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ENSIGN ENERGY SERVICES INC.

FIRST QUARTER REPORT For the three months ended March 31, 2014

Financial and Operating Highlights

($ thousands, except per share data and operating information)	Three months ended March 31 **2014**	2013	% change
Revenue	**624,194**	581,142	7
Adjusted EBITDA [1]	**160,069**	164,382	(3)
Adjusted EBITDA per share [1]			
Basic	**$1.05**	$1.08	(3)
Diluted	**$1.04**	$1.07	(3)
Adjusted net income [1]	**53,958**	66,617	(19)
Adjusted net income per share [1]			
Basic	**$0.35**	$0.44	(20)
Diluted	**$0.35**	$0.43	(19)
Net income	**60,411**	64,987	(7)
Net income per share			
Basic	**$0.40**	$0.43	(7)
Diluted	**$0.39**	$0.42	(7)
Funds from operations [1]	**137,011**	139,802	(2)
Funds from operations per share [1]			
Basic	**$0.90**	$0.92	(2)
Diluted	**$0.89**	$0.91	(2)
Weighted average shares – basic *(000s)*	**152,864**	152,708	–
Weighted average shares – diluted *(000s)*	**153,654**	153,391	–
Drilling			
Number of marketed rigs			
Canada [2]	**104**	120	(13)
United States	**111**	116	(4)
International [3]	**55**	53	4
Rigs in transit [4]	**2**	–	–
Operating days			
Canada [2]	**4,792**	5,329	(10)
United States	**5,673**	5,504	3
International [3]	**3,152**	2,712	16
Well Servicing			
Number of marketed rigs			
Canada	**91**	91	–
United States	**45**	46	(2)
Operating hours			
Canada	**34,680**	35,137	(1)
United States	**28,861**	22,777	27

1 *Adjusted EBITDA, Adjusted EBITDA per share, Adjusted net income, Adjusted net income per share, Funds from operations and Funds from operations per share are not measures that have any standardized meaning prescribed by International Financial Reporting Standards 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.*

4 *Drilling rigs being retrofitted and transferred to a new geographic market.*

Certain prior period amounts have been restated to reflect current period presentation.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for Ensign Energy Services Inc. and all of its subsidiaries and partnerships ("Ensign" or the "Company") should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2014, as well as the audited consolidated financial statements and the notes thereto for the year ended December 31, 2013, 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. This MD&A is dated May 9, 2014.

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 commodity pricing, 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, the information provided in the "Outlook" section regarding the general outlook for 2014, the "Outlook", "Funds from Operations and Working Capital" and "New Builds and Major Retrofits" sections regarding the new build program for 2014 and information provided in the "Financial Instruments" section regarding Venezuela, constitutes forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks and 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 crude 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 affecting 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 would 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. 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 income, Adjusted net income per share, Funds from operations and Funds from operations per share. Adjusted EBITDA is defined as "income before interest, income taxes, depreciation, share-based compensation expense (recovery) and foreign exchange and other". Management believes that in addition to net income, Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, how the results are impacted by foreign exchange, or how the results are impacted by the accounting standards associated with the Company's share-based compensation plans.

Adjusted net income is defined as "net income before share-based compensation expense (recovery) and foreign exchange and other, tax-effected using an income tax rate of 35 percent". Adjusted net income is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how the results are impacted by foreign exchange and how the results are impacted by the accounting standards associated with the Company's share-based compensation plans, net of income taxes. Funds from operations is defined as "cash provided by operating activities before the change in non-cash working capital". Funds from operations is 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.

Adjusted EBITDA, Adjusted EBITDA per share, Adjusted net income, Adjusted net income per share, Funds from operations and Funds from operations per share are not measures that have any standardized meaning prescribed by IFRS and accordingly, may not be comparable to similar measures used by other companies.

Adjusted EBITDA

	Three months ended March 31	
($ thousands)	**2014**	2013
Income before income taxes	**91,598**	100,731
Interest expense	**5,426**	4,121
Interest income	**(336)**	(168)
Depreciation	**73,309**	57,190
Share-based compensation	**(913)**	6,396
Foreign exchange and other	**(9,015)**	(3,888)
Adjusted EBITDA	**160,069**	164,382

Adjusted net income

($ thousands)	Three months ended March 31 **2014**	2013
Net income	**60,411**	64,987
Share-based compensation, net of income taxes	**(593)**	4,157
Foreign exchange and other, net of income taxes	**(5,860)**	(2,527)
Adjusted net income	**53,958**	66,617

