ENSIGN®

Q2 2018

SECOND QUARTER REPORT For the three and six months ended June 30, 2018

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		
	2018	2017	% change	**2018**	2017	% change
Revenue	**263,061**	232,232	13	**521,521**	483,516	8
Revenue, net of third party [1]	**231,871**	211,687	10	**458,538**	420,578	9
Adjusted EBITDA [1]	**53,064**	44,276	20	**105,358**	94,364	12
Adjusted EBITDA per share [1]						
Basic	**$0.34**	$0.29	17	**$0.67**	$0.61	10
Diluted	**$0.34**	$0.29	17	**$0.67**	$0.61	10
Net loss	**(36,697)**	(33,814)	(9)	**(63,379)**	(47,606)	(33)
Net loss per share						
Basic	**$(0.23)**	$(0.22)	5	**$(0.40)**	$(0.31)	(29)
Diluted	**$(0.23)**	$(0.22)	5	**$(0.40)**	$(0.31)	(29)
Cash provided by operating activities	**19,306**	44,687	(57)	**39,304**	64,232	(39)
Funds flow from operations [1]	**47,808**	44,769	7	**101,715**	89,578	14
Funds flow from operations per share [1]						
Basic	**$0.31**	$0.29	7	**$0.65**	$0.58	12
Diluted	**$0.31**	$0.29	7	**$0.65**	$0.58	12
Total debt, net of cash	**748,609**	714,357	5	**748,609**	714,357	5
Weighted average shares - basic *(000s)*	**156,733**	156,987	—	**156,868**	154,915	1
Weighted average shares - diluted *(000s)*	**156,889**	157,220	—	**157,032**	155,172	1
Drilling	**2018**	2017	% change	**2018**	2017	% change
Number of marketed rigs [2]						
Canada [3]	**56**	58	(3)	**56**	58	(3)
United States	**67**	69	(3)	**67**	69	(3)
International [4]	**43**	44	(2)	**43**	44	(2)
Operating days [5]						
Canada [3]	**830**	1,141	(27)	**2,781**	3,466	(20)
United States	**3,228**	2,590	25	**6,133**	4,843	27
International [4]	**1,425**	1,506	(5)	**2,783**	3,084	(10)
Well Servicing	**2018**	2017	% change	**2018**	2017	% change
Number of rigs						
Canada	**62**	65	(5)	**62**	65	(5)
United States	**44**	45	(2)	**44**	45	(2)
Operating hours						
Canada	**13,359**	15,291	(13)	**30,084**	36,846	(18)
United States	**28,722**	21,594	33	**51,128**	41,675	23

[1] *Revenue, net of third party, Adjusted EBITDA, Adjusted EBITDA 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] *Total rigs: Canada - 69, United States - 85, International - 46 (2017 - Canada - 70, United States - 84, International - 46)*

[3] *Excludes coring rigs.*

[4] *Includes workover rigs.*

[5] *Defined as contract drilling days, between spud to rig release.*

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, 2018, as well as the audited consolidated financial statements and notes thereto for the year ended December 31, 2017, 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 2, 2018.

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 2018, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for 2018, 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, Funds flow from operations, Funds flow from operations per share and Revenue, net of third party. Adjusted EBITDA is defined as "losses before interest, income taxes, depreciation, 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.

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)	**2018**	2017	**2018**	2017
Loss before income taxes	**(49,242)**	(50,411)	**(91,101)**	(72,418)
Interest expense	**9,200**	8,860	**19,395**	18,188
Interest income	**(2)**	(38)	**(3)**	(75)
Depreciation	**100,469**	75,508	**199,044**	154,867
Share-based compensation	**1,440**	(806)	**1,276**	(1,841)
Foreign exchange and other	**(8,801)**	11,163	**(23,253)**	(4,357)
Adjusted EBITDA	**53,064**	44,276	**105,358**	94,364

FUNDS FLOW FROM OPERATIONS

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2018**	**2017**	**2018**	2017
Net loss	**(36,697)**	(33,814)	**(63,379)**	(47,606)
Items not affecting cash				
Depreciation	**100,469**	75,508	**199,044**	154,867
Share-based compensation, net of cash paid	**1,440**	(1,101)	**1,276**	(2,326)
Unrealized foreign exchange and other	**(4,230)**	21,236	**(5,567)**	11,854
Accretion on long-term debt	**(12)**	60	**24**	255
Deferred income tax	**(13,162)**	(17,120)	**(29,683)**	(27,466)
Funds flow from operations	**47,808**	44,769	**101,715**	89,578

OVERVIEW

Revenue for the second quarter of 2018 was $263.1 million, an increase of 13 percent from revenue for the second quarter of 2017 of $232.2 million. Revenue for the six months ended June 30, 2018 was $521.5 million, an increase of eight percent from revenue for the six months ended June 30, 2017 of $483.5 million. Revenue, net of third party, for the second quarter of 2018 was $231.9 million, an increase of ten percent from Revenue, net of third party, for the second quarter of 2017 of $211.7 million. Revenue, net of third party, for the six months ended June 30, 2018 was $458.5 million, an increase of nine percent from Revenue, net of third party, for the six months ended June 30, 2017 of $420.6 million.

Adjusted EBITDA totaled $53.1 million ($0.34 per common share) in the second quarter of 2018, 20 percent higher than Adjusted EBITDA of $44.3 million ($0.29 per common share) in the second quarter of 2017. For the first six months of 2018, Adjusted EBITDA totaled $105.4 million ($0.67 per common share), 12 percent higher than Adjusted EBITDA of $94.4 million ($0.61 per common share) in the first six months of 2017.

Net loss for the second quarter of 2018 was $36.7 million ($0.23 per common share) compared to a net loss of $33.8 million ($0.22 per common share) for the second quarter of 2017. Net loss for the six months ended June 30, 2018 was $63.4 million ($0.40 per common share), compared to net loss of $47.6 million ($0.31 per common share) for the six months ended June 30, 2017.

