098**	$ -	**$ 6,349**	$ -
Deferred income tax expense	**2,505**	2,089	**5,124**	3,784
Total income tax expense	**$ 5,603**	$ 2,089	**$ 11,473**	$ 3,784

For the three months and year ended December 31, 2011, income tax expense increased compared to 2010 due to higher comparable earnings.

FINANCIAL RESOURCES AND LIQUIDITY

FUNDS FLOW FROM OPERATIONS[1]

(Thousands)	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
Net cash flows from operating activities	**$ 29,698**	$ 8,450	**$ 33,984**	$ 23,958
Add:				
Changes in non-cash working capital	**(940)**	2,748	**29,358**	5,468
Funds flow from operations[1]	**$ 28,758**	$ 11,198	**$ 63,342**	$ 29,426
Per share – basic and diluted	**$ 0.23**	$ 0.16	**$ 0.61**	$ 0.43

WORKING CAPITAL

(Thousands)	December 31, 2011	December 31, 2010
Current assets	**$ 106,015**	$ 55,816
Current liabilities, excluding current portion of long-term debt	**(45,264)**	(23,444)
Working capital	**$ 60,751**	$ 32,372
Working capital ratio	**2.3:1**	2.4:1

CREDIT FACILITY

Essential's Credit Facility (the "Credit Facility") with its banking syndicate is comprised of a $20 million revolving operating loan and a $80 million revolving term loan facility with a $35 million accordion feature available on lender's consent. The $20 million revolving operating loan matures on May 31, 2012, is renewable annually at the lender's consent and is limited to 75% of Essential's accounts receivable less specific items. The $80 million revolving term loan facility matures on May 31, 2012, is renewable annually at the lender's consent and is limited to 60% of Essential's carrying value of property and equipment less certain indebtedness as defined in the Credit Facility agreement. To the extent the revolving term loan facility is not renewed, debt payments would be required over a two year period based on a three year amortization schedule. At December 31, 2011, the maximum of $100 million was available to Essential.

As at December 31, 2011, all financial debt covenants were satisfied and all banking requirements were up to date. Essential does not anticipate any financial resource or liquidity issues to restrict its future operating, investing or financing activities. On March 12, 2012, Essential had long-term debt outstanding of $52.0 million.

EQUIPMENT EXPENDITURES

(Thousands)	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
Well Servicing	**$ 11,383**	$ 7,753	**$ 39,550**	$ 16,274
Downhole Tools & Rentals	**1,540**	1,695	**6,203**	3,049
Corporate	**426**	197	**1,097**	944
Total equipment expenditures	**13,349**	9,645	**46,850**	20,267
Less proceeds on disposal of property and equipment	**(3,139)**	(773)	**(6,068)**	(1,650)
Net equipment expenditures[1]	**$ 10,210**	$ 8,872	**$ 40,782**	$ 18,617

Essential's capital expenditure program in 2011 focused on increasing the depth capacity of the coil tubing fleet and expanding the pumping fleet to better service deeper and horizontal well activity. During the year, Essential:

- Put in service 2 conventional deep coil rigs and committed to building 4 masted deep coil rigs and 1 conventional deep coil rig.
- Completed 9 fluid pumpers and 2 nitrogen pumpers and committed to building an additional 3 fluid pumpers and 6 nitrogen pumpers.
- Constructed a second large well bore service rig and committed to building 3 service rigs.

Essential classifies its equipment expenditures as growth capital[1], maintenance capital[1], and infrastructure capital[1]. The latter category includes information systems, operational facilities and leasehold improvements. Comparative equipment expenditures are as follows:

(Thousands)	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
Growth capital[1]	**$ 9,496**	$ 5,230	**$ 30,478**	$ 11,444
Maintenance capital[1]	**3,340**	3,800	**14,665**	7,340
Infrastructure capital[1]	**513**	615	**1,707**	1,483
Total equipment expenditures	**$ 13,349**	$ 9,645	**$ 46,850**	$ 20,267

SHARE CAPITAL

As at March 12, 2012, there were 123,689,568 shares and 8,073,587 share options outstanding. Of the 8,073,587 share options, 3,645,396 were exercisable of which 3,346,646 were "in-the-money".

