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, 2023.

This MD&A should be read in conjunction with Essential's March 31, 2023 unaudited condensed consolidated interim financial statements and the audited annual consolidated financial statements and MD&A included in Essential's 2022 Financial Report for the year ended December 31, 2022. No update is provided where an item is not material or where there has been no material change from the discussion in the aforementioned annual MD&A. Readers should carefully read the sections regarding "Forward-Looking Statements and Information" and "Non-IFRS and Other Financial Measures" in this report. All references to dollar amounts are to Canadian dollars, except where otherwise indicated. This MD&A was prepared effective May 4, 2023 and was approved and authorized for issuance by the Board of Directors of the Company on May 4, 2023.

Essential was incorporated under the *Business Corporations Act* (Alberta). The common shares ("Shares") of the Company trade on the Toronto Stock Exchange ("TSX") under the symbol ESN. Additional information regarding Essential, including its Annual Information Form ("AIF") for the year ended December 31, 2022, can be found under Essential's profile on SEDAR at www.sedar.com or the Company's website at www.essentialenergy.ca.

SELECTED INFORMATION

(in thousands of dollars except per share and percentages)	For the three months ended March 31, 2023		2022
Revenue	$	**45,862**	$ 37,741
Gross margin		**8,858**	6,021
Gross margin %		**19%**	16%
EBITDAS [1]		**5,823**	3,615
EBITDAS % [1]		**13%**	10%
Net income (loss)	$	**2,035**	$ (3,921)
Per share - basic and diluted	$	**0.02**	$ (0.03)
Operating hours			
Coiled tubing rigs		**9,654**	10,016
Pumpers		**12,392**	13,014
	As at March 31, 2023		**2022**
Working capital [1]	$	**49,011**	$ 45,235
Cash		**1,778**	3,675
Long-term debt		**3,100**	2,600

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

INDUSTRY OVERVIEW

Commodity prices were significantly lower in the first quarter of 2023 compared to the same prior year quarter. The price of oil (Western Texas Intermediate "WTI") averaged US$76 per barrel in the first quarter of 2023, compared to an average of US$95 per barrel in the first quarter of 2022. Canadian natural gas prices ("AECO") averaged $3.09 per gigajoule during the first quarter of 2023, compared to an average of $4.54 per gigajoule during the comparative prior year quarter.

First quarter 2023 industry well completions in the Western Canadian Sedimentary Basin ("WCSB") were 2%[a] ahead of the same prior year quarter. High inflation rates[b] continued to have a negative impact on cost structures in the oilfield services sector. The sector continued to be challenged by labour shortages during the first quarter of 2023.

HIGHLIGHTS

Essential's revenue for the three months ended March 31, 2023 was $45.9 million, 22% higher than the same prior year quarter. First quarter EBITDAS[1] was $5.8 million, $2.2 million higher than the same prior year quarter.

Key operating highlights included:

- Essential Coil Well Service ("ECWS") first quarter 2023 revenue was $26.4 million, 34% higher than the same prior year quarter due to improved customer pricing, offset partially by slightly lower activity. ECWS recorded gross margin of $5.5 million, $2.7 million higher than the same prior year quarter.
- Tryton first quarter 2023 revenue was $19.5 million, 8% higher than the same prior year quarter due to higher U.S. and Canadian conventional tool activity. Tryton recorded gross margin of $3.7 million, $0.3 million higher than the same prior year quarter.

During the first quarter of 2023, Essential acquired and cancelled 1,106,500 Shares under its Normal Course Issuer Bid ("NCIB") at a weighted average price of $0.38 per share for a total cost of $0.4 million.

<u>Cash and Working Capital</u>

At March 31, 2023, Essential continued to be in a strong financial position with long-term debt, net of cash[1] of $1.3 million and working capital[1] of $49.0 million. On May 4, 2023, Essential had $3.8 million of long-term debt, net of cash[1].

(a) Source: Daily Oil Bulletin May 3, 2023.
(b) Source: Bank of Canada – Consumer Price Index.

OVERVIEW OF ESSENTIAL

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

Essential Coil Well Service

Coiled Tubing Rigs – Essential operates one of the largest active coiled tubing well service fleets in Canada. Coiled tubing rigs provide completion, stimulation and work-over services on long-reach horizontal wells. Essential's coiled tubing rigs are typically equipped to work with coiled tubing that is 2 ⅜ inches in diameter and have a depth capacity of up to 8,000+ meters when the coil is transported on the rig and up to 9,400 meters if the coil is transported separately. Essential's coiled tubing fleet is primarily focused on 5,500+ meter deep horizontal completion well service programs. Essential operates masted and conventional coiled tubing rigs.

Coiled tubing rigs are typically hired by an E&P company for the completion of horizontal wells in the following scenarios:

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

Pumpers – Coiled tubing rigs are packaged with and supported by a fleet of fluid and nitrogen pumpers. Fluid pumpers are used to maintain downhole circulation, provide ancillary acid/solvent treatments and inject friction reducers and other chemicals into the wellbore. Fluid pumpers also perform stand-alone pump-down work independent of the coiled tubing fleet. Nitrogen pumpers are used to pump inert nitrogen gas into the wellbore for stimulation or work-over operations and to purge the coiled tubing of fluids once the coiled tubing work has been completed.

Tryton

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

- Conventional Tools – Conventional downhole tools are used in production, abandonment and wellsite restoration activities. Tryton offers a wide range of products, including downhole packers, tubing anchors, bridge plugs, sub-surface safety valves, cement retainers and related accessories.
- Tryton Multi Stage Fracturing System ("MSFS®") – Tryton MSFS® tools are used for horizontal well completions, allowing producers to isolate and fracture intervals of the horizontal section of a well separately and continuously. Tryton offers MSFS® tools that provide customers with a choice of completion technologies to use on their horizontal well completion program. The completion technology selected varies based on wellbore characteristics and client preference. Revenue and cost parameters of each completion technology vary depending on the nature of the tools used and the services provided:
    - Ball & Seat – Tryton's Ball & Seat system uses open hole packers and sleeves, which are opened in sequential order by dropping progressively larger balls through a liner, to isolate and fracture each zone along the non-cased horizontal leg of a well. The number of zones, or "stages", that can be fractured using a Ball & Seat system is limited by the size specifications of the balls and seats used.

