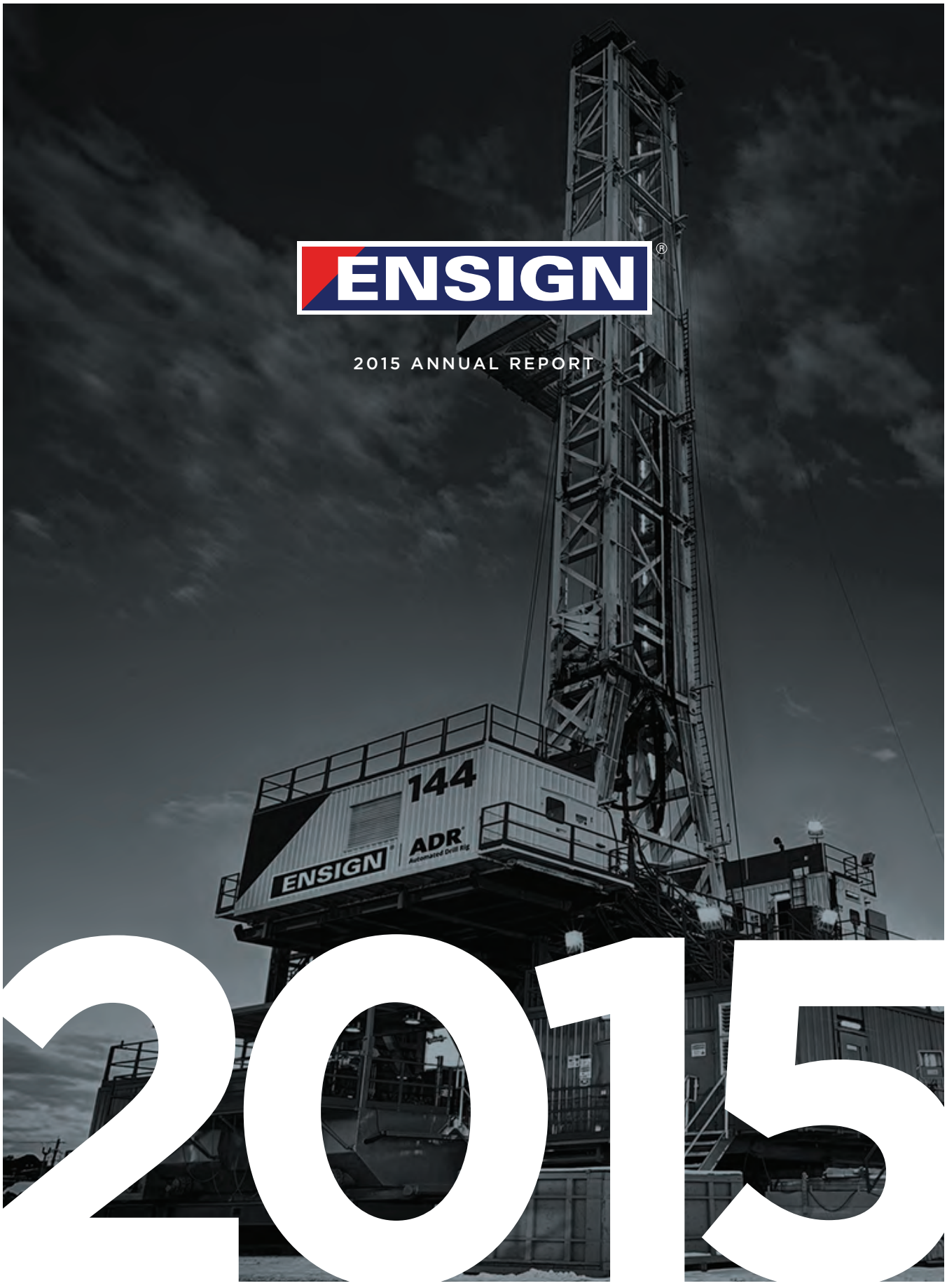


ENSIGN®

2015 ANNUAL REPORT

2015



Ensign Energy Services Inc. is an industry leader in the delivery of oilfield services in Canada, the United States and internationally.

We are one of the world's leading land-based drillers and well servicing providers for crude oil, natural gas and geothermal wells and are highly skilled in directional drilling.

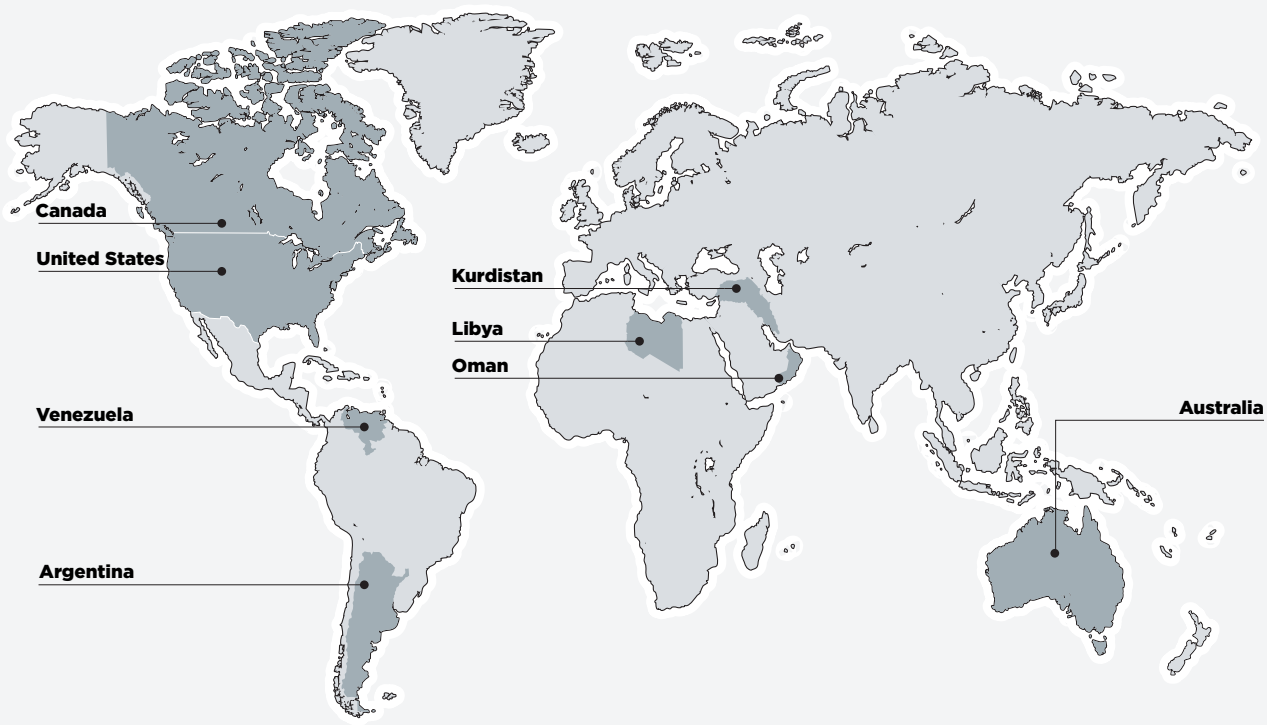
Since Ensign's inception in 1987, we have accumulated an extensive equipment fleet characterized by flexibility and mobility for meeting the challenging demands of our customers.

We have also contributed to advancements in drilling and well servicing through the innovative use of technology, and have an established reputation for the highest safety standards and environmental stewardship.

With headquarters in Calgary, Alberta, Canada, Ensign's shares are listed on the Toronto Stock Exchange under the trading symbol "ESI".

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Contract Drilling

2015 Rig Count by Horsepower Class

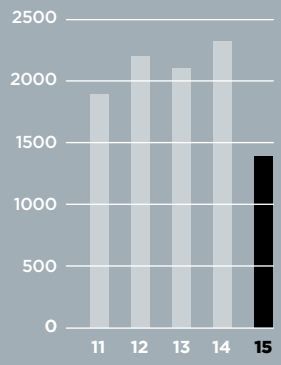
	Total	<1000	1,000	1,500	2,000+
Canada:					
Conventional	39	35	4	–	–
ADR®	44	20	14	9	1
United States:					
Conventional	29	13	6	7	3
ADR®	60	10	12	32	6
International:					
Conventional (1)	27	10	6	6	5
ADR®	23	9	8	4	2
Total Drilling Rigs	222	97	50	58	17
Coring Rigs	27	27	–	–	–
Total	249	124	50	58	17

(1) Includes workover rigs.

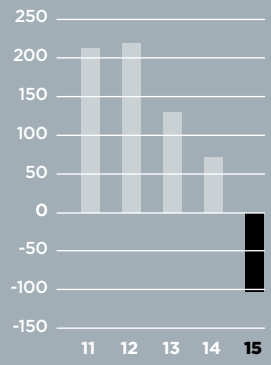
Service Rig Classifications

	Total	Slant Single	Single	Mobile Single	Mobile Double	Medium and Heavy Double	Automated Service Rig
Canada	72	22	–	34	11	4	1
United States	44	–	2	–	–	42	–
Total	116	22	2	34	11	46	1

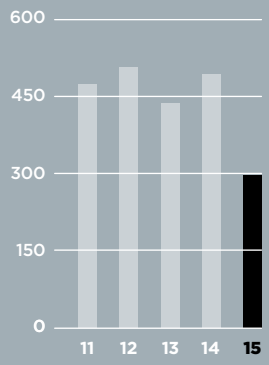
Revenue
($ millions)



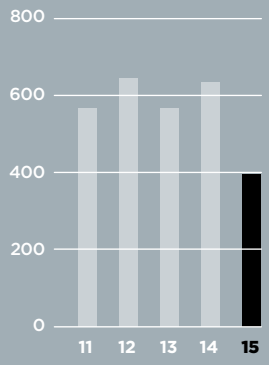
Net Income (Loss)
($ millions)



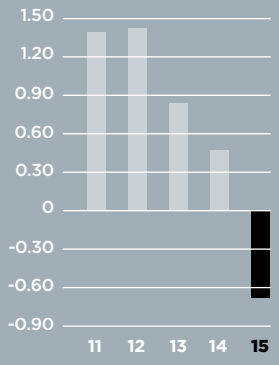
Funds From Operations
($ millions)



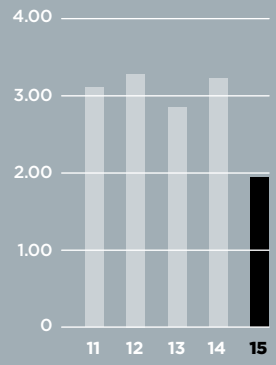
Gross Margin
($ millions)



Net Income (Loss) Per Share
($)



Funds From Operations Per Share
($)



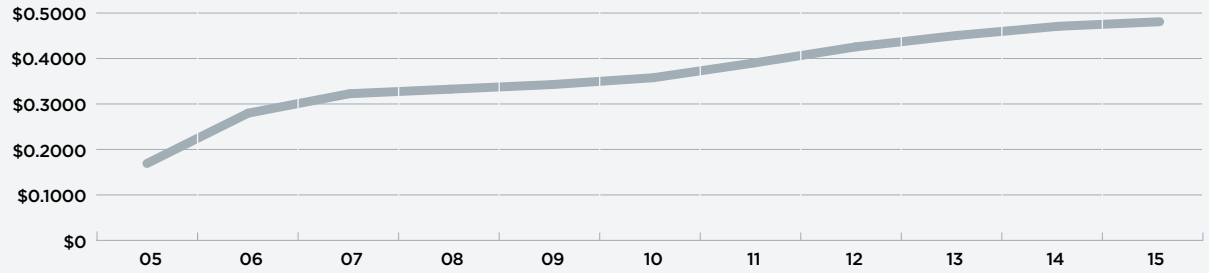
Financial Highlights

For the years ended December 31 ($ thousands, except per share data)	**2015**	2014	Change	% change
Revenue	**1,390,978**	2,321,765	(930,787)	(40)
Revenue, net of third party [1]	**1,234,775**	2,013,035	(778,260)	(39)
Adjusted EBITDA [1]	**321,095**	537,513	(216,418)	(40)
Adjusted EBITDA per share [1]				
Basic	**$2.11**	$3.52	$(1.41)	(40)
Diluted	**$2.11**	$3.51	$(1.40)	(40)
Adjusted net income (loss) [1]	**(35,409)**	148,567	(183,976)	nm
Adjusted net income (loss) per share [1]				
Basic	**$(0.23)**	$0.97	$(1.20)	nm
Diluted	**$(0.23)**	$0.97	$(1.20)	nm
Net income (loss)	**(104,049)**	71,120	(175,169)	nm
Net income (loss) per share				
Basic	**$(0.68)**	$0.47	$(1.15)	nm
Diluted	**$(0.68)**	$0.46	$(1.14)	nm
Funds from operations [1]	**296,273**	491,886	(195,613)	(40)
Funds from operations per share [1]				
Basic	**$1.94**	$3.22	$(1.28)	(40)
Diluted	**$1.94**	$3.21	$(1.27)	(40)
Weighted average shares – basic *(000's)*	**152,477**	152,711	(234)	–
Weighted average shares – diluted *(000's)*	**152,477**	153,158	(682)	–

nm – Calculation not meaningful.

(1) Revenue, net of third party, Adjusted EBITDA, Adjusted EBITDA per share, Adjusted net income (loss), Adjusted net income (loss) per share, Funds from operations and Funds from operations per share are not measures that have a standardized meaning prescribed by International Financial Reporting Standards "IFRS" and accordingly, may not be comparable to similar measures used by other companies. Non-GAAP measures are defined on page 18.

Annual Dividend Per Share



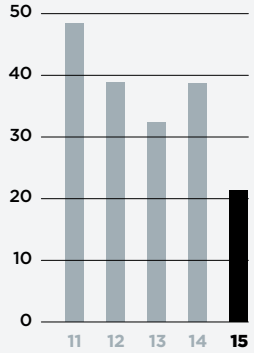
Operating Highlights

	2015	2014	Change	% Change
Drilling				
Number of marketed rigs				
Canada [1]	**83**	88	(5)	(6)
United States	**89**	95	(6)	(6)
International [2]	**50**	56	(6)	(11)
Operating days				
Canada [1]	**6,999**	14,440	(7,441)	(52)
United States	**11,895**	23,577	(11,682)	(50)
International [2]	**8,553**	11,339	(2,786)	(25)
Drilling rig utilization rate *(%)*				
Canada [1]	**21.5**	38.7	(17.2)	(44)
United States	**33.7**	59.3	(25.6)	(43)
International [2]	**43.1**	53.6	(10.5)	(20)
Well Servicing				
Number of marketed rigs				
Canada	**72**	71	1	1
United States	**44**	45	(1)	(2)
Operating hours				
Canada	**63,426**	125,022	(61,596)	(49)
United States	**78,586**	120,939	(42,353)	(35)
Well servicing utilization rate *(%)*				
Canada	**24.2**	38.2	(14.0)	(38)
United States	**46.1**	73.8	(27.7)	(38)

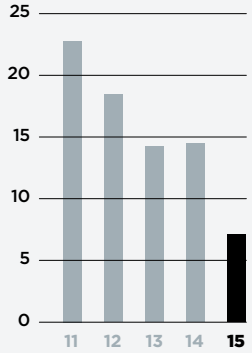
(1) Excludes coring rigs. Includes coring drilling days in Q1, 2015.

(2) Includes workover rigs.

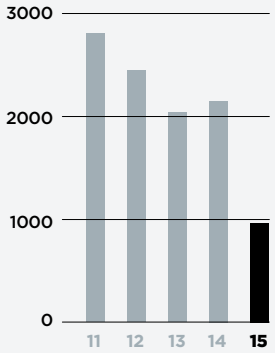
Canadian Drilling Utilization
(percent)



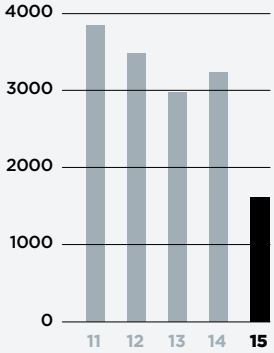
Canadian Drilling Operating Days
(thousands)



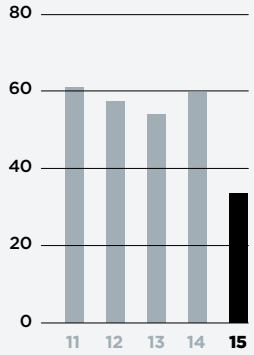
Wells Drilled Canada



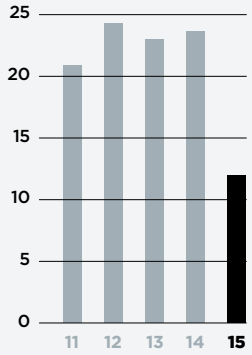
Metres Drilled Canada
(thousands)



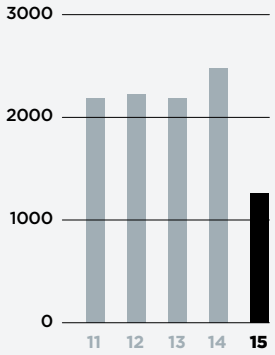
United States Drilling Utilization
(percent)



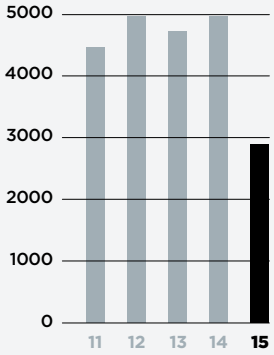
United States Drilling Operating Days
(thousands)



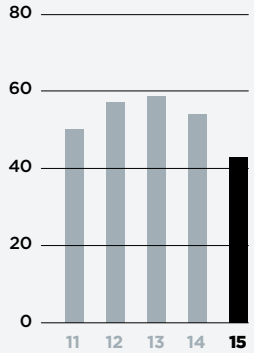
Wells Drilled United States



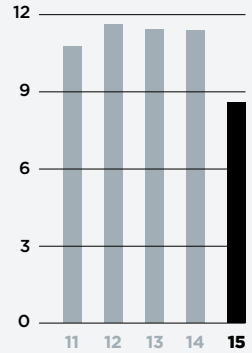
Metres Drilled United States
(thousands)



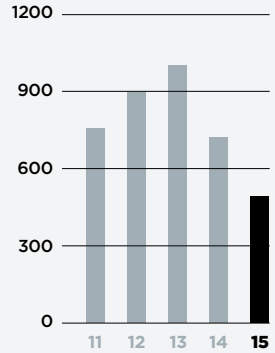
International Drilling Utilization
(percent)



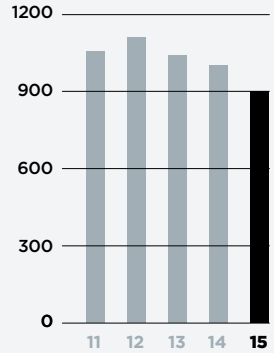
International Drilling Operating Days
(thousands)



Wells Drilled International



Metres Drilled International
(thousands)



Letter to Shareholders

Dear Fellow Shareholders: The oil and natural gas industry is cyclical, and no matter what stage of the cycle we happen to be in, Ensign is always ready to respond proactively and take the appropriate action to ensure the Company remains strongly positioned.

From the start of the current industry downturn, which began in the second half of 2014, we have focused on three priorities: effective cost management; building and maintaining high-quality customer relationships; and balance sheet preservation.

On the cost side, we responded aggressively, efficiently and effectively taking advantage of our low fixed cost/high variable cost business model, which allows us to quickly scale overhead up or down depending on operating levels. We paused our rig build capital program, adjusted staffing for reduced operating levels, and lowered compensation of our Board members by 20 percent and salaries of the Company's executive officers by 10 percent, and reduced other salary levels across the organization. Overall, we reduced indirect overhead costs by approximately 50 percent worldwide from 2014 levels, on a go-forward and annualized basis.

At the same time, we maintained our laser focus on providing our customers with the best technology, expertise, productivity, responsiveness and safety performance, all of which they have come to expect from the Ensign team.

As a result of the actions we have taken over many years, as well as those since the current downturn began, our balance sheet continues to be in good shape and manageable. We have one of the lowest debt ratios in our sector. We have one of the newest and best drilling rig fleets in the world and a very stable and balanced business base. Seventy percent of our customers are multinational oil majors and national oil corporations who look long-term and beyond the cycles, and our operations are geographically diverse. Since our equipment rig fleet deployed in such a way that we have similar exposure to our markets in Canada, the United States and our international regions, we are never too heavily reliant on any one geographical area.

