ENSIGN®

Q3 2017

THIRD QUARTER REPORT For the three and nine months ended September 30, 2017

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		
	2017	2016	% change	**2017**	2016	% change
Revenue	**247,121**	191,313	29	**730,637**	625,701	17
Revenue, net of third party [1]	**211,299**	168,098	26	**631,877**	551,383	15
Adjusted EBITDA [1]	**52,600**	42,456	24	**146,964**	133,508	10
Adjusted EBITDA per share [1]						
Basic	**$0.34**	$0.28	21	**$0.95**	$0.88	8
Diluted	**$0.33**	$0.28	18	**$0.94**	$0.88	7
Net loss	**(36,526)**	(33,727)	(8)	**(84,132)**	(88,617)	5
Net loss per share						
Basic	**$(0.23)**	$(0.22)	(5)	**$(0.54)**	$(0.58)	7
Diluted	**$(0.23)**	$(0.22)	(5)	**$(0.54)**	$(0.58)	7
Cash provided by operating activities	**32,791**	25,315	30	**97,023**	157,248	(38)
Funds flow from operations [1]	**39,616**	30,281	31	**129,194**	121,789	6
Funds flow from operations per share [1]						
Basic	**$0.25**	$0.20	25	**$0.83**	$0.80	4
Diluted	**$0.25**	$0.20	25	**$0.83**	$0.80	4
Total debt, net of cash	**700,011**	669,618	5	**700,011**	669,618	5
Weighted average shares - basic *(000s)*	**156,554**	152,311	3	**155,468**	152,336	2
Weighted average shares - diluted *(000s)*	**156,836**	152,523	3	**155,859**	152,493	2
Drilling	**2017**	2016	% change	**2017**	2016	% change
Number of rigs						
Canada [2]	**70**	83	(16)	**70**	83	(16)
United States	**84**	90	(7)	**84**	90	(7)
International [3]	**46**	50	(8)	**46**	50	(8)
Operating days						
Canada [2]	**1,744**	1,073	63	**5,210**	3,316	57
United States	**3,035**	1,586	91	**7,878**	5,085	55
International [3]	**1,475**	1,521	(3)	**4,559**	4,855	(6)
Well Servicing	**2017**	2016	% change	**2017**	2016	% change
Number of rigs						
Canada	**65**	71	(8)	**65**	71	(8)
United States	**45**	44	2	**45**	44	2
Operating hours						
Canada	**16,763**	15,214	10	**53,609**	42,668	26
United States	**24,962**	17,651	41	**66,637**	47,235	41

[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] *Excludes coring rigs.*

[3] *Includes workover rigs.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Ensign Energy Services Inc. and all of its subsidiaries ("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, 2017, as well as the audited consolidated financial statements and notes thereto for the year ended December 31, 2016, which are available on SEDAR at www.sedar.com.

This MD&A and the interim consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated and are stated in thousands, except for: per share amounts, number of rigs and operating days/hours. This MD&A is dated November 2, 2017.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this document constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements can be identified by the words "believe", "anticipate", "expect", "plan", "estimate", "target", "continue", "could", "intend", "may", "potential", "predict", "should", "will", "objective", "project", "forecast", "goal", "guidance", "outlook", "effort", "seeks", "schedule" or other expressions of a similar nature suggesting future outcome or statements regarding an outlook.

Disclosure related to expected future energy commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other future guidance provided throughout this MD&A, including, but not limited to, information provided in the "Funds flow from Operations and Working Capital" section regarding the Company's expectation that funds generated by operations combined with current and future credit facilities will support current operating and capital requirements, information provided in the "New Builds and Major Retrofits" section regarding the new build program for 2017, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for 2017, constitute forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks. The reader should not place undue reliance on these forward-looking statements as there can be no assurance that the plans, initiatives or expectations upon which they are based will occur.

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

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

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

NON-GAAP MEASURES

This MD&A contains references to Adjusted EBITDA, Adjusted EBITDA per share, Adjusted net loss, Adjusted net loss per share, Funds flow from operations, Funds flow from operations per share and Revenue, net of third party. Adjusted EBITDA is defined as “(loss) earning before interest, income taxes, depreciation, asset decommissioning and write-downs, share-based compensation and foreign exchange and other”. Management believes that, in addition to Net loss, Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company’s principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, how the results are impacted by foreign exchange or how the results are impacted by the accounting standards associated with the Company’s share-based compensation plans.

Funds flow from operations are defined as “cash provided by operating activities before the change in non-cash working capital”. Management believes that, in addition to Net loss, funds flow from operations constitute a measure that provides additional information regarding the Company’s liquidity and its ability to generate funds to finance its operations. Management utilizes this measure to assess the Company’s ability to finance operating activities and capital expenditures. Revenue, net of third party is defined as "gross revenue less third party reimbursable items". Management believes that, in addition to revenue, Revenue, net of third party, is a useful supplemental measure to indicate the Company's operating activity levels.

These measures do not have any standardized meaning prescribed by IFRS and accordingly, may not be comparable to similar measures used by other companies. The non-GAAP measures included in this MD&A should not be considered as an alternative to, or more meaningful than, the IFRS measure from which they are derived or to which they are compared.

ADJUSTED EBITDA	Three months ended September 30		Nine months ended September 30	
($ thousands)	**2017**	2016	**2017**	2016
Loss before income taxes	**(45,697)**	(45,300)	**(118,115)**	(134,358)
Interest expense	**8,798**	8,089	**26,986**	20,685
Interest income	**(133)**	(4)	**(208)**	(363)
Depreciation	**79,208**	83,982	**234,075**	259,843
Share-based compensation	**1,466**	3,860	**(375)**	5,066
Foreign exchange and other	**8,958**	(8,171)	**4,601**	(17,365)
Adjusted EBITDA	**52,600**	42,456	**146,964**	133,508

FUNDS FLOW FROM OPERATIONS	Three months ended September 30		Nine months ended September 30	
($ thousands)	**2017**	**2016**	**2017**	2016
Net loss	**(36,526)**	(33,727)	**(84,132)**	(88,617)
Items not affecting cash				
Depreciation	**79,208**	83,982	**234,075**	259,843
Share-based compensation, net of cash paid	**1,659**	(2,346)	**(667)**	3,416
Unrealized foreign exchange and other	**750**	(5,918)	**12,604**	(16,798)
Accretion on long-term debt	**51**	104	**306**	316
Deferred income tax	**(5,526)**	(11,814)	**(32,992)**	(36,371)
Funds flow from operations	**39,616**	30,281	**129,194**	121,789

OVERVIEW

Revenue for the third quarter of 2017 was $247.1 million, an increase of 29 percent from revenue for the third quarter of 2016 of $191.3 million. Revenue for the nine months ended September 30, 2017 was $730.6 million, an increase of 17 percent from revenue for the nine months ended September 30, 2016 of $625.7 million. Revenue, net of third party, for the third quarter of 2017 was $211.3 million, an increase of 26 percent from Revenue, net of third party, for the third quarter of 2016 of $168.1 million. Revenue, net of third party, for the nine months ended September 30, 2017 was $631.9 million, an increase of 15 percent from Revenue, net of third party, for the nine months ended September 30, 2016 of $551.4 million.