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

- Composite/Dissolvable Bridge Plugs – Bridge Plugs, typically used in “plug-and-perf” completion programs, provide customers the ability to fracture an unlimited number of stages in the horizontal leg.

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

RESULTS OF OPERATIONS

(in thousands of dollars, except per share amounts)	For the three months ended March 31, **2023**	2022
Revenue	**$ 45,862**	$ 37,741
Operating expenses	**37,004**	31,720
Gross margin	**8,858**	6,021
General and administrative expenses	**3,035**	2,406
EBITDAS [1]	**5,823**	3,615
Depreciation and amortization	**4,063**	4,186
Share-based compensation (recovery) expense	**(237)**	3,039
Other (income) expense	**(265)**	93
Finance costs	**227**	218
Net income (loss)	**$ 2,035**	$ (3,921)
Net income (loss) per share		
Basic and diluted	**$ 0.02**	$ (0.03)

SEGMENT RESULTS – *ESSENTIAL COIL WELL SERVICE*

(in thousands of dollars, except percentages, hours and fleet data)	For the three months ended March 31, 2023	2022
Revenue	**$ 26,389**	$ 19,679
Operating expenses	**20,873**	16,903
Gross margin	**$ 5,516**	$ 2,776
Gross margin %	**21%**	14%
Operating hours		
Coiled tubing rigs	**9,654**	10,016
Pumpers	**12,392**	13,014
Active equipment fleet(i)		
Coiled tubing rigs(ii)	**11**	12
Fluid pumpers	**11**	11
Nitrogen pumpers	**4**	4
Total equipment fleet(i) (iii)		
Coiled tubing rigs	**15**	25
Fluid pumpers	**11**	13
Nitrogen pumpers	**5**	6

(i) Fleet data represents the number of units at the end of the period.
(ii) Active equipment fleet was reduced in the first quarter of 2023 for one Generation I coiled tubing rig that was removed from service.
(iii) Total equipment fleet was reduced for equipment which was no longer expected to be reactivated or was sold.

First quarter 2023 ECWS revenue was $26.4 million, the highest since the third quarter of 2018 and 34% higher than the same prior year quarter. Customer price increases, combined with the nature of work performed, resulted in significantly higher revenue per operating hour when compared to the same prior year quarter. ECWS activity was slightly lower than the same prior year quarter due to a slow start in January. Industry well completions were only 2%[a] higher than the same prior year quarter.

Gross margin for the first quarter of 2023 was $5.5 million, $2.7 million higher than the same prior year quarter due to improved customer pricing, partially offset by higher operating costs. Cost inflation related to wages, repairs & maintenance and inventory resulted in higher operating costs. Gross margin percentage was 21%, a significant improvement compared to 14% in the same prior year quarter.

(a) Source: Daily Oil Bulletin May 3, 2023.

SEGMENT RESULTS – *TRYTON*

(in thousands of dollars, except percentages)	For the three months ended March 31, **2023**	2022
Revenue	**$ 19,473**	$ 18,062
Operating expenses	**15,791**	14,680
Gross margin	**$ 3,682**	$ 3,382
Gross margin %	**19%**	19%
Tryton revenue - % of revenue		
Conventional Tools & Rentals	**76%**	73%
Tryton MSFS®	**24%**	27%

First quarter 2023 Tryton revenue was $19.5 million, an 8% increase compared to the same prior year quarter due to increased conventional tool activity in the U.S. and Canada. Conventional tool revenue was stronger than the same prior year quarter due to improved customer spending on production-related and wellsite restoration activities. MSFS® activity was in line with the same prior year quarter.

First quarter gross margin was $3.7 million, $0.3 million higher than the same prior year quarter due to increased U.S. and Canadian conventional tool activity, partially offset by higher operating costs as a result of inflation. Gross margin percentage for the quarter was 19%, in line with the same prior year quarter.

GENERAL AND ADMINISTRATIVE

(in thousands of dollars)	For the three months ended March 31, **2023**	2022
General and administrative expenses	**$ 3,035**	$ 2,406

General and administrative expenses (“G&A”) consist of wages, professional fees and other administrative costs.

For the three months ended March 31, 2023, G&A increased when compared to the same prior year quarter mainly due to wage increases and the reinstatement of certain employee compensation programs.

DEPRECIATION AND AMORTIZATION

(in thousands of dollars)	For the three months ended March 31, **2023**	2022
Depreciation and amortization expense	**$ 4,063**	$ 4,186

Depreciation expense for the three months ended March 31, 2023 was lower than the same prior year quarter as a result of certain fixed assets becoming fully depreciated.

SHARE-BASED COMPENSATION

(in thousands of dollars)		For the three months ended March 31, 2023		2022
Share-based compensation (recovery) expense	**$**	**(237)**	$	3,039

Essential's liability for share-based compensation fluctuates based on the Share price and the number of share-based units outstanding. When the Share price increases (decreases), the estimated amount of future payments also increases (decreases) and results in higher (lower) share-based compensation expense.

For the three months ended March 31, 2023, Essential recorded share-based compensation recovery due to a decrease in the Share price. In comparison, during the three months ended March 31, 2022, Essential recorded share-based compensation expense mainly due to an increase in the Share price.

OTHER (INCOME) EXPENSE

(in thousands of dollars)		For the three months ended March 31, 2023		2022
Gain on disposal of assets	**$**	**(300)**	$	(82)
Unrealized foreign exchange loss		**13**		201
Other expense (income)		**22**		(26)
Other (income) expense	**$**	**(265)**	$	93

For the three months ended March 31, 2023 and 2022, gain on disposal of assets is from the sale of surplus equipment no longer used in operations.

During the three months ended March 31, 2023, the Canadian dollar in relation to the U.S. dollar remained relatively unchanged. In comparison, during the three months ended March 31, 2022, the strengthening of the Canadian dollar in relation to the U.S. dollar resulted in an unrealized foreign exchange loss.

FINANCE COSTS

(in thousands of dollars)		For the three months ended March 31, 2023		2022
Finance costs	**$**	**227**	$	218

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

For the three months ended March 31, 2023, finance costs were in line with the same prior year quarter.

