Unaudited Condensed Consolidated Interim Financial Statements

Essential Energy Services Ltd.

March 31, 2015

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

(in thousands of dollars)	**As at March 31 2015**	As at December 31 2014
Assets		
Current		
Trade and other accounts receivable *(note 4)*	**$ 57,658**	$ 79,651
Inventories *(note 5)*	**33,147**	35,991
Prepayments	**2,176**	3,116
	92,981	118,758
Non-current		
Property and equipment *(note 6)*	**240,262**	239,696
Intangible assets	**23,658**	24,599
Goodwill	**14,595**	14,298
	278,515	278,593
Total assets	**$ 371,496**	$ 397,351
Liabilities		
Current		
Bank indebtedness	**$ 2,098**	$ 991
Trade and other accounts payable *(note 7)*	**21,071**	32,822
Dividends payable *(note 8)*	**3,775**	3,773
Income taxes payable	**-**	203
	26,944	37,789
Non-current		
Long-term debt *(note 9)*	**39,817**	55,253
Deferred tax liabilities	**29,023**	28,299
	68,840	83,552
Total liabilities	**95,784**	121,341
Commitments and contingencies *(note 14)*		
Equity		
Share capital *(note 10)*	**262,977**	262,871
Retained earnings	**8,027**	8,706
Other reserves *(note 11)*	**4,708**	4,433
Total equity	**275,712**	276,010
Total liabilities and equity	**$ 371,496**	$ 397,351

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

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

(in thousands of dollars, except per share amounts)	For the three months ended March 31, **2015**	2014
Revenue	**$ 70,419**	$ 103,730
Operating expenses	**55,117**	76,403
Gross margin	**15,302**	27,327
General and administrative expenses	**4,443**	4,820
	10,859	22,507
Depreciation and amortization	**6,690**	6,785
Share-based compensation *(note 12)*	**154**	651
Other (income) expenses	**(716)**	755
Operating profit	**4,731**	14,316
Finance costs	**472**	433
Income before income taxes	**4,259**	13,883
Current income tax expense	**442**	2,782
Deferred income tax expense	**721**	952
Total income tax expense	**1,163**	3,734
Net income	**$ 3,096**	$ 10,149
Unrealized foreign exchange gain (loss)	**248**	(86)
Comprehensive income	**$ 3,344**	$ 10,063
Net income per share *(note 13)*		
Basic and diluted	**$ 0.02**	$ 0.08
Comprehensive income per share *(note 13)*		
Basic and diluted	**$ 0.03**	$ 0.08

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

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

(in thousands of dollars)	For the three months ended March 31, **2015**		2014	
Equity:				
Share capital				
Balance, January 1	**$**	**262,871**	$	262,177
Exercise of options *(note 10)*		**106**		217
Balance, March 31	**$**	**262,977**	$	262,394
Retained earnings				
Balance, January 1	**$**	**8,706**	$	46,622
Net income		**3,096**		10,149
Dividends *(note 8)*		**(3,775)**		(3,768)
Balance, March 31	**$**	**8,027**	$	53,003
Other reserves				
Balance, January 1	**$**	**4,433**	$	4,358
Other comprehensive income (loss) *(note 11)*		**248**		(86)
Equity-settled share-based compensation *(note 11)*		**65**		211
Exercise of options *(note 11)*		**(38)**		(78)
Balance, March 31	**$**	**4,708**	$	4,405
Total equity	**$**	**275,712**	$	319,802

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

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

(in thousands of dollars)	For the three months ended March 31, **2015**	2014
Operating activities:		
Net income	**$ 3,096**	$ 10,149
Non-cash adjustments to reconcile net income for the period to operating cash flow:		
Depreciation and amortization	**6,690**	6,785
Deferred income tax expense	**721**	952
Share-based compensation *(note 12)*	**65**	211
Provision for impairment of trade accounts receivable *(note 4)*	**355**	225
Finance costs	**472**	433
Loss on disposal and write-down of assets	**268**	1,046
Operating cash flow before changes in non-cash operating working capital	**11,667**	19,801
Changes in non-cash operating working capital:		
Trade and other accounts receivable before provision	**21,545**	(13,276)
Inventories	**2,844**	(1,155)
Prepayments	**940**	643
Trade and other accounts payable	**(8,250)**	1,141
Current income taxes payable	**(400)**	(2,851)
Net cash provided by operating activities	**28,346**	4,303
Investing activities:		
Purchase of property, equipment and intangible assets *(note 6)*	**(6,461)**	(11,048)
Non-cash investing working capital in trade and other accounts payable	**(3,500)**	(3,815)
Proceeds on disposal of equipment	**95**	865
Net cash used in investing activities	**(9,866)**	(13,998)
Financing activities:		
(Repayment) issuance of long-term debt	**(15,437)**	11,794
Proceeds from exercise of share options	**68**	140
Dividends paid *(note 8)*	**(3,773)**	(3,765)
Finance costs	**(472)**	(433)
Net cash (used in) provided by financing activities	**(19,614)**	7,736
Foreign exchange gain on cash held in a foreign currency	**27**	46
Net decrease in cash	**(1,107)**	(1,913)
Bank indebtedness, beginning of period	**(991)**	(2,112)
Bank indebtedness, end of period	**$ (2,098)**	$ (4,025)
Supplemental cash flow information		
Cash taxes paid	**$ 840**	$ 5,650
Cash interest and standby fees paid	**$ 448**	$ 386

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

1. AUTHORIZATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements ("Financial Statements") of Essential Energy Services Ltd. and its subsidiaries ("Essential" or the "Company") for the three months ended March 31, 2015 and 2014 were approved by the Board of Directors of Essential ("Board of Directors") on May 5, 2015. Essential is a publicly traded oilfield services company incorporated under the *Business Corporations Act* (Alberta). Essential is listed on the Toronto Stock Exchange ("TSX") and trades under the symbol ESN.

Based in Calgary, Alberta, Essential provides oilfield services to oil and gas producers primarily in western Canada. The address of the registered office is 3400, 350 – 7 Avenue S.W., Calgary, Alberta, Canada, T2P 3N9.

2. STATEMENT OF COMPLIANCE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements as at and for the three months ended March 31, 2015 and 2014 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 interim financial statements as were followed in the preparation of the Company's annual financial statements for the year ended December 31, 2014, except as disclosed below. Accordingly, these interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014.

3. CHANGES IN ACCOUNTING POLICIES

The Company adopted the following amendments and interpretation standards effective January 1, 2015:

IFRS 8 *Operating Segments*

IFRS 8 *Operating Segments* requires entities to disclose the judgments made by the chief operating decision maker in applying the aggregation criteria to operating segments and to present a reconciliation of each segment's assets and liabilities to total assets and liabilities of the entity. Essential continues to provide a reconciliation of material accounts of the segments to the entity and added additional disclosures relating to the aggregation criteria to note 15 of the financial statements.