Adjusted EBITDA totaled $52.6 million ($0.34 per common share) in the third quarter of 2017, 24 percent higher than Adjusted EBITDA of $42.5 million ($0.28 per common share) in the third quarter of 2016. For the first nine months of 2017, Adjusted EBITDA totaled $147.0 million ($0.95 per common share), 10 percent higher than Adjusted EBITDA of $133.5 million ($0.88 per common share) in the first nine months of 2016.

Net loss for the third quarter of 2017 was $36.5 million ($0.23 per common share) compared to a net loss of $33.7 million ($0.22 per common share) for the third quarter of 2016. Net loss for the nine months ended September 30, 2017 was $84.1 million ($0.54 per common share), compared to net loss of $88.6 million ($0.58 per common share) for the nine months ended September 30, 2016.

Funds flow from operations increased 31 percent to $39.6 million ($0.25 per common share) in the third quarter of 2017 compared to $30.3 million ($0.20 per common share) in the third quarter of the prior year. Funds flow from operations increased six percent to $129.2 million ($0.83 per common share) in the first nine months of 2017 compared to $121.8 million ($0.80 per common share) in the first nine months of the prior year.

Operating days across the Company's fleet were higher in the third quarter of 2017 when compared to the third quarter of 2016 due primarily to increased demand for oilfield services caused by a modest price recovery of crude oil and natural gas commodity prices. A relatively consistent United States dollar translation against the Canadian dollar in 2017 did not impact United States and international financial results on translation to Canadian dollars. The average United States exchange rate was $1.31 for the first nine months of 2017(2016 - $1.32) versus the Canadian dollar.

Gross margin increased to $61.9 million (29.3 percent of Revenue, net of third party) for the third quarter of 2017 compared to gross margin of $52.4 million (31.2 percent of Revenue, net of third party) for the third quarter of 2016. Gross margin increased to $177.7 million (28.1 percent of Revenue, net of third party) for the nine months ended September 30, 2017 compared to a gross margin of $173.9 million (31.5 percent of Revenue, net of third party) for the nine months ended September 30, 2016. The increase in gross margin in the third quarter of 2017 compared to the third quarter of 2016 was primarily attributed to slightly higher revenue rates in 2017 and rig mix. The increase in gross margin was partially offset with no short fall revenue earned in 2017 versus the same period in 2016.

Working capital at September 30, 2017 was a surplus of $136.3 million, compared to a deficit of $11.2 million at December 31, 2016, largely due to the repayment of a portion of long-term debt (USD $100.0 million of senior unsecured notes bearing interest at 3.43 percent, paid February 22, 2017). The Company's bank credit facilities provide unused and available borrowings of $16.5 million at September 30, 2017, down by $167.9 million, compared to $184.4 million at December 31, 2016, due to the senior unsecured notes repayment in February 2017.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
Revenue						
Canada	**63,161**	51,983	22	**198,533**	161,667	23
United States	**122,046**	72,890	67	**330,308**	246,069	34
International	**61,914**	66,440	(7)	**201,796**	217,965	(7)
Total revenue	**247,121**	191,313	29	**730,637**	625,701	17
Revenue, net of third party	**211,299**	168,098	26	**631,877**	551,383	15
Oilfield services expense	**185,172**	138,931	33	**552,950**	451,759	22
Gross margin	**61,949**	52,382	18	**177,687**	173,942	2
Gross margin as a percentage of Revenue, net of third party	**29.3**	31.2		**28.1**	31.5	

Revenue for the three months ended September 30, 2017 totaled $247.1 million, an increase of 29 percent from the third quarter of 2016 of $191.3 million. Revenue for the nine months ended September 30, 2017 totaled $730.6 million, a 17 percent increase from the nine months ended September 30, 2016. As a percentage of Revenue, net of third party, gross margin for the third quarter of 2017 decreased to 29.3 percent (2016 - 31.2 percent) and decreased to 28.1 percent for the nine months ended September 30, 2017 (2016 - 32 percent).

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

CANADIAN OILFIELD SERVICES

Revenue increased 22 percent to $63.2 million for the three months ended September 30, 2017 from $52.0 million for the three months ended September 30, 2016. The Company recorded revenue of $198.5 million in Canada for the nine months ended September 30, 2017, an increase of 23 percent from $161.7 million recorded for the nine months ended September 30, 2016. Canadian revenues accounted for 26 percent of the Company's total revenue in the third quarter of 2017, compared to 27 percent in the third quarter of 2016. During the nine months ended September 30, 2017, Canadian revenues were 27 percent of the Company's revenue, compared with 26 percent in the nine months ended September 30, 2016. For three months ended September 30, 2017 the Company received nil in shortfall revenue compared to $6.1 million in the corresponding period of 2016. For the nine months ended September 30, 2017 the Company received $1.3 million in shortfall revenue compared to $12.1 million in the corresponding period of 2016.

The Company's Canadian operations recorded 1,744 drilling days in the third quarter of 2017, compared to 1,073 drilling days for the third quarter of 2016, an increase of 63 percent. For the nine months ended September 30, 2017, the Company recorded 5,210 drilling days compared to 3,316 drilling days for the nine months ended September 30, 2016, an increase of 57 percent. Canadian well servicing hours increased by 10 percent to 16,763 operating hours in the third quarter of 2017 compared to 15,214 operating hours in the corresponding period of 2016. For the nine months ended September 30, 2017, well servicing hours increased by 26 percent to 53,609 operating hours compared with 42,668 operating hours for the nine months ended September 30, 2016.

Demand for the Company's Canadian oilfield services was higher compared to the prior quarters due primarily to the modest increase in oil and natural gas commodity prices. The increase in demand was offset by lower revenue rates and nominal short fall revenue earned, compared to the first half of 2016.

