Essential Energy Services Announces Fourth Quarter and Year End Financial Results and Its 2022 Capital Budget

CALGARY, Alberta, March 09, 2022 (GLOBE NEWSWIRE) -- Essential Energy Services Ltd. (TSX: ESN) ("Essential" or the "Company") announces fourth quarter and year financial results and its 2022 capital budget.

SELECTED INFORMATION

(in thousands of dollars except per share and percentages)	For the three months ended December 31,		For the years ended December 31,		
	2021	2020	**2021**	2020	2019
Revenue	**$ 35,104**	$ 24,554	**$ 121,208**	$ 96,173	$ 141,133
Gross margin	**5,105**	5,810	**23,228**	20,418	26,055
Gross margin %	**15%**	24%	**19%**	21%	18%
EBITDAS (1)	**2,423**	4,105	**15,181**	13,530	16,975
EBITDAS % (1)	**7%**	17%	**13%**	14%	12%
Net loss(i)	**(4,469)**	(4,226)	**(11,397)**	(16,810)	(1,556)
Per share - basic and diluted	**$ (0.03)**	$ (0.03)	**$ (0.08)**	$ (0.12)	$ (0.01)
Operating hours					
Coiled tubing rigs	**7,630**	7,047	**31,489**	28,468	38,752
Pumpers	**10,228**	9,242	**42,305**	35,977	48,773

	As at December 31,		
	2021	2020	2019
Working capital (1)	**$ 45,290**	$ 47,502	$ 47,151
Cash	**6,462**	6,082	846
Long-term debt	**-**	53	6,563

(i) The year ended December 31, 2020 includes an impairment loss of $10.3 million.

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

INDUSTRY OVERVIEW

Industry activity and commodity prices continued to exhibit strength in the fourth quarter of 2021, well ahead of the same prior year quarter. The price of West Texas Intermediate ("WTI") averaged US$77.33 per barrel in the fourth quarter of 2021. Canadian natural gas prices ("AECO") averaged $4.47 per gigajoule during the fourth quarter of 2021, the highest prices experienced in the last 7 years.

Commodity price-driven exploration and production ("E&P") company cash flow increases were significant in 2021. These funds have generally been applied to debt reduction and returning cash to shareholders through dividends and share repurchases.

Fourth quarter 2021 saw Canada's highest inflation rate since the early 1990s[a] which has increased overall cost structures. E&P companies generally have been reluctant to accept improved pricing for oilfield services; instead they have continued to focus on maximizing their own financial performance. Current oilfield service pricing is insufficient to generate appropriate returns relative to rising operational costs.

HIGHLIGHTS

Revenue for Essential for the three months ended December 31, 2021 was $35.1 million, $10.6 million higher than the same prior year quarter as a result of increased activity due to improved industry conditions.

Fourth quarter EBITDAS[1] was $2.4 million, $1.7 million lower than the same prior year period due to no funding in the fourth quarter of 2021 from the Canadian Emergency Wage Subsidy, Canadian Emergency Rent Subsidy and the Employee Retention Tax Credit program and Paycheque Protection Program in the U.S. (collectively, "Government Subsidy Programs"), compared to $2.0 million in the fourth quarter of 2020, and increased operating costs. While activity improved in the fourth quarter of 2021, customer pricing was not sufficient to offset rising operating costs, which negatively impacted EBITDAS[(1)].

Key operating highlights included:

- Essential Coil Well Service ("ECWS") fourth quarter 2021 revenue was $15.1 million, an increase of $2.1 million compared to the same prior year period due to improved activity. Gross margin was $2.1 million, $1.5 million lower than the prior year quarter due to no funding from Government Subsidy Programs and higher operating costs.
- Tryton fourth quarter 2021 revenue was $20.0 million, $8.5 million higher than the same prior year period due to significantly increased activity in the quarter. Compared to the fourth quarter of 2020, Multi-Stage Fracturing System ("MSFS®") revenue increased as customers increased spending on completion activities. Conventional tool revenue also improved as customer spending increased on production and abandonment activities. Gross margin was $3.3 million, $0.5 million higher than the prior year period due to higher activity, offset by no funding from Government Subsidy Programs and higher operating costs.

