ENSIGN®

2018 Q3

THIRD QUARTER REPORT For the three and nine months ended September 30, 2018

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended September 30			Nine months ended September 30		
	2018	2017	% change	**2018**	2017	% change
Revenue	**288,700**	247,121	17	**810,221**	730,637	11
Revenue, net of third party [1]	**254,424**	211,299	20	**712,962**	631,877	13
Adjusted EBITDA [1]	**68,641**	52,600	30	**173,999**	146,964	18
Adjusted EBITDA per share [1]						
Basic	**$0.44**	$0.34	29	**$1.11**	$0.95	17
Diluted	**$0.44**	$0.33	33	**$1.11**	$0.94	18
Net loss	**(32,791)**	(36,526)	10	**(96,170)**	(84,132)	(14)
Net loss per share						
Basic	**$(0.21)**	$(0.23)	(9)	**$(0.61)**	$(0.54)	(13)
Diluted	**$(0.21)**	$(0.23)	(9)	**$(0.61)**	$(0.54)	(13)
Cash provided by operating activities	**51,792**	32,791	58	**91,096**	97,023	(6)
Funds flow from operations [1]	**60,390**	39,616	52	**162,105**	129,194	25
Funds flow from operations per share [1]						
Basic	**$0.38**	$0.25	52	**$1.03**	$0.83	24
Diluted	**$0.38**	$0.25	52	**$1.03**	$0.83	24
Total debt, net of cash	**730,520**	700,011	4	**730,520**	700,011	4
Weighted average shares - basic *(000s)*	**156,756**	156,554	—	**156,863**	155,468	1
Weighted average shares - diluted *(000s)*	**156,911**	156,836	—	**157,021**	155,859	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]	**1,530**	1,744	(12)	**4,311**	5,210	(17)
United States	**3,330**	3,035	10	**9,462**	7,878	20
International [4]	**1,689**	1,475	15	**4,473**	4,559	(2)
Well Servicing	**2018**	2017	% change	**2018**	2017	% change
Number of rigs						
Canada	**62**	65	(5)	**62**	65	(5)
United States	**45**	45	—	**45**	45	—
Operating hours						
Canada	**14,607**	16,763	(13)	**44,691**	53,609	(17)
United States	**30,349**	24,962	22	**81,477**	66,637	22

[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 nine months ended September 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 November 1, 2018.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements generally 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 expressions of a similar nature suggesting future outcome or statements regarding an outlook.

Disclosure related to expected future commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other prospective 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 representations or guarantees of future performance and are subject to certain risks. The reader should not place undue reliance on forward-looking statements as there can be no assurance that the plans, initiatives, projections, anticipations 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 industries in which the Company operate, 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., They are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risk 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 crude oil and natural gas commodity 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; the Company's ability to implement its business strategy; impact of competition; the Company's defence of lawsuits; availability and cost of labour and other equipment, supplies and services; the Company's ability to complete its capital programs; operating hazards and other difficulties inherent in the operation of the Company's oilfield services equipment; availability and cost of financing and insurance; 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 affecting the Company's business, 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 risks and developments, such as expropriation, nationalization, or regime change, 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 expressed or implied by 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 would depend upon its assessment of the future considering all information then available.

For additional information refer to the “Risk and Uncertainties” section of this MD&A. Readers are cautioned that the lists of important factors contained herein are not exhaustive. Unpredictable or unknown factors not discussed in this MD&A could also have material adverse effects on forward-looking statements.

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 its projections, anticipations, 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 compared.

ADJUSTED EBITDA	Three months ended September 30		Nine months ended September 30	
($ thousands)	**2018**	2017	**2018**	2017
Loss before income taxes	**(46,555)**	(45,697)	**(137,656)**	(118,115)
Interest expense	**10,871**	8,665	**30,263**	26,778
Depreciation	**102,427**	79,208	**301,471**	234,075
Share-based compensation	**1,160**	1,466	**2,436**	(375)
Foreign exchange and other	**738**	8,958	**(22,515)**	4,601
Adjusted EBITDA	**68,641**	52,600	**173,999**	146,964

FUNDS FLOW FROM OPERATIONS	Three months ended September 30		Nine months ended September 30	
($ thousands)	**2018**	**2017**	**2018**	2017
Net loss	**(32,791)**	(36,526)	**(96,170)**	(84,132)
Items not affecting cash				
Depreciation	**102,427**	79,208	**301,471**	234,075
Share-based compensation, net of cash paid	**1,160**	1,659	**2,436**	(667)
Unrealized foreign exchange and other	**1,737**	750	**(3,830)**	12,604
Accretion on long-term debt	**327**	51	**351**	306
Deferred income tax	**(12,470)**	(5,526)	**(42,153)**	(32,992)
Funds flow from operations	**60,390**	39,616	**162,105**	129,194

OVERVIEW

Revenue for the third quarter of 2018 was $288.7 million, an increase of 17 percent from revenue for the third quarter of 2017 of $247.1 million. Revenue for the nine months ended September 30, 2018 was $810.2 million, an increase of 11 percent from revenue for the nine months ended September 30, 2017 of $730.6 million. Revenue, net of third party, for the third quarter of 2018 was $254.4 million, an increase of 20 percent from Revenue, net of third party, for the third quarter of 2017 of $211.3 million. Revenue, net of third party, for the nine months ended September 30, 2018 was $713.0 million, an increase of 13 percent from Revenue, net of third party, for the nine months ended September 30, 2017 of $631.9 million.

Adjusted EBITDA totaled $68.6 million ($0.44 per common share) in the third quarter of 2018, 30 percent higher than Adjusted EBITDA of $52.6 million ($0.34 per common share) in the third quarter of 2017. For the first nine months of 2018, Adjusted EBITDA totaled $174.0 million ($1.11 per common share), 18 percent higher than Adjusted EBITDA of $147.0 million ($0.95 per common share) in the first nine months of 2017.

Net loss for the third quarter of 2018 was $32.8 million ($0.21 per common share) compared to a net loss of $36.5 million ($0.23 per common share) for the third quarter of 2017. Net loss for the nine months ended September 30, 2018 was $96.2 million ($0.61 per common share), compared to net loss of $84.1 million ($0.54 per common share) for the nine months ended September 30, 2017.

