ESSENTIAL
ENERGY SERVICES

## NEWS RELEASE

# ESSENTIAL ENERGY SERVICES ANNOUNCES SECOND QUARTER RESULTS

Calgary, Alberta August 9, 2016 – Essential Energy Services Ltd. (TSX: ESN) ("Essential" or the "Company") announces second quarter results.

## SELECTED INFORMATION

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in thousands of dollars except per share, percentages and fleet data) | **2016** | 2015 | **2016** | 2015 |
| Revenue | **$ 15,008** | $ 23,990 | **$ 45,923** | $ 94,409 |
| Gross margin | **(1,595)** | 580 | **(349)** | 15,882 |
| Gross margin % | **(11)%** | 2% | **(1)%** | 17% |
| EBITDAS[1] before severance costs | **(4,452)** | (2,720) | **(5,202)** | 9,824 |
| EBITDAS[1] | **(4,469)** | (2,832) | **(6,952)** | 8,027 |
| Net loss before impairment loss | **(7,486)** | (10,495) | **(21,142)** | (7,399) |
| Per share – basic and diluted | **(0.06)** | (0.08) | **(0.17)** | (0.06) |
| Net loss | **(7,486)** | (10,495) | **(61,404)** | (7,399) |
| Per share – basic and diluted | **(0.06)** | (0.08) | **(0.49)** | (0.06) |
| Utilization | | | | |
| Masted coil tubing rigs | **19%** | 25% | **29%** | 57% |
| Service rigs | **14%** | 19% | **16%** | 28% |

| | As at June 30, | |
|---|---|---|
| | **2016** | 2015 |
| Total assets | **$ 238,450** | $ 337,299 |
| Total long-term debt | **26,894** | 27,027 |
| Equipment fleet | | |
| Masted coil tubing rigs | **21** | 19 |
| Service rigs | **38** | 54 |

(1) Refer to "Non-IFRS Measures" section for further information.

## HIGHLIGHTS

Oil and natural gas activity for the first half of 2016 was below historical levels as exploration and production ("E&P") companies reduced spending to preserve cash flow and manage debt. Oil and natural gas prices improved in the second quarter 2016 from the lows reached in the first quarter but remained volatile and below thresholds necessary to support significant E&P investment. Limited activity created an environment of excess industry oilfield service equipment and aggressive pricing. The second quarter, which is typically slow due to the seasonality of oil and gas operations in the Western

Canadian Sedimentary Basin ("WCSB"), was particularly slow in 2016. Wells drilled in the WCSB in the second quarter 2016 declined 58% compared to the same period in 2015 and drilling rig utilization, at 7%, hit its lowest level in decades.

Essential's second quarter revenue was $15.0 million, 37% lower than the same period of 2015 driven by low activity and aggressive pricing by competitors across all service lines. Utilization was below the same period in 2015 as a result of fewer well completions and less production work. Pricing continued to decline compared to the second quarter 2015.

EBITDAS(1) was negative $4.5 million and negative $7.0 million, respectively, for the three and six months ended June 30, 2016 due to extremely low activity and lower pricing. Negative EBITDAS(1) for the first half of the year is unprecedented for Essential and, in a continued effort to manage costs, margins and debt, a number of strategies were implemented including:

- A second round of significant cost reductions including compensation and headcount reductions across the organization. These were incremental to the compensation and headcount reductions in early 2015;
- Disposition of retired and redundant equipment;
- Suspension of the Company's dividend in May 2016; and
- Renewal of Essential's credit facility with an extension to May 2019 and revisions to certain terms and conditions.

Long-term debt outstanding at June 30, 2016 was $26.9 million, essentially flat to March 31, 2016. With working capital of $43.8 million, working capital exceeded debt by $16.9 million. On August 9, 2016 there was $28.9 million of debt outstanding.