During the nine months ended September 30, 2017, the Company added one new build ADR® drilling rig to the Canadian fleet.

UNITED STATES OILFIELD SERVICES

The Company's United States operations recorded revenue of $122.0 million in the third quarter of 2017, a 67 percent increase from the $72.9 million recorded in the corresponding period of the prior year. During the nine months ended September 30, 2017, revenue of $330.3 million was recorded, an increase of 34 percent from the $246.1 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 49 percent of the Company's revenue in the third quarter of 2017 (2016 - 38 percent) and 45 percent of the Company's revenue in the first nine months of 2017 (2016 - 39 percent).

Drilling rig operating days increased by 91 percent to 3,035 drilling days in the third quarter of 2017 from 1,586 drilling days in the third quarter of 2016. Drilling operating days increased by 55 percent from 5,085 operating days in the first nine months of 2016 to 7,878 operating days in first nine months of 2017. Well servicing activity expressed in operating hours increased by 41 percent in the third quarter of 2017 to 24,962 operating hours from 17,651 operating hours in the third quarter of 2016. For the nine months ended September 30, 2017 well servicing activity increased 41 percent to 66,637 operating hours from 47,235 operating hours in the first nine months of 2016.

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

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $61.9 million in the third quarter of 2017, a seven percent decrease from the $66.4 million recorded in the corresponding period of the prior year. International revenues for the nine months ended September 30, 2017, decreased 7 percent to $201.8 million from $218.0 million recorded in the six months ended September 30, 2016. The Company's international operations contributed 25 percent of the total revenue in the third quarter of 2017 (2016 - 35 percent) and 28 percent of the Company's revenue in the first nine months of 2017 (2016 - 35 percent).

International operating days for the three months ended September 30, 2017, totaled 1,475 drilling days compared to 1,521 drilling days in the same period of 2016, a decrease of three percent. For the nine months ended September 30, 2017, international operating days totaled 4,559 operating days compared to 4,855 drilling days for the nine months ended September 30, 2016, a decrease of six percent.

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

DEPRECIATION

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
Depreciation	**79,208**	83,982	(6)	**234,075**	259,843	(10)

Depreciation expense totaled $79.2 million for the third quarter of 2017 compared with $84.0 million for the third quarter of 2016, a decrease of six percent. Depreciation expense for the first nine months of 2017 decreased by 10 percent to $234.1 million compared with $259.8 million for the first nine months of 2016. Depreciation expense was lower in nine months ended September 30, 2017 when compared to the nine months ended September 30, 2016, due to certain operating assets having become fully depreciated in which case no further depreciation expense is required on such assets.

GENERAL AND ADMINISTRATIVE EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
General and administrative	**9,349**	9,926	(6)	**30,723**	40,434	(24)
% of revenue	**3.8**	5.2		**4.2**	6.5	

General and administrative expense decreased six percent to $9.3 million (3.8 percent of revenue) for the third quarter of 2017 compared to $9.9 million (5.2 percent of revenue) for the third quarter of 2016. For the nine months ended September 30, 2017, general and administrative expense totaled $30.7 million (4.2 percent of revenue) compared to $40.4 million (6.5 percent of revenue) for the nine months ended September 30, 2016. The decrease in general and administrative expense resulted from the Company's initiatives to reduce staffing and other costs in reaction to lower oil and natural gas commodity prices.

SHARE-BASED COMPENSATION

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
Share-based compensation	**1,466**	3,860	(62)	**(375)**	5,066	nm

nm - calculation not meaningful

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

For the three months ended September 30, 2017 share-based compensation was an expense of $1.5 million compared with an expense of $3.9 million recorded in the three months ended September 30, 2016. For the nine months ended September 30, 2017 share-based compensation was a recovery of $0.4 million compared with an expense of $5.1 million for the nine months ended September 30, 2016. The share-based compensation expense for the nine months ended September 30, 2017 was a result of changes in the fair value of the share-based compensation liability and it impacted by the amortization of share options.

The fair value of share-based compensation is impacted by both the input assumptions used to estimate the fair value and the price of the Company's common shares during the period. The closing price of the Company's common shares was $7.05 at September 30, 2017 ($7.50 at September 30, 2016), compared with $6.93 at June 30, 2017 ($7.25 at June 30, 2016) and $9.38 at December 31, 2016 ($7.38 at December 31, 2015).

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 pre-established performance metrics 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.

The per unit weighted average fair value of the performance share units granted during 2017 was $8.00 estimated on the grant date using a Monte Carlo simulation with a two percent cap based on certain financial performance metrics. Included in net earnings for the three and nine months ended September 30, 2017 is an expense of $0.5 million (2016 - $nil).

INTEREST EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
Interest expense	**8,798**	8,089	9	**26,986**	20,685	30
Interest income	**(133)**	(4)	nm	**(208)**	(363)	(43)
	8,665	8,085	7	**26,778**	20,322	32

nm - calculation not meaningful

Interest is incurred on the Company's $500.0 million global revolving credit facility (the "Global Facility") and the United States dollar $200.0 million ($300.0 million at December 31, 2016) senior unsecured notes (the "Notes") issued in February 2012. The amortization of deferred financing costs associated with the issuance of the Notes is included in interest expense.

Interest expense increased by 30 percent for the first nine months ended September 30, 2017 compared to the same period in 2016 as a result of borrowings of an additional $35.8 million on the bank credit facilities in the first nine months of 2017 and due to an increase in the interest rate.

FOREIGN EXCHANGE AND OTHER

($ thousands)	Three months ended September 30 **2017**	2016	% change	Nine months ended September 30 **2017**	2016	% change
Foreign exchange and other	**8,958**	(8,171)	nm	**4,601**	(17,365)	nm

nm - calculation not meaningful

Included in this amount is the impact of foreign currency fluctuations in the Company's subsidiaries that have functional currencies other than the Canadian dollar. During the three months ended September 30, 2017, the Australian dollar strengthened by approximately two percent against the United States dollar causing a foreign currency loss on translation of the Company's United States dollar denominated assets into Australian dollars. During the nine months ended September 30, 2017, the Australian dollar strengthened against the United States dollar by approximately eight percent (2016 - five percent).

