ENSIGN®

2016 Q2

SECOND QUARTER REPORT For the three and six months ended June 30, 2016

FINANCIAL AND OPERATING HIGHLIGHTS

(Unaudited in thousands of Canadian dollars, except per share data and operating information)

	Three months ended June 30			Six months ended June 30		
	2016	2015	% change	**2016**	2015	% change
Revenue	**175,924**	333,800	(47)	**434,388**	783,089	(45)
Revenue, net of third party [1]	**156,423**	294,241	(47)	**383,285**	692,856	(45)
Adjusted EBITDA [1]	**31,485**	69,534	(55)	**91,052**	181,867	(50)
Adjusted EBITDA per share [1]						
Basic	**$0.21**	$ 0.46	(54)	**$0.60**	$1.19	(50)
Diluted	**$0.21**	$ 0.46	(54)	**$0.60**	$1.19	(50)
Adjusted net (loss) income [1]	**(35,016)**	1,316	nm	**(60,082)**	29,029	nm
Adjusted net (loss) income per share [1]						
Basic	**$(0.23)**	$ 0.01	nm	**$(0.39)**	$0.19	nm
Diluted	**$(0.23)**	$ 0.01	nm	**$(0.39)**	$0.19	nm
Net (loss) income	**(39,979)**	(1,036)	nm	**(54,890)**	14,391	nm
Net (loss) income per share						
Basic	**$(0.26)**	$ (0.01)	nm	**$(0.36)**	$0.09	nm
Diluted	**$(0.26)**	$ (0.01)	nm	**$(0.36)**	$0.09	nm
Funds from operations [1]	**36,328**	69,389	(48)	**91,508**	179,150	(49)
Funds from operations per share [1]						
Basic	**$0.24**	$0.46	(48)	**$0.60**	$1.18	(49)
Diluted	**$0.24**	$0.46	(48)	**$0.60**	$1.17	(49)
Total debt, net of cash	**664,560**	716,659	(7)	**664,560**	716,659	(7)
Weighted average shares - basic *(000s)*	**152,310**	152,295	—	**152,349**	152,409	—
Weighted average shares - diluted *(000s)*	**152,492**	152,295	—	**152,497**	152,668	—

Drilling	**2016**	2015	% change	**2016**	2015	% change
Number of rigs						
Canada [2]	**83**	90	(8)	**83**	90	(8)
United States	**90**	98	(8)	**90**	98	(8)
International [3]	**50**	54	(7)	**50**	54	(7)
Operating days						
Canada [2]	**674**	902	(25)	**2,243**	3,390	(34)
United States	**1,609**	2,987	(46)	**3,499**	6,710	(48)
International [3]	**1,544**	2,206	(30)	**3,334**	4,746	(30)

Well Servicing	**2016**	2015	% change	**2016**	2015	% change
Number of rigs						
Canada	**71**	72	(1)	**71**	72	(1)
United States	**44**	46	(4)	**44**	46	(4)
Operating hours						
Canada	**13,779**	14,330	(4)	**27,454**	33,076	(17)
United States	**15,229**	17,452	(13)	**29,584**	37,206	(20)

nm - calculation not meaningful

[1] *Revenue, net of third party, Adjusted EBITDA, Adjusted EBITDA per share, Adjusted net (loss) income, Adjusted net (loss) income per share, Funds from operations and Funds from operations per share are not measures that have any 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 3.*

[2] *Excludes coring rigs. 2015 restated to exclude coring rigs.*

[3] *Includes workover rigs.*

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 unaudited interim consolidated financial statements for the three and six months ended June 30, 2016, as well as 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 interim 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 rigs and operating days/hours. This MD&A is dated August 5, 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 "Financing Activities" section regarding the anticipated payment of a dividend in October 2016, information provided in the "New Builds and Major Retrofits" section regarding the new build program for 2016, information provided in the "Financial Instruments" section regarding Venezuela 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. 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 (loss) income, Adjusted net (loss) income per share, Funds from operations, Funds from operations per share and Revenue, net of third party. Adjusted EBITDA is defined as “(loss) income 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 (loss) income, 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.

Adjusted net (loss) income is defined as “Net (loss) income 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 (loss) income, Adjusted net (loss) income 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. 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 (loss) income, 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. 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.

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.

ADJUSTED EBITDA

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2016**	2015	**2016**	2015
(Loss) income before income taxes	**(63,782)**	(858)	**(89,058)**	22,767
Interest expense	**6,268**	5,484	**12,596**	11,561
Interest income	**(19)**	(95)	**(359)**	(193)
Depreciation	**81,383**	61,384	**175,861**	125,211
Share-based compensation	**1,631**	4,684	**1,206**	5,476
Foreign exchange and other	**6,004**	(1,065)	**(9,194)**	17,045
Adjusted EBITDA	**31,485**	69,534	**91,052**	181,867

ADJUSTED NET (LOSS) INCOME

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2016**	**2015**	**2016**	2015
Net (loss) income	**(39,979)**	(1,036)	**(54,890)**	14,391
Share-based compensation, net of income taxes	**1,060**	3,045	**784**	3,559
Foreign exchange and other, net of income taxes	**3,903**	(693)	**(5,976)**	11,079
Adjusted net (loss) income	**(35,016)**	1,316	**(60,082)**	29,029

FUNDS FROM OPERATIONS

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2016**	**2015**	**2016**	2015
Net (loss) income	**(39,979)**	(1,036)	**(54,890)**	14,391
Items not affecting cash				
Depreciation	**81,383**	61,384	**175,861**	125,211
Share-based compensation, net of cash paid	**4,981**	6,872	**5,762**	8,816
Unrealized foreign exchange and other	**4,318**	203	**(10,880)**	17,740
Accretion on long-term debt	**103**	98	**212**	197
Deferred income tax	**(14,478)**	1,868	**(24,557)**	12,795
Funds from operations	**36,328**	69,389	**91,508**	179,150

OVERVIEW

Revenue for the second quarter of 2016 was $175.9 million, a decrease of 47 percent from revenue for the second quarter of 2015 of $333.8 million. Revenue for the six months ended June 30, 2016 was $434.4 million, a decrease of 45 percent from revenue for the six months ended June 30, 2015 of $783.1 million. Revenue, net of third party, for the second quarter of 2016 was $156.4 million, a decrease of 47 percent from Revenue net of third party, for the second quarter of 2015 of $294.2 million. Revenue, net of third party, for the six months ended June 30, 2016 was $383.3 million, a decrease of 45 percent from Revenue, net of third party, for the six months ended June 30, 2015 of $692.9 million. Adjusted EBITDA totaled $31.5 million ($0.21 per common share) in the second quarter of 2016, 55 percent lower than Adjusted EBITDA of $69.5 million ($0.46 per common share) in the second quarter of 2015. For the first six months of 2016 Adjusted EBITDA totaled $91.1 million ($0.60 per common share), 50 percent lower than Adjusted EBITDA of $181.9 million ($1.19 per common share) in the first six months of 2015.

