Essential Energy Services Announces Fourth Quarter and Year End Results and Approval of Advance Notice Requirements

CALGARY, Alberta, March 06, 2019 (GLOBE NEWSWIRE) -- Essential Energy Services Ltd. (TSX: ESN) ("Essential" or the "Company") announces fourth quarter and year end results.

SELECTED INFORMATION

(in thousands of dollars except per share, percentages, hours and fleet data)	For the three months ended December 31, 2018	2017	For the years ended December 31, 2018	2017	2016
Revenue	**$ 41,186**	$ 43,262	**$ 189,894**	$ 175,908	$ 97,527
Gross margin	**5,261**	4,522	**32,681**	31,924	7,787
Gross margin %	**13%**	10%	**17%**	18%	8%
Adjusted EBITDAS[1] from continuing operations	**2,140**	1,153	**20,169**	18,609	(4,415)
Net loss from continuing operations[(i)(ii)]	**(13,654)**	(3,843)	**(8,778)**	(3,024)	(62,622)
Per share – basic and diluted	**(0.10)**	(0.03)	**(0.06)**	(0.02)	(0.48)
Net loss[(i)(ii)]	**(13,654)**	(3,843)	**(8,778)**	(3,354)	(90,629)
Per share – basic and diluted	**(0.10)**	(0.03)	**(0.06)**	(0.02)	(0.70)
Operating hours					
Coil tubing rigs	**8,262**	11,215	**46,979**	48,425	32,306
Pumpers	**12,146**	14,581	**63,058**	60,857	37,022

	As at December 31, 2018	2017	2016
Total assets	**$ 201,270**	$ 219,448	$ 209,270
Long-term debt	**21,388**	17,975	11,250
Equipment fleet[(iii)]			
Coil tubing rigs	**29**	30	31
Pumpers	**27**	26	32

(i) The fourth quarter and year ended December 31, 2018 includes an onerous lease contract expense of $0.5 million. The year ended December 31, 2016 includes an onerous lease contract expense of $4.8 million.
(ii) The fourth quarter and year ended December 31, 2018 includes an asset write-down of $17.9 million. The year ended December 31, 2016 includes an impairment loss of $51.2 million.
(iii) Fleet data represents the number of units at the end of the period.

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

INDUSTRY OVERVIEW

2018 Canadian oil and natural gas activity was lower than 2017 as political, regulatory and market access issues continued to restrict investment in the Canadian oil and natural gas industry. Well completions, a key indicator of industry activity in the Western Canadian Sedimentary Basin ("WCSB") declined 14% and 5% for the three months and year ended December 31, 2018, respectively, compared to the same prior year periods. In 2018, West Texas Intermediate ("WTI") oil prices averaged U.S. $65 per barrel compared to U.S. $51 per barrel in 2017. Canadian exploration and production ("E&P") companies did not realize this price appreciation, as the differential between WTI and Western Canadian Select ("WCS") widened during 2018. Canadian natural gas prices as measured by the AECO benchmark averaged $1.53 per MMBTU in 2018 compared to $2.19 per MMBTU in 2017.

During the fourth quarter 2018, amid concerns over the global economy slowing and excess world oil supply, WTI price dropped from U.S. $75 per barrel at the beginning of the quarter to U.S. $45 per barrel by December 31, 2018. This was compounded in Canada as increased oil production and market access constraints resulted in oil inventories in the WCSB nearing record storage volumes in the second half of 2018 causing the Canadian oil price differential to increase. The price for WCS fell to U.S. $12.59 per barrel on November 13, 2018 and the differential between WCS and the WTI averaged U.S. $29 per barrel for the fourth quarter 2018. Oil price volatility resulted in E&P companies reducing spending due to market uncertainty.

At the beginning of December 2018, the provincial government intervened in the oil market in Alberta announcing that it would temporarily require the largest oil producers to curtail production beginning on January 1, 2019, with the goal to reduce WCSB inventories and support higher Canadian oil prices. Unfortunately, such provincial government intervention in the Alberta oil market added to uncertainty in the Canadian oil industry, further restricting E&P investment.

HIGHLIGHTS

Fourth Quarter 2018

Revenue for the three months ended December 31, 2018 was $41.2 million, a 5% decrease from the fourth quarter 2017, primarily due to lower Essential Coil Well Service ("ECWS") activity partially offset by stronger Tryton revenue. Adjusted EBITDAS[(1)] was $2.1 million, a $1.0 million increase compared to the prior year period.