IFRS 2 *Share-based Payments*

Amendments to the standard did not impact Essential as the Company's current definition of performance and service conditions are consistent with the revised standard.

IFRS 3 *Business Combinations*

Essential does not have any contingent considerations related to previously recognized business combinations and as such amendments to the standard did not impact the Company.

IFRS 13 *Fair Value Measurement*

Essential does not discount short-term receivables and/or payables and as such amendments to the standard did not impact Essential.

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

4. TRADE AND OTHER ACCOUNTS RECEIVABLE

	As at March 31 2015	As at December 31 2014
Trade receivables, net of provision	**$ 57,241**	$ 78,367
Other receivables	**417**	1,284
	$ 57,658	$ 79,651

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

The carrying amounts of trade receivables are denominated in the following currencies:

	As at March 31 2015	As at December 31 2014
Canadian dollar	**$ 53,002**	$ 75,802
U.S. dollar	**4,239**	2,565
	$ 57,241	$ 78,367

The aging analysis of trade receivables is as follows:

	As at March 31 2015	As at December 31 2014
< 31 days	**$ 18,416**	$ 30,012
31-60 days	**25,284**	26,730
61-90 days	**6,974**	12,390
>90 days	**6,567**	9,235
	$ 57,241	$ 78,367

The provision for impairment of receivables of $1.4 million (December 31, 2014 – $1.1 million) is included in the amounts over 90 days old. The movements in the provision during the period were as follows:

	For the three months ended March 31,	
	2015	2014
Balance, beginning of period	**$ 1,148**	$ 962
Provision for receivables impairment	**355**	225
Receivables written off against the provision	**(70)**	(111)
Balance, end of period	**$ 1,433**	$ 1,076

The addition and release of the provision for impairment of receivables has been included in operating expense in the consolidated statements of net income and comprehensive income. Uncollectable amounts included in the provision are generally written off against the provision when there is no expectation of recovery.

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

5. INVENTORIES

	As at March 31 2015	As at December 31 2014
Downhole tools	**$ 24,480**	$ 26,172
Coil well service	**8,667**	9,819
	$ 33,147	$ 35,991

Inventory charged through operating expenses in the consolidated statements of net income and comprehensive income for the three months ended March 31, 2015 was $9.9 million (2014 – $14.3 million).

6. PROPERTY AND EQUIPMENT

As at March 31, 2015	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Coil well service rigs and equipment	**$ 142,593**	**$ 31,017**	**$ 111,576**
Service rigs and equipment	**92,706**	**25,775**	**66,931**
Oilfield equipment	**54,947**	**22,181**	**32,766**
Vehicles	**33,968**	**9,514**	**24,454**
Office and computer equipment	**4,840**	**2,968**	**1,872**
Land	**482**	**-**	**482**
Other	**5,229**	**3,048**	**2,181**
	$ 334,765	**$ 94,503**	**$ 240,262**

As at December 31, 2014	Cost	Accumulated Depreciation	Net Book Value
Coil well service rigs and equipment	$ 139,649	$ 30,000	$ 109,649
Service rigs and equipment	92,300	24,656	67,644
Oilfield equipment	54,254	20,891	33,363
Vehicles	33,201	8,643	24,558
Office and computer equipment	4,604	2,807	1,797
Land	482	-	482
Other	5,123	2,920	2,203
	$ 329,613	$ 89,917	$ 239,696

Included in coil well service rigs and equipment, service rigs and equipment and oilfield equipment is $21.0 million (December 31, 2014 – $17.2 million) of assets under construction which will not be depreciated until put into use.

	For the three months ended March 31, **2015**	2014
Net book value, beginning of period	**$ 239,696**	$ 230,292
Additions	**6,461**	10,802
Disposals	**(362)**	(1,911)
Depreciation	**(5,599)**	(5,604)
Currency translation adjustment	**66**	(16)
Net book value, end of period	**$ 240,262**	$ 233,563

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

7. TRADE AND OTHER ACCOUNTS PAYABLE

	As at March 31 2015	As at December 31 2014
Trade accounts payable	**$ 6,720**	$ 14,880
Accrued payables	**5,030**	6,268
Accrued payroll	**7,930**	8,516
Other	**1,391**	3,158
	$ 21,071	$ 32,822

The carrying amounts of trade accounts payable are denominated in the following currencies:

	As at March 31 2015	As at December 31 2014
Canadian dollar	**$ 5,175**	$ 14,329
U.S. dollar	**1,545**	551
	$ 6,720	$ 14,880

8. DIVIDENDS PAYABLE

During the period Essential declared dividends to shareholders in accordance with the following schedule:

Record date	**Payment date**	**Total dividend**	**Amount per share**
2015			
March 31, 2015	**April 15, 2015**	**$ 3,775**	**$ 0.03**

Record date	**Payment date**	**Total dividend**	**Amount per share**
2014			
December 31, 2014	January 15, 2015	$ 3,773	$ 0.03
September 30, 2014	October 15, 2014	$ 3,779	$ 0.03
June 30, 2014	July 15, 2014	$ 3,774	$ 0.03
March 31, 2014	April 15, 2014	$ 3,768	$ 0.03

9. LONG-TERM DEBT

	As at March 31 2015	As at December 31 2014
Term loan	**$ 39,900**	$ 55,350
Deferred financing costs	**(83)**	(97)
Non-current portion of long-term debt	**$ 39,817**	$ 55,253

Essential's credit facility with its banking syndicate was renewed in May 2014 and is comprised of a $100 million revolving term loan facility with a $35 million accordion feature available on the lender's consent (the "Credit

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Facility”). The Credit Facility matures on May 31, 2017, is renewable at the lender’s consent and is secured by a general security agreement over the Company’s assets. To the extent the Credit Facility is not renewed, the balance would be immediately due and payable on the maturity date. As at March 31, 2015, the maximum of $100 million under the Credit Facility was available to Essential.

As at March 31, 2015, the Company was in compliance with all financial debt covenants and all banking requirements were up to date under the Credit Facility.

10. SHARE CAPITAL

Authorized

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

	Number of Common Shares (000’s)	Amount
As at January 1, 2014	125,496	$ 262,177
Shares issued on exercise of options	979	2,149
Shares repurchased under normal course issuer bid	(697)	(1,455)
As at December 31, 2014	125,778	$ 262,871
Shares issued on exercise of options	**59**	**106**
As at March 31, 2015	**125,837**	**$ 262,977**

On March 23, 2015, the Company received approval from the TSX to renew its 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 March 25, 2015 and will terminate on March 24, 2016, or at such earlier date as the NCIB is completed or terminated at the option of Essential. Under the renewed NCIB, Essential may purchase up to 12,316,891 of its issued and outstanding Common Shares on the open market through the facilities of the TSX or other alternative trading systems.

For the period ended March 31, 2015, no Common Shares were acquired and cancelled under the NCIB. For the year ended December 31, 2014, 697,046 Common Shares were acquired and cancelled under the NCIB at an average price of $2.14 per Common Share. Any excess amount paid for these shares, relative to their carrying amount, was recorded as a reduction of contributed surplus.