Funds flow from operations increased seven percent to $47.8 million ($0.31 per common share) in the second quarter of 2018 compared to $44.8 million ($0.29 per common share) in the second quarter of the prior year. Funds flow from operations increased 14 percent to $101.7 million ($0.65 per common share) in the first six months of 2018 compared to $89.6 million ($0.58 per common share) in the first six months of the prior year.

Operating days were higher in the United States in the second quarter on 2018 when compared to the second quarter on 2017 due to increased demand in oilfield services caused by a price recovery of crude oil and natural gas commodity prices. Operating days were lower in Canada and internationally in the second quarter of 2018 when compared to the second quarter of 2017 mainly due to geopolitical factors and the lack of access for oil and natural gas to markets. A year-over-year weakening of the United States dollar against the Canadian dollar negatively impacted United States and international financial results on translation to Canadian dollars. The average United States exchange rate was $1.28 for the first six months of 2018 (2017 - $1.33) versus the Canadian dollar.

Gross margin increased to $64.8 million (28 percent of Revenue, net of third party) for the second quarter of 2018 compared to gross margin of $55.1 million (26 percent of Revenue, net of third party) for the second quarter of 2017. Gross margin increased to $127.9 million (28 percent of Revenue, net of third party) for the six months ended June 30, 2018 compared to a gross margin of $115.7 million (28 percent of Revenue, net of third party) for the six months ended June 30, 2017. The increase in gross margin in the second quarter of 2018 compared to the second quarter of 2017 was primarily attributed to slightly higher revenue rates in the current period

Working capital at June 30, 2018 was a deficit of $424.7 million, compared to a deficit of $342.2 million at December 31, 2017. The decrease in working capital year-over-year was largely due to the Company's Global Facility ($477.9 million due in October 2018) and senior unsecured notes (USD $100 million due in February 2019). The Company’s bank credit facilities provide unused and available borrowings of $22.1 million at June 30, 2018, up by $10.9 million, compared to $11.2 million at December 31, 2017.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Revenue						
Canada	**45,473**	51,122	(11)	**119,285**	135,372	(12)
United States	**148,088**	110,252	34	**273,591**	208,262	31
International	**69,500**	70,858	(2)	**128,645**	139,882	(8)
Total revenue	**263,061**	232,232	13	**521,521**	483,516	8
Revenue, net of third party	**231,871**	211,687	10	**458,538**	420,578	9
Oilfield services expense	**198,255**	177,133	12	**393,620**	367,778	7
Gross margin	**64,806**	55,099	18	**127,901**	115,738	11
Gross margin as a percentage of Revenue, net of third party	**27.9**	26.0		**27.9**	27.5	

Revenue for the three months ended June 30, 2018 totaled $263.1 million, an increase of 13 percent from the second quarter of 2017 of $232.2 million. Revenue for the six months ended June 30, 2018 totaled $521.5 million, an eight percent increase from the six months ended June 30, 2017. As a percentage of Revenue, net of third party, gross margin for the second quarter of 2018 increased to 28 percent (2017 - 26 percent) and remained consistent at 28 percent for the six months ended June 30, 2018 (2017 - 28 percent).

The moderate price increases in oil and natural gas commodity prices have increased demand for oilfield services in the United States, which resulted in higher equipment utilization rates; however revenues have declined both in Canada and internationally year-over-year. The financial results from the Company's United States and international operations were negatively impacted on translation, as the United States dollar weakened relative to the Canadian dollar in the first six months of 2018 as opposed to a strengthening in the same period of 2017. This served to offset the impact of some of the revenue rate increases experienced during the past several months.

CANADIAN OILFIELD SERVICES

Revenue decreased 11 percent to $45.5 million for the three months ended June 30, 2018 from $51.1 million for the three months ended June 30, 2017. The Company recorded revenue of $119.3 million in Canada for the six months ended June 30, 2018, a decrease of 12 percent from $135.4 million recorded for the six months ended June 30, 2017. Canadian revenues accounted for 17 percent of the Company's total revenue in the second quarter of 2018, compared to 22 percent in the second quarter of 2017. During the six months ended June 30, 2018, Canadian revenues were 23 percent of the Company's revenue, compared with 28 percent in the six months ended June 30, 2017.

The Company's Canadian operations recorded 830 drilling days in the second quarter of 2018, compared to 1,141 drilling days for the second quarter of 2017, a decrease of 27 percent. For the six months ended June 30, 2018, the Company recorded 2,781 drilling days compared to 3,466 drilling days for the six months ended June 30, 2017, a decrease of 20 percent. Canadian well servicing hours decreased by 13 percent to 13,359 operating hours in the second quarter of 2018 compared to 15,291 operating hours in the corresponding period of 2017. For the six months ended June 30, 2018, well servicing hours decreased by 18 percent to 30,084 operating hours compared with 36,846 operating hours for the six months ended June 30, 2017.

Despite, the increase in oil and natural gas commodity prices, demand for the Company's Canadian oilfield services was lower compared to the prior quarters mainly due to geopolitical factors and limited access for oil and natural gas to markets.

During the six months ended June 30, 2018, the Company transferred one ADR® drilling rig from Canada to the United States and decommissioned three service rigs in Canada.

UNITED STATES OILFIELD SERVICES

The Company’s United States operations recorded revenue of $148.1 million in the second quarter of 2018, an increase of 34 percent from the $110.3 million recorded in the corresponding period of the prior year. During the six months ended June 30, 2018, revenue of $273.6 million was recorded, an increase of 31 percent from the $208.3 million recorded in

the corresponding period of the prior year. The Company's United States operations accounted for 56 percent of the Company's revenue in the second quarter of 2018 (2017 - 47 percent) and 52 percent of the Company's revenue in the first six months of 2018 (2017 - 43 percent).

Drilling rig operating days increased by 25 percent to 3,228 drilling days in the second quarter of 2018 from 2,590 drilling days in the second quarter of 2017. Drilling operating days increased by 27 percent from 4,843 operating days in the first six months of 2017 to 6,133 operating days in first six months of 2018. Well servicing activity expressed in operating hours, increased by 33 percent in the second quarter of 2018 to 28,722 operating hours from 21,594 operating hours in the second quarter of 2017. For the six months ended June 30, 2018 well servicing activity increased 23 percent to 51,128 operating hours from 41,675 operating hours in the first six months of 2017.