2015 Operational and Financial Highlights

The steep decline in oil and natural gas commodity prices resulted in sharply reduced demand for oilfield services in 2015. Ensign experienced lower operating days, equipment utilization rates and revenue rates across the Company's operations, but particularly in North America. The activity and pricing declines were partially offset by the stronger United States dollar, which positively impacted our United States and international financial results on translation to Canadian dollars.

> **As a result of the actions we have taken over many years... our balance sheet continues to be in good shape and manageable.**

Revenue of $1,391 million for the year ended December 31, 2015, was 40 percent lower than the $2,322 million recorded in 2014. For the fourth year running, our United States operations were the largest contributor to revenue at 44 percent in 2015 (2014 – 44 percent), while our international operations accounted for 34 percent (2014 – 27 percent) and Canada for 22 percent (2014 – 29 percent).

Similar to revenue, operating earnings expressed as adjusted EBITDA declined 40 percent to $321.1 million ($2.11 per common share), from $537.5 million ($3.52 per common share) in 2014.

Adjusted net loss was $35.4 million, or $0.23 per share, compared with adjusted net income of $148.6 million, or $0.97 per share in 2014.

Net capital expenditures totaled $159.0 million in 2015, compared with $583.0 million in 2014. We completed eight new, state-of-the-art ADR® drilling rigs – five for Canada and three for the United States; and three new well servicing rigs – one new Automated Service Rig (ASR®) for Canada and two new well service rigs for the United States. By early 2016, an additional ADR®1500 had been added to the fleet and all but this one of the recently completed new build ADRs are out operating under contract. Ensign's capital budget for 2016 is targeted at $60 million, which reflects a focus on retaining a strong balance sheet in line with current difficult market conditions. New build ADR® drilling rigs partially constructed in 2015 and for which construction was previously paused, will be considered for reactivation as market conditions warrant.

Total dividends, which are an important part of our return to shareholders, declared by Ensign for our 2015 fiscal year amounted to $0.48 per common share, up from total dividends of $0.4725 per common share declared for the 2014 fiscal year. Ensign has increased the amount of dividends declared in each fiscal year since the Company began paying a dividend in September 1995. Ensign may make further adjustments to dividends as market conditions evolve.

For full details on Ensign's 2015 operational and financial performance, please see the Management's Discussion and Analysis section of this report.

Positioning Ensign for the Future

We are actively working on multiple fronts to position Ensign so that it emerges from the current industry downturn stronger than ever before.

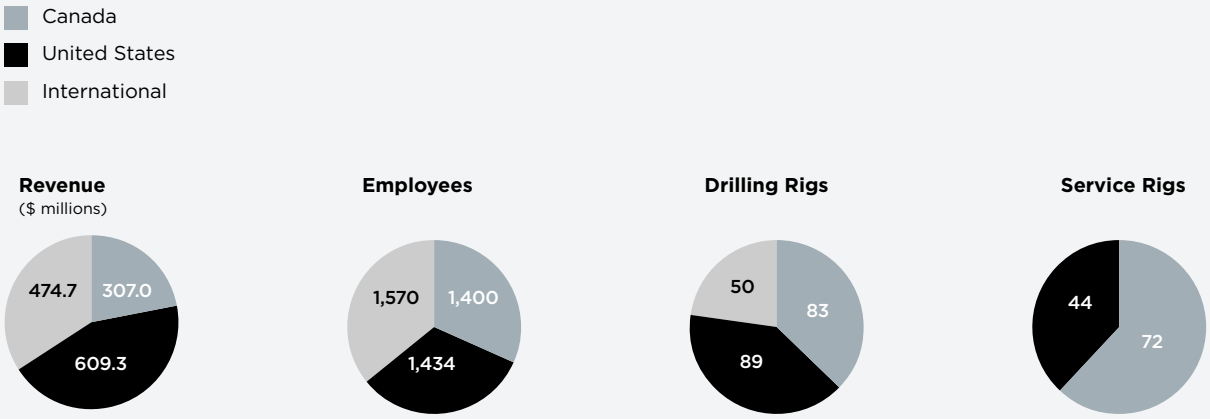
Our rig fleet is strong: Our technically advanced ADR® rigs – with the horsepower ranges our customers need – are ready to serve all of our markets for many years to come. Over the past 10 years, we have invested approximately $3.5 billion to build around 130 new ADR® drilling rigs and completely retrofit another 40 drilling rigs into ADR®-style rigs. Our ADR® fleet continues to achieve high utilization as a rig of choice with our customers. They like our ADRs because they walk with accuracy, move in less time, drill efficiently and have safety features built in from the ground up. We are continuing to leverage Ensign's ADR® technology to build strong customer relationships around the world.

We are leveraging our technology advantage: Ensign has a long history of advancing best industry practices by developing and deploying new drilling technology. Today, our international engineering team is focused on designing the future generation of Ensign's drilling rigs, making them even safer, faster and smarter. For example, in 2015 we began rolling out a system that allows us to tap into the vast amount of equipment and process data generated by our rigs so that we can plan maintenance schedules in advance, thereby helping us to reduce equipment downtime and improve operating reliability.

We are actively working on multiple fronts to position Ensign so that it emerges from the current industry downturn stronger than ever before.

We are enhancing services to our customers: We pride ourselves on providing a diverse range of top-quality oilfield services to our customers around the world. Over the past five years, we have differentiated Ensign from its peers by offering a combined, integrated directional drilling and rig solution. More recently, we have mobilized dedicated Well Performance Optimization teams who are on the ground every day, working with our rig crews and our customers to reduce rig downtime, improve drilling techniques and increase operating efficiencies.

We are solidifying our geographical footprint: In Canada, which has been hit harder by the downturn than most other jurisdictions, our focus is on deeper drilling for major operators in the longer-reach oil and liquids-rich resource plays in the Western Canada Sedimentary Basin, and we have the right drilling rigs in place to serve that market. For example, in the fourth quarter of 2015, we deployed one of our new build ADR® 1500s into Canada on a term contract with a major customer. In the United States, where we are now one of the top five drillers in terms of metres or feet drilled, we recently established a foothold in the Midland Permian Basin in west Texas, have bolstered our position on the well servicing side and are looking to expand our directional drilling services. Internationally, we are focused on maintaining and strengthening our operations in our core areas in South America, the Middle East and Australasia. We have



particular strength in Oman, where all our rigs are on long-term contract; Venezuela, where we have a good working relationship with the joint venture companies; and Australia, where we are the largest onshore driller, accounting for over one-third of the market.

> **Although our industry is in a downturn, we are optimistic that energy markets will rebalance and improve.**

We are strengthening our safety culture: Through our enterprise-wide Global Skills Standard (GSS) Program, we are ensuring that our rig crews around the world meet the same global criteria for skills, competency and safety. Through GSS, we are strengthening our safety culture and performance, while also providing our customers a consistently high level of service in all of our operations. We achieved a record-low incident frequency in 2015, and in May achieved a global milestone – zero recordable injuries worldwide in a month of over 975,000 man-hours worked. This is a clear testament to Ensign's commitment to its *"Driving to Zero"* safety vision.

Acknowledgements

We want to express our deep gratitude to our employees who have excelled during a very challenging year for our industry by demonstrating an unflagging commitment to safety, operational excellence and service quality.

We wish to acknowledge the tremendous contribution of Selby Porter, our Vice Chairman, who will retire from the Board effective at the Annual Meeting on May 4, 2016. We are extremely grateful to Selby for his leadership and guidance as a member of the Board of Directors for the past 22 years and wish him all the best in his retirement.

We also wish to thank Glenn Dagenais, who retired as Ensign's Executive Vice President Finance and Chief Financial Officer in July. Glenn joined Ensign as CFO in 1991 and played a pivotal role in guiding the Company to become the global oilfield services company that it is today.

Pursuant to our established succession plan, we appointed Tim Lemke as the Company's new CFO. Tim joined Ensign six years ago as Vice President Finance and has spent most of his career in the energy services sector.

Ensign is Ready

Ensign is one of the few larger energy service companies that has significant employee ownership. Approximately 20 percent of the Company is employee-owned, and we run the business with a deep sense of committed ownership aligned with our shareholders. As such, we are playing the long game and remain firmly focused on the future—proactively developing new drilling technology and delivering greater efficiency for our customers, and keeping our people safe.

Although our industry is in a downturn, we are optimistic that energy markets will rebalance and improve. The bottom line is that the world needs energy. Demand for energy is growing and more wells will need to be drilled and serviced in the future to meet global demand. As one of the world's strongest energy services companies, Ensign is ready to deliver the powerful solutions our customers need and to build value for our shareholders.



N. Murray Edwards
Chairman



Robert H. Geddes
President and Chief Operating Officer

March 4, 2016

Operating Divisions Summary

Division	Geographic Coverage	Fleet Size 2015	2014
Ensign Drilling Partnership			
Drilling [1]	Western Canada	**83**	88
Coring	Western Canada and the Yukon	**27**	26
Directional Drilling	Western Canada	**47**	47
Ensign Well Servicing Partnership			
Well Servicing	Western Canada	**72**	71
Enhanced Petroleum Services Partnership			
Managed Pressure / Underbalanced Drilling	Western Canada	**16**	16
Ensign Testing Services Inc.			
Wireline	Western Canada	**9**	9
Production Testing	Western Canada	**50**	48
Ensign United States Drilling Inc.			
Drilling	U.S. Rocky Mountain region, North Dakota, South Dakota, Nebraska, Pennsylvania, Michigan	**27**	33
Directional Drilling	U.S. Rocky Mountain region	**25**	25
Well Servicing	U.S. Rocky Mountain region	**20**	21
Ensign United States Drilling (California) Inc.			
Drilling	California and Nevada	**28**	29
Directional Drilling	California and Nevada	**6**	6
Well Servicing	California and Nevada	**24**	24
Ensign US Southern Drilling LLC			
Drilling	Texas, Louisiana, Mississippi, Arkansas, Alabama, Oklahoma, New Mexico	**34**	33
Ensign Testing Services (U.S.A.) Inc.			
Wireline	U.S. Rocky Mountain region	**3**	3
Production Testing	U.S. Rocky Mountain region, Ohio, Pennsylvania, Texas	**47**	49
Ensign Energy Services International Limited			
Drilling	Australia, North Africa, Middle East	**33**	39
Ensign Argentina S.A.			
Drilling	Argentina	**9**	9
Ensign de Venezuela			
Drilling	Venezuela	**8**	8

(1) Includes coring drilling days in Q1, 2015.

In addition to the divisions noted above, the Company has three equipment rental divisions (Chandel Equipment Rentals, Rocky Mountain Oilfield Rentals and West Coast Oilfield Rentals).

Wells Drilled		Metres Drilled		Operating Days/Hours		Utilization %	
2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
855	1,909	**1,580,428**	3,085,028	**6,999**	14,440	**21.5**	38.7
108	240	**31,481**	140,679	**NA**	NA	**NA**	NA
NA	NA	**NA**	NA	**NA**	NA	**NA**	NA
NA	NA	**NA**	NA	**63,426**	125,022	**24.2**	38.2
NA	NA	**NA**	NA	**NA**	NA	**NA**	NA
NA	NA	**NA**	NA	**NA**	NA	**NA**	NA
NA	NA	**NA**	NA	**NA**	NA	**NA**	NA
481	666	**1,768,344**	2,563,292	**5,771**	9,569	**48.7**	60.2
NA	NA	**NA**	NA	**NA**	NA	**NA**	NA
NA	NA	**NA**	NA	**37,339**	42,059	**45.1**	56.8
540	1,371	**345,841**	1,143,179	**1,822**	6,771	**17.3**	66.6
NA	NA	**NA**	NA	**NA**	NA	**NA**	NA
NA	NA	**NA**	NA	**41,247**	78,880	**47.1**	87.7
233	441	**770,316**	1,275,366	**4,302**	7,237	**33.4**	52.9
NA	NA	**NA**	NA	**NA**	NA	**NA**	NA
NA	NA	**NA**	NA	**NA**	NA	**NA**	NA
412	640	**725,307**	815,621	**4,816**	6,945	**35.4**	47.6
39	38	**115,685**	100,221	**1,634**	2,053	**49.7**	56.3
39	45	**57,255**	82,796	**2,103**	2,341	**72.0**	80.2

Our Sustainability Vision

We aim to ensure that Ensign remains a sustainable company that benefits all of our stakeholders – shareholders, customers, partners, employees and the communities in which we operate around the world.

Health, Safety and the Environment: No Compromise
For Ensign, effectively managing our health, safety and environmental ("HSE") performance is essential – every day, everywhere in the world.

We pride ourselves on consistency, commitment and innovation, and we are working relentlessly to advance our industry through leading technology and a deep-seated dedication to safety.

We will never compromise on health and safety. Period. And we believe environmental challenges must be addressed long before a rig moves onsite. For us, this is simply good business.

We are building and reinforcing a best-in-class HSE culture through a wide range of safety and training programs designed to improve safety performance, raise awareness of the importance of safety in our operations and minimize the impact of our operations on the environment. We are continuously looking for ways to improve our performance. That might be through the engineering of our equipment, training of our crews or how we track our safety

Vision. Mission. Values.

Our vision, mission and core values form the foundation of our Company-wide sustainability practices.

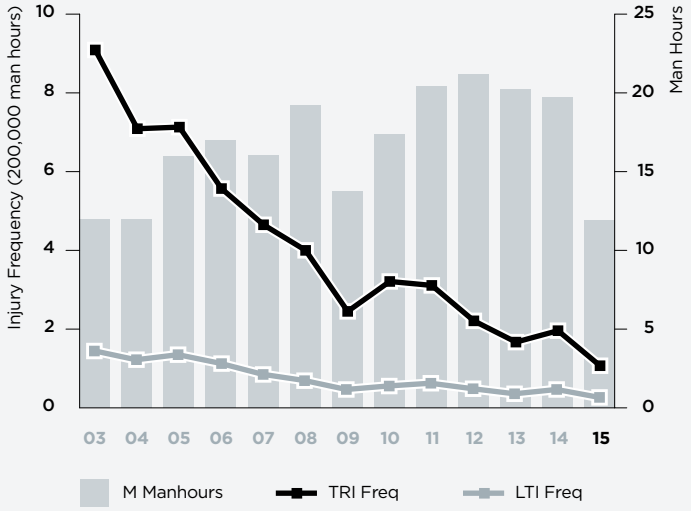
Our Vision
To grow through collaborative learning, exploring the potential of our people and technology, and creating excellence in who we are, second to none.

Our Mission
To strive for global excellence in providing services to the energy industry worldwide; to distinguish ourselves through listening, learning and understanding industry challenges; to capitalize on strategic and opportunistic possibilities; to provide services that are attractive and fair to our customers and earn their loyalty while also providing value to our shareholders; and to create a workplace that protects worker health and safety with due respect for the environment, and promote an atmosphere to grow employee learning and opportunity in a way that is fulfilling, recognized and fairly rewarded.

Our Values
Our non-negotiable and timeless core values are *"Integrity, Teamwork and Learning"*.

Our motto – *"Performance Excellence – Second to None"* – sums up our vision, mission and core values. We strive to achieve excellence – second to none – through our economic, environmental and social performance, which includes workplace health and safety.

Safety Performance



programs worldwide. In addition, incentives tied to safety performance are in place at virtually all levels of the Company in order to ensure that each employee takes responsibility for adhering to and promoting the culture of safety we have developed.

2015: A Milestone Year

Through our long-standing *Driving to Zero*® vision, we are aiming to achieve zero safety incidents, zero injuries and zero days off work due to injury – in other words, a perfect HSE record. This means accepting that every incident is preventable, an idea that has helped us improve our safety performance. We want to go beyond "safe operations" and achieve "perfect execution" every time.

To support our vision, we expect our employees to work toward year-over-year improvement in safety performance, and we expect our divisions to meet or exceed the injury rate trends of their industry peers. Our long-term objective is to see continuous safety improvement and have our operating divisions achieve injury rates and demonstrated behaviours that are recognized as best-in-class by major operators.

We made significant progress toward this goal in 2015, and even reached a major Company milestone – zero recordable injuries worldwide in May, a month with over 975,000 man-hours worked. During the year, the majority of our operating rigs met their *Driving to Zero*® targets and the Ensign team as a whole achieved its lowest ever rates of total recordable incidents (TRI) and lost-time injuries (LTI), representing a 50 percent reduction from 2014 for both measures. During the past 10 years, the entire Company has attained an 85 percent reduction in TRIs and an 80 percent reduction in LTIs.

Our safety performance highlights in 2015 included the following:

- Our Canadian Division reduced its lost-time injuries by 95 percent year-over-year; one in 2015 versus 19 in 2014.
- In California, our trucking department achieved 10 years without a TRI, over which period they carried out more than 8,000 rig moves; California shops 'drove to zero' for three years; Rig 508 achieved two years without a TRI; and Rig 587 'drove to zero' for one year.
- In our southern United States operations, Rig 155 has gone 1,619 days, Rig 156 has gone 1,466 days, and Rig 786 has gone 1,621 days without a recordable incident.
- In Oman, Rig 952 achieved six years of being LTI free and 12 months with zero TRIs, while both Rig 936 and Rig 955 achieved 12 months with zero TRIs.
- In Queensland, Australia, Rig 964 achieved zero recordable injuries in 2015 and won Origin Energy's *2015 Best Overall Performance Award.*
- Our entire South Australian business achieved 12 months with zero TRIs.

2015 Awards and Recognition

Awards of Drilling Excellence

Ensign's Canadian drilling operations received the *Award for Drilling Excellence* at the inaugural Canada Oil & Gas Awards, while our United States operations received the *Award for Drilling Excellence* at the inaugural Southwest & Midcontinent Oil & Gas Awards.

These accolades recognize organizations providing advanced drilling solutions to the energy industry using the latest drilling technologies and techniques, and for showing an uncompromising commitment to environmental impact mitigation.

For both awards, Ensign scored highest in the drilling category after launching our new state-of-the-art Automated Drill Rig (ADR®) 1500S in 2014, which is Ensign's most powerful next-generation of automated full-sized walking rigs.

The judging panel for the Canadian award also made special note of Ensign's new Automated Service Rig (ASR™), as well as the company's Global Risk Management System (GRMS), which is a proprietary fit-for-purpose software platform that automates HSE reporting (see 'Global Risk Management System' below for more information).

For its part, the judging panel for the United States award made particular note of Ensign's ability to integrate health and safety practices into the Company's overall business model through the use of innovative technology, such as our ADR® training simulator (see 'Training Our Employees' below for more information) and online defensive driving course.

Chevron Global Behaviour-Based Safety ("BBS") Awards

In 2015, three employees of Ensign's Canadian Operations won Chevron Global BBS Awards for providing excellence in leadership and safety awareness.

The first award recognized one of our employees for an action that exemplified two of Chevron's safety tenets: *"Always maintain integrity of dedicated systems."*; and *"Always involve the right people in decisions that affect procedures and equipment."*

The second award recognized one of our employees for an action that exemplified four of Chevron's safety tenets: *"Always operate in a safe and controlled condition."; "Always follow safe work practices and procedures."; "Always address abnormal conditions.";* and *"Always involve the right people in decisions that affect procedures and equipment."*

The third award recognised one of our employees for an action that exemplified three of Chevron's safety tenets: *"Always operate in a safe and controlled condition."; "Always follow safe work practices and procedures.";* and *"Always follow written procedures for high-risk or unusual situations."*

> **Ensign achieved a significant safety milestone in 2015 – zero recordable injuries worldwide in May, a month with over 975,000 man-hours worked.**

Continuous Improvement

We have numerous well-established and comprehensive programs and processes in place that support our efforts to continuously strengthen our safety culture and improve our safety performance.

Training Our Employees

As a global drilling and oilfield services company, we train our workers to make safety a part of all their activities every day, both on and off the job.

Training starts on the first day of employment and is reinforced continuously and daily through: job safety analysis programs; personal injury prevention training; safety coaching; daily pre-job safety meetings; and daily work observation practices.

To help train new drillers and derrick hands and address rig crew competency and rig safety, we have developed a state-of-the-art ADR® simulator. Operating much like a flight simulator, our ADR® simulators replicate the actual experience of operating one of our ADRs, complete with actual ADR® control panels and interactive video simulation of multiple drilling scenarios.

Driver safety continues to be a key area of focus for Ensign. With more than 1,000 vehicles globally, our divisions are working diligently on their fleet programs to reduce incidents, and thereby protect our employees and the public.