## RESULTS OF OPERATIONS

### SEGMENT RESULTS - *WELL SERVICING*

| (in thousands of dollars, except percentages, hours and fleet data) | Three months ended June 30, 2016 | 2015 | Six months ended June 30, 2016 | 2015 |
|---|---|---|---|---|
| Revenue | | | | |
| Coil well service [(i)] | **$ 6,422** | $ 9,887 | **$ 22,178** | $ 41,863 |
| Service rigs | **3,093** | 6,825 | **7,452** | 21,851 |
| Total revenue | **9,515** | 16,712 | **29,630** | 63,714 |
| Operating expenses | **10,573** | 15,677 | **29,179** | 51,965 |
| Gross margin | **$ (1,058)** | $ 1,035 | **$ 451** | $ 11,749 |
| Gross margin % | **(11)%** | 6% | **2%** | 18% |
| Utilization [(ii)] | | | | |
| Masted coil tubing rigs | | | | |
| Utilization | **19%** | 25% | **29%** | 57% |
| Operating hours | **3,570** | 4,341 | **10,855** | 19,676 |
| Pumping | | | | |
| Utilization | **16%** | 23% | **27%** | 43% |
| Operating hours | **4,336** | 6,381 | **14,554** | 23,967 |
| Service rigs | | | | |
| Utilization | **14%** | 19% | **16%** | 28% |
| Operating hours | **5,010** | 9,239 | **11,172** | 26,984 |
| Equipment fleet [(iii)] | | | | |
| Masted coil tubing rigs | **21** | 19 | **21** | 19 |
| Pumping | **30** | 30 | **30** | 30 |
| Service rigs | **38** | 54 | **38** | 54 |

(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 in-service at the end of the period.

Coil well service revenue decreased 35% in the second quarter 2016 compared to the same period in 2015 due to lower activity and pricing. Masted coil tubing operating hours declined 18% and pumping operating hours declined 32% compared to the second quarter 2015 due to reduced E&P spending and a decrease in stand-alone pumper work. Revenue per hour declined approximately 10% compared to the second quarter 2015 and was consistent with the first quarter 2016.

Essential's Generation IV masted coil tubing rigs experienced relatively strong customer demand in the second quarter 2016. Management and customers were pleased with the performance of these rigs, which completed complex, long-reach wells in the Duvernay, Montney and Bakken.

Second quarter 2016 service rig revenue decreased 55% and operating hours were down 46% compared to the same period in 2015. Limited industry activity continued to result in aggressive pricing by competitors to gain market share. Service rig revenue per hour was down approximately 15% compared to the second quarter 2015.

Well servicing gross margin as a percentage of revenue was negative 11% in the second quarter of 2016. Lower repairs and maintenance costs compared to the same period in 2015 and Essential's second round of cost reductions implemented in March 2016, including staff layoffs and wage rollbacks, limited margin erosion in the second quarter 2016. Revenue in the second quarter 2016 was not sufficient to cover fixed costs.

On a year-to-date basis, well servicing revenue decreased 53% compared to the prior period driven by lower activity and price declines for all services as a result of the continued industry downturn. Essential's second round of cost reduction measures implemented earlier in the year partially offset the impact of the period-over-period revenue decline and maintained positive year-to-date margins.

**SEGMENT RESULTS - *DOWNHOLE TOOLS & RENTALS***

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in thousands of dollars, except percentages) | **2016** | 2015 | **2016** | 2015 |
| Revenue | **$ 5,583** | $ 7,460 | **$ 16,472** | $ 31,071 |
| Operating expenses | **5,472** | 8,004 | **15,185** | 24,835 |
| Gross margin | **$ 111** | $ (544) | **$ 1,287** | $ 6,236 |
| Gross margin % | **2%** | (7)% | **8%** | 20% |
| Downhole Tools & Rentals revenue – % of revenue | | | | |
| Tryton MSFS® | **15%** | 16% | **32%** | 33% |
| Conventional Tools & Rentals | **85%** | 84% | **68%** | 67% |

Second quarter 2016 Downhole Tools & Rentals ("DT&R") revenue decreased from the same period in 2015, primarily from lower Canadian and U.S. conventional tools revenue. Conventional tools revenue was negatively impacted by lower production activity and pricing declines. Tryton MSFS® revenue also declined over the same period. Rentals revenue was consistent with the second quarter 2015.

