ENSIGN®

2017 Q2

# SECOND QUARTER REPORT For the three and six months ended June 30, 2017

## 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 | | |
|---|---|---|---|---|---|---|
| | **2017** | 2016 | % change | **2017** | 2016 | % change |
| Revenue | **232,232** | 175,924 | 32 | **483,516** | 434,388 | 11 |
| Revenue, net of third party [1] | **211,687** | 156,423 | 35 | **420,578** | 383,285 | 10 |
| Adjusted EBITDA [1, 2] | **44,276** | 32,230 | 37 | **94,364** | 92,755 | 2 |
| Adjusted EBITDA per share [1, 2] | | | | | | |
| Basic | **$0.29** | $0.21 | 38 | **$0.61** | $0.61 | — |
| Diluted | **$0.29** | $0.21 | 38 | **$0.61** | $0.61 | — |
| Adjusted net loss [1] | **(27,082)** | (34,532) | 22 | **(51,635)** | (58,975) | 12 |
| Adjusted net loss per share [1] | | | | | | |
| Basic | **$(0.17)** | $(0.22) | 23 | **$(0.33)** | $(0.39) | 15 |
| Diluted | **$(0.17)** | $(0.22) | 23 | **$(0.33)** | $(0.39) | 15 |
| Net loss | **(33,814)** | (39,979) | 15 | **(47,606)** | (54,890) | 13 |
| Net loss per share | | | | | | |
| Basic | **$(0.22)** | $(0.26) | 15 | **$(0.31)** | $(0.36) | 14 |
| Diluted | **$(0.22)** | $(0.26) | 15 | **$(0.31)** | $(0.36) | 14 |
| Cash provided by operating activities | **44,687** | 66,854 | 33 | **64,232** | 131,933 | (51) |
| Funds flow from operations [1] | **44,769** | 36,328 | 23 | **89,578** | 91,508 | (2) |
| Funds flow from operations per share [1] | | | | | | |
| Basic | **$0.29** | $0.24 | 21 | **$0.58** | $0.60 | (3) |
| Diluted | **$0.29** | $0.24 | 21 | **$0.58** | $0.60 | (3) |
| Total debt, net of cash | **714,357** | 664,560 | 7 | **714,357** | 664,560 | 7 |
| Weighted average shares - basic *(000s)* | **156,987** | 152,310 | 3 | **154,915** | 152,349 | 2 |
| Weighted average shares - diluted *(000s)* | **157,220** | 152,492 | 3 | **155,172** | 152,497 | 2 |
| **Drilling** | **2017** | 2016 | % change | **2017** | 2016 | % change |
| Number of rigs | | | | | | |
| Canada [3] | **70** | 83 | (16) | **70** | 83 | (16) |
| United States | **84** | 90 | (7) | **84** | 90 | (7) |
| International [4] | **46** | 50 | (8) | **46** | 50 | (8) |
| Operating days | | | | | | |
| Canada [3] | **1,141** | 674 | 69 | **3,466** | 2,243 | 55 |
| United States | **2,590** | 1,609 | 61 | **4,843** | 3,499 | 38 |
| International [4] | **1,506** | 1,544 | (2) | **3,084** | 3,334 | (7) |
| **Well Servicing** | **2017** | 2016 | % change | **2017** | 2016 | % change |
| Number of rigs | | | | | | |
| Canada | **65** | 71 | (8) | **65** | 71 | (8) |
| United States | **45** | 44 | 2 | **45** | 44 | 2 |
| Operating hours | | | | | | |
| Canada | **15,291** | 13,779 | 11 | **36,846** | 27,454 | 34 |
| United States | **21,594** | 15,229 | 42 | **41,675** | 29,584 | 41 |

[1] *Revenue, net of third party, Adjusted EBITDA, Adjusted EBITDA per share, Adjusted net loss, Adjusted net loss per share, Funds flow from operations and Funds flow 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] *Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this period's presentation.*

[3] *Excludes coring rigs.*

[4] *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 ("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, 2017, as well as the audited consolidated financial statements and notes thereto for the year ended December 31, 2016, 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 3, 2017.

## 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 flow 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 "New Builds and Major Retrofits" section regarding the new build program for 2017, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for 2017, 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, Adjusted net loss per share, Funds flow from operations, Funds flow from operations per share and Revenue, net of third party. Adjusted EBITDA is defined as "(loss) earning 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, 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 is defined as "Net 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 loss, Adjusted net 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. Funds flow 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, funds flow 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)* | **2017** | 2016 | **2017** | 2016 |
| Loss before income taxes | **(50,411)** | (63,782) | **(72,418)** | (89,058) |
| Interest expense | **8,860** | 6,268 | **18,188** | 12,596 |
| Interest income | **(38)** | (19) | **(75)** | (359) |
| Depreciation | **75,508** | 81,383 | **154,867** | 175,861 |
| Share-based compensation [1] | **(806)** | 2,376 | **(1,841)** | 2,909 |
| Foreign exchange and other | **11,163** | 6,004 | **(4,357)** | (9,194) |
| Adjusted EBITDA | **44,276** | 32,230 | **94,364** | 92,755 |

[1] *Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this period's presentation.*

## ADJUSTED NET LOSS

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| *($ thousands)* | **2017** | 2016 | **2017** | 2016 |
| Net loss | **(33,814)** | (39,979) | **(47,606)** | (54,890) |
| Share-based compensation, net of income taxes [1] | **(524)** | 1,544 | **(1,197)** | 1,891 |
| Foreign exchange and other, net of income taxes | **7,256** | 3,903 | **(2,832)** | (5,976) |
| Adjusted net loss | **(27,082)** | (34,532) | **(51,635)** | (58,975) |

[1] *Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this period's presentation*

## FUNDS FLOW FROM OPERATIONS

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| *($ thousands)* | **2017** | **2016** | **2017** | 2016 |
| Net loss | **(33,814)** | (39,979) | **(47,606)** | (54,890) |
| Items not affecting cash | | | | |
| Depreciation | **75,508** | 81,383 | **154,867** | 175,861 |
| Share-based compensation, net of cash paid | **(1,101)** | 4,981 | **(2,326)** | 5,762 |
| Unrealized foreign exchange and other | **21,236** | 4,318 | **11,854** | (10,880) |
| Accretion on long-term debt | **60** | 103 | **255** | 212 |
| Deferred income tax | **(17,120)** | (14,478) | **(27,466)** | (24,557) |
| Funds flow from operations | **44,769** | 36,328 | **89,578** | 91,508 |