Funds flow from operations increased 52 percent to $60.4 million ($0.38 per common share) in the third quarter of 2018 compared to $39.6 million ($0.25 per common share) in the third quarter of the prior year. Funds flow from operations increased 25 percent to $162.1 million ($1.03 per common share) in the first nine months of 2018 compared to $129.2 million ($0.83 per common share) in the first nine months of the prior year.

Operating days were higher in the United States and internationally in the third quarter of 2018 when compared to the third quarter in 2017 due to increased demand in oilfield services primarily caused by a price recovery of crude oil and natural gas commodity prices. Operating days were lower in Canada in the third quarter of 2018 when compared to the third 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 $1.29 for the first nine months of 2018 (2017 - $1.31) versus the Canadian dollar.

Gross margin increased to $78.4 million (31 percent of Revenue, net of third party) for the third quarter of 2018 compared to gross margin of $61.9 million (29 percent of Revenue, net of third party) for the third quarter of 2017. Gross margin increased to $206.3 million (29 percent of Revenue, net of third party) for the nine months ended September 30, 2018 compared to a gross margin of $177.7 million (28 percent of Revenue, net of third party) for the nine months ended September 30, 2017. The increase in gross margin in the third quarter of 2018 compared to the third quarter of 2017 was primarily attributed to slightly higher revenue rates in the current period, during which effective cost controls were maintained.

Working capital at September 30, 2018 was a deficit of $404.8 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 ($471.7 million due in September 2019) and senior unsecured notes (USD $100 million due in February 2019). The Company’s bank credit facilities provide unused and available borrowings of $128.3 million at September 30, 2018, up by $117.1 million, compared to $11.2 million at December 31, 2017. This increase in the unused and available borrowings is the result of a renewal and expanded Global Facility, negotiated during the third quarter of 2018.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Revenue						
Canada	**56,184**	63,161	(11)	**175,469**	198,533	(12)
United States	**158,077**	122,046	30	**431,668**	330,308	31
International	**74,439**	61,914	20	**203,084**	201,796	1
Total revenue	**288,700**	247,121	17	**810,221**	730,637	11
Revenue, net of third party	**254,424**	211,299	20	**712,962**	631,877	13
Oilfield services expense	**210,297**	185,172	14	**603,917**	552,950	9
Gross margin	**78,403**	61,949	27	**206,304**	177,687	16
Gross margin as a percentage of Revenue, net of third party	**30.8**	29.3		**28.9**	28.1	

Revenue for the three months ended September 30, 2018 totaled $288.7 million, an increase of 17 percent from the third quarter of 2017 of $247.1 million. Revenue for the nine months ended September 30, 2018 totaled $810.2 million, an 11 percent increase from the nine months ended September 30, 2017. As a percentage of Revenue, net of third party, gross margin for the third quarter of 2018 increased to 31 percent (2017 - 29 percent) and increased to 29 percent for the nine months ended September 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 and internationally, which resulted in higher equipment utilization rates; however revenues have declined in Canada year-over-year as discussed below. 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 nine 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 $56.2 million for the three months ended September 30, 2018 from $63.2 million for the three months ended September 30, 2017. The Company recorded revenue of $175.5 million in Canada for the nine months ended September 30, 2018, a decrease of 12 percent from $198.5 million recorded for the nine months ended September 30, 2017. Canadian revenues accounted for 19 percent of the Company's total revenue in the third quarter of 2018, compared to 26 percent in the third quarter of 2017. During the nine months ended September 30, 2018, Canadian revenues were 22 percent of the Company's revenue, compared with 27 percent in the nine months ended September 30, 2017.

The Company's Canadian operations recorded 1,530 drilling days in the third quarter of 2018, compared to 1,744 drilling days for the third quarter of 2017, a decrease of 12 percent. For the nine months ended September 30, 2018, the Company recorded 4,311 drilling days compared to 5,210 drilling days for the nine months ended September 30, 2017, a decrease of 17 percent. Canadian well servicing hours decreased by 13 percent to 14,607 operating hours in the third quarter of 2018 compared to 16,763 operating hours in the corresponding period of 2017. For the nine months ended September 30, 2018, well servicing hours decreased by 17 percent to 44,691 operating hours compared with 53,609 operating hours for the nine months ended September 30, 2017.

Despite, the moderate 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 commodity pricing differentials caused by limited access for oil and natural gas to markets.

During the nine months ended September 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 $158.1 million in the third quarter of 2018, an increase of 30 percent from the $122.0 million recorded in the corresponding period of the prior year. During the nine months ended

September 30, 2018, revenue of $431.7 million was recorded, an increase of 31 percent from the $330.3 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 55 percent of the Company's revenue in the third quarter of 2018 (2017 - 49 percent) and 53 percent of the Company's revenue in the first nine months of 2018 (2017 - 45 percent).

Drilling rig operating days increased by 10 percent to 3,330 drilling days in the third quarter of 2018 from 3,035 drilling days in the third quarter of 2017. Drilling operating days increased by 20 percent from 7,878 operating days in the first nine months of 2017 to 9,462 operating days in first nine months of 2018. Well servicing activity expressed in operating hours, increased by 22 percent in the third quarter of 2018 to 30,349 operating hours from 24,962 operating hours in the third quarter of 2017. For the nine months ended September 30, 2018 well servicing activity increased 22 percent to 81,477 operating hours from 66,637 operating hours in the first nine 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 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 a weakening of the United States dollar, which decreased one percent versus the Canadian dollar when compared to the three months ending September 30, 2017.

During the nine months of 2018, the Company transferred one ADR® drilling rig from Canada to the United States and deployed two new service rigs to meet increasing demand. The company plans on deploying one more new service rig in the United States during the fourth 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 $74.4 million in the third quarter of 2018, a 20 percent increase from the $61.9 million recorded in the corresponding period of the prior year. International revenues for the nine months ended September 30, 2018, increased one percent to $203.1 million from $201.8 million recorded in the nine months ended September 30, 2017. The Company's international operations contributed 26 percent of the total revenue in the third quarter of 2018 (2017 - 25 percent) and 25 percent of the Company's revenue in the first nine months of 2018 (2017 - 28 percent).