On November 25, 2021, Essential amended its credit facility. The credit facility has a maturity date of November 30, 2024 and allows Essential to borrow up to $25.0 million (the "Credit Facility").

For the year ended December 31, 2021, Essential reported revenue of $121.2 million, $25.0 million higher than the prior year due to higher activity. For the year ended December 31, 2021, EBITDAS[(1)] was $15.2 million, $1.7 million higher than the prior year due to improved activity, offset by lower funding from Government Subsidy Programs and increased operating costs. For the year ended December 31, 2021, Essential received $4.4 million in funding under Government Subsidy Programs compared to $7.3 million in 2020.

Cash and Working Capital[(1)]

At December 31, 2021, Essential continued to be in a strong financial position with cash of $6.5 million and working capital[(1)] of $45.3 million. On March 9, 2022 Essential had $1.5 million of cash net of long-term debt. The decrease in cash since December 31, 2021 is largely due to working capital[(1)] changes.

RESULTS OF OPERATIONS

Segment Results – *Essential Coil Well Service*

	For the three months ended December 31,		For the years ended December 31,	
(in thousands of dollars, except percentages, hours and fleet data)	**2021**	2020	**2021**	2020
Revenue	**$ 15,134**	$ 13,059	**$ 59,253**	$ 53,623
Operating expenses	**13,020**	9,447	**48,221**	39,296
Gross margin	**$ 2,114**	$ 3,612	**$ 11,032**	$ 14,327
Gross margin %	**14%**	28%	**19%**	27%
Operating hours				
Coiled tubing rigs	**7,630**	7,047	**31,489**	28,468
Pumpers	**10,228**	9,242	**42,305**	35,977
Active equipment fleet (i) (ii)				
Coiled tubing rigs	**12**	11	**12**	11
Fluid pumpers	**10**	9	**10**	9
Nitrogen pumpers	**4**	4	**4**	4
Total equipment fleet (i) (iii)				
Coiled tubing rigs	**25**	29	**25**	29
Fluid pumpers	**13**	19	**13**	19
Nitrogen pumpers	**6**	8	**6**	8

(i) Fleet data represents the number of units at the end of the period. Crewed equipment is less than active equipment.
(ii) In January 2022, one additional quintuplex fluid pumper went into service.
(iii) Total equipment fleet was reduced in the third quarter of 2021 for shallow coiled tubing rigs and lower capacity pumpers which are no longer expected to be reactivated.

ECWS revenue for the three months ended December 31, 2021 was $15.1 million, an increase of $2.1 million compared to the same prior year period. Higher activity as a result of improved industry conditions and higher revenue per operating hour both contributed to increased revenue in the current quarter. During the fourth quarter of 2021, ECWS experienced modest price increases from customers mainly related to partial cost recovery; however, price increases accepted by customers to date have been quite nominal. The majority of the increase in revenue per operating hour was due to the nature of the work performed during the quarter compared to the same prior year period.

Gross margin for the fourth quarter 2021 was $2.1 million, $1.5 million lower than the same prior year period. Higher operating costs related to wages, fuel and repairs & maintenance ("R&M"), combined with no funding received under Government Subsidy Programs, resulted in lower gross margin in the quarter. Customer pricing improvements were nominal in the quarter and were not sufficient to cover the inflationary increase of operating costs, further compressing gross margin. Fourth quarter 2021 gross margin percentage was 14% compared to 28% in the same prior year period.

During the fourth quarter of 2021, ECWS activated the first of two quintuplex fluid pumpers acquired at the beginning of 2021. The second quintuplex fluid pumper went into service in January 2022.

For the year ended December 31, 2021, ECWS revenue was $59.3 million, $5.6 million higher than the prior year due to increased industry activity. Gross margin was $11.0 million, $3.3 million lower than the prior year primarily due to lower funding received from Government Subsidy Programs and higher operating costs in the current year. Gross margin percentage was 19% in the current year, lower than the 27% in the prior year.