## OVERVIEW

Revenue for the second quarter of 2017 was $232.2 million, an increase of 32 percent from revenue for the second quarter of 2016 of $175.9 million. Revenue for the six months ended June 30, 2017 was $483.5 million, an increase of 11 percent from revenue for the six months ended June 30, 2016 of $434.4 million. Revenue, net of third party, for the second quarter of 2017 was $211.7 million, an increase of 35 percent from Revenue, net of third party, for the second quarter of 2016 of $156.4 million. Revenue, net of third party, for the six months ended June 30, 2017 was $420.6 million, an increase of 10 percent from Revenue, net of third party, for the six months ended June 30, 2016 of $383.3 million. Adjusted EBITDA totaled $44.3 million ($0.29 per common share) in the second quarter of 2017, 37 percent higher than Adjusted EBITDA of $32.2 million ($0.21 per common share) in the second quarter of 2016. For the first six months of 2017, Adjusted EBITDA totaled $94.4 million ($0.61 per common share), two percent higher than Adjusted EBITDA of $92.8 million ($0.61 per common share) in the first six months of 2016.

Net loss for the second quarter of 2017 was $33.8 million ($0.22 per common share) compared to a net loss of $40.0 million ($0.26 per common share) for the second quarter of 2016. Net loss for the six months ended June 30, 2017 was $47.6 million ($0.31 per common share), compared to net loss of $54.9 million ($0.36 per common share) for the six months ended June 30, 2016. Adjusted net loss for the second quarter of 2017 was $27.1 million ($0.17 per common share) compared to Adjusted net loss of $34.5 million for the second quarter of 2016 ($0.22 per common share). For the six months ended June 30, 2017, Adjusted net loss was $51.6 million ($0.33 per common share), compared to Adjusted net loss of $59.0 million ($0.39 per common share) for the six months ended June 30, 2016.

Funds flow from operations increased 23 percent to $44.8 million ($0.29 per common share) in the second quarter of 2017 compared to $36.3 million ($0.24 per common share) in the second quarter of the prior year. Funds flow from operations decreased two percent to $89.6 million ($0.58 per common share) in the first six months of 2017 compared to $91.5 million ($0.60 per common share) in the first six months of the prior year.

Operating days across the Company’s fleet were higher in the second quarter of 2017 when compared to the second quarter of 2016 due primarily to increased demand for oilfield services caused by a modest price recovery of crude oil and natural gas commodity prices. A stabilized United States dollar against the Canadian dollar did not impact United States and international financial results on translation to Canadian dollars. The average United States exchange rate was consistent year over year.

Gross margin increased to $55.1 million (26.0 percent of Revenue, net of third party) for the second quarter of 2017 compared to gross margin of $45.4 million (29.0 percent of Revenue, net of third party) for the second quarter of 2016.

Gross margin decreased to $115.7 million (27.5 percent of Revenue, net of third party) for the six months ended June 30, 2017 compared to a gross margin of $121.6 million (31.7 percent of Revenue, net of third party) for the six months ended June 30, 2016. The decrease in gross margin in the second quarter of 2017 compared to the second quarter of 2016 was primarily attributed to lower revenue rates in 2017 and short fall revenue earned in 2016 versus no short fall revenue earned in the same period in 2017.

Working capital at June 30, 2017 was a surplus of $122.0 million, compared to a deficit of $11.2 million at December 31, 2016, largely due to the repayment of a portion of long-term debt (USD $100.0 million of senior unsecured notes bearing interest at 3.43 percent, paid February 22, 2017). The Company's bank credit facilities provide unused and available borrowings of $20.3 million at June 30, 2017, down by $164.1 million, compared to $184.4 million at December 31, 2016, due to the senior unsecured notes repayment in February 2017.

## REVENUE AND OILFIELD SERVICES EXPENSE

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| *($ thousands)* | **2017** | 2016 | % change | **2017** | 2016 | % change |
| Revenue | | | | | | |
| Canada | **51,122** | 34,123 | 50 | **135,372** | 109,684 | 23 |
| United States | **110,252** | 73,049 | 51 | **208,262** | 173,179 | 20 |
| International | **70,858** | 68,752 | 3 | **139,882** | 151,525 | (8) |
| Total revenue | **232,232** | 175,924 | 32 | **483,516** | 434,388 | 11 |
| Revenue, net of third party | **211,687** | 156,423 | 35 | **420,578** | 383,285 | 10 |
| Oilfield services expense | **177,133** | 130,561 | 36 | **367,778** | 312,828 | 18 |
| Gross margin | **55,099** | 45,363 | 21 | **115,738** | 121,560 | (5) |
| Gross margin as a percentage of Revenue, net of third party | **26.0** | 29.0 | | **27.5** | 31.7 | |

Revenue for the three months ended June 30, 2017 totaled $232.2 million, an increase of 32 percent from the second quarter of 2016 of $175.9 million. Revenue for the six months ended June 30, 2017 totaled $483.5 million, an 11 percent increase from the six months ended June 30, 2016. As a percentage of Revenue, net of third party, gross margin for the second quarter of 2017 decreased to 26.0 percent (2016 - 29.0 percent) and decreased to 27.5 percent for the six months ended June 30, 2017 (2016 - 31.7 percent).

The cautious optimism regarding oil and natural gas commodity prices have increased demand for oilfield services, which resulted in higher equipment utilization rates; however, revenue rates declined throughout the prior years and have yet to increase with demand.

## CANADIAN OILFIELD SERVICES

Revenue increased 50 percent to $51.1 million for the three months ended June 30, 2017 from $34.1 million for the three months ended June 30, 2016. The Company recorded revenue of $135.4 million in Canada for the six months ended June 30, 2017, an increase of 23 percent from $109.7 million recorded for the six months ended June 30, 2016. Canadian revenues accounted for 22 percent of the Company's total revenue in the second quarter of 2017, compared to 19 percent in the second quarter of 2016. During the six months ended June 30, 2017, Canadian revenues were 28 percent of the Company's revenue, compared with 25 percent in the six months ended June 30, 2016.

The Company's Canadian operations recorded 1,141 drilling days in the second quarter of 2017, compared to 674 drilling days for the second quarter of 2016, an increase of 69 percent. For the six months ended June 30, 2017, the Company recorded 3,466 drilling days compared to 2,243 drilling days for the six months ended June 30, 2016, an increase of 55 percent. Canadian well servicing hours increased by 11 percent to 15,291 operating hours in the second quarter of 2017 compared to 13,779 operating hours in the corresponding period of 2016. For the six months ended June 30, 2017, well servicing hours increased by 34 percent to 36,846 operating hours compared with 27,454 operating hours for the six months ended June 30, 2016.