INCOME TAXES

($ thousands)	Three months ended September 30 **2017**	2016	% change	Nine months ended September 30 **2017**	2016	% change
Current income tax	**(3,645)**	241	nm	**(991)**	(9,370)	(89)
Deferred income tax	**(5,526)**	(11,814)	(53)	**(32,992)**	(36,371)	(9)
Total income tax	**(9,171)**	(11,573)	(21)	**(33,983)**	(45,741)	(26)
Effective income tax rate (%)	**20.1**	25.5		**28.8**	34.0	

nm - calculation not meaningful

The effective income tax rate for the three months ended September 30, 2017 was 20.1 percent compared to 25.5 percent for the three months ended September 30, 2016. The effective income tax rate for the nine months ended September 30, 2017 was 28.8 percent compared with 34.0 percent for the nine months ended September 30, 2016. The effective tax rate in the first nine months of the current year was lower than the effective tax rate in the first nine months of 2016 due to the impact of lower earnings in foreign jurisdictions.

FINANCIAL POSITION

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

($ thousands)	Change	Explanation
Cash and cash equivalents	1,822	See consolidated statements of cash flows.
Accounts receivable	24,108	Increase is due to an increase in activity in the first nine months of 2017 compared to the fourth quarter of 2016, offset by the decrease in the quarter-end foreign exchange rate on translation of accounts receivable in the Company's foreign subsidiaries.
Inventories and other	2,543	Increase is due to the timing of prepaid expenses and increased operating activity.
Income taxes receivable	(21,912)	Decrease is due to refunds received during the quarter offset by the current year income recovery.
Property and equipment	(255,309)	Decrease is primarily due to the impact of a decrease in the quarter-end translation rate to 1.25 USD, compared to the December 31, 2016 translation rate of 1.34 USD, as well as current period depreciation. The decrease is offset by $98.0 million in purchases of property and equipment.
Accounts payable and accruals	(4,432)	Decrease is due to the wind-down of the 2017 capital program, and decrease in the quarter-end foreign exchange rate on translation of accounts payable and accrued liabilities in the Company's foreign subsidiaries. The decrease was partially offset by the increased operating activity of the third quarter.
Dividends payable	(28)	Decrease in dividends payable is due to the cancellation of the dividend reinvestment program, whereby eligible shareholders electing to receive shares instead of cash had received a discount.
Share-based compensation	(2,614)	Decrease is mainly a result of changes in the fair value of the share-based compensation. The fair value of share-based compensation expense is impacted by both the input assumptions used to estimate the fair value, and the price of the Company’s common shares during the period.
Long-term debt, including current portion	14,211	Increase is due to additional borrowings of $35.8 million during the nine months ending September 30, 2017. The increase was partially offset by the weakening of the United States dollar from December 31, 2016 to September 30, 2017.
Deferred income taxes	(54,898)	Decrease arises from the deferred tax recovery for the first nine months of 2017 and the effect of the quarter-end foreign exchange rate on translation of the deferred tax liability of the Company's foreign subsidiaries.
Shareholders’ equity	(200,987)	Decrease is due the net loss incurred, the amount of declared dividends in the over the first three quarters of 2017 and the impact of foreign exchange rate fluctuations on net assets of foreign subsidiaries.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per share data)	Three months ended September 30 2017	2016	% change	Nine months ended September 30 2017	2016	% change
Funds flow from operations	**39,616**	30,281	31	**129,194**	121,789	6
Funds flow from operations per share	**$0.25**	$0.20	25	**$0.83**	$0.80	4
Working capital [1]	**136,280**	(39,743)	nm	**136,280**	(39,743)	nm

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

During the three months ended September 30, 2017, the Company generated Funds flow from operations of $39.6 million ($0.25 per common share) compared to Funds flow from operations of $30.3 million ($0.20 per common share) for the three months ended September 30, 2016, an increase of 31 percent. For the nine months ended September 30, 2017, the Company generated Funds flow from operations of $129.2 million ($0.83 per common share) an increase of six percent from $121.8 million ($0.80 per common share) for the nine months ended September 30, 2016. The increase in Funds flow from operations in 2017 compared to 2016 is due to higher net income.

At September 30, 2017 the Company's working capital was a surplus of $136.3 million, compared to a working capital deficit of $11.2 million at December 31, 2016. The increase in working capital in the first nine months of 2017, was mainly related to the repayment a USD $100.0 million of senior unsecured notes. The Company currently expects funds generated by operations, combined with current and future credit facilities, to fully support current operating and capital requirements. Existing revolving credit facilities provide for total borrowings of $500.0 million, of which $16.5 million was undrawn and available at September 30, 2017. In addition, the Company has a $50 million accordion to be included in the existing revolving global facilities but not yet exercised.

INVESTING ACTIVITIES

($ thousands)	Three months ended September 30 2017	2016	% change	Nine months ended September 30 2017	2016	% change
Purchase of property and equipment	**(20,043)**	(8,942)	nm	**(98,025)**	(40,218)	nm
Proceeds from disposals of property and equipment	**3,117**	1,273	nm	**5,539**	8,304	(33)
Net change in non-cash working capital	**(6,452)**	(1,806)	nm	**(1,336)**	(20,309)	(93)
Cash used in investing activities	**(23,378)**	(9,475)	nm	**(93,822)**	(52,223)	80

nm - calculation not meaningful

Net purchases of property and equipment for the third quarter of 2017 totaled $16.9 million (2016 - $7.7 million). Net purchases of property and equipment during the first nine months of 2017 totaled $92.5 million (2016 - $31.9 million). The purchase of property and equipment relates predominantly to the construction of two new ADR® drilling rigs, one service rig and upgrades to certain drilling rigs to a higher specification, as well as for maintenance capital costs incurred in the current quarter and first nine months of this year.

FINANCING ACTIVITIES

($ thousands)	Three months ended September 30 2017	2016	% change	Nine months ended September 30 2017	2016	% change
Net increase (decrease) in bank credit facilities	**10,462**	(17,677)	nm	**35,801**	(57,640)	nm
Purchase of shares held in trust	**(277)**	(30)	nm	**(823)**	(1,578)	(48)
Dividends	**(11,179)**	(18,368)	(39)	**(33,728)**	(55,102)	(39)
Net change in non-cash working capital	**249**	3,523	(93)	**(482)**	3,440	nm
Cash used in financing activities	**(745)**	(32,552)	(98)	**768**	(110,880)	nm

nm - calculation not meaningful

The Company's available bank credit facilities consist of a $500.0 million Global Facility. The Global Facility is available to the Company and certain of its wholly-owned subsidiaries, and may be drawn in Canadian, United States or Australian dollars, up to the equivalent value of $500.0 million Canadian dollars. The Global Facility matures in early October 2018.