Ensign also holds an enterprise-wide Safety Stand Down annually to reinforce our commitment to workers' safety, during which Ensign's senior executives visit job sites in the field to raise awareness about safety issues with our frontline workers, customers and subcontractors. Our frontline workers – the crews who work on our rigs and employees who interact regularly with our customers – form the largest group in our workforce. Most of our recordable incidents and injuries occur within this group, particularly among crews working together for the first time or those who are new to their job.

HSE Management System

Through effective and transparent HSE management, we strive to protect our employees, to be the preferred contractor for customers and the favoured employer in the oilfield services sector, and to lower our worker compensation costs.

Ensign's HSE Management System is consistent with international standards and is an integral and essential part of the way we do business. It is modeled after occupational Health and Safety Assessment Specification ("OHSAS") 18001 and International Organization for Standardization ("ISO") 14001 standards. Its purpose is two-fold: establish an international standard for the way we manage, practice, and monitor our HSE programs; and bring our global safety programs under one, Company-wide umbrella.

Global Skills Standards

Our enterprise-wide Global Skills Standard ("GSS") system, which we initiated in 2012, captures data about training, performance and experience of rig-crew members around the world to ensure they receive equivalent levels of technical and behavioral training.

Through GSS, we are creating a global, high standard of competency in Ensign employees that is applicable in any jurisdiction in the world, thus enabling us to provide a consistently high level of service to our customers in all of our operations.

Global Risk Management System

Ensign's Global Risk Management System ("GRMS") is a fit-for-purpose software platform that automates our HSE reporting. Through GRMS, we capture data from all of our operations so that we can trend and analyze performance metrics, right down to the rig level. GRMS accelerates our HSE communication, employee participation and global information sharing so that every rig, field worker, office employee and office in Ensign's global workplace is engaged and actively supports our high-performance safety culture.

Environmental Stewardship

Environmental stewardship plays an important role in our business. We view it as a serious responsibility to current and future generations. Overall, we aim to:

- Reduce, reuse, recycle and reclaim materials used in our operations;
- Use environmentally friendly procedures and materials as we innovate and develop new technologies;
- Deal on a timely basis with all incidents that could affect the environment to ensure that they are properly contained; and
- Always have comprehensive emergency response plans in place that address environmental issues.

Our potential impacts occur in the manufacture, transport and operation of our drilling rigs and other oilfield services equipment.

While on a well site, the environmental responsibility generally falls on the operating oil and gas company. Ensign is typically one of many subcontractors on such sites.

Ensign's crews are trained in well-control that meets and often exceeds the well-control equipment requirements and practices required by regulation or the industry.

We are proud to report that there have not been any serious environmental incidents in Ensign's history.

HSE Governance

Ensign's Board of Directors exercises overall responsibility for the stewardship of the Company. The Board's HSE Committee, which is comprised of three independent directors, is responsible for oversight and supervision of our policies, standards and practices with respect to HSE issues and initiatives.

Policies

HSE Policy

We believe that a consistent approach will help achieve our goal of continuously improving our HSE performance across the Company and in every jurisdiction where we operate. This benefits all our stakeholders. We back up this commitment with Ensign's Health, Safety and Environment Policy, which is available on the Company's website at http://www.ensignenergy.com/hse/Pages/Health,-Safety-and-Environmental-Policy.aspx.

Code of Conduct

The Company has a formal Code of Integrity, Business Ethics and Conduct ("Code of Conduct") to ensure that the Company worldwide adheres to ethical standards, obeys all applicable laws and that its directors, officers, employees, contractors and consultants clearly understand what is required of them in that regard. The full text of the Code of Conduct is available on our website at: http://www.ensignenergy.com/Documents/Code_of_Conduct.pdf

Commitment to Communities

We encourage our employees around the world to support local charities and participate in the communities where they live and work.

Being a good corporate citizen means actively contributing in a number of ways. We support many different charities and not-for-profit organizations in our communities worldwide. We look for charities that are committed to positive change.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for Ensign Energy Services Inc. and all of its subsidiaries and partnerships ("Ensign" or the "Company") should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2015, which are available on SEDAR at www.sedar.com.

This MD&A and the audited consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated and are stated in thousands, except for: per share amounts, number of drilling rigs, operating days and operating hours. This MD&A is dated March 4, 2016. Additional information, including the Company's Annual Information Form for the year ended December 31, 2014, is available on SEDAR at www.sedar.com. The Company's Annual Information Form for the year ended December 31, 2015 is expected to be filed on SEDAR on or prior to March 30, 2016.

Advisory Regarding Forward-Looking Statements

Certain statements in this document constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements can be identified by the words "believe", "anticipate", "expect", "plan", "estimate", "target", "continue", "could", "intend", "may", "potential", "predict", "should", "will", "objective", "project", "forecast", "goal", "guidance", "outlook", "effort", "seeks", "schedule" or other expressions of a similar nature suggesting future outcome or statements regarding an outlook. Disclosure related to expected future energy commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other future guidance provided throughout this MD&A, including, but not limited to, information provided in the "Funds from Operations and Working Capital" section regarding the Company's expectation that funds generated by operations combined with current and future credit facilities will support current operating and capital requirements, information provided in the "Financial Instruments" section regarding Venezuela, information provided in the "New Builds and Major Retrofits" section regarding the new build program for 2016 and information provided in the "Outlook" section regarding the general outlook for 2016, constitute forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks. The reader should not place undue reliance on these forward-looking statements as there can be no assurance that the plans, initiatives or expectations upon which they are based will occur.

The forward-looking statements are based on current expectations, estimates and projections about the Company and the industry in which the Company operates, which speak only as of the date such statements were made or as of the date of the report or document in which they are contained, and are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others: general economic and business conditions which will, among other things, impact demand for and market prices of the Company's services and the ability of the Company's customers to pay accounts receivable balances; volatility of and assumptions regarding oil and natural gas prices; fluctuations in currency and interest rates; economic conditions in the countries and regions in which the Company conducts business; political uncertainty and civil unrest; ability of the Company to implement its business strategy; impact of competition; the Company's defense of lawsuits; availability and cost of labor and other equipment, supplies and services; ability of the Company and its subsidiaries to complete their capital programs; operating hazards and other difficulties inherent in the operation of the Company's oilfield services equipment; availability and cost of financing; timing and success of integrating the business and operations of acquired companies; actions by governmental authorities; government regulations and the expenditures required to comply with them (including safety and environmental laws and regulations and the impact of climate change initiatives on capital and operating costs); the adequacy of the Company's provision for taxes; and other circumstances that may affect revenues and expenses.

The Company's operations and levels of demand for its services have been, and at times in the future may be, affected by political developments and by national, regional and local laws and regulations such as changes in taxes, royalties and other amounts payable to governments or governmental agencies and environmental protection regulations. Should one or more of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results may vary in material respects from those projected in the forward-looking statements. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and the Company's course of action may depend upon its assessment of the future considering all information then available.

For additional information refer to the "Risks and Uncertainties" section of this MD&A and the section titled "Risk Factors" in our current Annual Information Form. Readers are cautioned that the foregoing list of important factors is not exhaustive. Unpredictable or unknown factors not discussed in this report could also have material adverse effects on forward-looking statements or results of operations. Although the Company believes that the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. Except as required by law, the Company assumes no obligation to update forward-looking statements should circumstances or the Company's estimates or opinions change.

Non-GAAP Measures

This MD&A contains references to Adjusted EBITDA, Adjusted EBITDA per share, Adjusted net income (loss), Adjusted net income (loss) per share, Funds from operations, Funds from operations per share and Revenue, net of third party. These measures do not have any standardized meaning prescribed by IFRS and accordingly, may not be comparable to similar measures used by other companies. The non-GAAP measures included in this MD&A should not be considered as an alternative to, or more meaningful than, the IFRS measure from which they are derived or to which they are compared. The definition and method of calculation of the non-GAAP measures included in this MD&A are included in the "Overview and Selected Annual Information" section.

Overview and Selected Annual Information

($ thousands, except per share data)

	2015	2014	Change	% change	2013	Change	% change
Revenue	**1,390,978**	2,321,765	(930,787)	(40)	2,098,011	223,754	11
Revenue, net of third party [1]	**1,234,775**	2,013,035	(778,260)	(39)	1,878,036	134,999	7
Adjusted EBITDA [2]	**321,095**	537,513	(216,418)	(40)	485,712	51,801	11
Adjusted EBITDA per share [2]							
Basic	**$2.11**	$3.52	$(1.41)	(40)	$3.18	$0.34	11
Diluted	**$2.11**	$3.51	$(1.40)	(40)	$3.16	$0.35	11
Adjusted net income (loss) [3]	**(35,409)**	148,567	(183,976)	nm	143,909	4,658	3
Adjusted net income (loss) per share [3]							
Basic	**$(0.23)**	$0.97	$(1.20)	nm	$0.94	$0.03	3
Diluted	**$(0.23)**	$0.97	$(1.20)	nm	$0.94	$0.03	3
Net income (loss)	**(104,049)**	71,120	(175,169)	nm	128,865	(57,745)	(45)
Net income (loss) per share							
Basic	**$(0.68)**	$0.47	$(1.15)	nm	$0.84	$(0.37)	(44)
Diluted	**$(0.68)**	$0.46	$(1.14)	nm	$0.84	$(0.38)	(45)
Funds from operations [4]	**296,273**	491,886	(195,613)	(40)	435,611	56,275	13
Funds from operations per share [4]							
Basic	**$1.94**	$3.22	$(1.28)	(40)	$2.85	$0.37	13
Diluted	**$1.94**	$3.21	$(1.27)	(40)	$2.84	$0.37	13
Total assets	**3,598,140**	3,723,445	(125,305)	(3)	3,387,678	335,767	10
Long-term financial liabilities	**794,109**	786,327	7,782	1	317,407	468,920	148
Cash dividends per share	**$0.48**	$0.4725	$0.01	2	$0.4475	$0.03	6

nm – Calculation not meaningful.

(1) Revenue, net of third party is defined as "gross revenue less third party reimbursable items". Management believes that, in addition to revenue, revenue, net of third party is a useful supplemental measure to indicate the Company's operating activity levels.

(2) Adjusted EBITDA is defined as "income (loss) before interest, income taxes, depreciation, asset decommissioning and write-downs, share-based compensation and foreign exchange and other". Management believes that, in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, how the results are impacted by foreign exchange or how the results are impacted by the accounting standards associated with the Company's share-based compensation plans.

($ thousands)	**2015**	2014	2013
Income (loss) before income taxes	**(129,754)**	111,214	197,067
Interest expense	**25,333**	21,546	18,795
Interest income	**(420)**	(859)	(1,320)
Depreciation	**335,513**	298,854	248,026
Asset decommissioning and write-downs	**28,281**	89,495	–
Share-based compensation	**37**	(13,573)	2,049
Foreign exchange and other	**62,105**	30,836	21,095
Adjusted EBITDA	**321,095**	537,513	485,712

(3) Adjusted net income (loss) is defined as "net income (loss) before asset decommissioning and write-downs, share-based compensation and foreign exchange and other, tax-effected using the expected income tax rate for each item or an estimate of 35 percent". Management believes that, in addition to net income (loss), Adjusted net income (loss) is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how the results are impacted by non-cash charges for equipment write-downs, how the results are impacted by foreign exchange and how the results are impacted by the accounting standards associated with the Company's share-based compensation plans, net of income taxes.

($ thousands)	**2015**	2014	2013
Net income (loss)	**(104,049)**	71,120	128,865
Asset decommissioning and write-downs, net of income taxes	**28,248**	66,226	–
Share-based compensation, net of income taxes	**24**	(8,822)	1,332
Foreign exchange and other, net of income taxes	**40,368**	20,043	13,712
Adjusted net income (loss)	**(35,409)**	148,567	143,909

(4) Funds from operations are defined as "cash provided by operating activities before the change in non-cash working capital". Management believes that, in addition to net income (loss), funds from operations constitute a measure that provides additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes this measure to assess the Company's ability to finance operating activities and capital expenditures.

($ thousands)	**2015**	2014	2013
Net income (loss)	**(104,049)**	71,120	128,865
Items not affecting cash			
Depreciation	**335,513**	298,854	248,026
Asset decommissioning and write-downs	**28,281**	89,495	–
Share-based compensation, net of cash paid	**7,237**	(10,657)	6,492
Unrealized foreign exchange and other	**54,742**	27,648	26,869
Accretion on long-term debt	**407**	352	328
Deferred income tax	**(25,858)**	15,074	25,031
Funds from operations	**296,273**	491,886	435,611

Nature of Operations

The Company is in the business of providing oilfield services to the oil and gas industry in Canada, the United States and internationally. Oilfield services provided by the Company include drilling and well servicing, oil sands coring, directional drilling, underbalanced and managed pressure drilling, equipment rentals, transportation, wireline services and production testing services.

The Company's Canadian operations span the four western provinces of British Columbia, Alberta, Saskatchewan and Manitoba and include the Northwest Territories and the Yukon. In the United States, the Company operates predominantly in the Rocky Mountain and southern regions as well as the states of California, Michigan, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Pennsylvania and South Dakota. Internationally, the Company currently operates in Australia, Argentina, Kurdistan, Libya, Oman and Venezuela. In addition to these international locations, the Company has operated in several other countries in the past and may relocate equipment to other regions in the future depending on bidding opportunities and anticipated levels of future demand.

2015 Compared with 2014

The Company's revenue for the year ended December 31, 2015 was $1,391.0 million, a 40 percent decrease from 2014 revenue of $2,321.8 million, which was the highest in the Company's history. Operating earnings, expressed as Adjusted EBITDA, for 2015 were $321.1 million ($2.11 per common share), a 40 percent decrease from Adjusted EBITDA of $537.5 million ($3.52 per common share) for the year ended December 31, 2014. Net loss for the year ended December 31, 2015 was $104.0 million ($0.68 per common share), compared with net income of $71.1 million ($0.47 per common share) recorded in 2014. The reduction in net income in 2015 was due to lower operating activity and an increase in depreciation expense. Excluding the tax-effected impact of asset decommissioning and write-downs, share-based compensation and foreign exchange and other, Adjusted net loss for the year ended December 31, 2015 totaled $35.4 million ($0.23 per common share), compared with Adjusted net income of

$148.6 million ($0.97 per common share) recorded for the year ended December 31, 2014. Funds from operations for 2015 decreased 40 percent to $296.3 million ($1.94 per common share) from $491.9 million ($3.22 per common share) in the prior year.

The Company's decreased operating and financial results for the 2015 fiscal year resulted from a continued decline in oil prices that began in the second half of 2014. Falling energy commodity prices adversely impact the current and future cash flows of the Company's customers and, as a result, the expected levels of future demand for oilfield services, particularly in North America. Financial results from the Company's United States and international operations improved on translation to Canadian dollars due to the strengthening of the United States dollar relative to the Canadian dollar. For the year ended December 31, 2015 a 16 percent increase in the Canadian/United States dollar exchange rate positively impacted revenues and margins generated outside Canada. Furthermore, additions to the Company's global fleet helped to mitigate the overall decrease in activity levels, by adding more technologically advanced rigs that earn higher revenue rates.

The financial results for the year ended December 31, 2015 were negatively impacted by a $28.3 million non-cash charge for asset decommissioning and write-downs recorded by the Company in the third quarter of 2015. Oilfield service equipment has a finite life and, accordingly, asset decommissionings are a normal occurrence for an oilfield service company. The current uncertain market conditions resulting from lower oil and gas commodity prices prompted the Company to take a closer look at its equipment fleet. As a result of a detailed review, the Company reduced its marketed equipment fleet in the fourth quarter of 2015 by decommissioning 21 drilling and workover rigs and two well servicing rigs. Furthermore, the Company wrote down five drilling rigs in Latin America in the third quarter. In accordance with its long standing practice, the Company will retain useful components from the decommissioned rigs for use in its current and future operations. The majority of the non-cash charge associated with the asset decommissioning and write-downs in 2014 relate to the write-down of certain drilling rigs to their recoverable value.

In 2015 the Company added eight new Automated Drill Rigs ("ADR®") to its drilling rig fleet: five in the Canadian market and three in the United States market. All of the newly constructed ADRs are subject to long-term contracts. The new build program also added one new well servicing rig in Canada and two new well servicing rigs in the United States.

The Company declared total dividends of $0.48 per common share in 2015.

The Company exited 2015 with a working capital balance of $144.2 million, compared to a working capital balance of $189.7 million as at December 31, 2014. The decrease in working capital year-over-year was mainly related to reduced operating activities by the Company in 2015.

2014 Compared with 2013

The Company's revenue for the year ended December 31, 2014 was the highest in the Company's history. The Company generated strong operating and financial results for the majority of the 2014 fiscal year, even though falling oil prices in the second half of the year began to adversely impact the demand for oilfield services. The Company's international operations continued to grow with new equipment added during the year. As a result of uncertain market conditions, the Company reduced its global marketed equipment fleet by 53 drilling rigs, 27 well servicing rigs and three workover rigs.

The Company's results for the 2013 fiscal year reflected reduced demand for oilfield services in North America in reaction to uncertain global economic conditions and concerns regarding the economics of oil and gas projects. The Company expanded its existing directional drilling business in Canada through the acquisition of substantially all of the assets of Departure Energy Services Inc. ("Departure") and expanded its existing oilfield rental business in Canada through the acquisition of substantially all of the assets of Enviro Group of Companies Ltd. ("EGOC").

Revenue and Oilfield Services Expense

($ thousands)	**2015**	2014	Change	% change
Revenue				
Canada	**306,997**	666,095	(359,098)	(54)
United States	**609,301**	1,026,605	(417,304)	(41)
International	**474,680**	629,065	(154,385)	(25)
Total revenue	**1,390,978**	2,321,765	(930,787)	(40)
Revenue, net of third party	**1,234,775**	2,013,035	(778,260)	(39)
Oilfield services expense	**995,025**	1,686,395	(691,370)	(41)
Gross margin	**395,953**	635,370	(239,417)	(38)
Gross margin as a percentage of revenue, net of third party	**32.1**	31.6		

Revenue for the year ended December 31, 2015 totaled $1,391.0 million, a 40 percent decrease from the previous year of $2,321.8 million. This was a direct result of the decline in oil and natural gas commodity prices that began in the second half of 2014 and continued throughout 2015. Reduced demand for oilfield services resulted in lower equipment utilization rates and revenue rates in 2015 compared to 2014.

Financial results from the Company's United States and international operations were positively impacted upon translation, as the stronger United States dollar relative to the Canadian dollar in 2015 served to reduce the impact of some of the revenue rate declines experienced during the year.

Revenue, net of third party, for the year ended December 31, 2015 totaled $1,234.8 million, a decrease of 39 percent from the previous year of $2,013.0 million.

As a percentage of revenue, net of third party, gross margin was essentially unchanged year-over-year at 32 percent. As a result of weaker commodity prices, the Company has reduced its operating cost structure by obtaining vendor discounts and making changes to its administrative and supervisory structure.

In addition to gross margin as a percentage of revenue, gross margin as a percentage of revenue, net of third party, can be more effective in showing the Company's performance based on activity levels, as third party items, if significant, may reduce margin comparability between periods.

Canadian Oilfield Services

	2015	2014	Change	% change
Revenue *($ thousands)*	**306,997**	666,095	(359,098)	(54)
Drilling rigs [1]				
Opening balance	**88**	121		
Additions	**5**	1		
Transfers [2]	**–**	(2)		
Decommissions/Disposals	**(10)**	(32)		
Ending balance	**83**	88	(5)	(6)
Drilling operating days [1]	**6,999**	14,440	(7,441)	(52)
Drilling rig utilization *(%)* [1]	**21.5**	38.7	(17.2)	(44)
Well servicing rigs				
Opening balance	**71**	95		
Additions	**1**	1		
Decommissions/Disposals	**–**	(25)		
Ending balance	**72**	71	1	1
Well servicing operating hours	**63,426**	125,022	(61,596)	(49)
Well servicing utilization *(%)*	**24.2**	38.2	(14.0)	(37)

(1) Excludes coring rigs. Includes coring drilling days in Q1, 2015.
(2) Includes transfers to coring rigs.