DISCLOSURE CONTROLS AND PROCEDURES

The Company's 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 by others, particularly during the period in which annual filings 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. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures

at the financial year end of the Company and have concluded that the Company's disclosure controls and procedures are effective at the financial year end of the Company for the foregoing purposes.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

During the year, the Company's management, under the supervision of and with the participation of its CEO and CFO, completed an assessment on the design and effectiveness of internal control over financial reporting. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework. The assessment includes a risk-based evaluation and documentation and testing of key processes. All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable, but not absolute assurance, that disclosures and financial information is accurate and complete.

Through management's assessment of the design and effectiveness of internal controls over financial reporting, no material weaknesses were found. The broad scope of senior management's oversight and strong entity level controls are expected to compensate for any non-material control weaknesses. In addition, non-material control weaknesses identified are mitigated by the active involvement of senior management in all the affairs of the Company; open lines of communication within the Company and its divisions; the present levels of activities and transactions within the Company being readily transparent; the thorough review of the Company's financial statements by management; and the existence of a whistle-blower policy.

In conjunction with the adoption of IFRS, controls over the IFRS conversion project were monitored by management and no significant changes to the internal controls were required. Management has evaluated the impact of the conversion to IFRS on its accounting and financial reporting systems and has updated the systems, where necessary, to enable the reporting of historical Canadian GAAP information related to the initial IFRS adoption and for future periods to be reported under IFRS.

The Company's CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the Company's annual filings for the year ended December 31, 2011, that the Company's internal controls over financial reporting, as defined in National Instrument 52-109, are operating effectively and are suitably designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements together with the other financial information for external purposes in accordance with IFRS.

CRITICAL ACCOUNTING ESTIMATES

Preparation of consolidated financial statements requires that the Company make assumptions regarding accounting estimates for certain amounts contained within the consolidated financial statements. The Company's significant accounting estimates include fair values assigned to equipment on transition to IFRS, net realizable value of inventory, depreciation of property and equipment, the fair value of assets and liabilities acquired in business combinations, estimated impairment of long-lived assets, estimated fair value calculations of share based compensation, estimates used in the determination of current and deferred tax provisions and estimating bad debts on accounts receivable. The Company believes that each of the assumptions and estimates are appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results.

Provision for Doubtful Accounts Receivable

The Company performs periodic credit evaluations of its customers and grants credit based upon past payment history, financial condition, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. The history of bad debt losses of the Company has been within expectations and is generally limited to specific customer circumstances. However, given the cyclical nature of the energy industry, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

Depreciation and Amortization

The equipment of the Company is depreciated based upon its estimated useful lives and salvage values. For intangible assets, the amortization policies selected are intended to amortize the assets over their expected lives or contracted terms. The Company reviews its historical experience with similar assets to help ensure that these depreciation and amortization rates are appropriate. However, the actual useful life of the assets may differ from the original estimate due to factors such as technological obsolescence and maintenance activity.

Impairment of Long-lived Assets

The Company assesses the carrying value of long-lived assets, which include property and equipment and intangible assets, for indications of impairment when events or circumstances indicate that the carrying amounts may not be recoverable from estimated future cash flows. Estimating future cash flows requires assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

Share-based Compensation

Share-based compensation is provided in respect of the share option plan. The expense is calculated using the fair value method based upon the Black-Scholes model. In order to establish fair value the Company uses estimates and assumptions to determine risk-free interest rates, expected terms, anticipated volatility and dividend yields.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Essential began reporting its financial results in accordance with IFRS on January 1, 2011, the changeover date set by the Canadian Accounting Standards Board (AcSB). IFRS compliant comparative financial information for one year from the changeover date is required including the conversion of the January 1, 2010 opening statement of financial position, the transition date for IFRS.

For the year ended December 31, 2010, Essential restated its operating results as if it had always prepared financial results in accordance with IFRS. As a result of componentization of the assets in accordance with IFRS, the resultant changes in depreciation policies and changes to the opening book value of property and equipment, depreciation expense for the year ended December 31, 2010 has decreased by $6.1 million over the amount previously reported. As a result of the reclassification of operating leases to finance leases, there were increases to depreciation and interest expense of $0.2 million and $0.1 million respectively, offset by a reduction in operating expenses of $0.4 million. As a result of changes in the timing and valuation of share based compensation, there was a decrease of $0.4 million over the amount previously reported. These changes resulted in a reduction of deferred tax expense for the year ended December 31, 2010 of $0.3 million.