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

The Company has a $50 million accordion to be included in the existing revolving global facilities but not yet exercised. Subsequent to the quarter, the Company is expecting to finalize a waiver that allows the Company to keep the Global Facility unsecured.

The Company has received net debt proceeds of $35.8 million during the nine months ended September 30, 2017, increasing the outstanding long-term debt balance. As of September 30, 2017, the credit facilities are primarily being used to fund capital expenditures.

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, 2018 to all Common Shareholders of record as of December 20, 2017. 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, 2017 totaled $229.5 million, an increase of $24.1 million from $205.3 million as at December 31, 2016. Reduced levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increases the collection risk of accounts receivable balances.

As part of the Company's international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at September 30, 2017, the Company had accounts receivable of approximately $30.1 million for work performed in Venezuela, and in recent months a number of payments have been received by the Company. However, due to the recent decline in the price of oil and continuing political unrest within Venezuela there can be no assurance that the Company will be successful in collecting all of such outstanding balance.

NEW BUILDS AND MAJOR RETROFITS

During the nine months ended September 30, 2017, the Company added one new build ADR® drilling rig to its expansive tier one fleet worldwide, which rig has been contracted on a long-term contract and one service rig in the United States. The Company continues to selectively add new ADR® drilling rigs to meet the increasing technical demands of its customers.

Subsequent to September 30, 2017, the Company deployed on new ADR® 1000 in Canada and is currently in the process of completing one additional new ADR® 1500 for the United States, which is expected to begin work in the fourth quarter of 2017. The new rigs were partially assembled from equipment that was part of the rig build program that the Company halted in 2014 to preserve the balance sheet in a declining market.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q3-2017**	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-2015
Revenue	**247,121**	232,232	251,284	234,001	191,313	175,924	258,464	283,887
Revenue, net of third party [1]	**211,299**	211,687	208,891	204,474	168,098	156,423	226,862	252,592
Adjusted EBITDA [1]	**52,600**	44,276	50,088	51,665	42,456	31,485	59,567	75,317
Adjusted EBITDA per share [1]								
Basic	**$0.34**	$0.29	$0.32	$0.33	$0.28	$0.21	$0.39	$0.50
Diluted	**$0.33**	$0.29	$0.32	$0.33	$0.28	$0.21	$0.39	$0.50
Net (loss) income	**(36,526)**	(33,814)	(13,792)	(61,905)	(33,727)	(39,979)	(14,911)	(41,175)
Net (loss) income per share								
Basic	**$(0.23)**	$(0.22)	$(0.09)	$(0.41)	$(0.22)	$(0.26)	$(0.10)	$(0.26)
Diluted	**$(0.23)**	$(0.22)	$(0.09)	$(0.40)	$(0.22)	$(0.26)	$(0.10)	$(0.26)
Cash provided by operating activities	**32,791**	44,687	19,545	8,089	25,315	66,854	65,079	73,532
Funds flow from operations [1]	**39,616**	44,769	44,809	48,862	30,281	36,328	55,180	48,905
Funds flow from operations per share [1]								
Basic	**$0.25**	$0.29	$0.29	$0.32	$0.20	$0.24	$0.36	$0.31
Diluted	**$0.25**	$0.29	$0.29	$0.31	$0.20	$0.24	$0.36	$0.31
Total debt, net of cash	**700,011**	714,357	709,062	687,622	669,618	664,560	688,405	753,723

[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 varying levels of demand for oilfield services in the 2017 and 2016 fiscal years compared to prior years. Such demand for oilfield services was positively influenced by more favorable oil and natural gas commodity prices for the first nine months of 2017. The impact of lower oil and natural gas commodity prices on the demand for oilfield services, particularly in North America, can be seen in the reduction in the Company's financial results for 2017 compared to prior years.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of November 2, 2017:

	Number		Amount ($)
Common shares	156,794,638	$	206,322

	Outstanding	Exercisable
Stock options	6,054,500	3,065,000

OUTLOOK

As a result of global oil production gains, flat to decreasing drilling rig counts in the United States, increased drilled but uncompleted wells ("DUCS") and geo-political tension WTI crude oil prices continue to range between $45 -$55. The expectation for 2018 is that these levels will continue into the near future and recent oil price estimates by commodity analysts have continued to trim their 2018 forecasts for WTI to an average of mid to low $50's. Lower for longer continues to be the motto for many companies including Ensign, and managements believes the structural changes made during the downturn will better position Ensign to capitalize on future opportunities. 2018 pricing and capital spend by the Company's customers is unclear at this point and will likely be similar to 2017 spend, unless commodity pricing changes.

Canada

In Canada, the Baker Hughes rig count on October 20, 2017 decreased by 10 rigs from the week before to 202 drilling rigs. This is up 59 rigs from the previous year. The rig count in Canada has been steady with an average of 190 rigs running according to the CAODC during the third quarter. Q4, 2017 industry activity is expected increase marginally over Q3, 2017. The Montney continues to be the driver for activity in Canada and is also the Company's most active Canadian area. Utilization for the Company's tier 1 drilling rigs continue to exceed the industry average. Of the Company's Canadian rigs, 30 drilling and coring rigs are currently under contract with 47% of those under contract longer than six months.

United States

In the United States, the Baker Hughes rig count on October 20, 2017 decreased by 15 drilling rigs from the week before to a total of 913 but is up 360 drilling rigs from the previous year. The recent rig count in the United States has continued to remain flat with a slight decline and this is expected to continue for the remainder of the year. As the rig count has remained flat this has caused pricing to flatten out. As at October 20, 2017, nine Company drilling rigs are currently running in the Rockies, 11 in California, 18 in the Permian Basin and one rig running in the North eastern United States. Of the Company's United States drilling rigs, 25 rigs are currently under contract with 28% of those under contract longer than six months.

International

Activity internationally continues to remain flat and will remain for the rest of the year when compared to 2017. There are a total of eight Company drilling rigs currently running in Latin America as at October 20, 2017 and that is expected to be maintained throughout the remainder of the year, but could vary depending on the political situation in Venezuela. The Company has a total of 10 Company drilling rigs running in the Middle East and Australia. The Middle East and Australia are expected to see flat activity for the remainder of the year. In the international segment, 15 drilling rigs are under contract with 60% percent of those under contract longer than six months.