The Company recorded revenue of $307.0 million in Canada for the year ended December 31, 2015, a decrease of 54 percent from $666.1 million recorded for the year ended December 31, 2014. Canada accounted for 22 percent of the Company's revenue in the year ended December 31, 2015 (2014 – 29 percent). The Company recorded 6,999 operating days in 2015, a 52 percent decrease from 14,440 operating days in the previous year. Canadian well servicing hours decreased by 49 percent in the year ended December 31, 2015 from the prior year.

The 2015 fiscal year was a challenging year for crude oil and natural gas producers, as the price of both commodities continued to decline throughout the year. The weakened commodity pricing negatively affected the demand for oilfield services. Utilization and revenue rates for the Company's Canadian oilfield services decreased as the Company's customers actively reduced planned levels of capital expenditures in reaction to the steep decline in crude oil prices. In the first two quarters of the prior year, Canadian activity levels had been positively impacted by favorable price differentials for Canadian oil and gas commodities and the impact of a particularly drier spring break-up. Those positive impacts were offset by the abrupt decline of crude oil prices beginning in the third quarter of 2014, which led to further reduced activity levels.

The Company continues to transition its Canadian drilling fleet from shallow drilling rigs to deeper drilling rigs in response to changing market dynamics. In Canada, the Company added five new ADR® drilling rigs and one new well servicing rig; transferred in one existing drilling rig from the United States fleet; repurposed one existing drilling rig; and decommissioned ten inactive drilling rigs during 2015.

United States Oilfield Services

	2015	2014	Change	% change
Revenue *($ thousands)*	**609,301**	1,026,605	(417,304)	(41)
Drilling rigs				
Opening balance	**95**	117		
Additions	**3**	2		
Transfers	**(1)**	(3)		
Decommissions/Disposals	**(8)**	(21)		
Ending balance	**89**	95	(6)	(6)
Drilling operating days	**11,895**	23,577	(11,682)	(50)
Drilling rig utilization *(%)*	**33.7**	59.3	(25.6)	(43)
Well servicing rigs				
Opening balance	**45**	45		
Additions	**2**	2		
Decommissions/Disposals	**(3)**	(2)		
Ending balance	**44**	45	(1)	(2)
Well servicing operating hours	**78,586**	120,939	(42,353)	(35)
Well servicing utilization *(%)*	**46.1**	73.8	(27.7)	(38)

The Company's United States operations recorded revenue of $609.3 million for the year ended December 31, 2015, a decrease of 41 percent from the $1,026.6 million recorded for the year ended December 31, 2014. United States operations accounted for 44 percent of the Company's revenue in 2015 (2014 – 44 percent) and was the largest contributor to the Company's consolidated revenues in 2015, consistent with the prior year. Drilling operating days decreased by 50 percent from 23,577 operating days in 2014 to 11,895 operating days in 2015. Well servicing activity expressed in operating hours decreased by 35 percent in 2015 compared to 2014.

Overall operating and financial results for the Company's United States operations were negatively impacted by the decline in demand for oilfield services due to falling oil and gas commodity prices. Activity levels and revenue rates in the United States oilfield service operations started to decline in the fourth quarter of 2014. The decline continued throughout 2015 resulting in lower activity levels compared to the prior year. The reduced activity and associated pricing declines were partially offset by a strengthening of the United States dollar, which increased 16 percent versus the Canadian dollar when compared to 2014.

During 2015, the Company added three new build ADR® drilling rigs and two new well servicing rigs to its United States fleet; transferred one drilling rig to its Canadian fleet; decommissioned eight inactive drilling rigs and decommissioned three well servicing rigs.

International Oilfield Services

	2015	2014	Change	% change
Revenue *($ thousands)*	**474,680**	629,065	(154,385)	(25)
Drilling and workover rigs				
Opening balance	**56**	54		
Additions	**–**	2		
Transfers	**–**	3		
Decommissions/Disposals	**(6)**	(3)		
Ending balance	**50**	56	(6)	(11)
Drilling operating days	**8,553**	11,339	(2,786)	(25)
Drilling rig utilization *(%)*	**43.1**	53.6	(10.5)	(20)

The Company's international operations recorded revenue of $474.7 million for the year ended December 31, 2015, a 25 percent decrease from $629.1 million for the year ended December 31, 2014. The Company's international operations contributed 34 percent of the Company's revenue in the year ended December 31, 2015, (2014 – 27 percent). The Company's international operations recorded 8,553 operating days in 2015, down 25 percent from 11,339 operating days recorded in 2014.

The reduction in oil and gas prices that commenced in the second half of 2014 affected all geographical areas, but had a less significant negative impact on the demand for international oilfield services compared to North American markets due to the longer term nature of such international projects. However, the lower crude oil prices are particularly challenging for Venezuela due to the heavy economic reliance on energy revenues in that country. The possible impact to the Company of the challenges in Venezuela are discussed further in the "Financial Instruments" section of this MD&A under Credit Risk and also in the "Risks and Uncertainties – Foreign operations" section of this MD&A. Similar to the Company's United States operations, international operations were positively impacted by the strengthening United States dollar versus the Canadian dollar on translation into Canadian dollars for reporting purposes in 2015 compared to the prior year. During the year ended December 31, 2015 the Company decommissioned six rigs from its international fleet.

Depreciation

($ thousands)	**2015**	2014	Change	% change
Depreciation	**335,513**	298,854	36,659	12

Depreciation expense increased by 12 percent to $335.5 million for the year ended December 31, 2015 compared with $298.9 million for the year ended December 31, 2014. Depreciation expense was higher year-over-year due to the revisions to the residual values of certain equipment from 15%-25% to 10% effective in 2015, additional depreciation charges relating to idle rigs, the impact of higher dollar value equipment being utilized and the negative translational impact of a stronger United States dollar compared to the Canadian dollar. The increase was partially offset by the overall decrease in operating activity during the year.

As a result of certain external impairment indicators existing in the market, the Company completed impairment tests in all its CGUs. The Company did not note any impairments for any CGUs based on the following key assumptions: weighted average pre-tax discount rate of 10% to 14% based on cost of capital and debt, asset and country risk, together with past experience; annual inflationary growth after five years and limited to the assets' lives; and cash flow projections consistent with market conditions and estimated rig salvage values of 10%. A one percent change in the discount rate, a five percent change in cash flow projections, or a one percent change in the terminal growth rate, independent of each other, would not have had a material effect on the results of these impairment tests.

General and Administrative Expense

($ thousands)	**2015**	2014	Change	% change
General and administrative	**74,858**	97,857	(22,999)	(24)
% of revenue	**5.4**	4.2		

General and administrative expense decreased 24 percent to $74.9 million (5.4 percent of revenue) for the year ended December 31, 2015 compared to $97.9 million (4.2 percent of revenue) in the prior year. The decrease in general and administrative expense arose from the Company's initiatives to reduce costs in reaction to lower oil and gas commodity prices. The decrease was partially offset by one-time restructuring costs incurred during the year, as well as the negative translational impact of the strengthening United States dollar versus the Canadian dollar.

Asset Decommissioning and Write-Downs

($ thousands)	**2015**	2014	Change	% change
Asset decommissioning and write-downs	**28,281**	89,495	(61,214)	(68)

As a result of a detailed review of its equipment fleet in light of the persistent downturn in market conditions throughout 2015, the Company assessed future prospects for its drilling equipment fleet. The assessment resulted in a non-cash charge of $28.3 million to asset decommissioning and write-down expense relating to specific assets in its international operations in the third quarter of 2015. In accordance with its longstanding practice, the Company retains useful components from the decommissioned rigs for use in its current and future operations.

Share-Based Compensation

($ thousands)	**2015**	2014	Change	% change
Share-based compensation	**37**	(13,573)	13,610	nm

nm – Calculation not meaningful.

Share-based compensation expense (recovery) arises from the Black-Scholes valuation accounting associated with the Company's share-based compensation plans, whereby the liability associated with share-based compensation is adjusted for the effect of granting and vesting of employee stock options and changes in the underlying market price of the Company's common shares.

For the year ended December 31, 2015 share-based compensation was an expense of $37 compared with a recovery of $13.6 million for the year ended December 31, 2014. The share-based compensation expense for the year ended December 31, 2015 was a result of the amortization of stock options, offset by changes in the fair value of the share-based compensation. The fair value of share-based compensation is impacted by both the input assumptions used to estimate the fair value and the price of the Company's common shares during the period. The closing price of the Company's common shares was $7.38 at December 31, 2015 compared with $10.20 at December 31, 2014.

Interest Expense

($ thousands)	**2015**	2014	Change	% change
Interest expense	**25,333**	21,546	3,787	18
Interest income	**(420)**	(859)	439	(51)
	24,913	20,687	4,226	20

Interest is incurred on the Company's $10.0 million Canadian-based revolving credit facility (the "Canadian Facility"), the $600.0 million global revolving credit facility (the "Global Facility") and the United States dollar $300.0 million senior unsecured notes (the "Notes") issued in February 2012. The amortization of deferred financing costs associated with the issuance of the Notes is included in interest expense.

Interest expense increased by 18 percent for the year ended December 31, 2015 compared to the same period in 2014 despite an overall net decrease of $121.5 million in the bank credit facilities in fiscal 2015. The increased interest expense was due to the negative translational impact of a strengthening United States dollar versus the Canadian dollar.

Foreign Exchange and Other

($ thousands)	**2015**	2014	Change	% change
Foreign exchange and other	**62,105**	30,836	31,269	101

Included in this amount is the impact of foreign currency fluctuations in the Company's subsidiaries that have functional currencies other than Canadian dollars. During the year ended December 31, 2015 the Australian dollar weakened by approximately 11 percent against the United States dollar causing a foreign currency loss on translation of the Company's United States dollar denominated debt into Australian dollars (2014 – eight percent). In general, the United States dollar strengthened when compared to other world currencies in 2015 compared to the same period of 2014.

Effective July 1, 2015, as a result of amendments to a number of currency arrangements the Company had in place in Venezuela, the Company changed the estimated foreign exchange rate it used in translating Venezuelan Bolivars from the Venezuelan Central Bank "official rate" to the exchange mechanism rate newly created in February 2015 called "SIMADI" or the Marginal Currency System. On a prospective basis, revenues and expenses are translated using the new rate. The change to the new rate resulted in a revaluation of the assets and liabilities recorded by the Company's international operations, and a $2.3 million charge to Foreign exchange and other expense.

Income Taxes

($ thousands)	**2015**	2014	Change	% change
Current income tax	**153**	25,020	(24,867)	(99)
Deferred income tax	**(25,858)**	15,074	(40,932)	nm
Total income tax	**(25,705)**	40,094	(65,799)	nm
Effective income tax rate *(%)*	**19.8**	36.1		

nm – Calculation not meaningful.

The effective income tax rate for the year ended December 31, 2015 was 19.8 percent compared with 36.1 percent for the year ended December 31, 2014. The effective tax rate in 2015 was lower than the effective tax rate in 2014 due to a higher proportion of pretax losses in lower rate jurisdictions in 2015. This was further reduced by an offsetting tax expense to recognize the increase in the Alberta corporate tax rate, effective July 1, 2015.

Financial Position

Significant changes in the consolidated statement of financial position from December 31, 2014 to December 31, 2015 are outlined below:

($ thousands)	Change	Explanation
Cash and cash equivalents	(13,611)	See consolidated statements of cash flows.
Accounts receivable	(248,397)	Decrease is due to an increase in collections, a decline in activity in the fourth quarter of 2015 compared to the fourth quarter of 2014, and to the revaluation of Bolivar-denominated receivables in Venezuela.
Inventories and other	6,944	Increase is due to the impact of an increase in the year-end foreign exchange rate on the translation of the inventory and prepaid balances of the Company's foreign subsidiaries as well as additional expenditures on prepaid expenses, offset by normal course usage of consumables and amortization of prepaid expenses during the year.
Income taxes receivable	(10,894)	Decrease is due to the current year income tax provision, net of refunds during the year.
Property and equipment	140,653	Increase is due to additions from the new build and major retrofit program and the impact of an increase in the foreign exchange rate on the translation of the property and equipment of the Company's foreign subsidiaries. The increase is offset by depreciation as well as asset decommissioning and write-downs.
Accounts payable and accruals	(220,677)	Decrease is due to a reduction in operating activity in the fourth quarter of 2015, a reduction in the size of the Company's new build and major retrofit program, and the revaluation of Bolivar-denominated payables in Venezuela.
Share-based compensation	436	Increase was a result of the amortization of stock options offset by changes in the fair value of the share-based compensation. The fair value of share-based compensation expense is impacted by both the input assumptions used to estimate the fair value, and the price of the Company's common shares during the period.
Long-term debt	7,782	Increase is due to the strengthening of the United States dollar from December 31, 2014 to December 31, 2015, offset by net repayments of $121.5 million during 2015.
Deferred income taxes	45,795	Increase is primarily due to accelerated tax depreciation of assets added during the year, changes in non-capital losses, and the corporate income tax rate increase enacted in Alberta, effective July 1, 2015.
Shareholders' equity	41,359	Increase is due to the impact of foreign exchange rate fluctuations on net assets of foreign subsidiaries, offset by the net loss incurred and the amount of dividends declared in the year.

Funds from Operations and Working Capital

($ thousands, except per share data)	**2015**	2014	Change	% change
Funds from operations	**296,273**	491,886	(195,613)	(40)
Funds from operations per share	**$1.94**	$3.22	$(1.28)	(40)
Working capital	**144,239**	189,698	(45,459)	(24)

Funds from operations totaled $296.3 million ($1.94 per common share) for 2015, a decrease of 40 percent from $491.9 million ($3.22 per common share) generated in 2014. The decrease in Funds from operations in 2015 compared to 2014 is due to the decline in demand for both North American and international oilfield services, attributed to the decline in global energy prices. The significant factors that may impact the Company's ability to generate funds from operations in future periods are outlined in the "Risks and Uncertainties" section of this MD&A.

At December 31, 2015 the Company's working capital totaled $144.2 million, compared to $189.7 million at December 31, 2014. The decrease in working capital year-over-year was mainly related to a reduction in operating levels by the Company in 2015. The Company expects funds generated by operations, combined with current and future credit facilities, to fully support current operating and capital requirements. Existing revolving credit facilities provide for total borrowings of $610.0 million, of which $220.1 million was undrawn and available at December 31, 2015.

Investing Activities

($ thousands)	**2015**	2014	Change	% change
Purchase of property and equipment	**(168,281)**	(600,566)	432,285	(72)
Proceeds from disposals of property and equipment	**9,248**	17,567	(8,319)	(47)
Net change in non-cash working capital	**(61,037)**	32,080	(93,117)	nm
Cash used in investing activities	**(220,070)**	(550,919)	330,849	(60)

nm – Calculation not meaningful.

Net purchases of property and equipment for the year ended December 31, 2015 totaled $159.0 million (2014 – $583.0 million). The purchase of property and equipment relates predominantly to expenditures made pursuant to the Company's new build and major retrofit program.

Significant additions in 2015 as a result of the new build program include:

- Completed five new ADR® drilling rigs for Canada and one new well servicing rig was added to the Canadian fleet.
- Completed three new ADR® drilling rigs for the United States and added two new well servicing rigs to the United States fleet.

Financing Activities

($ thousands)	**2015**	2014	Change	% change
Net (decrease) increase in bank credit facilities	**(121,458)**	82,331	(203,789)	nm
Purchase of shares held in trust	**(6,781)**	(5,863)	(918)	16
Repurchase of shares	**–**	(3,579)	3,579	(100)
Dividends	**(73,469)**	(72,423)	(1,046)	1
Net change in non-cash working capital	**257**	1,093	(836)	(76)
Cash (used in) provided by financing activities	**(201,451)**	1,559	(203,010)	nm

nm – Calculation not meaningful.

The Company's available bank credit facilities consist of a $600.0 million Global Facility and a $10.0 million Canadian Facility. The Global Facility is available to the Company and certain of its wholly owned subsidiaries, and may be drawn in Canadian, United States or Australian dollars, up to the equivalent value of $600.0 million Canadian dollars. The amount available under the Canadian Facility is $10.0 million or the equivalent in United States dollars.

On September 25, 2014 the Company received approval from the Toronto Stock Exchange to acquire for cancellation up to three percent of the Company's issued and outstanding common shares under a Normal Course Issuer Bid (the "Bid"), under which the Company could purchase up to 4,600,477 common shares for cancellation. The Bid commenced on September 29, 2014 and the Company purchased 289,100 common shares under the Bid, for a total cost of $3.6 million in 2014. The Bid terminated on September 28, 2015.

The Company declared dividends of $0.48 per common share in the 2015 fiscal year, an increase of two percent over dividends of $0.4725 per common share declared in 2014. No stock options were exercised to acquire common shares in 2015 or 2014.

Subsequent to December 31, 2015, the Company declared a dividend for the first quarter of 2016. A quarterly dividend of $0.1200 per common share is payable April 5, 2016 to all common shareholders of record as of March 24, 2016. The dividend is pursuant to the quarterly dividend policy adopted by the Company. Pursuant to subsection 89(1) of the Canadian Income Tax Act ("ITA"), the dividend being paid is designated as an eligible dividend, as defined in subsection 89(1) of the ITA.

Contractual Obligations

In the normal course of business, the Company enters into various commitments that will have an impact on future operations. These commitments relate primarily to credit facilities, senior unsecured notes and facility leases.

A summary of the Company's total contractual obligations as of December 31, 2015, is as follows:

($ thousands)	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Senior unsecured notes	16,525	162,632	151,749	145,579	476,485
Drawings on bank and credit facilities	13,755	382,165	–	–	395,920
Facility leases	5,290	8,112	2,053	621	16,076
	35,570	552,909	153,802	146,200	888,481

Financial Instruments

The classification and measurement of financial instruments the Company has recognized is presented below:

Cash and cash equivalents and accounts receivable are classified as financial assets at amortized cost.

Accounts payable and accruals, operating lines of credit, dividends payable and long-term debt are classified as financial liabilities at amortized cost.

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at December 31, 2015 totaled $215.4 million, a decrease of $248.4 million from $463.8 million as at December 31, 2014.

The Company manages credit risk through dedicated credit resources, ongoing monitoring and follow up on balances owing, well liens and tightening or restriction of credit terms as required. The Company also monitors the amount and age of accounts receivable balances on an ongoing basis. As at December 31, 2015, the Company had trade receivables of $20.3 million (2014 – $24.7 million) with multiple customers that were greater than 90 days old for which an allowance for doubtful accounts of $5.3 million (2014 – $19.2 million) has been recorded to provide for balances which, in management's best estimate, are deemed uncollectible as at December 31, 2015. The Company maintains and regularly reviews its allowance for doubtful accounts, which is an estimate requiring significant judgment and may differ materially from actual results.

As part of the Company's international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at December 31, 2015, the Company had accounts receivable of approximately $16.2 million for work performed in Venezuela, and in recent months a number of payments have been received by the Company. However, due to the recent decline in the price of oil and continuing political unrest within Venezuela there can be no assurance that the Company will be successful in collecting all or any of such outstanding balance.

Liquidity Risk

The Company is subject to liquidity risk on its financial liabilities, which at December 31, 2015 totaled $980.4 million, a decrease of $212.9 million from $1,193.3 million as at December 31, 2014.

The Company manages liquidity by forecasting cash flows on an annual basis and secures sufficient credit facilities to meet financing requirements that exceed anticipated internally generated funds. As at December 31, 2015, the remaining contractual maturities of accounts payable and accruals and dividends payable are less than one year. Maturity information regarding the Company's bank credit facilities and long-term debt is described in the "Contractual Obligations" section of this MD&A.

As at December 31, 2015 the Company had undrawn and available bank credit facilities of $220.1 million (2014 – $161.5 million). The Company is in compliance with all debt covenants as of December 31, 2015.

New Builds and Major Retrofits

During the year ended December 31, 2015, the Company commissioned five new ADR® drilling rigs in Canada and three new ADR® drilling rigs in the United States. In addition, one new well servicing rig was added to the Canadian fleet and two new well servicing rigs were added to the United States fleet.

The Company continues to selectively build new ADR® drilling rigs and upgrade existing rigs to meet the increasing technical demands of its customers. The decline in oil and natural gas commodity prices resulted in the Company proactively and aggressively reducing the rig build program during the year. As of December 31, 2015, the Company had plans to commission one new ADR® drilling rig in early 2016.