Segment Results – *Tryton*

(in thousands of dollars, except percentages)	For the three months ended December 31, **2021**	**2020**	For the years ended December 31, **2021**	**2020**
Revenue	**$ 19,970**	$ 11,495	**$ 61,955**	$ 42,550
Operating expenses	**16,703**	8,759	**49,202**	34,761
Gross margin	**$ 3,267**	$ 2,736	**$ 12,753**	$ 7,789
Gross margin %	**16%**	24%	**21%**	18%
Tryton revenue - % of revenue				
Tryton MSFS®	**45%**	33%	**35%**	35%
Conventional Tools & Rentals	**55%**	67%	**65%**	65%

Tryton fourth quarter 2021 revenue was $20.0 million, an increase of $8.5 million compared to the same prior year period. Fourth quarter 2021 Tryton MSFS® revenue increased, compared to the prior year period, as customers increased spending on completion activities. Conventional tool revenue also improved compared to the prior year period as customer spending increased on production and abandonment activities due to improved industry conditions.

Gross margin for the fourth quarter of 2021 was $3.3 million, $0.5 million higher than the prior year due to a significant increase in activity offset by no funding received from Government Subsidy Programs. Gross margin in the quarter was further compressed by increased operating costs, primarily related to inventory and wages, and the inability to pass these increased costs onto customers in the form of higher prices. Fourth quarter 2021 gross margin percentage was 16%, compared to 24% in the same prior year period.

For the year ended December 31, 2021, Tryton revenue was $62.0 million, $19.4 million higher than 2020 due to improved industry conditions. Gross margin was $12.8 million, $5.0 million higher than the prior year as a result of significantly higher activity, offset by increased wages and inventory costs along with lower funding received under Government Subsidy Programs. As a percentage of revenue, gross margin improved to 21%, compared to 18% in the prior year as fixed costs were spread over a larger revenue base.

Purchase of Property and Equipment

(in thousands of dollars)	For the three months ended December 31, **2021**	**2020**	For the years ended December 31, **2021**	**2020**
ECWS	**$ 1,375**	$ 124	**$ 5,620**	$ 1,125
Tryton	**836**	165	**1,888**	770
Corporate	**10**	-	**72**	49
Purchase of property and equipment	**2,221**	289	**7,580**	1,944
Less proceeds on disposal of equipment	**$ (259)**	$ (246)	**$ (1,351)**	$ (2,280)
Net equipment expenditures (proceeds) [(1)]	**$ 1,962**	$ 43	**$ 6,229**	$ (336)

Essential classifies its purchase of property and equipment as growth capital[(1)] and maintenance capital[(1)]:

(in thousands of dollars)	For the three months ended December 31, **2021**	**2020**	For the years ended December 31, **2021**	**2020**

Growth capital [1]	**$**	**970**	$	-	**$**	**3,807**	$	-
Maintenance capital [1]		**1,251**		289		**3,773**		1,944
Purchase of property and equipment	**$**	**2,221**	$	289	**$**	**7,580**	$	1,944

For the twelve months ended December 31, 2021, Essential's growth capital spending primarily related to the acquisition and refurbishment of two quintuplex fluid pumpers in ECWS and the purchase of specialty drill pipe in Tryton. One quintuplex fluid pumper went into service during the fourth quarter 2021 and the second quintuplex fluid pumper went into service in January 2022. For the twelve months ended December 31, 2021, Essential's maintenance capital spending was focused on costs incurred to maintain the active fleet.

For each of 2021 and 2020, asset dispositions primarily related to the sale of redundant, old or obsolete assets such as pickup trucks, shallow coiled tubing rigs and older, low capacity fluid and nitrogen pumpers. These assets had nominal value to the ongoing operations of Essential.

2022 Capital Budget

Essential's 2022 capital budget was set at $6 million for the purchase of property and equipment and relates to spending on maintenance activities. Essential will continue to monitor fleet activity and industry opportunities and adjust its spending as appropriate. The 2022 capital budget is expected to be funded with cash, operational cashflow and, if needed, the Credit Facility.