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

11. OTHER RESERVES

	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total
As at January 1, 2014	$ 4,412	$ (54)	$ 4,358
Share-based compensation	789	-	789
Exercise of options	(730)	-	(730)
Shares cancelled under normal course issuer bid	(45)	-	(45)
Unrealized foreign exchange gain on foreign operations	-	61	61
As at December 31, 2014	$ 4,426	$ 7	$ 4,433
Share-based compensation	**65**	**-**	**65**
Exercise of options	**(38)**	**-**	**(38)**
Unrealized foreign exchange gain on foreign operations	**-**	**248**	**248**
As at March 31, 2015	**$ 4,453**	**$ 255**	**$ 4,708**

12. SHARE-BASED COMPENSATION

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

The maximum number of share options issuable under the Share Option Plan and RSUs under the RSU Plan, together may not exceed 9% of the Company's outstanding Common Shares. As at March 31, 2015, the maximum number of share options and RSUs allowed for issuance was 11,325,234 (2014 – 11,304,571).

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

	For the three months ended March 31, 2015	2014
Equity-settled share options	**$ 65**	$ 211
Restricted share units	**103**	374
Cash-settled deferred share units	**(14)**	66
Total share-based compensation expense	**$ 154**	$ 651

a) Share Option Plan

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

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

	For the three months ended March 31, 2015		For the three months ended March 31, 2014	
	Number of Options (000's)	**Weighted Average Exercise Price**	Number of Options (000's)	Weighted Average Exercise Price
Outstanding, beginning of period	**5,024**	**$ 2.19**	5,444	$ 1.97
Issued	**410**	**1.46**	655	2.90
Exercised	**(59)**	**1.15**	(110)	1.28
Forfeited	**(141)**	**2.21**	(37)	2.09
Outstanding, end of period	**5,234**	**$ 2.15**	5,952	$ 2.09
Exercisable, end of period	**3,988**	**$ 2.12**	3,737	$ 1.91

The fair value of the share options issued during the period was between $0.23 – $0.24 per option (2014 – $0.72 – $0.82), estimated using the Black-Scholes Option Pricing model using the following underlying assumptions:

	2015	2014
Risk-free interest rate	**1.0 – 1.1%**	1.4 – 1.7%
Expected volatility	**41.5 – 43.0%**	43.5 – 46.4%
Expected term	**3.7 – 4.5 years**	3.6 – 4.4 years
Expected forfeiture rate	**7.6 – 16.4%**	8.0 – 17.4%
Dividend yield	**9.0%**	4.1%

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

The following table summarizes information with respect to the share options outstanding as at March 31, 2015 and 2014:

Exercise Prices	**Options Outstanding (000's)**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price (per option)**	**Number of Options Exercisable (000's)**
<u>As at March 31, 2015</u>				
$1.20 – $2.00	**1,012**	**2.56**	**$ 1.66**	**595**
$2.01 – $2.90	**4,222**	**2.08**	**$ 2.26**	**3,393**
	5,234	**2.17**	**$ 2.15**	**3,988**
<u>As at March 31, 2014</u>				
$1.00 – $2.00	1,282	1.40	$ 1.50	1,105
$2.01 – $2.90	4,670	3.03	$ 2.25	2,632
	5,952	2.68	$ 2.09	3,737

On January 8, 2015, Essential issued 410,000 share options to key employees of the Company with an exercise price of $1.46 per option.

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

b) Restricted Share Units

The RSU Plan authorizes the Board of Directors to grant RSUs to key employees and consultants of the Company. RSUs granted to a participant represent a right to receive a cash payment or its equivalent in Common Shares at the time of vesting, at the option of the Company. The grants vest in three equal instalments; contain a time vesting feature, or for senior employees, contain both performance based and time vesting features. The performance based criteria vest conditionally. The original grant contained only a time vesting feature. Under the terms of the plan, RSU's are eligible for dividend equivalents, which are re-invested at each dividend declaration date. The associated liability related to the RSUs as at March 31, 2015 is $0.4 million (December 31, 2014 – $0.9 million) of which $0.3 million is due within one year.

The following table summarizes information with respect to RSUs outstanding for the three months ended March 31, 2015 and 2014:

	For the three months ended March 31,	
Number of RSUs (000's)	**2015**	2014
Outstanding, beginning of period	**1,103**	588
Issued	**978**	753
Vested	**(431)**	(200)
Forfeited	**(54)**	(15)
Outstanding, end of period	**1,596**	1,126

On January 8, 2015, Essential issued 933,900 RSUs to key employees of the Company.

c) Deferred Share Units

Participation in the DSU Plan is restricted to non-employee directors ("Eligible Directors") of the Company. A DSU gives the participant a right of redemption in the form of a lump sum cash payment, less applicable withholding taxes, within fifteen days of the participant ceasing to be an Eligible Director of the Company. Under the terms of the plan, DSU's are eligible for dividend equivalents, which are re-invested at each dividend declaration date. The carrying amount of the liability as at March 31, 2015 is $0.2 million (December 31, 2014 – $0.2 million).

The following table summarizes information with respect to DSUs outstanding for the three months ended March 31, 2015 and 2014:

	For the three months ended March 31,	
Number of DSUs (000's)	**2015**	2014
Outstanding, beginning of period	**243**	100
Issued	**7**	4
Outstanding, end of period	**250**	104

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

13. EARNINGS PER SHARE

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

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

	For the three months ended March 31,	
(000's)	**2015**	2014
Basic	**125,832**	125,549
Dilutive Common Shares from share options and RSUs	**1,561**	2,486
Total diluted	**127,393**	128,035

14. COMMITMENTS AND CONTINGENCIES

Operating leases

Essential has entered into operating leases for office and shop premises that provide for minimum annual lease payments, as follows:

	Amount
2015	$ 4,455
2016	5,701
2017	4,872
2018	3,187
2019	2,853
Thereafter	10,528
	$ 31,596

Other commitments

As part of its long-term capital program, Essential is committed to future capital expenditures of $11 million of which $7 million is expected to be incurred in 2015 and the balance in 2016.

Contingencies

The Company, through the performance of its services and business arrangements, is sometimes named as a defendant in litigation. The outcome of such claims against the Company is not determinable at this time; however, any ultimate resolution is not expected to have a material adverse effect on the Company.

A statement of claim was filed on October 23, 2013 by Packers Plus Energy Services Inc. against Essential in the Canadian Federal Court, which alleges certain products and methods associated with the Tryton MSFS® infringe a patent issued to Packers Plus Energy Services Inc. Essential believes that the suit is without merit and is defending against the allegations. Proceedings of this nature can take years to resolve through the court process. The trial date has been set for February 2017. This lawsuit targets only the Tryton MSFS® ball & seat system, which Essential commenced using in 2009. It does not target past or future operations of Essential's conventional tools, other Tryton MSFS® tools or rentals business.