Demand for the Company's Canadian oilfield services was higher compared to the prior quarters due primarily to the modest increase in oil and natural gas commodity prices. The increase in demand was offset by lower revenue rates and nominal short fall revenue earned, compared to the first half of 2016.
During the six months ended June 30, 2017, the Company added one new build ADR® drilling rig to the Canadian fleet.

**UNITED STATES OILFIELD SERVICES**

The Company's United States operations recorded revenue of $110.3 million in the second quarter of 2017, a 51 percent increase from the $73.0 million recorded in the corresponding period of the prior year. During the six months ended June 30, 2017, revenue of $208.3 million was recorded, an increase of 20 percent from the $173.2 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 47 percent of the Company's revenue in the second quarter of 2017 (2016 - 42 percent) and 43 percent of the Company's revenue in the first six months of 2017 (2016 - 40 percent).

Drilling rig operating days increased by 61 percent to 2,590 drilling days in the second quarter of 2017 from 1,609 drilling days in the second quarter of 2016. Drilling operating days increased by 38 percent from 3,499 operating days in the first six months of 2016 to 4,843 operating days in first six months of 2017. Well servicing activity expressed in operating hours increased by 42 percent in the second quarter of 2017 to 21,594 operating hours from 15,229 operating hours in the second quarter of 2016. For the six months ended June 30, 2017 well servicing activity increased 41 percent to 41,675 operating hours from 29,584 operating hours in the first six months of 2016.

Overall operating and financial results for the Company's United States operations were positively impacted by a modest increase in demand for oilfield services due to renewed optimism regarding oil and natural gas commodity prices. During the six months ended June 30, 2017, the Company added one service rig to the United States fleet.

**INTERNATIONAL OILFIELD SERVICES**

The Company's international operations recorded revenue of $70.9 million in the second quarter of 2017, a three percent increase from the $68.8 million recorded in the corresponding period of the prior year. International revenues for the six months ended June 30, 2017, decreased eight percent to $139.9 million from $151.5 million recorded in the six months ended June 30, 2016. The Company's international operations contributed 31 percent of the total revenue in the second quarter of 2017 (2016 - 39 percent) and 29 percent of the Company's revenue in the first six months of 2017 (2016 - 35 percent).

International operating days for the three months ended June 30, 2017, totaled 1,506 drilling days compared to 1,544 drilling days in the same period of 2016, a decrease of two percent. For the six months ended June 30, 2017, international operating days totaled 3,084 operating days compared to 3,334 drilling days for the six months ended June 30, 2016, a decrease of seven percent.

The international operations saw a decrease in activity as certain rigs on long-term contracts rolled off by completing their term and were not renewed.

**DEPRECIATION**

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| *($ thousands)* | **2017** | 2016 | % change | **2017** | 2016 | % change |
| Depreciation | **75,508** | 81,383 | (7) | **154,867** | 175,861 | (12) |

Depreciation expense totaled $75.5 million for the second quarter of 2017 compared with $81.4 million for the second quarter of 2016, a decrease of seven percent. Depreciation expense for the first six months of 2017 decreased by 12 percent to $154.9 million compared with $175.9 million for the first six months of 2016. Depreciation expense was lower in six months ended June 30, 2017 when compared to the six months ended June 30, 2016, due to certain operating assets now being fully depreciated in which case no further depreciation expense is required on such assets.

## GENERAL AND ADMINISTRATIVE EXPENSE

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| *($ thousands)* | **2017** | 2016 | % change | **2017** | 2016 | % change |
| General and administrative [1] | **10,823** | 13,133 | (18) | **21,374** | 28,805 | (26) |
| % of revenue | **4.7** | 7.5 | | **4.4** | 6.6 | |

*[1] Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this period's presentation.*

General and administrative expense decreased 18 percent to $10.8 million (4.7 percent of revenue) for the second quarter of 2017 compared to $13.1 million (7.5 percent of revenue) for the second quarter of 2016. For the six months ended June 30, 2017, general and administrative expense totaled $21.4 million (4.4 percent of revenue) compared to $28.8 million (6.6 percent of revenue) for the six months ended June 30, 2016. The decrease in general and administrative expense resulted from the Company's initiatives to reduce costs in reaction to lower oil and natural gas commodity prices.

We expect normalized general and administrative expenses to run in a $9.5 to $10.5 million range per quarter on a go-forward basis, excluding share-based compensation and subject to variability due to foreign exchange rates.

## SHARE-BASED COMPENSATION

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| *($ thousands)* | **2017** | 2016 | % change | **2017** | 2016 | % change |
| Share-based compensation [1] | **(806)** | 2,376 | nm | **(1,841)** | 2,909 | nm |

*nm - calculation not meaningful*

*[1] Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this period's presentation.*

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, 2017 share-based compensation was a recovery of $0.8 million compared with an expense of $2.4 million recorded in the three months ended June 30, 2016. For the six months ended June 30, 2017 share-based compensation was a recovery of $1.8 million compared with an expense of $2.9 million for the six months ended June 30, 2016. The share-based compensation expense for the six months ended June 30, 2017 was a result of changes in the fair value of the share-based compensation liability and it impacted by the amortization of share 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 $6.93 at June 30, 2017 ($7.25 at June 30, 2016), compared with $7.97 at March 31, 2017 ($5.98 at March 31, 2016) and $9.38 at December 31, 2016 ($7.38 at December 31, 2015).

## INTEREST EXPENSE

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| *($ thousands)* | **2017** | 2016 | % change | **2017** | 2016 | % change |
| Interest expense | **8,860** | 6,268 | 41 | **18,188** | 12,596 | 44 |
| Interest income | **(38)** | (19) | nm | **(75)** | (359) | (79) |
| | **8,822** | 6,249 | 41 | **18,113** | 12,237 | 48 |

*nm - calculation not meaningful*

Interest is incurred on the Company's $500.0 million global revolving credit facility (the "Global Facility") and the United States dollar $200.0 million ($300.0 million at December 31, 2016) 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 44 percent in the first half of 2017 compared to the same period in 2016 as a result of borrowings of an additional $25.3 million on the bank credit facilities in the first half of 2017 and due to an increase in the interest rate.