Funds from operations

($ thousands)	Three months ended March 31 **2014**	2013
Net income	**60,411**	64,987
Non-cash items:		
Depreciation	**73,309**	57,190
Share-based compensation, net of cash paid	**(182)**	6,836
Unrealized foreign exchange and other	**(8,326)**	(830)
Accretion on long-term debt	**88**	80
Deferred income tax	**11,711**	11,539
Funds from operations	**137,011**	139,802

Overview

Revenue for the first quarter of 2014 was $624.2 million, an increase of seven percent from first quarter 2013 revenue of $581.1 million. Adjusted EBITDA totaled $160.1 million ($1.05 per common share) in the first quarter of 2014, three percent lower than adjusted EBITDA of $164.4 million ($1.08 per common share) in the first three months of 2013. Net income for the first quarter of 2014 decreased seven percent to $60.4 million ($0.40 per common share), compared to net income of $65.0 million ($0.43 per common share) for the first quarter of 2013. Adjusted net income for the first quarter of 2014 was $54.0 million ($0.35 per common share), 19 percent lower than adjusted net income of $66.6 million for the first quarter of 2013 ($0.44 per common share). Funds from operations decreased two percent to $137.0 million ($0.90 per common share) in the first three months of 2014 from $139.8 million ($0.92 per common share) in the first three months of the prior year. Operating days in Canadian operations were lower in the first quarter of 2014 when compared to the first quarter of 2013, while results from the United States and the eastern hemisphere operations were higher due to increased demand and upgrades in recent years to the Company's equipment fleets in these areas. A strengthening of the United States dollar against the Canadian dollar positively impacted United States and international financial results on translation to Canadian dollars. The average United States exchange rate for the first three months of 2014 increased nine percent, compared to the first three months of 2013.

Gross margin decreased to $182.2 million (29.2 percent of revenue) for the first quarter of 2014 compared with gross margin of $183.9 million (31.7 percent of revenue) for the first quarter of 2013. The decrease in gross margin in the first quarter of 2014 compared to the first quarter of 2013 was primarily attributed to weaker Canadian activity levels, higher costs related to ongoing maintenance and start-up costs of international rigs preparing for work later in 2014.

Working capital at March 31, 2014 was a deficit of $81.0 million, compared to a deficit of $71.1 million at December 31, 2013. Available borrowings at March 31, 2014 were $36.9 million compared to $70.7 million at December 31, 2013 as additional draws were used to support first quarter activity levels; the first quarter dividend payment; and the ongoing new build and major retrofit program that delivered one new ADR® drilling rig and completed two major retrofits to existing drilling rigs during the first three months of 2014.

Revenue and Oilfield Services Expense

($ thousands)	Three months ended March 31 2014	2013	Change	% change
Revenue				
Canada	**226,468**	255,988	(29,520)	(12)
United States	**248,363**	200,470	47,893	24
International	**149,363**	124,684	24,679	20
	624,194	581,142	43,052	7
Oilfield services expense	**442,020**	397,201	44,819	11
Gross margin	**182,174**	183,941	(1,767)	(1)
Gross margin percentage *(%)*	**29.2**	31.7		

Revenue recorded in the first quarter of 2014 totaled $624.2 million, an increase of seven percent from the first quarter of 2013 and was the second highest quarterly revenue in the Company's history. As a percentage of revenue, gross margin for the first quarter of 2014 decreased to 29.2 percent from 31.7 percent for the first quarter of 2013.

The Company continued to upgrade and grow its equipment fleet throughout 2013 and the first quarter of 2014 which led to stronger revenue in the current year first quarter when compared to the first quarter of 2013. During the first three months of 2014 the Company added one new build ADR® to its United States drilling fleet and completed two major retrofits to existing drilling rigs; one in Canada and one in Australia. In addition the United States dollar strengthened by nine percent in the first three months of 2014 compared to the first three months of 2013 and contributed to the higher revenue levels. Offsetting these positive impacts to consolidated revenue was uneven demand levels in certain areas in Canada and continuing challenges in Venezuela during the first quarter of 2014, as discussed further in the "Financial Instruments" section of this MD&A under Credit Risk.