Net loss for the second quarter of 2016 was $40.0 million ($0.26 per common share) compared to a net loss of $1.0 million ($0.01 per common share) for the second quarter of 2015. Net loss for the six months ended June 30, 2016 was $54.9 million ($0.36 per common share), compared to net income of $14.4 million ($0.09 per common share) for the six months ended June 30, 2015. Adjusted net loss for the second quarter of 2016 was $35.0 million ($0.23 per common share) compared to Adjusted net income of $1.3 million for the second quarter of 2015 ($0.01 per common share). For the six months ended June 30, 2016 Adjusted net loss was $60.1 million ($0.39 per common share), compared to Adjusted net income of $29.0 million ($0.19 per common share) for the six months ended June 30, 2015.

Funds from operations decreased 48 percent to $36.3 million ($0.24 per common share) in the second quarter of 2016 compared to $69.4 million ($0.46 per common share) in the second quarter of the prior year. Funds from operations decreased 49 percent to $91.5 million ($0.60 per common share) in the first six months of 2016 as compared to $179.2 million ($1.18 per common share) in the first six months of the prior year.

Operating days across the Company's fleet were lower in the second quarter of 2016 when compared to the second quarter of 2015 due to weaker demand for oilfield services caused by continued low oil and natural gas commodity prices. A strengthening year-over-year of the United States dollar against the Canadian dollar positively impacted United States and international financial results on translation to Canadian dollars. The average United States exchange rate was 1.33 for the first six months of 2016 (first six months of 2015 - 1.24) versus the Canadian dollar, an increase of seven percent, compared to the first six months of 2015.

Gross margin decreased to $45.4 million (29.0 percent of Revenue, net of third party) for the second quarter of 2016 compared to gross margin of $88.8 million (30.2 percent of Revenue, net of third party) for the second quarter of 2015. Gross margin decreased to $121.6 million (31.7 percent of Revenue, net of third party) for the six months ended June 30, 2016 compared to a gross margin of $222.7 million (32.1 percent of Revenue, net of third party) for the six months ended June 30, 2015. The decrease in gross margin in the second quarter of 2016 compared to the second quarter of 2015 was primarily attributed to weaker activity levels and lower revenue rates across the oilfield service equipment fleet.

Working capital at June 30, 2016 was a deficit of $10.9 million, compared to a surplus of $144.2 million at December 31, 2015, largely due to a portion of long-term debt (USD $100.0 million of senior unsecured notes bearing interest at 3.43 percent, due February 22, 2017) maturing within the next 12 months. The Company's bank credit facilities provide unused and available borrowings of $278.9 million at June 30, 2016, up by $58.8 million, compared to $220.1 million at December 31, 2015.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Revenue						
Canada	**34,123**	45,607	(25)	**109,684**	163,597	(33)
United States	**73,049**	146,910	(50)	**173,179**	333,310	(48)
International	**68,752**	141,283	(51)	**151,525**	286,182	(47)
Total revenue	**175,924**	333,800	(47)	**434,388**	783,089	(45)
Revenue, net of third party	**156,423**	294,241	(47)	**383,285**	692,856	(45)
Oilfield services expense	**130,561**	244,975	(47)	**312,828**	560,417	(44)
Gross margin	**45,363**	88,825	(49)	**121,560**	222,672	(45)
Gross margin as a percentage of Revenue, net of third party	**29.0**	30.2		**31.7**	32.1	

Revenue for the three months ended June 30, 2016 totaled $175.9 million, a decrease of 47 percent from the second quarter of 2015 of $333.8 million. Revenue for the six months ended June 30, 2016 totaled $434.4 million, a 45 percent decrease from the six months ended June 30, 2015. As a percentage of Revenue, net of third party, gross margin for the second quarter of 2016 decreased to 29.0 percent (2015 - 30.2 percent) and decreased to 31.7 percent for the six months ended June 30, 2016 (2015 - 32.1 percent).

The continuing lower levels of oil and natural gas commodity prices reduced demand for oilfield services, which resulted in lower equipment utilization rates and revenue rates in 2016 compared to 2015. 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 the first six months of 2016 compared to the same period in 2015 served to reduce the impact of some of the revenue rate declines experienced during the quarter.

CANADIAN OILFIELD SERVICES

Revenue decreased 25 percent to $34.1 million for the three months ended June 30, 2016 from $45.6 million for the three months ended June 30, 2015. The Company recorded revenue of $109.7 million in Canada for the six months ended June 30, 2016, a decrease of 33 percent from $163.6 million recorded for the six months ended June 30, 2015. Canadian revenues accounted for 19 percent of the Company's total revenue in the second quarter of 2016, compared to 14 percent in the second quarter of 2015. During the six months ended June 30, 2016, Canadian revenues were 25 percent of the Company's revenue, compared with 21 percent in the six months ended June 30, 2015.

The Company's Canadian operations recorded 674 drilling days in the second quarter of 2016, compared to 902 drilling days for the second quarter of 2015, a decrease of 25 percent. For the six months ended June 30, 2016, the Company recorded 2,243 drilling days compared to 3,390 drilling days for the six months ended June 30, 2015, a decrease of 34 percent. Canadian well servicing hours decreased by four percent to 13,779 operating hours in the second quarter of 2016 compared to 14,330 operating hours in the corresponding period of 2015. For the six months ended June 30, 2016, well servicing hours decreased by 17 percent to 27,454 operating hours compared with 33,076 operating hours for the six months ended June 30, 2015.