15. SEASONALITY OF OPERATIONS

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

16. SEGMENTED INFORMATION

Essential has two operating segments, Well Servicing and Downhole Tools & Rentals, and a non-operating segment, Corporate and Eliminations.

Essential has chosen to identify its reportable segments based on services offered. The basis of accounting for transactions between reportable segments is done at market fair value.

a) Well Servicing

The Well Servicing segment provides well completion, production and workover services throughout the Western Canadian Sedimentary Basin ("WCSB"). The Well Servicing segment is comprised of a fleet of coil tubing rigs, service rigs, fluid and nitrogen pumpers and ancillary equipment. Service lines within the Well Servicing segment were aggregated on the basis they provide similar services to the same customers, achieve similar long-term margins, share infrastructure and operate within the WCSB throughout Western Canada.

b) Downhole Tools & Rentals

The Downhole Tools & Rentals segment provides downhole tools and rental services in Canada and the United States.

c) Corporate and Eliminations

The Corporate and Eliminations segment is comprised of: i) corporate office and certain operational costs, which are managed on a group basis and are not allocated to the operating segments; and ii) eliminations, which includes transactions between segments which are eliminated upon consolidation. Net loss before income taxes for the three months ended March 31, 2015 and 2014 for the Corporate and Eliminations segment substantially represents corporate office and certain operational costs.

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

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

As at and for the three months ended March 31, 2015	**Well Servicing**	**Downhole Tools & Rentals**	**Corporate & Eliminations**	**Consolidated**
Revenue	**$ 47,002**	**$ 23,611**	**$ (194)**	**$ 70,419**
Income (loss) before income taxes	**$ 3,961**	**$ 5,385**	**$ (5,087)**	**$ 4,259**
Depreciation and amortization	**$ 5,452**	**$ 975**	**$ 263**	**$ 6,690**
Total assets	**$ 295,140**	**$ 73,345**	**$ 3,011**	**$ 371,496**
Total liabilities	**$ 38,790**	**$ 1,624**	**$ 55,370**	**$ 95,784**
Property, equipment and intangible asset expenditures	**$ 5,543**	**$ 646**	**$ 272**	**$ 6,461**

As at and for the three months ended March 31, 2014	Well Servicing	Downhole Tools & Rentals	Corporate & Eliminations	Consolidated
Revenue	$ 73,998	$ 30,286	$ (554)	$ 103,730
Income (loss) before income taxes	$ 11,948	$ 8,069	$ (6,134)	$ 13,883
Depreciation and amortization	$ 5,771	$ 744	$ 270	$ 6,785
Total assets	$ 368,166	$ 67,786	$ 3,793	$ 439,745
Total liabilities	$ 43,287	$ 6,761	$ 69,895	$ 119,943
Property, equipment and intangible asset expenditures	$ 6,807	$ 3,716	$ 525	$ 11,048

17. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current period’s presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Essential Energy Services Ltd. ("Essential" or the "Company") is for the three months ended March 31, 2015.

This MD&A should be read in conjunction with Essential's March 31, 2015 unaudited condensed interim consolidated financial statements and the audited annual consolidated financial statements and MD&A included in Essential's 2014 Financial Report to Shareholders for the financial year-ended December 31, 2014. No update is provided where an item is not material or where there has been no material change from the discussion in the aforementioned annual MD&A. Readers should carefully read the sections regarding "Forward-Looking Statements and Information" and "Non-IFRS Measures" in this report. All references to dollar amounts are to Canadian dollars, except where otherwise indicated. This MD&A was prepared effective May 5, 2015 and was approved and authorized for issuance by the Board of Directors of the Company (the "Board") on May 5, 2015.

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

SELECTED INFORMATION

(in thousands of dollars except per share, percentages and fleet data)	Three months ended March 31 **2015**	2014
Revenue	**$ 70,419**	$ 103,730
Gross margin	**15,302**	27,327
Gross margin %	**22%**	26%
EBITDAS[(1)]	**10,859**	22,507
EBITDAS % [(1)]	**15%**	22%
Net income	**3,096**	10,149
Per share - basic	**0.02**	0.08
Per share - diluted	**0.02**	0.08
Total assets	**371,496**	439,745
Total long-term debt	**39,817**	50,821
Utilization		
Masted coil tubing rigs	**90%**	109%
Service rigs	**37%**	66%
Equipment fleet		
Masted coil tubing rigs	**19**	16
Service rigs	**54**	55

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

HIGHLIGHTS

Industry activity in the first quarter of 2015 was significantly below the same quarter in the prior year, as weak oil and natural gas prices resulted in exploration and production ("E&P") companies drastically reducing spending. The reduction in E&P spending directly impacted oilfield service activity and led customers to demand lower prices for oilfield services. During the first quarter of 2015, drilling rig utilization, the number of wells drilled, and well completions, all indicators of oilfield activity, were significantly below the first quarter 2014 comparatives. Well completions, a key driver of Essential's services, was down 34%[a] compared to 2014.

First quarter 2015 revenue was $70.4 million, 32% lower than the first quarter of 2014. Price declines were experienced across all of Essential's service lines as oilfield service companies competed for limited work. Essential's primary service lines performed well compared to industry declines in completions and drilling activity. Masted coil tubing utilization was strong at 90%.

Essential's well servicing revenue decreased 36% in the first quarter of 2015 compared to the same period in 2014 due to lower utilization, particularly in service rigs and conventional coil tubing, and pricing reductions. Compared to the significant decline in industry well completions, masted coil tubing performed well as operating hours were consistent with the first quarter of 2014. This was driven by demand for Essential's equipment in the Montney, Bakken and Duvernay regions. Service rig utilization was 37% for the quarter compared to Canadian Association of Oil Drilling Contractors ("CAODC") service rig industry utilization of 34%. Revenue per hour reductions in Essential's well servicing segment ranged from 10% to 15% compared to the first quarter of 2014.

Essential's downhole tools & rentals revenue decreased 22% from the first quarter of 2014 due to decreased activity and pricing in Canadian operations, partially offset by growth in U.S. downhole tools revenue.

Given industry conditions, Essential took proactive steps during the first quarter of 2015 to manage costs. Compensation and discretionary spending reductions were implemented in March 2015, including a 20% reduction in board of directors' fees and executive salaries and suspension of various benefit and incentive programs. Essential decreased non-executive employee salaries by an average of 10% and reduced its labour force prior to the end of March by 25% of salaried employees and 35% of field staff. Severance costs totalling $1.7 million were recorded in the first quarter of 2015 in the corporate and eliminations segment. Essential expects to realize annualized fixed cost savings from these initiatives of approximately $10 million.

EBITDAS[1] for the first quarter of 2015 was $10.9 million, a decline of 52% from the first quarter of 2014. EBITDAS[1] before severance costs was $12.5 million or 18% as a percentage of revenue compared to 22% in the first quarter 2014.