International operating days for the three months ended September 30, 2018, totaled 1,689 drilling days compared to 1,475 drilling days in the same period of 2017, an increase of 15 percent. For the nine months ended September 30, 2018, international operating days totaled 4,473 operating days compared to 4,559 drilling days for the nine months ended September 30, 2017, a decrease of two percent.

The international operations are seeing an increase in activity as the impact of an increased oil and natural gas commodity price is elevates customer demand. 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 nine 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 September 30			Nine months ended September 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Depreciation	**102,427**	79,208	29	**301,471**	234,075	29

Depreciation expense totaled $102.4 million for the third quarter of 2018 compared with $79.2 million for the third quarter of 2017, an increase of 29 percent. Depreciation expense for the first nine months of 2018 increased by 29 percent to $301.5 million compared with $234.1 million for the first nine 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 September 30			Nine months ended September 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
General and administrative	**9,762**	9,349	4	**32,305**	30,723	5
% of revenue	**3.4**	3.8		**4.0**	4.2	

General and administrative expense increased four percent to $9.8 million (3.4 percent of revenue) for the third quarter of 2018 compared to $9.3 million (3.8 percent of revenue) for the third quarter of 2017. For the nine months ended September 30, 2018, general and administrative expense totaled $32.3 million (4.0 percent of revenue) compared to $30.7 million (4.2 percent of revenue) for the nine months ended September 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.

INTEREST EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Interest expense	**10,871**	8,665	25	**30,263**	26,778	13

Interest is incurred on the Company's $600.0 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 nine 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 13 percent for the first nine months ended September 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 September 30			Nine months ended September 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Foreign exchange and other	**738**	8,958	(92)	**(22,515)**	4,601	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 September 30			Nine months ended September 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Current income tax	**(1,294)**	(3,645)	(64)	**667**	(991)	nm
Deferred income tax	**(12,470)**	(5,526)	nm	**(42,153)**	(32,992)	28
Total income tax	**(13,764)**	(9,171)	50	**(41,486)**	(33,983)	22
Effective income tax rate (%)	**29.6**	20.1	47	**30.1**	28.8	5

nm - calculation not meaningful

The effective income tax rate for the three months ended September 30, 2018 was 29.6 percent compared to 20.1 percent for the three months ended September 30, 2017. The effective income tax rate for the nine months ended September 30, 2018 was 30.1 percent compared with 28.8 percent for the nine months ended September 30, 2017. The effective tax rate in the first nine months of the current year was higher than the effective tax rate in the first nine months of 2017 due to the impact of foreign tax rates.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

	Three months ended September 30			Nine months ended September 30		
($ thousands, except per share data)	**2018**	2017	% change	**2018**	2017	% change
Funds flow from operations	**60,390**	39,616	52	**162,105**	129,194	25
Funds flow from operations per share	**$0.38**	$0.25	52	**$1.03**	$0.83	24
Working capital deficit [1]	**(404,849)**	(342,199)	18	**(404,849)**	(342,199)	18

[1] *Comparative figure as of December 31, 2017*

During the three months ended September 30, 2018, the Company generated Funds flow from operations of $60.4 million ($0.38 per common share) compared to Funds flow from operations of $39.6 million ($0.25 per common share) for the three months ended September 30, 2017, an increase of 52 percent. For the nine months ended September 30, 2018, the Company generated Funds flow from operations of $162.1 million ($1.03 per common share) an increase of 25 percent from $129.2 million ($0.83 per common share) for the nine months ended September 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 September 30, 2018 the Company's working capital was a deficit of $404.8 million, compared to a working capital deficit of $342.2 million at December 31, 2017. The decrease in working capital in the first nine months of 2018, was mainly related to the financial statements reclassification of a portion of long-term debt ($471.7 million of the Global Facility, due late September 2019 and $129.0 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 $600.0 million, of which $128.3 million was undrawn and available at September 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 September 30			Nine months ended September 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Purchase of property and equipment	**(20,332)**	(20,043)	1	**(59,787)**	(98,025)	(39)
Proceeds from disposals of property and equipment	**1,180**	3,117	(62)	**3,348**	5,539	(40)
Net change in non-cash working capital	**51**	(6,452)	nm	**10,365**	(1,336)	nm
Cash used in investing activities	**(19,101)**	(23,378)	(18)	**(46,074)**	(93,822)	(51)

nm - calculation not meaningful

Net purchases of property and equipment for the third quarter of 2018 totaled $19.2 million (2017 - $16.9 million). Net purchases of property and equipment during the first nine months of 2018 totaled $56.4 million (2017 - $92.5 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 September 30			Nine months ended September 30		
($ thousands)	**2018**	2017	% change	**2018**	2017	% change
Net (decrease) increase in bank credit facilities	**(8,200)**	10,462	nm	**(16,944)**	35,801	nm
Purchase of shares held in trust	**(284)**	(277)	3	**(797)**	(823)	(3)
Issuance of convertible debenture	**—**	—	nm	**37,000**	—	nm
Dividends	**(18,849)**	(11,179)	69	**(56,547)**	(33,728)	68
Net change in non-cash working capital	**4,326**	249	nm	**4,030**	(482)	nm
Cash (used in) provided by financing activities	**(23,007)**	(745)	nm	**(33,258)**	768	nm

nm - calculation not meaningful

The Company's available bank credit facilities consist of a $600.0 million Global Facility. The Global Facility is available to the Company and certain of its wholly-owned subsidiaries and may be drawn in Canadian or United States dollars, up to the equivalent value of $600.0 million Canadian dollars. The Global Facility matures in late September 2019. The Company also has available a $50.0 million accordion in addition to the existing revolving credit facilities if exercised.

During the third quarter of 2018, the Company secured, on a firm, committed basis a $1.3 billion 3 year revolving credit facility and up to US$700.0 million bridge loan financing commitment to be utilized to support the financing of the recently announced takeover bid for Trinidad Drilling Ltd.