INCOME TAXES

For the three months ended March 31, 2023 and 2022, Essential recorded no amounts for income tax expense.

As at March 31, 2023 and 2022, Essential was in an unrecognized deferred income tax asset position. An assessment was performed, which determined that Essential did not meet the criteria to recognize a deferred tax asset.

FINANCIAL RESOURCES AND LIQUIDITY

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

(in thousands of dollars)	For the three months ended March 31, 2023	2022
Funds flow [1]	**$ 6,055**	$ 301
Changes in non-cash operating working capital [1]	**(5,303)**	(2,305)
Net cash provided by (used in) operating activities	**$ 752**	$ (2,004)

WORKING CAPITAL

(in thousands of dollars, except ratios)	**As at March 31, 2023**	As at December 31, 2022
Current assets	**$ 73,365**	$ 66,029
Current liabilities	**(24,354)**	(21,295)
Working capital [1]	**$ 49,011**	$ 44,734
Working capital ratio [1]	**3.0:1**	3.1:1

Working capital is comprised primarily of cash, accounts receivable and inventory, net of accounts payable and current portion of lease liabilities. Essential uses its Credit Facility to meet the variable nature of its working capital requirements for the cost of carrying customer accounts receivable and inventory. Collection periods for accounts receivable are typically longer than payment cycles to vendors and employees.

Management analyzes working capital and working capital ratio as part of the Company's strategy to ensure adequate sources of working capital are available to maintain operational activities and have sufficient cash to sustain the business.

CREDIT FACILITY

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

The Credit Facility contains certain financial covenants with the covenant thresholds detailed in the table below. It also contains a number of positive and negative customary covenants, including restrictions on Essential's ability to change its primary business; incur certain types of debt outside of the Credit Facility; incur liens on assets; acquire new assets; enter into a consolidation, amalgamation or merger; or dispose of assets; among other requirements and restrictions.

As at March 31, 2023, there was $3.1 million outstanding of the $25.0 million available under the Credit Facility. Essential does not anticipate financial resource or liquidity issues to restrict its future operating, investing or financing activities.

Financial Covenants

As at March 31, 2023, all financial debt covenants and banking requirements under the Credit Facility were satisfied.

(in millions of dollars, except percentages)	Covenant Threshold	**As at March 31, 2023**
Funded debt to capitalization	≤ 50%	**1%**
Funded debt to Bank EBITDA	≤ 3.50x	**0.09x**
Fixed charge coverage ratio	≥ 1.25x	**43.83x**

Funded debt is generally defined in Essential's Credit Facility as long-term debt, including current portion of long-term debt plus deferred financing costs and bank indebtedness, net of cash. It does not include the lease liabilities. Capitalization is generally defined in Essential's Credit Facility as the aggregate of its funded debt and equity. Bank EBITDA is generally defined in Essential's Credit Facility as EBITDAS, excluding severance costs ("Permitted Adjustments") and the impact of lease accounting under IFRS 16. Fixed charge coverage ratio is generally defined in Essential's Credit Facility as the ratio of Bank EBITDA less cash tax expense to the cash interest expense. Financial covenants are calculated in accordance with Essential's Credit Facility agreement which can be found on SEDAR.

PURCHASE OF PROPERTY AND EQUIPMENT

	For the three months ended March 31,			
(in thousands of dollars)		**2023**		2022
ECWS	**$**	**1,490**	$	565
Tryton		**466**		796
Purchase of property and equipment	**$**	**1,956**	$	1,361
Less: proceeds on disposal of equipment		**(614)**		(165)
Net equipment expenditures [1]	**$**	**1,342**	$	1,196

For the three months ended March 31, 2023, Essential's capital spending was entirely related to maintenance capital[1] related to the ECWS active fleet and replacement pickups in both ECWS and Tryton.

Essential's 2023 capital budget for the purchase of property and equipment remains unchanged at $8 million and relates entirely to maintenance capital[1]. Essential will continue to monitor fleet activity and industry opportunities and adjust its spending as appropriate. The 2023 capital budget is expected to be funded with cash, operational cashflow and, if needed, its credit facility.

SHARE CAPITAL

As at May 4, 2023, there were 131,987,597 Shares and 449,000 share options ("Share Options") outstanding. All of the 449,000 Share Options, which expire in January 2024, were exercisable and none were "in-the-money".

COMMITMENTS

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

(in thousands of dollars)		**As at March 31, 2023**		As at December 31, 2022
Less than one year	**$**	**4,152**	**$**	4,682
One to five years		**5,440**		5,991
	$	**9,592**	**$**	10,673

NORMAL COURSE ISSUER BID

On December 21, 2022, the Company announced the renewal of its NCIB for the 12-month period commencing December 23, 2022, and ending December 22, 2023, or until such earlier time the NCIB is completed or terminated at the option of Essential. Under the NCIB, Essential may purchase up to 12,965,027 of its issued and outstanding Shares, representing 10% of the public float, on the open market through the facilities of the TSX and/or other alternative trading systems. The actual number of Shares that will be purchased will be determined by Essential, subject to the maximum daily purchase limitation of 20,542 Shares, which is 25% of the six-month average daily trading volume of Shares on the TSX at November 30, 2022. Essential may make one block purchase per calendar week which exceeds the daily purchase limitation. Any Shares purchased under the NCIB will be cancelled. 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, 2023, 1,106,500 Shares were acquired and cancelled under the NCIB with a weighted average price of $0.38 per Share for a total cost of $0.4 million.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO, particularly during the period in which annual, interim or other reports are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Essential reported on disclosure controls and procedures as part of its 2022 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2022, which is available on SEDAR at www.sedar.com and on Essential's website at www.essentialenergy.ca). There have been no significant changes to the Company's disclosure controls and procedures in the current period.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). The Company's CEO and CFO are responsible for designing, or causing to be designed under their supervision, ICFR related to the Company, including its consolidated subsidiaries.

Essential reported on ICFR as part of its 2022 annual disclosure requirements (please refer to the MD&A for the year-ended December 31, 2022, which is available on SEDAR at www.sedar.com and on Essential's website at www.essentialenergy.ca). There have been no significant changes to ICFR in the current period that have materially affected, or are reasonably likely to affect, the Company's ICFR.