At March 31, 2015, Essential had $39.8 million of debt outstanding, a decrease of $15.4 million from December 31, 2014. At May 5, 2015, Essential had $39.1 million of debt outstanding.

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

(a) Source: June Warren-Nickle's Energy Group

OVERVIEW OF ESSENTIAL

Essential is a growth-oriented, dividend paying corporation that provides oilfield services to E&P companies primarily in western Canada. Essential's operations are focused on meeting the well servicing needs of customers through its coil well service, service rigs, and downhole tools & rentals businesses.

Well Servicing

Coil well service

The demand for masted coil tubing has increased in recent years with growth in the number of horizontal wells in western Canada. Masted coil tubing rigs are typically used in the completion and stimulation of a horizontal well in the following areas:

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

There are two primary types of equipment used in Essential's coil well service operation:

- Masted Coil Tubing – Essential operates the largest masted coil tubing fleet in Canada. Masted coil tubing rigs provide completion, stimulation and work-over services on long-reach horizontal and vertical wells. Essential's masted coil tubing rigs are equipped to work with coil tubing from 2 inches to 2 7/8 inches in diameter and have a depth capacity in excess of 6,500 meters. Essential's current depth record is 6,311 meters using 2 3/8 inch diameter coil. The increased reel capacity and coil diameter ratings of Essential's masted coil tubing fleet make this equipment ideally suited to work in all facets of a customer's horizontal well completion and work-over program.
- Pumping – The coil tubing rigs are 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. Nitrogen pumpers are used to pump inert nitrogen gas into the wellbore for stimulation or work-over operations and to purge the coil of fluids once the coil tubing work has been completed.

Service rigs

Essential's mobile service rig fleet provides well servicing from seven facilities offering well completion and production/work-over services in most major resource plays across the Western Canadian Sedimentary Basin ("WCSB"). Service rigs are used primarily on oil wells which are typically more service intensive than natural gas wells. These rigs are deployed to perform work-overs on existing wells and completions on new wells.

Downhole Tools & Rentals

Essential's downhole tools & rentals segment provides production and completion tools, and rentals for horizontal and vertical wells. Operations for this segment are well placed geographically across the WCSB and in the U.S. in Oklahoma, Texas and Kansas.

Essential provides a wide range of downhole tools and rental services for completion and production 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. The Tryton MSFS® product line includes:
  - Tryton ball & seat technology using standard or dissolvable balls;
  - Tryton Viking tool, which is a coil-actuated sliding-sleeve cemented-in-liner technology offering unlimited fracture stages without balls or seats providing a consistently large inner diameter sleeve that does not require mill-outs or drill-outs of the inner sleeve; and
  - Tryton MaxFrac™ tool using a packer design with a consistently large inner diameter to eliminate the mill-out phase of plug-and-perf completions.
- Conventional Tools – Includes conventional packers, tubing anchors, bridge plugs, cement retainers and related accessories that are used in completion, production and abandonment operations.
- Rentals – The rental business offers a broad range of oilfield equipment, including specialty drill pipe, blowout preventers, specialty equipment for steam-assisted gravity drainage wells, and various other tools and handling equipment.

A statement of claim was filed on October 23, 2013 by Packers Plus Energy Services Inc. against Essential in the Canadian Federal Court, which alleges certain products and methods associated with the Tryton MSFS® infringe a patent issued to Packers Plus Energy Services Inc. Essential believes that the suit is without merit and is defending against the allegations. Proceedings of this nature can take years to resolve through the court process. The trial date has been set for February 2017. This lawsuit targets only the Tryton MSFS® ball & seat system, which Essential commenced using in 2009. It does not target past or future operations of Essential's conventional tools, other Tryton MSFS® tools or rentals business.

™ MaxFrac is a trademark of Essential Energy Services Ltd.

RESULTS OF OPERATIONS

(in thousands of dollars, except percentages and per share amounts)	Three months ended March 31, 2015	2014
Revenue	**$ 70,419**	$ 103,730
Operating expenses	**55,117**	76,403
Gross margin	**15,302**	27,327
General and administrative expenses	**4,443**	4,820
EBITDAS[(1)]	**10,859**	22,507
Depreciation and amortization	**6,690**	6,785
Share-based compensation	**154**	651
Other (income) expense	**(716)**	755
Finance costs	**472**	433
Income before income tax	**4,259**	13,883
Current income tax expense	**442**	2,782
Deferred income tax expense	**721**	952
Total income tax expense	**1,163**	3,734
Net income	**$ 3,096**	$ 10,149
Net income per share		
Basic	**$ 0.02**	$ 0.08
Diluted	**$ 0.02**	$ 0.08

SEGMENT RESULTS - *WELL SERVICING*

(in thousands of dollars, except percentages, hours and fleet data)	Three months ended March 31, **2015**	2014
Revenue		
Coil well service (i)	**$ 31,976**	$ 41,499
Service rigs	**15,026**	32,499
Total revenue	**47,002**	73,998
Operating expenses	**36,288**	54,261
Gross margin	**$ 10,714**	$ 19,737
Gross margin %	**23%**	27%
Utilization (ii)		
Masted coil tubing rigs		
Utilization	**90%**	109%
Operating hours	**15,335**	15,312
Pumping		
Utilization	**61%**	69%
Operating hours	**17,586**	19,995
Service rigs		
Utilization	**37%**	66%
Operating hours	**17,745**	32,616
Equipment fleet (iii)		
Masted coil tubing rigs	**19**	16
Pumping	**32**	32
Service rigs	**54**	55

(i) Includes revenue from coil tubing rigs, nitrogen and fluid pumping and other ancillary equipment.
(ii) Utilization is calculated using a 10 hour day.
(iii) Fleet data represents the number of units at the end of the period.

Coil well service revenue decreased 23% in the first quarter of 2015 compared to the same period in 2014. Masted coil tubing and pumping performed well compared to the decline in industry well completions. Masted coil tubing operating hours were consistent with 2014 and pumping utilization was down slightly. This relatively strong demand was initiated by certain customers for masted coil tubing equipment in the Montney, Bakken and Duvernay regions. Conventional coil tubing operating hours were down 47% year-over-year as this equipment, which is not as specialized as Essential's masted coil tubing fleet, was exposed to greater competitive pressures. Masted coil tubing and pumping revenue per hour declined between 10% and 15% compared to the first quarter of 2014.

Reduced activity in the first quarter allowed Essential to meet customer demand for masted coil tubing with its Generation II and Generation III masted coil tubing rigs. Essential used this time of slower industry activity to complete further modifications and enhancements on the two Generation IV masted coil tubing rigs. Both Generation IV masted coil tubing rigs are expected to be back in service by the end of the second quarter. The new modifications will be incorporated into the remaining four Generation IV masted coil tubing rigs.