## FOREIGN EXCHANGE AND OTHER

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| *($ thousands)* | **2017** | 2016 | % change | **2017** | 2016 | % change |
| Foreign exchange and other | **11,163** | 6,004 | 86 | **(4,357)** | (9,194) | (53) |

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, 2017, the Australian dollar strengthened by approximately six percent against the United States dollar causing a foreign currency loss on translation of the Company's United States dollar denominated assets into Australian dollars. During the six months ended June 30, 2017, the Australian dollar strengthened against the United States dollar by approximately four percent (2016 - four percent).

## INCOME TAXES

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| *($ thousands)* | **2017** | 2016 | % change | **2017** | 2016 | % change |
| Current income tax | **523** | (9,325) | nm | **2,654** | (9,611) | nm |
| Deferred income tax | **(17,120)** | (14,478) | 18 | **(27,466)** | (24,557) | 12 |
| Total income tax | **(16,597)** | (23,803) | (30) | **(24,812)** | (34,168) | (27) |
| Effective income tax rate (%) | **32.9** | 37.3 | | **34.3** | 38.4 | |

*nm - calculation not meaningful*

The effective income tax rate for the three months ended June 30, 2017 was 32.9 percent compared to 37.3 percent for the three months ended June 30, 2016. The effective income tax rate for the six months ended June 30, 2017 was 34.3 percent compared with 38.4 percent for the six months ended June 30, 2016. The effective tax rate in the first six months of the current year was lower than the effective tax rate in the first six months of 2016 due to the impact of earnings in foreign jurisdictions.

## FINANCIAL POSITION

Significant changes in the consolidated statement of financial position from December 31, 2016 to June 30, 2017 are outlined below:

| *($ thousands)* | Change | Explanation |
|---|---|---|
| Cash and cash equivalents | (5,518) | See consolidated statements of cash flows. |
| Accounts receivable | 9,045 | Increase is due to an increase in activity in the first six months of 2017 compared to the fourth quarter of 2016, offset by the decrease in the quarter-end foreign exchange rate on translation of accounts receivable in the Company's foreign subsidiaries. |
| Inventories and other | (3,989) | Decrease is due to fully amortized prepaid expenses, consumption of inventory and to the impact of a decrease during in the quarter-end foreign exchange rate on the translation of the inventory and prepaid balances in the Company's foreign subsidiaries. |
| Income taxes receivable | (9,731) | Decrease is due to refunds received during the quarter offset by the current year income recovery. |
| Property and equipment | (124,781) | Decrease is primarily due to the impact of a decrease in the quarter-end translation rate to 1.30, compared to the December 31, 2016 translation rate of 1.34, as well as current period depreciation. The decrease is offset by $78M purchases of property and equipment. |
| Accounts payable and accruals | (6,619) | Decrease is due to the quarter-end foreign exchange rate on translation of accounts payable and accrued liabilities in the Company's foreign subsidiaries. The decrease was partially offset by the increase in operating activity and purchase of property and equipment. |
| Dividends payable | 221 | Increase in dividends payable is due to the discount offered to eligible shareholders electing to receive shares instead of cash for the declared second quarter dividend. |
| Share-based compensation | (3,511) | Decrease is 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 | 21,217 | Increase is due to additional borrowings $25.3 million during the first six months of 2017 and to the weakening of the United States dollar from December 31, 2016 to June 30, 2017. |
| Deferred income taxes | (39,610) | Decrease arises from the deferred tax recovery for the first six months of 2017 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 | (106,672) | Decrease is due the net loss incurred and the amount of dividends declared in the first six months of 2017 and the impact of foreign exchange rate fluctuations on net assets of foreign subsidiaries. |

## FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| *($ thousands, except per share data)* | **2017** | 2016 | % change | **2017** | 2016 | % change |
| Funds flow from operations | **44,769** | 36,328 | 23 | **89,578** | 91,508 | (2) |
| Funds flow from operations per share | **$0.29** | $0.24 | 21 | **$0.58** | $0.60 | (3) |
| Working capital [1] | **122,020** | (11,153) | nm | **122,020** | (11,153) | nm |

*nm - calculation not meaningful*
*[1] Comparative figure as of December 31, 2016*

During the three months ended June 30, 2017, the Company generated Funds flow from operations of $44.8 million ($0.29 per common share) compared to Funds flow from operations of $36.3 million ($0.24 per common share) for the three months ended June 30, 2016, an increase of 23 percent. For the six months ended June 30, 2017, the Company generated Funds flow from operations of $89.6 million ($0.58 per common share) a decrease of two percent from $91.5 million ($0.60 per common share) for the six months ended June 30, 2016. The decrease in Funds flow from operations in 2017 compared to 2016 is due to a reduction of seven percent of non-cash items impacting funds flow from operations.

At June 30, 2017 the Company's working capital was a surplus of $122.0 million, compared to a working capital deficit of $11.2 million at December 31, 2016. The increase in working capital in the first six months of 2017, was mainly related to the repayment a USD $100.0 million of senior unsecured notes. 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 $500.0 million, of which $20.3 million was undrawn and available at June 30, 2017. In addition, the Company finalized a $50 million accordion to be included in the existing revolving credit facilities but not yet exercised.

### INVESTING ACTIVITIES

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| *($ thousands)* | **2017** | 2016 | % change | **2017** | 2016 | % change |
| Purchase of property and equipment | **(46,911)** | (13,402) | nm | **(77,982)** | (31,276) | nm |
| Proceeds from disposals of property and equipment | **820** | 3,836 | (79) | **2,422** | 7,031 | (66) |
| Net change in non-cash working capital | **4,981** | 447 | nm | **5,116** | (18,503) | nm |
| Cash used in investing activities | **(41,110)** | (9,119) | nm | **(70,444)** | (42,748) | 65 |

*nm - calculation not meaningful*

Net purchases of property and equipment for the second quarter of 2017 totaled $46.1 million (2016 - $9.6 million). Net purchases of property and equipment during the first six months of 2017 totaled $75.6 million (2016 - $24.2 million). The purchase of property and equipment relates predominantly to the construction of two new ADR® drilling rigs, one service rig and upgrades to certain drilling rigs to a higher specification, as well as for maintenance capital costs incurred in the current quarter and first six months of this year.

### FINANCING ACTIVITIES

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| *($ thousands)* | **2017** | 2016 | % change | **2017** | 2016 | % change |
| Net decrease in bank credit facilities | **1,809** | (7,233) | nm | **25,339** | (39,963) | nm |
| Purchase of shares held in trust | **(254)** | (1,265) | (80) | **(546)** | (1,548) | (65) |
| Dividends | **(11,164)** | (18,367) | (39) | **(22,549)** | (36,734) | (39) |
| Net change in non-cash working capital | **(3,888)** | (3,868) | 1 | **(731)** | (83) | nm |
| Cash used in financing activities | **(13,497)** | (30,733) | (56) | **1,513** | (78,328) | nm |

*nm - calculation not meaningful*

The Company's available bank credit facilities consist of a $500.0 million Global 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 $500.0 million Canadian dollars. The Global Facility matures in early October 2018.