RISKS AND UNCERTAINTIES

For a discussion of the risks and uncertainties which apply to Essential's business and its operating results, please refer to the Company's Annual Information Form ("AIF") for the year ended December 31, 2022, which is available on SEDAR (www.sedar.com). Investors should carefully consider the risks and uncertainties described in Essential's AIF. The risks and uncertainties in Essential's AIF are not the only ones it faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect its business, financial condition, results of operations or cashflows.

Changing Regulation

The oil and natural gas industry is subject to environmental regulations pursuant to a variety of Canadian and U.S. federal, provincial, state and local legislation. Such legislation provides restrictions and prohibitions on the release or emission of various substances used or produced in association with certain oil and natural gas industry operations.

With respect to Environmental, Social and Governance ("ESG") and climate reporting, the International Sustainability Standards Board has proposed an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. Essential will continue to monitor these developments as they affect the financial statements and MD&A.

OUTLOOK

During the first quarter of 2023, the price of WTI was relatively stable but has recently shown some volatility. The decrease in natural gas prices so far in 2023 continue to be a concern. However, despite recent commodity prices, the Company still generally expects that the oilfield service sector will see a modest increase in activity in 2023 compared to 2022, but there could be risk to E&P capital spending for the remainder of the year. For the longer-term outlook, there is positive optimism coming from the Blueberry River First Nations Implementation Agreement and continued progress on the LNG Canada project.

For 2023, the Canadian oilfield service sector is expected to continue to be affected by labour shortages, cost inflation and supply chain issues. As well, the economic implications of recession risk remain uncertain. Oilfield service company activity may be somewhat resilient to recessionary concerns given ongoing reservoir declines and Canadian E&P strategic objectives. A low ratio of E&P cash flow allocated to capital spending is expected for 2023, which reflects the capital discipline already built into E&P capital budgets and may limit the influence that commodity price volatility and recessionary concerns could have on E&P capital spending plans.

ECWS has one of the industry's largest active deep coiled tubing fleets. Early in the second quarter of 2023, in order to optimize operational efficiency given difficulty in expanding crews, two Generation III coiled tubing rigs and two fluid pumpers were removed from the active fleet. As of May 1, 2023, ECWS's active fleet includes 9 coiled tubing rigs and 9 quintuplex 1,000 horsepower fluid pumpers. The fluid pumpers support ECWS's deep-capacity Generation III and Generation IV coiled tubing rigs. ECWS historically had not been crewing its entire active fleet. As E&P customers continue to require greater pumping fluid capacity and pressure capability, the Company believes that ECWS's current active fleet remains suitable to meet customer demand. Certain inactive equipment can be reactivated relatively quickly to meet future demand when required.

Tryton conventional tool activity in both Canada and the U.S. improved in the first quarter of 2023 mainly due to increased customer spending on production-related activities and wellsite restoration spending. Modest growth of production-related E&P capital spending and continuation of wellsite restoration activity is expected for the remainder of 2023.

Essential is well-positioned to participate in improving oilfield service activity as the industry is anticipated to experience modest growth. Essential's strengths include its well-trained workforce, industry leading coiled tubing fleet, value-adding downhole tool technologies and sound financial footing. Essential will continue to focus on obtaining appropriate pricing for its services including the pursuit of cost inflation pass-through. Essential is committed to meeting the demands of its key customers, efficient and safe operations, a continued focus on ESG and maintaining its strong financial position. On May 4, 2023, Essential had long-term debt, net of cash[(1)] of $3.8 million. Essential believes its ongoing financial stability is a strategic advantage.

SUMMARY OF QUARTERLY DATA

Essential operates primarily in western Canada, where activity is directly impacted by seasonality. Activity is traditionally lowest in the second quarter. With the onset of spring, melting snow and thawing ground-frost renders many roadways incapable of supporting heavy equipment. In addition, certain areas in western Canada are typically only accessible during the winter months.

Industry downturns and recovery periods tend to disrupt typical historic oilfield services seasonal and quarterly patterns in western Canada as E&P companies prioritize cash flow spending decisions in addition to weather and access issues.

The following table provides the Company's quarterly information for the past eight quarters:

(in thousands of dollars, except per share amounts, percentages and hours)	**Mar 31, 2023**	Dec 31, 2022	Sept 30, 2022	June 30, 2022	**Mar 31, 2022**	Dec 31, 2021	Sept 30, 2021	June 30, 2021
ECWS	**26,389**	22,915	23,508	15,337	**19,679**	15,134	14,908	13,355
Tryton	**19,473**	17,430	19,861	13,305	**18,062**	19,970	18,605	9,086
Total revenue	**45,862**	40,345	43,369	28,642	**37,741**	35,104	33,513	22,441
Gross margin	**8,858**	7,759	10,090	4,220	**6,021**	5,105	6,094	5,291
Gross margin %	**19%**	19%	23%	15%	**16%**	15%	18%	24%
EBITDAS (1)	**5,823**	5,103	7,418	1,920	**3,615**	2,423	4,441	3,429
Bank EBITDA	**4,505**	3,773	6,107	548	**2,218**	1,128	3,255	2,217
Net income (loss)	**2,035**	(1,483)	5,225	(1,576)	**(3,921)**	(4,469)	684	(5,019)
Per share - basic and diluted	**0.02**	(0.01)	0.04	(0.01)	**(0.03)**	(0.03)	0.00	(0.04)
Total assets	**155,653**	150,526	158,456	147,741	**158,003**	159,086	162,794	157,616
Cash	**1,778**	2,063	620	2,107	**3,675**	6,462	10,885	11,627
Long-term debt	**3,100**	950	5,300	-	**2,600**	-	-	301
Operating hours								
Coiled tubing rigs	**9,654**	8,864	9,424	6,205	**10,016**	7,630	7,816	7,414
Pumpers	**12,392**	11,190	11,580	8,444	**13,014**	10,228	10,827	9,647
Tryton - % of revenue								
Conventional Tools & Rentals	**76%**	75%	74%	82%	**73%**	55%	61%	90%
Tryton MSFS®	**24%**	25%	26%	18%	**27%**	45%	39%	10%

FORWARD-LOOKING STATEMENTS AND INFORMATION

This MD&A contains "forward-looking statements" and "forward-looking information" (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to a number of material factors, assumptions, risks and uncertainties, many of which are beyond the control of the Company.

Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "anticipates", "budget", "believes", "strategy", "intends", "estimates", "committed", "continues", "future", "opportunity", "outlook", "ongoing", "plans" and similar expressions, or are events or conditions that "will", "would", "may", "might", "likely", "could", "can", "typically", "traditionally" or "tends to" occur or be achieved. This MD&A contains forward-looking statements, pertaining to, among other things, the following: the impact of Essential's financial resources or liquidity on its future operating, investing and financing activities; the carrying values of Essential's assets and liabilities, including future Share-based compensation; Essential's capital spending budget, expectations of how it will be funded and continued monitoring; the NCIB; critical accounting estimates and the impact thereof; risks and uncertainties; ICFR; oil and natural gas prices, oil and natural gas industry outlook, regulation of the oil and natural gas industry and anticipated disclosure requirements; and oilfield services sector activity and outlook; E&P capital spending; recession risk and implications; the Company's capital management strategy and financial position; Essential's pricing, including continued focus on appropriate pricing; Essential's commitments, strategic position, strengths, focus, outlook and activity levels; the impact of inflation; supply chain implications; active and inactive equipment, suitability of equipment and potential reactivation of equipment; market share; ability to optimize operational efficiency; demand for Essential's services; crewing and labor markets; non-IFRS and other financial measures; and Essential's financial stability as a strategic advantage.

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

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

Actual performance and results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: known and unknown risks, including those set forth in the Company's AIF (a copy of which can be found under Essential's profile on SEDAR at www.sedar.com); the risks associated with the oilfield services sector, including demand, pricing and terms for oilfield services; current and expected oil and natural gas prices; exploration and development costs and delays; reserves discovery and decline rates; pipeline and transportation capacity; weather, health, safety, market, climate and environmental risks; integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation including, but not limited to, tax laws, royalties, incentive programs and environmental regulations; stock market volatility and the inability to access sufficient capital from external and internal sources; the ability of the Company's subsidiaries to enforce legal rights in foreign jurisdictions; general economic, market or business conditions including those in the event of an epidemic, natural disaster or other event; global economic events; changes to Essential's financial position and cash flow, and the uncertainty related to the estimates and judgements made in the preparation of financial statements; the availability of qualified personnel, management or other key inputs; cost increases of key inputs; currency exchange fluctuations; changes in political and security stability; potential industry developments; and other unforeseen conditions which could impact the use of services supplied by the Company. Accordingly, readers should not place undue importance or reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive and should refer to "Risk Factors" set out in the AIF.

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

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

[1]Non-IFRS and Other Financial Measures

Throughout this MD&A, certain terms that are not specifically defined under IFRS are considered non-IFRS and other financial measures as defined in National Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure*. These non-IFRS and other financial measures are used to analyze Essential's operations. These measures are identified and presented, where appropriate, together with reconciliations to the most directly comparable IFRS measure. These measures are intended to supplement Essential's results provided in accordance with IFRS. In addition to the primary measures of net income (loss) and net income (loss) per share in accordance with IFRS, Essential believes that certain measures not recognized under IFRS assist both Essential and the reader in assessing performance and understanding Essential's results. Each of these measures provides the reader with additional insight into Essential's ability to fund principal debt repayments and capital programs. As a result, the method of calculation may not be comparable with other companies. These measures should not be considered alternatives to net income (loss) and net income (loss) per share as calculated in accordance with IFRS.

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

EBITDAS and EBITDAS % – EBITDAS and EBITDAS % are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other companies. Management believes that in addition to net income (loss), the most directly comparable IFRS measure, EBITDAS is a useful measure to enhance investors' understanding of Essential's results from its principal business activities prior to consideration of how those activities are financed, how the results are taxed and how the results are impacted by non-cash charges. EBITDAS is generally defined as earnings before finance costs, income taxes, depreciation, amortization, transaction costs, losses or gains on disposal, foreign exchange gains or losses, and share-based compensation. These adjustments are relevant as they provide another measure which is considered an indicator of Essential's results from its principal business activities. EBITDAS % is a non-IFRS ratio and is calculated as EBITDAS divided by total revenue. It is used as a supplemental financial measure by management to evaluate cost efficiency.

The following table reconciles Bank EBITDA and EBITDAS to net income (loss):

	For the three months ended March 31,	
(in thousands of dollars)	**2023**	2022
Bank EBITDA	**$ 4,505**	$ 2,218
Impact of lease accounting under IFRS	**(1,328)**	(1,417)
Permitted Adjustments	**10**	20
EBITDAS	**$ 5,823**	$ 3,615
Share-based compensation (recovery) expense	**(237)**	3,039
Other (income) expense	**(265)**	93
Depreciation and amortization	**4,063**	4,186
Finance costs	**227**	218
Net income (loss)	**$ 2,035**	$ (3,921)

The following table calculates EBITDAS %:

(in thousands of dollars, except percentages)	For the three months ended March 31, **2023**	2022
EBITDAS	**$ 5,823**	$ 3,615
Revenue	**$ 45,862**	$ 37,741
EBITDAS %	**13%**	10%

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

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

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

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

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

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

Unaudited Condensed Consolidated Interim Financial Statements

Essential Energy Services Ltd.

March 31, 2023

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

(in thousands of dollars)		**As at March 31, 2023**		As at December 31, 2022
Assets				
Current				
Cash	**$**	**1,778**	$	2,063
Trade and other accounts receivable *(note 3)*		**33,216**		27,085
Inventory *(note 4)*		**36,564**		34,617
Prepayments and deposits		**1,807**		2,264
		73,365		66,029
Non-current				
Property and equipment *(note 5)*		**74,567**		76,180
Right-of-use lease assets *(note 8)*		**7,721**		8,317
		82,288		84,497
Total assets	**$**	**155,653**	$	150,526
Liabilities				
Current				
Trade and other accounts payable *(note 6)*	**$**	**19,333**	$	14,307
Share-based compensation *(note 11)*		**1,235**		2,721
Income taxes payable		**31**		30
Current portion of lease liabilities *(note 8)*		**3,755**		4,237
		24,354		21,295
Non-current				
Share-based compensation *(note 11)*		**4,162**		5,357
Long-term debt *(note 7)*		**3,100**		950
Long-term lease liabilities *(note 8)*		**5,045**		5,542
		12,307		11,849
Total liabilities		**36,661**		33,144
Equity				
Share capital *(note 9)*		**254,282**		256,409
Deficit		**(156,327)**		(158,362)
Other reserves *(note 10)*		**21,037**		19,335
Total equity		**118,992**		117,382
Total liabilities and equity	**$**	**155,653**	$	150,526

