



## NEWS RELEASE

### ESSENTIAL ENERGY SERVICES ANNOUNCES SECOND QUARTER 2011 RESULTS

Calgary, Alberta August 10, 2011 – Essential Energy Services Ltd. (TSX: ESN) (“Essential” or the “Company”) announces second quarter 2011 EBITDA<sup>(1)</sup> was \$(0.1) million compared to \$0.4 million in the second quarter of 2010. On a year-to-date basis, EBITDA<sup>(1)</sup> was \$13.3 million compared to \$10.9 million in the same period of 2010. These results include operations from the recently acquired Technicoil Corporation (“Technicoil”) from June 1, 2011. The second quarter results reflect the seasonal slowdown due to spring break up. This year, break up was longer than typical due to above average rainfall.

#### SECOND QUARTER HIGHLIGHTS

- Completed the acquisition of Technicoil effective May 31, 2011, strengthening Essential’s position in coil tubing well service and increasing the service rig fleet and geographic footprint.
- Strong demand and results for the Tryton Multi-Stage Fracturing System (“Tryton MSFS”) as this business was less impacted by spring break up.
- Increased the 2011 capital spending budget to \$56 million. Spending is primarily focused on expanding Essential’s deep coil tubing and pumping services.
- Commenced operations in Colombia, providing services to Ecopetrol S.A. (“Ecopetrol”), the Colombian national oil company.
- Six new fluid pumpers went into service in the second quarter. A new high rate nitrogen pumper went into service at the beginning of the third quarter.

Oilfield service activity has increased in the third quarter. With the relatively strong price of oil, many exploration and production companies have increased their 2011 capital spending budgets as they focus on oil and liquids-rich natural gas programs.

#### ACQUISITION OF TECHNICOIL CORPORATION

##### DETAILS OF ACQUISITION

On May 31, 2011 Essential completed the acquisition of Technicoil (the “Technicoil Acquisition”) pursuant to a plan of arrangement (the “Arrangement”) under the *Business Corporations Act* (Alberta) whereby Essential acquired all of the issued and outstanding shares of Technicoil. Pursuant to the Arrangement the Technicoil shareholders received, for each Technicoil common share held, 0.7111 of a common share of Essential and \$0.80 cash, resulting in the issuance of 51,736,446 Essential shares and a cash payment of \$58.2 million. Total consideration for Technicoil was \$164.7 million.

Benefits of the Technicoil Acquisition include the expectation that the combined company will:

- strengthen Essential’s position as the largest provider of coil tubing well services in Canada;
- increase the service rig fleet and geographic footprint;
- be strategically positioned to service the various oil and liquids-rich natural gas resource plays in western Canada that are being developed with horizontal well and multi-stage fracturing technology;
- benefit from operating and cost efficiencies realized through the consolidation of certain operating and administrative functions;
- improve efficiency of the coil tubing operations by providing fit for purpose size and depth of coil rigs and reduce third party charges through the cross-utilization of the expanded nitrogen and pumper fleets;
- provide the opportunity to market existing services to an expanded customer base; and

- continue to provide an exciting and respected platform to attract and retain experienced personnel.

### **SELECTED COMBINED FINANCIAL INFORMATION**

To assist the reader in understanding the current operations of Essential, management has provided the combined results for Essential assuming the Technicoil Acquisition had occurred on January 1, 2011.

#### **Essential and Technicoil Continuing Operations Combined as of January 1, 2011**

(\$ Thousands)	Three Months Ended		Six Months Ended
	March 31, 2011	June 30, 2011	June 30, 2011
Revenue	101,176	48,471	149,647
Gross margin	29,135	1,324	30,459
Gross margin % <sup>(1)</sup>	29%	3%	20%
EBITDA <sup>(1)</sup>	24,849	(2,506)	22,343
EBITDA % <sup>(1)</sup>	25%	(5)%	15%
Utilization*			
Service rigs	65%	28%	47%
Coil tubing rigs – Deep	122%	35%	76%
Coil tubing rigs – Shallow/Intermediate	34%	18%	29%

\* Utilization is calculated in accordance with standard industry practice based on a 10 hour operating day. Due to the nature of the work performed, certain equipment may work 24 hours per day which may result in a utilization rate in excess of 100%.