Positive gross margin in the quarter was primarily a result of cost reductions implemented in the Canadian operations in the first quarter of 2016, and in the U.S. operations during the second quarter of 2016. These reductions included staff lay-offs and wage rollbacks. Savings from these cost reductions and higher margin rental activity in the current quarter offset the impact of lower DT&R revenue in the period.

On a year-to-date basis, DT&R revenue was below the prior period in all businesses as a result of lower activity and price declines. Gross margin for the six months ended June 30, 2016, compared to the same period in 2015, decreased due to fixed costs comprising a greater proportion of revenue. The full benefits of cost reductions implemented during the first half of 2016 are not fully reflected in the gross margin for the six months ended June 30, 2016. Those benefits are expected to result in improved margins in the second half of 2016. Higher U.S. losses and a weaker period-over-period contribution from the rentals business also reduced gross margin in the first half of 2016.

## FINANCIAL RESOURCES AND LIQUIDITY

### WORKING CAPITAL

| (in thousands of dollars, except ratios) | | **As at June 30, 2016** | | As at December 31, 2015 |
|---|---|---|---|---|
| Current assets | **$** | **55,937** | $ | 66,599 |
| Current liabilities | | **(12,120)** | | (15,844) |
| Working capital [(1)] | **$** | **43,817** | $ | 50,755 |
| Working capital ratio | | **4.6:1** | | 4.2:1 |

Working capital is primarily comprised of accounts receivable and inventory. The accounts receivable portion typically grows through the first, third and fourth quarters of the year when activity is greater. Inventory is comprised of downhole tools and coil tubing inventory, which does not fluctuate as much with activity and in the current industry environment, may take longer to use or sell. 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 is comprised of a $40 million revolving term loan facility with a $20 million accordion feature available on the lender's consent. The Credit Facility matures on May 31, 2019, 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 June 30, 2016, the maximum of $40 million under the Credit Facility was available to Essential.

On June 15, 2016, Essential renewed its Credit Facility with its banking syndicate with the following revised terms and conditions:

- a voluntary reduction in the commitment from $100 million to $40 million;
- a voluntary reduction in the accordion feature from $35 million to $20 million;
- revisions to certain financial covenants, including:
  - minimum cumulative EBITDAS[(1)] as follows: $1 million for the three months ending September 30, 2016, $4 million for the six months ending December 31, 2016, and $6 million for the nine months ending March 31, 2017;
  - funded debt to trailing 12 month EBITDAS[(1)] is not to exceed 5.25x at June 30, 2016, has been waived for the quarters ending September 30, 2016, December 31, 2016 and March 31, 2017 and is not to exceed 5.25x at June 30, 2017, stepping down to 3.00x by the quarter ending December 31, 2018 and thereafter; and
  - fixed charge coverage ratio is not to be less than 1.25x at June 30, 2016, 2.00x for the quarters ending September 30, 2016, December 31, 2016 and March 31, 2017 and 1.25x for the quarters ending June 30, 2017 and thereafter.
- addition of an equity cure provision;
- addition of a monthly borrowing base; and
- restrictions on dividends and acquisitions when funded debt to EBITDAS[(1)] is greater than 3.00x or when the covenant is waived.

As at June 30, 2016, all financial covenants were satisfied and all banking requirements under the Credit Facility were up-to-date. At the end of the second quarter of 2016, Essential had a consolidated funded debt(1) balance of $26.7 million, which consisted of long-term debt of $26.9 million, plus deferred financing costs of $0.3 million, less cash of $0.5 million. At June 30, 2016, the Company's funded debt(1) to trailing 12 month EBITDAS(1) was 3.2x. Essential does not anticipate financial resource or liquidity issues to restrict its future operating, investing or financing activities. On August 9, 2016, Essential had $28.9 million of debt outstanding.