Summary Quarterly Results

($ thousands, except per share data)	**Q4-2015**	Q3-2015	Q2-2015	Q1-2015	Q4-2014	Q3-2014	Q2-2014	Q1-2014
Revenue	**283,887**	324,002	333,800	449,289	602,691	583,299	511,581	624,194
Revenue, net of third party [(1)]	**252,592**	289,327	294,241	398,615	521,713	509,030	446,730	535,561
Adjusted EBITDA [(1)]	**72,314**	66,914	69,534	112,333	143,012	137,295	97,137	160,069
Adjusted EBITDA per share [(1)]								
Basic	**$0.47**	$0.44	$0.46	$0.74	$0.94	$0.90	$0.64	$1.05
Diluted	**$0.47**	$0.44	$0.46	$0.74	$0.94	$0.89	$0.63	$1.04
Adjusted net income (loss) [(1)]	**(31,436)**	(33,002)	1,316	27,713	44,181	36,076	14,352	53,958
Adjusted net income (loss) per share [(1)]								
Basic	**$(0.20)**	$(0.22)	$0.01	$0.18	$0.29	$0.24	$0.09	$0.35
Diluted	**$(0.20)**	$(0.22)	$0.01	$0.18	$0.29	$0.24	$0.09	$0.35
Net income (loss)	**(41,175)**	(77,265)	(1,036)	15,427	(31,038)	26,505	15,242	60,411
Net income (loss) per share								
Basic	**$(0.26)**	$(0.51)	$(0.01)	$0.10	$(0.20)	$0.17	$0.10	$0.40
Diluted	**$(0.26)**	$(0.51)	$(0.01)	$0.10	$(0.20)	$0.17	$0.10	$0.39
Funds from operations [(1)]	**48,905**	68,218	69,389	109,761	132,257	132,187	90,431	137,011
Funds from operations per share [(1)]								
Basic	**$0.31**	$0.45	$0.46	$0.72	$0.87	$0.87	$0.59	$0.90
Diluted	**$0.31**	$0.45	$0.46	$0.72	$0.86	$0.86	$0.59	$0.89

(1) See definition of "Non-GAAP Measures" in the "Overview and Selected Annual Information" section of this MD&A.

Variability in the Company's quarterly results is driven primarily by the seasonal operating environment in Canada and fluctuations in oil and natural gas commodity prices. Financial and operating results for the Company's Canadian oilfield services division are generally strongest during the first and fourth quarters when the Company's customers conduct the majority of their drilling programs. Utilization rates typically decline during the second quarter as spring break-up weather conditions hinder mobility of the Company's equipment in Canada. Oil and natural gas commodity prices ultimately drive the level of exploration and development activities carried out by the Company's customers and the resultant demand for the oilfield services provided by the Company.

The quarterly results may also be impacted by the Black-Scholes valuation accounting associated with the Company's share-based compensation plans, which can fluctuate significantly from quarter to quarter as a result of changes in the valuation inputs, as well as changes in foreign currencies against the functional currencies of the Company's operating entities.

In addition to the seasonality noted above, the variability noted in the Company's quarterly results reflect continued declining levels of demand for oilfield services in the 2015 fiscal year compared to the prior year. Such demand for oilfield services was negatively influenced by unfavorable oil and natural gas commodity prices for all of 2015. The impact of lower oil and natural gas commodity prices on the demand for oilfield services, particularly in North America, can be seen in the reduction in the Company's financial results throughout 2015.

Fourth Quarter Analysis

	Three months ended December 31			
($ thousands, except per share data and operating information)	**2015**	2014	Change	% change
Revenue	**283,887**	602,691	(318,804)	(53)
Revenue, net of third party [1]	**252,592**	521,713	(269,121)	(52)
Adjusted EBITDA [1]	**72,314**	143,012	(70,698)	(49)
Adjusted EBITDA per share [1]				
Basic	**$0.47**	$0.94	$(0.47)	(50)
Diluted	**$0.47**	$0.94	$(0.47)	(50)
Adjusted net income (loss) [1]	**(31,436)**	44,181	(75,617)	–
Adjusted net income (loss) per share [1]				
Basic	**$(0.20)**	$0.29	$(0.49)	–
Diluted	**$(0.20)**	$0.29	$(0.49)	–
Net income (loss)	**(41,175)**	(31,038)	(10,137)	33
Net income (loss) per share				
Basic	**$(0.26)**	$(0.20)	$(0.06)	30
Diluted	**$(0.26)**	$(0.20)	$(0.06)	30
Funds from operations [1]	**48,905**	132,257	(83,352)	(63)
Funds from operations per share [1]				
Basic	**$0.31**	$0.87	$(0.56)	(64)
Diluted	**$0.31**	$0.86	$(0.55)	(64)
Weighted average shares – basic *(000s)*	**152,436**	152,621	(185)	–
Weighted average shares – diluted *(000s)*	**152,436**	152,932	(496)	–
Drilling:				
Operating days:				
Canada [2]	**1,607**	3,633	(2,026)	(56)
United States	**2,417**	5,860	(3,443)	(59)
International [3]	**1,914**	2,649	(735)	(28)
Drilling rig utilization *(%)*				
Canada [2]	**19.9**	40.3	(20.4)	(51)
United States	**27.7**	60.9	(33.2)	(55)
International [3]	**39.5**	49.4	(9.9)	(20)
Well Servicing:				
Operating hours				
Canada	**15,854**	31,286	(15,432)	(49)
United States	**20,192**	29,446	(9,254)	(31)
Well servicing rig utilization rate *(%)*				
Canada	**23.9**	40.0	(16.1)	(40)
United States	**46.7**	71.1	(24.4)	(34)

(1) See definition of "Non-GAAP Measures" in the "Overview and Selected Annual Information" section of this MD&A.

(2) Excludes coring rigs.

(3) Includes workover rigs.

Revenue and Oilfield Services Expense

	Three months ended December 31			
($ thousands)	**2015**	2014	Change	% change
Revenue				
Canada	**61,803**	167,210	(105,407)	(63)
United States	**132,102**	271,985	(139,883)	(51)
International	**89,982**	163,496	(73,514)	(45)
Total revenue	**283,887**	602,691	(318,804)	(53)
Revenue, net of third party	**252,592**	521,713	(269,121)	(52)
Oilfield services expense	**195,076**	433,080	(238,004)	(55)
Gross margin	**88,811**	169,611	(80,800)	(48)
Gross margin as a percentage of revenue, net of third party	**35.2**	32.5		

The Company recorded revenue of $283.9 million for the three months ended December 31, 2015, a 53 percent decrease from the $602.7 million recorded in the three months ended December 31, 2014. Drilling operating days for the fourth quarter of 2015 totaled 5,938 days, a 51 percent decrease from the prior year of 12,142 drilling operating days. The decline in crude oil prices in 2015 negatively impacted the demand for oilfield services. Reduced North American demand was offset by the positive translational impact of the strengthening of the United States dollar versus the Canadian dollar compared to the prior year.

As a percentage of revenue, net of third party, gross margin increased for the fourth quarter of 2015 to 35.2 percent from 32.5 percent for the fourth quarter of 2014. The improvement in gross margin in the fourth quarter of 2015 compared to the prior year is due to more contribution from higher margin oilfield service work combined with reduced levels of maintenance expenditures in reaction to reduced levels of demand for oilfield services in a lower commodity price environment. Furthermore, effective cost management also contributed to higher gross margin percentage when compared to the prior year.

Depreciation expense totaled $120.8 million for the fourth quarter of 2015 compared with $79.3 million for the fourth quarter of 2014. Increased depreciation reflects higher-valued equipment being added to the Company's global fleet throughout 2015, revisions to the residual values of certain equipment and the negative impact of a sixteen percent year-over-year increase in the United States dollar exchange rate against the Canadian dollar.

General and administrative expense decreased 38 percent to $16.5 million (5.8 percent of revenue) for the fourth quarter of 2015 compared with $26.6 million (4.4 percent of revenue) for the fourth quarter of 2014. The decrease in general and administrative expense in the fourth quarter of 2015 compared to the prior year is primarily due to the Company's initiatives to reduce fixed costs in reaction to lower oil and gas commodity prices. The decrease was partially offset by one-time restructuring costs, as well as the negative translational impact of the strengthening United States dollar versus the Canadian dollar on general and administrative expenses incurred in the United States and internationally in the current year.

Outstanding Share Data

The following common shares and stock options were outstanding as of March 4, 2016:

	Number	Amount ($thousands)
Common shares	152,435,042	$171,084
	Outstanding	**Exercisable**
Stock options	7,300,300	2,240,400

Outlook

After a difficult 2015 that endured a steep decline in energy commodity prices, another difficult year is underway. The oil and natural gas industry is looking back through history, searching to find a playbook to help navigate these difficult times. In 2016, the industry is expected to continue to seek adjustments to its business model to lower break-even costs, reduce capital expenditures, and work with suppliers and partners in order to return to stability.

Energy supply has continued to grow, but weakening global economic conditions are raising doubts regarding the extent to which energy demand will expand. The energy sector continues to watch for some sort of confirmation that it has reached a bottoming in pricing and supply growth, which should allow a correction to more balanced supply-demand levels. The delay in reaching such bottoming can partially be attributed to the impact of completing projects that had commenced before the industry downturn. Rebalancing of global supply and demand, previously anticipated to occur in mid-2016, is now not expected until at least late 2016 or possibly sometime in 2017.

Despite slow but steady growth in the United States economy and labor markets, regions elsewhere around the world continue to struggle with heightened concern generated by negative signals from China. The United States Federal Reserve's decision to increase the federal funds target interest rate in mid-December 2015 has contributed to increased volatility and currency weaknesses in other economies.

The supply and demand imbalance in oil markets has been the main focus for the industry in 2015 and will continue into the future. Production of oil in the United States continued to grow in 2015. However, the United States Department of Energy expects a decline of 7.4 percent in 2016 and, as new capital is being deferred, the decline will likely continue into 2017. The decline in United States oil production is generally offset by increased production from Iran, following the lifting of economic sanctions in early 2016. Reservoir production declines and minimal capital investments should further engender supply reductions over time.

The continuing and protracted period of low energy commodity prices has dramatically reduced our customers' cash flows, driving ongoing reductions in expenditures on drilling and reduced demand for oilfield services. Average WTI crude oil prices in the fourth quarter of 2015 were $42, down 31 percent from one year ago. Henry Hub natural gas prices averaged $2.12, down 44 percent from the corresponding quarter in 2014. Lower crude oil prices and the resulting decreased gasoline prices have benefited consumers, but increased savings and debt reductions have been the unexpected results in as much as the small increase in miles driven has not spurred significant demand increases.

The late January 2016 conclusion of the Alberta government royalty review should finally provide Canadian operators the ability to determine the feasibility of new projects. Although the immense uncertainty that prevailed during the review period had exacerbated local industry conditions, the resolution itself illustrates the risk that political and environmental policies around the world have on our industry. While the Paris climate accord will push the industry to reduce carbon emissions, likely a positive for the natural gas industry, the prospects for harsher regulations for the industry as a whole may serve to dampen development in the sector.

As expected, the number of active drilling rigs in all markets has dropped significantly, particularly in North America. Incremental to the 2015 year-over-year activity reduction of 51 percent in Canada, the Canadian Association of Oilwell Drilling Contractors is forecasting a further reduction of 13 percent in 2016. As of mid-February, active land-based rigs operating in Canada had declined by 42 percent year-over-year to 222 rigs. The warmer than average winter this year in Western Canada is also expected to lead to an early spring "break-up" and further curtailment of drilling in the first half of 2016.

The Company's Canadian drilling days in the fourth quarter of 2015 were down seven percent sequentially, with a decline of 56 percent from the corresponding quarter in 2014. Although rig rate pressures from operators are ongoing, the deeper rigs deployed in the Company's Canadian fleet have served to somewhat offset day rate reductions in spot markets. Future expectations are for the Company's Canadian operations to track with lower industry levels.

Baker Hughes' estimates of United States land drilling rig activity continue to decline below lows previously expected, and represent new troughs for the sector. As of mid-February, active land-based rigs operating in the United States had declined by 60 percent year-over-year to 514 rigs. The Company's United States operations have fared comparably well, other than in California, and our market share has either held or increased somewhat. However, pressures on day rates and contract retention persist. The Company is witnessing activity reductions in the Rocky Mountain regions, with more stability in southern regions.

Operating days in the Company's international equipment fleet for 2015 were down 25 percent when compared to 2014. Consistent with global industry trends, oilfield services activity levels in the Company's operations outside of North America have declined less than those in Canada and the United States. Subsequent to an activity drop in Australia during the first half of 2015, the Company's international operations have remained relatively stable, with Middle East activity supported by long-term contracts. However, the region is not immune to the negative impacts from the protracted downturn and customers are seeking pricing concessions and cost reduction measures to be included in contract negotiations and renewals.

With the headwinds of 2015 continuing into 2016, the Company remains focused on operational improvements, close attention to customer credit conditions, and safeguarding its balance sheet. We have continued to reduce capital expenditures where possible and have deferred major capital projects. We have assessed our operating structure and are generating efficiencies where possible. These assessments have led to headcount reductions, wage rollbacks, and negotiations with suppliers to reduce costs.

Our customers will continue to look to reduce operating costs and we will continue to support this objective with our deeper high-specification drilling rigs. The size of the global rig fleet going forward will likely be smaller, with fewer rigs than historically required drilling more wells. This reduction in the size of the market will lead to capitulation for some companies.

The Company is prepared for what is now expected to be a slow recovery and is actively monitoring and reacting to this "new normal" for the industry. The Company believes its proactive measures in response to market conditions, coupled with the additions and improvements to its equipment fleet resulting from its new build and major retrofit program during prior years have positioned Ensign to respond to customers' demands for premium oilfield services equipment and services around the world in the challenging prevailing market environment.

Critical Accounting Estimates

Management is required to make judgments, assumptions and estimates in applying its accounting policies and practices, which have a significant impact on the financial results of the Company. These significant accounting policies involve critical accounting estimates due to complex judgments and assumptions. These estimates, judgments and assumptions are based on the circumstances that exist at the reporting date and may affect the reported amounts of income and expenses during the reporting periods and the carrying amounts of assets, liabilities, accruals, provisions, contingent liabilities, other financial obligations, as well as the determination of fair values.

Property and Equipment

The estimated useful life, residual value and depreciation methods selected are the Company's best estimate of such and are based on industry practice, historical experience and other applicable factors. These assumptions and estimates are subject to change as more experience is obtained or as general market conditions change, both of which could impact the operations of the Company's property and equipment.

Impairment

For impairment testing, the assessment of facts and circumstances is a subjective process that often involves a number of estimates and is subject to interpretation. An impairment is recognized if the carrying value exceeds the recoverable amount for a cash-generating unit ("CGU"). Property and equipment are aggregated into CGUs based on their ability to generate separately identifiable and largely independent cash flows. The testing of assets or CGUs for impairment, as well as the assessment of potential impairment reversals, requires that the Company estimate an asset's or CGU's recoverable amount. The estimate of a recoverable amount requires a number of assumptions and estimates, including expected market prices, market supply and demand, margins and discount rates. These assumptions and estimates are subject to change as new information becomes available and changes in any of the assumptions could result in an impairment of an asset's or CGU's carrying value.

Share-based Compensation

Measurement inputs include share price on measurement date, exercise price, expected volatility, expected life, expected dividends and the risk-free interest rate. Significant estimates and assumptions are used in determining the expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life and expected forfeitures, based on historical experience and general option holder behavior. Changes to the input assumptions could have a significant impact on the share-based compensation liability and expense.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability, using the substantively enacted income tax rates. Current income taxes for the current and prior periods are measured at the amount expected to be recoverable from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period. The deferred income tax assets and liabilities are adjusted to reflect changes in enacted or substantively enacted income tax rates that are expected to apply, with the corresponding adjustment recognized in net income or in shareholders' equity depending on the item to which the adjustment relates.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty and the interpretations can impact net income through the income tax expense arising from the changes in deferred income tax assets or liabilities.

Allowance for Doubtful Accounts

The Company is subject to credit risk on accounts receivable balances and assesses the recoverability of accounts receivable balances on an ongoing basis. The Company establishes an allowance for estimated losses for uncollectible accounts as circumstances warrant. The allowance is determined based on customer credit-worthiness, current economic trends and past experience. Assessing accounts receivable balances for recoverability involves significant judgment and uncertainty, including estimates of future events. Changes in circumstances underlying these estimates may result in adjustments to the allowance for doubtful accounts in future periods.

Functional Currency

The Company determines functional currency based on the primary economic environment in which the entity operates. This includes a number of factors that must be considered by the Company in using its judgment to determine the appropriate functional currency for each entity.

Consolidated Foreign Subsidiaries

The Company makes assessments to determine whether it has control over operations and cash repatriation for consolidated foreign subsidiaries.

Recent Accounting Pronouncements

On January 13, 2016 the IASB issued IFRS 16 – Leases ("IFRS 16") which has not yet been adopted by the Company. IFRS 16 replaces the accounting requirements under IAS 17 – Leases and is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. IFRS 16 requires all leases to be reported on the Company's balance sheet as assets and liabilities. The Company has not yet begun the process of assessing the impact that the amendments will have on its financial statements or whether to early adopt.

On July 24, 2014 the IASB issued amendments to IFRS 9 – Financial Instruments ("IFRS 9") which have not yet been adopted by the Company. IFRS 9 amendments are effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Amendments to IFRS 9 introduce an expected credit loss model for the measurement of the impairment of financial assets and a new hedge accounting model. The Company has not yet begun the process of assessing the impact that the amendments will have on its financial statements or whether to early adopt.

On May 28, 2014 the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which has not yet been adopted by the Company. IFRS 15 replaces all current guidance on revenue recognition and is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 15 provides a single comprehensive revenue recognition model for all contracts with customers and is based on the principal that revenue is recognized on the transfer of goods or services to customers at an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. IFRS 15 also includes new disclosure requirements. The Company has not yet begun the process of assessing the impact that the new standard will have on its financial statements or whether to early adopt.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company's management, including the President and Chief Operating Officer, and Vice President Finance and Chief Financial Officer, has reviewed and evaluated the design and operation of both the Company's disclosure controls and procedures and the Company's internal controls over financial reporting (as defined in National Instrument 52-109 issued by the Canadian securities regulators) as of December 31, 2015.

The President and Chief Operating Officer, and the Vice President Finance and Chief Financial Officer do not expect that the Company's disclosure controls and procedures will prevent or detect all errors, misstatements and fraud but they are designed to provide reasonable assurance of achieving these objectives. A control system, no matter how well designed or operated, can only provide reasonable, not absolute, assurance that the corresponding objectives are met.

Internal controls over financial reporting, no matter how well designed, have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Management has concluded that, as at December 31, 2015, the Company's disclosure controls and procedures were effective and management has also concluded that, as at December 31, 2015, the Company's internal controls over financial reporting were effective.

Risks and Uncertainties

Oil and Natural Gas Prices

The most significant factors affecting the business of the Company are oil and natural gas commodity prices. Commodity price levels affect the capital programs of energy exploration and production companies, as the price they receive for the oil and natural gas they produce has a direct impact on the cash flow available to them and the subsequent demand for oilfield services provided by the Company. Oil and gas prices have been volatile in recent years and may continue to be so as supply/demand fundamentals, weather conditions, government regulations, political and economic environments, pipeline capacity, storage levels and other factors outside of the Company's control continue to influence commodity prices. Demand for the Company's services in the future will continue to be influenced by oil and natural gas commodity prices and the resultant impact on the cash flow of its customers, and may not be reflective of historical activity levels.

Competition and Industry Conditions

The oilfield services industry is, and will continue to be, highly competitive. Contract drilling companies compete primarily on a regional basis and competition may vary significantly from region to region at any particular time. Most drilling and workover contracts are awarded on the basis of competitive bids, which result in price competition. Many drilling, workover and well servicing rigs can be moved from one region to another in response to changes in levels of activity, which can result in an oversupply of rigs in an area. In many markets in which the Company operates, the supply of rigs exceeds the demand for rigs, resulting in further price competition. Certain competitors are present in more than one of the regions in which the Company operates, although no one competitor operates in all of these areas. In Canada, the Company competes with several firms of varying size. In the United States there are many competitors with national, regional or local rig operations. Internationally, there are several competitors in each country where the Company operates and some of those international competitors may be better positioned in certain markets, allowing them to compete more effectively. There is no assurance that the Company will be able to continue to compete successfully or that the level of competition and pressure on pricing will not affect the Company's margins.