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 $16.9 million during the nine months ended September 30, 2018, decreasing the outstanding Global Facility balance. As of September 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 Company also 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 fourth quarter cash dividend of $0.12 per common share to be payable on January 4, 2019 to all Common Shareholders of record as of December 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 September 30, 2018 totaled $221.9 million, a decrease of $10.2 million from $232.2 million as at December 31, 2017. Varying 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 September 30, 2018, the Company had accounts receivable of approximately $12.1 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 nine months ended September 30, 2018, the Company decommissioned three service rigs in Canada and 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 two service rigs 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 two new service rigs for the United States.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q3-2018**	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016
Revenue	**288,700**	263,061	258,460	270,013	247,121	232,232	251,284	234,001
Revenue, net of third party [1]	**254,424**	231,871	226,967	241,987	211,299	211,687	208,891	204,474
Adjusted EBITDA [1]	**68,641**	53,064	52,294	54,820	52,600	44,276	50,088	51,665
Adjusted EBITDA per share [1]								
Basic	**$0.44**	$0.34	$0.33	$0.34	$0.34	$0.29	$0.32	$0.33
Diluted	**$0.44**	$0.34	$0.33	$0.35	$0.33	$0.29	$0.32	$0.33
Net (loss) income	**(32,791)**	(36,697)	(26,682)	46,488	(36,526)	(33,814)	(13,792)	(61,905)
Net (loss) income per share								
Basic	**$(0.21)**	$(0.23)	$(0.17)	$0.30	$(0.23)	$(0.22)	$(0.09)	$(0.41)
Diluted	**$(0.21)**	$(0.23)	$(0.17)	$0.30	$(0.23)	$(0.22)	$(0.09)	$(0.40)
Cash provided by operating activities	**51,792**	19,306	19,998	38,124	32,791	44,687	19,545	8,089
Funds flow from operations [1]	**60,390**	47,808	53,907	12,244	39,616	44,769	44,809	48,862
Funds flow from operations per share [1]								
Basic	**$0.38**	$0.31	$0.34	$0.07	$0.25	$0.29	$0.29	$0.32
Diluted	**$0.38**	$0.31	$0.34	$0.07	$0.25	$0.29	$0.29	$0.31
Total debt, net of cash	**730,520**	748,609	726,636	707,559	700,011	714,357	709,062	687,662

[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, can be seen in the reduction in the Company's financial results.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of November 1, 2018:

	Number		Amount ($)
Common shares	156,884,882	$	206,578

	Outstanding	Exercisable
Stock options	7,206,350	3,982,640

OUTLOOK

Industry Overview

The industry continues to recover from the depths of the downturn as oil and natural gas service companies continue to show capital discipline and focus on operating costs and efficiencies. This global recovery is expected to continue albeit at a different pace in each geographic region. Overall, supply and demand for crude oil has continued to tighten globally over the year with West Text Intermediate ("WTI") trading in the range of $65 USD and $77 USD during the quarter and Brent crude oil between $70 USD to $87 USD. The expectation for the remainder of 2018 and for 2019 is for the gap between supply and demand to continue to shrink as production and export issues in certain countries such as Venezuela and Libya as well as sanctions on Iranian crude oil reduce supplies. This strength in oil prices is expected to continue to increase demand for oil field services in certain geographic areas.

Canadian Activity

The recent Federal Court of Appeal's decision to block the construction of the Trans Mountain Pipeline dealt another blow to the Canadian oil and gas industry. The differential for light and heavy Canadian oil to USA light and heavy oil has reached new highs and is starting to severely impact Canadian producers and have an impact on the demand for oil field services in Canada.

Although LNG Canada's decision to move forward with the $40 billion project was a positive announcement in the Canadian market, it is not expected to impact the oil field services market until late 2019 or into 2020.

As of November 1, 2018, 30 percent of the Canadian fleet are engaged on contracts with terms of six months or greater.

United States Activity

The rig count in the United States during the third quarter was relatively flat. The expectation for the rig count in the United States is for it to continue to be flat for the remainder of the year with an increase in 2019 as takeaway capacity grows with new pipelines coming online, specifically in the Permian. Day rates have continued to increase albeit at a lower rate than prior quarters and are expected to continue to increase moderately at a slower pace until the rig count increases meaningful manner.

Of our 67 marketed United States rigs, approximately 60 percent of the fleet are engaged on contracts with terms of six months or greater.

International Activity

The Company expects modest growth for remainder of 2018 with robust growth in the international market in 2019. Nine of our drilling rigs are currently running in Latin America as at November 1, 2018 and that level of activity is expected to be maintained throughout the year with the possibility of a slight increase going into 2019. This increase 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 with the expectation that this will be consistent for the remainder of the year. Revenue day rates and activity levels internationally are expected to increase with four drilling rigs being reactivated during 2019 with increased revenue day rates compared to 2018.

Of the 43 marketed international rig fleet, approximately 45 percent are engaged on contracts with terms of six months or greater.

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 September 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.

RISK AND UNCERTAINTIES

Oil and Natural Gas Prices

The Company's revenue, cash flow and earnings are substantially dependent upon, and affected by, the level of crude oil and natural gas exploration and production. Both short-term and long-term trends in crude oil and natural gas prices affect the level of such activity. 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.

Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries ("OPEC"), may affect both the demand for, and the supply of, crude oil and natural gas. Weather conditions, governmental regulation (both in Canada and elsewhere), levels of consumer demand, the availability of pipeline capacity, storage levels, capacity and other factors beyond its control may also affect the supply of and demand for crude oil and natural gas. All of these factors can thus affect future commodity prices.

Competition

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.

In many markets in which the Company operates, the supply of rigs exceeds the demand for rigs, resulting in price competition. Certain competitors are present in more than one of the regions in which the Company operate, although no one competitor operates in all of these areas. Further, 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.

The recent prolonged period of relatively low crude oil and natural gas prices has meant that more drilling and workover contracts are awarded on the basis of competitive bids, which results in further price competition.