OUTLOOK

During the fourth quarter of 2021, the price for each of WTI and AECO continued to strengthen and both have further improved in early 2022. With these strong commodity prices, the outlook for industry drilling and completion activity in 2022 is optimistic. Industry analysts are generally projecting that E&P company spending in the Western Canadian Sedimentary Basin will be higher in 2022 than 2021 with the price of oil trading at its highest level since 2008. Strong commodity prices and the constant degradation effect of well declines is expected to drive an increase in spending on drilling and completions in the coming year.

Continuing with the theme established during 2021, although E&P company cash flows have been significant, this surplus cash flow has generally been applied to debt reduction and returning funds to shareholders through dividends and share repurchases. This is expected to continue into the foreseeable future. The industry E&P capital reinvestment ratio in Canada (capital spending as a percentage of cash flow) for 2021 was only 34% [b], compared to approximately 69% [b] over the past 5 years, and well over 100% [b] before 2017. This ratio is anticipated to remain similar in 2022 compared to 2021. However, as debt is reduced or eliminated, E&P companies may shift some of their focus back to incremental growth and well development spending.

During 2021, cost inflation of wages, fuel, inventory and R&M activities increased Essential's cost structure and is continuing into 2022. Cost inflation in Canada has been significant and general inflation recently passed 5% [c] in January 2022 for the first time since September 1991. As well, there is concern that supply chain disruptions could further increase costs in the oilfield services sector in the year. Given inflation risk and rising costs, current oilfield service pricing is insufficient for Essential to generate appropriate returns or support the expansion of crews and activation of additional equipment.

So far, E&P companies have been reluctant to accept pricing increases for oilfield services other than nominal cost recovery for components such as fuel, as E&P companies seek to maximize financial performance by controlling costs. Even at today's activity levels, the oilfield services sector in Canada is experiencing labor shortages. Retaining and attracting personnel to the oilfield services sector is a challenge in today's market. Logical supply-demand dynamics suggest the need for future price increases as E&P companies compete for limited oilfield service crews and equipment.

To date, first quarter 2022 activity has been relatively steady and ahead of activity in the same prior year quarter. However, despite improved activity, gross margin percentage is expected to be reduced compared to first quarter 2021 as a result of no government subsidies in 2022, combined with increased operating costs primarily driven by inflation and minimal improvements in customer pricing.

ECWS has the industry's largest active and total deep coiled tubing fleet. This includes ECWS's eight coiled tubing rigs with capacity greater than 6,500 meters, which the Company estimates is more than one third of the Canadian industry fleet for this type of specialized completions equipment. With the addition of two quintuplex fluid pumpers, ECWS's active fleet includes 12 coiled tubing rigs and 11 fluid pumpers. ECWS is not crewing this entire active fleet. Maintenance of an active fleet above what is currently crewed allows customers to have access to preferred, efficient equipment for differing completion techniques and formation/well pad needs. As the industry continues to recover, ECWS has additional inactive equipment available for reactivation.

With the expected industry completions activity recovery in 2022, Tryton anticipates increased demand for its MSFS® completion downhole tools. Tryton's conventional downhole tool business in each of Canada and the U.S. is also expected to improve.

Essential is well-positioned to benefit from the anticipated service-industry recovery cycle. Essential's strengths include its well-trained workforce, industry leading coiled tubing fleet, value-adding downhole tool technologies and sound financial footing. As industry activity improves, Essential will focus on obtaining appropriate pricing for its services. Essential is committed to meeting the growing demands of its key customers, the continued focus on ESG initiatives, maintaining its strong financial position and developing its cash flow generating businesses. On March 9, 2022, Essential had cash net of long-term debt of $1.5 million. Essential's ongoing financial stability is a strategic advantage as the industry continues to transition into a period of expected growth.

The fourth quarter and year end 2021 Management's Discussion and Analysis ("MD&A") and Financial Statements are available on Essential's website at www.essentialenergy.ca and on SEDAR at www.sedar.com.