Overall operating results for the Company's United States operations were positively impacted by a significant increase in demand for oilfield services due to renewed optimism regarding oil and natural gas commodity prices. Revenue rates in the United States have modestly rebounded with operating activity. The improved results were partially offset by one-time reactivation expenses for the quarter and a weakening United States dollar, which decreased four percent versus the Canadian dollar when compared to the three months ending June 30, 2017.

During the second quarter of 2018, the Company transferred one ADR® drilling rig from Canada to the United States and deployed one new service rig to meet increasing demand. The company plans on deploying two more new service rigs in the United States during the third quarter followed by a fourth service rig in 2019. Furthermore, the Company decommissioned one drilling rig and two service rigs.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $69.5 million in the second quarter of 2018, a two percent decrease from the $70.9 million recorded in the corresponding period of the prior year. International revenues for the six months ended June 30, 2018, decreased eight percent to $128.6 million from $139.9 million recorded in the six months ended June 30, 2017. The Company's international operations contributed 26 percent of the total revenue in the second quarter of 2018 (2017 - 31 percent) and 25 percent of the Company's revenue in the first six months of 2018 (2017 - 29 percent).

International operating days for the three months ended June 30, 2018, totaled 1,425 drilling days compared to 1,506 drilling days in the same period of 2017, a decrease of five percent. For the six months ended June 30, 2018, international operating days totaled 2,783 operating days compared to 3,084 drilling days for the six months ended June 30, 2017, a decrease of 10 percent.

The international operations saw a decrease in activity as certain rigs that were on long-term contracts rolled off and were not renewed in 2017. Similar to the Company's United States operations, international operations were negatively impacted by the weakening United States dollar year-over-year in the first six months of 2018, versus the Canadian dollar, on translation into Canadian dollars for reporting purposes compared to the same period of 2017.

DEPRECIATION

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Depreciation	**100,469**	75,508	33	**199,044**	154,867	29

Depreciation expense totaled $100.5 million for the second quarter of 2018 compared with $75.5 million for the second quarter of 2017, an increase of 33 percent. Depreciation expense for the first six months of 2018 increased by 29 percent to $199.0 million compared with $154.9 million for the first six months of 2017. In the first quarter of 2018, the Company reviewed the useful life estimates for all rigs and related equipment and determined that using a straight-line method (versus unit of production) would more accurately reflect the future economic benefits related to these assets. These adjustments were applied prospectively and, as such, have caused an increased depreciation expense in 2018.

GENERAL AND ADMINISTRATIVE EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
General and administrative	**11,742**	10,823	8	**22,543**	21,374	5
% of revenue	**4.5**	4.7		**4.3**	4.4	

General and administrative expense increased 8 percent to $11.7 million (4.5 percent of revenue) for the second quarter of 2018 compared to $10.8 million (4.7 percent of revenue) for the second quarter of 2017. For the six months ended June 30, 2018, general and administrative expense totaled $22.5 million (4.3 percent of revenue) compared to $21.4 million (4.4 percent of revenue) for the six months ended June 30, 2017. The increase in general and administrative expense is due to timing of certain expenses and increased activity in the United States operations. The Company continues to focus on initiatives to manage costs as activity begins to recover.

INTEREST EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Interest expense	**9,200**	8,860	4	**19,395**	18,188	7
Interest income	**(2)**	(38)	(95)	**(3)**	(75)	(96)
	9,198	8,822	4	**19,392**	18,113	7

Interest is incurred on the Company's $500.0 million global revolving credit facility (the “Global Facility”), the United States dollar $200.0 million senior unsecured notes (the “Notes”) issued in February 2012 and convertible debentures issued in the first six months of 2018. The amortization of deferred financing costs associated with the issuance of the Notes is included in interest expense.

Interest expense increased by seven percent for the first six months ended June 30, 2018 compared to the same period in 2017 as a result of an increase to the overall interest rate and total debt. The increased interest expense was partially offset by positive translation impact on 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)	**2018**	2017	% change	**2018**	2017	% change
Foreign exchange and other	**(8,801)**	11,163	nm	**(23,253)**	(4,357)	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.

INCOME TAXES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Current income tax	**617**	523	18	**1,961**	2,654	(26)
Deferred income tax	**(13,162)**	(17,120)	(23)	**(29,683)**	(27,466)	8
Total income tax	**(12,545)**	(16,597)	(24)	**(27,722)**	(24,812)	12
Effective income tax rate (%)	**25.5**	32.9	(22)	**30.4**	34.3	(11)

The effective income tax rate for the three months ended June 30, 2018 was 25.5 percent compared to 32.9 percent for the three months ended June 30, 2017. The effective income tax rate for the six months ended June 30, 2018 was 30.4 percent compared with 34.3 percent for the six months ended June 30, 2017. 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 2017 due to the impact of reductions in foreign tax rates.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

	Three months ended June 30			Six months ended June 30		
($ thousands, except per share data)	**2018**	2017	% change	**2018**	2017	% change
Funds flow from operations	**47,808**	44,769	7	**101,715**	89,578	14
Funds flow from operations per share	**$0.31**	$0.29	7	**$0.65**	$0.58	12
Working capital deficit [1]	**(424,700)**	(342,199)	24	**(424,700)**	(342,199)	24

nm - calculation not meaningful
[1] Comparative figure as of December 31, 2017

During the three months ended June 30, 2018, the Company generated Funds flow from operations of $47.8 million ($0.31 per common share) compared to Funds flow from operations of $44.8 million ($0.29 per common share) for the three months ended June 30, 2017, an increase of seven percent. For the six months ended June 30, 2018, the Company generated Funds flow from operations of $101.7 million ($0.65 per common share) an increase of 14 percent from $89.6 million ($0.58 per common share) for the six months ended June 30, 2017. The increase in Funds flow from operations in 2018 compared to 2017 is due to increase in revenue rates and increased activities compared to prior period, which was partially offset by the weakening United States dollar.

