



Information Regarding the Canadian Tax Implications for Shareholders of Technicoil Corporation

FORMER TECHNICOIL SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE SPECIFIC TAX CONSEQUENCES OF THE ARRANGEMENT TO THEIR CIRCUMSTANCES.

Canadian Tax Implications

On May 31, 2011 Essential completed the acquisition of Technicoil Corporation ("Technicoil") 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, Technicoil shareholders received, for each Technicoil common share held, 0.7111 of a common share of Essential and \$0.80 cash.

The tax consequences for a resident Canadian Technicoil shareholder are outlined starting on page 60 (page 84 of 286) of the [Joint Information Circular](#) ("Information Circular") dated May 4, 2011.

In summary, the cash portion is taxable as a capital gain or loss in 2011. Assuming the shareholder does not sell their shares in 2011, the shareholder has the option to recognize the tax consequences of the share portion in 2011 or defer the tax consequences to a future year when the shareholder sells the Essential shares that were received in exchange for the Technicoil shares.

Terms and Provisions

Certain relevant terms and provisions of the Arrangement as described in the Information Circular:

- "Weighted Average Trading Price of an Essential Share" is \$2.0448
- "Cash Ratio" is 35.49%
- "Share Ratio" is 64.51%
- Cash consideration paid for each Technicoil share is \$0.80
- Share consideration paid for each Technicoil share is 0.7111 of an Essential share

Adjusted Cost Base

The adjusted cost base of the cash portion and the share portion is determined by applying the Cash Ratio (35.49%) and the Share Ratio (64.51%) to the shareholder's adjusted cost base of Technicoil shares.

Example

Assume a Canadian resident Technicoil shareholder owned 10,000 shares of Technicoil on May 31, 2011.

Assumptions:

Number of Technicoil shares held	10,000
Adjusted cost base of Technicoil shares	\$9,000
Per share adjusted cost base	\$0.90

Calculation of Tax Consequences – Cash Portion:

Proceeds of disposition (10,000 shares * \$0.80)	\$8,000.00
Adjusted cost base (10,000 shares * \$0.90 * 35.49%)	<u>3,194.10</u>
Capital gain (loss)	\$4,805.90

Calculation of Tax Consequences – Share Portion (assuming deferral of taxes):

Essential shares received (10,000 shares * 0.7111)	7,111
Proceeds of disposition (10,000 shares * \$0.90 * 64.51%)	\$5,805.90
Adjusted cost base (10,000 shares * \$0.90 * 64.51%)	<u>5,805.90</u>
Capital gain (loss)	\$0.00

In this case, the adjusted cost base going forward is \$5,805.90 on 7,111 Essential shares

Calculation of Tax Consequences – Share Portion (assuming no deferral of taxes):

Essential shares received (10,000 shares * 0.7111)	7,111
Proceeds of disposition (10,000 shares * 0.7111 * \$2.0448)	\$14,540.57
Adjusted cost base (10,000 shares * \$0.90 * 64.51%)	<u>5,805.90</u>
Capital gain (loss)	\$8,734.67

In this case, the adjusted cost base going forward is \$14,540.57 on 7,111 Essential shares