
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2018**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number **001-36909**

ECO-STIM ENERGY SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

20-8203420
(IRS Employer
Identification Number)

2930 W. Sam Houston Pkwy N., Suite 275, Houston, TX
(Address of principal executive offices)

77043
(Zip Code)

281-531-7200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted to its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Registration S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes No

The registrant had 74,873,477 shares of common stock outstanding at May 9, 2018. Excluded from the number of shares of Common Stock outstanding are 21,850 shares of treasury stock.

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Form 10-Q”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that we expect, project, believe or anticipate will or may occur in the future are forward-looking statements. When used in this Form 10-Q, the words “could,” “would,” “should,” “believe,” “anticipate,” “plan,” “intend,” “estimate,” “expect,” “project” and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. Our forward-looking statements are based on our current expectations and assumptions and currently available information. Forward-looking statements may include statements that relate to, among other things:

- our future financial and operating performance and results, including estimated revenue, margins, earnings or losses, or growth rates;
- our business strategy and budgets;
- our prospects and the plans and objectives of our management;
- future pricing and other conditions in the markets we serve;
- our efforts and ability to obtain future contracts and customers;
- our efforts and ability to renegotiate the terms of our existing contract in Argentina and enter into a new modified definitive agreement, or to otherwise exit our existing contract in Argentina, or to bid for new contracts in Argentina;
- our technology;
- our financial strategy;
- the amount, nature and timing of capital expenditures;
- competition and government regulations;
- future operating costs and other expenses;
- our cash flow and anticipated liquidity;
- our property and equipment acquisitions and sales; and
- our plans, forecasts, objectives, expectations and intentions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the anticipated future results or financial condition expressed or implied by the forward-looking statements. These risks, uncertainties and other factors include but are not limited to:

- the cyclical nature of the oil and natural gas industry;
- the potential for our customers to backward-integrate by starting their own well service operations or otherwise reduce the use of our services;
- the potential for excess capacity in the oil and natural gas service industry;

- dependence on the spending and drilling activity by the onshore oil and natural gas industry;
- competition within the oil and natural gas service industry;
- concentration of our customer base and fulfillment of existing customer contracts;
- our ability to maintain pricing and obtain contracts;
- deterioration of the credit markets;
- our ability to raise additional capital to fund future and committed capital expenditures;
- increased vulnerability to adverse economic conditions due to our incurrence of indebtedness;
- our limited operating history;
- our ability to obtain raw materials and specialized equipment;
- technological developments or enhancements;
- asset impairment and other charges;
- our ability to identify, make and integrate acquisitions;
- the control of Fir Tree Partners (together with its affiliated funds, “Fir Tree”) over matters subject to stockholder approvals;
- loss of key executives;
- the ability to employ and retain skilled and qualified workers;
- work stoppages and other labor matters;
- hazards inherent to the oil and natural gas industry;
- inadequacy of insurance coverage for certain losses or liabilities;
- delays in obtaining required permits;
- ability to import equipment or spare parts into Argentina on a timely basis;
- legislation and regulations affecting the oil and natural gas industry or aspects of our business, including future legislative and regulatory developments;
- legislation and regulatory initiatives relating to well stimulation;
- foreign currency exchange rate fluctuations;
- effects of climate change;
- volatility of economic conditions in Argentina;
- market acceptance of turbine pressure pumping technology;
- the profitability for our customers of shale oil and gas as commodity prices decrease;

- risks of doing business in Argentina and the United States;
- risks associated with the start-up of new business operations in new markets, such as the inability to hire sufficient qualified employees, obtain necessary machinery and equipment needed to conduct our operations and meet the needs of our customers, and our ability to obtain operating permits in time; and
- costs and liabilities associated with labor, employment, environmental, health and safety laws, including any changes in the interpretation or enforcement thereof.

For additional information regarding known material factors that could affect our operating results and performance, please read (1) “Risk Factors” in Part II—Item 1A of this Form 10-Q and “Part I—Item 1A—Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and (2) “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I—Item 2 of this Form 10-Q, as well as in Part II—Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. Should one or more of these known material risks occur, or should the underlying assumptions prove incorrect, our actual results, performance, achievements or other events could differ materially from those expressed or implied in any forward-looking statement. There also may be risks of which we are currently unaware.

We believe that it is important to communicate our expectations of future performance to our investors. However, events may occur in the future that we are unable to accurately predict, or over which we have no control. When considering our forward-looking statements, you should keep in mind the cautionary statements in this Form 10-Q, which provide examples of risks, uncertainties and events that may cause our actual results to differ materially from those contained in any forward-looking statement.

All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section and any other cautionary statements that may accompany such forward-looking statements. Except as otherwise required by applicable law, we disclaim any duty to revise or update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Form 10-Q.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only of our expectations based on known factors as of the date of the particular statement.

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ECO-STIM ENERGY SOLUTIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2018</u> <u>(Unaudited)</u>	<u>December 31, 2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,598,810	\$ 8,826,076
Accounts receivable	7,640,496	10,167,044
Inventory	3,435,004	3,699,245
Prepays	6,615,501	4,363,064
Other assets	<u>1,822,731</u>	<u>787,846</u>
Total current assets	22,112,542	27,843,275
Property, plant and equipment, net	<u>76,912,042</u>	<u>75,825,539</u>
Total assets	<u>\$ 99,024,584</u>	<u>\$ 103,668,814</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 24,651,857	\$ 17,110,691
Accrued expenses	5,117,979	4,820,774
Short-term notes payable	7,120,026	7,047,020
Current portion of capital lease payable	<u>639,336</u>	<u>836,855</u>
Total current liabilities	37,529,198	29,815,340
Non-current liabilities:		
Long-term notes payable	<u>1,023,276</u>	<u>1,172,712</u>
Total non-current liabilities	1,023,276	1,172,712
Commitment and contingencies		
Stockholders' equity		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized, none issued or outstanding at March 31, 2018 and none issued or outstanding at December 31, 2017	—	—
Common stock, \$0.001 par value, 200,000,000 shares authorized, 74,596,116 issued and 74,574,266 outstanding at March 31, 2018 and 74,599,749 issued and 74,577,899 outstanding at December 31, 2017	74,596	74,578
Additional paid-in capital	144,722,965	144,071,119
Treasury stock, at cost; 21,850 common shares at March 31, 2018 and at December 31, 2017	(57,469)	(57,469)
Accumulated deficit	<u>(84,267,982)</u>	<u>(71,407,466)</u>
Total stockholders' equity	60,472,110	72,680,762
Total liabilities and stockholders' equity	<u>\$ 99,024,584</u>	<u>\$ 103,668,814</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

ECO-STIM ENERGY SOLUTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Revenues	\$ 17,778,844	\$ 2,562,657
Operating cost and expenses:		
Cost of services	22,025,026	3,854,886
Selling, general, and administrative expenses	2,612,883	1,529,558
Depreciation and amortization expense	5,127,863	1,341,792
Total operating costs and expenses	29,765,772	6,726,236
Operating loss	(11,986,928)	(4,163,579)
Other income (expense):		
Interest expense	(420,690)	(1,590,458)
Other income (expense)	(452,898)	91,752
Total other income (expense)	(873,588)	(1,498,706)
Benefit for income taxes	—	633,260
Net loss	\$ (12,860,516)	\$ (5,029,025)
Basic and diluted loss per share	\$ (0.17)	\$ (0.34)
Weighted average number of common shares outstanding – basic and diluted	74,579,112	14,827,416

See accompanying notes to the unaudited condensed consolidated financial statements.

ECO-STIM ENERGY SOLUTIONS, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

	Common Stock		Additional	Treasury	Accumulated	Total
	Shares	Amount	Paid-in Capital	Stock	Deficit	
Balance at December 31, 2017	74,577,899	\$ 74,578	\$144,071,119	\$ (57,469)	\$ (71,407,466)	\$ 72,680,762
Stock based compensation, net of costs	18,217	18	651,846	—	—	651,864
Net loss	—	—	—	—	(12,860,516)	(12,860,516)
Balance at March 31, 2018	<u>74,596,116</u>	<u>\$ 74,596</u>	<u>\$144,722,965</u>	<u>\$ (57,469)</u>	<u>\$ (84,267,982)</u>	<u>\$ 60,472,110</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

ECO-STIM ENERGY SOLUTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Operating Activities		
Net loss	\$ (12,860,516)	\$ (5,029,025)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	5,127,863	1,341,792
Amortization of debt discount and loan origination cost	17,542	319,541
Stock based compensation	651,864	128,172
Changes in operating assets and liabilities:		
Accounts receivable	2,526,548	144,877
Inventory	264,241	(76,314)
Prepays and other assets	(3,201,908)	(1,039,737)
Accounts payable and accrued expenses	3,204,394	(551,546)
Net cash used in operating activities	(4,269,972)	(4,762,240)
Investing Activities		
Purchases of equipment	(1,535,887)	(3,652,475)
Net cash used in investing activities	(1,535,887)	(3,652,475)
Financing Activities		
Proceeds from sale of common stock, net	—	982,385
Proceeds from notes payable	2,150,602	19,565,983
Notes payable financing costs	—	(485,000)
Payments on notes payable and receivable facility	(2,356,948)	(2,041,514)
Payments on capital lease	(215,061)	(187,116)
Net cash provided (used by) by financing activities	(421,407)	17,834,738
Net increase (decrease) in cash and cash equivalents	(6,227,266)	9,420,023
Cash and cash equivalents, beginning of period	8,826,076	1,731,364
Cash and cash equivalents, end of period	\$ 2,598,810	\$ 11,151,387
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	\$ 220,625	\$ 175,282
Cash paid during the period for income taxes	\$ 178,738	\$ 52,950
Non-cash transactions		
Property, plant and equipment additions in accounts payable	\$ 4,633,973	\$ 174,277
Notes payable cost in accrued and accounts payable	\$ —	\$ 106,065
Notes payable settled through recapitalization	\$ —	\$ 22,000,000
Equipment purchased with notes payable	\$ 44,503	\$ —

See accompanying notes to the unaudited condensed consolidated financial statements.

ECO-STIM ENERGY SOLUTIONS, INC.

Notes to Unaudited Condensed Consolidated Financial Statements March 31, 2018 (Unaudited)

1 – Organization and Nature of Business

Eco-Stim Energy Solutions, Inc. (the “Company,” “Eco-Stim,” “we” or “us”) is a growth-oriented, technology-driven independent oilfield services company providing well stimulation, coiled tubing and field management services to the upstream oil and gas industry. We are focused on reducing the ecological impact and improving the economic performance of the well stimulation process in “unconventional” drilling formations. We currently offer our services to oil and natural gas exploration and production (“E&P”) companies in the United States and Argentina. Our focus is to bring our service offerings, technologies and processes to the most active shale resource basins both domestically and outside of North America using our technology to differentiate our service offerings.

2 – Basis of Presentation and Significant Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The accompanying condensed consolidated financial statements are unaudited and have been prepared from our books and records in accordance with Rule 10-1 of Regulation S-X for interim financial information. Accordingly, they do not include all the information and notes required by U.S. GAAP for complete financial statements. In the opinion of our management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of results of operations for a full year. These condensed consolidated financial statements should be read in conjunction with our Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017.

In the second quarter 2017, we began start-up of operations in the U.S. We now manage our business through operating segments aligned with our two geographical operating regions; Argentina and the U.S. We also report certain corporate and other non-operating activities under the heading “Corporate and Other”, which primarily reflects corporate personnel and activities, incentive compensation programs and other non-operational allocable costs. For financial information about our segments, see Note 9 - Segment Reporting.

Principles of Consolidation

We consolidate all wholly- owned subsidiaries, controlled joint ventures and variable interest entities where the Company has determined it is the primary beneficiary. All material intercompany accounts and transactions have been eliminated in consolidation. Our wholly- owned subsidiaries include: Viking Rock Holding, AS (100%), Viking Rock, AS (100% owned), Cherokee Rock, Inc. (100% owned), EcoStim, Inc. (100% owned), and EcoStim Energy Solutions Argentina, SA (100% owned).

Going Concern

The Company has incurred net losses and losses from operations since inception and may require additional capital to continue operations. As of March 31, 2018, the Company had cash and cash equivalents of approximately \$2.6 million and working capital deficit of approximately \$15.4 million. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

Management’s plans to alleviate substantial doubt include: (i) deploying all U.S. fleets at higher rates; (ii) securing a working capital facility to enhance liquidity and support growth; (iii) re-negotiating the contract with its largest customer in Argentina to eliminate certain third-party services which contributed negatively to the Company’s fleet level gross margins in Argentina during 2017; (iv) re-negotiating the contract with the Company’s largest customer in Argentina to improve utilization and reduce stand-by time, thus eliminating factors that have contributed to negative fleet level gross margin in Argentina; and, (v) raising additional capital for the Company.

As of May 11, 2018, the Company has all fleets deployed. In February 2018, the Company secured a receivable agreement designed to enhance liquidity and support growth as described in Note 7. The Company has engaged in negotiations with its customer in Argentina to seek modifications to the contract that would provide the Company with more favorable operating results. However, there can be no assurance that the Company’s efforts to renegotiate the terms of the contract will be successful, and the Company may continue to incur losses under the contract in the future. On April 2, 2018, the Company sold and issued 10,000 shares of Series A Preferred, providing \$10.0 million of gross proceeds and an estimated \$9.7 million of net proceeds after expenses to the Company as described in Note 10. Management believes the Company has the ability to continue as a going concern for twelve months from the date of filing of this 10-Q.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates are used in, but are not limited to, determining the following: allowance for doubtful accounts, recoverability of long-lived assets and intangibles, useful lives used in depreciation and amortization, tax valuation allowance and stock-based compensation. The accounting estimates used in the preparation of the condensed consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company’s operating environment changes.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains deposits in several financial institutions in both Argentina and the U.S. Funds held in the U.S. may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The Company has not experienced any losses related to amounts in excess of FDIC limits.

Revenue

The Company adopted Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers,” which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, effective January 1, 2018, using the modified retrospective method. As there was no material impact on the Company’s current revenue recognition processes, no retrospective adjustments were necessary. Further, there were no significant changes to the Company’s internal control over revenue recognition due to the Company’s adoption of ASU 2014-09.