Management has also provided the following reconciliation between the results from the table above to the financial results for Essential for the six months ended June 30, 2011.

(\$ Thousands)	Revenue	EBITDA <sup>(1)</sup>
Combined results	149,647	22,343
Less: results from Technicoil for the period January 1 to May 31, 2011	(42,752)	(9,079)
Essential Consolidated Financial Statements	106,895	13,264

### **OVERVIEW OF ESSENTIAL**

#### **COMBINED EQUIPMENT FLEET**

As at June 30, 2011	Canada		Colombia	Combined
	Essential	Technicoil		
Service Rigs*				
Singles	30	8	-	38
Doubles	19	1	1	21
Coil Tubing Rigs				
Deep	7	16	-	23
Shallow/Intermediate	25	-	2	27
Pumpers				
Nitrogen	8	-	2	10
Fluid	-	6	-	6

\* As part of Essential's ongoing fleet rationalization, three double service rigs were taken out of service at the end of the second quarter. Utilization for the three and six month periods has been calculated with the inclusion of these rigs in the fleet.

<sup>1</sup> Refer to "Non-IFRS Measures" section for further information.

## CANADA

### Service rigs

Essential's service rig fleet consists of 38 single and 20 double service rigs. The fleet operates from 8 service locations across western Canada and provides well completion and production/workover services in all major resource plays across the Western Canadian Sedimentary Basin ("WCSB"). Service rigs are used primarily to repair, re-complete and stimulate existing oil and natural gas wells and perform completion work on new wells.

### Coil tubing rigs

Essential's coil tubing fleet can be grouped within two distinct categories, deep coil tubing rigs and shallow/intermediate coil tubing rigs.

- Deep coil tubing rigs include both the masted and conventional coil tubing rigs that have a depth capacity up to 6,600 meters. These deep coil tubing rigs primarily provide rig-less completion, fracture stimulation and workover services on long reach horizontal wells. Additionally, these deep coil tubing rigs assist with the drilling operations of steam-assisted gravity drainage ("SAGD") activity in the oil sands. The deep coil tubing fleet is supported by a fleet of nitrogen and fluid pumpers.
- The shallow/intermediate coil tubing rigs are conventional coil tubing rigs that have a depth capacity of 2,500 meters. These rigs primarily provide workover services on existing wells and also utilize the nitrogen and fluid pumper fleets.

The diversity of the equipment in Essential's coil tubing fleet enables the Company to service the wide variety of well types that are present in the WCSB.

### Downhole tools

Essential provides a wide range of downhole tools and rentals services to assist with the completion and production phases of oil and natural gas wells. These services include a full range of downhole tools, including the Tryton MSFS, specialty tubulars rentals and provide perforating and logging services.

## COLOMBIA

Essential provides integrated services related to the servicing of producing wells and new drilling activity from its operating base in Barrancabermeja, Colombia. The operating fleet in Colombia consists of one double service rig, two coil tubing rigs, two nitrogen pumpers, three rod rigs, two wireline trucks and ancillary equipment.

## **SELECTED FINANCIAL INFORMATION**

The completion of the Technicoil Acquisition on May 31, 2011 and the resultant increased size and nature of the Company's operations impact the results from 2011 compared to 2010. The results for the three and six months ended June 30, 2011 include the results of Technicoil for the period June 1, 2011 to June 30, 2011.

(\$ Thousands, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenue	<b>40,479</b>	25,194	<b>106,895</b>	71,414
Gross margin	<b>3,077</b>	3,150	<b>19,729</b>	16,530
Gross margin % <sup>(1)</sup>	<b>8%</b>	13%	<b>18%</b>	23%
EBITDA <sup>(1)</sup>	<b>(137)</b>	413	<b>13,264</b>	10,863
EBITDA % <sup>(1)</sup>	<b>0%</b>	2%	<b>12%</b>	15%
Funds flow from (used in) operations <sup>(1)</sup>	<b>(2,713)</b>	448	<b>10,727</b>	11,050
Per share – basic and diluted <sup>(1)</sup>	<b>\$ (0.03)</b>	\$ 0.00	<b>\$ 0.13</b>	\$ 0.17
Net income attributable to shareholders of Essential	<b>(6,364)</b>	(2,466)	<b>(116)</b>	3,209
Per share – basic and diluted	<b>\$ (0.07)</b>	\$ (0.03)	<b>\$ 0.00</b>	\$ 0.05