Demand for the Company's Canadian oilfield services was lower compared to prior quarters due to continued lower oil and natural gas commodity prices. Consistent with prior years, Canadian operations were also negatively impacted in the second quarter of 2016 by the seasonal operating environment where spring break-up weather conditions hindered the mobility of the Company's equipment.

During the six months ended June 30, 2016, the Company disposed of one well servicing rig.

UNITED STATES OILFIELD SERVICES

The Company's United States operations recorded revenue of $73.0 million in the second quarter of 2016, a 50 percent decrease from the $146.9 million recorded in the corresponding period of the prior year. During the six months ended June 30, 2016, revenue of $173.2 million was recorded, a decrease of 48 percent from the $333.3 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 42 percent of the Company's revenue in the second quarter of 2016 (2015 - 44 percent) and 40 percent of the Company's revenue in the first six months of 2016 (2015 - 43 percent).

Drilling rig operating days decreased by 46 percent to 1,609 drilling days in the second quarter of 2016 from 2,987 drilling days in the second quarter of 2015. Drilling operating days decreased by 48 percent from 6,710 operating days in the first six months of 2015 to 3,499 operating days in first six months of 2016. Well servicing activity expressed in operating hours decreased by 13 percent in the second quarter of 2016 to 15,229 operating hours from 17,452 operating hours in the second quarter of 2015. For the six months ended June 30, 2016 well servicing activity decreased 20 percent to 29,584 operating hours from 37,206 operating hours in the first six months of 2015.

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 lower oil and natural gas commodity prices. Activity levels and revenue rates in the United States continued to decline in the first half of 2016. The reduced activity and associated pricing declines were partially offset by a strengthening of the United States dollar, which increased seven percent versus the Canadian dollar when compared to the first half of 2015. During the first six months ending June 30, 2016, the Company added one new build ADR® drilling rig to the United States fleet.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $68.8 million in the second quarter of 2016, a 51 percent decrease from the $141.3 million recorded in the corresponding period of the prior year. Similarly, international revenues for the six months ended June 30, 2016, decreased 47 percent to $151.5 million from $286.2 million recorded in the six months ended June 30, 2015. The Company's international operations contributed 39 percent of the total revenue in the second quarter of 2016 (2015 - 42 percent) and 35 percent of the Company's revenue in the first six months of 2016 (2015 - 36 percent).

International operating days for the three months ended June 30, 2016, totaled 1,544 drilling days compared to 2,206 drilling days in 2015, a decrease of 30 percent. For the six months ended June 30, 2016, international operating days totaled 3,334 operating days compared to 4,746 drilling days for the six months ended June 30, 2015, a decrease of 30 percent.

Similar to the Company's United States operations, international operations were positively impacted by the strengthening United States dollar year-over-year in the first half of 2016, versus the Canadian dollar, on translation into Canadian dollars for reporting purposes compared to the first half of 2015.

DEPRECIATION

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Depreciation	**81,383**	61,384	33	**175,861**	125,211	40

Depreciation expense totaled $81.4 million for the second quarter of 2016 compared with $61.4 million for the second quarter of 2015, an increase of 33 percent. Depreciation expense for the first six months of 2016 increased by 40 percent to $175.9 million compared with $125.2 million for the first six months of 2015. Depreciation expense was higher in the six months ended June 30, 2016 when compared to the six months ended June 30, 2015, due to additional depreciation charges relating to idle equipment, 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 on non-Canadian domiciled fixed assets. The increase was partially offset by the overall decrease in operating activity during the first half of 2016, when compared with the first half of 2015.

GENERAL AND ADMINISTRATIVE EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
General and administrative	**13,878**	19,291	(28)	**30,508**	40,805	(25)
% of revenue	**7.9**	5.8		**7.0**	5.2	

General and administrative expense decreased 28 percent to $13.9 million (7.9 percent of revenue) for the second quarter of 2016 compared to $19.3 million (5.8 percent of revenue) for the second quarter of 2015. For the six months ended June 30, 2016, general and administrative expense totaled $30.5 million (7.0 percent of revenue) compared to $40.8 million (5.2 percent of revenue) for the second quarter of 2015. The decrease in general and administrative expense arose from the Company's initiatives to reduce costs in reaction to lower oil and natural gas commodity prices. The decrease was partially offset by the negative translational impact on non-Canadian operations of the strengthening United States dollar versus the Canadian dollar for the six months ended June 30, 2016 compared to the six months ended June 30, 2015. We expect normalized general and administrative expenses to run in a $12.5 to 13.5 million range per quarter on a go-forward basis, subject to variability due to foreign exchange rates.

SHARE-BASED COMPENSATION

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Share-based compensation	**1,631**	4,684	(65)	**1,206**	5,476	(78)

Share-based compensation expense 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 three months ended June 30, 2016 share-based compensation was an expense of $1.6 million compared with an expense of $4.7 million recorded in the three months ended June 30, 2015. For the six months ended June 30, 2016 share-based compensation was an expense of $1.2 million compared with an expense of $5.5 million for the six months ended June 30, 2015. The share-based compensation expense for the first half of 2016 was a result of changes in the fair value of the share-based compensation liability, offset by amortization of stock options. 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 $7.25 at June 30, 2016 ($12.24 at June 30, 2015), compared with $5.98 at March 31, 2016 ($9.93 at March 31, 2015) and $7.38 at December 31, 2015 ($10.20 at December 31, 2014).

INTEREST EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Interest expense	**6,268**	5,484	14	**12,596**	11,561	9
Interest income	**(19)**	(95)	(80)	**(359)**	(193)	86
	6,249	5,389	16	**12,237**	11,368	8

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. During the second quarter of 2016, the Company extended the Global Facility maturity date to October 3, 2017.

Interest expense increased by nine percent for the first half of 2016 compared to the same period in 2015 despite overall net debt repayments of $40.0 million on the bank credit facilities in the six months ended June 30, 2016. The increased interest expense was due to the negative translational impact on United States dollar-denominated debt of a strengthening United States dollar versus the Canadian dollar on a year-over-year basis.