Revenue is earned at a point in time when services are rendered, which is generally on a per stage basis for our well stimulation business or fixed daily rate for the Company’s coiled tubing operations. All revenue is recognized when a contract with a customer exists, the performance obligations under the contract have been satisfied, the amount to which the Company has the right to invoice has been determined and collectability of amounts subject to invoice is probable. The Company does not incur contract acquisition and origination costs. Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from revenues in the unaudited condensed consolidated statements of operations and net cash provided by operating activities in the unaudited condensed consolidated statements of cash flows.

The Company has elected the practical expedient to recognize revenue based upon the transactional value it has the right to invoice upon completion of each performance obligation per the contract terms, as the Company believes its right to consideration corresponds directly with the value transferred to the customer, and this expedient does not lend itself to the application of significant judgment. As a result of electing these practical expedients, there was no material impact on the Company’s current revenue recognition processes and no retrospective adjustments were necessary.

The Company’s obligations for refunds as well as the warranties and related obligations stated in its contracts with its customers are standard to the industry and are related to the correction of any defectiveness in the execution of its performance obligations.

The Company expenses sales costs and any commissions when incurred as the amortization period would have been one year or less.

Well Stimulation Revenue

The Company provides well stimulation services based on contractual arrangements, such as term contracts and pricing agreements, or on a spot market basis. Revenue is recognized upon completion of stimulation stages and includes the components of the services and the chemicals and proppants consumed while performing the well stimulation services. For our U.S. business, our performance obligations are defined as stages. In the case of our Argentina business, our performance obligations are defined as stages plus specific defined services noted within the contract. For both businesses, customers are invoiced upon the completion of each job, which consist of multiple stimulation stages.

Under term pricing agreement arrangements, customers commit to targeted utilization levels at agreed-upon pricing, but without termination penalties or obligations to pay for services not used by the customer. In addition, the agreed-upon pricing is typically subject to periodic review.

Spot market basis arrangements are based on an agreed-upon spot market rates.

Coiled Tubing Revenue

For our coiled tubing services, performance obligations are satisfied within a day, in line with day rates established by the contract. Jobs for these services are typically short term in nature, lasting anywhere from a few hours to a few days. Revenue is recognized upon completion of each job based upon a completed field ticket. The Company charges the customer for mobilization, services performed, personnel on the job, equipment used on the job, and miscellaneous consumables at agreed-upon spot market rates.

Disaggregation of Revenue

Revenue activities during the three months ended March 31, 2018 and 2017 were as follows:

	Three Months Ended	
	March 31,	
	2018	2017
Revenues by service type:		
Well stimulation	\$ 17,547,269	\$ 1,394,526
Coiled tubing	231,575	1,168,131
Total revenue	<u>\$ 17,778,844</u>	<u>\$ 2,562,657</u>

Contract Balances

In line with industry practice, the Company bills its customers for its services in arrears, typically when the stage or well is completed or at month-end. The majority of the Company's jobs are completed in less than 14 days. Furthermore, it is currently not standard practice for the Company to execute contracts with prepayment features. As such, the Company's contract liabilities are immaterial to its unaudited condensed consolidated balance sheets.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, other assets, accounts payable, accrued expenses, capital lease obligations and notes payable. The recorded values of cash and cash equivalents, accounts receivable, other assets, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The carrying value of capital lease obligations and notes payable approximate their fair value, and the interest rates approximate market rates.

Functional and Presentation Currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The Functional Currency for the Company's Norwegian and Argentine subsidiaries is the U.S. Dollar. The condensed consolidated financial statements are presented in U.S. Dollars, which is the Company's presentation currency.

Net Loss per Common Share

For the three months ended March 31, 2018 and 2017, the weighted average shares outstanding excluded certain stock options and potential shares from convertible debt of 2,763,382 and 30,269,987, respectively, from the calculation of diluted earnings per share because these shares would be anti-dilutive. As of June 20, 2017, the Company's convertible debt was converted into common stock at \$1.40 per share and therefore the Company no longer has any convertible debt outstanding. Anti-dilutive warrants of 100,000 for each of the three months ended March 31, 2018 and 2017 were also excluded from the calculation.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2018 presentation, with no material effect on the presentation of December 31, 2017 or March 31, 2017.

Accounts Receivable

Accounts receivable are stated at amounts management expects to collect from outstanding balances both billed and unbilled (unbilled accounts receivable represents amounts recognized as revenue for which invoices have not yet been sent to clients). Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. The Company evaluated all accounts receivable and determined that no reserve for doubtful accounts was necessary at March 31, 2018 or December 31, 2017.

Prepays and Other Assets

Prepaid expenses and other assets are primarily comprised of prepaid insurance, Argentinian value added tax and deposits made on equipment purchases.

Inventory

Inventories are stated at the lower of cost or net realizable value using the average cost method and appropriate consideration is given to deterioration, obsolescence and other factors in evaluating net realizable value.

Property, Plant and Equipment

Property, Plant and Equipment (“PPE”) is stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Expenditures for normal maintenance and repairs are expensed as incurred. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying consolidated statements of operations for the respective period.

The estimated useful lives of our major classes of PPE are as follows:

Major Classes of PPE	Estimated Useful Lives
Machinery and equipment	13 months-7 years
Vehicles	5 years
Leasehold improvements	5 years (or the life of the lease)
Furniture and office equipment	3-5 years

Leases

The Company leases certain equipment under lease agreements. The Company evaluates each lease to determine its appropriate classification as an operating or capital lease for financial reporting purposes. Any lease that does not meet the criteria for a capital lease is accounted for as an operating lease. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the related assets. Assets under capital leases are amortized using the straight-line method over the lease term. Amortization of assets under capital leases are included in depreciation expense.

Stock-Based Compensation

The Company accounts for its stock options, warrants, and restricted stock grants under the fair value recognition provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718. The Company currently uses the straight-line amortization method for recognizing stock option and restricted stock compensation costs. The measurement and recognition of compensation expense for all share-based payment awards made to our employees, directors or outside service providers are based on the estimated fair value of the awards on the grant dates. The grant date fair value is estimated using either an option-pricing model which is consistent with the terms of the award or a market observed price, if such a price exists. Such cost is recognized over the period during which an employee, director or outside service provider is required to provide service in exchange for the award, i.e., “the requisite service period” (which is usually the vesting period). The Company also estimates the number of instruments that will ultimately be earned, rather than accounting for forfeitures as they occur.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. ASC Topic 360 requires the Company to review long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or group of assets may not be recoverable. The impairment review includes a comparison of future cash flows expected to be generated by the asset or group of assets with their associated carrying value. If the carrying value of the asset or group of assets exceeds expected cash flows (undiscounted and without interest charges), an impairment loss is recognized to the extent that the carrying value exceeds the fair value. If estimated future cash flows are not achieved with respect to long-lived assets, additional write-downs may be required. During the three months ended March 31, 2018, the Company evaluated its long-lived assets for impairment and determined no impairment was necessary.

Major Customers and Concentration of Credit Risk

The majority of the Company's business from inception through the first quarter of 2017 was conducted with major and independent oil and natural gas companies in Argentina. For the three months ending March 31, 2018, 71% or \$12.7 million and 29% or \$5.1 million of our revenue is from the U.S. and Argentina, respectively. The Company evaluates the financial strength of its customers and provides allowances for probable credit losses when deemed necessary. The Company derives a large amount of revenue from a small number of major and independent oil and natural gas companies. At March 31, 2018, the Company had a concentration of receivables with two customers.

For the three months ended March 31, 2018 and 2017, two major customers accounted for approximately 99% and 93% of our services revenue, respectively. For the year ended December 31, 2017, two major customers represented 74% of our services revenue. Our accounts receivable at March 31, 2018 and 2017 were concentrated with two major customers representing 99% and 94%, respectively.

Income Taxes

Deferred income taxes are determined using the asset and liability method in accordance with ASC Topic 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income taxes are measured using enacted tax rates expected to apply to taxable income in years in which such temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income taxes is recognized in the consolidated statement of operations of the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

The Company is subject to U.S. federal and foreign income taxes along with state corporate income taxes in Texas and Oklahoma. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. At March 31, 2018, a valuation allowance has been established reducing any deferred tax asset as it was determined that it is more likely than not that the deferred tax asset will not be realized.

Further, the Fir Tree Transaction (see Item 2: "Liquidity and Capital Resources" for more information on the Fir Tree Transaction), resulted in a change in control and will likely limit the Company's ability to utilize net operating loss tax benefits due to limitations pursuant to Section 382 of the U.S. Tax Code. As of March 31, 2018 and December 31, 2017, there was no tax asset benefit recorded as a provision was made to fully reserve the benefit.

Recently Issued and Adopted Accounting Guidance

In May 2017, the FASB issued ASU No. 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting, which clarifies when modification accounting should be applied for changes to terms or conditions of a share-based payment award. This ASU is applied prospectively and is effective for fiscal years beginning after December 15, 2017, and interim periods within those years, with early adoption permitted. We adopted ASU 2017-09 in the first quarter of 2018, with such adoption having no material impact on the accompanying condensed consolidated financial statements.

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which replaced most existing revenue recognition guidance in U.S. GAAP when it became effective. This new standard requires us to recognize the amount of revenue to which we expect to be entitled for the transfer of promised goods or services to customers. We adopted the new standard using the modified retrospective application in the first quarter of 2018, with such adoption having no impact on the accompanying condensed consolidated financial statements and no cumulative effect adjustment was recognized.

Accounting Guidance Issued But Not Adopted as of March 31, 2018

On February 25, 2016, the FASB issued ASU 2016-02 Leases (Topic 842), which requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases. ASU 2016-02 will also require new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the effect this standard will have on its condensed consolidated financial statements.

3 – Accounts Receivable

Accounts receivable by category were as follows:

	March 31, 2018	December 31, 2017
Billed	\$ 2,791,993	\$ 4,439,637
Unbilled	4,848,503	5,727,407

Total accounts receivable	\$ 7,640,496	\$ 10,167,044
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Subsequent to March 31, 2018, the full amount from the U.S. and a majority amount from Argentina of the unbilled were invoiced.

Receivables Agreement. On February 8, 2018, we entered into a Recourse Receivables Purchase & Security Agreement (the “Receivables Agreement”) with Porter Capital Corporation (“Porter Capital” or “Buyer”). Under the terms of the Receivables Agreement, we may, from time to time, sell accounts receivable (“Accounts”) to Buyer in exchange for funds in an amount equal to 80% (or less as percentage is subject to credit limits established by Porter Capital) of the face amount of the applicable Account at the time of sale of the Account, with the remaining 20% of the face amount of the applicable Account to be held back as a required reserve amount to be paid to us following Buyer’s receipt of payment on the Account by the account debtor, less applicable fees and interest charges. The total face amount of outstanding Accounts purchased by Buyer under the Receivables Agreement may not exceed \$12.5 million.

Under the terms of the Receivables Agreement, we are obligated to pay interest on the face amount of the outstanding and unpaid Accounts purchased by Buyer, less the amount of the reserve account, at an interest rate equal to the Prime Rate (as defined in the Receivables Agreement) plus 8.25%. We are also obligated under the Receivables Agreement to pay certain fees, including a fee (the “Minimum Term Fee”) payable upon termination of the agreement in an amount equal to: (i) the monthly interest rate multiplied by \$5 million, multiplied by the number of months in the agreement term, less the amount of actual interest paid during the term of the agreement; or (ii) following the occurrence of an Event of Default (as defined below) that has not been cured within the time periods contemplated under the agreement, \$1.8 million, less the amount of actual interest paid during the term of the agreement. The Minimum Term Fee is also subject to reduction under certain circumstances if Buyer does not purchase certain eligible Accounts that are presented for purchase by us.

All of our obligations under the Receivables Agreement are secured by liens on certain of our assets, including the accounts receivable, chattel paper, inventory relating to our U.S. operations and certain equipment used for our U.S. operations (excluding equipment subject to vendor financing). The Receivables Agreement further provides for customary events of default (“Events of Default”), including but not limited to the failure to make payments when due; insolvency events; the failure to comply with covenant obligations arising under the agreement or other agreements with Buyer or its affiliates; and breaches of representations and warranties. Upon the occurrence of an Event of Default, Porter Capital may terminate the Receivables Agreement and declare all of our outstanding obligations under the Receivables Agreement to be due and payable. The Receivables Agreement has an initial term of one year and will renew for successive one-year terms unless we provide notice of cancellation in accordance with the terms of the Receivables Agreement. We may also terminate the Receivables Agreement prior to the expiration of the term upon written notice and payment of our obligations thereunder.

For sales of our receivable under this Receivables Agreement, the Company applies the guidance in ASC 860, “*Transfers and Servicing – Sales of Financial Assets*”, which requires the derecognition of the carrying value of those accounts receivable in the Consolidated Balance Sheets. For the quarter ended March 31, 2018, \$11.1 million of accounts receivable transferred pursuant to the Receivables Agreement qualified as sales of receivables and the carrying amounts were derecognized. There was no loss associated with the sales of these receivables. At March 31, 2018, we are owed \$1.4 million representing the held back required reserve amount to be paid to us following Buyer’s receipt of payment on the Account by the account debtor. This balance is included in Accounts receivable on the Condensed Consolidated Balance Sheets.

4 – Prepays

Prepays by category were as follows:

	March 31, 2018	December 31, 2017
Prepaid insurance	\$ 2,233,147	\$ 142,531
VAT and other taxes	3,013,595	2,935,351
Vehicle registration	556,005	606,218
Prepaid other	531,504	678,964
Deferred financing costs	281,250	
Total prepays	<u>\$ 6,615,501</u>	<u>\$ 4,363,064</u>

A majority of the increase in Prepays is attributable to insurance premium payments being recorded at the first of the year for annual coverage.

5 – Stock-Based Compensation

The Company has two stock incentive plans, the 2013 Stock Incentive Plan (the “2013 Plan”) and the 2015 Stock Incentive Plan (the “2015 Plan”), (or collectively, “the Plans”), for the granting of stock-based incentive awards, including incentive stock options, non-qualified stock options, restricted stock and phantom stock awards to employees, consultants and members of the Company’s Board. The 2013 Plan was adopted in 2012 and amended in 2013 and authorizes 1,000,000 shares to be issued under the 2013 Plan. The 2015 Plan, f/k/a “the 2014 Stock Incentive Plan,” was adopted in 2014 and was amended in 2015 and 2016 to authorize a total of 700,000 additional shares, resulting in a maximum of 1,200,000 shares being authorized for issue under the modified 2015 Plan. Both the 2013 Plan and the 2015 Plan have been approved by the stockholders of the Company. On June 15, 2017, at our annual meeting of stockholders (the “2017 Annual Meeting”), our stockholders approved an increase to the aggregate maximum number of shares available under the 2015 Plan by 5,000,000 shares (from 1,200,000 shares to 6,200,000 shares). As of March 31, 2018, 122,510 shares were available for grant under the 2013 Plan and 461,329 shares were available for grant under the 2015 Plan.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options and restricted stock. The expected life of awards granted represents the period of time that they are expected to be outstanding. The Company determined the initial expected life based on a simplified method in accordance with the FASB ASC Topic 718, giving consideration to the contractual terms, vesting schedules, and pre-vesting and post-vesting forfeitures.