Key operating highlights included:

- ECWS gross margin was $0.5 million higher compared to the fourth quarter 2017. Despite a revenue decrease of $3.7 million, ECWS successfully balanced crew retention with cost management during a period of slower activity.

- Tryton revenue was $22.9 million, a 7% increase compared to the fourth quarter 2017 due to higher Canadian Multi-Stage Fracturing System® ("MSFS®") revenue and continued Tryton U.S. revenue growth, particularly in the Permian Basin.

- ECWS's first retrofitted Generation IV coil tubing rig successfully completed several jobs during the quarter, validating this rig's new design and engineering. Management, crews and customers are pleased with the performance of this lighter rig that has the capacity to reach 7,200 meters.

Year 2018

Revenue was $189.9 million, $14.0 million higher than prior year despite the industry slowdown. Adjusted EBITDAS[(1)] was $20.2 million, a $1.6 million increase from 2017.

Key operating highlights included:

- ECWS revenue increased $5.6 million, primarily due to demand for Essential's Generation III coil tubing rigs and quintuplex fluid pumpers, which are well-suited for deep horizontal wells, particularly in the Montney and Duvernay regions of the WCSB.

- Tryton revenue increased $8.4 million due to strong demand for conventional tools in Canada used for production and decommissioning work and continued Tryton U.S. revenue growth, particularly in the Permian Basin.

- Essential's capital expenditures were $15.7 million, comprised of $6.1 million of growth capital and $9.6 million of maintenance capital. Growth capital was targeted at equipment to service long-reach horizontal wells, and included the completion of two quintuplex fluid pumpers, a retrofitted Generation IV coil tubing rig, a nitrogen pumper and costs to begin upgrading a coil tubing reel trailer.

At December 31, 2018, Essential was financially well positioned with debt outstanding of $21.4 million and funded debt[(1)] to bank EBITDA[(1)] of 1.04x. Working capital[(1)] was $60.8 million at December 31, 2018, exceeding long-term debt by $39.4 million. In 2018, the Company renewed and extended its revolving secured credit facility (the "Credit Facility") to June 30, 2021 and increased the commitment to $50 million. On March 6, 2019, Essential had $10.7 million of debt outstanding, lower than the balance at December 31, 2018, primarily due to timing of customer payments and reduced spending.

The Company recognized a write-down of assets of $17.9 million in the fourth quarter 2018. Uncertainty related to political, regulatory and market access issues in the Canadian oil and natural gas industry significantly increased in the fourth quarter 2018. This uncertainty negatively impacted the operating and financial outlook for Canadian E&P and oilfield service companies, including Essential. As a result, Essential reduced the future demand and cash flow expectations, and the fair value of certain coil tubing rigs, fluid and nitrogen pumpers. With the initial success of the first retrofitted Generation IV coil tubing rig, Essential also reduced the fair value of the remaining Generation IV coil tubing rigs to acknowledge that certain components of the original Generation IV design have been rendered obsolete by the design and engineering improvements incorporated into the retrofit program.

RESULTS OF OPERATIONS

Segment Results – *Essential Coil Well Service*

(in thousands of dollars, except percentages, hours and fleet data)	For the three months ended December 31, 2018	2017	For the years ended December 31, 2018	2017
Revenue	$ 18,334	$ 22,002	$ 99,513	$ 93,896
Operating expenses	16,858	21,072	84,501	79,314
Gross margin	$ 1,476	$ 930	$ 15,012	$ 14,582
Gross margin %	8%	4%	15%	16%

Operating hours

Coil tubing rigs	8,262	11,215	46,979	48,425
Pumpers	12,146	14,581	63,058	60,857
Equipment fleet (i)				
Coil tubing rigs	29	30	29	30
Fluid pumpers	19	18	19	18
Nitrogen pumpers	8	8	8	8

(i) Fleet data represents the number of units at the end of the period.

ECWS fourth quarter 2018 revenue was $18.3 million, 17% lower than the same prior year period due to lower activity from key customers. Declining oil prices, weak natural gas prices, political, regulatory and market access uncertainty all factored into lower Canadian industry activity in the fourth quarter 2018, compared to the same period in the prior year. Generation III coil tubing rigs and quintuplex fluid pumpers had the highest utilization in the fleet as this equipment is well-suited for horizontal deep wells in the WCSB where key customers worked. The retrofitted Generation IV coil tubing rig was well received by customers and crews, successfully completing several jobs during the quarter in the Montney and Duvernay regions, validating its design and engineering. Pricing remained consistent with the fourth quarter 2017 and the first nine months of 2018 with fluctuations in revenue per hour due to type of work.