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

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

	For the three months ended March 31,	
(in thousands of dollars, except per share amounts)	**2023**	2022
Revenue *(note 15)*	**$ 45,862**	$ 37,741
Operating expenses	**37,004**	31,720
Gross margin	**8,858**	6,021
General and administrative expenses	**3,035**	2,406
Depreciation and amortization *(notes 5 and 8)*	**4,063**	4,186
Share-based compensation (recovery) expense *(note 11)*	**(237)**	3,039
Other (income) expense	**(265)**	93
Operating income (loss)	**2,262**	(3,703)
Finance costs	**227**	218
Net income (loss)	**2,035**	(3,921)
Unrealized foreign exchange gain *(note 10)*	**4**	64
Comprehensive income (loss)	**$ 2,039**	$ (3,857)
Net income (loss) per share *(note 12)*		
Basic and diluted	**$ 0.02**	$ (0.03)
Comprehensive income (loss) per share *(note 12)*		
Basic and diluted	**$ 0.02**	$ (0.03)

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

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

	For the three months ended March 31,	
(in thousands of dollars)	**2023**	2022
Equity:		
Share Capital		
Balance, January 1	**$ 256,409**	$ 272,732
Shares repurchased and cancelled under normal course issuer bid *(note 9)*	**(2,127)**	(3,190)
Balance, March 31	**$ 254,282**	$ 269,542
Deficit		
Balance, January 1	**$ (158,362)**	$ (156,607)
Net income (loss)	**2,035**	(3,921)
Balance, March 31	**$ (156,327)**	$ (160,528)
Other reserves		
Balance, January 1	**$ 19,335**	$ 6,701
Other comprehensive gain *(note 10)*	**4**	64
Shares repurchased and cancelled under normal course issuer bid *(note 10)*	**1,698**	2,484
Balance, March 31	**$ 21,037**	$ 9,249
Total equity	**$ 118,992**	$ 118,263

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

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

	For the three months ended March 31,	
(in thousands of dollars)	**2023**	2022
Operating Activities:		
Net income (loss)	**$ 2,035**	$ (3,921)
Non-cash adjustments to reconcile net income (loss) to operating cash flow:		
Depreciation and amortization *(notes 5 and 8)*	**4,063**	4,186
Provision (recovery) of trade accounts receivable *(note 3)*	**30**	(100)
Finance costs	**227**	218
Gain on disposal of assets	**(300)**	(82)
Funds flow	**6,055**	301
Changes in non-cash operating working capital:		
Trade and other accounts receivable before provision	**(6,159)**	(1,273)
Inventory	**(1,947)**	(2,353)
Prepayments and deposits	**457**	223
Trade and other accounts payable	**5,028**	3,618
Share-based compensation	**(2,682)**	(2,520)
Changes in non-cash operating working capital	**(5,303)**	(2,305)
Net cash provided by (used in) operating activities	**752**	(2,004)
Investing Activities:		
Purchase of property and equipment *(note 5)*	**(1,956)**	(1,361)
Non-cash investing working capital in trade and other accounts payable	**-**	(9)
Proceeds on disposal of equipment	**614**	165
Net cash used in investing activities	**(1,342)**	(1,205)
Financing Activities:		
Increase in long-term debt *(note 7)*	**2,150**	2,600
Shares repurchased and cancelled under normal course issuer bid *(note 9)*	**(429)**	(706)
Finance costs paid	**(90)**	(46)
Payments of lease liabilities *(note 8)*	**(1,328)**	(1,417)
Net cash provided by financing activities	**303**	431
Foreign exchange gain (loss) on cash held in a foreign currency	**2**	(9)
Net decrease in cash	**(285)**	(2,787)
Cash, beginning of period	**2,063**	6,462
Cash, end of period	**$ 1,778**	$ 3,675

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

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

1. AUTHORIZATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements ("Financial Statements") of Essential Energy Services Ltd. and its subsidiaries ("Essential" or the "Company") for the three months ended March 31, 2023 and 2022 were approved by the Board of Directors of Essential ("Board of Directors") on May 4, 2023.

Based in Calgary, Alberta, Essential provides oilfield services to oil and natural gas exploration and production companies primarily in western Canada. Essential is publicly traded, was incorporated under the *Business Corporations Act* (Alberta) and is listed under the symbol ESN on the Toronto Stock Exchange ("TSX"). The address of the registered office is 3400, 350 – 7 Avenue S.W., Calgary, Alberta, Canada, T2P 3N9.

2. SUMMARY OF COMPLIANCE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements as at and for the three months ended March 31, 2023 were prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The same accounting policies and methods of computation were followed in the preparation of these Financial Statements as were followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2022. Accordingly, these Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022.

Changing Regulation

The oil and natural gas industry is subject to environmental regulations pursuant to a variety of Canadian and U.S. federal, provincial, state and local legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances used or produced in association with certain oil and natural gas industry operations.

With respect to Environmental, Social and Governance ("ESG") and climate reporting, the International Sustainability Standards Board has proposed an International Financial Reporting Standards ("IFRS") Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. Essential will continue to monitor these developments as they affect the financial statements.