During the three months ended March 31, 2018 and 2017, the Company recorded \$651,864 and \$128,172, respectively, of stock-based compensation, which is included in selling, general, and administrative expense and cost of sales in the accompanying consolidated statement of operations. Total unamortized stock-based compensation expense at March 31, 2018 was \$2,595,506 compared to \$3,247,370 at December 31, 2017, and will be fully expensed through 2020.

6 – Commitments and Contingencies

Capital Lease Obligations

The Company leases certain equipment from a third party, with certain prepayments being made securing the final six months payments on the lease. Lease payments are \$81,439 per month, with the final six months of prepaid payments being shown as other non-current assets in the consolidated balance sheets with a balance of \$488,633.

The minimum present value of the lease payments is \$0.7 million with terms of sixty months and implied interest of 14%. The next five years of lease payments are:

	Capital Lease Payments
2018	\$ 732,950
2019	—
Total future payments	732,950
Less debt discount due to warrants	(52,625)
Less amount representing interest	(40,989)
Less current portion of capital lease obligations	(639,336)
Capital lease obligations, excluding current installments	<u>\$ —</u>

Operating Leases

The Company's operating leases correspond to equipment facilities and office space in Argentina and the U.S. The operating leases also correspond to operational equipment utilized by the Company's U.S. operations. The combined future minimum lease payments as of March 31, 2018 are as follows:

	Operating Leases
2018	\$ 349,060
2019	69,000
Thereafter	—
Total	<u>\$ 418,060</u>

7 – Debt

The carrying values of our debt obligations, net of unamortized debt issuance costs of \$114,583 and \$0 as of March 31, 2018 and December 31, 2017, respectively, are as follows:

	March 31, 2018		December 31, 2017	
	<u>Short Term</u>	<u>Long Term</u>	<u>Short Term</u>	<u>Long Term</u>
Vendor equipment financing	\$ 5,724,148	\$ 1,023,276	\$ 7,047,020	\$ 1,172,712
Insurance financing	1,395,878	—	—	—
Total	\$ 7,120,026	\$ 1,023,276	\$ 7,047,020	\$ 1,172,712

Vendor Equipment Financing

During various dates beginning in late September through November 2017, the Company purchased equipment through a financing arrangement with an international equipment manufacturer at an interest rate of 8% for 12 months. At March 31, 2018, the Company had a loan balance of \$4,750,282 and accrued interest of \$31,610 with monthly payments of \$570,113.

Beginning August 23, 2017 through September 28, 2017, the Company purchased trucks through a financing arrangement with an auto finance group at an interest rate of 4.99% annual interest for 36 months. At March 31, 2018, the Company had a loan balance of \$824,654 and accrued interest of \$0, with monthly payments of \$26,168.

Beginning September 21, 2017 through September 29, 2017, the Company purchased tractors through a financing arrangement with an auto finance group at an interest rate of 8.59% for 24 months. At March 31, 2018, the Company had a loan balance of \$785,429 and accrued interest of \$750 with monthly payments of \$45,625.

On December 20, 2017, the Company purchased tractors through a financing arrangement with an auto finance group at an interest rate of 8.9% for 36 months. At March 31, 2018, the Company had a loan balance of \$342,115 and accrued interest of \$0 with monthly payments of \$11,729.

On February 21, 2018, the Company purchased a truck through a financing arrangement with an auto finance group at an interest rate of 7.49% for 48 months. At March 31, 2018, the Company had a loan balance of \$44,503 and accrued interest of \$64 with monthly payments of \$1,079.

The total future minimum payments due on our Vendor Equipment Financings as of March 31, 2018 are noted as follows:

Total payments for 2018	\$ 5,489,843
Total payments for 2019	831,729
Total payments for 2020	410,440
Total future payments	15,412
Total payments	\$ 6,747,424

Insurance Financing

On January 1, 2018, the Company financed its operations insurance premiums with an insurance financing company for a total of \$2,522,158 at an interest rate of 3.95%. As of March 31, 2018, the Company had a balance of \$1,395,878 and accrued interest of \$0.

8 – Equity

The Company has 50,000,000 shares of preferred stock authorized at \$0.001 par value, 30,000 of which have been designated as Series A Convertible Preferred Stock. At March 31, 2018 and December 31, 2017, the Company had no preferred stock issued or outstanding.

9 – Segment Reporting

As a result of the beginning of new geographical revenue activity in the U.S. in the second quarter of 2017, we are reporting the results of each of our two reportable segments beginning with the second quarter of 2017 in accordance with ASC 280, *Segment Reporting*. Our Chief Executive Officer evaluates the results of operations on a consolidated as well as a segment level and is the person responsible for the final assessment of performance and making key operating decisions. Discrete financial information is available for each of the segments, and the operating results of each of the operating segments are used for performance evaluation and resource allocations.

Our two operating segments are managed through operating segments that are aligned with our geographic operating locations of Argentina and the U.S. We also report certain corporate and other non-operating activities under the heading “Corporate and Other”, which primarily reflects corporate personnel and activities, research and development activities, incentive compensation programs and other costs.

We account for intersegment sales at prices that we generally establish by reference to similar transactions with unaffiliated customers. Reporting segments are measured based on gross margin, which is defined as revenues reduced by total cost of services. Cost of services exclude research and development expenses and depreciation and amortization expense.

Summarized financial information is shown in the following tables:

	Three Months Ended	
	March 31,	
	2018	2017
Revenues⁽¹⁾:		
Argentina	\$ 5,095,618	\$ 2,562,657
United States	12,683,226	—
Total revenues	<u>\$ 17,778,844</u>	<u>\$ 2,562,657</u>
Cost of services^(1,2):		
Argentina	\$ 5,386,845	\$ 3,371,992
United States	16,638,181	482,894
Total cost of services	<u>\$ 22,025,026</u>	<u>\$ 3,854,886</u>
Gross margin^(1,2):		
Argentina	\$ (291,227)	\$ (809,335)
United States	(3,954,955)	(482,894)
Total gross margin	<u>\$ (4,246,182)</u>	<u>\$ (1,292,229)</u>
Capital expenditures:		
Argentina	\$ 2,845	\$ 22,680
United States	1,533,042	3,629,795
Corporate and Other	—	—
Total capital expenditures	<u>\$ 1,535,887</u>	<u>\$ 3,652,475</u>
Depreciation and amortization:		
Argentina	\$ 1,479,581	\$ 1,009,255
United States	3,614,498	—
Corporate and Other	33,784	332,537
Total depreciation and amortization	<u>\$ 5,127,863</u>	<u>\$ 1,341,792</u>

(1) U.S. activity began in February 2017 with start-up expenses being incurred. The Company began recognizing U.S. revenue in late May 2017. Intersegment transactions included in revenues were not significant for any of the periods presented.

(2) Gross margin is defined as revenues less costs of services. Cost of services excludes selling, general and administrative expenses, research and development expenses and depreciation and amortization expense.

10 – Subsequent Event

On March 29, 2018, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with its majority shareholder and other funds, all of which are under management by Fir Tree Partners (collectively, “Fir Tree”), pursuant to which Fir Tree agreed to purchase 10,000 shares of the Company’s newly-designated Series A Convertible Preferred Stock, par value \$0.001 per share (the “Series A Preferred”), at a price of \$1,000 per share. The Purchase Agreement also provides for the potential sale and issuance of up to an additional 5,000 shares of Series A Preferred to Fir Tree at a price of \$1,000 per share. An initial closing was conducted on April 2, 2018 providing \$10.0 million of gross proceeds and an estimated \$9.7 million of net proceeds after expenses to the Company.

Each share of Series A Preferred ranks senior to the Common Stock, with respect to dividend rights and rights upon the liquidation, winding-up or dissolution of the Company and has a stated value of \$1,000 per share (the “Stated Value”). In the event the Company is liquidated, wound up or dissolved, or if the Company effects any Deemed Liquidation Event (as defined below), the holders of Series A Preferred will be entitled to receive in respect thereof the greater of (i) the Stated Value plus any accrued and unpaid dividends thereon, (ii) the amount the holder thereof would receive if such shares of Series A Preferred were converted into Common Stock immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event or (iii) a liquidating distribution equal to 1.5 times the Stated Value. A “Deemed Liquidation Event” includes certain merger or consolidation transactions, a sale of all or substantially all of the Company’s assets, a change of control transaction or similar event.

Holders of Series A Preferred will be entitled to vote with holders of Common Stock and are entitled to one vote per share of Common Stock into which a share of Series A Preferred is then-convertible on any matter on which holders of the capital stock of the Company are entitled to vote. Each share of Series A Preferred is initially convertible, at the option of the holder at any time, into a number of shares of Common Stock determined by dividing the Stated Value plus any dividends accrued but unpaid thereon by the conversion price of \$1.15 (subject to adjustment for stock splits, combinations, certain distributions or similar events). In addition, for so long as shares of Series A Preferred are outstanding, the affirmative vote or consent of holders of a majority of the outstanding shares of Series A Preferred, voting together as a separate class, is necessary before taking certain actions, including but not limited to (i) amending the articles of incorporation, the bylaws or the Certificate of Designation in a manner that would materially and adversely or disproportionately affect the powers, preferences or rights of the Series A Preferred, (ii) liquidating, dissolving or winding up the Company or entering into a Deemed Liquidation Event, (iii) creating or issuing any class of capital stock unless it ranks junior to the Series A Preferred with respect to the distribution of assets on the liquidation, dissolution or winding up of the Company or any Deemed Liquidation Event, payment of dividends and rights of redemption, (iv) reclassifying, altering or amending any existing security that is *pari passu* or junior to the Series A Preferred with respect to the distribution of assets on the liquidation, dissolution or winding up of the Company or any Deemed Liquidation Event, payment of dividends and rights of redemption if such reclassification, alteration or amendment would render such other security senior or *pari passu* with the Series A Preferred Stock in respect of any such right, preference or privilege, (v) subject to certain exceptions, purchasing or redeeming any shares of capital stock or paying any dividend or making any distribution thereon and (vi) issuing any shares of Series A Preferred to anyone other than the original holders of the Series A Preferred. Holders of Series A Preferred will be entitled to cumulative dividends payable semi-annually in arrears at a rate of (i) 10% per year, if paid in cash, or (ii) 12% per year, if, at the election of the Company, paid through the issuance of additional shares of Series A Preferred. In addition to the dividend rights described above, holders of Series A Preferred will be entitled to receive dividends or distributions declared or paid on Common Stock on an as-converted basis.

The Company may redeem shares of Series A Preferred at any time in cash at a price per share equal to the greater of (i) the Stated Value plus any accrued and unpaid dividends thereon and (ii) the product of 1.5 times the Stated Value.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Form 10-Q, together with the audited consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2017. Unless the context otherwise requires, "we," "us," the "Company" or like terms refer to Eco-Stim Energy Solutions, Inc. and its subsidiaries.

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in any forward-looking statement because of various factors, including those described in the section titled "Cautionary Statements Regarding Forward-Looking Statements" in this Form 10-Q.

Executive Summary

General

We are a growth-oriented, technology-driven independent oilfield services company providing well stimulation, coiled tubing and field management services to the upstream oil and gas industry. We currently operate three well stimulation fleets, two in the United States based out of our operations facility in Fairview, Oklahoma, and one in Argentina based out of our facilities in Neuquén, Argentina. In the United States, we currently provide pressure pumping services to customers in the Anadarko Basin in Oklahoma. In Argentina, we are currently providing services to the largest operator in the country.

Factors that may influence our outlook and performance include:

- capital spending by E&P companies in the United States and Argentina;
- oil and natural gas prices;
- the reliability and performance of our equipment;
- the utilization of our assets in both the U.S. and Argentina markets and the related amount of non-productive down time for our assets;
- the size of each job we perform;
- the pricing levels for our services;
- the location and design of the wells with respect to which we are providing services;
- the service and product components of each job; and
- our access to sand, proppant, chemicals and other raw materials required for us to provide our services, and the costs of such materials.

Industry Trends

The oil and gas industry is both cyclical and seasonal. The level of spending by E&P companies is highly influenced by current and expected demand and future prices of oil and natural gas. Changes in spending result in an increased or decreased demand for our services and products. Rig count is an indicator of the level of spending by oil and gas companies. Our financial performance and outlook is significantly affected by the rig count in the United States and Argentina as well as oil and natural gas prices, which are summarized in the table below.

	At or nearest to March 31, 2018	At or nearest to December 31, 2017	At or nearest to March 31, 2017
Rig Count Recap (1)			
U.S. Land (excl offshore)	993	929	824
Oklahoma	118	120	121
Argentina	68	71	58
Commodity Prices (average)			
Crude Oil (West Texas Intermediate) (2)	\$ 64.87	\$ 60.46	50.54
Natural Gas (Henry Hub)	\$ 2.69	\$ 2.82	2.88

(1) Drilling count activity as measured by active drilling rigs based on Baker Hughes Incorporated rig count information.

(2) Crude Oil (WTI Spot Price per barrel as reported by the U.S. Energy Information Administration).

(3) Natural Gas prices per mmbtu as reported by U.S. Energy Information Administration.

Land based rig count reported has shown a 7% increase from December 31, 2017 to March 31, 2018 and a 21% increase from March 31, 2017 to March 31, 2018. For our U.S. operations, which began activity during 2017, our activity has been concentrated in the Anadarko Basin in Oklahoma. Oklahoma's rig count reported dropped 2% from December 31, 2017 to March 31, 2018, and dropped 2% from March 31, 2017 to March 31, 2018.

According to the Baker Hughes rig count reporting, the Argentinian land based rig count dropped 4% from December 31, 2017 to March 31, 2018, but increased 17% from March 31, 2017 to March 31, 2018. For our Argentina operations, our 2017 and first quarter 2018 activity was concentrated in the Neuquén Basin in Argentina.