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 finalized a $50 million accordion to be included in the existing revolving credit facilities but not yet exercised. Subsequent to the quarter, the Company has initiated a process to secure the bank credit facilities and the senior notes with the Company's assets. This will allow for additional flexibility into the future when negotiating the bank credit facility.

The Company has received net debt proceeds of $25.3 million during the six months ended June 30, 2017, increasing the outstanding long-term debt balance. As of June 30, 2017, the credit facilities are primarily being used to fund capital expenditures.

In the settlement of the second quarter dividend, subsequent to June 30, 2017, 39 percent of shareholders elected to reinvest their dividends in common shares of the Company.

**FINANCIAL INSTRUMENTS**

*Credit Risk*

The Company is subject to credit risk on accounts receivable balances, which at June 30, 2017 totaled $214.4 million, an increase of $9.0 million from $205.3 million as at December 31, 2016. 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, 2017, the Company had accounts receivable of approximately $27.9 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, 2017, the Company added one new build ADR® drilling rig to its expansive tier one fleet worldwide, which have been contracted on a long-term contract and one service rig in the United States. The Company continues to selectively add new ADR® drilling rigs to meet the increasing technical demands of its customers.

The Company is currently in the process of completing one additional new ADR® 1500 for the United States and one new ADR® 1000 for Canada. These rigs are expected to be finished in the third quarter of 2017 and were part of the rig build program that the Company halted in 2014 to preserve the balance sheet in a declining market.

## SUMMARY QUARTERLY RESULTS

| *($ thousands, except per share data)* | **Q2-2017** | Q1-2017 | Q4-2016 | Q3-2016 | Q2-2016 | Q1-2016 | Q4-2015 | Q3-2015 |
|---|---|---|---|---|---|---|---|---|
| Revenue | **232,232** | 251,284 | 234,001 | 191,313 | 175,924 | 258,464 | 283,887 | 324,002 |
| Revenue, net of third party [1] | **211,687** | 208,891 | 204,474 | 168,098 | 156,423 | 226,862 | 252,592 | 289,327 |
| Adjusted EBITDA [1, 2] | **44,276** | 50,088 | 51,665 | 40,753 | 32,230 | 60,525 | 75,317 | 69,209 |
| Adjusted EBITDA per share [1, 2] | | | | | | | | |
| Basic | **$0.29** | $0.32 | $0.33 | $0.27 | $0.21 | $0.40 | $0.50 | $0.45 |
| Diluted | **$0.29** | $0.32 | $0.33 | $0.27 | $0.21 | $0.40 | $0.50 | $0.45 |
| Adjusted net loss [1] | **(27,082)** | (24,553) | (47,866) | (37,635) | (34,532) | (24,444) | (29,485) | (31,510) |
| Adjusted net loss per share [1] | | | | | | | | |
| Basic | **$(0.17)** | $(0.16) | $(0.32) | $(0.24) | $(0.22) | $(0.16) | $(0.19) | $(0.22) |
| Diluted | **$(0.17)** | $(0.16) | $(0.31) | $(0.24) | $(0.22) | $(0.16) | $(0.19) | $(0.22) |
| Net loss | **(33,814)** | (13,792) | (61,905) | (33,727) | (39,979) | (14,911) | (41,175) | (77,265) |
| Net loss per share | | | | | | | | |
| Basic | **$(0.22)** | $(0.09) | $(0.41) | $(0.22) | $(0.26) | $(0.10) | $(0.26) | $(0.51) |
| Diluted | **$(0.22)** | $(0.09) | $(0.40) | $(0.22) | $(0.26) | $(0.10) | $(0.26) | $(0.51) |
| Cash provided by operating activities | **44,687** | 19,545 | 8,089 | 25,315 | 66,854 | 65,079 | 73,532 | 62,067 |
| Funds flow from operations [1] | **44,769** | 44,809 | 48,862 | 30,281 | 36,328 | 55,180 | 48,905 | 68,218 |
| Funds flow from operations per share [1] | | | | | | | | |
| Basic | **$0.29** | $0.29 | $0.32 | $0.20 | $0.24 | $0.36 | $0.31 | $0.45 |
| Diluted | **$0.29** | $0.29 | $0.31 | $0.20 | $0.24 | $0.36 | $0.31 | $0.45 |
| Total debt, net of cash | **714,357** | 709,062 | 687,622 | 669,618 | 664,560 | 688,405 | 753,723 | 752,979 |

[1] *See definition of "Non-GAAP Measures" section of this MD&A.*
[2] *Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this presentation.*

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 increasing levels of demand for oilfield services in the 2017 and 2016 fiscal years compared to prior years. Such demand for oilfield services was negatively influenced by unfavorable oil and natural gas commodity prices for the first half of 2017 and all of 2016. 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 2017 compared to prior years.

## OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of August 3, 2017:

| | Number | | Amount ($) |
|---|---|---|---|
| Common shares | 156,554,316 | $ | 207,070 |

| | Outstanding | Exercisable |
|---|---|---|
| Stock options | 6,119,200 | 3,079,700 |

## OUTLOOK

Recent production and inventory increases globally have continued to put pressure on crude oil prices delaying any expected rebalancing. Commodity analysts have now started to reduce the forecasted price of WTI for the remainder of the year to the low $50's and the 2018 forecasts have decreased to an average in the mid $50's. If the recent decline in oil prices lasts for a longer period, it could lead to oil and natural gas producers reducing their capital programs and demand for oilfield services. This potential decrease in oilfield services could start to impact production allowing for prices to react again.

The oilfield services industry is expected to be volatile and companies will need to be agile to respond to the changing environment quickly. Over the last two years the Company has made significant changes such as focusing on reducing fixed costs and streamlining processes to adapt to market volatility and to be able to respond appropriately to the changing marketplace.

Canada

In Canada, the Baker Hughes rig count on July 21, 2017 has increased to 15 rigs from the week before to 206 drilling rigs. This is up 104 rigs from the previous year. The rig count in Canada is expected to grow as spring breakup ends. The Montney continues to be the driver for activity in Canada accounting for about 40% of the active rigs in Q2, 2017. The Montney is also the Company's most active operating area in Canada and utilization for our high-spec triple drilling rigs continues to lead the industry average. Activity post spring breakup continues to increase with a total of 25 rigs running as of July 21, 2017. Of our Canadian rigs, 37 drilling and coring rigs are currently under contract with 27% under contract longer than six months.