At June 30, 2018 the Company's working capital was a deficit of $424.7 million, compared to a working capital deficit of $342.2 million at December 31, 2017. The decrease in working capital in the first six months of 2018, was mainly related to the financial statements reclassification of a portion of long-term debt ($477.9 million of the Global Bank Facility, due October 3, 2018 and $131.4 million of Senior unsecured notes, due February 22, 2019) maturing with the next 12 months to current liabilities. The Company currently 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 $22.1 million was undrawn and available at June 30, 2018. The Company has a $50 million accordion to be included in the existing revolving global facilities but not yet exercised.

INVESTING ACTIVITIES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Purchase of property and equipment	**(22,979)**	(46,911)	(51)	**(39,455)**	(77,982)	(49)
Proceeds from disposals of property and equipment	**1,138**	820	39	**2,168**	2,422	(10)
Net change in non-cash working capital	**9,516**	4,981	91	**10,314**	5,116	nm
Cash used in investing activities	**(12,325)**	(41,110)	(70)	**(26,973)**	(70,444)	(62)

nm - calculation not meaningful

Net purchases of property and equipment for the second quarter of 2018 totaled $21.8 million (2017 - $46.1 million). Net purchases of property and equipment during the first six months of 2018 totaled $37.3 million (2017 - $75.6 million). The purchase of property and equipment relates predominantly to maintenance capital for certain drilling rigs, and to construction of four service rigs for the United States.

FINANCING ACTIVITIES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Net (decrease) increase in bank credit facilities	**(5,736)**	1,809	nm	**(8,744)**	25,339	nm
Purchase of shares held in trust	**(223)**	(254)	(12)	**(513)**	(546)	(6)
Issuance of convertible debenture	**11,050**	—	nm	**37,000**	—	nm
Dividends	**(18,849)**	(11,164)	69	**(37,698)**	(22,549)	67
Net change in non-cash working capital	**(3,035)**	(3,888)	(22)	**(296)**	(731)	(60)
Cash provided by financing activities	**(16,793)**	(13,497)	24	**(10,251)**	1,513	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. The Company also has available a $50.0 million accordion that would be included in the existing revolving credit facilities if exercised.

Subsequent to the quarter, the Company received approval to increase the Global Facility to $600.0 million with a 3 year term. The terms of the Global Facility other than those stated remained the same, including the availability of the $50.0 million accordion noted above.

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 net debt repayments of $8.7 million during the six months ended June 30, 2018, decreasing the outstanding Global Facility balance. As of June 30, 2018, the credit facilities are primarily being used to fund capital expenditures. On April 12, 2018 the Company announced the closing of the second and final tranche of its non-brokered private placement of unsecured, subordinated convertible debentures (the "Debentures") for gross proceeds of $11.05 million. Together with the principal amount of $25.95 million issued on March 29, 2018, the Corporation has now issued an aggregate principal amount of $37.0 million of Debentures. The Debentures bear interest from the date of closing at 7.0% per annum, payable semi-annually in arrears, on April 1 and October 1 each year. The debentures will mature on January 31, 2022. $19.0 million of the debenture proceeds were used to pay off a $19.0 million loan that was incurred during the first quarter of 2018.

The Debentures are convertible at the option of the holder into common shares of the Corporation ("Common Shares") at any time prior to the close of business on the Maturity Date upon at least 61 days prior notice, at a conversion price of $7.00 per Common Share, subject to customary anti-dilution adjustments (the "Conversion Price"). Holders converting their Debentures will receive accrued and unpaid interest thereon (if any), up to, but excluding, the date of conversion.

If, on and after April 1, 2021, the closing price of the Common Shares on the Toronto Stock Exchange exceeds 125% of the Conversion Price for at least 30 consecutive trading days, the Debentures may be redeemed by the Corporation for cash, in whole or in part from time to time, on not more than 90 days and not less than 60 days prior notice, at a redemption price equal to the outstanding principal amount of the Debentures plus accrued and unpaid interest thereon (if any), up to, but excluding, the date of redemption.

The Board of Directors of the Company has declared a third quarter cash dividend of $0.12 per common share to be payable on October 4, 2018 to all Common Shareholders of record as of September 20, 2018. 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, 2018 totaled $214.3 million, a decrease of $17.9 million from $232.2 million as at December 31, 2017. 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, 2018, the Company had accounts receivable of approximately $16.6 million for work performed in Venezuela, and in recent months a number of payments have been received by the Company. Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in the country there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding. As a result the Company has provided a further $11.2 million provision onto its already discounted accounts receivable balance.

NEW BUILDS AND MAJOR RETROFITS

During the six months ended June 30, 2018, the Company decommissioned three service rigs in Canada, transferred one ADR® drilling rig from Canada to the United States. The Company decommissioned one drilling rig and two service rigs in the United States, and added 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 and is currently in the process of construction of three new service rigs for the United States.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q2-2018**	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016
Revenue	**263,061**	258,460	270,013	247,121	232,232	251,284	234,001	191,313
Revenue, net of third party [1]	**231,871**	226,967	241,987	211,299	211,687	208,891	204,474	168,098
Adjusted EBITDA [1]	**53,064**	52,294	54,820	52,600	44,276	50,088	51,665	42,456
Adjusted EBITDA per share [1]								
Basic	**$0.34**	$0.33	$0.34	$0.34	$0.29	$0.32	$0.33	$0.28
Diluted	**$0.34**	$0.33	$0.35	$0.33	$0.29	$0.32	$0.33	$0.28
Net (loss) income	**(36,697)**	(26,682)	46,488	(36,526)	(33,814)	(13,792)	(61,905)	(33,727)
Net (loss) income per share								
Basic	**$(0.23)**	$(0.17)	$0.30	$(0.23)	$(0.22)	$(0.09)	$(0.41)	$(0.22)
Diluted	**$(0.23)**	$(0.17)	$0.30	$(0.23)	$(0.22)	$(0.09)	$(0.40)	$(0.22)
Cash provided by operating activities	**19,306**	19,998	38,124	32,791	44,687	19,545	8,089	25,315
Funds flow from operations [1]	**47,808**	53,907	12,244	39,616	44,769	44,809	48,862	30,281
Funds flow from operations per share [1]								
Basic	**$0.31**	$0.34	$0.07	$0.25	$0.29	$0.29	$0.32	$0.20
Diluted	**$0.31**	$0.34	$0.07	$0.25	$0.29	$0.29	$0.31	$0.20
Total debt, net of cash	**748,609**	726,636	707,559	700,011	714,357	709,062	687,662	669,618