First quarter service rig revenue decreased 54% compared to the first quarter of 2014 due to lower demand and pricing pressures driven by the industry downturn. Year-over-year quarterly revenue also decreased with the sale of Essential's rod rig assets in October 2014. Service rig utilization for the first quarter was 37%, higher than the CAODC industry utilization of 34%. Revenue per hour declined approximately 10% compared to the first quarter of 2014. Price reductions became more pronounced as the quarter progressed, reaching approximately 15% by quarter-end.

Well servicing gross margin as a percentage of revenue decreased to 23% compared to 27% in the first quarter of 2014 due to the revenue decrease, partially offset by lower labour costs in coil well service from better crew management. As revenue declines, fixed costs comprise a larger percentage of revenue, reducing gross margin.

Essential's fixed cost savings were implemented in March 2015 and the benefit will be realized in the remainder of 2015.

Following the first quarter of 2015, Essential reduced its conventional coil tubing fleet to eleven rigs by retiring six conventional coil tubing rigs: two deep rigs and four shallow rigs. As a cost reduction and efficiency measure, the remaining conventional coil tubing operation has been fully integrated with the masted coil tubing operation.

SEGMENT RESULTS - *DOWNHOLE TOOLS & RENTALS*

(in thousands of dollars, except percentages)	Three months ended March 31, **2015**	2014
Revenue	**$ 23,611**	$ 30,286
Operating expenses	**16,831**	21,228
Gross margin	**$ 6,780**	$ 9,058
Gross margin %	**29%**	30%
Downhole Tools & Rentals revenue – % of revenue		
Tryton MSFS®	**38%**	39%
Conventional Tools & Rentals	**62%**	61%

Downhole tools & rentals first quarter revenue decreased 22% from the same quarter of 2014. Downhole tools revenue decreased due to industry declines for well completions and production work, as well as pricing pressure. Pricing pressures became more pronounced as the quarter progressed, reaching approximately 15% by the end of the quarter. During the first three months of 2015, Essential realized incremental growth from its U.S. downhole tools business, which remains a small portion of the segment. Rental revenue was consistent with 2014 due to demand for specialty drill pipe that Essential added to its rental fleet in 2014.

Gross margin as a percentage of revenue in the first quarter of 2015 was 29% compared to 30% for the same period in 2014. Decreased operating margin in Canada was partially offset by improvement from U.S. operations, which had an operating loss in 2014 during its initial start-up phase, and relatively greater contribution of higher margin rental revenue in 2015.

GENERAL AND ADMINISTRATIVE

(in thousands of dollars, except percentages)	Three months ended March 31, **2015**	2014
General and administrative expenses	**$ 4,443**	$ 4,820
As a % of revenue	**6%**	5%

General and administrative expenses ("G&A") are comprised of wages, professional fees, office space and other administrative costs incurred at corporate and operational levels. G&A expenses for the quarter ended March 31, 2015 were lower than the same quarter in the prior year due primarily to the suspension of incentive plans in 2015. As cost cutting primarily occurred in later March 2015, including implementation of salary rollbacks and layoffs, G&A is expected to be lower for the remainder of 2015.

DEPRECIATION AND AMORTIZATION

(in thousands of dollars)	Three months ended March 31, **2015**	2014
Depreciation and amortization expense	**$ 6,690**	$ 6,785

Depreciation and amortization expense for the first quarter was consistent with the first quarter of 2014.

SHARE-BASED COMPENSATION

(in thousands of dollars)	Three months ended March 31, **2015**	2014
Share-based compensation expense	**$ 154**	$ 651

For the three months ended March 31, 2015, share-based compensation expense decreased from the first quarter of 2014 due to the decline of Essential's share price.

OTHER EXPENSE

(in thousands of dollars)	Three months ended March 31, **2015**	2014
Loss on disposal of assets	**$ 268**	$ 249
Write-down of assets	**-**	797
Foreign exchange gain	**(1,002)**	(316)
Other loss	**18**	25
Other (income) expense	**$ (716)**	$ 755

The weakening of the Canadian dollar in relation to the U.S. dollar resulted in higher foreign exchange gains in the first quarter of 2015 compared to the same period in 2014.

FINANCE COSTS

(in thousands of dollars)	Three months ended March 31, **2015**	2014
Finance costs	**$ 472**	$ 433

For the three months ended March 31, 2015, finance costs increased over 2014 due to the increase in average long-term debt outstanding.

INCOME TAXES

(in thousands of dollars)	Three months ended March 31, **2015**	2014
Current income tax expense	**$ 442**	$ 2,782
Deferred income tax expense	**721**	952
Total income tax expense	**$ 1,163**	$ 3,734

During the three months ended March 31, 2015, income tax expense decreased compared to the same period in 2014 due to a decrease in income before income tax. The overall effective income tax rate for the quarter was 27%, consistent with the same period in 2014.

FINANCIAL RESOURCES AND LIQUIDITY

FUNDS FLOW FROM OPERATIONS[1]

(in thousands of dollars, except per share amounts)	Three months ended March 31, 2015	2014
Net cash provided by operating activities	**$ 28,346**	$ 4,303
Add:		
Changes in non-cash working capital	**(16,679)**	15,498
Funds flow provided by operations[1]	**$ 11,667**	$ 19,801
Per share – basic	**$ 0.09**	$ 0.16
Per share – diluted	**$ 0.09**	$ 0.15

WORKING CAPITAL[1]

(in thousands of dollars, except ratios)	**As at March 31 2015**	As at December 31 2014
Current assets	**$ 92,981**	$ 118,758
Current liabilities, excluding current portion of long-term debt	**(26,944)**	(37,789)
Working capital [1]	**$ 66,037**	$ 80,969
Working capital ratio	**3.5:1**	3.1:1

Working capital typically grows through the first, third and fourth quarters of the year when industry activity is stronger. Working capital declined in the first quarter of 2015, which is not typical for this time of year, due to the industry downturn. Essential uses its revolving credit facility ("Credit Facility") to meet the variable nature of its working capital needs as collection periods for accounts receivable are longer than payment cycles to vendors and employees. In periods of higher activity, debt initially tends to increase and in periods of lower activity debt initially declines.

CREDIT FACILITY

Essential's Credit Facility with its banking syndicate is comprised of a $100 million revolving term loan facility with a $35 million accordion feature available on the lender's consent. The Credit Facility matures on May 31, 2017, is renewable at the lender's consent and is secured by a general security agreement over the Company's assets. To the extent the Credit Facility is not renewed, the balance becomes immediately due and payable on the maturity date. At March 31, 2015, the maximum of $100 million under the Credit Facility was available to Essential.

As at March 31, 2015, all financial debt covenants were satisfied and all banking requirements under the Credit Facility were up-to-date. At the end of the first quarter of 2015, Essential had a consolidated funded debt balance of $41.9 million, which consisted of long-term debt of $39.8 million and bank indebtedness of $2.1 million. At March 31, 2015, the Company's funded debt to trailing 12 month EBITDAS[1] was 0.7x. Essential does not anticipate financial resource or liquidity issues to restrict its future operating, investing or financing activities. On May 5, 2015, Essential had long-term debt outstanding of $39.1 million.