Changes in Laws and Regulations

The Company and its customers are subject to numerous laws and regulations governing its operations and the exploration and development of oil and natural gas, including environmental regulations. Existing and expected environmental legislation and regulations may increase the costs associated with providing oilfield services, as the Company may be required to incur additional operating costs or capital expenditures in order to comply with any new regulations. The costs of complying with increased environmental and other regulatory changes in the future, such as royalty regime changes, may also have an adverse effect on the cash flows of the Company's customers and may dampen demand for oilfield services provided by the Company.

Foreign Operations

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. The Canadian, United States, and Australian regulatory regimes are generally stable and, typically, supportive of energy industry activity. Internationally, the Company's operations are subject to regulations in various jurisdictions and support for the oil and natural gas industry can vary in these jurisdictions. There are risks inherent in foreign operations such as unstable government regimes, civil and/or labor unrest, strikes, terrorist threats, regulatory uncertainty and complex commercial arrangements. Risks to the Company's operations include, but are not limited to, loss of revenue, expropriation and nationalization, restrictions on repatriation of income or capital, currency exchange restrictions, contract deprivation, force majeure events and the potential for trade and economic sanctions or other restrictions to be imposed by the Canadian government or other governments or organizations. To mitigate these risks, the Company seeks to negotiate long-term service contracts for drilling services that ideally include early termination provisions and other clauses for the Company's protection. However, there is, and there can be, no assurance that the Company will be fully effective in mitigating foreign operation risks. Such risks could have material adverse impacts on the Company's financial condition and operating results.

Foreign Exchange Exposure

The Company's consolidated financial statements are presented in Canadian dollars. Operations in countries outside of Canada result in foreign exchange risk to the Company. The principal foreign exchange risk relates to the conversion of United States dollar-denominated activity to Canadian dollars. The United States/Canadian dollar exchange rate at December 31, 2015 was approximately 1.38 compared with 1.16 at December 31, 2014 and 1.06 at December 31, 2013. In addition, the Company has foreign exchange risk in relation to the conversion of United States dollar-denominated debt to Australian dollars. The United States/Australian dollar exchange rate at December 31, 2015 was approximately 1.37, compared with 1.22 at December 31, 2014 and 1.12 at December 31, 2013. Fluctuations in the future periods exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

Access to Credit Facilities and Debt Capital Markets

The Company and its customers require reasonable access to credit facilities and debt capital markets as an important source of liquidity. Global economic events, outside the control of the Company or its customers, may restrict or reduce the access to credit facilities and debt capital markets. Tightening credit markets may reduce the funds available to the Company's customers for paying accounts receivable balances and may also result in reduced levels of demand for the Company's services. Additionally, the Company relies on access to credit facilities, along with its reserves of cash and cash flow from operating activities, to meet its obligations and finance operating activities. The Company believes it has adequate bank credit facilities to provide liquidity.

Litigation and Legal Proceedings

From time to time, the Company is subject to litigation and legal proceedings that may include employment, tort, commercial and class action suits. Amounts claimed in such suits or actions may be material and accordingly decisions against the Company could have an adverse effect on the Company's financial condition or results of operations.

Technology

As a result of growing technical demands of resource plays, the Company's ability to meet customer demands is dependent on continuous improvement to the performance and efficiency of existing oilfield services equipment. There can be no assurance that competitors will not achieve technological advantages over the Company.

Seasonality and Weather

The Company's Canadian oilfield services operations are impacted by weather conditions that hinder the Company's ability to move heavy equipment. The timing and duration of "spring break-up", during which time the Company is prohibited from moving heavy equipment on secondary roads, restricts movement of equipment in and out of certain areas, thereby negatively impacting equipment utilization levels. Further, the Company's activities in certain areas in northern Canada are restricted to winter months when the ground is frozen solid enough to support the Company's equipment. This seasonality is reflected in the Company's operating results, as rig utilization is normally at its lowest during the second and third quarters of the year. The Company continues to mitigate the impact of Canadian weather conditions through expansion into markets not subject to the same seasonality and by working with customers in planning the timing of their drilling programs. In addition, volatility in the weather across all areas of the Company's operations can create additional risk and unpredictability in equipment utilization rates and operating results.

Reliance on Key Management Personnel

The success and growth of the Company is dependent upon its key management personnel. The loss of services of such persons could have a material adverse effect on the business and operations of the Company. No assurance can be provided that the Company will be able to retain key management members.

Workforce

The Company's operations are dependent on attracting, developing and maintaining a skilled workforce. During periods of peak activity levels, the Company may be faced with a lack of personnel to operate its equipment. The Company is also faced with the challenge of retaining its most experienced employees during periods of low utilization, while maintaining a cost structure that varies with activity levels. To mitigate these risks, the Company has developed an employee recruitment and training program, and continues to focus on creating a work environment that is safe for its employees.

Operating Risks and Insurance

The Company's operations are subject to risks inherent in the oilfield services industry. Where available and cost-effective, the Company carries insurance to cover the risk to its equipment and people, and each year the Company reviews the level of insurance for adequacy. Although the Company believes its level of insurance coverage to be adequate, there can be no assurance that the level of insurance carried by the Company will be sufficient to cover all potential liabilities.

Corporate Governance

The Company's Board of Directors exercises overall responsibility for the management and supervision of the affairs of the Company. This includes the appointment of the Company's President, approval of compensation for senior executives and monitoring of the President's and management's performance.

The Board of Directors has established procedures that prescribe the requirements governing the approval of transactions carried out in the course of the Company's operations, the delegation of authority and the execution of documents on behalf of the Company.

The Board of Directors reviews and approves the Company's annual operating budget, ensuring market conditions, as well as strategic thinking, are properly reflected in the short-term goals of each of the Company's operating divisions.

The Board of Directors is currently composed of ten directors. Mr. N. Murray Edwards, Mr. Selby Porter and Mr. Robert H. Geddes, Ensign's Chairman, Vice Chairman, and President and Chief Operating Officer respectively, are the only Board members who are also members of the Company's management. The Board of Directors annually appoints members to Board committees in the following four areas: Audit; Corporate Governance, Nominations and Risk; Compensation; and Health, Safety and Environment. All of these committees are comprised entirely of independent directors.

Audit Committee

The Audit Committee has been established to assist the Board in fulfilling its responsibility for oversight of Ensign's financial reporting, including oversight of:

1. The preparation, review and disclosure of the Company's financial statements and other required financial disclosure materials;
2. The nature and scope of the Company's annual audit;
3. The independence of the independent auditor;
4. The Company's internal accounting controls, procedures and practices; and
5. The Company's financial reporting and accounting systems and procedures.

The Committee recommends, for Board approval, the audited financial statements and other mandatory disclosure releases containing financial information.

Corporate Governance, Nominations and Risk Committee

The Corporate Governance, Nominations and Risk Committee is responsible for assisting the Board with the development and monitoring of: (i) Ensign's approach to corporate governance; (ii) the nomination of Directors for appointment to the Board; (iii) the appointment of Directors to committees of the Board; (iv) the recommendation of remuneration for the Directors; (v) the evaluation of Directors; (vi) Director education; (vii) enterprise risk oversight; and (viii) related matters. Specifically this includes:

1. Reviewing Ensign's corporate governance guidelines and policies, including limitations on the number of boards on which Directors may sit and policies with respect to director tenure, retirement and succession and changes in the primary occupation of a Director; and
2. Reviewing and recommending to the Board for approval, reports concerning the Corporation's corporate governance practices as required under applicable securities laws and the rules of any stock exchange on which the Company's securities are listed for trading.

Compensation Committee

The Compensation Committee is responsible for assisting the Board in discharging its oversight responsibility regarding: (i) Ensign's compensation philosophy; and (ii) the retention of key senior management employees with the skills and expertise needed to enable Ensign to achieve its goals and strategies at fair and competitive compensation, including appropriate performance incentives. In particular, the Compensation Committee is mandated to do the following:

1. Review compensation payable to the President and Chief Operating Officer of the Corporation and other executives;
2. Oversee the development, implementation and administration of Ensign's compensation plans;
3. Review Ensign's succession planning and implementation progress; and
4. Review executive and director compensation disclosure to be made in the proxy circular prepared in connection with the Corporation's annual meeting of shareholders.

Health, Safety and Environment Committee

The Health, Safety and Environment Committee is responsible for oversight and supervision of the policies, standards and practices of Ensign with respect to health, safety and the environment ("HSE"). Specific responsibilities include:

1. Reviewing, reporting and making recommendations to the Board on the development and implementation of policies, standards and practices in the areas of HSE;
2. Assisting Directors to meet their responsibilities in respect of Ensign in carrying out its legal, industry and community obligations pertaining to the areas of HSE; and
3. Assisting Directors to meet their responsibilities in respect of Ensign maintaining management systems to implement HSE policies and monitor compliance.

Additional details regarding the Company's corporate governance may be found in the "Statement of Corporate Governance Practices" included in the Information Circular to be filed on SEDAR in due course, for the Company's upcoming Annual Meeting of Shareholders to be held on May 4, 2016.

Management's Report

The consolidated financial statements and other information contained in the annual report are the responsibility of the management of the Company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards consistently applied, using management's best estimates and judgments, where appropriate.

Preparation of financial statements is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains a system of internal accounting controls to ensure that properly approved transactions are accurately recorded on a timely basis and result in reliable financial statements. The Company's external auditors are appointed by the shareholders. They independently perform the necessary tests of the Company's accounting records and procedures to enable them to express an opinion as to the fairness of the consolidated financial statements, in conformity with International Financial Reporting Standards.

The Audit Committee, which is comprised of independent directors, meets with management and the Company's external auditors to review the consolidated financial statements and reports on them to the Board of Directors. The consolidated financial statements have been approved by the Board of Directors.



Robert H. Geddes
President and Chief Operating Officer



Timothy Lemke
Vice President Finance and Chief Financial Officer

March 4, 2016

Independent Auditor's Report

To the Shareholders of Ensign Energy Services Inc.

We have audited the accompanying consolidated financial statements of Ensign Energy Services Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ensign Energy Services Inc. and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
March 4, 2016
Calgary, Alberta

Consolidated Statements of Financial Position

As at	**December 31 2015**	December 31 2014
(in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash and cash equivalents *(Note 16)*	**$ 40,386**	$ 53,997
Accounts receivable	**215,421**	463,818
Inventories and other	**71,806**	64,862
Income taxes receivable	**4,947**	15,841
Total current assets	**332,560**	598,518
Property and equipment *(Note 5)*	**3,265,580**	3,124,927
Total assets	**$ 3,598,140**	$ 3,723,445
Liabilities		
Current Liabilities		
Accounts payable and accruals *(Note 6)*	**$ 167,881**	$ 388,558
Dividends payable	**18,367**	18,367
Share-based compensation *(Note 11)*	**2,073**	1,895
Total current liabilities	**188,321**	408,820
Long-term debt *(Note 7)*	**794,109**	786,327
Share-based compensation *(Note 11)*	**935**	677
Deferred income taxes *(Note 8)*	**528,179**	482,384
Total liabilities	**1,511,544**	1,678,208
Shareholders' Equity		
Share capital *(Note 9)*	**169,171**	169,215
Contributed surplus	**2,538**	1,967
Foreign currency translation reserve	**332,230**	113,880
Retained earnings	**1,582,657**	1,760,175
Total shareholders' equity	**2,086,596**	2,045,237
Total liabilities and shareholders' equity	**$ 3,598,140**	$ 3,723,445

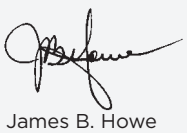
Contingencies and commitments *(Note 19)*

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors



John Schroeder
Chairman of the Audit Committee and Director



James B. Howe
Director

Consolidated Statements of Income (Loss)

For the years ended December 31	**2015**	2014
(in thousands of Canadian dollars, except per share data)		
Revenue	**$ 1,390,978**	$ 2,321,765
Expenses		
Oilfield services	**995,025**	1,686,395
Depreciation *(Note 5)*	**335,513**	298,854
General and administrative	**74,858**	97,857
Asset decommissioning and write-downs *(Note 5)*	**28,281**	89,495
Share-based compensation *(Note 11)*	**37**	(13,573)
Foreign exchange and other	**62,105**	30,836
Total expenses	**1,495,819**	2,189,864
Income (loss) before interest and income taxes	**(104,841)**	131,901
Interest income	**420**	859
Interest expense	**(25,333)**	(21,546)
Income (loss) before income taxes	**(129,754)**	111,214
Income taxes *(Note 8)*		
Current tax	**153**	25,020
Deferred tax	**(25,858)**	15,074
Total income taxes	**(25,705)**	40,094
Net income (loss)	**$ (104,049)**	$ 71,120
Net income (loss) per share *(Note 10)*		
Basic	**$ (0.68)**	$ 0.47
Diluted	**$ (0.68)**	$ 0.46

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31		**2015**		2014
(in thousands of Canadian dollars)				
Net income (loss)	**$**	**(104,049)**	$	71,120
Other comprehensive income				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment		**218,350**		88,815
Comprehensive income	**$**	**114,301**	$	159,935

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

	Share Capital	Contributed Surplus	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
(In thousands of Canadian dollars)					
Balance, January 1, 2015	$169,215	$1,967	$113,880	$1,760,175	$2,045,237
Net loss	–	–	–	(104,049)	(104,049)
Other comprehensive income	–	–	218,350	–	218,350
Total comprehensive income	–	–	218,350	(104,049)	114,301
Dividends	–	–	–	(73,469)	(73,469)
Share-based compensation	–	7,308	–	–	7,308
Shares vested previously held in trust	6,737	(6,737)	–	–	–
Purchase of shares held in trust	(6,781)	–	–	–	(6,781)
Balance, December 31, 2015	**$169,171**	**$2,538**	**$332,230**	**$1,582,657**	**$2,086,596**
Balance, January 1, 2014	$168,155	$4,614	$25,065	$1,764,735	$1,962,569
Net income	–	–	–	71,120	71,120
Other comprehensive income	–	–	88,815	–	88,815
Total comprehensive income	–	–	88,815	71,120	159,935
Dividends	–	–	–	(72,423)	(72,423)
Share-based compensation	–	4,628	–	–	4,628
Shares vested previously held in trust	7,275	(7,275)	–	–	–
Purchase of shares held in trust	(5,893)	–	–	–	(5,893)
Purchase of common shares under Normal Course Issuer Bid	(322)	–	–	(3,257)	(3,579)
Balance, December 31, 2014	$169,215	$1,967	$113,880	$1,760,175	$2,045,237

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31	**2015**	2014
(In thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net income (loss)	**$ (104,049)**	$ 71,120
Items not affecting cash		
Depreciation *(Note 5)*	**335,513**	298,854
Asset decommissioning and write-downs *(Note 5)*	**28,281**	89,495
Share-based compensation, net of cash paid	**7,237**	(10,657)
Unrealized foreign exchange and other	**54,742**	27,648
Accretion on long-term debt	**407**	352
Deferred income tax	**(25,858)**	15,074
Funds provided by operations	**296,273**	491,886
Net change in non-cash working capital *(Note 16)*	**115,971**	29,246
Cash provided by operating activities	**412,244**	521,132
Investing activities		
Purchase of property and equipment	**(168,281)**	(600,566)
Proceeds from disposals of property and equipment	**9,248**	17,567
Net change in non-cash working capital *(Note 16)*	**(61,037)**	32,080
Cash used in investing activities	**(220,070)**	(550,919)
Financing activities		
Net (decrease) increase in bank credit facilities	**(121,458)**	82,331
Purchase of shares held in trust *(Note 9)*	**(6,781)**	(5,863)
Repurchase of shares *(Note 9)*	**–**	(3,579)
Dividends *(Note 9)*	**(73,469)**	(72,423)
Net change in non-cash working capital *(Note 16)*	**257**	1,093
Cash (used in) provided by financing activities	**(201,451)**	1,559
Net decrease in cash and cash equivalents	**(9,277)**	(28,228)
Effects of foreign exchange on cash and cash equivalents	**(4,334)**	3,367
Cash and cash equivalents		
Beginning of year	**53,997**	78,858
End of year	**$ 40,386**	$ 53,997
Supplemental information		
Interest paid	**$ 25,036**	$ 21,008
Income taxes paid (recovered)	**$ (10,741)**	$ 32,288

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(in thousands of Canadian dollars, except share and per share data)

1. Nature of Business

Ensign Energy Services Inc. is incorporated under the laws of the Province of Alberta, Canada. The address of its registered office is 1000, 400 – 5th Avenue S.W., Calgary, Alberta, Canada, T2P 0L6. Ensign Energy Services Inc. and its subsidiaries and partnerships (the "Company") provide oilfield services to the oil and natural gas industry in Canada, the United States and internationally.

2. Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Company's Board of Directors on March 4, 2016, after review by the Company's Audit Committee.

3. Significant Accounting Policies

a. Measurement basis

These consolidated financial statements have been prepared on an historical cost basis, except as discussed in the significant accounting policies below.

b. Basis of consolidation

These consolidated financial statements include the accounts of Ensign Energy Services Inc. and its subsidiaries and partnerships, substantially all of which are wholly owned, which it controls. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intercompany balances and transactions, including unrealized gains or losses between subsidiaries and partnerships are eliminated on consolidation.

c. Cash and cash equivalents

Cash and cash equivalents consists of cash and cash equivalents with maturities of three months or less or convertible to cash on demand without penalty.

d. Inventories

Inventories, comprised of spare equipment parts and consumables, are recorded at the lower of cost and net realizable value. Cost is determined on a specific item basis.

e. Property and equipment

Property and equipment is initially recorded at cost. Costs associated with equipment upgrades that result in increased capabilities or performance enhancements of property and equipment are capitalized. Costs incurred to repair or maintain property and equipment are expensed as incurred. Property and equipment is subsequently carried at cost less accumulated depreciation and write-downs and is derecognized on disposal or when there is no future economic benefit expected from its use or disposal. Gains or losses on derecognition of property and equipment are recognized in net income.

Depreciation is based on the estimated useful lives of the assets as follows:

Asset Class	Expected Life	Method	Residual
Oilfield services equipment			
Drilling rigs and related	2,500 - 5,000 operating days	Unit-of-production	10%
Well servicing rigs	24,000 operating hours	Unit-of-production	10%
Oil sands coring rigs	680 - 1,370 operating days	Unit-of-production	10%
Heavy oilfield service equipment	3 - 15 years	Straight-line	10%
Drill pipe	1,500 operating days	Unit-of-production	–
Buildings	20 years	Straight-line	–
Automotive equipment	3 years	Straight-line	15%
Office furniture and shop equipment	5 - 15 years	Straight-line	–

The calculation of depreciation includes assumptions related to useful lives and residual values. The assumptions are based on experience with similar assets and are subject to change as new information becomes available.

Property and equipment is reviewed for impairment when events or changes in circumstances indicate that its carrying value may not be recoverable. The Company's operations and business environment are routinely monitored, and judgment and assessments are made to determine if an event has occurred that indicates possible impairment.

If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit ("CGU") is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down to its recoverable amount. The recoverable amount of an asset or CGU is the greater of its fair value less costs to dispose and value-in-use. Value-in-use is determined as the amount of estimated risk-adjusted discounted future cash flows.

During 2015, the Company revised the residual value estimates for certain property and equipment categories to 10% prospectively from 15 - 25%; for each of: drilling rigs and related, well servicing rigs, oil sands coring rigs and heavy oilfield service equipment. In addition, the Company recorded additional depreciation for assets that have been inactive for a period of time. The impact of the changes to the depreciation expense in the current year is approximately $46 million in additional depreciation expense.

f. Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Company at the date control of the business is obtained. The cost of the business combination is measured as the aggregate of the fair value at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at their fair values at the acquisition date.

g. Revenue recognition

Revenue from oilfield services is generally earned based upon service orders or contracts with a customer that include fixed or determinable prices based upon daily, hourly or job rates. Revenue is recognized when services are performed and only when collectability is reasonably assured. Customer contract terms do not include provisions for significant post-service delivery obligations.

The Company also provides services under turnkey contracts whereby oilfield services are performed for a fixed price, regardless of the time required or the problems encountered performing the service. Revenue from such contracts is recognized using the percentage-of-completion method based upon costs incurred to date and estimated total contract costs. Anticipated losses, if any, on uncompleted contracts are recorded at the time the estimated costs exceed the contract revenue.