Total assets	<b>371,017</b>	153,490	<b>371,017</b>	153,490
Total long-term debt	<b>63,459</b>	695	<b>63,459</b>	695
Equity attributable to shareholders of Essential	<b>257,119</b>	141,138	<b>257,119</b>	141,138

## **INDUSTRY OVERVIEW**

### **CANADA**

Second quarter activity levels in the WCSB are traditionally the slowest of any quarter as winter-only access sites become inaccessible and wet weather restricts the ability to move equipment. During the second quarter of 2011, activity levels in the WCSB were impacted as higher than average rainfall and flooding throughout the southeastern region of the WCSB and forest fires in northern Alberta all contributed to restricted access for mobile service equipment to many well sites. Industry service rig utilization, which is an indicator of oilfield service activity in the WCSB, has remained consistent with the same period in the prior year despite these adverse operating conditions and, on a year-to-date basis utilization has improved slightly over the prior year.

Despite the poor operating conditions, demand for services during the second quarter appeared robust as oil prices remained relatively strong and the industry continued to focus on oil and liquids-rich natural gas plays. However, the inability to access sites during the second quarter has created a backlog of completion work to be performed in future periods. The demand for services in the WCSB continues to create labour constraints and cost escalations throughout the oilfield services sector.

Activity in the WCSB continues to be driven by horizontal well drilling, stimulation and completion work. This work typically requires more investment capital and increased rig time per well due to the depth and complexity of horizontal wells compared to conventional vertical wells. This focus on horizontal wells continued to be a major contributor to the increase in multi-stage completion work during the quarter.

### **COLOMBIA**

Colombia is the third largest oil and gas producer in South America and its royalty structure supports further exploration and development activity. The Colombian government continues to target significant production increases over the next five years. These factors, combined with an improved security and business environment, make Colombia an attractive location for foreign investment. Currently, there are over 70 exploration and production companies, including over 20 Canadian companies, operating in Colombia.

A significant portion of Colombia's anticipated production increase is expected to come from increasing production of current wells through extensive stimulation and workover programs. This is expected to increase the demand for oilfield services. Colombian producers, led by Colombia's national oil company Ecopetrol, are looking to generate operational efficiencies and cost savings through the use of improved technologies and oilfield service equipment that is currently in short supply.

## **OPERATING HIGHLIGHTS - ESSENTIAL**

### **CANADA**

Results for the second quarter reflected the seasonal activity decline that occurs in comparison to the first quarter, however, the decline in the current year was more substantial as a result of the extended spring break up, unusually wet operating conditions and forest fires in northern Alberta. The Well Servicing segment was more severely impacted by these conditions as the reduced access to well sites limited the number of available working days during the quarter.

The Downhole Services & Rentals segment benefitted from the continued success of the downhole tools business as horizontal well completion activity and demand for fracturing services remained strong despite the adverse operating conditions. Additionally, demand for conventional downhole tools increased compared to the second quarter of 2010 as activity in the Canadian energy services sector continued to improve.

The Technicoil Acquisition on May 31, 2011 has strengthened Essential's position as the predominant coil tubing well service provider in Canada. The Company's continued focus on oil and liquids-rich natural gas plays combined with the quality, location and versatility of its operations, positions Essential to benefit from the backlog of service work created from the poor operating conditions that existed in the WCSB throughout the second quarter.

## **COLOMBIA**

Essential signed two contracts in the second quarter, a multi-service contract and a pilot contract, with Ecopetrol, which is the largest hydrocarbon producer in Colombia. The level of work generated under these contracts will be determined by the amount of work orders offered and accepted under the terms of the contracts. Essential began providing well stimulation services under the multi-service contract in the second quarter of 2011 using its coil tubing and nitrogen pumping equipment. Service rig operations commenced early in the third quarter of 2011.

## **SEGMENT RESULTS - WELL SERVICING**

Essential provides well completion and production/workover services through its fleet of service rigs and coil tubing rigs. In addition, Essential provides services through a fleet of nitrogen and fluid pumpers, rod rigs, hybrid coil tubing drilling rigs and other ancillary well servicing equipment.