EQUIPMENT EXPENDITURES AND FLEET ADDITIONS

(in thousands of dollars)	Three months ended March 31, **2015**	2014
Well Servicing	**$ 5,543**	$ 6,807
Downhole Tools & Rentals	**646**	3,716
Corporate	**272**	525
Total equipment expenditures	**6,461**	11,048
Less proceeds on disposal of property and equipment	**(95)**	(865)
Net equipment expenditures(1)	**$ 6,366**	$ 10,183

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

(in thousands of dollars)	Three months ended March 31, **2015**	2014
Growth capital(1)	**$ 5,343**	$ 8,539
Maintenance capital(1)	**1,118**	2,509
Total equipment expenditures	**$ 6,461**	$ 11,048

Essential's 2015 capital budget of $21 million is comprised of $13 million in growth capital and $8 million of maintenance capital. Growth capital consists primarily of one Generation III and progress payments on four Generation IV masted coil tubing rigs. Two of these five masted coil tubing rigs are expected to be in service in 2015 and three in 2016.

Essential added a Generation III masted coil tubing rig to its 2015 capital budget. This masted coil tubing rig was deferred earlier this year with Essential having the right of first refusal to purchase the rig prior to its completion. Negotiated deferrals in the Generation IV masted coil tubing rig program reduced capital in 2015 as costs have been deferred to 2016, resulting in Essential's capital budget remaining at $21 million.

Essential's long-term capital build program is aimed at increasing the size and depth capacity of the masted coil tubing fleet. To date, the Company has added three Generation III and two Generation IV masted coil tubing rigs. Essential expects to spend approximately $52 million on this program. Upon completion of the $52 million spending program in 2016, Essential will have four Generation III and six Generation IV masted coil tubing rigs. At March 31, 2015, Essential has spent approximately $41 million on this capital program. The Generation III and Generation IV masted coil tubing rigs have the capability to work on long-reach horizontal wells and are well-suited to work in deep, high pressure regions including the Montney, Bakken, Duvernay and Horn River. With a coil diameter of 2 3/8", the Generation III masted coil tubing rigs can reach 6,300 meters and the Generation IV masted coil tubing rigs can reach 7,900 meters.

The following table shows the expected in-service dates of the major equipment as at May 5, 2015:

	Capital Build Program	Rigs In-Service	Expected In-Service Dates
Masted coil tubing rigs:			
Generation III	4	3	Q4'15
Generation IV	6	2	Q4'15, 2016(3)

SHARE CAPITAL

As at May 5, 2015, there were 125,836,930 common shares of Essential ("Shares") and 5,234,035 share options outstanding. Of the 5,234,035 share options, nil were exercisable and "in-the-money".

COMMITMENTS

Operating leases

Essential has entered into operating leases for office and shop premises that provide for minimum annual lease payments, as follows:

(in thousands of dollars)		Amount
2015	$	4,455
2016		5,701
2017		4,872
2018		3,187
2019		2,853
Thereafter		10,528
As at March 31, 2015	$	31,596

Other commitments

As part of its long-term capital program, Essential is committed to future capital expenditures of $11 million of which $7 million is expected to be incurred in 2015 and the balance in 2016.

NORMAL COURSE ISSUER BID ("NCIB")

On March 23, 2015, the Company received approval from the TSX to renew its NCIB for Essential's Shares. Any Shares purchased by Essential pursuant to the NCIB will be for cancellation. The renewed NCIB commenced on March 25, 2015 and will terminate on March 24, 2016, 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 12,316,891 of its issued and outstanding Shares on the open market through the facilities of the TSX and 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 39,893 Shares, which is 25% of the six month average daily trading volume of Shares on the TSX, at February 28, 2015. The price which Essential will pay for any Shares purchased will be the prevailing market price of such Shares at the time of purchase. Shareholders may obtain a copy of the "Notice of Intention to make a Normal Course Issuer Bid" that was filed by the Company with the TSX, free of charge, by contacting the Company.

For the three months ended March 31, 2015, no Shares were acquired and cancelled under the NCIB.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's President and Chief Executive Officer ("CEO") and Vice President, Finance and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO, particularly during the period in which annual 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.

Essential reported on disclosure controls and procedures as part of its 2014 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2014, 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 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 2014 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2014, which is available on SEDAR at www.sedar.com and on Essential's website at www.essentialenergy.ca). There have been no significant changes to ICFR in the current period that have materially affected, or are reasonably likely to affect, the Company's ICFR.

OUTLOOK

The extent and duration of the industry downturn is highly uncertain. In Canada, industry drilling rig utilization in the first quarter was down significantly from the prior year, reaching levels similar to the first quarter of 2009. For the remainder of 2015, sustained commodity price improvement will be required for improved industry activity. During this time, management will remain focused on the things the Company can control: costs, capital spending and debt.

Essential implemented a number of cost management initiatives in the first quarter. The timing was critical to minimize fixed costs during the seasonally slow second quarter and thereafter. Reductions included employee compensation reductions at all levels of the organization and significant employee layoffs in the field and the Calgary corporate office. The objective is to continue to operate profitably during the downturn while retaining key employees so the Company is ready to return as a stronger entity when the industry recovers. Annualized fixed cost savings continue to be anticipated at $10 million.

The capital spending budget was "right-sized" for the downturn earlier in the year and remains unchanged at $21 million. This is less than 50% of what the Company spent on capital in each of the last few years. Investment capital is focused on the masted coil tubing fleet. Management believes continuing with the build program is an appropriate use of capital given the industry trend of drilling and completing long-reach horizontal wells. The masted coil tubing rigs have the capability to work on long-reach horizontal wells and are well-suited to work in deep, high pressure regions, including the Montney, Bakken, Duvernay and Horn River.

The cost cutting efforts and conservative capital spending will help to preserve the strength of the balance sheet. At May 5, 2015, Essential had $39.1 million outstanding and reported debt to EBITDAS[(1)] of 0.7x at the end of the first quarter.