Overview of our business services

Our customers utilize our pressure pumping services to enhance the production of oil and natural gas from formations with low permeability, which restricts the natural flow of hydrocarbons. The technique of well stimulation consists of pumping a fluid into a cased well at sufficient pressure to create new channels in the rock, which can increase the extraction rates and the ultimate recovery of the hydrocarbons. Our equipment is contracted by E&P companies to provide this pressure-pumping service, which is referred to as well stimulation. Demand for these services can change quickly and is highly dependent on the number of oil and natural gas wells drilled and completed. Given the cyclical nature of these drilling and completion activities, coupled with the high labor intensity of these services, operating margins can fluctuate widely depending on supply and demand at a given point in the cycle.

Our customers utilize our coiled tubing services to perform various functions associated with well-servicing operations and to facilitate completion of horizontal wells. Coiled tubing services involve the insertion of steel tubing into a well to convey materials and/or equipment to perform various applications as part of a new completion or the servicing of existing wells, including wellbore maintenance, nitrogen services, thru-tubing services, and formation stimulation using acid and other chemicals. Coiled tubing has become a preferred method of well completion, workover and maintenance projects due to speed, ability to handle heavy-duty jobs across a wide spectrum of pressure environments, safety and ability to perform services without having to shut-in a well. Our coiled tubing capabilities cover a wide range of applications for horizontal completion, work-over and well-maintenance projects. As a result, coiled tubing services are less tied to active rig count and more tied to price of oil and natural gas as well as customers' expenditure budgets, which is usually also tied to the price of oil and natural gas.

Business Segments

With the start-up of our U.S. operations during the second quarter of 2017, we now manage our business through operating segments that are aligned with our two geographic regions, the United States and Argentina. We also report certain corporate and other non-operating activities under the heading “Corporate and Other”, which primarily reflects corporate personnel and activities, incentive compensation programs and other non-operational allocable costs. For financial information about our segments, see Note 9, Segment Reporting.

Our segment operating results are frequently influenced by the number of active customers we have in the area, and also the level of our customers’ well activity which dictates the amount of activity we will have in any given period. This directly effects our revenue, but also the level of expenses we incur.

United States Segment. Through our U.S. segment, we serve the needs of our customers’ U.S. based operations by offering pressure pumping and field management operations services. In February 2017, we signed a one-year contract to provide pressure pumping in north central Oklahoma, at which time we began setting up, and thus incurring, start-up related costs associated with our operations in order to properly meet our contract service obligations. We established a base of operation in Fairview, Oklahoma, and utilize this base to service the surrounding areas. Revenue recognition for this segment began in May of 2017. The third quarter of 2017 was our first full operating quarter for this segment. In July 2017, we entered into a one-year contract with a second U.S. oil and natural gas exploration and production company to expand our pressure pumping operations in the north central region of Oklahoma. The work being performed under this contract supports a second well stimulation fleet. We commenced work and began recognizing revenue under this contract in mid-October 2017.

In November 2017, we negotiated an early release of our first U.S. fleet from our contract with our first U.S. customer based on low pricing and lower planned activity. In March 2018, and after securing sand delivery and other needed equipment, we redeployed this fleet to serve an independent E&P company operating in the STACK play. This spread did not provide services to customers in April 2018, but resumed operations with a new independent E&P company customer in early May 2018.

Argentina Segment. Through our Argentina segment, we serve the needs of our customers by providing pressure pumping and coiled tubing services. We began our service offerings in late 2014 in Argentina with our base of operation located in Neuquén City, Argentina. The majority of our revenues since inception and through the end of the third quarter of 2017 came from the Neuquén Basin.

In the second quarter of 2017, we entered into a two-year contract based on a proposal submitted in November 2016 with the largest operator in Argentina to provide services for their tight gas completions program. The majority of our revenues in our Argentina segment have come from our pressure pumping operations. To date, we have incurred losses under the contract due to lower than expected utilization of our assets, higher than expected third party costs incurred to provide the bundled services contemplated under the contract, and other factors. We have been engaged in extensive negotiations with our customer to modify or terminate the contract to provide us with more favorable operating results. We have now been notified by our customer that its Board of Directors has approved the termination of the contract following a transition period. We now expect to be released from any further obligations under the contract within 90 days and to continue working for 60-90 days under different commercial terms which are currently under negotiation. However, there can be no assurance that the contract will be terminated as currently expected, and we may continue to incur losses under the contract in the future. In addition, even if the contract is terminated as expected, we may incur further losses associated with our Argentina operations, which could be substantial, while we transition to other customers, and there can be no assurance that we obtain contracts with new customers on favorable terms or at all.

Results of Operations

For the Three Months Ended March 31, 2018 and 2017

U.S. revenue for the three months ended March 31, 2018 was \$12.7 million, compared to \$0 for the three months ended March 31, 2017. This increase was due to the fact that we did not begin our U.S. operations until the second quarter of 2017. We began operations under our first contract in the U.S. beginning in the latter half of the second quarter 2017.

Argentina revenue for the three months ended March 31, 2018 increased \$2.5 million to \$5.1 million, compared to \$2.6 million for the three months ended March 31, 2017. In the quarter ending March 31, 2018, we were operating under our two-year contract which resulted in higher activity in our well stimulation and coiled tubing operations when compared with the quarter ended March 31, 2017. This increase was offset by reduced revenue from non-core third-party costs that, beginning in February 2018, were no longer incurred by the Company and thus no longer billable to our customer. These non-core services resulted in the majority of our Argentina losses during 2017.

U.S. cost of services was \$16.6 million for the three months ended March 31, 2018, compared to \$0.5 million for the three months ended March 31, 2017. This increase was due to the fact that we did not begin our U.S. operations until the second quarter of 2017. We began operations under our first contract in the U.S. beginning in the latter half of the second quarter 2017. Our negative gross margin for the quarter ended March 31, 2018 is attributable to one of our fleets being inactive during most of the quarter while awaiting sand handling equipment.

Argentina cost of services increased \$2.0 million to \$5.4 million for the three months ended March 31, 2018, compared to \$3.4 million for the three months ended March 31, 2017. This increase was attributable to higher activity level attributable to the two-year contract, offset by a reduction in costs incurred attributable to non-core third party services which our customer sourced directly from those providers beginning on February 1, 2018.

Depreciation expense increased \$3.8 million to \$5.1 million for the three months ended March 31, 2018, compared to \$1.3 million for the three months ended March 31, 2017. The increase was due to operational equipment purchased during 2017 and 2018 for the Company's operational start-up in the U.S.

Selling, general, and administrative expenses increased \$1.1 million to \$2.6 million for the three months ended March 31, 2018, compared to \$1.5 million for the three months ended March 31, 2017. This increase was a result of the startup of the U.S. operations in 2017. These increases included non-cash stock compensation, increased headcount and salary increases, director compensation increases, and certain increased legal and other professional expense.

Net total other income (expense) decreased \$0.6 million to (\$0.9 million) for the three months ended March 31, 2018 compared to (\$1.5 million) for the three months ended March 31, 2017. This decrease in expense was primarily a result of a net reduction in interest expense in the first quarter of 2018 primarily related to convertible debt held during the first quarter of 2017 that was converted to equity in the second quarter of 2017. This decrease was offset by foreign currency translation losses from our Argentina business.

Liquidity and Capital Resources

Our primary sources of liquidity to date have been proceeds from various equity and debt offerings.

In July 2016, we entered into an At-Market Issuance Sale Agreement with equity sales providing proceeds during the second half of 2016 and during the first half of 2017.

On March 6, 2017, we closed a financing transaction with Fir Tree, (the “Fir Tree Transaction”) that was part of a comprehensive recapitalization designed to create a path to a potential conversion to equity of substantially all of our debt, subject to stockholder approval and satisfaction of certain other conditions. In connection with the Fir Tree Transaction, the we entered into an Amended and Restated Convertible Note Facility Agreement with Fir Tree (the “A&R Note”), which replaced the convertible note previously issued by us to certain funds affiliated with Albright Capital Management (collectively “ACM”), which Fir Tree purchased from ACM. In addition, we issued to Fir Tree a new convertible note with a principal amount of \$19.4 million, (the “New Convertible Note”), representing an additional \$17 million aggregate principal amount of convertible notes issued by us to the Fir Tree affiliate on March 6, 2017 and approximately \$2.4 million principal amount of convertible notes in payment of accrued and unpaid interest on the existing ACM Note acquired by the Fir Tree affiliate from ACM. The unpaid principal amount of the New Convertible Note accrued interest at a rate of 20% per annum and was scheduled to mature on May 28, 2018. Approximately \$2.1 million of the proceeds of the additional \$17 million aggregate principal amount of New Convertible Note issued to the Fir Tree affiliate was used to repay existing debt under a Loan Agreement that was entered into on November 30, 2016 between us and two of its largest stockholders, with the balance of the proceeds used for equipment purchases, other approved capital expenditures incurred in accordance with an approved operating budget, and other working capital purposes. After giving effect to the Fir Tree Transaction, we had approximately \$41.4 million of outstanding convertible notes which were all held by Fir Tree or an affiliate.

As part of the Fir Tree Transaction, Fir Tree agreed to convert the A&R Note and the New Convertible Note into common stock at a conversion price of \$1.40 per share, subject to receipt of stockholder approval and satisfaction of certain other conditions. On June 15, 2017, stockholder approval was received and all the outstanding convertible notes were converted into approximately 29.5 million shares of common stock

On July 6, 2017, we closed on a private placement of shares of our common stock providing gross proceeds of \$15 million, and net of cost proceeds of \$14.9 million. As part of the offering, the Company issued 10,000,000 shares of its common stock for \$1.50 per share to certain existing shareholders. The proceeds from the offering are being used to finance capital expenditures to support existing contracts we have in both Oklahoma and Argentina, for working capital and for other general corporate purposes.

On August 8, 2017, we closed on a private placement of shares of our common stock providing gross proceeds of \$28 million, and net of cost proceeds of \$26.8 million. As part of the offering, we issued an aggregate of 19,580,420 shares of its common stock for \$1.43 per share to two existing stockholders and several new institutional investors. The proceeds from this offering are being used to finance capital expenditures to support our most recent customer contract in Oklahoma, for working capital and for other general corporate purposes.

On March 29, 2018, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with entities under management by Fir Tree, pursuant to which such Fir Tree entities agreed to purchase 10,000 shares of our newly-designated Series A Convertible Preferred Stock, par value \$0.001 per share (the "Series A Preferred"), at a price of \$1,000 per share. The Purchase Agreement also provides for the potential sale and issuance of up to an additional 5,000 shares of Series A Preferred to Fir Tree at a price of \$1,000 per share. An initial closing was conducted on April 2, 2018 providing for our sale and issuance of 10,000 shares of Series A Preferred, providing \$10.0 million of gross proceeds and an estimated \$9.7 million of net proceeds after expenses to us.

All the offerings with the exception of the April 2, 2018 private placement noted above are as discussed in our Annual Report on Form 10-K for the year ended December 31, 2017, Part II – Item 8 – Financial Statements and Supplemental Data – Notes to consolidated financial statements – Note 11 – "Equity Offerings."

As of March 31, 2018, our cash and cash equivalents were \$2.6 million, as compared to \$8.8 million as of December 31, 2017. Our working capital, which we define as the difference between our current assets and our current liabilities, is an indication of our liquidity and our potential requirements for short-term financing. Changes in our working capital are driven generally by changes in our accounts receivable, changes in our accounts payable, credit extended to and the timing of collections from our customers, and the level and timing of our capital expenditures. As of March 31, 2018, we had a working capital deficit of \$15.4 million, as compared to a working capital deficit of \$2.0 million as of December 31, 2017. This decrease in working capital deficit occurred primarily as a result of operating losses associated with our first U.S. spread being idle for most of the first quarter of 2018 as we transitioned that spread to operate in the STACK play, and losses incurred under our two-year contract in Argentina. We manage our working capital requirements primarily with our existing cash balances and funds provided under the Receivables Agreement described below. We expect our primary uses of cash in the near term will be to fund our operations, support our organic growth opportunities and satisfy obligations under any indebtedness we may incur in the future.

We continually monitor potential capital sources, including equity and debt financings, in order to meet our planned capital expenditures and liquidity requirements. The successful execution of our growth strategy depends on our ability to raise capital as needed to, among other things, finance the purchase of additional equipment. Our future financing activities may result in the issuance of equity or debt securities in the public capital markets or in private placements, the arrangement of credit facilities or the incurrence of other secured or unsecured indebtedness. Issuances of equity or debt securities or credit facilities or other sources of debt financing may not, however, be available to us on acceptable terms. If we are unable to obtain additional capital on favorable terms or at all, we may be unable to sustain or increase our current level of growth in the future. The availability of equity and debt financing will be affected by prevailing economic conditions in our industry and financial, business and other factors, many of which are beyond our control.

Receivables Agreement. On February 8, 2018, we entered into a Recourse Receivables Purchase & Security Agreement (the "Receivables Agreement") with Porter Capital Corporation ("Porter Capital" or "Buyer"). Under the terms of the Receivables Agreement, we may, from time to time, sell accounts receivable ("Accounts") to Buyer in exchange for funds in an amount equal to 80% (or less as percentage is subject to credit limits established by Porter Capital) of the face amount of the applicable Account at the time of sale of the Account, with the remaining 20% of the face amount of the applicable Account to be held back as a required reserve amount to be paid to us following Buyer's receipt of payment on the Account by the account debtor, less applicable fees and interest charges. The total face amount of outstanding Accounts purchased by Buyer under the Receivables Agreement may not exceed \$12.5 million.

Under the terms of the Receivables Agreement, we are obligated to pay interest on the face amount of the outstanding and unpaid Accounts purchased by Buyer, less the amount of the reserve account, at an interest rate equal to the Prime Rate (as defined in the Receivables Agreement) plus 8.25%. We are also obligated under the Receivables Agreement to pay certain fees, including a fee (the “Minimum Term Fee”) payable upon termination of the agreement in an amount equal to: (i) the monthly interest rate multiplied by \$5 million, multiplied by the number of months in the agreement term, less the amount of actual interest paid during the term of the agreement; or (ii) following the occurrence of an Event of Default (as defined below) that has not been cured within the time periods contemplated under the agreement, \$1.8 million, less the amount of actual interest paid during the term of the agreement. The Minimum Term Fee is also subject to reduction under certain circumstances if Buyer does not purchase certain eligible Accounts that are presented for purchase by us.