Fourth quarter gross margin was 8%, an improvement from the same period in the prior year. With continued focus on balancing crew retention with cost management, ECWS incurred lower labour costs in the fourth quarter 2018 compared to the same period in 2017. This was partially offset by higher repairs and maintenance costs and increased fuel prices.

2018 revenue was $99.5 million, a $5.6 million increase compared to 2017. Demand for ECWS's Generation III coil tubing rigs, quintuplex fluid pumpers and nitrogen pumpers exceeded 2017 activity. Gross margin was 15%, consistent with the prior year as the contribution from increased revenue was offset by higher repairs and maintenance costs and fuel prices. Increased repairs and maintenance costs were primarily the result of an increase in fluid-end replacements on the fluid pumpers due to higher pressure work on long-reach horizontal wells. ECWS was not able to recover these cost increases from customers through service price increases due to competitive pressures.

Segment Results – *Tryton*

(in thousands of dollars, except percentages)	For the three months ended December 31, 2018	2017	For the years ended December 31, 2018	2017
Revenue	$ 22,852	$ 21,260	$ 90,381	$ 82,012
Operating expenses	18,831	17,074	71,095	62,555
Gross margin	$ 4,021	$ 4,186	$ 19,286	$ 19,457
Gross margin %	18%	20%	21%	24%
Tryton revenue – % of revenue				
Tryton MSFS®	43%	44%	45%	49%
Conventional Tools & Rentals	57%	56%	55%	51%

Fourth quarter 2018 revenue was $22.9 million, a 7% increase compared to the fourth quarter 2017 due to higher Canadian MSFS® revenue and continued Tryton U.S. growth, particularly in the Permian Basin. As Canadian oil and natural gas industry uncertainty increased through the fourth quarter 2018, with volatile and declining prices, Tryton Canada's activity declined as well.

2018 Tryton revenue was $90.4 million, an $8.4 million increase compared to the prior year, as Tryton experienced year-over-year revenue growth in both its Canadian and U.S. downhole tool operations. In Canada, Tryton's growth was driven by increased customer spending on production and decommissioning services and continued strong performance by Tryton Canada's MSFS® business. In the U.S., Tryton's revenue continued to grow, particularly in the Permian Basin. The increase in Tryton's revenue without a corresponding increase in gross margin was due to lower contribution from the higher margin rentals business in 2018 compared to 2017 and lower pricing in Tryton's U.S. operations in an effort to expand its customer base.

Write-down of Assets

(in thousands of dollars)	For the three months ended December 31, 2018	2017	For the years ended December 31, 2018	2017
Write-down of assets	$ 17,921	$ -	$ 17,921	$ -

The Company recognized a write-down of assets of $17.9 million in the fourth quarter 2018. Uncertainty related to political, regulatory and market access issues in the Canadian oil and natural gas industry significantly increased in the fourth quarter 2018. This uncertainty negatively impacted the operating and financial outlook for Canadian E&P and oilfield service companies, including Essential. As a result, Essential reduced the future demand and cash flow expectations for, and the recoverable amount of certain coil tubing rigs, fluid and nitrogen pumpers. With the initial success of the first retrofitted Generation IV coil tubing rig, Essential also reduced the carrying value of the remaining Generation IV coil tubing rigs to acknowledge that certain components of the original Generation IV design have been rendered obsolete by the design and engineering improvements incorporated into the retrofit program.

Equipment Expenditures

	For the three months ended December 31,		For the years ended December 31,	

(in thousands of dollars)		2018		2017		2018		2017
ECWS	$	3,418	$	4,448	$	12,288	$	15,880
Tryton		1,174		1,808		3,029		3,991
Corporate		15		34		353		348
Total equipment expenditures		4,607		6,290		15,670		20,219
Less proceeds on disposal of property and equipment		(1,993)		(891)		(5,083)		(2,660)
Net equipment expenditures[1]	$	2,614	$	5,399	$	10,587	$	17,559

Essential classifies its equipment expenditures as growth capital[1] and maintenance capital[1]:

		For the three months ended December 31,				For the years ended December 31,		
(in thousands of dollars)		2018		2017		2018		2017
Growth capital[1]	$	1,892	$	4,521	$	6,103	$	11,382
Maintenance capital[1]		2,715		1,769		9,567		8,837
Total equipment expenditures	$	4,607	$	6,290	$	15,670	$	20,219

2018 growth capital included completion of two quintuplex fluid pumpers, a nitrogen pumper, a retrofitted Generation IV coil tubing rig and costs to begin upgrading an existing coil tubing reel trailer, offering Generation IV rig capability when paired with a Generation II coil tubing rig. The quintuplex fluid pumpers support Essential's deep coil tubing fleet working on long-reach horizontal wells where greater pumping capacity is required due to the depths and pressures of these wells.