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenue				
Service rigs	\$ 9,607	\$ 8,392	\$ 33,480	\$ 27,728
Coil tubing rigs	7,139	4,026	17,545	9,790
Other	6,618	3,324	12,549	8,866
Total revenue	23,364	15,742	63,574	46,384
Operating expenses	24,259	14,059	53,753	34,961
Gross margin	\$ (895)	\$ 1,683	\$ 9,821	\$ 11,423
Gross margin % <sup>(1)</sup>	(4)%	11%	15%	25%

### Canada

<b>Service Rigs</b>				
Number of rigs*	58	51	58	51
Number of operating hours	13,229	12,259	41,939	37,387
Utilization	27%	26%	45%	41%
<b>Coil Tubing Rigs</b>				
Number of rigs*	48	32	48	32
Number of operating hours	7,882	7,712	18,927	18,708
Utilization – deep	37%	33%	51%	57%
Utilization – shallow/intermediate	18%	29%	26%	34%
<b>Hybrid Coil Tubing Drilling Rigs</b>				
Number of rigs*	5	-	5	-
Number of operating days	71	-	71	-
Utilization	47%	-	47%	-

\*Fleet data represents the number of rigs at the end of the period in Essential's Canadian operations.

The results for the well servicing segment were more severely impacted by the extremely wet conditions in the second quarter as these operations are more restricted by road bans due to the nature of the equipment fleet. Additionally, forest fires in northern Alberta reduced the ability of our fleets to operate in that region.

Service rig utilization remained consistent with the same quarter in the prior year as demand for oil-based and liquids-rich natural gas activity in the WCSB continued to be strong. The increase in service rig revenue over the prior year during the second quarter is a result of the Technicoil Acquisition and the

resultant increase in fleet size. A significant amount of work was delayed during the second quarter as the extended spring break up and unusually wet operating conditions throughout the WCSB limited access to many sites.

Revenue for the coil tubing operations significantly increased in the second quarter and for the year-to-date compared to the same periods in 2010. This is a direct result of the Technicoil Acquisition and Essential's capital program which increased the depth capacity of the coil tubing fleet and expanded Essential's ability to meet the growing demand for intermediate and deep coil tubing rigs in the Bakken, Viking, Cardium and Montney resource plays. Essential's average coil tubing pricing has improved as a result of the increased depth capacity combined with the continued use of coil tubing rigs to perform nitrogen stimulation work.

Throughout 2011, Essential experienced increased operating costs related to attracting and retaining a skilled labour force. In addition, escalating costs of fuel and supplies combined with increased repair and maintenance costs related to maintaining a larger working fleet of equipment in 2011 than in 2010 resulted in downward margin pressures.

Pricing increases during the first half of 2011 have been restricted as a result of commitments made with exploration and production companies during 2010. As these commitments expire, Essential remains committed to increasing its pricing in an effort to recover the increased cost profile of operations.

The positive impact of the Technicoil Acquisition is not apparent in the results reported for the current year as the reported results include only one month of Technicoil's operations. The Technicoil Acquisition enables the Company to expand its capability to service long-reach horizontal wells utilizing coil tubing rigs which has become increasingly in demand throughout the WCSB.

#### **SEGMENT RESULTS - DOWNHOLE SERVICES & RENTALS**

Essential provides downhole tools and equipment rentals and wireline services through the Downhole Services & Rentals business segment.

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenue				
Conventional downhole tools & rentals	\$ 8,839	\$ 5,037	\$ 21,661	\$ 14,087
Tryton MSFS	7,195	3,104	16,418	5,465
Downhole tools & rentals	16,034	8,141	38,079	19,552
Wireline services	1,081	1,311	5,242	5,478
Total revenue	17,115	9,452	43,321	25,030
Operating expenses	12,993	7,712	31,429	18,325
Gross margin	\$ 4,122	\$ 1,740	\$ 11,892	\$ 6,705
Gross margin % <sup>(1)</sup>	24%	18%	27%	27%

The downhole tools & rentals operations continued to generate significantly better operating results over the prior year. The results for these operations were less impacted by the adverse operating conditions as they are not as restricted by road bans and primarily provide service to drilling rigs which remained on site and continued working during the second quarter. The results from the Tryton MSFS business exceeded management's expectations as the market for servicing horizontal wells continues to grow. Additionally, the conventional downhole tool business has improved as activity levels have increased. Essential's tubular and pipe rentals business, which primarily offers products related to conventional oil and gas drilling, continued to benefit from the improved drilling activity over the prior year.