3. TRADE AND OTHER ACCOUNTS RECEIVABLE

	As at March 31, 2023	As at December 31, 2022
Trade accounts receivable, net of provision	**$ 33,005**	$ 26,968
Other receivables	**211**	117
	$ 33,216	$ 27,085

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

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

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

The aging analysis of trade accounts receivable is as follows:

		As at March 31, 2023		As at December 31, 2022
0-30 days	**$**	**17,111**	$	12,383
31-60 days		**12,720**		9,927
61-90 days		**2,047**		3,052
> 90 days		**1,127**		1,606
	$	**33,005**	$	26,968

Essential considers a trade accounts receivable balance past due when it exceeds normal customer payment terms, which can range from 45 days to 90 days. The provision for impairment of trade accounts receivable is included in the amounts over 90 days and has been included in operating expenses in the condensed consolidated interim statements of net income (loss) and comprehensive income (loss). Uncollectable amounts included in the provision are written off against the provision when there is no expectation of recovery. The movements in the provision during the period were as follows:

		For the three months ended March 31, 2023		For the twelve months ended December 31, 2022
Balance, beginning of period	**$**	**415**	$	503
Provision (recovery) of trade accounts receivable		**30**		(25)
Receivables written off against the provision		**(46)**		(63)
Balance, end of period	**$**	**399**	$	415

4. INVENTORY

		As at March 31, 2023		As at December 31, 2022
Tryton tools	**$**	**23,507**	$	23,195
Coiled tubing and supplies		**13,057**		11,422
	$	**36,564**	$	34,617

Inventory charged through operating expenses in the condensed consolidated interim statements of net income (loss) and comprehensive income (loss) for the three months ended March 31, 2023 was $13.7 million (2022 – $10.2 million), which includes $0.1 million related to valuation adjustments in the year (2022 - $0.3 million).

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

5. PROPERTY AND EQUIPMENT

As at March 31, 2023	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Coiled tubing rigs, pumpers and equipment	**$ 145,314**	**$ 96,842**	**$ 48,472**
Other oilfield equipment	**59,016**	**44,727**	**14,289**
Vehicles	**32,623**	**21,536**	**11,087**
Other	**13,875**	**13,156**	**719**
	$ 250,828	**$ 176,261**	**$ 74,567**

As at December 31, 2022	Cost	Accumulated Depreciation	Net Book Value
Coiled tubing rigs, pumpers and equipment	$ 145,137	$ 95,114	$ 50,023
Other oilfield equipment	59,154	44,139	15,015
Vehicles	32,018	21,644	10,374
Other	13,811	13,043	768
	$ 250,120	$ 173,940	$ 76,180

	For the three months ended March 31, **2023**	2022
Net book value, beginning of period	**$ 76,180**	$ 81,532
Additions	**1,956**	1,361
Transfers	**-**	20
Disposals	**(315)**	(83)
Depreciation	**(3,256)**	(3,271)
Currency translation adjustment	**2**	(9)
Net book value, end of period	**$ 74,567**	$ 79,550

6. TRADE AND OTHER ACCOUNTS PAYABLE

	As at March 31, 2023	As at December 31, 2022
Trade accounts payable	**$ 11,053**	$ 7,712
Accrued payroll	**4,002**	2,508
Accrued payables	**3,825**	3,774
Other	**453**	313
	$ 19,333	$ 14,307

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

7. LONG-TERM DEBT

Essential has a revolving credit facility (the "Credit Facility") with a syndicate of lenders (the "Lenders"). The Credit Facility is comprised of a $25.0 million revolving term loan facility. As at March 31, 2023, there was $3.1 million outstanding of the $25.0 million that was available. The Credit Facility matures on November 30, 2024, is renewable at the Lenders' consent and is secured by a general security agreement over the Company's assets. To the extent the Credit Facility is not renewed, the balance would be immediately due and payable on the maturity date.

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

	For the three months ended March 31,	
	2023	2022
Balance, beginning of period	**$ 950**	$ -
Cash changes:		
Increase in long-term debt	**2,150**	2,600
Balance, end of period	**$ 3,100**	$ 2,600

8. LEASES

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

Right-of-use lease assets

	For the three months ended March 31, 2023	For the twelve months ended December 31, 2022
Balance, beginning of period	**$ 8,317**	$ 8,814
Modifications	**212**	3,037
Depreciation	**(807)**	(3,585)
Foreign exchange (loss) gain	**(1)**	51
Balance, end of period	**$ 7,721**	$ 8,317

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

Lease liabilities

		As at March 31, 2023		As at December 31, 2022
Maturity analysis - contractual undiscounted cash flow				
Less than one year	**$**	**4,152**	$	4,682
One to five years		**5,440**		5,991
Total undiscounted lease liabilities, end of period	**$**	**9,592**	$	10,673
Discounted value of future lease payments				
Current portion of lease liabilities	**$**	**3,755**	$	4,237
Long-term portion of lease liabilities		**5,045**		5,542
Lease liabilities included in the statements of financial position	**$**	**8,800**	$	9,779

For the three months ended March 31, 2023, Essential recognized $0.1 million (2022 - $0.2 million) of finance costs related to lease liabilities in its condensed consolidated interim statements of net income (loss) and comprehensive income (loss) and $1.3 million (2022 - $1.4 million) of total cash outflow for leases in the condensed consolidated interim statement of cash flows.

9. SHARE CAPITAL

Authorized

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

	Number of Common Shares (000's)		Amount
As at January 1, 2022	141,857	$	272,732
Shares repurchased and cancelled under normal course issuer bid	(8,490)		(16,323)
As at December 31, 2022	133,367		256,409
Shares repurchased and cancelled under normal course issuer bid	**(1,107)**		**(2,127)**
As at March 31, 2023	**132,260**	**$**	**254,282**

On December 21, 2022, the Company announced renewal of its Normal Course Issuer Bid (“NCIB”) for the 12-month period commencing December 23, 2022, and ending December 22, 2023, or until such earlier time the NCIB is completed or terminated at the option of Essential. Under the NCIB, Essential may purchase up to 12,965,027 of its issued and outstanding Common Shares on the open market through the facilities of the TSX and/or other alternative trading systems. Any Common Shares purchased under the NCIB will be cancelled. For the three months ended March 31, 2023, 1,106,500 Common Shares were repurchased and cancelled under the NCIB, for a total cost of $0.4 million at a weighted average price of $0.38 per Share.

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

On December 17, 2021, the Company announced a NCIB for the 12-month period commencing December 21, 2021 and ending December 20, 2022 (the "2021-2022 NCIB"). For the twelve months ended December 31, 2022, 8,490,216 Common Shares were repurchased and cancelled under the 2021-2022 NCIB, for a total cost of $3.4 million at a weighted average price of $0.40 per Share. Any amounts paid for these Common Shares, relative to their carrying amount, was recorded as a change in contributed surplus.