FOREIGN EXCHANGE AND OTHER

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Foreign exchange and other	**6,004**	(1,065)	nm	**(9,194)**	17,045	nm

nm - calculation not meaningful

Included in this amount is the impact of foreign currency fluctuations in the Company’s subsidiaries that have functional currencies other than the Canadian dollar. During the three months ended June 30, 2016, the Australian dollar weakened by approximately three 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. During the six months ended June 30, 2016, the Australian dollar strengthened against the United States dollar by approximately four percent, compared with the Australian dollar weakening by six percent against the United States dollar during the six months ended June 30, 2015.

INCOME TAXES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Current income tax	**(9,325)**	(1,690)	nm	**(9,611)**	(4,419)	nm
Deferred income tax	**(14,478)**	1,868	nm	**(24,557)**	12,795	nm
Total income tax	**(23,803)**	178	nm	**(34,168)**	8,376	nm
Effective income tax rate (%)	**37.3**	(20.7)		**38.4**	36.8	

nm - calculation not meaningful

The effective income tax rate for the three months ended June 30, 2016 was 37.3 percent compared to negative 20.7 percent for the three months ended June 30, 2015. The effective tax rate for the second quarter of 2015 is not considered to be meaningful, due to the small amounts used in the calculation. The effective income tax rate for the six months ended June 30, 2016 was 38.4 percent compared with 36.8 percent for the six months ended June 30, 2015. The effective tax rate in the first half of the current year was higher than the effective tax rate in the first half of 2015 due to tax rate increases in Alberta and Oman, further increased by the impact of foreign exchange gains for which effective tax rates vary from statutory rates.

FINANCIAL POSITION

Significant changes in the consolidated statement of financial position from December 31, 2015 to June 30, 2016 are outlined below:

($ thousands)	Change	Explanation
Cash and cash equivalents	6,910	See consolidated statements of cash flows.
Accounts receivable	(71,969)	Decrease is due to an increase in collections, a decline in activity in the first six months of 2016 compared to the fourth quarter of 2015, and the decrease in the quarter-end foreign exchange rate on translation of accounts receivable in the Company's foreign subsidiaries.
Inventories and other	(9,842)	Decrease is due to the impact of a decrease in the quarter-end foreign exchange rate on the translation of the inventory and prepaid balances in the Company's foreign subsidiaries as well as amortization of prepaid expenses during the quarter.
Income taxes receivable	11,113	Increase is due to the current year income tax recovery, net of refunds and payments made during the quarter.
Property and equipment	(270,853)	Decrease is primarily due to the impact of a decrease in the quarter-end translation rate to 1.30, compared to the December 31, 2015 translation rate of 1.38, as well as current period depreciation.
Accounts payable and accruals	(39,431)	Decrease is due to a reduction in operating activity in the first six months of 2016, a reduction in the size of the Company's new build and major retrofit program, and from the decrease in the quarter-end foreign exchange rate on translation of accounts payable and accrued liabilities in the Company's foreign subsidiaries.
Share-based compensation	1,575	Increase was mainly a result of 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, including current portion	(82,253)	Decrease is due to net repayments of $40.0 million during the first half of 2016 and to the weakening of the United States dollar from December 31, 2015 to June 30, 2016.
Deferred income taxes	(30,725)	Decrease arises from the deferred tax recovery for the first half of 2016 and the effect of the quarter-end foreign exchange rate on translation of the deferred tax liability of the Company's foreign subsidiaries.
Shareholders' equity	(183,807)	Decrease is due to the impact of foreign exchange rate fluctuations on net assets of foreign subsidiaries, the net loss incurred and the amount of dividends declared in the first six months of 2016.

FUNDS FROM OPERATIONS AND WORKING CAPITAL

	Three months ended June 30			Six months ended June 30		
($ thousands, except per share data)	**2016**	2015	% change	**2016**	2015	% change
Funds from operations	**36,328**	69,389	(48)	**91,508**	179,150	(49)
Funds from operations per share	**$0.24**	$0.46	(48)	**$0.60**	$1.18	(49)
Working capital [1]	**(10,890)**	144,239	nm	**(10,890)**	144,239	nm

nm - calculation not meaningful
[1] Comparative figure as of December 31, 2015

During the three months ended June 30, 2016, the Company generated Funds from operations of $36.3 million ($0.24 per common share) compared to Funds from operations of $69.4 million ($0.46 per common share) for the three months ended June 30, 2015, a decrease of 48 percent. For the six months ended June 30, 2016, the Company generated Funds from operations of $91.5 million ($0.60 per common share) a decrease of 49 percent from $179.2 million ($1.18 per common share) for the six months ended June 30, 2015. The decrease in Funds from operations in 2016 compared to 2015 is due to the decline in demand for both North American and international oilfield services, attributed to lower global energy prices.

At June 30, 2016 the Company's working capital was a deficit of $10.9 million, compared to a working capital surplus of $144.2 million at December 31, 2015. The decrease in working capital in the first six months of 2016, was mainly related to a reduction in operating levels by the Company in 2016 and the financial statement reclassification of the portion of long-term debt (USD $100.0 million of senior unsecured notes bearing interest at 3.43 percent, due February 22, 2017) maturing within the next 12 months to current liabilities. 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 $278.9 million was undrawn and available at June 30, 2016.

INVESTING ACTIVITIES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Purchase of property and equipment	**(13,402)**	(48,550)	(72)	**(31,276)**	(129,061)	(76)
Proceeds from disposals of property and equipment	**3,836**	1,434	nm	**7,031**	3,260	nm
Net change in non-cash working capital	**447**	(586)	nm	**(18,503)**	(41,437)	(55)
Cash used in investing activities	**(9,119)**	(47,702)	(81)	**(42,748)**	(167,238)	(74)

nm - calculation not meaningful

Net purchases of property and equipment for the second quarter of 2016 totaled $9.6 million (2015 - $47.1 million). Net purchases of property and equipment during the first six months of 2016 totaled $24.2 million (2015 - $125.8 million). The purchase of property and equipment relates predominantly to expenditures made pursuant to the Company's new build and major retrofit program, and for maintenance capital costs incurred in the current quarter and first half of this year.