**EQUIPMENT EXPENDITURES AND FLEET ADDITIONS**

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in thousands of dollars) | **2016** | 2015 | **2016** | 2015 |
| Well Servicing | **$ 2,928** | $ 2,131 | **$ 6,173** | $ 7,674 |
| Downhole Tools & Rentals | **1,282** | 45 | **1,369** | 691 |
| Corporate | **4** | 216 | **34** | 488 |
| Total equipment expenditures | **4,214** | 2,392 | **7,576** | 8,853 |
| Less proceeds on disposal of equipment | **(1,182)** | (715) | **(1,593)** | (810) |
| Net equipment expenditures(1) | **$ 3,032** | $ 1,677 | **$ 5,983** | $ 8,043 |

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in thousands of dollars) | **2016** | 2015 | **2016** | 2015 |
| Growth capital(1) | **$ 3,099** | $ 1,669 | **$ 5,299** | $ 7,012 |
| Maintenance capital(1) | **1,115** | 723 | **2,277** | 1,841 |
| Total equipment expenditures | **$ 4,214** | $ 2,392 | **$ 7,576** | $ 8,853 |

Essential's 2016 capital budget has been increased from $9 million to $11 million and is comprised of $8 million of growth capital and $3 million of maintenance capital. Growth capital will be primarily used to complete the Generation IV masted coil tubing rigs. The $2 million increase in growth capital consists primarily of the purchase of specialty drill pipe in the current quarter and incremental costs to enhance the Generation IV masted coil tubing rigs. At June 30, 2016, there was $2 million remaining to complete these rigs. Essential took delivery of the fourth Generation IV masted coil tubing rig in the second quarter 2016 and it is expected to go into service in the third quarter 2016.

The following table shows the expected in-service dates for the Generation IV masted coil tubing rigs as at August 9, 2016:

| | # Rigs In Program | # Rigs In-Service | Expected In-Service Dates |
|---|---|---|---|
| Generation IV masted coil tubing rigs | 6 | 3 | Q3'16, Q4'16(2) |

**OUTLOOK**

Oil and natural gas prices improved in the second quarter from lows reached earlier in the year creating some industry optimism. However, while higher than the first quarter, commodity prices remain volatile. Industry activity in the WCSB has improved over the seasonally slow second quarter but remains unsettled and industry drilling rig utilization to-date in the third quarter is approximately 50% below the same period in 2015. Longer term industry perspectives seem more positive as forecasters anticipate excess oil and natural gas production and supply to be corrected through the inevitable production profile decline of existing wells. In Canada, industry activity is further complicated by market access issues and discounted Canadian prices.

Essential is seeing some improvement in activity following the second quarter but activity to date is lower than the prior year and is expected to continue to be below 2015 for the remainder of the third quarter. Muted activity and excess oilfield service equipment in the WCSB are expected to continue to put downward pricing pressure on oilfield services. Service pricing is being heavily discounted as companies compete for market share.

Essential has taken significant steps to manage costs and management continues to seek the right balance between cost reductions, in an effort to generate positive margins, and retention of key employees, to ensure there is a viable business that can respond and grow when the industry begins to pull out of the prolonged downturn. Essential's highly variable cost structure, with the majority of field employees working on a variable compensation model, helps support margins in periods of slow activity.

The 2016 capital budget has increased from $9 million to $11 million. The increase is primarily for the purchase of specialty drill pipe to meet a specific customer request. At June 30, 2016, $8 million had been spent, so capital commitments for the remainder of the year are low.

The renewed Credit Facility provides an appropriate level of flexibility to meet anticipated operating needs as well as capital spending requirements. On August 9, 2016, debt was $28.9 million and on June 30, 2016, working capital of $43.8 million exceeded long-term debt by $16.9 million.

The Management's Discussion and Analysis and Financial Statements are available on Essential's website at www.essentialenergy.ca and on SEDAR at www.sedar.com.