United States

In the USA the Baker Hughes rig count on July 21, 2017 decreased by two drilling rigs from the week before to a total of 950 which is up 488 drilling rigs from the previous year. The rig count in the USA appears to be flattening out with expectations that it could remain flat or potentially decline for the remainder of the year if oil prices do not increase. As at July 21, 2017, nine Company rigs are currently running in the Rockies, nine in California and 18 in the Permian Basin with one rig running in the North East. Of our United States rigs, 38 drilling rigs are currently under contract with 13 under contract longer than six months. We are still experiencing pricing pressure in the California and the Rockies region but are seeing some pricing increases in the Permian Basin for the high-spec walking drilling rigs.

International

Activity internationally is expected to remain flat for the remainder of the year when compared to the first half of 2017. There are a total of eight Company drilling rigs currently running in Latin America as at July 21, 2017 and that is expected to be maintained throughout the year, but could vary depending on the political situation in Venezuela. We have a total of 11 rigs running in the Middle East and Australia. The Middle East and Australia are expected to see flat activity for the remainder of the year. In the international segment we have 20 drilling rigs under contract with 9, or 20 percent of the marketed fleet under contract longer than six months.

## 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, 2017.

## 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, 2017 was approximately 1.30 compared with 1.34 at December 31, 2016 and 1.30 at June 30, 2016. 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, 2017 was approximately 1.30, compared with 1.38 at December 31, 2016 and 1.35 at June 30, 2016. 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 2017** | | December 31 2016 |
|---|---|---|---|---|
| *(Unaudited, in thousands of Canadian dollars)* | | | | |
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents *(Note 10)* | **$** | **24,319** | $ | 29,837 |
| Accounts receivable | | **214,392** | | 205,347 |
| Inventories and other | | **44,861** | | 48,850 |
| Income taxes receivable | | **7,477** | | 17,208 |
| Total current assets | | **291,049** | | 301,242 |
| **Property and equipment** | | **2,788,372** | | 2,913,153 |
| Total assets | **$** | **3,079,421** | $ | 3,214,395 |
| **Liabilities** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accruals | **$** | **146,766** | $ | 153,385 |
| Dividends payable | | **19,098** | | 18,877 |
| Share-based compensation *(Note 8)* | | **3,165** | | 5,943 |
| Current portion of long-term debt (Note 5) | | **—** | | 134,190 |
| Total current liabilities | | **169,029** | | 312,395 |
| **Long-term debt** *(Note 5)* | | **738,676** | | 583,269 |
| **Share-based compensation** *(Note 8)* | | **1,806** | | 2,539 |
| **Deferred income taxes** | | **444,093** | | 483,703 |
| Total liabilities | | **1,353,604** | | 1,381,906 |
| **Shareholders' Equity** | | | | |
| Share capital *(Note 6)* | | **196,783** | | 180,666 |
| Contributed surplus | | **1,525** | | 1,524 |
| Foreign currency translation reserve | | **255,450** | | 292,547 |
| Retained earnings | | **1,272,059** | | 1,357,752 |
| Total shareholders' equity | | **1,725,817** | | 1,832,489 |
| Total liabilities and shareholders' equity | **$** | **3,079,421** | $ | 3,214,395 |

*See accompanying notes to the interim consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF LOSS

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **June 30 2017** | June 30 2016 | **June 30 2017** | June 30 2016 |
| *(Unaudited, in thousands of Canadian dollars, except per share data)* | | | | |
| **Revenue** | **$ 232,232** | $ 175,924 | **$ 483,516** | $ 434,388 |
| **Expenses** | | | | |
| Oilfield services | **177,133** | 130,561 | **367,778** | 312,828 |
| Depreciation | **75,508** | 81,383 | **154,867** | 175,861 |
| General and administrative [1] | **10,823** | 13,133 | **21,374** | 28,805 |
| Share-based compensation [1] | **(806)** | 2,376 | **(1,841)** | 2,909 |
| Foreign exchange and other | **11,163** | 6,004 | **(4,357)** | (9,194) |
| Total expenses | **273,821** | 233,457 | **537,821** | 511,209 |
| **Loss before interest and income taxes** | **(41,589)** | (57,533) | **(54,305)** | (76,821) |
| Interest income | **(38)** | (19) | **(75)** | (359) |
| Interest expense | **8,860** | 6,268 | **18,188** | 12,596 |
| **Loss before income taxes** | **(50,411)** | (63,782) | **(72,418)** | (89,058) |
| **Income taxes** | | | | |
| Current tax | **523** | (9,325) | **2,654** | (9,611) |
| Deferred tax | **(17,120)** | (14,478) | **(27,466)** | (24,557) |
| Total income taxes | **(16,597)** | (23,803) | **(24,812)** | (34,168) |
| **Net loss** | **$ (33,814)** | $ (39,979) | **$ (47,606)** | $ (54,890) |
| Net loss per share (Note 7) | | | | |
| Basic | **$ (0.22)** | $ (0.26) | **$ (0.31)** | $ (0.36) |
| Diluted | **$ (0.22)** | $ (0.26) | **$ (0.31)** | $ (0.36) |

[1] *Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this period's presentation.*

*See accompanying notes to the interim consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **June 30 2017** | June 30 2016 | **June 30 2017** | June 30 2016 |
| *(Unaudited, in thousands of Canadian dollars)* | | | | |
| **Net loss** | **$ (33,814)** | $ (39,979) | **$ (47,606)** | $ (54,890) |
| **Other comprehensive (loss) income** | | | | |
| **Item that may be subsequently reclassified to profit or loss** | | | | |
| Foreign currency translation adjustment | **(25,307)** | 3,718 | **(37,097)** | (93,071) |
| **Comprehensive (loss) income** | **$ (59,121)** | $ (36,261) | **$ (84,703)** | $ (147,961) |