The retrofitted Generation IV coil tubing rig successfully completed several jobs in the Montney and Duvernay regions during the fourth quarter 2018, validating its design and engineering. This rig was converted from a masted rig to a conventional rig and is well-suited for deep horizontal wells in the Montney and Duvernay. The rig is lighter than the original Generation IV coil tubing rig design allowing ease of movement between work sites. It has a quick-change reel system for efficiency with higher injector capacity required for deeper horizontal wells. Using 2 ⅜ inch coil, the retrofitted rig can reach 7,200 meters when the coil is transported on the rig and up to 9,400 meters if the coil is transported separately.

Given the uncertain outlook for oil and natural gas activity in the WCSB, Essential's 2019 capital budget is $6 million, primarily for maintenance capital. The budget includes costs to finish upgrading a coil tubing reel trailer so it can work with a Generation II conventional coil tubing rig and achieve the same depth capacity as a Generation IV coil tubing rig.

PATENT LITIGATION

As announced on November 3, 2017, Essential successfully defended itself against a patent litigation initiated by Packers Plus Energy Services Inc. ("Packers Plus"). Subsequent to the Federal Court of Canada (the "Court") ruling that the asserted patent was not valid and that Essential did not infringe the patent (the "Decision"), Packers Plus filed an appeal (the "Appeal") with the Federal Court of Appeal (the "Appeal Court"). The filing of an appeal from a trial judgment is very common and does not diminish the significance of the Decision.

The Appeal Court heard the Appeal on February 6, 2019 but has not released its ruling on the Appeal. The timing of the release of a decision by the Appeal Court is unknown.

To have any claim of damages against Essential, Packers Plus must successfully overturn all three of the following independent elements of the Decision:

1. The asserted patent is invalid due to prior disclosure;
2. The asserted patent is invalid due to prior art/obviousness; and
3. Essential did not infringe the patent.

Based on the findings made by the trial judge and the strength of the written judgment in support of the Decision, Essential continues to believe the Appeal is without merit.

As part of the November 3, 2017 Decision, the Court awarded costs in favor of Essential. Over the past five years, Essential incurred significant defence costs with respect to this litigation. A hearing date for cost recovery has been scheduled for May 10, 2019. The timing of release of a decision with regard to cost recovery is unknown.

OUTLOOK

The Canadian oil and natural gas industry continues to be challenged by political, regulatory and market access issues. These issues, along with the Alberta government's mandated production curtailments and commodity price uncertainty, have resulted in reduced E&P capital spending plans for 2019, compared to 2018. In January 2019, the Petroleum Services Association of Canada revised their 2019 WCSB drilling forecast to reflect a 25% decrease in the number of wells drilled compared to 2018. With lower industry activity and excess oilfield service equipment in the WCSB, it remains a challenge for Essential to balance crew retention, equipment maintenance and other escalating costs with competitive pricing pressures and sporadic activity.

To date in the first quarter, Essential has experienced activity and revenue slightly below 2018 in ECWS and Tryton. However, unlike March 2018, activity in March 2019 is expected to slow. Beyond spring break-up, activity and demand remains uncertain. Essential is focused on what it can control in this environment: cost management, capital discipline, ensuring its service offerings meet customer demand and allocating free cash flow to reduce debt.

From a cost management perspective, since late in the fourth quarter of 2018, Essential has been focused on reducing fixed costs including compensation reductions, employee layoffs and a shop closure, among other initiatives. Essential's 2019 capital budget is prudent at $6 million and is primarily for maintenance capital. ECWS's active coil tubing rig count has been reduced as maintaining a smaller active fleet results in lower support costs and maintenance capital requirements.

ECWS's upgraded coil tubing reel trailer was completed and went to the field in February 2019, offering Generation IV rig capability when paired with a Generation II coil tubing rig. The first retrofitted Generation IV coil tubing rig went to work in the fourth quarter 2018 and continued to be busy into the first quarter. These rigs are excellent additions to the existing deep fleet of Generation III coil tubing rigs that, along with the quintuplex fluid pumpers, are ideally suited to work on long-reach horizontal wells, particularly in the Montney and Duvernay regions.