All of our obligations under the Receivables Agreement are secured by liens on certain of our assets, including the accounts receivable, chattel paper, inventory relating to our U.S. operations and certain equipment used for our U.S. operations (excluding equipment subject to vendor financing). The Receivables Agreement further provides for customary events of default (“Events of Default”), including but not limited to the failure to make payments when due; insolvency events; the failure to comply with covenant obligations arising under the agreement or other agreements with Buyer or its affiliates; and breaches of representations and warranties. Upon the occurrence of an Event of Default, Porter Capital may terminate the Receivables Agreement and declare all of our outstanding obligations under the Receivables Agreement to be due and payable. The Receivables Agreement has an initial term of one year and will renew for successive one-year terms unless we provide notice of cancellation in accordance with the terms of the Receivables Agreement. We may also terminate the Receivables Agreement prior to the expiration of the term upon written notice and payment of our obligations thereunder.

For sales of our receivable under this Receivables Agreement, the Company applies the guidance in ASC 860, “*Transfers and Servicing – Sales of Financial Assets*”, which requires the derecognition of the carrying value of those accounts receivable in the Consolidated Balance Sheets. For the quarter ended March 31, 2018, \$11.1 million of accounts receivable transferred pursuant to the Receivables Agreement qualified as sales of receivables and the carrying amounts were derecognized. There was no loss associated with the sales of these receivables. At March 31, 2018, we are owed \$1.4 million representing the held back required reserve amount to be paid to us following Buyer’s receipt of payment on the Account by the account debtor. This balance is included in Accounts receivable on the Condensed Consolidated Balance Sheets.

Argentina Operations. In the second quarter of 2017, we entered into a two-year contract with the largest operator in Argentina to provide services for their tight gas completions program. To date, we have incurred losses under the contract due to lower than expected utilization of our assets, higher than expected third party costs incurred in order to provide the bundled services contemplated under the contract, and other factors. We have been engaged in extensive negotiations with our customer to modify or terminate the contract to provide us with more favorable operating results. We have now been notified by our customer that its Board of Directors has approved the termination of the contract following a transition period. We now expect to be released from any further obligations under the contract within 90 days and to continue working for 60-90 days under different commercial terms which are currently under negotiation. However, there can be no assurance that the contract will be terminated as currently expected, and we may continue to incur losses under the contract in the future. In addition, even if the contract is terminated as expected, we may incur further losses associated with our Argentina operations, which could be substantial, while we transition to other customers, and there can be no assurance that we obtain contracts with new customers on favorable terms or at all. As a result, our Argentina operations may require access to additional working capital if we continue to incur losses under our existing contract or during any transition period from our current customer to work for new customers following an early release from our current contract. The working capital associated with our Argentina operations decreased from \$11.3 million, as of December 31, 2017, to \$2.3 million, as of March 31, 2018. The working capital requirements of our Argentina operations could result in our incurrence of indebtedness, cash contributions to our Argentinian subsidiary from our parent company, asset sales or other third-party financings. We may also be required to incur other material costs in connection with our efforts to renegotiate or exit our current contract with our largest customer in Argentina. In addition, we may determine to reduce the scale of, shut down, or sell our operations in Argentina, which could result in the incurrence of material losses and expense.

Capital Requirements

The energy services business is capital intensive, requiring significant investment to expand, upgrade and maintain equipment. Our primary uses of capital have been the acquisition of equipment, working capital to finance our operations and general administrative expenses.

For the remainder of 2018, we expect our capital requirements to consist primarily of:

- growth capital expenditures, such as those to acquire additional equipment and other assets to grow our business; and
- maintenance capital expenditures, which are capital expenditures made to extend the useful life of our assets.

Additionally, we continually monitor new advances in well stimulation equipment and down-hole technology as well as technologies that may complement our business and opportunities to acquire additional equipment to meet our customers' needs. We intend to incur approximately \$7.0 million in capital expenditures during the remainder of 2018 and will incur additional capital expenditures on a discretionary basis as necessary to meet customer demands and subject to satisfactory financing. Our ability to make any significant acquisition for cash would likely require us to obtain additional equity or debt financing, which may not be available to us on favorable terms or at all.

Our ability to fund operations, and to fund planned and committed 2018 capital expenditures will depend upon our future operating performance, and more broadly, on the availability of equity and debt financing, which will be affected by prevailing economic conditions, market conditions in the exploration and production industry and financial, business and other factors, many of which are beyond our control.

Our ability to acquire equipment could require us to obtain additional equity or debt financing, which may not be available to us on favorable terms or at all.

From time to time, we may also consider the acquisition or disposition of assets or businesses or possible joint ventures or other joint ownership arrangements with respect to assets or businesses. Any determination to take action in this regard will be based on market conditions and opportunities existing at the time, and accordingly, the timing, size or success of any efforts and the associated potential capital requirements for these activities are unpredictable. We may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances.

Impact of Inflation on Operations

Management is of the opinion that inflation has not had a significant impact on our business to date. We purchase our equipment and materials from suppliers who provide competitive prices and employ skilled workers from competitive labor markets. If inflation in the general economy increases, our costs for equipment, materials and labor could increase as well. Also, increases in activity in oilfields can cause upward wage pressures in the labor markets from which we hire employees as well as increases in the costs of certain materials and key equipment components used to provide services to our customers.

Off-Balance Sheet Arrangements

As of March 31, 2018, we do not have any off-balance sheet arrangements. The term "off-balance sheet arrangements" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have (i) any obligation arising under a guarantee contract, derivative instrument or variable interest or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

Sources and Uses of Cash

Net cash used in operating activities decreased \$0.5 million to \$4.3 million for the three months ended March 31, 2018 compared to \$4.8 million for the three months ended March 31, 2017. The decrease was due to higher revenue activity increasing the accounts receivable, increase in prepaids attributable to annual insurance premiums recorded, and value-added tax (“VAT”) assets, offset by an increase in accounts payable due to increased expenditure activity for the three months ended March 31, 2018 compared to the same period ended March 31, 2017.

Net cash used in investing activities decreased \$2.2 million to \$1.5 million for the three months ended March 31, 2018 compared to \$3.7 million for the three months ended March 31, 2017. This decrease was due primarily to a decrease of purchases of machinery and equipment during the first quarter of 2018 when compared to the first quarter of 2017. Greater purchases of machinery and equipment were being made during the first quarter of 2017 related to start-up of our operations in the U.S.

Net cash provided by (used in) financing activities decreased by \$18.3 million to \$(0.4) million for the three months ended March 31, 2018, compared to \$17.8 million for the three months ended March 31, 2017. The decrease was primarily attributable to proceeds received from issuance of additional notes payable to Fir Tree during March 2017.

On July 13, 2016, we entered into an At-Market Issuance Sale Agreement. During 2016, the Company sold 796,573 shares through the agreement for total gross proceeds of \$1.7 million. During the year ended December 31, 2017, we sold an additional 563,753 shares through the agreement for total gross proceeds of \$1.0 million. We did not sell any shares under the agreement during the quarter ended March 31, 2018.

We had a net decrease in cash and cash equivalents of \$6.2 million for the three months ended March 31, 2018, compared to a net increase in cash and cash equivalents of \$9.4 million during the three months ended March 31, 2017 primarily resulting from proceeds provided from the Fir Tree Transaction during the first quarter of 2017. Please see “–Liquidity and Capital Resources” for more information on the Fir Tree Transaction.

We did not generate positive cash flow from operations for the three months ended March 31, 2018. Further, while we believe we will begin generating positive cash flow from operations in the second quarter of 2018, our liquidity provided by our existing cash and cash equivalents may not be sufficient to fund our full capital expenditure plan, nor payments that might become due under our indebtedness. These commitments may require us to obtain additional equity or debt financing, which may not be available to us on favorable terms or at all.

Certain Factors Affecting Our Future Financial Position, Results of Operations and Cash Flows

We face many challenges and risks in the industry in which we operate. For information on other developments, factors and trends that may have an impact on our future financial position, results of operations or cash flows, please read this section in conjunction with the factors described or otherwise referenced in the sections titled “Cautionary Statements Regarding Forward-Looking Statements” and “Risk Factors” in this Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), we are not required to provide the information required by this Item as we are a “smaller reporting company,” as defined by Rule 229.10(f)(1).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act consisting of controls and other procedures designed to give reasonable assurance that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including our chief executive officer and our chief financial officer, to allow timely decisions regarding such required disclosure. Based on their evaluation as of the end of the quarterly period covered by this Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures, as defined in Rules 13a-15 and 15d-15 under the Exchange Act, were effective as of March 31, 2018.

Changes in Internal Control over Financial Reporting

There have been no changes in our system of internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be a party or otherwise subject to legal or regulatory proceedings or other claims incidental to or arising in the ordinary course of our business. While the ultimate outcome of these matters cannot be predicted at this time, we do not expect that the resolution of these matters will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

On May 1, 2018, a collective action lawsuit was filed against Eco-Stim Energy Solutions, Inc. and certain of its subsidiaries by a former employee in the United States District Court for the Southern District of Texas (Houston Division) alleging that the Company failed to pay a class of workers in compliance with the Fair Labor Standards Act and seeking recovery of such wages, attorney's fees, costs, interest and other related damages. The Company disputes the allegations and intends to vigorously contest the matter. The Company is currently not able to predict the outcome of this lawsuit or whether it will have a material impact on the Company's financial position, results of operations or cash flows at this time.

ITEM 1A. RISK FACTORS

Investors should carefully consider the risk factors included under Part I – Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II—Item 7 also on Form 10-K for the fiscal year ended December 31, 2017, together with all the other information included in this document and in our other public disclosures.

There have been no material changes to the risk factors previously disclosed in Part I – Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Except as previously reported on our Current Reports on Form 8-K, we did not have any sales of unregistered equity securities during the quarter ended March 31, 2018.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits.

Exhibit Number	Description
3.1	<u>Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on November 26, 2013).</u>
3.2	<u>Certificate of Designation of Preferences, Rights and Limitations (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on April 2, 2018).</u>
3.3	<u>Second Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed March 9, 2017).</u>
3.3(a)	<u>First Amendment to the Second Amended and Restated Bylaws of the Company adopted as of July 6, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 7, 2017).</u>
3.3(b)	<u>Second Amendment to the Second Amended and Restated Bylaws of the Company adopted as of August 2, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 3, 2017).</u>
3.3(c)	<u>Third Amendment to Second Amended and Restated Bylaws of the Company adopted as of August 25, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 25, 2017).</u>
4.1	<u>Amended and Restated Stockholder Rights Agreement, dated as of March 3, 2017, by and among Eco-Stim Energy Solutions, Inc. and the parties named therein (incorporated by reference to Exhibit 4.3 of the Company's Quarterly Report on Form 10-Q, filed March 9, 2017).</u>
4.1(a)	<u>First Amendment to Amended and Restated Stockholder Rights Agreement, dated as of July 6, 2017, by and among the Company and the parties named therein (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on July 7, 2017).</u>
4.1(b)	<u>Second Amendment to Amended and Restated Stockholder Rights Agreement, dated as of August 25, 2017, by and among the Company and the parties named therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 25, 2017).</u>
4.2	<u>Amended & Restated Registration Rights Agreement, dated as of July 6, 2017, by and among the Company and the Purchasers named therein (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 7, 2017).</u>
4.2(a)	<u>First Amendment to Amended and Restated Registration Rights Agreement entered into as of August 2, 2017, by and among the Company and the parties named therein, to be effective upon the Closing Date (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on August 3, 2017).</u>
4.3	<u>Registration Rights Agreement entered into as of August 2, 2017, by and among the Company and the Investors named therein, to be effective upon the Closing Date (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 3, 2017).</u>
10.1	<u>Securities Purchase Agreement, dated as of March 29, 2018, by and among the Company, Fir Tree Capital Opportunity Master Fund, LP, Fir Tree Capital Opportunity Master Fund III, LP, FT SOF IV Holdings, LLC and FT SOR VII Holdings, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 2, 2018).</u>
10.2*+	<u>Recourse Receivables Purchase & Security Agreement, dated as of February 8, 2018, by and between Eco-Stim Energy Solutions, Inc. and Porter Capital Corporation.</u>
31.1*	<u>Rule 13(a)-14(a) Certification of the Chief Executive Officer.</u>
31.2*	<u>Rule 13(a)-14(a) Certification of the Chief Financial Officer.</u>
32.1**	<u>Section 1350 Certification of the Chief Executive Officer.</u>
32.2**	<u>Section 1350 Certification of the Chief Financial Officer.</u>
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

** Furnished herewith.

+ The Registrant has requested confidential treatment for portions of this exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 15, 2018

ECO-STIM ENERGY SOLUTIONS, INC.

By: /s/ Jon Christopher Boswell

Jon Christopher Boswell
President and Chief Executive Officer

By: /s/ Alexander Nickolatos

Alexander Nickolatos
Chief Financial Officer and Assistant Secretary

<u>SELLER</u>	<u>PURCHASER</u>
Name: Eco-Stim Energy Solutions, Inc.	Name: Porter Capital Corporation
By: <u>/s/ Alexander Nickolatos</u> [signature]	By: <u>/s/ Marc Porter</u> [signature]
Officer's Name Printed: Alexander Nickolatos	Officer's Name Printed: Marc Porter
Its: Chief Financial Officer	Its: President
Street Address: 2930 W. Sam Houston Pkwy N. Houston, TX 77043	Street Address: 2112 First Avenue North, Birmingham, AL, 35203
Mailing Address: (Same)	Mailing Address: PO Box 12105, Birmingham, AL, 35202
Email Address: *****	Email Address: *****
State of Organization: Nevada	State of Organization: Alabama
Federal Tax ID: *****	Federal Tax ID: *****
State and County of Principal Office: Texas, Harris County	State and County of Principal Office: Alabama, Jefferson County
Name: EcoStim, Inc.	
By: <u>/s/ Alexander Nickolatos</u> [signature]	
Officer's Name Printed: Alexander Nickolatos	
Its: Chief Financial Officer	
Street Address: 2930 W. Sam Houston Pkwy N., Suite 275 Houston, TX 77043	
Mailing Address: (Same)	
Email Address: *****	
State of Organization: Texas	
Federal Tax ID: *****	
State and County of Principal Office: Texas, Harris County	
State of <u>Texas</u>)	County of <u>Harris</u>)
<p>On February <u>8</u>, 2018, before me, the undersigned, a Notary Public in and for said State, personally appeared the above-named representative of Seller, who is personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he or she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the persons, or the entity upon behalf of which the person acted, executed the instrument.</p>	
WITNESS my hand and official seal.	Notary Signature: <u>/s/ Pamela E. Veasey</u> (Seal)

This RECOURSE RECEIVABLES PURCHASE & SECURITY AGREEMENT ("Agreement") is made as of the 8th day of February, 2018 by and between the above-named Seller ("**Seller**") and Porter Capital Corporation ("**Purchaser**").