RISKS AND UNCERTAINTIES

Service Industry Conditions

The oilfield services business is directly affected by fluctuations in the level of oil and natural gas exploration, development and production activities carried on by its customers, which in turn is dictated by

numerous factors, including world energy prices and government policies. Additionally, the business risks also include but are not limited to: seasonality, with typically lower second quarter and higher third, fourth and first quarter activity; availability of skilled workers; ability to retain key customers; and the environmental and safety risks inherent in the business. The demand, pricing and terms for oilfield services largely depend upon the level of industry activity for Canadian oil and natural gas exploration and development. Industry conditions are influenced by numerous factors that Essential has no control over, including but not limited to: oil and natural gas prices; expectations about future oil and natural gas prices; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves; available pipeline and other oil and natural gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and natural gas companies to raise equity capital or debt financing.

The oil and gas services sector is highly reliant on the levels of capital expenditures made by oil and natural gas companies. Exploration and production companies base their capital expenditures on several factors, including but not limited to hydrocarbon prices, production levels and access to capital. In recent years, commodity prices, and therefore, the level of drilling, production and exploration activity have been volatile. Any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for Essential's services. A significant, prolonged decline in commodity prices could have a material adverse effect on the oilfield services sector, results of operations and financial condition. The price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles and international, national and regional economic conditions are factors over which Essential has little or no control. A prolonged decline in commodity prices and field activity or significant increases in fuel prices, equipment prices, other input prices, interest rates or insurance costs, could reduce profitability and could adversely affect Essential's cash flow. Essential cannot predict the impact of future economic conditions and there is no assurance that the operations of Essential will continue to be profitable.

Seasonality

In the WCSB, the level of activity in the oilfield services sector is influenced by seasonal weather patterns. Spring breakup during the second quarter leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in restrictions on oilfield service activity. The duration of this period has a direct impact on Essential's operations. Spring breakup typically occurs earlier in the year in southern regions than it does in the northern regions. The timing and duration of spring breakup are dependent on weather patterns but generally begins in March and continues into April or May.

The demand for oilfield services may also be affected by the severity of the Canadian winters. If an unseasonably warm winter prevents sufficient freezing, Essential may not be able to access certain well sites and its operating results and financial condition may be adversely affected. At the other extreme, very cold weather may curtail operations for a period of time. During excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which can have a material adverse effect on Essential's business, financial condition, results of operations and cash flows.

Colombia is subject to rainy periods in April / May and October / November. However, Essential's operations are generally not expected to be affected by this as there are high quality roads and facilities in applicable areas.

Competition

Essential provides oilfield services to oil and natural gas exploration and production companies. The oilfield services sector is highly competitive and to be successful Essential must provide services that meet the specific needs of its customers at competitive prices. The principal competitive factors are service quality, equipment availability, price, reliability, equipment performance, technical knowledge, experience and reputation for safety. Essential competes with several companies that are smaller and larger than it is. These competitors offer similar services in all geographic regions that Essential operates.

As a result of competition, the utilization of Essential's equipment may be adversely impacted, which may affect Essential's business, financial condition, results of operations and cash flows.

Reduced levels of activity in the oil and natural gas industry can intensify competition and result in lower revenue to Essential. Variations in the exploration and development budgets of oil and natural gas companies which are directly affected by fluctuations in energy prices, the cyclical nature and competitiveness of the oil and natural gas industry and governmental regulation, have an effect upon Essential's ability to generate revenue and earnings.

During periods of intense competition, such as that experienced in the 2009 industry downturn, competitive pricing pressure negatively impacts Essential's revenue, results of operations and cash flow.