SUMMARY OF QUARTERLY DATA

Essential operates primarily in western Canada, where activity is directly impacted by seasonality. Activity is traditionally higher in the first, third and fourth quarters of the year and lower in the second quarter. With the onset of spring, melting snow renders many roadways incapable of supporting heavy equipment. In addition, certain areas in Canada are typically only accessible during the winter months. The following table provides the Company's quarterly information for the past eight quarters:

(in thousands of dollars, except per share amounts, percentages and fleet data)	**Mar 31, 2015**	Dec 31, 2014	Sept 30, 2014	Jun 30, 2014	**Mar 31, 2014**	Dec 31, 2013	Sept 30, 2013	Jun 30, 2013
Well Servicing:								
Coil Well Service	**31,976**	41,426	39,233	17,398	**41,499**	36,150	33,037	9,433
Service Rigs	**15,026**	22,034	22,105	16,437	**32,499**	25,593	23,870	14,732
Total Well Servicing	**47,002**	63,460	61,338	33,835	**73,998**	61,743	56,907	24,165
Downhole Tools & Rentals	**23,611**	35,921	35,261	19,521	**30,286**	31,560	28,185	14,252
Inter-segment eliminations	**(194)**	(527)	(463)	(604)	**(554)**	(480)	(582)	-
Total revenue	**70,419**	98,854	96,136	52,752	**103,730**	92,823	84,510	38,417
Gross margin	**15,302**	27,330	27,515	5,222	**27,327**	25,332	21,414	(1,310)
Gross margin %	**22%**	28%	29%	10%	**26%**	27%	25%	-3%
EBITDAS[(1)]	**10,859**	21,992	22,657	440	**22,507**	20,705	17,132	(5,171)
EBITDAS %[(1)]	**15%**	22%	24%	1%	**22%**	22%	20%	-13%
Net income (loss) [(i)]	**3,096**	(38,323)	10,777	(5,425)	**10,149**	11,126	3,843	(11,501)
Per share – basic	**0.02**	(0.30)	0.09	(0.04)	**0.08**	0.09	0.03	(0.09)
Per share – diluted	**0.02**	(0.30)	0.08	(0.04)	**0.08**	0.09	0.03	(0.09)
Total assets	**371,496**	397,351	454,745	408,964	**439,745**	423,963	409,613	380,728
Long-term debt	**39,817**	55,253	65,043	38,433	**50,821**	39,027	40,484	14,592
Utilization [(ii)]								
Masted coil tubing rigs	**90%**	104%	105%	42%	**109%**	107%	112%	19%
Pumping [(iii)]	**61%**	72%	66%	34%	**69%**	55%	47%	14%
Service rigs	**37%**	49%	48%	34%	**66%**	53%	50%	28%
Operating Hours								
Masted coil tubing rigs	**15,335**	17,469	15,524	6,094	**15,312**	14,699	14,738	2,477
Pumping [(iii)]	**17,586**	20,885	19,397	9,861	**19,995**	16,612	14,418	4,241
Conventional coil tubing rigs	**3,665**	3,951	4,426	2,942	**6,959**	6,612	5,002	2,832
Service rigs	**17,745**	24,394	23,997	16,907	**32,616**	26,557	25,084	14,234
Downhole Tools & Rentals - % of revenue								
Tryton MSFS® [(iv)]	**38%**	45%	46%	25%	**39%**	55%	55%	40%
Conventional Tools & Rentals [(iv)]	**62%**	55%	54%	75%	**61%**	45%	45%	60%
Equipment fleet [(v)]								
Masted coil tubing rigs	**19**	19	17	17	**16**	15	15	14
Fluid pumpers	**18**	18	18	18	**18**	18	18	18
Nitrogen pumpers	**14**	14	14	14	**14**	14	15	15
Conventional coil tubing rigs [(vi)]	**17**	17	29	30	**30**	30	30	30
Service rigs	**54**	54	54	55	**55**	55	54	56

(i) The quarter ended December 31, 2014 includes an impairment loss on goodwill and intangible assets of $47.2 million.
(ii) Utilization is calculated using a 10 hour day.
(iii) Pumping includes both fluid and nitrogen pumpers.
(iv) Certain comparative amounts have been reclassified to conform to the current period's presentation.
(v) Fleet data represents the number of units at the end of the period.
(vi) Effective April 1, 2015, the conventional coil tubing fleet was reduced to 11 rigs.

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 assumptions, risks and uncertainties, many of which are beyond the control of the Company.

Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "continues", "projects", "potential", "budget" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved. This MD&A contains forward-looking statements, pertaining to, among other things, the following: capital spending; cash flow and earnings; the Credit Facility; the impact of Essential's financial resources or liquidity on its future operating, investing and financing activities; the Company's belief that the Packers Plus Energy Services Inc. claim is without merit and the length of time it will take to resolve the claim; Essential's long-term build program and the addition of new masted coil tubing rigs, the costs and timing associated with such program, the delivery and in-service dates of the equipment, and the demand for the services of the rigs; the amount expected to paid for Essential's "Other commitments"; the termination date of the NCIB; the impact of sustained improvement in commodity price on industry activity; the ability of the Company to operate profitably during the downturn; the retention of key employees; the ability of the Company to return as a stronger entity when the industry recovers; anticipated savings from cost reduction initiatives; and the impact of cost cutting efforts and conservative capital spending on Essential's balance sheet.

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

Actual performance and results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: known and unknown risks, including those set forth in the Company's Annual Information Form (a copy of which can be found under Essential's profile on SEDAR at www.sedar.com); the risks associated with the oilfield services sector (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 and uncertainty related to distribution and pipeline constraints; and other unforeseen conditions which could impact the use of services supplied by the Company. Accordingly, readers should not place undue importance or reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive.

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

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

[1]Non-IFRS Measures

Throughout this MD&A, certain terms that are not specifically defined in IFRS are used to analyze Essential's operations. In addition to the primary measures of net 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, capital programs and pay dividends. 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.

EBITDAS (Earnings before finance costs, income taxes, depreciation, amortization, transaction costs, losses or gains on disposal of equipment, 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 ability to generate funds flow in order to fund required working capital, service debt, invest in capital programs and pay dividends.

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

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

	Three months ended March 31,	
(in thousands of dollars)	**2015**	2014
EBITDAS	**$ 10,859**	$ 22,507
Share-based compensation	**154**	651
Other (income) expense	**(716)**	755
EBITDA	**11,421**	21,101
Depreciation and amortization	**6,690**	6,785
Finance costs	**472**	433
Income before income tax	**4,259**	13,883
Total income tax expense	**1,163**	3,734
Net income	**$ 3,096**	$ 10,149

Funds flow or funds flow provided by operations[(i)] – This measure is an indicator of Essential's ability to generate funds flow[(i)] in order to fund working capital, principal debt repayments, capital programs and pay dividends. 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 revenue and funds flow to Essential.

Maintenance capital – Equipment additions that are incurred in order to refurbish or replace previously acquired 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.

(i) Funds flow is reconciled to the IFRS measure, net cash flow from operating activities, in the table "Funds Flow from Operations".

Net equipment expenditures[ii] – This measure is equipment expenditures less proceeds on the disposal of equipment. Essential uses net equipment expenditures to describe net cash outflows related to the financing of Essential's capital program.

Working capital – Working capital is calculated as current assets less current liabilities, excluding the current portion of long-term debt.

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

CORPORATE INFORMATION

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Michael J. Black[3]

Robert T. German[1,3]

Nicholas G. Kirton[1,2]

Robert B. Michaleski[1,2]

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

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Bankers

National Bank of Canada

The Toronto-Dominion Bank

HSBC Bank Canada

Canadian Western Bank

Legal Counsel

Fasken Martineau DuMoulin LLP

Transfer Agent

Computershare Investor Services Inc.

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Chief Operating Officer

Allan Mowbray
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