[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 volatile levels of demand for oilfield services. Such demand for oilfield services is negatively influenced by unfavorable oil and natural gas commodity prices. 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 2018 compared to prior years.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of August 2, 2018:

	Number		Amount ($)
Common shares	156,854,527	$	206,517

	Outstanding	Exercisable
Stock options	7,641,550	4,369,940

OUTLOOK

Industry Overview

The supply and demand fundamentals of crude oil has continued to balance out over the year, helping WTI to trade in a tighter and higher range than in previous periods. This tightness has been aided by countries like Venezuela and Libya having export issues, as well as new sanctions on Iranian oil set to begin in November of 2018. The increase in oil prices will help to continue the strengthening of our customer's balances sheets and cash flow, which should continue to contribute to increased demand for oilfield services into the future.

Canadian Activity

During 2017 and continuing through 2018, Canadian operators have been moving oilfield service equipment to the United States due to concerns with pricing and utilization in Canada and has started to create a shortage of certain types of drilling rigs in the Canadian market. This shortage is now allowing drilling rig operators to increase both the day rates and term of contracts for their equipment as customers are looking to secure drilling rigs for the upcoming winter drilling season. The purchase of the Kinder Morgan Trans Mountain pipeline by the Canadian Government has created some certainty that the pipeline will be completed. Support for LNG Canada should also create more future demand for drilling rigs adding to the scarcity of certain high spec drilling rigs.

As of August 2, 2018, 29 drilling and coring rigs are currently under contract with 14 under contract that have a remaining term longer than six months (25 percent of the marketed fleet).

United States Activity

Bottlenecks and takeaway capacity are generating some concerns for the Permian basin. Rig counts have been flat, and until some of these constraints are dealt with, the rig count is expected to remain flat. However, resource basins in California and Colorado are still seeing increases in demand. The overall consensus is that the United States will remain flat to a modest increase in drilling rigs for the remainder of 2018 with growth expected to continue into the 2019. The growth in rig count should allow for additional pricing increases, as recent capital expenditure programs for oilfield service companies have thus far limited the construction of new drilling rigs which constrains the supply of high spec equipment.

Of our 67 marketed United States rigs, 44 drilling rigs are currently under contracts with 19 under contract that have a remaining term longer than six months (28 percent of the marketed fleet).

International Activity

The Company's expectation of modest growth in the remainder of 2018 for its International segment has not changed since the previous quarter. Nine of our drilling rigs are currently running in Latin America as at August 2, 2018 and that level of activity is expected to be maintained throughout the year with the possibility of a slight increase. This is largely dependent on the political situation in Venezuela, which continues to cause an unstable environment. We have a total of three rigs running in the Middle East and eight in Australia.

In the international segment we have 19 drilling rigs under contract with nine, or 21 percent of the marketed fleet under contract that has a remaining term 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, 2018.

CHANGE IN ACCOUNTING POLICY

The Company adopted the following mandatory new standards effective January 1, 2018. The following is a brief summary of the new standards that are relevant to the Company:

IFRS 9 - Financial Instruments:

The IASB issued the final version of IFRS 9 Financial Instruments, which is effective for annual periods beginning on or after January 1, 2018. IFRS 9, as amended, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a substantially reformed approach to hedge accounting and a new impairment model for financial assets. The Company has adopted the standard retrospectively from January 1, 2018, with the transition provisions permitted under the standard. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in the opening balance as of January 1, 2018. Comparative prior year periods are not restated.

IFRS 15 - Revenue from Contracts with Customers:

Effective January 1, 2018, upon adoption of IFRS 15 Revenue from Contracts with Customers, the Company recognizes revenue for services rendered when the performance obligations have been completed, as control of the services transfer to the customer, when the services performed have been accepted by the customer, and collectability is reasonably assured. The consideration for services rendered is measured at the fair value of the consideration received and allocated based on their standalone selling prices. The standalone selling prices are determined based on the agreed upon list prices at which the Company sells its services in separate transactions. Payment terms with customers vary by country and contract. Standard payment terms are 30 days from invoice date.

The Company does not expect to have any revenue contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. The Company does not incur material costs to obtain contracts with customers and consequently, does not recognize any contract assets. The Company does not have any contract liabilities associated with its customer contracts. The adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

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, 2018 was approximately 1.31 compared with 1.26 at December 31, 2017 and 1.30 at June 30, 2018. In addition, the Company has foreign exchange risk in relation to the conversion of United States dollar-denominated debt to Australian dollars.

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 2018	December 31 2017
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	**$ 33,234**	$ 32,374
Accounts receivable *(Note 6)*	**214,271**	232,155
Inventories and other	**100,111**	92,424
Income taxes receivable	**2,541**	3,546
Total current assets	**350,157**	360,499
Property and equipment *(Note 6)*	**2,504,323**	2,597,966
Total assets	**$ 2,854,480**	$ 2,958,465
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 142,883**	$ 190,152
Dividends payable	**18,849**	18,849
Share-based compensation *(Note 10)*	**2,606**	3,021
Income taxes payable	**1,180**	3,419
Current portion of long-term debt (Note 7)	**609,339**	487,257
Total current liabilities	**774,857**	702,698
Long-term debt *(Note 7)*	**172,504**	252,676
Share-based compensation *(Note 10)*	**3,019**	2,708
Deferred income taxes	**290,246**	311,007
Total liabilities	**1,240,626**	1,269,089
Shareholders' Equity		
Share capital *(Note 8)*	**206,517**	206,042
Contributed surplus	**709**	1,126
Equity component of convertible debenture *(Note 7)*	**3,193**	—
Foreign currency translation reserve	**272,970**	237,885
Retained earnings	**1,130,465**	1,244,323
Total shareholders' equity	**1,613,854**	1,689,376
Total liabilities and shareholders' equity	**$ 2,854,480**	$ 2,958,465