RECENT ACCOUNTING PRONOUNCEMENTS

As of 1 January, 2018, IFRS 15 *Revenue from Contracts with Customers* will come in effect, replacing IAS 18 *Revenue*, IAS 11 *Construction Contracts* and any associated interpretations. The standard is required to be adopted either retrospectively or using a modified transition method, with early adoption permitted. The Company has completed its initial assessment of IFRS 15 Revenue from Contracts with Customers and determined that it will be adopted as of 1 January, 2018 and that it will not have a material impact on the recognition of revenue, however, it will have an impact on the associated disclosures.

As of 1 January, 2018, IFRS 9 *Financial Instruments,* will come into effect, superseding earlier versions of IFRS 9 and replacing IAS 39 *Financial Instruments: Recognition and Measurement.* The Company is currently in the process of completing its assessment of the standard and its expected impact on the consolidated financial statements ahead of year end.

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, 2017.

RISKS AND UNCERTAINTIES

Oil and Natural Gas Prices

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

Competition and Industry Conditions

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

Access to Credit Facilities and Debt Capital Markets

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

Changes in Laws and Regulations

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

Foreign Operations

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

Foreign Exchange Exposure

The Company's consolidated financial statements are presented in Canadian dollars. Operations in countries outside of Canada result in foreign exchange risk to the Company. The principal foreign exchange risk relates to the conversion of United States dollar-denominated activity to Canadian dollars. The United States/Canadian dollar exchange rate at September 30, 2017 was approximately 1.31 compared with 1.34 at December 31, 2016 and 1.31 at September 30, 2016. In addition, the Company has foreign exchange risk in relation to the conversion of United States dollar-denominated debt to Australian dollars. The United States/Australian dollar exchange rate at September 30, 2017 was approximately 1.27, compared with 1.38 at December 31, 2016 and 1.30 at September 30, 2016. Fluctuations in the future period's exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

Litigation and Legal Proceedings

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

Operating Risks and Insurance

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

Technology

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

Reliance on Key Management Personnel

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

Workforce

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

Seasonality and Weather

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		September 30 2017		December 31 2016
(Unaudited, in thousands of Canadian dollars)				
Assets				
Current Assets				
Cash and cash equivalents *(Note 11)*	**$**	**31,659**	$	29,837
Accounts receivable		**229,455**		205,347
Inventories and other		**51,393**		48,850
Income taxes receivable		**—**		17,208
Total current assets		**312,507**		301,242
Property and equipment		**2,657,844**		2,913,153
Total assets	**$**	**2,970,351**	$	3,214,395
Liabilities				
Current Liabilities				
Accounts payable and accruals	**$**	**148,953**	$	153,385
Dividends payable		**18,849**		18,877
Share-based compensation *(Note 9)*		**3,721**		5,943
Income taxes payable		**4,704**		—
Current portion of long-term debt (Note 6)		**—**		134,190
Total current liabilities		**176,227**		312,395
Long-term debt *(Note 6)*		**731,670**		583,269
Share-based compensation *(Note 9)*		**2,147**		2,539
Deferred income taxes		**428,805**		483,703
Total liabilities		**1,338,849**		1,381,906
Shareholders' Equity				
Share capital *(Note 7)*		**206,322**		180,666
Contributed surplus		**105**		1,524
Foreign currency translation reserve		**208,391**		292,547
Retained earnings		**1,216,684**		1,357,752
Total shareholders' equity		**1,631,502**		1,832,489
Total liabilities and shareholders' equity	**$**	**2,970,351**	$	3,214,395

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS

(Unaudited, in thousands of Canadian dollars, except per share data)	Three months ended **September 30 2017**	 September 30 2016	Nine months ended **September 30 2017**	 September 30 2016
Revenue	**$ 247,121**	$ 191,313	**$ 730,637**	$ 625,701
Expenses				
Oilfield services	**185,172**	138,931	**552,950**	451,759
Depreciation	**79,208**	83,982	**234,075**	259,843
General and administrative	**9,349**	9,926	**30,723**	40,434
Share-based compensation	**1,466**	3,860	**(375)**	5,066
Foreign exchange and other	**8,958**	(8,171)	**4,601**	(17,365)
Total expenses	**284,153**	228,528	**821,974**	739,737
Loss before interest and income taxes	**(37,032)**	(37,215)	**(91,337)**	(114,036)
Interest income	**(133)**	(4)	**(208)**	(363)
Interest expense	**8,798**	8,089	**26,986**	20,685
Loss before income taxes	**(45,697)**	(45,300)	**(118,115)**	(134,358)
Income taxes				
Current tax	**(3,645)**	241	**(991)**	(9,370)
Deferred tax	**(5,526)**	(11,814)	**(32,992)**	(36,371)
Total income taxes	**(9,171)**	(11,573)	**(33,983)**	(45,741)
Net loss	**$ (36,526)**	$ (33,727)	**$ (84,132)**	$ (88,617)
Net loss per share (Note 8)				
Basic	**$ (0.23)**	$ (0.22)	**$ (0.54)**	$ (0.58)
Diluted	**$ (0.23)**	$ (0.22)	**$ (0.54)**	$ (0.58)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three months ended		Nine months ended	
	September 30 2017	September 30 2016	**September 30 2017**	September 30 2016
(Unaudited, in thousands of Canadian dollars)				
Net loss	**$ (36,526)**	$ (33,727)	**$ (84,132)**	$ (88,617)
Other comprehensive (loss) income				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**(47,059)**	12,499	**(84,156)**	(80,572)
Comprehensive loss	**$ (83,585)**	$ (21,228)	**$ (168,288)**	$ (169,189)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited, in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
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**
Balance, January 1, 2016	$ 169,171	$ 2,538	$ 332,230	$ 1,582,657	$ 2,086,596
Net loss	—	—	—	(88,617)	(88,617)
Other comprehensive income	—	—	(80,572)	—	(80,572)
Total comprehensive income	—	—	(80,572)	(88,617)	(169,189)
Dividends	—	—	—	(55,505)	(55,505)
Share-based compensation	—	3,423	—	—	3,423
Shares vested previously held in trust	5,377	(5,377)	—	—	—
Purchase of shares held in trust	(1,578)	—	—	—	(1,578)
Balance September 30, 2016	$ 172,970	$ 584	$ 251,658	$ 1,438,535	$ 1,863,747