**GENERAL AND ADMINISTRATIVE**

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
General and administrative expenses	\$ 3,214	\$ 2,737	\$ 6,465	\$ 5,667
As a % of revenue	8%	11%	6%	8%

General and administrative expenses are comprised of wages, professional fees, office space and other administrative costs incurred at the corporate and operations level. The increase in general and administrative costs in 2011 is due to the Technicoil Acquisition and the reinstatement of wage reductions and certain compensation programs which had been eliminated as part of the cost reduction measures that had commenced in the first quarter of 2009 and were reinstated in the second half of 2010. General and administrative costs have declined as a percentage of revenue due to the increased size and nature of the Company's operations after the acquisition.

**DEPRECIATION AND AMORTIZATION**

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Depreciation and amortization expense	\$ 4,047	\$ 2,997	\$ 7,555	\$ 6,253

The increase in the second quarter of 2011 was due to capital expenditures made over the last year and the acquisition of Technicoil and the resultant increased capital asset and intangible asset bases.

**TRANSACTION COSTS**

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Transaction costs	\$ 2,397	\$ -	\$ 2,397	\$ -

Transaction costs for the current year of \$2.4 million represents the costs incurred by Essential to complete the Technicoil Acquisition during the quarter and is comprised primarily of credit facility, legal and consulting fees.

**INCOME TAXES**

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Current income tax expense	\$ 239	\$ -	\$ 239	\$ -
Deferred income tax expense (recovery)	\$ (1,999)	\$ (525)	\$ 517	\$ 576

Essential recorded a deferred income tax recovery of \$2.0 million and an expense of \$0.5 million for the three and six months ended June 30, 2011, compared to a recovery of \$0.5 million and an expense of \$0.6 million for the same periods in 2010.

## WORKING CAPITAL

(Thousands)	June 30, 2011	June 30, 2010
Current assets	\$ 66,558	\$ 37,468
Current liabilities, excluding current portion of long-term debt	(31,155)	(11,652)
Working capital	\$ 35,403	\$ 25,816
Working capital ratio	2.1:1	3.2:1

The increase in working capital is a result of higher revenue over the prior year and the acquisition of Technicoil.

## CREDIT FACILITY

Essential's Credit Facility (the "Credit Facility") with its banking syndicate is comprised of a \$20 million revolving operating loan and a \$80 million revolving term loan facility with a \$35 million accordion feature. The \$20 million revolving operating loan matures on May 31, 2012, is renewable annually at the lender's consent and is limited to 75% of Essential's accounts receivable less specific items. The \$80 million revolving term loan facility matures on May 31, 2012, is renewable annually at the lender's consent and is limited to 60% of Essential's carrying value of property and equipment less certain indebtedness as defined in the Credit Facility agreement. To the extent the revolving term loan facility is not renewed, debt payments would be required over a two year period based on a three year amortization schedule. At June 30, 2011, the maximum of \$100 million was available to Essential.

As at June 30, 2011, all financial debt covenants were satisfied and all banking requirements were up to date. Essential does not anticipate any financial resource or liquidity issues to restrict its future operating, investing or financing activities. On August 10, 2011, Essential had long-term debt outstanding of \$77.0 million.

## EQUIPMENT EXPENDITURES

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
<u>Canada</u>				
Well Servicing	\$ 5,767	\$ 5,807	\$ 10,286	\$ 6,705
Downhole Services & Rentals	1,461	405	3,129	686
Corporate	348	462	425	629
	<b>7,576</b>	6,674	<b>13,840</b>	8,020
<u>Colombia</u>				
Well Servicing	2,401	-	4,139	-
	<b>2,401</b>	-	<b>4,139</b>	-
Total equipment expenditures	<b>9,977</b>	6,674	<b>17,979</b>	8,020
Less proceeds on disposal of property and equipment	(1,404)	(431)	(2,351)	(770)
Net equipment expenditures <sup>(1)</sup>	\$ 8,573	\$ 6,243	\$ 15,628	\$ 7,250

During the second quarter capital expenditures related primarily to continued improvements to the existing fleet and the fluid pumpers build program. During the first half of 2011, capital expenditures also include the completion of a conventional deep coil tubing rig. The improved industry activity levels have resulted in increased equipment expenditures over 2010 as Essential continues to improve and expand its equipment fleet to better service deeper horizontal well activity.