[1]Non-IFRS and Other Financial Measures

Certain specified financial measures in this news release, including "EBITDAS", "EBITDAS %", "growth capital", "maintenance capital", "net equipment expenditures" and "working capital", do not have a standardized meaning as prescribed under International Financial Reporting Standards ("IFRS"). These measures should not be used as an alternative to IFRS measures because they may not be comparable to similar financial measures used by other companies. These specified financial measures used by Essential are further explained in the Non-IFRS and Other Financial Measures section of the MD&A (available on the Company's profile on SEDAR at www.sedar.com), which section is incorporated by reference herein.

EBITDAS and EBITDAS % – EBITDAS is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other companies. EBITDAS % is a non-IFRS ratio and is calculated as EBITDAS divided by total revenue. Management believes that in addition to net 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, 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 results from its principal business activities. EBITDAS % is used as a supplemental financial measure by management to evaluate cost efficiency.

The following table reconciles EBITDAS to net loss:

(in thousands of dollars)	For the three months ended December 31, **2021**	For the three months ended December 31, 2020	For the years ended December 31, **2021**	For the years ended December 31, 2020
EBITDAS	**$ 2,423**	$ 4,105	**$ 15,181**	$ 13,530
Share-based compensation expense	**2,307**	2,536	**7,653**	2,107
Other (income) expense	**(61)**	593	**(31)**	(211)
Impairment loss	**-**	-	**-**	10,293
Depreciation and amortization	**4,268**	4,729	**17,874**	19,141
Finance costs	**370**	446	**1,071**	1,604
Loss before income tax	**$ (4,461)**	$ (4,199)	**$ (11,386)**	$ (19,404)
Income tax expense (recovery)	**8**	27	**11**	(2,594)
Net loss	**$ (4,469)**	$ (4,226)	**$ (11,397)**	$ (16,810)

The following table calculates EBITDAS %:

(in thousands of dollars, except percentages)	For the three months ended December 31, **2021**	For the three months ended December 31, 2020	For the years ended December 31, **2021**	For the years ended December 31, 2020
EBITDAS	**$ 2,423**	$ 4,105	**$ 15,181**	$ 13,530
Revenue	**$ 35,104**	$ 24,554	**$ 121,208**	$ 96,173
EBITDAS %	**7%**	17%	**13%**	14%

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of dollars)	**As at December 31, 2021**	As at December 31, 2020
Assets		
Current		
Cash	**$ 6,462**	$ 6,082
Trade and other accounts receivable	**29,341**	22,026
Inventory	**31,111**	32,157
Prepayments and deposits	**1,826**	1,625
	68,740	61,890
Non-current		
Property and equipment	**81,532**	89,460
Right-of-use lease asset	**8,814**	8,513
	90,346	97,973
Total assets	**$ 159,086**	$ 159,863

Liabilities				
Current				
Trade and other accounts payable	**$**	**14,399**	$	8,905
Share-based compensation		**4,115**		1,369
Income taxes payable		**23**		25
Current portion of lease liability		**4,913**		4,089
		23,450		14,388
Non-current				
Share-based compensation		**6,188**		3,443
Long-term debt		**-**		53
Long-term lease liability		**6,622**		7,801
		12,810		11,297
Total liabilities		**36,260**		25,685
Equity				
Share capital		**272,732**		272,732
Deficit		**(156,607)**		(145,210)
Other reserves		**6,701**		6,656
Total equity		**122,826**		134,178
Total liabilities and equity	**$**	**159,086**	$	159,863