For contracts that are terminated prior to the specified term, early termination payments received by the Company are recognized as revenue when all contractual requirements are met.

h. Foreign currency translation

The consolidated financial statements are presented in Canadian dollars which is the Company's functional currency. Financial statements of the Company's United States and international subsidiaries have a functional currency different from Canadian dollars and are translated to Canadian dollars using the exchange rate in effect at the year-end date for all assets and liabilities, and at average rates of exchange during the year for revenues and expenses. All changes resulting from these translation adjustments are recognized in other comprehensive income (loss).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statement of income (loss).

i. Borrowing costs

Interest and borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets. Qualifying assets are those which take a substantial period of time to prepare for their intended use. Capitalization ceases when substantially all activities necessary to prepare the qualifying asset for its intended use are complete. All other interest is recognized in the consolidated statement of income (loss) in the period in which it is incurred.

j. Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using enacted or substantively enacted income tax rates. The effect of a change in income tax rates on deferred income tax liabilities and assets is recognized in income in the period in which the change is substantively enacted.

Deferred tax assets are recognized to the extent that future taxable income will be available against which temporary differences can be utilized.

k. Share-based compensation

The Company has an employee share option plan or equivalent that provides all option holders the right to elect to receive either common shares or a direct cash payment in exchange for the options exercised. These options are accounted for as a compound financial instrument, which requires the fair value of the liability component to be determined first and the residual value, if any, allocated to the equity component. The fair value of the settlement option under cash and shares is the same; therefore these options are accounted for as cash-settled awards.

The Company has other cash-settled share-based compensation plans. Cash-settled share-based compensation plans are recognized as compensation expense over the vesting period using fair values with a corresponding increase or decrease in liabilities. The liability is remeasured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as share-based compensation expense in the statement of income (loss). The fair value is determined using the Black-Scholes option pricing model.

The Company has share savings and share bonus plans for employees, as well as a program whereby a portion of the retainer paid to Directors is in the form of common shares of the Company. Contributions to these plans are recorded as general and administrative expense over the vesting period. In all cases, any common shares acquired for such plans are purchased in the open market and administered through trusts until the shares are vested. The share purchase price is considered the fair value.

l. Financial instruments

Financial assets and liabilities are recognized on the date the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. Financial liabilities are derecognized when the Company's contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial assets or liabilities are classified as amortized cost or as fair value through profit or loss ("FVTPL").

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at FVTPL, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in net income.

Financial assets

A financial asset is classified and measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Financial assets other than those qualifying for amortized cost measurement are classified as FVTPL and measured at fair value with all changes in fair value recognized in net income.

Financial assets that are measured at amortized cost are assessed for impairment on an individual account basis at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected. An allowance account is used when there is uncertainty surrounding the estimated future cash flows. When there is objective evidence the impairment will not be reversed the amount originally charged to the allowance is written off against the carrying amount of the impaired financial asset.

Financial liabilities

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as FVTPL. Financial liabilities classified as FVTPL are measured at fair value with all changes in fair value recognized in net income with the exception of changes in fair value attributable to credit risk which are recorded in other comprehensive income.

Financial liabilities that are not held for trading and are not designated as FVTPL are subsequently measured at amortized cost using the effective interest method. Interest expense that is not capitalized is included in net income.

m. Critical judgments and accounting estimates

Preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the most critical estimates and assumptions used in determining the value of assets and liabilities:

Allowance for doubtful accounts

The Company establishes an allowance for estimated losses for uncollectible accounts. The allowance is determined based on customer credit-worthiness, current economic trends and past experience. Information regarding the allowance for doubtful accounts is included in Note 18.

Property and equipment

The calculation of depreciation includes assumptions related to useful lives and residual values. Assumptions are based on experience with similar assets and is subject to change as new information becomes available. In addition, assessing for impairment requires estimates and assumptions.

Assets are grouped into CGUs based on separately identifiable and largely independent cash inflows and are used for impairment testing. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of market prices, market supply and demand, margins, and discount rates. Information regarding property and equipment is included in Note 5.

Share-based compensation

Measurement inputs include share price on measurement date, exercise price, expected volatility, weighted average expected life, expected dividends, and risk-free interest rate. Significant estimates and assumptions are used in determining the expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life and expected forfeitures, based on historical experience and general option-holder behavior. Changes to input assumptions will impact share-based compensation liability and expense. Information regarding share-based compensation is included in Note 11.

Income taxes

The Company is subject to income taxes in a number of tax jurisdictions. The amount expected to be settled and the actual outcome and tax rates can change over time, depending on the facts and circumstances. Changes to these assumptions will impact income tax and the deferred tax provision. Information regarding income taxes is included in Note 8.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Functional currency

The Company determines functional currency based on the primary economic environment in which the entity operates. This includes a number of factors that must be considered by the Company in using its judgment to determine the appropriate functional currency for each entity. These factors include currency of revenue contracts and currency that mainly influences operating, financing and investing activities.

Impairments

Assessing for indicators of possible impairment requires judgment in the assessment of facts and circumstances and is a subjective process that often involves a number of estimates and is subject to interpretation. Information regarding impairment is included in Note 5.

Deferred income tax assets

The recognition of deferred tax assets is based on judgments about future taxable profits.

Consolidated foreign subsidiaries

The Company makes assessments to determine whether it has control over operations and cash repatriation for consolidated foreign subsidiaries.

n. Recent accounting pronouncements

On January 13, 2016 the IASB issued IFRS 16 - Leases ("IFRS 16") which has not yet been adopted by the Company. IFRS 16 replaces the accounting requirements under IAS 17 - Leases and is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. IFRS 16 requires all leases to be reported on the Company's balance sheet as assets and liabilities. The Company has not yet begun the process of assessing the impact that the amendments will have on its financial statements or whether to early adopt.

On July 24, 2014 the IASB issued amendments to IFRS 9 - Financial Instruments ("IFRS 9") which have not yet been adopted by the Company. IFRS 9 amendments are effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Amendments to IFRS 9 introduce an expected credit loss model for the measurement of the impairment of financial assets and a new hedge accounting model. The Company has not yet begun the process of assessing the impact that the amendments will have on its financial statements or whether to early adopt.

On May 28, 2014 the IASB issued IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") which has not yet been adopted by the Company. IFRS 15 replaces all current guidance on revenue recognition and is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 15 provides a single comprehensive revenue recognition model for all contracts with customers and is based on the principal that revenue is recognized on the transfer of goods or services to customers at an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. IFRS 15 also includes new disclosure requirements. The Company has not yet begun the process of assessing the impact that the new standard will have on its financial statements or whether to early adopt.

4. Foreign Operations

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. The Company's foreign operations, with the general exception of operations in the United States and Australia, are subject to a number of risks and uncertainties such as unstable government regimes, civil and/or labor unrest, strikes, terrorist threats, regulatory uncertainty and complex commercial arrangements.

Effective July 1, 2015, as a result of amendments to a number of currency arrangements the Company had in place in Venezuela, the Company changed the estimated foreign exchange rate it used in translating Venezuelan Bolivars from the Venezuelan Central Bank "official rate" to the exchange mechanism rate newly created in February 2015 called "SIMADI" or the Marginal Currency System. On a prospective basis, revenues and expenses were translated using the new rate. The change to the new rate resulted in a revaluation to the assets and liabilities recorded by the Company's International operations, and a $2.3 million charge to foreign exchange and other expense.

Operations in Libya were suspended in 2014 due to an escalation of civil unrest within the country and there is uncertainty as to when operations may resume. Accordingly, in 2014 the Company took a write-down of $29,003, which was included in the asset decommissioning and write-downs charge of $89,495.

The Company's operations in Venezuela and Argentina are subject to certain restrictions with respect to the transfer of funds into or out of such countries; however, such restrictions are not considered significant to the Company at this time due to the relatively small size of the operations and certain contractual provisions that have been put in place designed to protect the Company.

5. Property and Equipment

	Rig and related equipment	Automotive and other equipment	Land and buildings	Total
Cost:				
Balance at December 31, 2013	$ 3,941,319	$ 120,770	$ 56,095	$ 4,118,184
Additions	608,726	19,046	7,891	635,663
Disposals	(42,841)	(13,140)	(39)	(56,020)
Asset decommissioning and write-downs	(166,302)	–	–	(166,302)
Effects of foreign exchange	184,950	6,315	2,034	193,299
Balance at December 31, 2014	4,525,852	132,991	65,981	4,724,824
Additions	158,075	9,808	2,745	170,628
Disposals	(40,760)	(10,007)	(6)	(50,773)
Asset decommissioning	(36,583)	–	–	(36,583)
Effects of foreign exchange	541,604	13,901	5,111	560,616
Balance at December 31, 2015	**$ 5,148,188**	**$ 146,693**	**$ 73,831**	**$ 5,368,712**
Accumulated depreciation and write-downs:				
Balance at December 31, 2013	$ (1,246,901)	$ (70,680)	$ (12,272)	$ (1,329,853)
Depreciation	(284,266)	(15,736)	(3,035)	(303,037)
Disposals	24,911	9,233	5	34,149
Asset decommissioning and write-downs	76,803	–	–	76,803
Effects of foreign exchange	(72,893)	(4,436)	(630)	(77,959)
Balance at December 31, 2014	(1,502,346)	(81,619)	(15,932)	(1,599,897)
Depreciation	(315,239)	(20,153)	(3,150)	(338,542)
Disposals	29,422	7,143	6	36,571
Asset decommissioning	36,583	–	–	36,583
Asset write-downs	(28,281)	–	–	(28,281)
Effects of foreign exchange	(199,816)	(8,778)	(972)	(209,566)
Balance at December 31, 2015	**$ (1,979,677)**	**$ (103,407)**	**$ (20,048)**	**$ (2,103,132)**
Net book value:				
At December 31, 2014	$ 3,023,506	$ 51,372	$ 50,049	$ 3,124,927
At December 31, 2015	**$ 3,168,511**	**$ 43,286**	**$ 53,783**	**$ 3,265,580**

Property and equipment includes equipment under construction of $127,567 (2014 – $347,433) that has not yet been subject to depreciation.

The persistently low energy commodity prices throughout 2015 have led to adverse economic effects on the Company's assets. Accordingly, the Company recorded a charge of $28,281 for asset write-downs during 2015 relating to specific assets in its Latin American operations. The Company also decommissioned 24 drilling rigs and two well servicing rigs that had been fully depreciated.

The adverse economic effects arising from the sustained low commodity prices are considered indicators of possible impairment of the Company's assets, and accordingly an asset impairment test was performed by management. After write-downs for specific assets of $28,281, the Company completed impairment tests in each of its CGU's using five year cash flow projections with a terminal value and concluded that no impairment charges were required for any CGU's as at December 31, 2015. The impairment tests were based on the following key assumptions:

- a weighted average pre-tax discount rate of 10% to 14% based on the cost of the Company's capital and debt, asset and country risk, together with past experience;
- cash flow projections based on the assumption that activity levels will return to 85% of 2014 EBITDA in the year 2020; and
- a terminal growth rate of 2%.

The Company performed a sensitivity analysis and noted no material impact in any CGU under any of the following situations:

- discount rates 1% higher or lower;
- cash flows 5% higher or lower; or
- a terminal growth rate 1% higher or lower.

6. Accounts Payable and Accruals

	December 31 2015	December 31 2014
Trade payables	**$ 63,738**	$ 164,145
Accrued liabilities	**36,813**	125,327
Accrued payroll	**41,292**	65,047
Interest payable	**1,377**	1,154
Deferred revenue	**21,699**	28,634
Other liabilities	**2,962**	4,251
	$ 167,881	$ 388,558

7. Bank Credit Facilities and Long-Term Debt

	December 31 2015	December 31 2014
Drawings on the Global Facility	**$ 380,205**	$ 439,752
Drawings on the Canadian Facility	**–**	–
Senior unsecured notes		
Tranche A, due February 22, 2017, 3.43%	**138,694**	116,010
Tranche B, due February 22, 2019, 3.97%	**138,694**	116,010
Tranche C, due February 22, 2022, 4.54%	**138,694**	116,010
Unamortized deferred financing costs	**(2,178)**	(1,455)
Long-term debt	**$ 794,109**	$ 786,327

Bank credit facilities:

As at December 31, 2015, the Company's available bank credit facilities consist of a $600,000 (2014 – $600,000) global revolving credit facility (the "Global Facility") and a $10,000 (2014 – $10,000) Canadian-based revolving credit facility (the "Canadian Facility"). The Global Facility is available to the Company and certain of its wholly-owned subsidiaries, and may be drawn in Canadian, United States or Australian dollars, up to the equivalent value of $600,000 Canadian dollars.

Interest is incurred on the utilized balance of the Global Facility at prime interest rates plus 0.75 percent or bankers' acceptance rates/LIBOR plus 1.75 percent. The Global Facility matures June 20, 2017 and is unsecured. The amount available under the $600,000 Global Facility is reduced by any outstanding letters of credit or bank guarantees. At December 31, 2015 the Company had $9,743 outstanding in letters of credit and bank guarantees (2014 – $8,725). Included in the drawings on the Global Facility balance is a USD denominated portion of USD $216,230 (2014 – USD $329,930).

The amount available under the Canadian Facility is $10,000 or the equivalent United States dollars. Interest is incurred on the utilized balance of the Canadian Facility at prime interest rates plus 1.00 percent or bankers' acceptance rates/LIBOR plus 2.00 percent. The Canadian Facility is unsecured.

During the first quarter of 2014, the Company secured a $20,000 uncommitted facility, solely for issuing letters of credit, primarily used for bidding on contracts in the normal course of business. As at December 31, 2015, the company had $7,234 (2014 – $11,901) outstanding in letters of credit under the facility.

Senior unsecured notes:

On February 22, 2012, the Company completed the private placement of USD $300.0 million of senior unsecured notes (the "Notes") with the terms noted above. Interest on the Notes is payable semi-annually on May 31st and November 30th each year with final interest payments due on expiry of the Notes. These Notes are unsecured, rank equally with the Company's Global Facility and have been guaranteed by the Parent company and certain of the Company's subsidiaries located in Canada, the United States and Australia.

Interest accrued on the Notes at December 31, 2015 was $1,377 (2014 – $1,154) and has been included in accounts payable and accruals on the consolidated statement of financial position. The Company incurred financing costs associated with the Notes that are being deferred and amortized using the effective interest method.

8. Income Taxes

Analysis of deferred tax liability:

	December 31 2015	December 31 2014
Property and equipment	**$ 583,805**	$ 492,890
Partnership timing differences	**9,165**	15,643
Share-based compensation	**(601)**	(486)
Non-capital losses	**(48,917)**	(8,703)
Other	**(15,273)**	(16,960)
Net deferred tax liability	**$ 528,179**	$ 482,384
Deferred Tax:		
Deferred tax asset recovered after 12 months	**$ (64,791)**	$ (26,149)
Deferred tax liability recovered within 12 months	**9,165**	–
Deferred tax liability recovered after 12 months	**583,805**	508,533
Net deferred tax liability	**$ 528,179**	$ 482,384

At December 31, 2015, the Company had deferred tax assets arising from non-capital losses expiring in the following years:

	December 31 2015	December 31 2014
2022	**269**	252
2032	**10**	–
2033	**48,292**	8,290
No expiry	**346**	161
Total non-capital losses	**$ 48,917**	$ 8,703

Earnings retained by subsidiaries and equity-accounted investments amounted to $1,102,367 at December 31, 2015 (2014 – $964,747). A provision has been made for withholding and other taxes that would become payable on the distribution of these earnings only to the extent that either the Company does not control the relevant entity or it is expected that these earnings will be remitted in the foreseeable future.

The provision for income taxes is different from the expected provision for income taxes using combined Canadian federal and provincial income tax rates for the following reasons:

For the years ended December 31	**2015**	2014
Income (loss) before income taxes	**$ (129,754)**	$ 111,214
Income tax rate	**26.3%**	25.5%
Expected income tax expense	**(34,125)**	28,359
Increase (decrease) from:		
Higher effective tax rate on foreign operations	**(5,914)**	11,604
Non-deductible expenses	**1,837**	1,996
Adjustments from prior years	**378**	511
Functional currency translation adjustment and other	**5,841**	(974)
Rate change impact on deferred taxes	**6,278**	(1,402)
Income tax expense	**$ (25,705)**	$ 40,094

The statutory rate for 2015 increased slightly over that of 2014 due to the increase in the Alberta tax rate, effective July 1, 2015.

9. Share Capital

a. Authorized

Unlimited common shares, no par value

Unlimited preferred shares, no par value, issuable in series

b. Issued, fully paid and outstanding

	2015		2014	
	Number of Common Shares	**Amount**	Number of Common Shares	Amount
Opening balance – January 1	**152,432,134**	**$ 169,215**	152,772,866	$ 168,155
Purchase of common shares under Normal Course Issuer Bid	**–**	**–**	(289,100)	(322)
Changes in unvested shares held in trust	**(129,861)**	**(44)**	(51,632)	1,382
Closing balance – December 31	**152,302,273**	**$ 169,171**	152,432,134	$ 169,215

The total number of unvested shares held in trust for share-based compensation plans as at December 31, 2015 was 757,723 (2014 – 627,862).

c. Dividends

During the year ended December 31, 2015, the Company declared dividends of $73,469 (2014 – $72,423), being $0.48 per common share (2014 – $0.4725 per common share). Subsequent to December 31, 2015, the Company declared a dividend for the first quarter of 2016 of $0.12 per common share or approximately $18,276. The dividend has not been provided for and is pursuant to the quarterly dividend policy adopted by the Company. Pursuant to subsection 89(1) of the Canadian Income Tax Act ("ITA"), the dividend being paid is designated as an eligible dividend, as defined in subsection 89(1) of the ITA.

d. Normal Course Issuer Bid

On September 25, 2014 the Company received approval from the Toronto Stock Exchange to acquire for cancellation up to three percent of the Company's issued and outstanding common shares under a Normal Course Issuer Bid (the "Bid"), under which the Company could purchase up to 4,600,477 common shares for cancellation. The Bid commenced on September 29, 2014 and terminated on September 28, 2015.

During 2014, the Company purchased 289,100 common shares under the Bid, for a total cost of $3,579 . Retained earnings were reduced by $3,257, representing the excess of the purchase price of common shares over their average carrying value.

10. Net Income (Loss) Per Share

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period.

Diluted net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period adjusted for conversion of all potentially dilutive common shares. Diluted net income is calculated using the treasury share method, which assumes that all outstanding share options are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period.

	December 31 2015	December 31 2014
Net income (loss) attributable to common shareholders:		
Basic and diluted	**$ (104,049)**	$ 71,120
Weighted average number of common shares outstanding:		
Basic	**152,476,615**	152,710,636
Potentially dilutive share-based compensation plans	**–**	447,694
Diluted	**152,476,615**	153,158,330

Share options of 7,404,000 (2014 – 6,394,300) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

11. Share-based Compensation

	December 31 2015	December 31 2014
Share-based compensation expense (recovery)	**$ 37**	$ (13,573)
Share-based compensation expense included within General and Administrative	**7,915**	4,749
	$ 7,952	$ (8,824)

Of this total, an expense of $7,308 is related to equity-settled plans (2014 – $4,628) and an expense of $644 is related to cash-settled plans (2014 – a recovery of $13,452).

The total liability for cash-settled plans at December 31, 2015 was $3,008 (2014 – $2,572). The total intrinsic value of the liability for vested benefits at December 31, 2015 was $1,681 (2014 – $1,784).

Share option plan

The Company has an employee share option plan that provides all option holders the right to elect to receive either common shares or a direct cash payment in exchange for the options exercised. The Company may grant options to its employees for up to 14,885,900 (2014 – 14,885,900) common shares. The options' exercise price equals the market price of the Company's common shares on the date of grant. Share options granted vest evenly over a period of five years.

A summary of the Company's share option plan as of December 31, 2015 and 2014, and the changes during the years then ended, is presented below:

	2015		2014	
	Number of Share Options	**Weighted Average Exercise Price**	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1	**7,943,600**	**$ 14.14**	8,308,700	$ 15.65
Granted	**2,259,500**	**7.30**	2,456,500	10.37
Exercised for cash	**–**	**–**	(485,200)	14.82
Forfeited	**(1,550,700)**	**14.32**	(682,800)	16.11
Expired	**(1,248,400)**	**14.00**	(1,653,600)	15.09
Outstanding – December 31	**7,404,000**	**$ 12.04**	7,943,600	$ 14.14
Exercisable – December 31	**2,259,100**	**$ 15.56**	2,754,400	$ 15.57

No options were exercised in 2015. The weighted average share price at the date of exercise of options in 2014 was $17.07 per common share.