FINANCING ACTIVITIES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Net decrease in bank credit facilities	**(7,233)**	(42,640)	(83)	**(39,963)**	(72,635)	(45)
Purchase of shares held in trust	**(1,265)**	(5,635)	(78)	**(1,548)**	(6,189)	(75)
Dividends	**(18,367)**	(18,367)	—	**(36,734)**	(36,734)	—
Net change in non-cash working capital	**(3,868)**	(3,669)	5	**(83)**	(29)	nm
Cash used in financing activities	**(30,733)**	(70,311)	(56)	**(78,328)**	(115,587)	(32)

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

Global Facility matures in early October 2017. The amount available under the Canadian Facility is $10.0 million or the equivalent in United States dollars.

In addition, the Company has a $20.0 million uncommitted facility, solely for issuing letters of credit, primarily used for bidding on contracts in the normal course of business.

The Company has made repayments of $40.0 million during the six months ended June 30, 2016, reducing the outstanding balance. As of June 30, 2016, the credit facilities are primarily being used to fund capital expenditures and to support international operations.

The Board of Directors of the Company has declared a third quarter dividend of $0.12 per common share to be payable on October 5, 2016 to all Common Shareholders of record as of September 20, 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.

FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at June 30, 2016 totaled $143.5 million, a decrease of $72.0 million from $215.4 million as at December 31, 2015. Reduced levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increases the collection risk of accounts receivable balances.

As part of the Company's international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at June 30, 2016, the Company had accounts receivable of approximately $23.3 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 of such outstanding balance.

NEW BUILDS AND MAJOR RETROFITS

During the six months ended June 30, 2016, the Company added another new build ADR® drilling rig to its expansive tier one fleet worldwide, which has been contracted on a long-term contract. The Company continues to selectively add new ADR® drilling rigs to meet the increasing technical demands of its customers.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q2-2016**	Q1-2016	Q4-2015	Q3-2015	Q2-2015	Q1-2015	Q4-2014	Q3-2014
Revenue	**175,924**	258,464	283,887	324,002	333,800	449,289	602,691	583,299
Revenue, net of third party [1]	**156,423**	226,862	252,592	289,327	294,241	398,615	521,713	509,030
Adjusted EBITDA [1]	**31,485**	59,567	72,314	66,914	69,534	112,333	143,012	137,295
Adjusted EBITDA per share [1]								
Basic	**$0.21**	$0.39	$0.47	$0.44	$0.46	$0.74	$0.94	$0.90
Diluted	**$0.21**	$0.39	$0.47	$0.44	$0.46	$0.74	$0.94	$0.89
Adjusted net (loss) income [1]	**(35,016)**	(25,066)	(31,436)	(33,002)	1,316	27,713	44,181	36,076
Adjusted net (loss) income per share [1]								
Basic	**$(0.23)**	$(0.16)	$(0.20)	$(0.22)	$0.01	$0.18	$0.29	$0.24
Diluted	**$(0.23)**	$(0.16)	$(0.20)	$(0.22)	$0.01	$0.18	$0.29	$0.24
Net (loss) income	**(39,979)**	(14,911)	(41,175)	(77,265)	(1,036)	15,427	(31,038)	26,505
Net (loss) income per share								
Basic	**$(0.26)**	$(0.10)	$(0.26)	$(0.51)	$(0.01)	$0.10	$(0.20)	$0.17
Diluted	**$(0.26)**	$(0.10)	$(0.26)	$(0.51)	$(0.01)	$0.10	$(0.20)	$0.17
Funds from operations [1]	**36,328**	55,180	48,905	68,218	69,389	109,761	132,257	132,187
Funds from operations per share [1]								
Basic	**$0.24**	$0.36	$0.31	$0.45	$0.46	$0.72	$0.87	$0.87
Diluted	**$0.24**	$0.36	$0.31	$0.45	$0.46	$0.72	$0.86	$0.86
Total debt, net of cash	**664,560**	688,405	753,723	752,979	716,659	770,308	732,330	724,942

[1] *See definition of "Non-GAAP Measures" 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 2016 and 2015 fiscal years compared to prior years. Such demand for oilfield services was negatively influenced by unfavorable oil and natural gas commodity prices for all of 2016 and 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 for the first quarter of 2016.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of August 5, 2016:

	Number		Amount ($)
Common shares	152,213,225	$	169,335

	Outstanding	Exercisable
Stock options	6,842,100	3,523,100

OUTLOOK

A little over two years ago, crude oil prices began a steep prolonged decline. Some stabilization and improvement in pricing was not experienced until recent months. On June 30, 2014 West Texas Intermediate was approximately US $105/barrel compared to June 30, 2016 at approximately US$47/barrel, representing a 55 percent decline in two years.

The first half of 2016 has been very volatile, with new lows of approximately $26/barrel seen in February and support appearing in the mid-$40/barrel range in the second quarter. This volatility is expected to continue as the tepid growth in the global economy may be further impacted by events such as implementation of the “Brexit” vote, increased terrorist attacks throughout the world, and the upcoming U.S. Presidential election.

An emerging view of the crude oil and natural gas market by energy analysts suggests that energy commodity demand growth will not be as important as supply adjustment in the rebalancing. Supply and inventory adjustments are starting to buoy prices and capital investments.

Although global demand may be of secondary importance, demand for oil and gas is still expected to increase in the coming years. According to the U.S. *Energy Information Administration*, the United States is expected to see consumption of motor gasoline increase by 1.5 percent in 2016, which would constitute the highest annual gasoline consumption on record, beating the previous record set in 2007 by 0.1 percent. When these increases are paired with a decrease in production outside of OPEC countries, predicted by the *International Energy Agency* at 900,000 barrels per day, we believe prices should stabilize.

Oilfield services activities in Canada continue to be subdued, with the month of June having only an average of 65 operating rigs compared to an average of 123 in June of 2015. The warmer than average winter in Western Canada and low energy commodity prices created a drilling season that was brief and muted. The lower Canadian dollar versus the U.S. dollar has improved economics somewhat for Canadian crude oil producers, and natural gas pricing has recently shown an uptick. While capital continues to be tight for a number of exploration and production companies, equity markets continue to be open for the best performers with large positions in major resource plays.