Over-supply of Equipment

Because of the lengthy life span of oilfield service equipment and the lag between the time a decision is made to build new equipment, such as a drilling rig, and the time such new equipment is placed into service, the supply of equipment in the industry does not always correlate to the level of demand for that equipment. Periods of high demand often spur increased capital expenditures on oilfield service equipment, and those capital expenditures may produce equipment that exceeds actual demand which would have a negative effect on the price at which the Company can sell its services.

Credit Risk on Accounts Receivable

The Company's revenue, cash flow and earnings are subject to credit risk on accounts receivable balances. Global economic conditions, including tightening of the credit markets and reductions in commodity prices, heighten the Company's credit risk, as the Company's customers may experience reduced cash flows and reduced access to credit. In addition, the ability of national oil companies operating in the international market to pay their debts in a timely manner may be impaired by geopolitical influences.

Foreign Exchange Exposure

Although the Company's financial results are reported in Canadian dollars, a portion of its sales and operating costs are denominated in United States dollars and other currencies, including those with highly inflationary environments. In addition, the Company is exposed to currency exchange risk on those of its assets denominated in United States dollars and other currencies.

Any change in the value of the Canadian dollar relative to the United States dollar, and to a lesser extent, other currencies, during a given financial reporting period would result in a foreign currency loss or gain on the translation of its assets measured in other currencies into Canadian dollars. Consequently, the Company's reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses.

The United States/Canadian dollar exchange rate at September 30, 2018 was approximately 1.29 compared with 1.26 at December 31, 2017 and 1.31 at September 30, 2017.

Foreign Operations

The Company conducts a portion of its business outside North America, in areas including the Middle East**,** North Africa, Australia and South America. In such locations, it is subject to risks inherent in foreign operations, such as: loss of revenue, property and equipment as a result of expropriation, nationalization or confiscation, war, civil and/or labour unrest, strikes, terrorism, civil insurrection, regime change and other political risks; fluctuations in foreign currency and exchange controls; increases in duties, taxes and governmental royalties and renegotiation of contracts with governmental entities; trade and other economic sanctions or other restrictions imposed by the Canadian government or other governments or organizations; as well as changes in laws and policies governing operations of foreign-based companies.

In the last several years, there have been increased levels of political unrest in certain North African, Middle Eastern and South American countries, as well as increased incidents and/or risk of terrorism both in North America and internationally. Oil and natural gas facilities, including drilling rigs, could be targeted by terrorists. In the event of a terrorist attack on the Company's operations, or as a result of political instability in the areas in which it operates, the Company's

operations could be adversely impacted resulting in negative impacts to its operating results and overall financial condition.

Since the Company derives a portion of its revenues from subsidiaries outside of Canada, the payment of dividends or the making of other cash payments or advances by its subsidiaries to the Company may be subject to restrictions or exchange controls on the transfer of funds in or out of the respective countries or result in the imposition of taxes on such payments or advances.

In addition, in the international markets in which it operates, the Company is subject to various laws and regulations that govern the operation and taxation of its businesses and the import and export of its equipment from country to country, the imposition, application and interpretation of which can prove to be uncertain. Further, if such foreign jurisdictions were to change or modify such laws, the Company could suffer adverse tax and financial consequences.

In some jurisdictions in which it operates, the Company is required by local laws to partner with local nationals, which it may accomplish with joint ventures or other types of partnerships. These arrangements can expose the Company to counterparty risk, including compliance with international laws, which could negatively affect its reputation.

Governmental Regulations and Policies

The addition, interpretation, elimination or curtailment of government regulations and policies, including new taxation regimes, could have a significant impact on the crude oil and natural gas business in Canada, the United States and other international jurisdictions where the Company maintain operations.

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.

Technology

Complex drilling programs for the exploration and development of remaining conventional and unconventional oil and natural gas reserves require high performance drilling rigs and other sophisticated oilfield service equipment. The ability of oilfield service providers to meet this demand will depend on continuous improvement of existing technology, such as drilling rig drive systems, horizontal and multi-lateral drilling technology, advanced automation and control systems, mud systems, top drives, downhole equipment and mobile pad moving systems designed to improve drilling efficiency. The Company's ability to deliver equipment and services that are as or more efficient than those of its competitors is critical to the Company's continued success.

Key Customers

For the year ending December 31, 2017, one of the Company's customers represented more than 10% of its consolidated revenue. However, there can be no assurance that the Company's relationship with other important customers will continue, and a significant reduction or total loss of the business from one or more important customers, if not offset by sales to new or existing customers, may have a material adverse effect on the Company's business, revenue, cash flows and earnings.

Environmental Protection Legislation

The Company's operations, and those of its customers, are subject to numerous laws, regulations and guidelines governing the protection of the environment, health and safety. These laws, regulations and guidelines include those relating to spills, releases, emissions and discharges of hazardous substances or other waste materials into the environment, and removal or remediation of pollutants or contaminants. The costs arising from compliance with such laws, regulations and guidelines may be material to the Company.

Availability of Labour

The Company's operations are dependent on attracting, developing and maintaining a skilled workforce. During periods of improvements in and/or peak activity levels, the Company may be faced with a lack of personnel. 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.

Impairment of Capital Assets

The value of the Company's capital assets as reflected on the Company's balance sheet is dependent on the recoverable value of the assets. A variety of factors may affect the recoverable value of the Company's capital assets including the condition of the asset, the potential earning capacity of the asset and external economic factors. Should the Company's assessment of the recoverable value of the Company's capital assets change, an impairment charge which would result in a non-cash charge against its consolidated net income would be necessary.

Seasonality and Weather

In Canada, the level of activity in the oilfield service industry is influenced by seasonal weather patterns. During the spring months, wet weather and the spring thaw make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels and placing an increased level of importance on the location of the Company's equipment prior to imposition of the road bans. Additionally, certain oil and gas producing areas are located in sections of the Western Canada Sedimentary Basin that are inaccessible, other than during the winter months, because the ground surrounding or containing the drilling sites in these areas consists of terrain known as muskeg. Until the muskeg freezes, the rigs and other necessary equipment cannot cross the terrain to reach the drilling site. Moreover, once the rigs and other equipment have been moved to a drilling site, they may become stranded or otherwise unable to relocate to another site should the muskeg thaw unexpectedly.