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Nine months ended	
	September 30 2017	September 30 2016	**September 30 2017**	September 30 2016
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net loss	**$ (36,526)**	$ (33,727)	**$ (84,132)**	$ (88,617)
Items not affecting cash				
Depreciation	**79,208**	83,982	**234,075**	259,843
Share-based compensation, net of cash paid	**1,659**	(2,346)	**(667)**	3,416
Unrealized foreign exchange and other	**750**	(5,918)	**12,604**	(16,798)
Accretion on long-term debt	**51**	104	**306**	316
Deferred income tax	**(5,526)**	(11,814)	**(32,992)**	(36,371)
Funds flow from operations	**39,616**	30,281	**129,194**	121,789
Net change in non-cash working capital *(Note 11)*	**(6,825)**	(4,966)	**(32,171)**	35,459
Cash provided by operating activities	**32,791**	25,315	**97,023**	157,248
Investing activities				
Purchase of property and equipment	**(20,043)**	(8,942)	**(98,025)**	(40,218)
Proceeds from disposals of property and equipment	**3,117**	1,273	**5,539**	8,304
Net change in non-cash working capital *(Note 11)*	**(6,452)**	(1,806)	**(1,336)**	(20,309)
Cash used in investing activities	**(23,378)**	(9,475)	**(93,822)**	(52,223)
Financing activities				
Net increase (decrease) in bank credit facilities	**10,462**	(17,677)	**35,801**	(57,640)
Purchase of shares held in trust *(Note 7)*	**(277)**	(30)	**(823)**	(1,578)
Dividends *(Note 7)*	**(11,179)**	(18,368)	**(33,728)**	(55,102)
Net change in non-cash working capital *(Note 11)*	**249**	3,523	**(482)**	3,440
Cash (used in) provided by financing activities	**(745)**	(32,552)	**768**	(110,880)
Net increase (decrease) in cash and cash equivalents	**8,668**	(16,712)	**3,969**	(5,855)
Effects of foreign exchange on cash and cash equivalents	**(1,328)**	174	**(2,147)**	(3,773)
Cash and cash equivalents				
Beginning of period	**24,319**	47,296	**29,837**	40,386
End of period	**31,659**	30,758	**$ 31,659**	$ 30,758
Supplemental information				
Interest paid	**7,096**	4,162	**$ 24,810**	$ 16,839
Income taxes recovered	**(6,418)**	(10,224)	**$ (17,836)**	$ (8,722)

See accompanying notes to the interim consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2017 and 2016
(Unaudited, in thousands of Canadian dollars, except share and per share data)

1. NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting ("IAS 34"). The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2016, except for a new policy regarding Performance Share Units (PSUs).

Units issued under the Company's Performance Share Unit (PSUs) long-term incentive plan are initially measured based on fair value when granted. The fair value of outstanding units is re-measured at each reporting date. The associated expense is recognized in share based compensation over the vesting periods of the PSUs. Vesting of the PSUs occurs over a period of time determined at the date of grant and all PSUs are exercisable upon vesting. PSUs are cash-settled awards, and therefore the expense is offset to accounts payable and accrued liabilities. Fair value of the PSUs is determined using the volume weighted average of the Company's stock price as well as certain performance factors assessed by management.

The calculation of depreciation includes assumptions related to useful lives and residual values that are regularly reviewed by management. The disclosures provided below do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the same accounting policies throughout all periods presented.

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

As of 1 January, 2018, IFRS 15 *Revenue from Contracts with Customers* will come in effect, replacing IAS 18 *Revenue*, IAS 11 *Construction Contracts* and any associated interpretations. The standard is required to be adopted either retrospectively or using a modified transition method, with early adoption permitted. The Company has completed its initial assessment of IFRS 15 Revenue from Contracts with Customers and determined that it will be adopted as of 1 January, 2018 and that it will not have a material impact on the recognition of revenue, however, it will have an impact on the associated disclosures.

As of 1 January, 2018, IFRS 9 *Financial Instruments,* will come into effect, superseding earlier versions of IFRS 9 and replacing IAS 39 *Financial Instruments: Recognition and Measurement.* The Company is currently in the process of completing its assessment of the standard and its expected impact on the consolidated financial statements ahead of year end.

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. BANK CREDIT FACILITIES AND LONG-TERM DEBT

		September 30 2017		December 31 2016
Drawings on the Global Facility	**$**	**483,523**	$	316,701
Senior unsecured notes				
Tranche A, due February 22, 2017, 3.43%		**—**		134,270
Tranche B, due February 22, 2019, 3.97%		**124,677**		134,270
Tranche C, due February 22, 2022, 4.54%		**124,677**		134,270
Unamortized deferred financing costs		**(1,207)**		(2,052)
Total	**$**	**731,670**	$	717,459
Less: current portion		**—**		(134,190)
Total long-term debt	**$**	**731,670**	$	583,269

Interest accrued on the senior unsecured notes (the "Notes") at September 30, 2017 was $3,537 (2016 - $5,221) and has been included in accounts payable and accruals on the consolidated statement of financial position. The Company incurred financing costs associated with the Notes that are being deferred and amortized using the effective interest method.

During the nine months ended September 30, 2017, the Company extinguished Tranche A of the senior unsecured notes using the Global Facility.

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

7. SHARE CAPITAL

(a) Authorized

Unlimited common shares, no par value
Unlimited preferred shares, no par value, issuable in series

(b) Issued, fully paid and outstanding

	Number of Common Shares		Amount
Opening balance – January 1, 2017	153,594,857	$	180,666
Shares issued as part of the dividend reinvestment plan	2,933,708		23,208
Changes in unvested shares held in trust	266,073		2,448
Closing balance - September 30, 2017	**156,794,638**	**$**	**206,322**

The total number of unvested shares held in trust for share-based compensation plans as at September 30, 2017 was 280,145 (December 31, 2016 – 545,916).

(c) Dividends

During the three months ended September 30, 2017, the Company declared dividends of $18,849 (2016 - $18,368), being $0.12 per common share (2016 - $0.12 per common share). For the nine months ended September 30, 2017, the Company declared dividends of $56,936 (2016 - $55,505), being $0.36 per common share (2016 - $0.36 per common share).