1. **DEFINITIONS.** The following terms used herein shall have the following meanings. All capitalized terms not herein defined shall have the meanings set forth in the Alabama Uniform Commercial Code:

"Account Debtor" – an account debtor (as defined in the Uniform Commercial Code as adopted in the State of Alabama) on any Purchased Account.

"Accounts" – any right to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance, or such additional meaning as shall be given to the term Accounts under the Uniform Commercial Code as adopted in the State of Alabama.

"Accounts Transmittal" – a form supplied by Purchaser from time to time wherein Seller lists such of its Accounts as it requests that Purchaser purchase under the terms of this Agreement and to which are attached copies of all invoices which relate to the Accounts described therein.

"Advance Rate" – the Advance Rate set forth on "**Schedule A.**"

“Actual/365 Computation” - a method used by Purchaser in determining the annual effective yield by taking the stated (nominal) rate for a year’s period and then dividing said rate by 365 to determine the daily periodic rate to be applied for each day in the applicable period.

“Clearance Days” - Three (3) business days for Account Debtors located in the United States

“Collateral” – all of Seller’s Accounts (including Accounts purchased by Purchaser hereunder and repurchased by Seller); Chattel Paper; Instruments; and Inventory now or hereafter acquired; all of Seller’s Equipment listed on “Schedule B” attached hereto; and the Proceeds or Proceeds of Proceeds of all of the foregoing including, but without limitation all insurance proceeds and all claims against others for loss or destruction of or damage to any of the foregoing.

“Dispute” - a claim by an Account Debtor that the goods or services which are the subject of a Purchased Account were not delivered or accepted in accordance with the agreement between the Account Debtor and Seller, whether or not such dispute is valid.

“Due Diligence Fee” – the Due Diligence Fee set forth on **“Schedule A.”**

“Eligible Account” - An Account which is acceptable for purchase as determined by Purchaser in the exercise of its reasonable credit or business judgment.

“Events of Default” – the Events of Default set forth in Section 11.1.

“Face Amount” -The face amount due on an Account.

“Initial Term” – the Initial Term set forth on **“Schedule A.”**

“Insolvency Event” – the filing of a petition under any state or federal debtor relief or liquidation statute by or against an Account Debtor.

“Interest Rate” – the Prime Rate plus the margin set forth on **“Schedule A.”**

“Late Fee” - any fee charged pursuant to section 3.4 of this Agreement.

“Line Amount” - the Line Amount set forth on **“Schedule A.”**

“Minimum Term Fee” – an amount equal to the monthly Interest Rate multiplied by the Minimum Average Monthly Volume set forth on **“Schedule A”** multiplied by the number of months in the Initial Term or any Renewal Term provided that no Event of Default has occurred. Upon the occurrence and during the continuation of an Event of a Default arising under Section 11.1(ii) of this Agreement, the “Minimum Term Fee” shall be three percent (3.0%) multiplied by the Minimum Average Monthly Volume multiplied by the number of months in the Initial Term or any Renewal Term. If an Event of a Default arises under Section 11.1(i), (iii), (iv) or (v) of this Agreement, and such Event of Default is not remedied or waived within 45 days of the date an officer of Seller becomes aware of such Event of Default (the “MTF Waiver Period”), commencing on the first day immediately following the MTF Waiver Period, the “Minimum Term Fee” shall be three percent (3.0%) multiplied by the Minimum Average Monthly Volume multiplied by the number of months in the Initial Term or any Renewal Term. Notwithstanding anything to the contrary contained herein, if the Purchaser determines that an Account from an Account Debtor previously approved by Purchaser in writing is not or is no longer an Eligible Account or refuses to purchase an Account from an Account Debtor previously approved by Purchaser in writing, the Minimum Average Monthly Volume will be reduced by the Face Amount of such Account and the Minimum Term Fee will be reduced by such Face Amount multiplied by the Interest Rate for a sixty day period.

“Minimum Average Monthly Volume”– the Minimum Average Monthly Volume set forth on **“Schedule A.”**

“Misdirected Payment Fee” – the greater of \$5,000.00 or twenty-five (25%) of the amount of any payment on account of a Purchased Account which has been received by Seller and not delivered in kind to Purchaser within five (5) business days following the date of receipt by Seller.

“Notation” – Invoice is assigned and payable to:

i. If by check, mail to the following address:

**PORTER CAPITAL CORPORATION
PO Box 12105
Birmingham, Alabama 35203
For Account of:**

Please show invoice and/or account number on check.

ii. If by electronic remittance, to:

**Compass Bank
Birmingham, AL
Account Name: Porter Capital Corporation
ABA Routing Number: *******

Account Number: *****

For Account of:

“Obligations” – all obligations of Seller under this Agreement and all present and future indebtedness and obligations due or owing by Seller to Purchaser whether or not for the payment of money, whether or not evidenced by this Agreement, a note or any other instrument, whether direct or indirect, absolute or contingent, due or to become due, joint or several, primary or secondary, liquidated or un-liquidated, secured or unsecured, original or renewed or extended, including but not limited to any obligations arising pursuant to other financial accommodations; and all principal, Reserve Shortfall, interest, Due Diligence Fees, Origination/Renewal Fees, Wire Transfer Fees, ACH Transfer Fees, late charges, fees, expenses, attorneys’ fees and accountants’ fees chargeable to Seller or incurred by Purchaser in connection with this Agreement and/or the transaction(s) related thereto.

“Origination/Renewal Fee” – the Origination/Renewal Fee set forth on **“Schedule A.”**

“Parties” - Seller and Purchaser.

“Prime Rate” – the Prime Rate as used herein shall be the prime rate as published in the Wall Street Journal as the “Prime Rate” (base rate on corporate loans posted by at least 75% of the nation’s 30 largest banks)

“Purchase Price” - The Face Amount.

“Purchased Accounts” - Accounts purchased hereunder which have not been Repurchased.

“Recourse Account” – shall mean the portion of any Purchased Account that remains unpaid for more than the Repurchase Period from the date of the invoice.

“Repurchase Period” – the Repurchase Period as set forth on **“Schedule A.”**

“Repurchased” - an Account has been repurchased when Seller has paid to Purchaser the then unpaid Face Amount upon demand by Purchaser under the terms hereof.

“Required Reserve Amount” - the Reserve Percentage multiplied by the unpaid balance due Purchaser on the Purchased Accounts.

“Reserve Account” – a bookkeeping account on the books of the Purchaser representing an unpaid portion of the Purchase Price, maintained by Purchaser to ensure Seller’s performance with the provisions hereof.

“Reserve Percentage” – the Reserve Percentage as set forth on **“Schedule A.”**

“Reserve Release Frequency Period” – The time period during which Seller may make one request that the funds in the Reserve Account in excess of the Required Reserve Account be paid to Seller. The time period for the Reserve Release Frequency Period is specified in **“Schedule A.”**

“Reserve Shortfall” - The amount by which the Reserve Account is less than the Required Reserve Amount.

2. SALE; PURCHASE PRICE; BILLING; NOTATION; RESERVE.

2.1 Assignment and Sale. Seller shall sell to Purchaser as absolute owner, with full recourse, such of Seller’s Accounts as are listed from time to time on Accounts Transmittal. Each Accounts Transmittal shall be accompanied by such documentation evidencing the Account as Purchaser shall from time to time request. Purchaser may purchase from Seller such Accounts as Purchaser determines to be an Eligible Account, so long as the total outstanding Face Amount of Purchased Accounts does not exceed, before and after such purchase, the Line Amount. Purchaser shall incur no liability to Seller for refusal to purchase an Account determined not to be an Eligible Account. All Accounts Transmittals, whether or not it is specifically set forth therein, shall constitute a representation by the Seller that it is solvent, has not and is not contemplating filing bankruptcy and that all Accounts represented thereby are valid, enforceable, payable and actual and not subject to setoffs, defenses or competing claims by any party. Seller shall make all appropriate accounting entries on its books and records to reflect that Purchased Accounts have been sold to Purchaser.

2.2 Purchase Price. Purchaser shall pay the Purchase Price as follows: Within two (2) business days following the determination that an Account is an Eligible Account and Purchaser’s receipt of an Accounts Transmittal, countersigned by the Seller, Purchaser shall pay Seller an amount equal to the Advance Rate times the Face Amount of Eligible Accounts reflected on such Accounts Transmittal whereupon the Eligible Accounts set forth in the Accounts Transmittal shall be deemed purchased. The balance of the Purchase Price shall be applied to the Reserve Account and/or any Obligations then due Purchaser by Seller under this Agreement.

2.3 Reserved.

2.4 Notation. Seller shall instruct all Account Debtors on the Purchased Accounts to make payments pursuant to the Notation, and Purchaser may instruct all Account Debtors to make payments pursuant to the Notation upon the occurrence and during the continuation of an Event of Default following the failure of the Seller to repurchase such Purchased Account pursuant to the terms of this Agreement within five (5) business days upon the written demand of the Purchaser.

2.5 Reserve Account. Purchaser may apply a portion of any Purchase Price to the Reserve Account in the amount of the Reserve Shortfall. Without limiting the foregoing, Seller shall pay to Purchaser within five (5) business days upon the written demand of the Purchaser the amount of any Reserve Shortfall. Purchaser shall pay to Seller upon Seller's request any amount by which collected funds in the Reserve Account are greater than the Required Reserve Amount. Purchaser may charge the Reserve Account with any Obligation due from Seller to Purchaser hereunder. Purchaser may pay any amounts due Seller hereunder by a credit to the Reserve Account. Amounts Purchaser is entitled to charge to the Reserve Account, which remain unpaid after Purchaser's demand, shall accrue Late Charges.

2.6 Collection of Purchased Accounts. Purchaser (as purchaser of the Purchased Accounts) shall administer the collection of all of the Purchased Accounts. Purchaser shall have the right of endorsement of the Purchased Account and all payments received in connection with each Purchased Account. The Seller hereby appoints Purchaser the attorney-in-fact and agent of the Seller for this purpose, which appointment is coupled with an interest and is irrevocable during the term of this Agreement. Purchaser shall have no liability to the Seller for any mistake in the application of any payment received by it with respect to any Purchased Account, so long as Purchaser acts in good faith and so long as such mistake is not caused by Purchaser's gross negligence or willful misconduct. So long as Seller provides Purchaser written confirmation from the Account Debtor on each Purchased Account confirming that the charges set forth on the invoices are valid and that the face amount is due to be paid, Purchaser shall initiate no direct contact with any Account Debtor without first obtaining Seller's consent or upon the occurrence and continuation of an Event of Default following the failure of the Seller to repurchase such Purchased Account pursuant to the terms of this Agreement within five (5) Business Days upon the written demand of the Purchaser.

3. **PAYMENT; OBLIGATION OF SELLER** . While this Agreement establishes the agreement of Purchaser to purchase and pay Seller for Eligible Accounts set forth in the Accounts Transmittal, it also establishes payment and performance obligations of Seller to Purchaser. With respect to such Obligation owed by Seller to Purchaser, Seller shall pay to Purchaser:

3.1 Interest. Interest, at the Interest Rate on an amount equal to (i) the unpaid balance of the Purchase Price minus the Reserve Account, as such amounts change from time to time plus (ii) outstanding fees or other Obligations owed by Seller to Purchaser hereunder, which shall be computed on the basis of a an Actual/365 Computation; and

3.2 Minimum Term Fee. An amount equal to the Minimum Term Fee less the amount of actual Interest paid during the Initial Term, or if applicable during any Renewal Term. The Minimum Term Fee shall be paid at the end of the Initial Term, the end of any Renewal Term (if applicable) and upon any other the termination of this Agreement.

3.3 Calculation of and Payment of Interest. All accrued interest shall be calculated monthly on the last calendar day of the month in which it accrues using the Interest Rate in effect as of the first business day of that month and paid by Seller on the first business day of the next month. Any change in the Interest Rate shall take place simultaneously with any corresponding change as set forth in the Prime Rate from time to time.

3.4 Late Charges. In addition to the foregoing, Seller shall also pay to Purchaser a late fee of .05% per day on any and all overdue amounts due to Purchaser from Seller pursuant to this Agreement until such amounts are paid in full. Late Charges will not apply to amounts due to Purchaser on Accounts (but shall apply to other amounts) unless and until Seller is obligated under this Agreement to repurchase such Accounts, at which time Late Charges will accrue until the Account and Late Charges are paid in full. Late Charges shall be paid and are due within one (1) business day following the occurrence of the event which makes Seller obligated to Purchaser for any Late Charges.

3.5 Due Diligence Fee; Origination/Renewal Fee. In addition to the foregoing, Seller shall pay to Purchaser the Due Diligence Fee upon execution of this Agreement, and the Origination/Renewal Fee at the time of the first funding during the Initial Term and at the beginning of each succeeding Renewal Term.

3.6 Other Amounts. All other Obligations or expenses, including, without limitation, Misdirected Payment Fees, Wire Transfer Fees, ACH Transfer Fees, any attorney fees reasonably incurred and documented, UCC search fees, UCC filing fees, out of pocket expenses, or any wire transfer, postage, audit or returned check fees that are incurred by Purchaser or are specified on "**Schedule A**" shall be paid to Purchaser by Seller within five (5) business days following the written request of the Purchaser to reimburse such expenses.

4. **REPURCHASE OF ACCOUNTS**. Purchaser may require that Seller repurchase, by payment of the unpaid Face Amount thereof together with any unpaid fees relating to the Purchased Account on demand, or, at Purchaser's option, by Purchaser's charge to the Reserve Account: (i) any Purchased Account in Dispute, subject to an Insolvency Event, or for which Purchaser is required to disgorge; (ii) all Purchased Accounts upon the occurrence of an Event of Default or upon the termination date of this Agreement; or (iii) any Purchased Account that remains unpaid after the expiration of the Repurchase Period. Purchaser shall retain a security interest in any Purchased Account that is repurchased.