The activity levels for oilfield services in the United States are generally lower from January to March and gradually build through the remainder of the year. The Company's international operations are not materially affected by seasonal variations but may be affected by unpredictable and uncontrollable weather patterns and natural disasters, such as flooding.

The Company's financial results depend, at least in part, upon the severity and duration of the Canadian and United States winter. In addition, to the extent any of its operations are adversely affected by unpredictable and uncontrollable weather patterns and material natural disasters, it may affect the Company's financial results.

Litigation, Contingent Liabilities and Potential Unknown Liabilities

From time to time, the Company is subject to costs and other effects of legal and administrative proceedings, settlements, reviews, claims and actions. The Company may in the future be involved in disputes with other parties which could result in litigation or other actions, proceedings or related matters. Further, there may be unknown liabilities assumed by the Company in relation to prior or future acquisitions or dispositions as well as environmental or tax exposures. The discovery of any material liabilities could have an adverse effect on the Company's financial conditions.

The results of litigation or any other proceedings or related matters cannot be precisely predicted due to uncertainty as to the final outcome. The Company's assessment of the likely outcome of these matters is based on its judgment of a number of factors including past history, precedents, relevant financial and other evidence and facts specific to the matter as known at the time of the assessment.

Reliance on Key Management Personnel

The Company's success and growth 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. There is no assurance that the Company will be able to retain or attract key management personnel.

Business Interruption and Casualty Losses

The Company's operations are subject to many hazards inherent in the drilling, workover and well-servicing industries, including safety incidents, blowouts, cratering, explosions, fires, loss of well control, loss of hole, damaged or lost drilling, workover or other oilfield service equipment and damage or loss from inclement weather or natural disasters. Such events may affect the Company's reputation within the industry and may prevent it from obtaining future work or longer term contracts which could have a material adversely effect on its financial and operational results.

In addition, drilling contracts typically provide for the division of responsibilities between a drilling company and its customer, and the Company seeks to obtain indemnification from its customers by contract for certain of these risks. To the extent that it is unable to transfer such risks to customers by contract or indemnification agreements, the Company seeks protection through insurance. However, there is no assurance that such insurance or indemnification agreements will adequately protect the Company against liability from all of the consequences of the hazards described above. The occurrence of an event not fully insured or indemnified against, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses.

Moreover, there is no assurance that insurance will be available to cover any or all of these risks, or, even if available, that it will be adequate in coverage or amounts or that insurance premiums or other costs will not rise significantly in the future, so as to make such insurance prohibitive.

Business acquisitions

As part of its business strategy, the Company will continue to consider and evaluate acquisitions of, or significant investments in, complementary businesses and assets. Acquisitions involve numerous risks, including unanticipated costs and liabilities; the difficulty of integrating the operations, assets and personnel of the acquired business; the ability to properly access and maintain an effective internal control environment over an acquired company; the potential loss of key employees and customers of the acquired company; and an increase in expenses and working capital requirements.

The Company may incur substantial indebtedness to finance acquisitions and also may issue equity securities in connection with any such acquisitions. Acquisitions could also divert the attention of the management of the Company and other employees from its day-to-day operations and the development of new business opportunities. In addition, the Company may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets. Even if it is successful in integrating its recent or future acquisitions into its existing operations, the Company may not derive the benefits, such as operational or administrative synergies, that it expected from such acquisitions.

Turnkey Drilling Contracts

Particularly in its United States operations, the Company is entering into an increased number of "turnkey" drilling contracts as compared to prior years. Turnkey contracts have a higher risk profile than daywork contracts because the Company controls and is responsible for the majority of or even the entire drilling operation. In addition, in a turnkey contract, the Company assumes a higher degree of the commercial and legal risk over the drilling operation, as compared with a daywork drilling contract. The increased risk of turnkey drilling contracts generally includes responsibility for cost overruns and increased exposure for well loss or damage, wild well control, relief wells, pollution and environmental damage.

Risk Associated with Increased Capital Expenditures

Although the Company has substantially reduced capital expenditures associated with new rig construction in response to market conditions early in 2015, and have continued to restrain its capital expenditures in 2016 and 2017 and to date in 2018, the timing and amount of future capital expenditures incurred by the Company will directly affect the amount of cash available to it. The cost of equipment and its maintenance has escalated over the past several years and also has and will continue to be impacted by increasingly advanced and complex drilling technologies and equipment.

Alternative Energy Sources

There are indications that the global energy industry is trending away from fossil fuels toward alternative energy sources, such as hydro, wind and solar. The speed and rate at which alternative energy sources are adopted will affect demand for the Company's services which could have a material adverse impact on its revenues, cash flow and earnings.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	September 30 2018	December 31 2017
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	**$ 41,499**	$ 32,374
Accounts receivable *(Note 6)*	**221,947**	232,155
Inventories, investments and other	**102,187**	92,424
Income taxes receivable	**3,556**	3,546
Total current assets	**369,189**	360,499
Property and equipment *(Note 6)*	**2,393,600**	2,597,966
Total assets	**$ 2,762,789**	$ 2,958,465
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 151,022**	$ 190,152
Dividends payable	**18,849**	18,849
Share-based compensation *(Note 10)*	**3,289**	3,021
Income taxes payable	**398**	3,419
Current portion of long-term debt (Note 7)	**600,480**	487,257
Total current liabilities	**774,038**	702,698
Long-term debt *(Note 7)*	**171,539**	252,676
Share-based compensation *(Note 10)*	**2,990**	2,708
Deferred income taxes	**274,898**	311,007
Total liabilities	**1,223,465**	1,269,089
Shareholders' Equity		
Share capital *(Note 8)*	**206,578**	206,042
Contributed surplus	**639**	1,126
Equity component of convertible debenture *(Note 7)*	**3,193**	—
Foreign currency translation reserve	**250,089**	237,885
Retained earnings	**1,078,825**	1,244,323
Total shareholders' equity	**1,539,324**	1,689,376
Total liabilities and shareholders' equity	**$ 2,762,789**	$ 2,958,465