Similar to the first quarter of 2016, the Company’s Canadian fleet continues to track with industry levels. Due to the Company’s shift to a deeper capability rig mix in Canada, we expect to participate favourably in increased activity if market conditions allow. However, Canadian activity could be constrained regardless of commodity price increases if pipelines and tidewater takeaway capacity are not built. The recent decision by the Canadian Federal Court of Appeal to overturn the Northern Gateway pipeline highlights the risks to the future prospects for the Canadian market.

United States crude production is down one million barrels per day from just over one year ago. However, liquids storage levels are at record-high levels and are showing limited prospects for meaningful reductions before late 2017. Similarly, natural gas storage levels are also near record highs and are projected to build through the coming injection season. Management sees mixed prospects for the next several quarters, with positive signs being the 10 percent increase in U.S. operating rigs over the past two months since the count bottomed in May, and increased levels of customer inquiries. These positives are negatively offset by ongoing competitive pressures on day rates as the U.S. rig market moves in toward a spot rate market due to the excess capacity of equipment. The Company’s investment over the years into a deeper US drilling rig fleet will allow it to compete more effectively in a market recovery.

Second quarter activity levels in the Company’s international operations were down approximately 30 percent from those of one year earlier, similar to the general decreases estimated by Baker Hughes for the markets in which the Company currently operates. Given recent improvements in energy commodity pricing and current activity levels representing multi-year lows, the Company expects future overall improvements in its existing international markets, particularly with respect to some larger international customers. However, the pace of change will likely be gradual, consistent with the longer-term nature of development activities in these regions. The Company generally expects market share and activity levels in its international operations for the second half of 2016 to be solid as a result of the highly efficient ADR® type drilling rig fleet, which represents 75% of Ensign's worldwide fleet.

Priorities for the Company are unchanged from those of the past six quarters. Our continued emphases will focus on cost reductions, minimization of capital outlays, service quality optimization, close monitoring of customer credit conditions, and business process improvements. Balance sheet preservation continues to be a principal focus, together with ongoing evaluation of alternative strategies to respond to the eventual recovery in activity levels as energy markets rebalance. The Company’s strategy to reinvest over $3 billion to build one of the most modern, high quality ADR® drilling rig fleets in the business continues to deliver market share and help drive well costs down, as evidenced by our customers’

recent trend toward keeping our contracted fleet active in their drilling programs. At the same time, our peers with similar contract coverage are disclosing relatively large payout receipts from early terminations of contracts.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company is required to comply with National Instrument 52-109 *"Certification of Disclosure in Issuer's Annual and Interim Filings"*. This instrument requires that the Company disclose in the interim MD&A any changes in the Company's internal control over financial reporting that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company confirms that no such changes occurred during the three months ended June 30, 2016.

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 natural 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.

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.

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 June 30, 2016 was approximately 1.30 compared with 1.38 at December 31, 2015 and 1.25 at June 30, 2015. 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 June 30, 2016 was approximately 1.35, compared with 1.37 at December 31, 2015 and 1.30 at June 30, 2105. Fluctuations in the future period's exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

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.

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.

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.

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.

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.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	June 30 2016	December 31 2015
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash and cash equivalents *(Note 10)*	**$ 47,296**	$ 40,386
Accounts receivable	**143,452**	215,421
Inventories and other	**61,964**	71,806
Income taxes receivable	**16,060**	4,947
Total current assets	**268,772**	332,560
Property and equipment	**2,994,727**	3,265,580
Total assets	**$ 3,263,499**	$ 3,598,140
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 128,450**	$ 167,881
Dividends payable	**18,367**	18,367
Share-based compensation *(Note 8)*	**2,926**	2,073
Current portion of long-term debt (Note 5)	**129,919**	—
Total current liabilities	**279,662**	188,321
Long-term debt *(Note 5)*	**581,937**	794,109
Share-based compensation *(Note 8)*	**1,657**	935
Deferred income taxes	**497,454**	528,179
Total liabilities	**1,360,710**	1,511,544
Shareholders' Equity		
Share capital *(Note 6)*	**169,335**	169,171
Contributed surplus	**3,262**	2,538
Foreign currency translation reserve	**239,159**	332,230
Retained earnings	**1,491,033**	1,582,657
Total shareholders' equity	**1,902,789**	2,086,596
Total liabilities and shareholders' equity	**$ 3,263,499**	$ 3,598,140

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

	Three months ended		Six months ended	
	June 30 2016	June 30 2015	**June 30 2016**	June 30 2015
(Unaudited, in thousands of Canadian dollars, except per share data)				
Revenue	**$ 175,924**	$ 333,800	**$ 434,388**	$ 783,089
Expenses				
Oilfield services	**130,561**	244,975	**312,828**	560,417
Depreciation	**81,383**	61,384	**175,861**	125,211
General and administrative	**13,878**	19,291	**30,508**	40,805
Share-based compensation	**1,631**	4,684	**1,206**	5,476
Foreign exchange and other	**6,004**	(1,065)	**(9,194)**	17,045
Total expenses	**233,457**	329,269	**511,209**	748,954
(Loss) income before interest and income taxes	**(57,533)**	4,531	**(76,821)**	34,135
Interest income	**(19)**	(95)	**(359)**	(193)
Interest expense	**6,268**	5,484	**12,596**	11,561
(Loss) income before income taxes	**(63,782)**	(858)	**(89,058)**	22,767
Income taxes				
Current tax	**(9,325)**	(1,690)	**(9,611)**	(4,419)
Deferred tax	**(14,478)**	1,868	**(24,557)**	12,795
Total income taxes	**(23,803)**	178	**(34,168)**	8,376
Net (loss) income	**$ (39,979)**	$ (1,036)	**$ (54,890)**	$ 14,391
Net (loss) income per share (Note 7)				
Basic	**$ (0.26)**	$ (0.01)	**$ (0.36)**	$ 0.09
Diluted	**$ (0.26)**	$ (0.01)	**$ (0.36)**	$ 0.09