The following table lists the options outstanding at December 31, 2015:

Exercise Price	Options Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$7.30 to $9.37	2,259,500	5.00	$ 7.30	–	$ –
$9.38 to $15.82	2,244,800	3.72	10.90	574,000	11.92
$15.83 to $16.67	1,569,700	3.00	16.13	622,300	16.13
$16.68 to $17.20	1,330,000	1.00	17.20	1,062,800	17.20
	7,404,000	3.47	$ 12.04	2,259,100	$ 15.56

The assumptions used to estimate the fair value of employee share options as at December 31, were:

	December 31 2015	December 31 2014
Expected life *(years)*	**2.5**	3.0
Volatility *(percent)*	**31.4**	27.1
Forfeiture rate *(percent)*	**6.0**	5.1
Risk-free interest rate *(percent)*	**0.6**	1.4
Expected dividend *(percent)*	**6.5**	4.7

The expected volatility is determined based on weighted average historic prices for the Company's common shares. The forfeiture rate is estimated based on historical experience and general option holder behavior.

Share appreciation rights

The Company has granted share appreciation rights ("SARs") to certain employees that entitle the employees to a cash payment. The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and exercise date. Grants under the plan vest evenly over a period of five years.

A summary of the Company's SARs plan as of December 31, 2015 and 2014, and the changes during the years then ended is presented below:

	2015		2014	
	Number of SARs	**Weighted Average Exercise Price**	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1	**972,600**	**$ 14.32**	799,500	$ 15.82
Granted	**210,500**	**7.30**	286,000	10.37
Exercised	**–**	**–**	(47,400)	14.05
Forfeited	**(158,400)**	**14.40**	(33,000)	16.16
Expired	**(129,600)**	**14.00**	(32,500)	15.10
Outstanding – December 31	**895,100**	**$ 12.70**	972,600	$ 14.32
Exercisable – December 31	**302,400**	**$ 15.71**	311,200	$ 15.77

No SARs were exercised in 2015. The weighted average share price at the date of exercise of SARs in 2014 was $16.97 per common share.

The following table lists the SARs outstanding at December 31, 2015:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$7.30 to $9.37	210,500	5.00	$ 7.30	–	$ –
$9.38 to $15.82	250,800	3.96	10.48	53,000	10.69
$15.83 to $16.67	246,100	3.00	16.13	99,400	16.13
$16.68 to $17.20	187,700	1.00	17.20	150,000	17.20
	895,100	3.32	$ 12.70	302,400	$ 15.71

12. Segmented Information

The Company determines its operating segments based on internal information regularly reviewed by management to allocate resources and assess performance. Oilfield services are provided in Canada, the United States and internationally. The amounts related to each geographic area are as follows:

	2015			
As at and for the year ended December 31	Canada	United States	International	Total
External revenue	**306,997**	**609,301**	**474,680**	**1,390,978**
Depreciation and amortization	**109,256**	**156,209**	**70,048**	**335,513**
Asset decommissioning and write-downs	**–**	**–**	**28,281**	**28,281**
Income (loss) before interest and income taxes	**(50,089)**	**4,266**	**(59,018)**	**(104,841)**
Total assets	**904,104**	**1,759,062**	**934,974**	**3,598,140**
Total liabilities	**236,679**	**817,208**	**457,657**	**1,511,544**
Purchase of property & equipment, net	**55,282**	**84,332**	**19,419**	**159,033**

	2014			
As at and for the year ended December 31	Canada	United States	International	Total
External Revenue	666,095	1,026,605	629,065	2,321,765
Depreciation and amortization	92,428	152,825	53,601	298,854
Asset decommissioning and write-downs	2,566	55,753	31,176	89,495
Income (loss) before interest and income taxes	67,246	67,141	(2,486)	131,901
Total assets	1,243,997	1,611,247	868,201	3,723,445
Total liabilities	310,302	904,204	463,702	1,678,208
Purchase of property & equipment, net	235,640	194,400	152,959	582,999

There are no material differences in the basis of accounting or the measurement of income, assets and liabilities between the Corporation and reported segment information, except that certain inter-company liabilities and equity are offset with the assets of the appropriate related segment. Revenues and expenses are attributed to geographical areas based on the location in which the services are rendered. The segment presentation of assets and liabilities is based on the geographical location of the assets.

During the year ended December 31, 2015 the Company had two customers that represented 10.5 percent and 10.0 percent of the Company's revenue. During the year ended December 31, 2014, the Company had one customer representing 11.6 percent of the Company's revenue.

13. Expenses by Nature

	December 31 2015	December 31 2014
Salaries, wages and benefits	**$ 734,137**	$ 923,703
Share-based compensation	**7,952**	(8,824)
Total employee costs	**742,089**	914,879
Depreciation	**335,513**	298,854
Asset decommissioning and write-downs	**28,281**	89,495
Purchased materials, supplies and services	**327,831**	855,800
Foreign exchange and other	**62,105**	30,836
Total expenses before interest and income taxes	**$ 1,495,819**	$ 2,189,864

14. Key Management Compensation

Key management personnel comprises the Company's directors and named executive officers. Compensation for key management personnel consists of the following:

	December 31 2015	December 31 2014
Short-term compensation	**$ 2,991**	$ 3,858
Share-based compensation	**3,436**	(1,496)
Total management compensation	**$ 6,427**	$ 2,362

15. Significant Subsidiaries and Partnerships

The following table lists the Company's principal operating partnerships and subsidiaries, the functional currency, the jurisdiction of formation, incorporation or continuance of such partnerships and subsidiaries and the percentage of shares owned, directly or indirectly, by the Company as of December 31, 2015:

Name of Subsidiary	Functional Currency	Jurisdiction of Formation Incorporation or Continuance	Percentage Ownership of Shares Beneficially Owned or Controlled Directly or Indirectly by the Company
Enhanced Petroleum Services Partnership	CAD	Alberta	100
Ensign Argentina S.A.	USD	Argentina	100
Ensign de Venezuela C.A.	USD	Venezuela	100
Ensign Drilling Partnership	CAD	Alberta	100
Ensign Energy Services International Limited	USD	Australia	100
Ensign Australia Pty Limited	AUD	Australia	100
Ensign Testing Services Inc.	CAD	Alberta	100
Ensign Testing Services (U.S.A.) Inc.	USD	Montana	100
Ensign United States Drilling Inc.	USD	Colorado	100
Ensign United States Drilling (California) Inc.	USD	California	100
Ensign US Financial (Delaware) LP	USD	Delaware	100
Ensign US Southern Drilling LLC	USD	Delaware	100
Ensign Well Servicing Partnership	CAD	Alberta	100
OFS Canada Inc.	CAD	Alberta	100
OFS Global Inc.	USD	Nevada	100

16. Supplemental Disclosure of Cash Flow Information

a. Non-cash working capital

	December 31 2015	December 31 2014
Net change in non-cash working capital		
Accounts receivable	**$ 293,848**	$ 4,327
Inventories and other	**4,069**	4,818
Accounts payable and accruals	**(254,359)**	56,505
Income taxes receivable	**11,633**	(3,579)
Dividends payable	**–**	348
	$ 55,191	$ 62,419
Relating to:		
Operating activities	**$ 115,971**	$ 29,246
Investing activities	**(61,037)**	32,080
Financing activities	**257**	1,093
	$ 55,191	$ 62,419

b. Cash and cash equivalents

	December 31 2015	December 31 2014
Cash	**$ 33,902**	$ 31,097
Cash equivalents	**6,484**	22,900
Total cash and cash equivalents	**$ 40,386**	$ 53,997

17. Capital Management Strategy

The Company's objectives when managing capital are to exercise financial discipline, and to deliver positive returns and stable dividend streams to its shareholders. The Company continues to be cognizant of the challenges associated with operating in a cyclical, commodity-based industry and may make future adjustments to its capital management strategy in light of changing economic conditions.

The Company considers its capital structure to include shareholders' equity, bank credit facilities and senior unsecured notes. In order to maintain or adjust its capital structure, the Company may from time to time adjust its capital spending or dividend policy to manage the level of its borrowings, or may revise the terms of its bank credit facilities to support future growth initiatives. The Company may consider additional long-term borrowings or equity financing if deemed necessary. As at December 31, 2015, the bank credit facilities' drawings totaled $380,205 (2014 – $439,752), senior unsecured notes totaled $413,904 (2014 – $346,575) and shareholders' equity totaled $2,086,596 (2014 – $2,045,237).

The Company is subject to externally imposed capital requirements associated with its bank credit facilities and senior unsecured notes, including financial covenants that incorporate shareholders' equity, earnings, consolidated interest expense and level of indebtedness. The Company monitors its compliance with these requirements on an ongoing basis and projects future operating cash flows, capital expenditure levels and dividend payments to assess how these activities may impact compliance in future periods. As at December 31, 2015, the Company is in compliance with all debt covenants.

18. Financial Instruments

Categories of financial instruments

The classification and measurement of financial instruments is presented below:

Cash and cash equivalents and accounts receivable are classified as financial assets at amortized cost.

Accounts payable and accruals, dividends payable and long-term debt are classified as financial liabilities at amortized cost.

Fair values

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accruals and dividends payable approximates their carrying value due to the short-term maturity of these financial instruments. The fair value of the drawings on the bank credit facilities approximates its carrying value.

The estimated fair value of the senior unsecured notes has been determined based on available market information and appropriate valuation methods, including the use of discounted future cash flows using current rates for similar instruments with similar risks and maturities. The estimated fair value of the senior unsecured notes approximate its carrying value.

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statement of financial position are categorized using a three-level hierarchy that reflects the level of judgment associated with the inputs used to measure their fair value. The fair values of financial assets and liabilities included in Level 1 are determined by reference to unadjusted quoted prices in active markets for identical assets and liabilities. Fair values of financial assets and liabilities in Level 2 are based on inputs other than Level 1 quoted prices that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). The fair values in Level 3 financial assets and liabilities are not based on observable market data.

The estimated fair value of senior unsecured notes was based on Level 2 inputs and was estimated using the risk free interest rates on government debt instruments of similar maturities, adjusted for estimated credit risk and market risk premiums.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's accounts receivable balances owing from customers operating primarily in the oil and natural gas industry in Canada, the United States and internationally. The carrying amount of accounts receivable represents the maximum credit exposure as at December 31, 2015.

The Company assesses the credit worthiness of its customers on an ongoing basis and establishes credit limits for each customer based on external credit reports and other publicly available information, internal analysis and historical experience with the customer. Credit limits are approved by senior management and are reviewed on a regular basis or when changing economic circumstances dictate. The Company manages credit risk through dedicated credit resources, ongoing monitoring and follow up of balances owing, well liens, and tightening or restriction of credit terms as required. The Company also monitors the amount and age of accounts receivable balances on an ongoing basis. As at December 31, 2015, the Company had trade receivables of $20,338 (2014 – $24,653) with multiple customers that were greater than 90 days old for which an allowance for doubtful accounts of $5,297 (2014 – $19,239) has been recorded to provide for balances which, in management's best estimate, are deemed uncollectible as at December 31, 2015. The allowance for doubtful accounts is an estimate requiring significant judgment and may differ materially from actual results.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages liquidity by forecasting cash flows on an annual basis and secures sufficient credit facilities to meet financing requirements that exceed anticipated internally generated funds. As at December 31, 2015, the remaining contractual maturities of accounts payable and accruals and dividends payable are less than one year. Maturity information regarding the principal and interest on the Company's long-term debt are as follows:

	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Senior unsecured notes	$16,525	$162,632	$151,749	$145,579	$476,485
Bank credit facilities [(1)]	13,755	382,165	–	–	395,920
Total	$30,280	$544,797	$151,749	$145,579	$872,405

(1) Interest on the bank credit facilities is calculated based on the amount drawn at December 31, 2015 and the applicable bankers' acceptance/LIBOR interest rates outstanding as at December 31, 2015. USD denominated balances are converted using the foreign exchange rate as of December 31, 2015.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's net income or the value of its financial instruments.

Interest rate risk

The Company is exposed to interest rate risk with respect to its bank credit facilities which bear interest at floating market rates. For the year ended December 31, 2015, if interest rates applicable to its bank credit facilities had been 0.25 percent higher or lower, with all other variables held constant, income before income taxes would have been $1,025 lower or higher.

Foreign currency exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar. The principal foreign exchange risk relates to the translation of the Company's foreign subsidiaries from their functional currencies to Canadian dollars. At December 31, 2015, had the Canadian dollar weakened or strengthened by $0.01 against the United States dollar, with all other variables held constant, the Company's income before income taxes would have been $303 higher or lower.

In addition the Company has foreign exchange risk in relation to the conversion of United States dollar denominated debt to Australian dollars. At December 31, 2015, had the Australian dollar strengthened or weakened by $0.01 against the United States dollar, with all other variables held constant, the Company's income before income taxes would have been $2,162 higher or lower.

The above sensitivities are limited to the impact of changes in the specified variable applied to the items noted above and do not represent the impact of a change in the variable on the operating results of the Company taken as a whole.

19. Contingencies and Commitments

The Company has provided insurance bonds to certain government agencies in respect of the temporary importation of equipment into that country. It is not anticipated that any material liabilities will arise from these insurance bonds.

The Company has commitments for facility leases, with future minimum payments as follows:

Not later than 1 year	$	5,290
Later than 1 year and not later than 5 years		10,165
Later than 5 years		621

The Company leases a number of facilities under operating leases. The leases typically run for a period of two to ten years, with an option to renew the lease after that date. Lease payments are increased throughout the lease term to reflect market rates.

For the year ended December 31, 2015, lease payments of $8,393 (2014 – $5,550) were recognized as an expense.

The Company is a party to various disputes and lawsuits in the normal course of its business and believes the ultimate liability arising from these matters will have no material impact on its consolidated financial statements.

20. Prior Year Amounts

Certain prior year amounts in the consolidated statements of cash flow and in Note 16 have been reclassified to conform to current year presentation.

Share Trading Summary

For the three months ended (Unaudited)	High ($)	Low ($)	Close ($)	Volume	Value ($)
2015					
March 31	**11.30**	**8.17**	**9.93**	**24,162,184**	**234,518,089**
June 30	**12.50**	**9.34**	**12.24**	**26,348,949**	**294,003,231**
September 30	**12.43**	**7.88**	**8.21**	**20,790,364**	**204,983,342**
December 31	**9.97**	**6.00**	**7.38**	**19,329,789**	**146,902,315**
Total				**90,631,286**	**880,406,977**

For the three months ended (Unaudited)	High ($)	Low ($)	Close ($)	Volume	Value ($)
2014					
March 31	17.87	15.90	16.34	9,288,354	154,815,988
June 30	17.49	15.42	16.57	11,223,900	184,996,711
September 30	17.74	13.67	14.71	11,282,101	180,066,268
December 31	14.78	9.59	10.20	23,124,525	277,675,629
Total				54,918,880	797,554,596

10 Year Financial Information

(Unaudited – $ thousands, except per share data)	**2015**	2014	2013	2012
Revenue	**1,390,978**	2,321,765	2,098,011	2,197,321
Gross margin	**395,953**	635,370	573,838	641,812
Gross margin as a % of revenue	**28.5%**	27.4%	27.4%	29.2%
Adjusted EBITDA	**321,095**	537,513	485,712	560,975
Depreciation	**335,513**	298,854	248,026	220,227
Net income (loss)	**(104,049)**	71,120	128,865	217,522
Net income (loss) per share				
Basic	**($0.68)**	$0.47	$0.84	$1.42
Diluted	**($0.68)**	$0.46	$0.84	$1.42
Funds from operations	**296,273**	491,886	435,611	506,355
Funds from operations per share				
Basic	**$1.94**	$3.22	$2.85	$3.32
Diluted	**$1.94**	$3.21	$2.84	$3.31
Net capital expenditures, excluding acquisitions	**159,033**	582,999	342,225	306,689
Acquisitions	**–**	–	76,408	–
Working capital (deficit)	**144,239**	189,698	(71,146)	13,861
Long-term debt, net of current portion	**794,109**	786,327	317,407	296,589
Shareholders' equity	**2,086,596**	2,045,237	1,962,569	1,857,958
Return on average shareholders' equity	**(5.0%)**	3.5%	6.7%	12.1%
Long-term debt to equity	**0.38:1**	0.38:1	0.16:1	0.16:1
Weighted average common shares outstanding – basic	**152,476,615**	152,710,636	152,693,280	152,664,447
Closing share price - December 31	**$7.38**	$10.20	$16.73	$15.37

**Restated under IFRS.*

*** Not restated for IFRS*

All per share data and the weighted average common shares outstanding have been restated to reflect the 3-for-1 stock split effective May 2001 and the 2-for-1 stock split effective May 2006.

Certain prior year amounts have been restated to reflect current year presentation.

2011	2010*	2009**	2008**	2007**	2006**
1,890,372	1,355,683	1,137,575	1,705,579	1,577,601	1,807,230
567,446	370,860	356,554	559,695	523,267	646,017
30.0%	27.4%	31.3%	32.8%	33.2%	35.7%
497,188	310,011	305,670	498,139	472,493	593,550
177,927	132,980	111,015	125,809	92,636	80,921
212,393	119,308	125,436	259,959	249,765	341,284
$1.39	$0.78	$0.82	$1.70	$1.64	$2.25
$1.39	$0.78	$0.82	$1.68	$1.62	$2.18
473,099	288,513	259,239	402,407	297,311	421,713
$3.09	$1.89	$1.69	$2.63	$1.95	$2.78
$3.09	$1.88	$1.69	$2.61	$1.93	$2.70
386,833	255,463	132,573	274,323	271,984	325,483
497,352	–	52,573	–	–	–
(10,233)	84,516	107,894	107,024	60,272	63,162
405,953	–	–	20,000	–	–
1,723,422	1,548,155	1,530,797	1,551,151	1,244,206	1,107,605
13.0%	7.7%	8.1%	18.6%	21.2%	36.3%
0.24:1	NA	NA	0.01:1	NA	NA
152,865,133	152,834,798	153,154,557	153,094,863	152,517,446	151,774,629
$16.25	$15.03	$15.00	$13.22	$15.25	$18.39

Corporate Information

Corporate Management

N. Murray Edwards
Chairman

Selby Porter
Vice Chairman

Robert H. Geddes
President and Chief Operating Officer

Ed Kautz
President United States Operations

Timothy Lemke
Vice President Finance and Chief Financial Officer

Brage Johannessen
Executive Vice President International Operations

Michael Gray
Corporate Controller

Robert Raimondo
Vice President Health, Safety and Environment

Cathy Robinson
Vice President, Global Human Resources

Suzanne Davies
General Counsel and Corporate Secretary

Head Office
400 – 5th Avenue S.W., Suite 1000
Calgary, AB T2P 0L6
Telephone: (403) 262-1361
Facsimile: (403) 262-8215
Email: info@ensignenergy.com
Website: www.ensignenergy.com

Bankers
HSBC Bank Canada

Royal Bank of Canada

Stock Exchange Listing
Toronto Stock Exchange
Symbol: ESI

Auditors
PricewaterhouseCoopers LLP

Legal Counsel
Burnet, Duckworth & Palmer LLP

Transfer Agent
Computershare Trust Company of Canada

Notice of Annual General Meeting
Ensign Energy Services Inc.'s Annual Meeting of Shareholders will be held on Wednesday, May 4, 2016, at 3 pm MDT at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta.

All shareholders are invited to attend, but if unable, we request the form of proxy be signed and returned.

Board of Directors

N. Murray Edwards
President,
Edco Financial Holdings Ltd.
Board member since October 1989

Robert H. Geddes
President and COO,
Ensign Energy Services Inc.
Board member since March 2007

James B. Howe [1,3]
President,
Bragg Creek Financial
Consultants Ltd.
Board member since June 1987

Len Kangas [2,4]
Independent Businessman
Board member since June 1990

Cary A. Moomjian, Jr [2,3]
President,
CAM OilServ Advisors LLC
Board member since November 2014

Selby Porter
Vice Chairman,
Ensign Energy Services Inc.
Board member since June 1994

John Schroeder [1,3]
Independent Businessman
Board member since June 1990

Kenneth J. Skirka [2,4]
Independent Businessman
Board member since May 2003

Gail Surkan [2,3]
Independent Businesswoman
Board member since March 2006

Barth Whitham [1,4]
President and CEO,
Enduring Resources LLC
Board member since March 2007

Committee Members
1 Audit
2 Corporate Governance, Nominations and Risk
3 Compensation
4 Health, Safety and Environment



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