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS

	Three months ended		Nine months ended	
	September 30 2018	September 30 2017	**September 30 2018**	September 30 2017
(Unaudited, in thousands of Canadian dollars, except per share data)				
Revenue	**$ 288,700**	$ 247,121	**$ 810,221**	$ 730,637
Expenses				
Oilfield services	**210,297**	185,172	**603,917**	552,950
Depreciation *(Note 6)*	**102,427**	79,208	**301,471**	234,075
General and administrative	**9,762**	9,349	**32,305**	30,723
Share-based compensation	**1,160**	1,466	**2,436**	(375)
Foreign exchange and other	**738**	8,958	**(22,515)**	4,601
Total expenses	**324,384**	284,153	**917,614**	821,974
Loss before interest and income taxes	**(35,684)**	(37,032)	**(107,393)**	(91,337)
Interest expense	**10,871**	8,665	**30,263**	26,778
Loss before income taxes	**(46,555)**	(45,697)	**(137,656)**	(118,115)
Income taxes				
Current tax	**(1,294)**	(3,645)	**667**	(991)
Deferred tax	**(12,470)**	(5,526)	**(42,153)**	(32,992)
Total income taxes	**(13,764)**	(9,171)	**(41,486)**	(33,983)
Net loss	**$ (32,791)**	$ (36,526)	**$ (96,170)**	$ (84,132)
Net loss per share *(Note 9)*				
Basic	**$ (0.21)**	$ (0.23)	**$ (0.61)**	$ (0.54)
Diluted	**$ (0.21)**	$ (0.23)	**$ (0.61)**	$ (0.54)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three months ended		Nine months ended	
	September 30 2018	September 30 2017	**September 30 2018**	September 30 2017
(Unaudited, in thousands of Canadian dollars)				
Net loss	**$ (32,791)**	$ (36,526)	**$ (96,170)**	$ (84,132)
Other comprehensive (loss)				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**(22,881)**	(47,059)	**12,204**	(84,156)
Comprehensive loss	**$ (55,672)**	$ (83,585)	**$ (83,966)**	$ (168,288)

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	—	—	—	—	(96,170)	(96,170)
Other comprehensive income	—	—	—	12,204	—	12,204
Total comprehensive income (loss)	—	—		12,204	(96,170)	(83,966)
Dividends	—	—	—	—	(56,547)	(56,547)
Convertible Debenture *(Note 7)*	—	—	3,193	—	—	3,193
Share-based compensation	—	846	—	—	—	846
Shares vested previously held in trust	1,333	(1,333)	—	—	—	—
Purchase of shares held in trust	(797)	—	—	—	—	(797)
Balance September 30, 2018	**$ 206,578**	**$ 639**	**$ 3,193**	**$ 250,089**	**$ 1,078,825**	**$ 1,539,324**
Balance, January 1, 2017	$ 180,666	$ 1,524	$ —	$ 292,547	$ 1,357,752	$ 1,832,489
Net loss	—	—	—	—	(84,132)	(84,132)
Other comprehensive (loss)	—	—	—	(84,156)	—	(84,156)
Total comprehensive (loss)	—	—	—	(84,156)	(84,132)	(168,288)
Dividends	23,208	—	—	—	(56,936)	(33,728)
Share-based compensation	—	1,852	—	—	—	1,852
Shares vested previously held in trust	3,271	(3,271)	—	—	—	—
Purchase of shares held in trust	(823)	—	—	—	—	(823)
Balance September 30, 2017	$ 206,322	$ 105	$ —	$ 208,391	$ 1,216,684	$ 1,631,502

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Nine months ended	
	September 30 2018	September 30 2017	**September 30 2018**	September 30 2017
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net loss	**$ (32,791)**	$ (36,526)	**$ (96,170)**	$ (84,132)
Items not affecting cash				
Depreciation	**102,427**	79,208	**301,471**	234,075
Share-based compensation, net of cash paid	**1,160**	1,659	**2,436**	(667)
Unrealized foreign exchange and other	**1,737**	750	**(3,830)**	12,604
Accretion on long-term debt	**327**	51	**351**	306
Deferred income tax	**(12,470)**	(5,526)	**(42,153)**	(32,992)
Funds flow from operations	**60,390**	39,616	**162,105**	129,194
Net change in non-cash working capital *(Note 12)*	**(8,598)**	(6,825)	**(71,009)**	(32,171)
Cash provided by operating activities	**51,792**	32,791	**91,096**	97,023
Investing activities				
Purchase of property and equipment	**(20,332)**	(20,043)	**(59,787)**	(98,025)
Proceeds from disposals of property and equipment	**1,180**	3,117	**3,348**	5,539
Net change in non-cash working capital *(Note 12)*	**51**	(6,452)	**10,365**	(1,336)
Cash used in investing activities	**(19,101)**	(23,378)	**(46,074)**	(93,822)
Financing activities				
Net (decrease) increase in bank credit facilities	**(8,200)**	10,462	**(16,944)**	35,801
Purchase of shares held in trust *(Note 8)*	**(284)**	(277)	**(797)**	(823)
Issuance of convertible debenture *(Note 7)*	**—**	—	**37,000**	—
Dividends *(Note 8)*	**(18,849)**	(11,179)	**(56,547)**	(33,728)
Net change in non-cash working capital *(Note 12)*	**4,326**	249	**4,030**	(482)
Cash (used in) provided by financing activities	**(23,007)**	(745)	**(33,258)**	768
Net increase in cash and cash equivalents	**9,684**	8,668	**11,764**	3,969
Effects of foreign exchange on cash and cash equivalents	**(1,419)**	(1,328)	**(2,639)**	(2,147)
Cash				
Beginning of period	**33,234**	24,319	**32,374**	29,837
End of period	**$ 41,499**	$ 31,659	**$ 41,499**	$ 31,659
Supplemental information				
Interest paid	**$ 6,546**	$ 7,096	**$ 26,209**	$ 24,810
Income taxes recovered	**$ (503)**	$ (6,418)	**$ (3,698)**	$ (17,836)

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 November 1, 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 nine months ended September 30, 2018 of $15,065 and $51,816 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

	September 30 2018	December 31 2017
Drawings on the Global Facility	**$ 471,692**	$ 488,677
Senior unsecured notes		
Tranche B, due February 22, 2019, 3.97%	**129,010**	125,730
Tranche C, due February 22, 2022, 4.54%	**129,010**	125,730
Subordinated Convertible Debenture, January 22, 2022, 7.00%	**33,897**	—
Capital Lease Commitments	**9,406**	1,436
Unamortized deferred financing costs	**(996)**	(1,640)
Total	**$ 772,019**	$ 739,933
Less: current portion	**(600,480)**	(487,257)
Total long-term debt	**$ 171,539**	$ 252,676

Interest accrued on the senior unsecured notes (the "Notes") at September 30, 2018 was $4,950 (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.