The capital expenditure program for 2011 was increased to \$56 million subsequent to the Technicoil Acquisition. In addition to the completion of the fluid pumper build program, Essential has committed to building an additional three mastod coil tubing rigs, four high-rate nitrogen pumpers and a large well bore service rig. These fleet additions reflect Essential's confidence in the oilfield services sector and its focus on well servicing through coil tubing and service rigs.

Essential classifies its equipment expenditures as growth capital<sup>(1)</sup>, maintenance capital<sup>(1)</sup>, and infrastructure capital<sup>(1)</sup>; the latter category includes information systems, operational facilities and leasehold improvements. Comparative equipment expenditures are as follows:

(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
<b>Canada</b>				
Growth capital <sup>(1)</sup>	\$ 4,900	\$ 5,117	\$ 9,048	\$ 5,796
Maintenance capital <sup>(1)</sup>	1,929	1,073	3,713	1,573
Infrastructure capital <sup>(1)</sup>	747	484	1,079	651
	<b>7,576</b>	<b>6,674</b>	<b>13,840</b>	<b>8,020</b>
<b>Colombia</b>				
Growth capital <sup>(1)</sup>	2,401	-	3,673	-
Maintenance capital <sup>(1)</sup>	-	-	466	-
	<b>2,401</b>	<b>-</b>	<b>4,139</b>	<b>-</b>
	<b>\$ 9,977</b>	<b>\$ 6,674</b>	<b>\$ 17,979</b>	<b>\$ 8,020</b>

## CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective, January 1, 2011, Essential began reporting its financial results in accordance with IFRS. Prior period comparative amounts, including the opening statement of financial position at January 1, 2010, have been restated to reflect results as if Essential had always prepared its financial statements using IFRS.

## OUTLOOK

Activity for the second half of 2011 is expected to be stronger than the prior year and the industry focus on oil and liquids-rich natural gas plays through horizontal well drilling, stimulation and completion technology is expected to continue. Many of the exploration and production companies have recently increased their 2011 capital budgets on the expectation that oil prices will remain relatively strong throughout the remainder of the year. This is expected to continue to drive demand for oilfield services. Additionally, adverse weather conditions throughout the second quarter have created a backlog of service work to be completed in future periods. However, global economic events of the past few days have created uncertainties that may impact demand for services in the industry.

With the Technicoil Acquisition, Essential is a larger and more competitive oilfield service company with an increased focus on coil tubing well service. Demand for the coil tubing fleet is expected to continue as almost half of Essential's coil tubing rigs service horizontal and lateral wells and resource plays. With the assets acquired from Technicoil, the fleet has an increased depth capacity which is beneficial as deeper rigs are in higher demand and offer higher priced services. Management is focused on integration of the Technicoil businesses and expects to realize corporate cost savings and operating efficiencies during 2011.

Demand for downhole tools services are anticipated to continue to expand as relatively strong oil prices continue to strengthen drilling and completion activity. In addition, the Tryton MSFS is expected to remain a high growth area for Essential as it supports fracturing operations that are high in demand with the increase in horizontal well activity.

Reflecting management's confidence in the oilfield service sector, Essential announced an increased capital spending budget in June, 2011. The incremental spending focuses on deep coil tubing, nitrogen pumpers, which provide support for the coil tubing fleet, and a large well bore service rig for SAGD (oilsands) purposes. Essential has committed build spots and equipment delivery is expected to occur in 2012 and 2013.

At a time of increased resource development activity in the industry, Essential is strategically positioned to provide a full complement of oilfield services that are expected to remain in high demand during the second half of 2011.