## 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 industry downturn since early 2015 has disrupted typical historic oilfield services seasonal patterns in western Canada as E&P companies are driven by constrained cash flow 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 fleet data) | **Jun 30, 2016** | Mar 31, 2016 | Dec 31, 2015 | Sept 30, 2015 | **Jun 30, 2015** | Mar 31, 2015 | Dec 31, 2014 | Sept 30, 2014 |
|---|---|---|---|---|---|---|---|---|
| Well Servicing: | | | | | | | | |
| Coil well service | **6,422** | 15,756 | 23,833 | 24,432 | **9,887** | 31,976 | 41,426 | 39,233 |
| Service rigs | **3,093** | 4,359 | 7,516 | 7,682 | **6,825** | 15,026 | 22,034 | 22,105 |
| Total Well Servicing | **9,515** | 20,115 | 31,349 | 32,114 | **16,712** | 47,002 | 63,460 | 61,338 |
| Downhole Tools & Rentals | **5,583** | 10,889 | 11,278 | 15,919 | **7,460** | 23,611 | 35,921 | 35,261 |
| Inter-segment eliminations | **(90)** | (89) | (147) | (209) | **(182)** | (194) | (527) | (463) |
| Total revenue | **15,008** | 30,915 | 42,480 | 47,824 | **23,990** | 70,419 | 98,854 | 96,136 |
| Gross margin | **(1,595)** | 1,246 | 7,786 | 11,927 | **580** | 15,302 | 27,330 | 27,515 |
| Gross margin % | **(11)%** | 4% | 18% | 25% | **2%** | 22% | 28% | 29% |
| EBITDAS[1] | **(4,469)** | (2,483) | 4,930 | 8,503 | **(2,832)** | 10,859 | 21,992 | 22,657 |
| Net (loss) income [i] | **(7,486)** | (53,918) | (18,082) | 2,996 | **(10,495)** | 3,096 | (38,323) | 10,777 |
| Per share – basic | **(0.06)** | (0.43) | (0.14) | 0.02 | **(0.08)** | 0.02 | (0.30) | 0.09 |
| Per share – diluted | **(0.06)** | (0.43) | (0.14) | 0.02 | **(0.08)** | 0.02 | (0.30) | 0.08 |
| Total assets | **238,450** | 246,713 | 317,244 | 346,564 | **337,299** | 371,496 | 397,351 | 454,745 |
| Long-term debt | **26,894** | 27,053 | 25,543 | 34,738 | **27,027** | 39,817 | 55,253 | 65,043 |
| Utilization [ii] | | | | | | | | |
| Masted coil tubing rigs | **19%** | 39% | 65% | 70% | **25%** | 90% | 104% | 105% |
| Pumping [iii] | **16%** | 37% | 55% | 57% | **23%** | 61% | 72% | 66% |
| Service rigs | **14%** | 18% | 30% | 24% | **19%** | 37% | 49% | 48% |
| Operating hours | | | | | | | | |
| Masted coil tubing rigs | **3,570** | 7,285 | 12,039 | 12,319 | **4,341** | 15,335 | 17,469 | 15,524 |
| Pumping [iii] | **4,336** | 10,218 | 15,049 | 15,747 | **6,381** | 17,586 | 20,885 | 19,397 |
| Conventional coil tubing rigs | **278** | 2,392 | 1,778 | 1,174 | **1,088** | 3,665 | 3,951 | 4,426 |
| Service rigs | **5,010** | 6,162 | 10,391 | 10,418 | **9,239** | 17,745 | 24,394 | 23,997 |
| Downhole Tools & Rentals - % of revenue | | | | | | | | |
| Tryton MSFS® | **15%** | 40% | 24% | 40% | **16%** | 38% | 45% | 46% |
| Conventional Tools & Rentals | **85%** | 60% | 76% | 60% | **84%** | 62% | 55% | 54% |
| Equipment fleet [iv] | | | | | | | | |
| Masted coil tubing rigs | **21** | 21 | 20 | 19 | **19** | 19 | 19 | 17 |
| Fluid pumpers | **18** | 18 | 18 | 18 | **18** | 18 | 18 | 18 |
| Nitrogen pumpers | **12** | 12 | 12 | 12 | **12** | 14 | 14 | 14 |
| Conventional coil tubing rigs | **5** | 11 | 11 | 11 | **11** | 17 | 17 | 29 |
| Service rigs | **38** | 38 | 38 | 48 | **54** | 54 | 54 | 54 |

(i) The quarters ended March 31, 2016, December 31, 2015 and December 31, 2014 include an impairment loss of $61.7 million, $13.2 million and $47.2 million, respectively.
(ii) Utilization is calculated using a 10 hour day.
(iii) Pumping includes both fluid and nitrogen pumpers.
(iv) Fleet data represents the number of units in-service at the end of the period.