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three months ended		Six months ended	
	June 30 2016	June 30 2015	**June 30 2016**	June 30 2015
(Unaudited, in thousands of Canadian dollars)				
Net (loss) income	**$ (39,979)**	$ (1,036)	**$ (54,890)**	$ 14,391
Other comprehensive (loss) income				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**3,718**	(24,393)	**(93,071)**	105,077
Comprehensive (loss) income	**$ (36,261)**	$ (25,429)	**$ (147,961)**	$ 119,468

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Contributed Surplus	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
(Unaudited, in thousands of Canadian dollars)					
Balance, January 1, 2016	$ 169,171	$ 2,538	$ 332,230	$ 1,582,657	$ 2,086,596
Net loss	—	—	—	(54,890)	(54,890)
Other comprehensive loss	—	—	(93,071)	—	(93,071)
Total comprehensive loss	—	—	(93,071)	(54,890)	(147,961)
Dividends	—	—	—	(36,734)	(36,734)
Share-based compensation	—	2,436	—	—	2,436
Shares vested previously held in trust	1,712	(1,712)	—	—	—
Purchase of shares held in trust	(1,548)	—	—	—	(1,548)
Balance June 30, 2016	**$ 169,335**	**$ 3,262**	**$ 239,159**	**$ 1,491,033**	**$ 1,902,789**
Balance, January 1, 2015	$ 169,215	$ 1,967	$ 113,880	$ 1,760,175	$ 2,045,237
Net income	—	—	—	14,391	14,391
Other comprehensive income	—	—	105,077	—	105,077
Total comprehensive income	—	—	105,077	14,391	119,468
Dividends	—	—	—	(36,734)	(36,734)
Share-based compensation	—	2,991	—	—	2,991
Shares vested previously held in trust	2,053	(2,053)	—	—	—
Purchase of shares held in trust	(6,189)	—	—	—	(6,189)
Balance June 30, 2015	$ 165,079	$ 2,905	$ 218,957	$ 1,737,832	$ 2,124,773

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Six months ended	
	June 30 2016	June 30 2015	**June 30 2016**	June 30 2015
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net (loss) income	**$ (39,979)**	$ (1,036)	**$ (54,890)**	$ 14,391
Items not affecting cash				
Depreciation	**81,383**	61,384	**175,861**	125,211
Share-based compensation, net of cash paid	**4,981**	6,872	**5,762**	8,816
Unrealized foreign exchange and other	**4,318**	203	**(10,880)**	17,740
Accretion on long-term debt	**103**	98	**212**	197
Deferred income tax	**(14,478)**	1,868	**(24,557)**	12,795
Funds provided by operations	**36,328**	69,389	**91,508**	179,150
Net change in non-cash working capital *(Note 10)*	**30,526**	50,075	**40,425**	97,495
Cash provided by operating activities	**66,854**	119,464	**131,933**	276,645
Investing activities				
Purchase of property and equipment	**(13,402)**	(48,550)	**(31,276)**	(129,061)
Proceeds from disposals of property and equipment	**3,836**	1,434	**7,031**	3,260
Net change in non-cash working capital *(Note 10)*	**447**	(586)	**(18,503)**	(41,437)
Cash (used in) provided by investing activities	**(9,119)**	(47,702)	**(42,748)**	(167,238)
Financing activities				
Net decrease in bank credit facilities	**(7,233)**	(42,640)	**(39,963)**	(72,635)
Purchase of shares held in trust *(Note 6)*	**(1,265)**	(5,635)	**(1,548)**	(6,189)
Dividends *(Note 6)*	**(18,367)**	(18,367)	**(36,734)**	(36,734)
Net change in non-cash working capital *(Note 10)*	**(3,868)**	(3,669)	**(83)**	(29)
Cash used in financing activities	**(30,733)**	(70,311)	**(78,328)**	(115,587)
Net increase (decrease) in cash and cash equivalents	**27,002**	1,451	**10,857**	(6,180)
Effects of foreign exchange on cash and cash equivalents	**(8,159)**	(3,573)	**(3,947)**	3,430
Cash and cash equivalents				
Beginning of period	**28,453**	53,369	**40,386**	53,997
End of period	**47,296**	51,247	**$ 47,296**	$ 51,247
Supplemental information				
Interest paid	**10,136**	9,143	**$ 12,677**	$ 11,356
Income taxes paid (recovered)	**(421)**	(9,131)	**$ 1,502**	$ (6,212)

See accompanying notes to the interim consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2016 and 2015
(Unaudited, 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

These consolidated financial statements are presented in Canadian dollars which is the Company's functional currency.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting ("IAS 34"). The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2015. The calculation of depreciation includes assumptions related to useful lives and residual values that are regularly reviewed by management. The disclosures provided below do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the same accounting policies throughout all periods presented.

These consolidated financial statements were approved by the Company's Board of Directors on August 5, 2016, after review by the Company's Audit Committee.

3. SEASONALITY OF OPERATIONS

The Company's Canadian oilfield services operations are seasonal in nature and are impacted by weather conditions that may hinder the Company's ability to access locations or move heavy equipment. The lowest activity levels are experienced during the second quarter of the year when road weight restrictions are in place and access to wellsites in Canada is reduced. In addition, operations in certain international jurisdictions may be subject to seasonal weather conditions.

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.

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. BANK CREDIT FACILITIES AND LONG-TERM DEBT

		June 30 2016		December 31 2015
Drawings on the Global Facility	**$**	**322,597**	$	380,205
Senior unsecured notes				
Tranche A, due February 22, 2017, 3.43%		**130,090**		138,694
Tranche B, due February 22, 2019, 3.97%		**130,090**		138,694
Tranche C, due February 22, 2022, 4.54%		**130,090**		138,694
Unamortized deferred financing costs		**(1,011)**		(2,178)
Total	**$**	**711,856**	$	794,109
Less: current portion		**(129,919)**		—
Total long-term debt	**$**	**581,937**	$	794,109

Interest accrued on the senior unsecured notes (the "Notes") at June 30, 2016 was $1,294 (2015 - $1,241) 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.

During the second quarter of 2016, the Company extended the Global Facility maturity date to October 3, 2017.