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS

	Three months ended		Six months ended	
	June 30 2018	June 30 2017	**June 30 2018**	June 30 2017
(Unaudited, in thousands of Canadian dollars, except per share data)				
Revenue	**$ 263,061**	$ 232,232	**$ 521,521**	$ 483,516
Expenses				
Oilfield services	**198,255**	177,133	**393,620**	367,778
Depreciation *(Note 6)*	**100,469**	75,508	**199,044**	154,867
General and administrative	**11,742**	10,823	**22,543**	21,374
Share-based compensation	**1,440**	(806)	**1,276**	(1,841)
Foreign exchange and other	**(8,801)**	11,163	**(23,253)**	(4,357)
Total expenses	**303,105**	273,821	**593,230**	537,821
Loss before interest and income taxes	**(40,044)**	(41,589)	**(71,709)**	(54,305)
Interest income	**(2)**	(38)	**(3)**	(75)
Interest expense	**9,200**	8,860	**19,395**	18,188
Loss before income taxes	**(49,242)**	(50,411)	**(91,101)**	(72,418)
Income taxes				
Current tax	**617**	523	**1,961**	2,654
Deferred tax	**(13,162)**	(17,120)	**(29,683)**	(27,466)
Total income taxes	**(12,545)**	(16,597)	**(27,722)**	(24,812)
Net loss	**$ (36,697)**	$ (33,814)	**$ (63,379)**	$ (47,606)
Net loss per share *(Note 9)*				
Basic	**$ (0.23)**	$ (0.22)	**$ (0.40)**	$ (0.31)
Diluted	**$ (0.23)**	$ (0.22)	**$ (0.40)**	$ (0.31)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three months ended		Six months ended	
	June 30 2018	June 30 2017	**June 30 2018**	June 30 2017
(Unaudited, in thousands of Canadian dollars)				
Net loss	**$ (36,697)**	$ (33,814)	**$ (63,379)**	$ (47,606)
Other comprehensive (loss)				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**9,889**	(25,307)	**35,085**	(37,097)
Comprehensive loss	**$ (26,808)**	$ (59,121)	**$ (28,294)**	$ (84,703)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Contributed Surplus	Equity Component of Convertible Debenture	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
(Unaudited, in thousands of Canadian dollars)						
Balance at December 31, 2017 as originally presented	$ 206,042	$ 1,126	$ —	$ 237,885	$ 1,244,323	$ 1,689,376
Change in accounting policy *(Note 6)*	—	—	—	—	(12,781)	$ (12,781)
Balance, January 1, 2018	$ 206,042	$ 1,126	$ —	$ 237,885	$ 1,231,542	$ 1,676,595
Net loss	—	—	—	—	(63,379)	(63,379)
Other comprehensive income	—	—	—	35,085	—	35,085
Total comprehensive income (loss)	—	—		35,085	(63,379)	(28,294)
Dividends	—	—	—	—	(37,698)	(37,698)
Convertible Debenture *(Note 7)*	—	—	3,193	—	—	3,193
Share-based compensation	—	571	—	—	—	571
Shares vested previously held in trust	988	(988)	—	—	—	—
Purchase of shares held in trust	(513)	—	—	—	—	(513)
Balance June 30, 2018	**$ 206,517**	**$ 709**	**$ 3,193**	**$ 272,970**	**$ 1,130,465**	**$ 1,613,854**
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

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Six months ended	
	June 30 2018	June 30 2017	**June 30 2018**	June 30 2017
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net loss	**$ (36,697)**	$ (33,814)	**$ (63,379)**	$ (47,606)
Items not affecting cash				
Depreciation	**100,469**	75,508	**199,044**	154,867
Share-based compensation, net of cash paid	**1,440**	(1,101)	**1,276**	(2,326)
Unrealized foreign exchange and other	**(4,230)**	21,236	**(5,567)**	11,854
Accretion on long-term debt	**(12)**	60	**24**	255
Deferred income tax	**(13,162)**	(17,120)	**(29,683)**	(27,466)
Funds flow from operations	**47,808**	44,769	**101,715**	89,578
Net change in non-cash working capital *(Note 12)*	**(28,502)**	(82)	**(62,411)**	(25,346)
Cash provided by operating activities	**19,306**	44,687	**39,304**	64,232
Investing activities				
Purchase of property and equipment	**(22,979)**	(46,911)	**(39,455)**	(77,982)
Proceeds from disposals of property and equipment	**1,138**	820	**2,168**	2,422
Net change in non-cash working capital *(Note 12)*	**9,516**	4,981	**10,314**	5,116
Cash used in investing activities	**(12,325)**	(41,110)	**(26,973)**	(70,444)
Financing activities				
Net (decrease) increase in bank credit facilities	**(5,736)**	1,809	**(8,744)**	25,339
Purchase of shares held in trust *(Note 8)*	**(223)**	(254)	**(513)**	(546)
Issuance of convertible debenture *(Note 7)*	**11,050**	—	**37,000**	—
Dividends *(Note 8)*	**(18,849)**	(11,164)	**(37,698)**	(22,549)
Net change in non-cash working capital *(Note 12)*	**(3,035)**	(3,888)	**(296)**	(731)
Cash (used in) provided by financing activities	**(16,793)**	(13,497)	**(10,251)**	1,513
Net (decrease) increase in cash and cash equivalents	**(9,812)**	(9,920)	**2,080**	(4,699)
Effects of foreign exchange on cash and cash equivalents	**(90)**	(447)	**(1,220)**	(819)
Cash				
Beginning of period	**43,136**	34,686	**32,374**	29,837
End of period	**$ 33,234**	$ 24,319	**$ 33,234**	$ 24,319
Supplemental information				
Interest paid	**$ 12,234**	$ 10,804	**$ 19,663**	$ 17,714
Income taxes recovered	**$ (1,798)**	$ (12,563)	**$ (3,195)**	$ (11,418)

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, 2017. 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, 2017, 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 interim consolidated financial statements were approved by the Company's Board of Directors on August 2, 2018, after review by the Company's Audit Committee.

3. RECENT ACCOUNTING PRONOUNCEMENTS

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

4. 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.

5. 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.

6. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the group's financial statements and also discloses the new accounting policies that have been applied from January 1, 2018, where they are different to those applied in prior periods.

IFRS 9 Financial Instruments

The IASB issued the final version of IFRS 9 *Financial Instruments*, which is effective for annual periods beginning on or after January 1, 2018. IFRS 9, as amended, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a substantially reformed approach to hedge accounting and a new impairment model for financial assets. The Company has adopted the standard retrospectively from January 1, 2018, with the transition provisions permitted under the standard. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in the opening balance as of January 1, 2018. Comparative prior year periods are not restated.

The allowances for doubtful accounts as at December 31, 2017 reconciles to the opening allowances for doubtful accounts on January 1, 2018 is as follows:

		Allowance for doubtful accounts
Closing allowance for doubtful accounts as at December 31, 2017	$	4,165
Loss related to Venezuela		11,234
Loss related to other receivables		1,547
Total amounts restated through opening retained earnings		12,781
Opening allowance for doubtful accounts as at January 1, 2018 - calculated under IFRS 9	**$**	**16,946**

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 120 days past due.

As a result of the above noted adoption of accounting policies, the Company's residual undiscounted accounts receivable related to the Company's international operations it provides in Venezuela was provisioned for.

(a) Classification and measurement

(i) Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:
i. Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
ii. Those to be measured at amortized cost. The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. The Company reclassifies financial assets when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Company classifies its financial assets:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains and losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in profit or loss.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or less. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains or losses in the period in which it arises.

IFRS 15 Revenue from Contracts with Customers

Effective January 1, 2018, upon adoption of IFRS 15 *Revenue from Contracts with Customers*, the Company recognizes revenue for services rendered when the performance obligations have been completed, as control of the services transfer to the customer, when the services performed have been accepted by the customer, and collectability is reasonably assured. The consideration for services rendered is measured at the fair value of the consideration received and allocated based on their standalone selling prices. The standalone selling prices are determined based on the agreed upon list prices at which the Company sells its services in separate transactions. Payment terms with customers vary by country and contract. Standard payment terms are 30 days from invoice date.

The Company does not expect to have any revenue contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. The Company does not incur material costs to obtain contracts with customers and consequently, does not recognize any contract assets. The Company does not have any contract liabilities associated with its customer contracts. The adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

Property and Equipment

During the first quarter on 2018, Ensign under took a review of its depreciation methodology for all rigs and related equipment. As a result, as of January 1, 2018, the Company determined that using a straight-line method (versus unit of production) and a lower salvage value would more accurately reflect the future economic benefits related to these assets. These adjustments were applied prospectively and caused an increase in depreciation for the three and six months ended June 30, 2018 of $21,692 and $36,751 respectively. A summary of the new depreciation methodologies for drilling and well servicing rigs and related equipment is as follows:

Asset Class	Expected Life	Method	Residual
Oilfield services equipment			
Power	5 years	Straight-line	10%
Drill pipe	6 years	Straight-line	10%
Top drives	10 years	Straight-line	10%
Mud pumps	10 years	Straight-line	10%
Blow out preventer	10 years	Straight-line	10%
Dynamic	10 years	Straight-line	10%
Structure	20 years	Straight-line	10%
Service rig equipment	20 years	Straight-line	10%
Heavy oilfield service equipment	3- 15 years	Straight-line	10%
Drilling rig spare equipment	1- 10 years	Straight-line	—%
Buildings	20 years	Straight-line	—%
Automotive equipment	3 years	Straight-line	10%
Office furniture	5- 10 years	Straight-line	—%

7. BANK CREDIT FACILITIES AND LONG-TERM DEBT

	June 30 2018	December 31 2017
Drawings on the Global Facility	**$ 477,929**	$ 488,677
Senior unsecured notes		
Tranche A, due February 22, 2019, 3.43%	**131,410**	125,730
Tranche B, due February 22, 2022, 3.97%	**131,410**	125,730
Subordinated Convertible Debenture, January 22, 2022, 7.00%	**33,807**	—
Capital Lease Commitments	**7,729**	1,436
Unamortized deferred financing costs	**(442)**	(1,640)
Total	**$ 781,843**	$ 739,933
Less: current portion	**(609,339)**	(487,257)
Total long-term debt	**$ 172,504**	$ 252,676

Interest accrued on the senior unsecured notes (the "Notes") at June 30, 2018 was $624 (2017 - $1,835) 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.

On April 12, 2018 the Company announced the closing of the second and final tranche of its non-brokered private placement of unsecured, subordinated convertible debentures (the "Debentures") for gross proceeds of $11,050 million. Together with the principal amount of $25,950 issued on March 29, 2018, the Corporation has now issued an aggregate principal amount of $37,000 of Debentures. The Debentures bear interest from the date of closing at 7.0% per annum, payable semi-annually in arrears, on April 1 and October 1 each year. The debentures will mature on January 31, 2022.

If, on and after April 1, 2021, the closing price of the Common Shares on the Toronto Stock Exchange exceeds 125% of the Conversion Price for at least 30 consecutive trading days, the Debentures may be redeemed by the Corporation for cash, in whole or in part from time to time, on not more than 90 days and not less than 60 days prior notice, at a redemption price equal to the outstanding principal amount of the Debentures plus accrued and unpaid interest thereon (if any), up to, but excluding, the date of redemption.

The liability component of the Debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option, which was calculated based on a estimated market interest rate of 8.5%.

The difference between the principal amount of the Debentures and the fair value of the liability component was recognized in shareholders' equity

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

8. 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, 2018	156,753,209	$ 206,042
Changes in unvested shares held in trust	101,318	475
Closing balance - June 30, 2018	**156,854,527**	**$ 206,517**

The total number of unvested shares held in trust for share-based compensation plans as at June 30, 2018 was 219,954 (December 31, 2017 – 321,272).

(c) Dividends

During the three months ended June 30, 2018, the Company declared dividends of $18,849 (2017 - $19,098), being $0.12 per common share (2017 - $0.12 per common share). For the six months ended June 30, 2018, the Company declared dividends of $37,698 (2017 - $38,087), being $0.24 per common share (2017 - $0.24 per common share).