During nine months ended September 30, 2018 the Company issued a non-brokered private placement of unsecured, subordinated convertible debentures (the "Debentures") for gross proceeds of $37,000. 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 and revalued quarterly using a similar liability that does not have an equity conversion option, which was calculated based on an 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.

During the third quarter of 2018, the Company secured, on a firm, committed basis a $1.3 billion 3 year revolving credit facility and up to US$700.0 million bridge loan financing commitment to be utilized to support the financing of the recently announced takeover bid for Trinidad Drilling Ltd.

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	131,673	536
Closing balance - September 30, 2018	**156,884,882**	**$ 206,578**

The total number of unvested shares held in trust for share-based compensation plans as at September 30, 2018 was 189,586 (December 31, 2017 – 321,272).

(c) Dividends

During the three months ended September 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 nine months ended September 30, 2018, the Company declared dividends of $56,547 (2017 - $56,936), being $0.36 per common share (2017 - $0.36 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		Nine months ended	
	September 30 2018	September 30 2017	**September 30 2018**	September 30 2017
Net loss attributable to common shareholders:				
Basic and diluted	**$ (32,791)**	$ (36,526)	**$ (96,170)**	$ (84,132)
Weighted average number of common shares outstanding:				
Basic	**156,755,754**	156,554,461	**156,863,230**	155,467,637
Potentially dilutive share-based compensation plans	**154,925**	281,815	**158,199**	391,260
Diluted	**156,910,679**	156,836,276	**157,021,429**	155,858,897

During the three months ended September 30, 2018, share options of 7,221,150 (2017 – 6,111,000) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

During the nine months ended September 30, 2018, share options of 7,217,550 (2017 – 4,194,300) 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 September 30, 2018 and the changes during the nine 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	(862,450)	(10.01)
Outstanding - September 30, 2018	**7,221,150**	**$ 8.87**
Exercisable - September 30, 2018	**3,997,440**	**$ 10.48**

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

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$5.60 to $10.00	4,742,850	3.37	$ 6.75	1,791,640	$ 7.08
$10.01 to $13.00	1,378,500	1.25	10.37	1,106,000	10.37
$13.01 to $16.13	1,099,800	0.25	16.13	1,099,800	16.13
	7,221,150	2.49	$ 8.87	3,997,440	$ 10.48

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

	September 30 2018
Remaining expected life (years)	2.1
Volatility (percent)	40.0
Forfeiture rate (percent)	5.7
Risk-free interest rate (percent)	2.2
Expected dividend (percent)	7.7

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of September 30, 2018 and the changes during the nine 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
Exercised	(800)	5.60
Forfeited	(34,500)	10.06
Outstanding - September 30, 2018	**727,400**	**$ 8.58**
Exercisable - September 30, 2018	**374,200**	**$ 10.37**

The following table lists the SARs outstanding at September 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	515,800	3.48	$ 6.66	183,300	$ 7.01
$9.01 to $12.00	105,100	1.25	10.37	84,400	10.37
$12.01 to $16.13	106,500	0.25	16.13	106,500	16.13
	727,400	2.69	$ 8.58	374,200	$ 10.37

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	69,654
Forfeited	(286,973)
Outstanding - September 30, 2018	**1,249,581**

Included in net earnings for the three months ended September 30, 2018 is an expense of $49 (2017 - $500), and six months ended September 30, 2018 is as expense of $521 (2017 - $500).

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 nine month period ended September 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**175,469**	**431,668**	**203,084**	**810,221**	198,533	330,308	201,796	730,637
(Loss) income before interest and income taxes	**(15,908)**	**(42,995)**	**(48,490)**	**(107,393)**	(53,769)	(52,282)	14,714	(91,337)
Property and equipment, net	**803,793**	**1,158,198**	**431,609**	**2,393,600**	865,740	1,256,381	535,723	2,657,844

	2018				2017			
As at and for the three month period ended September 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**56,184**	**158,077**	**74,439**	**288,700**	63,161	122,046	61,914	247,121
(Loss) income before interest and income taxes	**(9,757)**	**(3,282)**	**(22,645)**	**(35,684)**	(27,566)	(14,749)	5,283	(37,032)

	Three months ended		Nine months ended	
	September 30 2018	September 30 2017	**September 30 2018**	September 30 2017
Rig rental revenue	**$ 165,382**	$ 135,112	**$ 458,764**	$ 409,157
Service revenue	**123,318**	112,009	**351,457**	321,480
Total revenue	**$ 288,700**	**$ 247,121**	**$ 810,221**	$ 730,637

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		Nine months ended	
	September 30 2018	September 30 2017	**September 30 2018**	September 30 2017
Net change in non-cash working capital				
Accounts receivable and other	**$ (10,705)**	$ (21,955)	**$ (6,792)**	$ (44,668)
Inventories and other	**(2,915)**	(9,208)	**(8,519)**	(9,081)
Accounts payable and accruals	**11,254**	6,399	**(38,769)**	(5,614)
Income taxes receivable	**(1,855)**	11,800	**(2,534)**	26,149
Dividends payable	**—**	(64)	**—**	(775)
	$ (4,221)	$ (13,028)	**$ (56,614)**	$ (33,989)
Relating to:				
Operating activities	**$ (8,598)**	$ (6,825)	**$ (71,009)**	$ (32,171)
Investing activities	**51**	(6,452)	**10,365**	(1,336)
Financing activities	**4,326**	249	**4,030**	(482)
	$ (4,221)	$ (13,028)	**$ (56,614)**	$ (33,989)

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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Corporate Director and Investor

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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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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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