Canadian Oilfield Services

Revenue decreased 12 percent to $226.5 million for the three months ended March 31, 2014, from $256.0 million for the three months ended March 31, 2013, but was 43 percent higher than the immediately preceding quarter as the seasonal winter drilling season peaked in the first quarter. Canadian revenue accounted for 36 percent of the Company's total revenue in the first quarter of 2014, compared with 44 percent in the first quarter of 2013. Demand for the Company's Canadian oilfield services was mixed as some areas experienced higher activity levels in the current quarter compared with the prior year first quarter while others, particularly the oil sands coring division, saw decreases in the current quarter when compared to the first quarter of 2013. Through the current new build and major retrofit program the Company is continuing to transition its Canadian drilling fleet from shallow drilling rigs to deeper drilling rigs as the industry shifts toward deeper, longer reach drilling. The expansion of the Company's Canadian directional drilling business and oilfield rental business through the 2013 second quarter acquisitions of substantially all of the assets of Departure Energy Services Inc. ("Departure") and EGOC Enviro Group of Companies Ltd. ("EGOC") helped to partially offset the year-over-year reduction in Canadian drilling revenue.

The Company recorded 4,792 drilling days in the first quarter of 2014, a 10 percent decrease from the 5,329 drilling days recorded in the first quarter of 2013, but up 39 percent over the immediately preceding quarter. Canadian well servicing hours were mainly consistent with the prior year, decreasing only one percent in the first quarter of 2014 to 34,680 operating hours, compared with 35,137 operating hours in the corresponding period of 2013.

During the three months ended March 31, 2014, the Company added one retrofitted drilling rig transferred from the United States fleet to the Canadian fleet; decommissioned 13 inactive drilling rigs and four inactive well servicing rigs; and transferred two drilling rigs to the oil sands coring fleet and one retrofitted drilling rig to Australia. In addition two drilling rigs have been removed from the Canadian fleet and are undergoing major retrofit for the Australian market.

United States Oilfield Services

The Company's United States operations recorded revenue of $248.4 million in the first quarter of 2014, a 24 percent increase from the $200.5 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 40 percent of the Company's revenue in the first quarter of 2014, compared to 35 percent in the first quarter of 2013. Drilling rig operating days increased by three percent to 5,673 drilling days in the first quarter of 2014 from 5,504 drilling days in the first quarter of 2013. Well servicing activity increased by 27 percent in the first quarter of 2014 to 28,861 operating hours from 22,777 operating hours in the first quarter of 2013.

Activity levels and revenue rates in United States oilfield services began to pick up late in 2013 after a slowdown earlier in the year. This combined with the positive translational impact of a stronger United States dollar and upgrades to the United States fleet throughout 2013 and the first quarter of 2014 resulted in higher revenue in the current quarter compared to the first quarter of the prior year.

In 2013, the Company added three new build ADRs and one new well servicing rig to the United States fleet. An additional ADR® was added in the first quarter of 2014. The Company also decommissioned six inactive drilling rigs and transferred one retrofitted drilling rig to Canada in the first quarter of 2014.

Current quarter results from the Company's United States operations were positively impacted on translation to Canadian dollars by a strengthening United States dollar against the Canadian dollar. In the first three months of 2014 the United States dollar increased by nine percent when compared to the same period of the prior year.

International Oilfield Services

The Company's international operations recorded revenue of $149.4 million in the first quarter of 2014, a 20 percent increase from $124.7 million recorded in the corresponding period of the prior year. International operations contributed 24 percent of the Company's revenue in the first quarter of 2014, compared with 21 percent in the same period of 2013. International operating days for the three months ended March 31, 2014 totaled 3,152 drilling days, compared with 2,712 drilling days in 2013, an increase of 16 percent.

Changes to the Company's international fleet in the latter half of 2013 and in the first quarter of 2014 helped to drive international revenue up when compared to the first quarter of the prior year. Late in 2013, the Company expanded its operations into Kurdistan with one drilling rig being deployed there, resumed operations with an additional drilling rig in Libya and transferred a retrofitted drilling rig to Australia from the Company's United States fleet. In the first quarter of 2014 an additional retrofitted drilling rig was transferred from the Canadian fleet to Australia. Two additional retrofitted drilling rigs are currently in transit from Canada to Australia and are expected to begin working in the second quarter of 2014.

Similar to the Company's United States operations, international operations were positively impacted from the strengthening United States dollar versus the Canadian dollar on translation into Canadian dollars for reporting purposes in the first quarter of 2014 compared to the first quarter of the prior year.

Depreciation

($ thousands)	Three months ended March 31 2014	2013	Change	% change
Depreciation	**73,309**	57,190	16,119	28

Depreciation expense increased 28 percent to $73.3 million for the three months ended March 31, 2014, compared with $57.2 million for the three months ended March 31, 2013. Higher depreciation expense in the current quarter when compared to the first quarter of 2013 was attributable to the utilization of higher-valued equipment during the current quarter, the additions to the Company's global fleet throughout the latter half of 2013 and in the first quarter of 2014, the impact of the 2013 second quarter acquisitions of assets from EGOC and Departure and the negative translational impact of a stronger United States dollar on United States and international depreciation in the current quarter.