## [1]Non-IFRS Measures

Throughout this news release, certain terms that are not specifically defined in IFRS are used to analyze Essential's operations. In addition to the primary measures of net (loss) income and net (loss) income 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 (loss) income and net (loss) income 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 and invest in capital programs.

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

Funded debt – 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.

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

Growth capital – Growth capital is capital spending which is intended to result in incremental 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, replace or extend the life of previously acquired equipment. Such additions do not provide incremental revenue.

Net equipment expenditures – 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.

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

| *(in thousands of dollars)* | **As at June 30 2016** | As at December 31 2015 |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash | **$ 486** | $ 1,042 |
| Trade and other accounts receivable | **22,671** | 32,251 |
| Inventories | **30,523** | 30,609 |
| Prepayments | **2,257** | 2,697 |
| | **55,937** | 66,599 |
| Non-current | | |
| Property and equipment | **176,358** | 225,479 |
| Intangible assets | **2,584** | 21,347 |
| Goodwill | **3,571** | 3,799 |
| | **182,513** | 250,625 |
| Total assets | **$ 238,450** | $ 317,224 |
| **Liabilities** | | |
| Current | | |
| Trade and other accounts payable | **$ 12,120** | **$** 15,466 |
| Dividends payable | **-** | 378 |
| | **12,120** | 15,844 |
| Non-current | | |
| Long-term debt | **26,894** | 25,543 |
| Deferred tax liabilities | **16,520** | 31,279 |
| | **43,414** | 56,822 |
| Total liabilities | **55,534** | 72,666 |
| **Equity** | | |
| Share capital | **262,977** | 262,977 |
| Deficit | **(85,377)** | (23,595) |
| Other reserves | **5,316** | 5,176 |
| Total equity | **182,916** | 244,558 |
| Total liabilities and equity | **$ 238,450** | $ 317,224 |

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| *(in thousands of dollars, except per share amounts)* | **2016** | 2015 | **2016** | 2015 |
| Revenue | **$ 15,008** | $ 23,990 | **$ 45,923** | $ 94,409 |
| Operating expenses | **16,603** | 23,410 | **46,272** | 78,527 |
| Gross margin | **(1,595)** | 580 | **(349)** | 15,882 |
| General and administrative expenses | **2,874** | 3,412 | **6,603** | 7,855 |
| | **(4,469)** | (2,832) | **(6,952)** | 8,027 |
| Depreciation and amortization | **4,538** | 6,464 | **11,423** | 13,154 |
| Share-based compensation | **188** | 460 | **715** | 614 |
| Impairment loss | **-** | - | **61,652** | - |
| Other expenses | **517** | 1,017 | **1,384** | 301 |
| Operating loss | **(9,712)** | (10,773) | **(82,126)** | (6,042) |
| Finance costs | **381** | 332 | **668** | 804 |
| Loss before income taxes | **(10,093)** | (11,105) | **(82,794)** | (6,846) |
| Current income tax recovery | **(1,544)** | (4,004) | **(6,631)** | (3,562) |
| Deferred income tax (recovery) expense | **(1,063)** | 3,394 | **(14,759)** | 4,115 |
| Income tax (recovery) expense | **(2,607)** | (610) | **(21,390)** | 553 |
| Net loss | **$ (7,486)** | $ (10,495) | **$ (61,404)** | $ (7,399) |
| Unrealized foreign exchange (loss) gain | **(4)** | (61) | **(52)** | 187 |
| Comprehensive loss | **$ (7,490)** | $ (10,556) | **$ (61,456)** | $ (7,212) |
| Loss per share | | | | |
| Basic and diluted | **$ (0.06)** | $ (0.08) | **$ (0.49)** | $ (0.06) |
| Comprehensive loss per share | | | | |
| Basic and diluted | **$ (0.06)** | $ (0.08) | **$ (0.49)** | $ (0.06) |