*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, 2017 | $ 180,666 | $ 1,524 | $ 292,547 | $ 1,357,752 | $ 1,832,489 |
| Net loss | — | — | — | (47,606) | (47,606) |
| Other comprehensive loss | — | — | (37,097) | — | (37,097) |
| Total comprehensive loss | — | — | (37,097) | (47,606) | (84,703) |
| Dividends | 15,538 | — | — | (38,087) | (22,549) |
| Share-based compensation | — | 1,126 | — | — | 1,126 |
| Shares vested previously held in trust | 1,125 | (1,125) | — | — | — |
| Purchase of shares held in trust | (546) | — | — | — | (546) |
| **Balance June 30, 2017** | **$ 196,783** | **$ 1,525** | **$ 255,450** | **$ 1,272,059** | **$ 1,725,817** |
| Balance, January 1, 2016 | $ 169,171 | $ 2,538 | $ 332,230 | $ 1,582,657 | $ 2,086,596 |
| Net loss | — | — | — | (54,890) | (54,890) |
| Other comprehensive income | — | — | (93,071) | — | (93,071) |
| Total comprehensive income | — | — | (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 |

*See accompanying notes to the interim consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **June 30 2017** | June 30 2016 | **June 30 2017** | June 30 2016 |
| *(Unaudited, in thousands of Canadian dollars)* | | | | |
| **Cash provided by (used in)** | | | | |
| **Operating activities** | | | | |
| Net loss | **$ (33,814)** | $ (39,979) | **$ (47,606)** | $ (54,890) |
| Items not affecting cash | | | | |
| Depreciation | **75,508** | 81,383 | **154,867** | 175,861 |
| Share-based compensation, net of cash paid | **(1,101)** | 4,981 | **(2,326)** | 5,762 |
| Unrealized foreign exchange and other | **21,236** | 4,318 | **11,854** | (10,880) |
| Accretion on long-term debt | **60** | 103 | **255** | 212 |
| Deferred income tax | **(17,120)** | (14,478) | **(27,466)** | (24,557) |
| Funds flow from operations | **44,769** | 36,328 | **89,578** | 91,508 |
| Net change in non-cash working capital *(Note 10)* | **(82)** | 30,526 | **(25,346)** | 40,425 |
| Cash provided by operating activities | **44,687** | 66,854 | **64,232** | 131,933 |
| **Investing activities** | | | | |
| Purchase of property and equipment | **(46,911)** | (13,402) | **(77,982)** | (31,276) |
| Proceeds from disposals of property and equipment | **820** | 3,836 | **2,422** | 7,031 |
| Net change in non-cash working capital *(Note 10)* | **4,981** | 447 | **5,116** | (18,503) |
| Cash used in investing activities | **(41,110)** | (9,119) | **(70,444)** | (42,748) |
| **Financing activities** | | | | |
| Net increase (decrease) in bank credit facilities | **1,809** | (7,233) | **25,339** | (39,963) |
| Purchase of shares held in trust *(Note 6)* | **(254)** | (1,265) | **(546)** | (1,548) |
| Dividends *(Note 6)* | **(11,164)** | (18,367) | **(22,549)** | (36,734) |
| Net change in non-cash working capital *(Note 10)* | **(3,888)** | (3,868) | **(731)** | (83) |
| Cash used in financing activities | **(13,497)** | (30,733) | **1,513** | (78,328) |
| **Net increase (decrease) in cash and cash equivalents** | **(9,920)** | 27,002 | **(4,699)** | 10,857 |
| **Effects of foreign exchange on cash and cash equivalents** | **(447)** | (8,159) | **(819)** | (3,947) |
| **Cash and cash equivalents** | | | | |
| **Beginning of period** | **34,686** | 28,453 | **29,837** | 40,386 |
| **End of period** | **24,319** | 47,296 | **$ 24,319** | $ 47,296 |
| **Supplemental information** | | | | |
| Interest paid | **10,804** | 10,136 | **$ 17,714** | $ 12,677 |
| Income taxes recovered | **(12,563)** | (421) | **$ (11,418)** | $ 1,502 |

*See accompanying notes to the interim consolidated financial statements.*

## 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, 2016. 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, 2016, 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 3, 2017, 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 2017 | | December 31 2016 |
|---|---|---|---|---|
| Drawings on the Global Facility | **$** | **480,381** | $ | 316,701 |
| Senior unsecured notes | | | | |
| Tranche A, due February 22, 2017, 3.43% | | **—** | | 134,270 |
| Tranche B, due February 22, 2019, 3.97% | | **129,821** | | 134,270 |
| Tranche C, due February 22, 2022, 4.54% | | **129,821** | | 134,270 |
| Unamortized deferred financing costs | | **(1,347)** | | (2,052) |
| Total | **$** | **738,676** | $ | 717,459 |
| Less: current portion | | **—** | | (134,190) |
| Total long-term debt | **$** | **738,676** | $ | 583,269 |

Interest accrued on the senior unsecured notes (the "Notes") at June 30, 2017 was $1,835 (2016 - $1,294) 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 six months ended June 30, 2017, the Company extinguished Tranche A of the senior unsecured notes using the Global Facility.

The Company finalized a $50 million accordion to be included in the existing revolving credit facilities but not yet exercised.

## 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, 2017 | 153,594,857 | $ | 180,666 |
| Shares issued as part of the dividend reinvestment plan | 1,812,374 | | 15,538 |
| Changes in unvested shares held in trust | 25,751 | | 579 |
| **Closing balance - June 30, 2017** | **155,432,982** | **$** | **196,783** |

The total number of unvested shares held in trust for share-based compensation plans as at June 30, 2017 was 520,467 (December 31, 2016 – 545,916).

### (c) Dividends

In the settlement of the second quarter dividend, subsequent to June 30, 2017, 39 percent of shareholders elected to reinvest their dividends in common shares of the Company.

During the three months ended June 30, 2017, the Company declared dividends of $19,098 (2016 - $18,367), being $0.12 per common share (2016 - $0.12 per common share). For the six months ended June 30, 2017, the Company declared dividends of $38,087 (2016 - $36,734), being $0.24 per common share (2016 - $0.24 per common share).