Essential continues to have low debt with debt outstanding at March 6, 2019 of $10.7 million. At the end of 2018, debt to bank EBITDA[(1)] was 1.04x. Essential believes it is financially well-positioned to meet its working capital and capital spending requirements.

The Management's Discussion and Analysis ("MD&A") and Financial Statements for the year ended December 31, 2018 are available on Essential's website at www.essentialenergy.ca and on SEDAR at www.sedar.com.

ADVANCE NOTICE REQUIREMENTS

Essential's Board of Directors has approved adoption of an advance notice requirement ("ANR"), among other changes, to the Company's By-law No. 1 ("Amended and Restated By-law") effective March 6, 2019. With the ANR, advance notice must be given to the Company by holders of common shares of Essential ("Shareholders") who wish to nominate directors at an annual general or special meeting of Shareholders. The ANR is similar to requirements adopted by many other Canadian public companies and was adopted to facilitate an orderly and efficient director nomination process by ensuring that all Shareholders receive adequate notice of director nominations and sufficient information in respect of all nominees so that the proposed nominees' qualifications and suitability as directors can be evaluated and an informed vote cast for the election of directors.

Among other things, the ANR fixes a deadline by which Shareholders must submit a notice of director nominations to the Company prior to any annual general or special meeting of Shareholders where directors are to be elected and sets forth the information that a Shareholder must include in the notice for it to be valid.

Shareholders will be asked to confirm the adoption of the Amended and Restated By-law at Essential's Annual General and Special Meeting on May 9, 2019 (the "Meeting"). If approved by ordinary resolution, the Amended and Restated By-law will remain in full force and effect after the Meeting. If not, it will terminate at the end of the Meeting and Corporation's previous By-law No. 1 will again become effective.

A copy of the Amended and Restated By-law has been filed and is available under Essential's profile at www.sedar.com. It is also available on Essential's website at www.essentialenergy.ca under "About Us" and "Governance".

[(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 and net loss 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 and net loss per share as calculated in accordance with IFRS.

Adjusted EBITDAS – This measure is EBITDAS adjusted for onerous lease contract expense. This measure is considered more relevant as it provides EBITDAS without the impact of non-recurring items.

Bank EBITDA – Bank EBITDA is generally defined in Essential's Credit Facility as EBITDAS from continuing operations, including the equity cure, excluding onerous lease contract expense and severance costs.

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 results from its principal business activities.

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 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 STATEMENTS OF FINANCIAL POSITION

	As at	As at

(in thousands of dollars)		December 31, 2018		December 31, 2017
Assets				
Current				
Cash	**$**	**410**	$	46
Trade and other accounts receivable		**35,775**		35,919
Inventories		**40,255**		35,683
Income taxes receivable		**-**		1,129
Prepayments and deposits		**2,174**		2,106
		78,614		74,883
Non-current				
Property and equipment		**118,249**		139,734
Intangible assets		**662**		1,387
Goodwill		**3,745**		3,444
		122,656		144,565
Total assets	**$**	**201,270**	$	219,448
Liabilities				
Current				
Trade and other accounts payable	**$**	**16,092**	$	22,504
Share-based compensation		**657**		1,498
Current portion of onerous lease contracts		**1,017**		710
		17,766		24,712
Non-current				
Long-term onerous lease contracts		**2,816**		3,432
Share-based compensation		**2,093**		4,397
Long-term debt		**21,388**		17,975
Deferred tax liabilities		**5,025**		8,129
		31,322		33,933
Total liabilities		**49,088**		58,645
Equity				
Share capital		**272,732**		272,732
Deficit		**(126,734)**		(117,956)
Other reserves		**6,184**		6,027
Total equity		**152,182**		160,803
Total liabilities and equity	**$**	**201,270**	$	219,448

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

(in thousands of dollars, except per share amounts)		For the years ended December 31, 2018		2017
Revenue	**$**	**189,894**	$	175,908
Operating expenses		**157,213**		143,984
Gross margin		**32,681**		31,924
General and administrative expenses		**12,512**		13,315
Onerous lease contract expense		**450**		-
Depreciation and amortization		**15,075**		15,774
Share-based compensation (recovery) expense		**(1,311)**		4,201
Write-down of assets		**17,921**		-
Other (income) expense		**(1,406)**		708
Operating loss from continuing operations		**(10,560)**		(2,074)
Finance costs		**1,259**		1,233
Loss before taxes from continuing operations		**(11,819)**		(3,307)
Current income tax expense (recovery)		**63**		(960)
Deferred income tax (recovery) expense		**(3,104)**		677
Income tax recovery		**(3,041)**		(283)
Net loss from continuing operations		**(8,778)**		(3,024)
Loss from discontinued operations, net of tax		**-**		(330)
Net loss		**(8,778)**		(3,354)
Unrealized foreign exchange (loss) gain from continuing operations		**(82)**		133
Other comprehensive (loss) gain		**(82)**		133