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

| *(in thousands of dollars)* | For the six months ended June 30, **2016** | 2015 |
|---|---|---|
| **Operating activities:** | | |
| Net loss | **$ (61,404)** | $ (7,399) |
| Non-cash adjustments to reconcile net loss for the period to operating cash flow: | | |
| Depreciation and amortization | **11,423** | 13,154 |
| Deferred income tax (recovery) expense | **(14,759)** | 4,115 |
| Equity-settled share-based compensation | **192** | 143 |
| Provision for impairment of trade accounts receivable | **754** | 505 |
| Finance costs | **668** | 804 |
| Impairment loss | **61,652** | - |
| Loss on disposal of assets | **616** | 1,143 |
| Operating cash flow before changes in non-cash operating working capital | **(858)** | 12,465 |
| Changes in non-cash operating working capital: | | |
| Trade and other accounts receivable before provision | **15,487** | 55,441 |
| Income tax receivable | **(6,250)** | (4,426) |
| Inventories | **86** | 3,777 |
| Prepayments | **440** | (228) |
| Trade and other accounts payable | **(3,261)** | (15,354) |
| Net cash provided by operating activities | **5,644** | 51,675 |
| **Investing activities:** | | |
| Purchase of property, equipment and intangible assets | **(7,576)** | (8,853) |
| Non-cash investing working capital in trade and other accounts payable | **(85)** | (4,846) |
| Proceeds on disposal of equipment | **1,593** | 810 |
| Net cash used in investing activities | **(6,068)** | (12,889) |
| **Financing activities:** | | |
| Increase (repayment) of long-term debt | **1,351** | (28,226) |
| Proceeds from exercise of options | **-** | 68 |
| Dividends paid | **(755)** | (7,548) |
| Finance costs | **(668)** | (804) |
| Net cash used in financing activities | **(72)** | (36,510) |
| Foreign exchange (loss) gain on cash held in a foreign currency | **(60)** | 176 |
| Net (decrease) increase in cash | **(556)** | 2,452 |
| Cash (bank indebtedness), beginning of period | **1,042** | (991) |
| Cash, end of period | **$ 486** | $ 1,461 |
| Supplemental cash flow information | | |
| Cash taxes (refunded) paid | **$ (381)** | $ 840 |
| Cash interest and standby fees paid | **$ 514** | $ 731 |

## 2016 SECOND QUARTER RESULTS CONFERENCE CALL AND WEBCAST

Essential has scheduled a conference call and webcast at 10:00 am MT (12:00 pm ET) on August 10, 2016.

**The conference call dial in numbers are 416-340-2217 or 866-696-5910, passcode 6905316.**

An archived recording of the conference call will be available approximately one hour after completion of the call until August 24, 2016 by dialing 905-694-9451 or 800-408-3053, passcode 6643565.

A live webcast of the conference call will be accessible on Essential's website at www.essentialenergy.ca by selecting "Investors" and "Events and Presentations". Shortly after the live webcast, an archived version will be available for approximately 30 days.

## ABOUT ESSENTIAL

Essential Energy Services Ltd. 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 masted coil tubing, fluid and nitrogen pumping, services rigs and the sale and rental of downhole tools and equipment. Essential offers the largest masted coil tubing fleet in Canada. Further information can be found at www.essentialenergy.ca.

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

## FORWARD-LOOKING STATEMENTS AND INFORMATION

This news release 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", "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 news release contains forward-looking statements, pertaining to, among other things, the following: impact of cost reductions and the expectation of improved margins in the second half of 2016; capital spending, including increases to the capital budget; cash flow and earnings; the Credit Facility and the impact of financial covenant limitations thereunder; the Credit Facility providing an appropriate level of flexibility to meet anticipated operating needs and capital spending requirements; the impact of Essential's financial resources or liquidity on its future operating, investing and financing activities; Essential's long-term build program and the addition of new masted coil rigs; the future demand for Generation IV coil tubing rigs, the costs, timing, anticipated delivery and in-service dates associated with such program; industry spending and use of available cash; the Company's ability to use or sell inventory and equipment; short and long-term outlook on industry activity; Essential's third quarter activity; continued downward pricing pressure on oilfield services; and implementation of strategies to manage Essential's margins and debt.

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.

## FOR FURTHER INFORMATION, PLEASE CONTACT:

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*The TSX has neither approved nor disapproved the contents of this news release.*