## 7. NET LOSS PER SHARE

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

Diluted net loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period adjusted for conversion of all potentially dilutive common shares. Diluted net loss 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 2017** | June 30 2016 | **June 30 2017** | June 30 2016 |
| Net loss attributable to common shareholders: | | | | |
| Basic and diluted | **$ (33,814)** | $ (39,979) | **$ (47,606)** | $ (54,890) |
| Weighted average number of common shares outstanding: | | | | |
| Basic | **156,986,615** | 152,309,964 | **154,915,270** | 152,348,713 |
| Potentially dilutive share-based compensation plans | **233,506** | 182,161 | **256,515** | 147,927 |
| Diluted | **157,220,121** | 152,492,125 | **155,171,785** | 152,496,640 |

During the three months ended June 30, 2017, share options of 6,129,200 (2016 – 6,846,300) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

During the six months ended June 30, 2017, share options of 4,923,500 (2016 – 6,843,300) 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, 2017 and the changes during the six month period ended, is presented below:

| | Number of Share Options | Weighted Average Exercise Price |
|---|---|---|
| Outstanding – January 1, 2017 | 5,037,700 | $ 10.74 |
| Granted | 1,221,750 | 7.98 |
| Forfeited | (130,250) | 11.74 |
| **Outstanding - June 30, 2017** | **6,129,200** | **$ 10.17** |
| **Exercisable - June 30, 2017** | **1,853,700** | **$ 12.21** |

The following table lists the options outstanding at June 30, 2017:

| Exercise Price | Outstanding Options | Average Vesting Remaining (in years) | Weighted Average Exercise Price | Options Exercisable | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| $7.30 to $7.64 | 1,923,200 | 3.50 | $ 7.30 | 380,800 | $ 7.30 |
| $7.65 to $9.18 | 1,204,000 | 4.50 | 7.98 | — | — |
| $9.19 to $12.94 | 1,685,700 | 2.50 | 10.37 | 676,200 | 10.37 |
| $12.94 to $16.13 | 1,316,300 | 1.48 | 16.11 | 796,700 | 16.11 |
| | 6,129,200 | 2.99 | $ 10.17 | 1,853,700 | $ 12.21 |

The assumptions used to estimate the fair value of employee share options were:

| | June 30, 2017 |
|---|---|
| Remaining expected life (years) | 2.8 |
| Volatility (percent) | 40.0 |
| Forfeiture rate (percent) | 6.5 |
| Risk-free interest rate (percent) | 1.2 |
| Expected dividend (percent) | 6.9 |

**Share Appreciation Rights (SARs)**

A summary of the Company's SARs plan as of June 30, 2017 and the changes during the six month period ended, is presented below:

| | Number of SARs | Weighted Average Exercise Price |
|---|---|---|
| Outstanding – January 1, 2017 | 477,100 | $ 10.97 |
| Granted | 116,500 | 7.98 |
| Forfeited | (67,200) | 10.21 |
| **Outstanding - June 30, 2017** | **526,400** | **$ 10.41** |
| **Exercisable - June 30, 2017** | **176,500** | **$ 12.55** |

The following table lists the SARs outstanding at June 30, 2017:

| Exercise Price | SARs Outstanding | Average Vesting Remaining (in years) | Weighted Average Exercise Price | SARs Exercisable | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| $7.30 to $7.64 | 160,900 | 3.50 | $ 7.30 | 35,300 | $ 7.30 |
| $7.65 to $9.18 | 106,500 | 4.50 | 7.98 | — | — |
| $9.19 to $12.94 | 125,400 | 2.50 | 10.37 | 55,200 | 10.37 |
| $12.95 to $16.13 | 133,600 | 1.47 | 16.11 | 86,000 | 16.11 |
| | 526,400 | 2.95 | $ 10.41 | 176,500 | $ 12.55 |

## 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:

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| As at and for the six month period ended June 30 | Canada | United States | International | Total | Canada | United States | International | Total |
| Revenue | 135,372 | 208,262 | 139,882 | 483,516 | 109,684 | 173,179 | 151,525 | 434,388 |
| (Loss) income before interest and income taxes | (26,203) | (37,533) | 9,431 | (54,305) | (47,443) | (31,571) | 2,193 | (76,821) |
| Property and equipment, net | 886,475 | 1,339,354 | 562,543 | 2,788,372 | 973,748 | 1,450,536 | 570,443 | 2,994,727 |

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| As at and for the three month period ended June 30 | Canada | United States | International | Total | Canada | United States | International | Total |
| Revenue | 51,122 | 110,252 | 70,858 | 232,232 | 34,123 | 73,049 | 68,752 | 175,924 |
| (Loss) income before interest and income taxes | (23,255) | (18,816) | 482 | (41,589) | (29,423) | (17,718) | (10,392) | (57,533) |

There are no material differences in the basis of accounting or the measurement of (loss) 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 2017** | June 30 2016 | **June 30 2017** | June 30 2016 |
| Net change in non-cash working capital | | | | |
| Accounts receivable | **$ 9,039** | $ 37,774 | **$ (22,713)** | $ 54,896 |
| Inventories and other | **1,031** | 5,017 | **127** | 4,648 |
| Accounts payable and accruals | **(21,933)** | (3,079) | **(12,013)** | (22,390) |
| Income taxes receivable | **13,585** | (12,607) | **14,349** | (15,315) |
| Dividends payable | **(711)** | — | **(711)** | — |
| | **$ 1,011** | $ 27,105 | **$ (20,961)** | $ 21,839 |
| Relating to: | | | | |
| Operating activities | **$ (82)** | $ 30,526 | **$ (25,346)** | $ 40,425 |
| Investing activities | **4,981** | 447 | **5,116** | (18,503) |
| Financing activities | **(3,888)** | (3,868) | **(731)** | (83) |
| | **$ 1,011** | $ 27,105 | **$ (20,961)** | $ 21,839 |

### (b) Cash and cash equivalents

| | **June 30 2017** | December 31 2016 |
|---|---|---|
| Cash | **$ 24,319** | $ 24,500 |
| Cash equivalents | **—** | 5,337 |
| Total cash and cash equivalents | **$ 24,319** | $ 29,837 |

## 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.

## 12. SUBSEQUENT EVENTS

On July 7, 2017, the Company settled the declared second quarter dividend of $0.12 per common share, by paying $11,427 and issuing 1,121,334 common shares, to eligible holders of common shares participating in the Company's DRIP, representing a 39 percent acceptance. The Company has also cancelled the dividend reinvestment plan due to improving business conditions and cash flow.

## 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

MICHAEL GRAY
Chief Financial Officer

ED KAUTZ
President United States Operations

TOM CONNORS
Executive Vice President,
Canadian Operations

BRAGE JOHANNESSEN
Executive Vice President,
International Operations

MICHAEL NUSS
Executive Vice President,
U.S. & Latin America Operations

TREVOR RUSSELL
Vice President, Finance

ROBERT RAIMONDO
Vice President, Health, Safety and Environment

CATHY ROBINSON
Vice President, Global Human Resources

SUZANNE DAVIES
Vice President Legal and Corporate Secretary

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### BANKERS

HSBC Bank Canada

### STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: ESI

### AUDITORS

PricewaterhouseCoopers 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

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