8. 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 2017	September 30 2016	**September 30 2017**	September 30 2016
Net loss attributable to common shareholders:				
Basic and diluted	**$ (36,526)**	$ (33,727)	**$ (84,132)**	$ (88,617)
Weighted average number of common shares outstanding:				
Basic	**156,554,461**	152,311,133	**155,467,637**	152,335,884
Potentially dilutive share-based compensation plans	**281,815**	211,713	**391,260**	157,018
Diluted	**156,836,276**	152,522,846	**155,858,897**	152,492,902

During the three months ended September 30, 2017, share options of 6,111,000 (2016 – 6,625,800) 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, 2017, share options of 4,194,300 (2016 – 6,629,000) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

9. SHARE-BASED COMPENSATION

A summary of the Company's share option plan as of September 30, 2017 and the changes during the nine month period ended, is presented below:

	Number of Share Options		Weighted Average Exercise Price
Outstanding – January 1, 2017	5,037,700	$	10.74
Granted	1,221,750		7.98
Forfeited	(148,450)		(11.50)
Outstanding - September 30, 2017	**6,111,000**	**$**	**10.17**
Exercisable - September 30, 2017	**3,071,500**	**$**	**11.39**

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

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)		Weighted Average Exercise Price	Options Exercisable		Weighted Average Exercise Price
$7.30 to $7.64	1,916,700	3.25	$	7.30	764,700	$	7.30
$7.65 to $9.18	1,200,400	4.25		7.98	240,800		7.98
$9.19 to $12.94	1,680,900	2.25		10.37	1,009,500		10.37
$12.94 to $16.13	1,313,000	1.23		16.11	1,056,500		16.11
	6,111,000	2.74	$	10.17	3,071,500	$	11.39

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

	September 30 2017
Remaining expected life (years)	2.5
Volatility (percent)	40.0
Forfeiture rate (percent)	6.4
Risk-free interest rate (percent)	1.5
Expected dividend (percent)	6.8

Share Appreciation Rights (SARs)

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

	Number of SARs		Weighted Average Exercise Price
Outstanding – January 1, 2017	477,100	$	10.97
Granted	116,500		7.98
Forfeited	(95,000)		10.81
Outstanding - September 30, 2017	**498,600**	**$**	**10.30**
Exercisable - September 30, 2017	**250,600**	**$**	**11.65**

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

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$7.30 to $7.64	155,700	3.25	$ 7.30	61,500	$ 7.30
$7.65 to $9.18	104,900	4.25	7.98	21,300	7.98
$9.19 to $12.94	117,000	2.25	10.37	70,200	10.37
$12.95 to $15.82	4,000	0.25	15.51	4,000	15.51
$15.82 to $16.13	117,000	1.25	16.13	93,600	16.11
	498,600	2.73	$ 10.30	250,600	$ 11.65

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	Weighted Fair Value
Outstanding – January 1, 2017	—	$ —
Granted	714,253	8.00
Outstanding - September 30, 2017	**714,253**	**$ 8.00**

The per unit weighted average fair value of the performance share units granted during 2017 was $8.00 estimated on the grant date using a Monte Carlo simulation with a two percent cap based on certain financial performance metrics. Included in net earnings for the three and nine months ended September 30, 2017 is an expense of $500 (2016 - $nil).

10. SEGMENTED INFORMATION

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

	2017				2016			
As at and for the nine month period ended September 30	Canada	United States	International	Total	Canada	United States	International	Total
Revenue	198,533	330,308	201,796	730,637	161,667	246,069	217,965	625,701
(Loss) income before interest and income taxes	(53,769)	(52,282)	14,714	(91,337)	(62,640)	(56,283)	4,887	(114,036)
Property and equipment, net	865,740	1,256,381	535,723	2,657,844	949,782	1,430,586	580,533	2,960,901

	2017				2016			
As at and for the three month period ended September 30	Canada	United States	International	Total	Canada	United States	International	Total
Revenue	63,161	122,046	61,914	247,121	51,983	72,890	66,440	191,313
(Loss) income before interest and income taxes	(27,566)	(14,749)	5,283	(37,032)	(15,197)	(24,712)	2,694	(37,215)

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.

11. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

(a) Non-cash working capital

	Three months ended		Nine months ended	
	September 30 2017	September 30 2016	**September 30 2017**	September 30 2016
Net change in non-cash working capital				
Accounts receivable and other	**$ (21,955)**	$ (62,774)	**$ (44,668)**	$ (7,878)
Inventories and other	**(9,208)**	12,788	**(9,081)**	17,436
Accounts payable and accruals	**6,399**	24,674	**(5,614)**	2,284
Income taxes receivable	**11,800**	21,661	**26,149**	6,346
Dividends payable	**(64)**	402	**(775)**	402
	$ (13,028)	$ (3,249)	**$ (33,989)**	$ 18,590
Relating to:				
Operating activities	**$ (6,825)**	$ (4,966)	**$ (32,171)**	$ 35,459
Investing activities	**(6,452)**	(1,806)	**(1,336)**	(20,309)
Financing activities	**249**	3,523	**(482)**	3,440
	$ (13,028)	$ (3,249)	**$ (33,989)**	$ 18,590

(b) Cash and cash equivalents

	September 30 2017	December 31 2016
Cash	**$ 31,659**	$ 24,500
Cash equivalents	**—**	5,337
Total cash and cash equivalents	**$ 31,659**	$ 29,837

12. FAIR VALUE MEASUREMENTS

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

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

N. MURRAY EDWARDS
Corporate Director and Investor

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President and COO,
Ensign Energy Services Inc.

JAMES B. HOWE (1,3)
President, Bragg Creek Financial Consultants Ltd.

LEN KANGAS (2,4)
Independent Businessman

CARY A. MOOMJIAN, JR (2,3)
President,
CAM OilServ Advisors LLC

JOHN SCHROEDER (1,3)
Independent Businessman

KENNETH J. SKIRKA (2,4)
Independent Businessman

GAIL SURKAN (2,3)
Independent Businesswoman

BARTH WHITHAM (1,4)
President and CEO,
Enduring Resources LLC

CORPORATE MANAGEMENT

N. MURRAY EDWARDS
Chairman

ROBERT H. GEDDES
President and Chief Operating Officer

MICHAEL GRAY
Chief Financial Officer

ED KAUTZ
President United States Operations

TOM CONNORS
Executive Vice President,
Canadian Operations

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

TREVOR RUSSELL
Vice President, Finance

AHMED IQBAL
Corporate Controller

ROBERT RAIMONDO
Vice President, Health, Safety and Environment

CATHY ROBINSON
Vice President, Global Human Resources

SUZANNE DAVIES
Vice President Legal and Corporate Secretary

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STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: ESI

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Trust Company of Canada

COMMITTEE MEMBERS

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2 Corporate Governance, Nominations and Risk
3 Compensation
4 Health, Safety and Environment

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