6. 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

	Number of Common Shares		Amount
Opening balance – January 1 2016	152,302,273	$	169,171
Changes in unvested shares held in trust	(89,048)		164
Closing balance - June 30 2016	**152,213,225**	**$**	**169,335**

The total number of unvested shares held in trust for share-based compensation plans as at June 30, 2016 was 846,771 (December 31, 2015 – 757,723).

(c) Dividends

During the three months ended June 30, 2016, the Company declared dividends of $18,367 (2015 - $18,367), being $0.12 per common share (2015 - $0.12 per common share). For the six months ended June 30, 2016, the Company declared dividends of $36,734 (2015 - $36,734), being $0.24 per common share (2015 - $0.24 per common share).

7. NET (LOSS) INCOME PER SHARE

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

Diluted net (loss) income per share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the period adjusted for conversion of all potentially dilutive common shares. Diluted net (loss) 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.

	Three months ended		Six months ended	
	June 30 2016	June 30 2015	**June 30 2016**	June 30 2015
Net (loss) income attributable to common shareholders:				
Basic and diluted	**$ (39,979)**	$ (1,036)	**$ (54,890)**	$ 14,391
Weighted average number of common shares outstanding:				
Basic	**152,309,964**	152,294,709	**152,348,713**	152,408,997
Potentially dilutive share-based compensation plans	**182,161**	—	**147,927**	259,124
Diluted	**152,492,125**	152,294,709	**152,496,640**	152,668,121

During the three and six months ended June 30, 2016, share options of 6,846,300 (2015 – 7,285,400) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

8. SHARE-BASED COMPENSATION

A summary of the Company's share option plan as of June 30, 2016 and the changes during the six month period ended, is presented below:

	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1, 2016	7,404,000	$ 12.04
Forfeited	(557,700)	11.88
Outstanding - June 30, 2016	**6,846,300**	**$ 12.05**
Exercisable - June 30, 2016	**2,193,700**	**$ 15.58**

The following table lists the options outstanding at June 30, 2016:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$7.30 to $8.83	2,115,000	4.50	$ 7.30	—	$ —
$8.84 to $12.85	1,816,500	3.50	10.37	386,900	10.37
$12.86 to $16.67	1,645,700	2.26	16.06	774,400	16.01
$16.68 to $17.20	1,269,100	0.50	17.20	1,032,400	17.20
	6,846,300	2.96	$ 12.05	2,193,700	$ 15.58

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of June 30, 2016 and the changes during the six month period ended, is presented below:

	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1, 2016	895,100	$ 12.70
Forfeited	(181,100)	13.69
Outstanding - June 30, 2016	**714,000**	**$ 12.44**
Exercisable - June 30, 2016	**265,000**	**$ 15.70**

The following table lists the SARs outstanding at June 30, 2016:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$7.30 to $8.83	204,000	4.50	$ 7.30	—	$ —
$8.84 to $12.94	172,300	3.50	10.37	43,500	10.37
$12.95 to $15.82	4,900	1.50	15.51	3,300	15.51
$15.83 to $16.67	179,600	2.50	16.13	87,800	16.13
$16.68 to $17.20	153,200	0.50	17.20	130,400	17.20
	714,000	2.88	$ 12.44	265,000	$ 15.70

9. 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:

	2016				2015			
As at and for the six month period ended June 30	Canada	United States	International	Total	Canada	United States	International	Total
Revenue	109,684	173,179	151,525	434,388	163,597	333,310	286,182	783,089
(Loss) income before interest and income taxes	(47,443)	(31,571)	2,193	(76,821)	(30,158)	50,476	13,817	34,135
Property and equipment, net	973,748	1,450,536	570,443	2,994,727	1,071,263	1,549,557	628,131	3,248,951

	2016				2015			
As at and for the three month period ended June 30	Canada	United States	International	Total	Canada	United States	International	Total
Revenue	34,123	73,049	68,752	175,924	45,607	146,910	141,283	333,800
(Loss) income before interest and income taxes	(29,423)	(17,718)	(10,392)	(57,533)	(27,723)	13,692	18,562	4,531

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.

10. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

(a) Non-cash working capital

	Three months ended		Six months ended	
	June 30 2016	June 30 2015	**June 30 2016**	June 30 2015
Net change in non-cash working capital				
Accounts receivable	**$ 37,774**	$ 104,105	**$ 54,896**	$ 209,599
Inventories and other	**5,017**	(2,154)	**4,648**	(141)
Accounts payable and accruals	**(3,079)**	(63,368)	**(22,390)**	(155,802)
Income taxes receivable	**(12,607)**	7,237	**(15,315)**	2,373
	$ 27,105	$ 45,820	**$ 21,839**	$ 56,029
Relating to:				
Operating activities	**$ 30,526**	$ 50,075	**$ 40,425**	$ 97,495
Investing activities	**447**	(586)	**(18,503)**	(41,437)
Financing activities	**(3,868)**	(3,669)	**(83)**	(29)
	$ 27,105	$ 45,820	**$ 21,839**	$ 56,029

(b) Cash and cash equivalents

	June 30 2016	December 31 2015
Cash	**$ 46,695**	$ 33,902
Cash equivalents	**601**	6,484
Total cash and cash equivalents	**$ 47,296**	$ 40,386

11. FAIR VALUE MEASUREMENTS

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 approximates 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

N. MURRAY EDWARDS
Corporate Director and Investor

ROBERT H. GEDDES
President and COO,
Ensign Energy Services Inc.

JAMES B. HOWE [1,3]
President, Bragg Creek Financial Consultants Ltd.

LEN KANGAS [2,4]
Independent Businessman

CARY A. MOOMJIAN, JR [2,3]
President,
CAM OilServ Advisors LLC

JOHN SCHROEDER [1,3]
Independent Businessman

KENNETH J. SKIRKA [2,4]
Independent Businessman

GAIL SURKAN [2,3]
Independent Businesswoman

BARTH WHITHAM [1,4]
President and CEO,
Enduring Resources LLC

CORPORATE MANAGEMENT

N. MURRAY EDWARDS
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

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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

COMMITTEE MEMBERS

[1] Audit
[2] Corporate Governance, Nominations and Risk
[3] Compensation
[4] Health, Safety and Environment