## <sup>(1)</sup>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 earnings and net earnings per share in accordance with IFRS, Essential believes that certain measures not recognized under IFRS assist both Essential and the reader in assessing performance and understanding Essential's results. Each of these measures provides the reader with additional insight into Essential's ability to fund principal debt repayments and capital programs. As a result, the method of calculation may not be comparable with other companies. These measures should not be considered alternatives to net earnings and net earnings per share as calculated in accordance with IFRS.

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

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

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

Funds flow or funds flow from 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 increases in revenue. Growth capital is considered to be a key measure as it represents the total expenditures on equipment expected to add incremental revenues and funds flow to Essential.

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

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

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

**ESSENTIAL ENERGY SERVICES LTD.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(unaudited)*

<i>(Thousands)</i>	<b>As at June 30 2011</b>	As at December 31 2010
<b>Assets</b>		
Current		
Cash	\$ -	\$ 2,392
Trade and other receivables	47,739	40,160
Inventories	15,922	10,587
Prepayments	2,552	2,677
Income taxes recoverable	345	-
	<b>66,558</b>	55,816
Non-current		
Property and equipment	199,748	109,830
Intangible assets	46,912	3,122
Goodwill	56,725	-
Deferred tax assets	1,074	5,155
	<b>304,459</b>	118,107
<b>Total assets</b>	<b>\$ 371,017</b>	<b>\$ 173,923</b>
<b>Liabilities</b>		
Current		
Bank indebtedness	\$ 4,073	\$ -
Trade and other payables	26,963	23,444
Current portion of long-term debt	6,469	333
Current portion of equity taxes	119	-
	<b>37,624</b>	23,777
Non-current		
Long-term debt	56,990	63
Equity taxes	359	-
Deferred tax liability	18,719	-
	<b>76,068</b>	63
<b>Total liabilities</b>	<b>113,692</b>	23,840
<b>Equity</b>		
Share capital	257,344	150,798
Accumulated deficit	(2,447)	(2,223)
Other reserves	2,222	1,205
Equity attributable to shareholders of Essential	<b>257,119</b>	149,780
Non-controlling interest	206	303
<b>Total equity</b>	<b>257,325</b>	150,083
<b>Total liabilities and equity</b>	<b>\$ 371,017</b>	<b>\$ 173,923</b>

**ESSENTIAL ENERGY SERVICES LTD.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)**  
*(unaudited)*

<i>(Thousands, except per share amounts)</i>	For the three months ended		For the six months ended	
	2011	June 30, 2010	2011	June 30, 2010
Revenue	\$ 40,479	\$ 25,194	\$ 106,895	\$ 71,414
Operating expenses	37,402	22,044	87,166	54,884
Gross margin	3,077	3,150	19,729	16,530
General and administrative expenses	3,214	2,737	6,465	5,667
	(137)	413	13,264	10,863
Depreciation and amortization	4,047	2,997	7,555	6,253
Share-based compensation	409	82	714	391
Equity taxes	-	-	478	-
Other (income) expense	849	3	1,228	(127)
Operating profit (loss)	(5,442)	(2,669)	3,289	4,346
Transaction costs	2,397	-	2,397	-
Finance costs	372	322	492	561
Net income (loss) before income tax	(8,211)	(2,991)	400	3,785
Income taxes				
Current expense	239	-	239	-
Deferred expense (recovery)	(1,999)	(525)	517	576
Total income tax expense (recovery)	(1,760)	(525)	756	576
Net income (loss) for the period	(6,451)	(2,466)	(356)	3,209
Other comprehensive income:				
Unrealized foreign exchange gain on foreign operations	422	-	687	-
Deferred income tax on unrealized foreign exchange	(253)	-	(343)	-
Total comprehensive income for the period	169	-	344	-
Comprehensive income (loss)	\$ (6,282)	\$ (2,466)	\$ (12)	\$ 3,209
Net income (loss) attributable to:				
Shareholders of Essential	\$ (6,364)	\$ (2,466)	\$ (116)	\$ 3,209
Non-controlling interests	(87)	-	(240)	-
	\$ (6,451)	\$ (2,466)	\$ (356)	\$ 3,209
Comprehensive income (loss) attributable to:				
Shareholders of Essential	\$ (6,216)	\$ (2,466)	\$ 193	\$ 3,209
Non-controlling interests	(66)	-	(205)	-
	\$ (6,282)	\$ (2,466)	\$ (12)	\$ 3,209
Earnings per share				
Basic and diluted, attributable to shareholders of Essential	\$ (0.07)	\$ (0.03)	\$ 0.00	\$ 0.05

