



NEWS RELEASE

ESSENTIAL ENERGY SERVICES ANNOUNCES 2017 CAPITAL BUDGET

CALGARY, ALBERTA, January 31, 2017 - Essential Energy Services Ltd. (TSX: ESN) (“Essential” or the “Company”) announces its 2017 capital budget of \$11 million, comprised of \$4 million growth capital and \$7 million maintenance capital. The growth capital consists primarily of pumping support equipment, the cost to recertify and prepare for work the four coil tubing rigs and four pumpers acquired in December 2016 and the purchase of rental drill pipe for the Company’s Downhole Tools & Rentals division. The increase in maintenance capital compared to 2016 reflects expectations that the fleet will be more active in 2017.

Essential’s 2016 capital spending is expected to be \$12 million, as previously announced. This includes \$9 million for growth capital and \$3 million for maintenance capital.

As previously announced, on November 6, 2016 Essential entered into a settlement agreement and terminated its build contract for the two remaining Generation IV rigs with Option Industries Inc. (“Option”). On November 9, 2016, Option filed a Notice of Intention to make a proposal under the *Bankruptcy and Insolvency Act*. Essential and Option are in a legal dispute related to Option not fulfilling the terms of the settlement agreement and accordingly the remaining settlement funds owing to Option have not been released. Given the current status of the legal dispute, the cost to complete each of the remaining rigs and the recent acquisition of four Generation III rigs in December 2016, Essential does not intend to complete the two remaining Generation IV rigs in 2017. Essential intends to park one rig and will consider completing it at a future date, when market demand increases. Essential will retain the second, less complete rig as inventory for future use and plans to redeploy the usable components amongst its existing fleet or future rig builds.

The Generation III and Generation IV rigs have the capability to work on complex, long-reach horizontal wells in the Montney, Bakken and Duvernay regions. With a coil diameter of 2 3/8”, the Generation III rigs can reach 6,300 meters and the Generation IV rigs can reach 7,900 meters. Essential believes with its current fleet of eight Generation III and four Generation IV rigs, including the four Generation III rigs acquired in December 2016, it is well-positioned to meet anticipated 2017 market demand.

ABOUT ESSENTIAL

Essential provides oilfield services to oil and natural gas producers, primarily in western Canada. Essential offers completion, production and abandonment services to a diverse customer base. Services are offered with coil tubing, fluid and nitrogen pumping and the sale and rental of downhole tools and equipment. Essential offers the largest coil tubing fleet in Canada. Further information can be found at www.essentialenergy.ca.

FORWARD LOOKING STATEMENT

This press release contains estimates of capital expenditures for 2016 and 2017. To the extent such estimates constitute “future-oriented financial information” or a “financial outlook” within the meaning of applicable securities laws, such future-oriented financial information or financial outlook is included herein to provide readers with an understanding of the Company’s anticipated capital expenditures for those years. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

This news release contains certain “forward-looking statements” or “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”, “ongoing”, “objective” and similar expressions, or are events or conditions that “will”, “would”, “may”, “could” or “should” occur or be achieved. This news release contains forward-looking statements, pertaining to, among other things, the following: 2016 capital spending expectations; the 2017 capital budget; fleet activity in 2017; the status of the dispute with Option and the release of the settlement funds to Option; the current plans for and the future use of the final two Generation IV rigs built by Option; market demand; expectations that the current fleet has Essential well-positioned to meet 2017 market demand; and the capability of the Generation III and Generation IV rigs.

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 for the year ended December 31, 2015 (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 news release 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 news release 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.

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The Toronto Stock Exchange has neither approved nor disapproved the contents of this press release.