9. 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 2018	June 30 2017	**June 30 2018**	June 30 2017
Net loss attributable to common shareholders:				
Basic and diluted	**$ (36,697)**	$ (33,814)	**$ (63,379)**	$ (47,606)
Weighted average number of common shares outstanding:				
Basic	**156,733,024**	156,986,615	**156,867,599**	154,915,270
Potentially dilutive share-based compensation plans	**156,385**	233,506	**164,845**	256,515
Diluted	**156,889,409**	157,220,121	**157,032,444**	155,171,785

During the three months ended June 30, 2018, share options of 7,773,750 (2017 – 6,129,200) 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, 2018, share options of 7,773,750 (2017 – 4,923,500) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

10. SHARE-BASED COMPENSATION

A summary of the Company's share option plan as of June 30, 2018 and the changes during the six month period ended, is presented below:

	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1, 2018	6,724,900	$ 9.67
Granted	1,358,700	5.60
Forfeited	(309,850)	(9.33)
Outstanding - June 30, 2018	**7,773,750**	**$ 8.97**
Exercisable - June 30, 2018	**2,814,850**	**$ 11.46**

The following table lists the options outstanding at June 30, 2018:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$5.60 to $8.00	5,011,450	3.59	$ 6.78	909,850	$ 7.46
$8.01 to $13.00	1,522,500	1.50	10.37	913,500	10.37
$13.01 to $16.13	1,239,800	0.50	16.13	991,500	16.13
	7,773,750	2.69	$ 8.97	2,814,850	$ 11.46

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

	June 30 2018
Remaining expected life (years)	2.4
Volatility (percent)	40.0
Forfeiture rate (percent)	6.6
Risk-free interest rate (percent)	1.9
Expected dividend (percent)	8.2

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of June 30, 2018 and the changes during the six month period ended, is presented below:

	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1, 2018	612,700	$ 9.39
Granted	150,000	5.60
Forfeited	(20,000)	10.22
Outstanding - June 30, 2018	**742,700**	**$ 8.60**
Exercisable - June 30, 2018	**236,400**	**$ 11.53**

The following table lists the SARs outstanding at June 30, 2018:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$5.60 to $9.00	524,400	3.73	$ 6.66	81,600	$ 7.47
$9.01 to $12.00	108,200	1.50	10.37	66,000	10.37
$12.01 to $16.13	110,100	0.50	16.13	88,800	16.13
	742,700	2.93	$ 8.60	236,400	$ 11.53

Performance Share Units (PSUs)

During the third quarter of 2017 the Company granted Performance Share Units (PSUs) to certain officers and employees of the Company to participate in the growth and development of the Company and to promote further alignment of interests between employees and the shareholders. PSUs are subject to the Company's performance metrics assessed by management with a three year performance period. Each PSU granted permits the holder to receive a cash payment equal to the fair market value of a share as of the maturity date, adjusted for a performance multiplier.

A summary of the activity under this share based incentive plan is presented below:

	Outstanding
Outstanding – January 1, 2018	694,983
Granted	771,917
Granted through dividend payment	43,113
Forfeited	(19,136)
Outstanding - June 30, 2018	**1,490,877**

Included in net earnings for the three months ended June 30, 2018 is an expense of $527 (2017 - $nil), and six months ended June 30, 2018 is as expense of $471 (2017 - $nil).

11. 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:

	2018				2017			
As at and for the six month period ended June 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**119,285**	**273,591**	**128,645**	**521,521**	135,372	208,262	139,882	483,516
(Loss) income before interest and income taxes	**(6,151)**	**(39,712)**	**(25,846)**	**(71,709)**	(26,203)	(37,533)	9,431	(54,305)
Property and equipment, net	**838,868**	**1,192,326**	**473,129**	**2,504,323**	886,475	1,339,354	562,543	2,788,372

	2018				2017			
As at and for the three month period ended June 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**45,473**	**148,088**	**69,500**	**263,061**	51,122	110,252	70,858	232,232
(Loss) income before interest and income taxes	**(2,106)**	**(17,229)**	**(20,709)**	**(40,044)**	(23,255)	(18,816)	482	(41,589)

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Rig rental revenue	**$ 138,144**	$ 127,064	**$ 293,382**	$ 274,045
Service revenue	**124,917**	105,168	**228,139**	209,471
Total revenue	**$ 263,061**	**$ 232,232**	**$ 521,521**	$ 483,516

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.

12. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash working capital

	Three months ended		Six months ended	
	June 30 2018	June 30 2017	**June 30 2018**	June 30 2017
Net change in non-cash working capital				
Accounts receivable and other	**$ 1,519**	$ 9,039	**$ 3,913**	$ (22,713)
Inventories and other	**(3,284)**	1,031	**(5,604)**	127
Accounts payable and accruals	**(19,265)**	(21,933)	**(50,023)**	(12,013)
Income taxes receivable	**(991)**	13,585	**(679)**	14,349
Dividends payable	**—**	(711)	**—**	(711)
	$ (22,021)	$ 1,011	**$ (52,393)**	$ (20,961)
Relating to:				
Operating activities	**$ (28,502)**	$ (82)	**$ (62,411)**	$ (25,346)
Investing activities	**9,516**	4,981	**10,314**	5,116
Financing activities	**(3,035)**	(3,888)	**(296)**	(731)
	$ (22,021)	$ 1,011	**$ (52,393)**	$ (20,961)

13. 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.

The estimated fair value of the liability portion of the convertible debt was based on Level 3 inputs and was estimated using the relative market interest rate.

14. SUBSEQUENT EVENTS

Subsequent to the quarter, the Company received approval to increase the Global Facility to $600.0 million with a 3 year term. The terms of the Global Facility other than those stated remained the same.

CORPORATE INFORMATION

BOARD OF DIRECTORS

N. MURRAY EDWARDS
Corporate Director and Investor

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

GARY CASSWELL [2,4]
Independent Businessman

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

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

TOM CONNORS
Executive Vice President - Canada/ International East Operations

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

TREVOR RUSSELL
Vice President, Finance

AHMED IQBAL
Corporate Controller

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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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