**ESSENTIAL ENERGY SERVICES LTD.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
*(unaudited)*

<i>(Thousands)</i>	For the three months ended		For the six months ended	
	2011	June 30, 2010	2011	June 30, 2010
<b>Operating activities:</b>				
Net income (loss) for the period	\$ (6,451)	\$ (2,466)	\$ (356)	\$ 3,209
Non-cash adjustments to reconcile				
net income (loss) for the period to net cash flow:				
Depreciation and amortization	4,047	2,997	7,555	6,253
Deferred income tax expense (recovery)	(1,999)	(525)	517	576
Share-based compensation	409	82	714	391
Provision for impairment of trade receivables	61	32	214	185
Finance costs	372	322	492	561
(Gain) loss on disposal of assets	848	6	1,591	(125)
Operating cash flow before changes in working capital	(2,713)	448	10,727	11,050
Working capital adjustments:				
Decrease in trade and				
other accounts receivable before provision	21,971	16,131	6,096	2,822
Increase in inventories	(1,966)	(960)	(3,036)	(193)
(Increase) decrease in prepayments	366	(1,022)	311	(688)
(Increase) decrease in current taxes	239	-	239	-
Increase (decrease) in trade and				
other accounts payable	(14,489)	(2,081)	(11,417)	2,221
Increase in equity taxes	-	-	478	-
Net cash flows from operating activities	3,408	12,516	3,398	15,212
<b>Investing activities:</b>				
Purchase of property and equipment	(9,977)	(6,674)	(17,979)	(8,020)
Business acquisitions	(56,582)	-	(56,582)	-
Proceeds on disposal of equipment	1,404	431	2,351	770
Change in non-cash working capital	800	11	-	11
Net cash flows used in investing activities	(64,355)	(6,232)	(72,210)	(7,239)
<b>Financing activities:</b>				
Increase (decrease) in long-term debt	55,841	(388)	62,837	(16,906)
Issuance of share capital, net of costs	3	37	6	13,850
Finance costs	(372)	(322)	(492)	(561)
Change in non-cash working capital	-	(175)	-	-
Net cash flows from (used in) financing activities	(55,472)	(848)	62,351	(3,617)
Foreign exchange gain on cash held in a foreign currency	(1)	-	(4)	-
Change in cash	(5,476)	5,436	(6,465)	4,356
Cash, beginning of the period	1,403	-	2,392	1,080
Cash (bank indebtedness), end of period	\$ (4,073)	\$ 5,436	\$ (4,073)	\$ 5,436

## **ABOUT ESSENTIAL**

Essential is a growth-oriented corporation that provides oilfield services to oil and gas producers in western Canada and Colombia for servicing producing wells and new drilling activity. Essential provides services through its Well Servicing and Downhole Services & Rentals divisions. Essential operates the largest coil tubing well service fleet in Canada and has 50 coil tubing rigs and a fleet of 59 service rigs. Essential sells, rents and services downhole tools and equipment including the Tryton Multi-Stage Fracturing System. Further information about Essential can be found at [www.essentialenergy.ca](http://www.essentialenergy.ca).

## **FORWARD-LOOKING STATEMENT AND INFORMATION**

This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, this news release contains forward-looking statements including expectations regarding capital spending, in-service dates of new equipment, expectations regarding the impact of recent equipment purchases, the expected benefits from the Technicoil Acquisition including certain combined financial and operational information, expectations of future cash flow and earnings, expectations with respect to the demand for and price of oil and natural gas including natural gas storage levels, expectations regarding the level and type of drilling and production activity in the Western Canadian Sedimentary Basin, expectations regarding the demand for services as a result of the backlog of completion work, expectations regarding the business, operations and revenues of the Company in addition to general economic conditions, expectations regarding the customer demand for services and equipment in Colombia, expectations regarding production in Colombia, expectations that the royalty structure in Colombia will continue to support further exploration and development and expectations that Colombia's anticipated production increase will come from increasing production of current wells through stimulation and workover programs.

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

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

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

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