Key Personnel

The successful operation of Essential's business depends upon the abilities, expertise, judgment, discretion, integrity and good faith of Essential's executive officers, managers, employees and consultants. In addition, the ability of Essential to operate its current fleet and expand its services depends upon its ability to attract qualified personnel as needed. The unexpected loss of Essential's key personnel, or the inability to retain or recruit skilled personnel could have a material adverse effect on Essential's business, financial condition, results of operations and cash flows. The demand for skilled oilfield employees follows the cyclical nature of the oilfield services sector. During the 2009 downturn, Essential, as a means of cost cutting, reduced its headcount. As activity levels increased in 2010 and 2011, the demand for qualified personnel increased and currently the demand for skilled oilfield employees is high, and the supply is limited.

Foreign Currency Exchange Rates

Essential is exposed to foreign currency fluctuations, on a small scale, in relation to the U.S. dollar and the Colombian peso. The revenue related to Colombian operations are primarily received in U.S. dollars and expenses are primarily paid in U.S. dollars and Colombian pesos. Essential mitigates exchange rate risk where possible by matching foreign currency denominated expenses with revenues denominated in foreign currencies. Essential also attempts to collect and pay foreign currency denominated balances in a timely manner.

Technology Risk

Essential's ability to meet customer demands may be influenced by advances and changes in technology. To the extent Essential does not keep up with changes in technology, demand for its services may be hindered. There is no assurance the Company will be able to keep up with changes in technology and failure to do so may have a material adverse effect on Essential's business operations, financial condition, results of operations and cash flow.

Other risk factors

For additional information that could impact the Company's business, see "Risk Factors" in the Company's Annual Information Form which is available on SEDAR at www.sedar.com.

DIVIDEND ANNOUNCEMENT

As a reflection of Essential's strong financial position, positive forecast for operating conditions and its commitment to maximizing shareholder value, the Board of Directors has approved implementation of a dividend policy that provides for the payment of a quarterly dividend. The first dividend will be $0.025 per share, payable on April 13, 2012 to shareholders of record at the close of business on March 30, 2012. The dividends are eligible dividends for Canadian tax purposes.

OUTLOOK

In the first quarter of 2012, Essential continues to experience strong activity due to its focus on providing services to oil and liquids-rich natural gas resource plays. Demand in the WCSB continues to be driven by oil prices and activity on horizontal wells which are more service intensive than vertical wells. Industry forecasts indicate that horizontal wells will account for over half of wells drilled in 2012, continuing the trend of increased focus on this well type. Horizontal well activity has improved the demand for Essential's deep coil tubing fleet, as these rigs work primarily on horizontal wells, and the Tryton MSFS, which allows producers to isolate sections of the well bore for multi-zone fracturing.

With high natural gas storage levels, warm winter weather throughout most of North America and strong shale gas drilling in the United States, the supply of natural gas has exceeded demand and the price for natural gas recently fell to 10 year lows. While some exploration and production companies have already responded by decreasing their natural gas production and 2012 spending budgets related to natural gas drilling, management believes the impact of this will be felt more in the United States than Canada. Drilling in Canada had already shifted from natural gas to oil over the last several years.

Essential's $60 million capital expenditure program for 2012 is focused on: adding 5 deep coil tubing rigs, building 6 nitrogen pumpers and 3 fluid pumpers and building 4 new service rigs - 2 being large well bore for oilsands applications. This equipment further expands the breadth and depth of the current fleet and is expected to go into service in 2012 and 2013.

After spring breakup, it is expected that operations will be similar to 2011 for the remainder of the year, understanding that global macro events and low natural gas prices could impact spending by producers, and possibly the demand for oilfield services for the latter part of the year.

Essential remains well-positioned with a strong balance sheet and high demand well services of coil tubing, service rigs and downhole tools to meet its customer's needs.

FORWARD-LOOKING STATEMENTS AND INFORMATION

This MD&A contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements including expectations regarding capital spending, in-service dates of new equipment, expectations regarding the impact of recent equipment purchases, expectations of future cash flow and earnings, expectations regarding Essential's ability to continue to pay dividends in the future, expectations regarding the tax treatment of the dividends for Canadian tax purposes, expectations with respect to the demand for and price of oil and liquids-rich natural gas, expectations regarding the level and type of drilling and production activity in the Western Canadian Sedimentary Basin, expectations regarding the demand for services, expectations regarding the business, operations and revenues of the Company in addition to general economic conditions, and expectations regarding Essential's ability to meet the changing needs of the Western Canadian Sedimentary Basin market.