5. **SECURITY INTEREST**. Seller grants to Purchaser a continuing first priority security interest in and to the Collateral to secure the Obligations. Seller shall take all actions reasonably requested by Purchaser necessary to perfect the Purchaser's security interest in the Collateral and authorizes Purchaser to create and file any and all financing statements, amendments corrections or releases as are necessary to perfect and maintain its security interest in the Collateral; provided, that Purchaser shall not be permitted to describe the Collateral in such financing statements as "All Assets" of the Seller.

6. **COLLECTION CLEARANCE PERIOD**. For all purposes under this Agreement, Clearance Days will be added to the date on which any payment is received by Purchaser.

7. AUTHORIZATION TO PURCHASER.

7.1 Seller hereby irrevocably authorizes Purchaser and any designee of Purchaser, at Seller's sole expense, and irrevocably appoints Purchaser as Seller's attorney in fact to exercise at any times in Purchaser's or such designee's discretion and in Seller's name all or any of the following powers until all of the Obligations have been paid in full: (a) receive, take, endorse, assign, deliver, accept and deposit, in the name of Purchaser or Seller, any and all cash, checks, commercial paper, drafts, remittances and other instruments and documents relating to the Collateral or the proceeds thereof, (b) upon the occurrence and during the continuation of an Event of Default, or upon Seller's written consent, take or bring, in the name of Purchaser or Seller, all steps, actions, suits or proceedings deemed by Purchaser necessary or desirable to effect collection of or other realization upon any Account, following the failure of the Seller to repurchase such Account pursuant to the terms of this Agreement within five (5) business days upon the written demand of the Purchaser, or other Collateral, (c) upon the occurrence and during the continuation of an Event of Default, extend the time of payment of, compromise or settle for cash, credit, return of merchandise, and upon any terms or conditions, any and all Accounts, following the failure of the Seller to repurchase such Account pursuant to the terms of this Agreement within five (5) business days upon the written demand of the Purchaser, or other Collateral which includes a monetary obligation and discharge or release any Account Debtor or other obligor (including filing of any public record releasing any lien granted to Seller by such Account Debtor), without affecting any of the Obligations, (d) file against Seller in favor of Purchaser financing statements or amendments with respect to the Collateral, (e) pay any sums necessary to discharge any lien or encumbrance which is senior to Purchaser's security interest in the Collateral, which sums shall be included as Obligations hereunder, and in connection with which sums the Late Charge shall accrue and shall be due and payable, (f) upon the occurrence and during the continuation of an Event of Default, or upon Seller's written consent, file in the Seller's or Purchaser's name or both any mechanic's lien or claim under a payment bond connected to the goods or services of Seller following the failure of the Seller to repurchase a Account forming the basis of such lien or claim pursuant to the terms of this Agreement within five (5) business days upon the written demand of the Purchaser; and (g) upon the occurrence and during the continuation of an Event of Default, or upon Seller's written consent, notify any Account Debtor obligated with respect to any Account, following the failure of the Seller to repurchase such Account pursuant to the terms of this Agreement within five (5) business days upon the written demand of the Purchaser, that the underlying Account has been assigned to Purchaser by Seller and that payment thereof is to be made to the order solely to Purchaser.

7.2 Seller hereby releases and exculpates Purchaser, its officers, employees and designees, from any acts under this Agreement or in furtherance thereof whether of omission or commission, and whether based upon any error of judgment or mistake of law or fact, except for any acts caused by such person's gross negligence or willful misconduct. In no event will Purchaser have any liability to Seller for lost profits or other special or consequential damages.

7.3 Seller authorizes Purchaser to initiate electronic debit or credit entries through the ACH system to any deposit account maintained by Seller to satisfy any of the Obligations.

8. COVENANTS BY SELLER.

8.1 Seller warrants, represents, covenants and recognizes that the Purchased Accounts are the sole property of Purchaser, and Seller shall not, collect same, or without Purchaser's prior written consent, compromise or adjust any Purchased Account or grant any additional discounts, allowances or credits thereon. Further Seller shall, immediately upon the sale of a Purchased Account, make proper entries on its books and records disclosing the absolute sale and assignment of such Purchased Account to Purchaser.

8.2 Automatically, without notice, after the occurrence of and during the continuation of an Event of Default, Seller shall not, without the prior written consent of Purchaser in each instance, (a) grant any extension of time for payment of any of the Collateral which includes a monetary obligation, (b) compromise or settle any of the Collateral for less than the full amount thereof, (c) release in whole or in part any Account Debtor or other person liable for the payment of any of the Collateral, or (d) grant any credits, discounts, allowances, deductions, return authorizations or the like with respect to any of the Collateral.

8.3 From time to time as requested by Purchaser (which shall not be more than one (2) times per calendar year so long as no Event of Default has occurred and is continuing), at the sole expense of Seller, Purchaser or its designee shall have access, during reasonable business hours if prior to an Event of Default and at any time if on or after an Event of Default has occurred and is continuing, to all premises where Collateral is located for the purposes of inspecting (and removing, if after the occurrence of and during the continuation of an Event of Default) any of the Collateral, including Seller's books and records, and Seller shall permit Purchaser or its designee to make copies of such books and records or extracts therefrom as Purchaser may request. Upon the occurrence and during the continuation of an Event of Default, without expense to Purchaser, Purchaser may use any of Seller's personnel, equipment, including computer readable media, supplies and premises for the collection of Accounts and realization on other Collateral as Purchaser, in its sole discretion, deems appropriate. Seller hereby irrevocably authorizes all accountants and third parties to disclose and deliver to Purchaser at Seller's expense all financial information, books and records, work papers, management reports and other information in their possession relating to Seller.

8.4 Before sending any invoice evidencing a Purchased Account to the Account Debtor, Seller shall mark same with the Notation, or such other notation as Purchaser shall have advised Seller in writing.

8.5 Seller shall pay when due all payroll and other taxes, and shall provide proof thereof to Purchaser upon Purchaser's reasonable request.

8.6 Seller shall not, without the prior written consent of Purchaser suffer to exist any lien (including any encumbrance or security interest) of any kind upon any of the Collateral, whether now owned or hereafter acquired.

8.7 Seller shall not change its state of incorporation or organization; consolidate or merge with another entity; change its name; or transfer, sell, lease or assign any of the Collateral out of the ordinary course of business to another entity without written notice to Purchaser at least ten (10) calendar days prior to any such proposed change.

8.8 If payment of any Purchased Account is made directly to Seller, such payment shall be deemed to have been received in trust for Purchaser, and Seller shall not deposit or convert such funds and by the next banking day following the date of receipt, shall send the same, properly endorsed, if necessary, to the "Notation" designated herein.

8.9 Seller shall maintain insurance on all insurable property owned or leased by Seller in the manner, to the extent and against at least such risks (in any event, including but not limited to fire and business interruption insurance) as usually maintained by owners of similar businesses and properties in similar geographic areas. All such insurance shall be in amounts and form and with insurance companies reasonably acceptable to Purchaser, with Purchaser shown as additional insured. Seller shall furnish to Purchaser upon written request, any and all information concerning such insurance carried. All policies of insurance shall provide for not less than thirty (30) days prior written cancellation notice to Purchaser (or upon not less than 10 days' prior written notice with respect to non-payment of premiums).

8.10 Seller is solely responsible for paying all expenses of its business including but not limited to the timely filing and depositing on all payroll tax contributions, required or withholding levied or fixed by any governmental authority of Seller's permanent and temporary employees.

8.11 Seller shall indemnify Purchaser from any loss arising out of the assertion of any avoidance claim or preference action initiated under the United States Bankruptcy Code and shall pay to Purchaser on demand the amount thereof. Seller shall notify Purchaser within two (2) business days of Seller becoming aware of any avoidance claim or preference action. The Seller's duties with regard to avoidance claims or preference actions shall survive the termination of this Agreement.

8.12 Seller also will not, under any circumstances or in any manner whatsoever, interfere with any of Purchaser's rights under this Agreement or misdirect the payment of any Purchased Account.

8.13 Seller shall not factor, finance, give a security interest or sell any of its Accounts to any person or entity other than Purchaser during the term of this Agreement, nor shall any Accounts to be purchased under this Agreement be previously sold, pledged or encumbered by Seller or any other person or entity in any manner whatsoever.

8.14 Seller shall give Purchaser prompt written notice of any levy, attachment, legal process, or notice of default with regard to Accounts or Collateral or claiming an amount in excess of \$500,000 as soon as same is received by Seller or as to which Seller has knowledge.

8.15 Seller shall defend title to the Collateral against all persons and against all claims and demands whatsoever, which Collateral, except for the security interest granted hereby, is lawfully owned by the Seller and is now free and clear of any and all liens, security interests, claims, charges, encumbrances, taxes and assessments except as may be set forth specifically herein.

8.16 Seller shall pay, when due, all taxes, assessments, and license fees relating to the Collateral.

8.17 Seller shall keep the Collateral, at the Seller's own cost and expense, in good repair and condition and not to misuse, abuse, waste, or allow to deteriorate except for normal wear and tear and to make the same available for inspection by Purchaser at all reasonable times.

8.18 If requested by Purchaser, Seller shall cause Purchaser to be shown as lender's loss payee or mortgagee on all insurance policies insuring the Collateral, and deposit with Purchaser such certificates of insurance or policies as from time to time requested by Purchaser. Seller shall give immediate written notice to Purchaser and to insurers of loss or potential loss or damage to the Collateral and shall promptly file proofs of loss or potential loss with insurers.

8.19 Seller shall immediately notify Purchaser in writing of any change in or discontinuance of Seller's place or places of business.

9. **ACCOUNT DISPUTES.** Seller shall notify Purchaser promptly of and, if requested by Purchaser, will settle all Disputes concerning any Purchased Account, at Seller's sole cost and expense. However, Seller shall not, without Purchaser's prior written consent, compromise or adjust any Purchased Account or grant any additional discounts, allowances or credits thereon. Upon the occurrence and during the continuation of an Event of Default following the failure of the Seller to repurchase such Purchased Account pursuant to the terms of this Agreement within five (5) business days upon the written demand of the Purchaser, Purchaser may, but is not required to, attempt to settle, compromise, or litigate (collectively, "Resolve") the Dispute upon such terms as Purchaser in its sole discretion deem advisable, for Seller's account and risk and at Seller's sole expense. Upon the occurrence and during the continuation of an Event of Default following the failure of the Seller to repurchase such Purchased Account pursuant to the terms of this Agreement within five (5) business days upon the written demand of the Purchaser, Purchaser may resolve such issues with respect to any Purchased Account of Seller.

10. **REPRESENTATION AND WARRANTY.** Seller represents and warrants that: it is fully authorized to enter into this Agreement and to perform hereunder; this Agreement constitutes its legal, valid and binding obligation; Seller is solvent and in good standing in the state of its organization; Seller's state of incorporation or organization and exact legal name are set forth in the box of this Agreement; Seller's chief executive office is located at the address set forth in the box of this Agreement; and the Purchased Accounts are bona fide existing obligations without adjustment, claims, defenses, disputes or rights to setoff or cancellation, are not sales to affiliated entities, parent companies or subsidiaries of the Seller and Seller has received no notice or otherwise learned of any actual or imminent bankruptcy, insolvency or material impairment of the Account Debtors and Purchased Accounts.

11. **DEFAULT.**

11.1 Events of Default. The following events will constitute an Event of Default hereunder: (i) Seller fails to pay any payment of the Obligations within three (3) business days after such payment becomes due in accordance with the terms hereof, (ii) Seller or any guarantor of the Obligations becomes subject to any debtor-relief proceedings, (iii) any such guarantor fails to perform or observe any of such guarantor's obligations to Purchaser or shall notify Purchaser of its intention to rescind, modify, terminate or revoke any guaranty of the Obligations, or any such guaranty shall cease to be in full force and effect for any reason whatever, (iv) Seller breaches any present or future covenant or agreement contained in this Agreement, or any other present or future contract or agreement with the Purchaser and such failure continues unremedied or unwaived for a period of five (5) business days after the earlier of (A) the date an officer of the Seller becomes aware of such default and (B) receipt by the Seller of notice from the Purchaser of such default, or (v) Seller breaches of any term, provision, warranty, or representation under any other agreement or contract between Seller and CapitalPartners Leasing LLC and/or Porter Bridge Loan Company, Inc., and such breach continues unremedied or unwaived for a period of five (5) business days after the earlier of (A) the date an officer of the Seller becomes aware of such default and (B) receipt by the Seller of notice from the Purchaser of such default, or fails to pay any obligation within three (3) business days after such obligation is due to CapitalPartners Leasing LLC and/or Porter Bridge Loan Company, Inc.

11.2 Effect of Default. Upon the occurrence of any Event of Default, in addition to any rights Purchaser has under this Agreement or applicable law, with or without notice to Seller, Purchaser may immediately terminate its duties under this Agreement, at which time all Obligations shall immediately become due and payable without notice and Purchaser shall have the right to withhold any payments due to Seller until such times as all the Obligations are satisfied and paid in full. In addition Purchaser shall have all of the rights of a secured party under the Uniform Commercial Code, including without limitation the right to take possession and control of any Collateral and sell the same either collectively or in lots at one or more private or public sale and Seller will remain liable for any deficiency. If Purchaser sells any of the Collateral upon credit, Seller will be credited only with payments actually made by the purchaser of the Collateral, received by Purchaser and applied to the indebtedness of the purchaser. In the event the purchaser of the Collateral fails to pay for the Collateral, Purchaser may resell the Collateral, and Seller will be credited with the proceeds of the sale. Purchaser may but shall not be required to proceed against Collateral but may proceed against the Seller or any guarantor of Seller and the Obligations directly. Purchaser waives any and all rights it may have to marshalling of assets.

In addition to the foregoing, Purchaser may declare the Obligations immediately due and payable, enforce the security interest given hereunder, require Seller to assemble any Collateral secured hereunder and the records pertaining thereto and make them available to Purchaser at a place designated by Purchaser, enter the premises of Seller and take possession of any Collateral not then in its possession and of the records pertaining thereto, grant extensions, compromise claims, and settle collection of any Accounts forming the basis of the Collateral for less than face value, all without prior notice to Seller, use, in connection with any assembly or disposition of the Collateral, any trademark, trade name, trade style, copyright, patent right, or technical process used or utilized by Seller, and return any surplus realized and hold Seller liable for any deficiency.