10. OTHER RESERVES

	Contributed Surplus	Accumulated Other Comprehensive Income	Total
As at January 1, 2022	$ 5,902	$ 799	$ 6,701
Shares repurchased and cancelled under NCIB *(note 9)*	12,876	-	12,876
Unrealized foreign exchange loss	-	(242)	(242)
As at December 31, 2022	$ 18,778	$ 557	$ 19,335
Shares repurchased and cancelled under NCIB *(note 9)*	**1,698**	**-**	**1,698**
Unrealized foreign exchange gain	**-**	**4**	**4**
As at March 31, 2023	**$ 20,476**	**$ 561**	**$ 21,037**

11. SHARE-BASED COMPENSATION

The Company offers the following share-based compensation plans: Restricted Share Unit ("RSU") Plan and Deferred Share Unit ("DSU") Plan. The Share Option Plan was discontinued by the Board of Directors effective March 9, 2022. However, Share Options that were previously granted will remain validly outstanding until the earlier of when they are exercised or their expiry in January 2024.

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

	For the three months ended March 31, **2023**	2022
Restricted share units	**$ 402**	$ 2,356
Deferred share units	**(639)**	683
Share-based compensation (recovery) expense	**$ (237)**	$ 3,039

a) Restricted Share Units

The Board of Directors is authorized to grant RSUs to participants under the RSU Plan. An RSU gives the participant the right to receive a cash payment at the time of vesting. Grants generally vest in three equal instalments but can be issued with unique time vesting and/or performance vesting features. The performance-based units vest when certain conditions are met. Essential's liability as at March 31, 2023, was $1.4 million (December 31, 2022 – $3.3 million), of which $1.1 million is due within one year (December 31, 2022 – $2.4 million).

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

The following table summarizes information with respect to RSUs outstanding:

	For the three months ended March 31,	
Number of RSUs (000's)	**2023**	2022
Outstanding, beginning of period	**12,161**	17,162
Issued	**5,681**	8,673
Vested	**(6,006)**	(13,239)
Forfeited	**(139)**	-
Outstanding, end of period	**11,697**	12,596

b) Deferred Share Units

The Board of Directors is authorized to grant DSUs to participants under the DSU Plan. A DSU gives the participant a right of redemption in the form of a lump sum cash payment when the participant ceases to be a director or employee of the Company. Essential's liability at March 31, 2023, was $4.0 million (December 31, 2022 – $4.8 million), of which $0.1 million is due within one year (December 31, 2022 – $0.3 million).

The following table summarizes information with respect to DSUs outstanding:

	For the three months ended March 31,	
Number of DSUs (000's)	**2023**	2022
Outstanding, beginning of period	**12,643**	13,517
Redeemed	**(383)**	-
Outstanding, end of period	**12,260**	13,517

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income (loss) attributable to shareholders of Essential by the weighted average number of Common Shares issued.

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

	For the three months ended March 31,	
Weighted average number of Shares (000's)	**2023**	2022
Basic	**132,866**	140,197
Dilutive effect on Common Shares from Share Options	**71**	-
Total diluted	**132,937**	140,197

13. FINANCIAL INSTRUMENTS

Fair value hierarchy

The fair value hierarchy establishes three levels to classify the inputs for valuation techniques used to measure fair value as follows:

i. Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
ii. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means; and
iii. Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company does not use any Level 3 inputs.

14. SEASONALITY OF OPERATIONS

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

15. SEGMENTED INFORMATION

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

Essential's reportable segments are based on services offered. The basis of accounting for transactions between reportable segments is done at fair market value.

a) ECWS

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

b) Tryton

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

c) Corporate

The Corporate segment is comprised of corporate costs and certain operational costs, which are managed on a group basis and are not allocated to the operating segments. For the three months ended March 31, 2023, the Corporate segment includes $3.1 million (2022 - $2.3 million) of corporate costs and certain operational costs, and $nil (2022 – $3.6 million) of share-based compensation expense, depreciation and amortization, finance costs and foreign exchange loss/gain.

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

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

As at and for the three months ended March 31, 2023		**ECWS**		**Tryton**		**Corporate**		**Consolidated**
Revenue	**$**	**26,389**	**$**	**19,473**	**$**	**-**	**$**	**45,862**
Gross margin	**$**	**5,516**	**$**	**3,682**	**$**	**(340)**	**$**	**8,858**
Net income (loss)	**$**	**2,831**	**$**	**2,270**	**$**	**(3,066)**	**$**	**2,035**
Depreciation and amortization	**$**	**2,764**	**$**	**1,176**	**$**	**123**	**$**	**4,063**
Total assets	**$**	**98,601**	**$**	**54,872**	**$**	**2,180**	**$**	**155,653**
Total liabilities	**$**	**19,883**	**$**	**12,604**	**$**	**4,174**	**$**	**36,661**
Purchase of property and equipment	**$**	**1,490**	**$**	**466**	**$**	**-**	**$**	**1,956**

As at and for the three months ended March 31, 2022		ECWS		Tryton		Corporate		Consolidated
Revenue	$	19,679	$	18,062	$	-	$	37,741
Gross margin	$	2,776	$	3,382	$	(137)	$	6,021
Net (loss) income	$	(73)	$	2,052	$	(5,900)	$	(3,921)
Depreciation and amortization	$	2,789	$	1,159	$	238	$	4,186
Total assets	$	97,861	$	56,616	$	3,526	$	158,003
Total liabilities	$	19,696	$	12,743	$	7,301	$	39,740
Purchase of property and equipment	$	565	$	796	$	-	$	1,361

CORPORATE INFORMATION

Directors

James A. Banister, Chairman[2]

Garnet K. Amundson[3]

Felicia B. Bortolussi[2]

Robert T. German[1,3]

Sophia J. Langlois[1,2]

Robert B. Michaleski[1, 2, 3]

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

Auditors

KPMG LLP

Bankers

National Bank of Canada

ATB Financial

Canadian Western Bank

Legal Counsel

Fasken Martineau DuMoulin LLP

Transfer Agent

Computershare Trust Company of Canada

Management

Garnet K. Amundson
President and Chief Executive Officer

Jeff B. Newman
Chief Financial Officer

Karen D. Perasalo
Vice President, Finance and Corporate Secretary

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