Although the Company believes that the expectations and assumptions on which such forward-looking statements and information are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Company can give no assurance that such statements and information will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oilfield services sector (e.g. 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 and environmental risks); integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties, incentive programs and environmental regulations; stock market volatility and the inability to access sufficient capital from external and internal sources; the ability of the Company's subsidiaries to enforce legal rights in foreign jurisdictions; general economic, market or business conditions; global economic events; changes to Essential's financial position and cash flow; the availability of qualified personnel, management or other key inputs; currency exchange fluctuations; changes in political and security stability; risks associated with government regulations and environmental health and safety matters and other unforeseen conditions which could impact the use of equipment and services supplied by Essential in Colombia; and other unforeseen conditions which could impact the use of services supplied by the Company. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive.

Additional information on these and other factors that could affect the Company's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) for the Company. The forward-looking statements and information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

[1]Non-IFRS Measures

Throughout this MD&A, certain terms that are not specifically defined in IFRS are used to analyze Essential's operations. In addition to the primary measures of net earnings and net earnings 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 earnings and net earnings per share as calculated in accordance with IFRS.

Gross margin %[a] – This measure is considered a primary indicator of operating performance as calculated by gross margin divided by revenue.

EBITDA[b] (Earnings before finance costs, income taxes, equity taxes, depreciation, amortization, transaction costs, non-controlling interest earnings, losses or gains on disposal of equipment and share-based compensation) – This measure is considered an indicator of Essential's ability to generate funds flow in order to fund required working capital, service debt and fund capital programs.

EBITDA %[b] – This measure is considered an indicator of Essential's ability to generate funds flow as calculated by EBITDA[b] divided by revenue.

Funds flow or funds flow from operations[c] – This measure is an indicator of Essential's ability to generate funds flow[c] in order to fund working capital, principal debt repayments and capital programs. Funds flow or funds flow from operations is defined as cash flow from operations before changes in non-cash operating working capital. This measure is useful in assessing Essential's operational cash flow as it provides cash generated in the period excluding the timing of non-cash operating working capital. This reflects the ability of the operations of Essential to meet the above noted funding requirements.

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

Maintenance capital – Equipment additions that are incurred in order to refurbish or replace previously acquired equipment less proceeds on the disposal of retired equipment. Such additions do not provide incremental increases in revenue. Maintenance capital is a key component in understanding the sustainability of Essential's business as cash resources retained within Essential must be sufficient to meet maintenance capital needs to replenish the assets for future cash generation.

Infrastructure capital – Additions that are incurred in order to maintain the Company's business systems and operating facilities. Such additions do not provide incremental increases in revenue.

Net equipment expenditures[d] – This measure is equipment expenditures less proceeds on the disposal of equipment. Essential uses net equipment expenditures to assess net cash flows related to the financing of Essential's oilfield services equipment.

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[a] Gross margin % is reconciled to the IFRS measures, revenue and operating costs, in the table "Results of Operations".

[b] EBITDA and EBITDA % are reconciled to the IFRS measure, loss from continuing operations before income taxes, in the table "Results of Operations".

[c] Funds flow is reconciled to the IFRS measure, cash flow from operations, in the table "Funds Flow from Operations".

[d] Net equipment expenditures is calculated from the IFRS measures, equipment expenditures and proceeds on disposal of equipment, in the table "Equipment Expenditures".

CORPORATE INFORMATION

Directors

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Garnet K. Amundson

Robert T. German[1,3]

Roderick W. Graham[1,2]

Edward C. Grimes[1,3]

Nicholas G. Kirton[1,2]

Andrew B. Zaleski [3]

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

Auditors

Ernst & Young LLP

Bankers

National Bank of Canada

The Toronto-Dominion Bank

HSBC Bank Canada

Canadian Western Bank

Legal Counsel

Fasken Martineau LLP

Transfer Agent

Olympia Trust Company

Management

Garnet K. Amundson
President & Chief Executive Officer

Don A. K. Webster
Chief Operating Officer

Jeff B. Newman
Chief Financial Officer & VP, Finance

Kevin W. Job
Vice President, Operations

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