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

		For the years ended December 31,		
(in thousands of dollars, except per share amounts)		**2021**		2020
Revenue	**$**	**121,208**	$	96,173
Operating expenses		**97,980**		75,755
Gross margin		**23,228**		20,418
General and administrative expenses		**8,047**		6,888
Depreciation and amortization		**17,874**		19,141
Share-based compensation expense		**7,653**		2,107
Impairment loss		**-**		10,293
Other income		**(31)**		(211)
Operating loss		**(10,315)**		(17,800)
Finance costs		**1,071**		1,604
Loss before taxes		**(11,386)**		(19,404)
Current income tax expense		**11**		30
Deferred income tax recovery		**-**		(2,624)
Income tax expense (recovery)		**11**		(2,594)
Net loss		**(11,397)**		(16,810)
Unrealized foreign exchange gain		**35**		295
Comprehensive loss	**$**	**(11,362)**	$	(16,515)
Net loss per share				
Basic and diluted	**$**	**(0.08)**	$	(0.12)
Comprehensive loss per share				
Basic and diluted	**$**	**(0.08)**	$	(0.12)

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)	For the years ended December 31, **2021**	2020
Operating Activities:		
Net loss	**$ (11,397)**	$ (16,810)
Non-cash adjustments to reconcile net loss to operating cash flow:		
Depreciation and amortization	**17,874**	19,141
Deferred income tax recovery	**-**	(2,624)
Share-based compensation	**10**	22
(Recovery) provision for impairment of trade receivable	**(525)**	1,100
Finance costs	**1,071**	1,604
Impairment loss	**-**	10,293
Gain on disposal of assets	**(88)**	(399)
Funds flow	**6,945**	12,327
Changes in non-cash operating working capital:		
Trade and other accounts receivable before provision	**(6,747)**	1,571
Inventory	**960**	4,236
Income taxes payable	**(2)**	(7)
Prepayments and deposits	**(201)**	164
Trade and other accounts payable	**5,377**	(2,353)
Share-based compensation	**5,491**	884
Net cash provided by operating activities	**11,823**	16,822
Investing Activities:		
Purchase of property and equipment	**(7,580)**	(1,944)
Non-cash investing working capital in trade and other accounts payable	**120**	(257)
Proceeds on disposal of equipment	**1,351**	2,280
Net cash (used in) provided by investing activities	**(6,109)**	79
Financing Activities:		
Decrease in long-term debt	**(53)**	(6,697)
Finance costs paid	**(377)**	(543)
Payments of lease liability	**(4,895)**	(4,422)
Net cash used in financing activities	**(5,325)**	(11,662)
Foreign exchange loss on cash held in a foreign currency	**(9)**	(3)
Net increase in cash	**380**	5,236
Cash, beginning of year	**6,082**	846
Cash, end of year	**$ 6,462**	$ 6,082

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”, “anticipates”, “believes”, “focus”, “forecast”, “forward”, “projects”, “maintain”, “intends”, “estimates”, “continues”, “future”, “outlook”, “opportunity”, “aim”, “probable”, “seek”, “budget”, “ongoing” and similar expressions, or are events or conditions that “will”, “would”, “may”, “likely”, “could”, “should”, “can”, “typically”, “traditionally” or “tends to” occur or be achieved. This news release contains forward-looking statements, pertaining to, among other things, the following: the carrying values of Essential’s assets and liabilities; Essential’s capital spending budget and expectations of how it will be funded; general economic activity; oil and natural gas industry and oilfield services sector activity and outlook; the impact of E&P cashflow increases, the deployment of incremental cash flow and E&P capital spending; the industry E&P capital reinvestment ratio in Canada; oilfield service pricing, including the possible implications of current pricing on future growth; the Company’s capital management strategy and financial position; Essential’s strengths, focus, outlook, activity levels, cost structure, gross margin percentage, impact of inflation, supply chain implications, active and inactive equipment, market share and crew counts; and Essential’s cash position as a strategic advantage.

The forward-looking statements contained in this news release reflect several material factors and expectations and assumptions of Essential including, without limitation: the potential impact of the COVID-19 pandemic on Essential; 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 Annual Information Form ("AIF") (a copy of which can be found under Essential's profile on SEDAR at www.sedar.com); a significant expansion of COVID-19 pandemic and the impacts thereof; 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 higher degree of 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 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.

ABOUT ESSENTIAL

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

Notes:
(a) Source: Bank of Canada – Consumer Price Index
(b) Source: ARC Energy Charts – February 28, 2022
(c) Source: Bank of Canada – Consumer Price Index – January 2022

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

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