11.3 No Waiver. Any failure to or decision by Purchaser not to exercise all of its rights upon an Event of Default shall not constitute or be deemed a waiver of such rights as to current or future Events of Default. Any rights and remedies of Purchaser herein against the Seller or any guarantor of Seller or the Obligations are cumulative and not alternative.

12. **TERMS**

12.1 This Agreement shall be effective for a period commencing on the date hereof and shall continue until the end of the Initial Term. This Agreement shall be deemed to be automatically renewed for an additional term equal in length to the Initial Term (the "**Renewal Term**") at the expiration of the Initial Term, and thereafter to be automatically renewed for succeeding terms at the end of the first and each succeeding Renewal Term, unless the Seller shall deliver written notice of cancellation to Purchaser no later than 30 business days prior to the expiration date of the Initial Term or any succeeding Renewal Term. No such termination shall terminate or otherwise affect Seller's obligations hereunder incurred or accrued prior to such termination. Notwithstanding the foregoing, Seller can terminate this agreement upon written notice to the Purchaser and payment in full of all Obligations payable hereunder, including the Minimum Term Fee (less the amount of actual Interest paid during the Initial Term, or if applicable during any Renewal Term), upon which, as soon as possible but no later than three (3) business days after payment in full, all Collateral will be released, Purchased Accounts will be reassigned to Seller and the funds remaining in the Reserve Account will be returned to Seller. Purchaser authorizes Seller to make all lien release filings following termination and payoff.

12.2 The representations, warranties and covenants of the Seller and the remedies of Purchaser for a breach of such representations, warranties and/or covenants, shall survive the termination of this Agreement, and such termination shall not effect the rights of Purchaser to enforce its remedies under the agreements executed in connection herewith against the Seller or against any Collateral after a default by the Seller. Upon termination, the Seller shall remain fully responsible to Purchaser for any Purchased Accounts purchased prior to such termination. Additionally, Purchaser shall maintain its security interest in the Collateral until all of the Obligations have been paid in full. Upon payment in full of any and all Obligations by Seller at termination and Seller's release of Purchaser from any and all liability under the Agreement, Purchaser shall release its Security Interest in all Collateral and terminate all financing statements.

13. **AMENDMENT.** No part of this Agreement may be changed, waived, discharged or terminated, nor may any consent to the departure from the terms hereof be given, orally (even if supported by new consideration), but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought. Any waiver or consent so given shall be effective only in the specific instance and for the specific purpose for which given.

14. **NO LIEN TERMINATION WITHOUT RELEASE.** In recognition of Purchaser's right to have its attorneys' fees and other expenses incurred in connection with this Agreement secured by the Collateral, notwithstanding payment in full of all Obligations by Seller, Purchaser shall not be required to record any terminations or satisfactions of any of Purchaser's liens on the Collateral unless and until Seller has executed and delivered to Purchaser a general release in a form reasonably satisfactory to Purchaser.

15. **FINANCIAL STATEMENTS.** During the term of this Agreement, Seller agrees to provide Purchaser with such financial statements and records monthly and such other information as may be reasonably requested by Purchaser from time to time, and each quarter, within twenty days following the end of the respective quarter, shall furnish an updated customer list with customer names, contact names, addresses, and phone numbers, as well as a complete and current payables-aging report.

16. **SEVERABILITY.** In the event any one or more of the provisions contained in this Agreement is held to be invalid, illegal or unenforceable in any respect, then such provision shall be ineffective only to the extent of such prohibition or invalidity, and the validity, legality, and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

17. **RELATIONSHIP OF PARTIES.** The relationship of the Parties hereto shall be that of Seller and Purchaser of Accounts and not that of borrower and lender, and neither party is or shall be deemed a fiduciary of or to the other. This is a purchase and sale transaction and it does not constitute financing. The rights, obligations and remedies contained herein shall inure to and be binding on the parties hereto and on their respective legal representatives, successors and assigns

18. **ATTORNEYS' FEES .** Seller is obligated to pay to Purchaser all of Purchaser's reasonable and documented out-of-pocket attorneys' fees, legal costs and expenses, collection, prosecution or defense costs, travel expenses, and other reasonable and documented out-of-pocket expenses incurred by Purchaser in connection with this Agreement or in connection with enforcing Purchaser's rights hereunder, or in connection with being involved in a legal action related hereto, or in responding to legal process concerning Seller or any account purchased hereunder.

19. **ENTIRE AGREEMENT.** This Agreement, including all terms and conditions specified in any of the Schedules attached hereto, supersedes all prior or contemporaneous agreements and understandings between the Parties, verbal or written, express or implied, relating to the subject matter hereof. No course of dealing, course of performance or trade usage, and no parole evidence of any nature, shall be used to supplement or modify any terms of this Agreement.

20. **CHOICE OF LAW .** This Agreement and all transactions contemplated hereunder and/or evidenced hereby shall be governed by, construed under, and enforced in accordance with the internal laws of the State of Alabama.

21. **JURY TRIAL WAIVER .** THE PARTIES HERETO WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION INVOLVING BOTH OF THEM, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE.

22. **LEGAL ACTION .** Any action between the Parties shall, if Purchaser so elects, be instituted in the federal or state court located in Jefferson County, Alabama (the "Acceptable Forum"). Each party irrevocably submits to the jurisdiction of the Acceptable Forum, and waives all attempts to transfer to any other forums. Should any action be initiated in any other forum, Seller shall not oppose any attempt to have the action transferred to the Acceptable Forum.

23. **INDEMNIFICATION.** Seller agrees to indemnify, defend and hold Purchaser harmless from any and all claims, damages, actions, or judgments, including without limitation those for attorney's fees, which Purchaser may have to pay and defend against with respect to any third party claims arising out of the transactions entered into pursuant to the terms and conditions of this Agreement.

24. **NOTICE.** All notices required hereunder must be in writing (paper or electronic) and shall be deemed received by Seller upon the earlier of actual receipt via electronic transmittal, express courier, or other means or, if that fails, via first class United States Mail properly addressed to the address first set forth above with a copy to 2112 First Avenue North, Birmingham, AL, 35203. All notices required to be given to Seller shall be deemed given upon the first to occur of: deposit thereof in a receptacle under the control of the United States Postal Service; transmittal by electronic or telephonic means to a receiver under the control of Seller, or actual receipt by Seller or an employee or agent of Seller. All notices required to be given to Purchaser hereunder shall be deemed given upon actual receipt by a responsible officer of Purchaser.

25. **TIME IS OF THE ESSENCE.** In all matters pertaining to this Agreement, time is of the essence.

**RECOURSE RECEIVABLES PURCHASE & SECURITY AGREEMENT
SCHEDULE A – PRICING AND TERM SHEET**

This schedule is Schedule “A” to that Recourse Receivables Purchase & Security Agreement by and between Porter Capital Corporation (Purchaser), and Eco-Stim Energy Solutions, Inc.; EcoStim, Inc. (Seller) and is incorporated therein and apart thereof.

Seller	Eco-Stim Energy Solutions, Inc.; EcoStim, Inc.		
Credit Facility	Recourse Receivables Purchase & Security Agreement		
Minimum Average Monthly Volume	\$5,000,000.00		
Line Amount	\$12,500,000.00		
Initial Term	One (1) Year		
Advance Rate	80% of Eligible Accounts being purchased		
Reserve Percentage	20% of the Unpaid Balance of Purchased Accounts		
Reserve Release Frequency	As requested by Seller provided same is available.		
Repurchase Period	Ninety(90) days From Invoice Date		
Interest Rate (Prime +)	Prime Rate + 8.25%		
Due Diligence Fee	\$***** (If necessary, up to \$*****)		
Origination/Renewal Fee	***** Percent (*****%) of the Line Amount		
Wire Transfer Fee	\$25.00 Per Transfer		
ACH Transfer Fee	\$10.00 Per Transfer		
Other Considerations	Purchaser shall purchase only Eligible Accounts originating within the United States.		

This schedule is Schedule “B” to that Recourse Receivables Purchase & Security Agreement by and between **Porter Capital Corporation** (Purchaser), and **Eco-Stim Energy Solutions, Inc.; EcoStim, Inc.**(Seller) and is incorporated therein and apart thereof.

Equipment

See attached.

**PORTER RECOURSE RECEIVABLES PURCHASE & SECURITY AGREEMENT
SCHEDULE B**

SECRETARY'S CERTIFICATE

I, Christopher J. Arntzen, hereby state that I am the duly elected, acting and qualified Secretary of, Eco-Stim Energy Solutions, Inc., an entity organized and existing under and by virtue of the laws of the state of Nevada (the "Company"), that I am the keeper of the entity records and seal of the Company, and that:

Through a unanimous written consent in lieu of a board of directors meeting in accordance with the Company's bylaws, organizational or governing documents and the aforesaid laws, the following resolutions were duly and regularly adopted:

RESOLVED, that the form, terms and provisions of all of the documents and instruments in the form attached hereto to be executed by the Company with and/or in favor of PORTER CAPITAL CORPORATION (the "Agreements"), and the transactions contemplated thereby be, and the same are, in all respects approved, and that the President, the Chief Financial Officer, any Vice President, and each other officer of the Company (the "Authorized Persons"), or any of them, be, and they hereby are, authorized, empowered, and permitted to execute and deliver the Agreements and any and all other agreements, documents, instruments and certificates required or desirable in connection therewith, if necessary or advisable, with such changes as they may deem in the best interest of the Company, and their execution and delivery of the Agreements, and all such other agreements, documents, instruments and certificates, shall be deemed to be conclusive evidence that the same are in all respects authorized and approved; and be it further

RESOLVED, that the actions of any Authorized Person heretofore taken in furtherance of the Agreements be, and hereby are, approved, adopted and ratified in all respects.

The above resolutions: (a) are not contrary to the articles of incorporation, , bylaws or other governing documents of the Company, as applicable, and (b) have not been amended, modified, rescinded or revoked and are in full force and effect on the date hereof.

The following persons are duly qualified and acting officers of the Company, duly elected to the offices set forth opposite their respective names, and the signature appearing opposite the name of each such officer is his authentic signature:

<u>Name</u>	<u>Officer</u>	<u>Signature</u>
<u>J. Chris Boswell</u>	President	<u>/s/ J. Chris Boswell</u>
<u>Alexander Nickolatos</u>	Chief Financial Officer	<u>/s/ Alexander Nickolatos</u>
<u>Christopher J. Arntzen</u>	Secretary	<u>/s/ Christopher J. Arntzen</u>

IN WITNESS WHEREOF, I have executed this Certificate, this 8th day of February, 2018

/s/ Christopher J. Arntzen

Christopher J. Arntzen
Secretary

[SEAL]

SECRETARY'S CERTIFICATE

I, Christopher J. Arntzen, hereby state that I am the duly elected, acting and qualified Secretary of, EcoStim, Inc., an entity organized and existing under and by virtue of the laws of the state of Texas (the "Company"), that I am the keeper of the entity records and seal of the Company, and that:

Through a unanimous written consent in lieu of a board of directors meeting in accordance with the Company's bylaws, organizational or governing documents and the aforesaid laws, the following resolutions were duly and regularly adopted:

RESOLVED, that the form, terms and provisions of all of the documents and instruments in the form attached hereto to be executed by the Company with and/or in favor of PORTER CAPITAL CORPORATION (the "Agreements"), and the transactions contemplated thereby be, and the same are, in all respects approved, and that the President, the Chief Financial Officer, any Vice President, and each other officer of the Company (the "Authorized Persons"), or any of them, be, and they hereby are, authorized, empowered, and permitted to execute and deliver the Agreements and any and all other agreements, documents, instruments and certificates required or desirable in connection therewith, if necessary or advisable, with such changes as they may deem in the best interest of the Company, and their execution and delivery of the Agreements, and all such other agreements, documents, instruments and certificates, shall be deemed to be conclusive evidence that the same are in all respects authorized and approved; and be it further

RESOLVED, that the actions of any Authorized Person heretofore taken in furtherance of the Agreements be, and hereby are, approved, adopted and ratified in all respects.

The above resolutions: (a) are not contrary to the articles of incorporation, , bylaws or other governing documents of the Company, as applicable, and (b) have not been amended, modified, rescinded or revoked and are in full force and effect on the date hereof.

The following persons are duly qualified and acting officers of the Company, duly elected to the offices set forth opposite their respective names, and the signature appearing opposite the name of each such officer is his authentic signature:

<u>Name</u>	<u>Officer</u>	<u>Signature</u>
<u>J. Chris Boswell</u>	President	<u>/s/ J. Chris Boswell</u>
<u>Alexander Nickolatos</u>	Chief Financial Officer	<u>/s/ Alexander Nickolatos</u>
<u>Christopher J. Arntzen</u>	Secretary	<u>/s/ Christopher J. Arntzen</u>

IN WITNESS WHEREOF, I have executed this Certificate, this 8th day of May, 2018

/s/ Christopher J. Arntzen

Christopher J. Arntzen
Secretary

[SEAL]

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

**(Pursuant to Rule 13a-14(a) of the
Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Jon Christopher Boswell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Eco-Stim Energy Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant including its consolidated subsidiaries is made known to us by others within those entities particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud whether or not material that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2018

ECO-STIM ENERGY SOLUTIONS, INC.

By: */s/ Jon Christopher Boswell*

Jon Christopher Boswell

President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

**(Pursuant to Rule 13a-14(a) of the
Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Alexander Nickolatos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Eco-Stim Energy Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant including its consolidated subsidiaries is made known to us by others within those entities particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud whether or not material that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2018

ECO-STIM ENERGY SOLUTIONS, INC.

By: */s/ Alexander Nickolatos*

Alexander Nickolatos

Chief Financial Officer and Assistant Secretary

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

**(Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Quarterly Report of Eco-Stim Energy Solutions, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jon Christopher Boswell, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2018

ECO-STIM ENERGY SOLUTIONS, INC.

By: /s/ Jon Christopher Boswell

Jon Christopher Boswell

President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Eco-Stim Energy Solutions, Inc. and will be retained by Eco-Stim Energy Solutions, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

**(Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Quarterly Report of Eco-Stim Energy Solutions, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alexander Nickolatos, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2018

ECO-STIM ENERGY SOLUTIONS, INC.

By: /s/ Alexander Nickolatos

Alexander Nickolatos

Chief Financial Officer and Assistant Secretary

A signed original of this written statement required by Section 906 has been provided to Eco-Stim Energy Solutions, Inc. and will be retained by Eco-Stim Energy Solutions, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