Comprehensive loss	**$**	**(8,860)**	$	(3,221)
Net loss per share from continuing operations				
Basic and diluted	**$**	**(0.06)**	$	(0.02)
Net loss per share				
Basic and diluted	**$**	**(0.06)**	$	(0.02)
Comprehensive loss per share				
Basic and diluted	**$**	**(0.06)**	$	(0.02)

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,			
(in thousands of dollars)		**2018**		2017
Operating activities:				
Net loss from continuing operations	**$**	**(8,778)**	$	(3,024)
Non-cash adjustments to reconcile net loss to operating cash flow:				
Depreciation and amortization		**15,075**		15,774
Deferred income tax (recovery) expense		**(3,104)**		677
Share-based compensation		**239**		457
Provision for impairment of trade accounts receivable		**100**		450
Finance costs		**1,259**		1,208
Onerous lease contract expense		**450**		-
Write-down of assets		**17,921**		-
Gain on disposal of assets		**(145)**		(176)
Operating cash flow before changes in non-cash operating working capital		**23,017**		15,366
Changes in non-cash operating working capital:				
Trade and other accounts receivable before provision		**(415)**		(7,714)
Inventories		**(4,572)**		(8,672)
Income taxes receivable		**1,129**		5,845
Prepayments and deposits		**(68)**		(339)
Trade and other accounts payable		**(5,779)**		3,589
Onerous lease contract		**(829)**		(621)
Share-based compensation		**(3,145)**		3,027
Net cash provided by operating activities from continuing operations		**9,338**		10,481
Investing activities:				
Purchase of property, equipment and intangible assets		**(15,670)**		(20,219)
Non-cash investing working capital in trade and other accounts payable		**(633)**		1,568
Proceeds on disposal of equipment		**5,083**		2,660
Net cash used in investing activities from continuing operations		**(11,220)**		(15,991)
Financing activities:				
Increase in long-term debt		**3,600**		6,650
Net finance costs paid		**(1,375)**		(1,124)
Net cash provided by financing activities from continuing operations		**2,225**		5,526
Foreign exchange gain on cash held in a foreign currency		**21**		10
Net increase in cash		**364**		26
Net decrease in cash, discontinued operations		**-**		(123)
Cash, beginning of period		**46**		143
Cash, end of period	**$**	**410**	$	46
Supplemental cash flow information				
Cash taxes received	**$**	**(1,064)**	$	(8,006)
Cash interest and standby fees paid	**$**	**947**	$	1,099

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”, “forecasts”, “potential”, “budget” and similar expressions, or are events or conditions that “will”, “would”, “may”, “likely”, “could”, “should”, “can”, “typically” or “tends to” occur or be achieved. This news release contains forward-looking statements, pertaining to, among other things, the following: the grounds upon which Packers Plus could have a successful claim for damages or other relief against Essential, Essential’s belief that the Appeal is without merit and the timing of the Appeal decision and the cost recovery process; Essential’s capital budget; oil and natural gas industry activity and outlook; political and regulatory uncertainty; Essential’s activity levels; equipment suitability; equipment retrofitting, capabilities of equipment retrofits; operating challenges with lower activity; Essential’s competitive position, operational focus, outlook and the demand for Essential’s services; Essential’s focus on what it can control and each of those elements; Essential’s financial position and ability to meet its working capital and capital spending requirements; and the ANR requires Shareholder approval at the Meeting.

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 (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, 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 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.

2018 FOURTH QUARTER AND YEAR END FINANCIAL RESULTS CONFERENCE CALL AND WEBCAST DETAILS

Essential has scheduled a conference call and webcast at 10:00 am MT (12:00 pm ET) on March 7, 2019.

The conference call dial in numbers are 416-340-2217 or 800-806-5484, passcode 5862383.

An archived recording of the conference call will be available approximately one hour after completion of the call until March 21, 2019 by dialing 905-694-9451 or 800-408-3053, passcode 8586584.

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

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

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