General and Administrative Expense

($ thousands)	Three months ended March 31 2014	2013	Change	% change
General and administrative	**22,105**	19,559	2,546	13
% of revenue	**3.5**	3.4		

General and administrative expense was $22.1 million (3.5 percent of revenue) for the first quarter of 2014 increasing 13 percent, compared with $19.6 million (3.4 percent of revenue) for the first quarter of 2013. The increase in general and administrative expense reflects the negative translational impact of a stronger United States dollar on United States and international administrative expenses in the current quarter and increased costs to support growing international operations.

Share-Based Compensation (Recovery) Expense

($ thousands)	Three months ended March 31 2014	2013	Change	% change
Share-based compensation	**(913)**	6,396	(7,309)	(114)

Share-based compensation (recovery) 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 price of the Company's common shares.

For the three months ended March 31, 2014, share-based compensation (recovery) expense was a recovery of $0.9 million, compared with an expense of $6.4 million recorded in the first quarter of 2013. The decrease in the share-based compensation expense in the first quarter of 2014 was a result of the change in the fair value of the share-based compensation liability primarily resulting from a decrease in the price of the Company's common shares during the first three months of 2014. The closing price of the Company's common shares was $16.34 at March 31, 2014 ($17.32 at March 31, 2013), compared with $16.73 at December 31, 2013 ($15.37 at December 31, 2012).

Interest Expense

($ thousands)	Three months ended March 31 2014	2013	Change	% change
Interest expense	**5,426**	4,121	1,305	32
Interest income	**(336)**	(168)	(168)	100
	5,090	3,953	1,137	29

Interest is incurred on the Company's $10.0 million Canadian-based revolving credit facility (the "Canadian Facility"), the $400.0 million global revolving credit facility (the "Global Facility") and the United States dollar $300.0 million senior unsecured notes (the "Notes") issued in February 2012. The amortization of deferred financing costs associated with the issuance of the Notes is included in interest expense in both quarters.

Interest expense in the first quarter of 2014 increased over interest expense in the first quarter of 2013 due to increased draws on the Global Facility and the negative translational impact of a stronger United States dollar on United States and international interest expense in the current quarter.

Foreign Exchange and Other

($ thousands)	Three months ended March 31 2014	2013	Change	% change
Foreign exchange and other	**(9,015)**	(3,888)	(5,127)	132

Included in this amount are foreign currency movements in the Company's subsidiaries that have functional currencies other than Canadian dollars. During the three months ended March 31, 2014 the Australian dollar strengthened by approximately four percent against the United States dollar causing a foreign currency gain on translation of the Company's United States dollar denominated debt into Australian dollars. In general the United States dollar was stronger in the first three months of 2014, compared to the first three months of 2013 when compared to other world currencies.

Income Taxes

($ thousands)	Three months ended March 31 2014	2013	Change	% change
Current income tax	**19,476**	24,205	(4,729)	(20)
Deferred income tax	**11,711**	11,539	172	1
	31,187	35,744	(4,557)	(13)
Effective income tax rate *(%)*	**34.0**	35.5		

The effective income tax rate for the three months ended March 31, 2014 was 34.0 percent, compared with 35.5 percent for the three months ended March 31, 2013. The decrease in the effective income tax rate in the current quarter compared to the first quarter of the prior year was due to the tax impact of the currency devaluation in Venezuela that occurred in February 2013 being included in the prior year quarter.

Financial Position

The following chart outlines significant changes in the consolidated statement of financial position from December 31, 2013 to March 31, 2014:

($ thousands)	Change	Explanation
Cash and cash equivalents	(38,365)	See consolidated statements of cash flows.
Accounts receivable	116,987	Increase was due to increased operating activity in the first quarter of 2014 when compared to the fourth quarter of 2013. It also includes the impact of foreign exchange fluctuations on the consolidation of the Company's foreign subsidiaries.
Inventories and other	(9,282)	Decrease was due to normal course use of consumables and amortization of prepaid expenses, offset by additional inventory.
Property and equipment	129,729	Increase was due to additions from the current new build and major retrofit construction program and the impact of an increase in the quarter-end foreign exchange rate on the consolidation of the Company's foreign subsidiaries, offset by depreciation.
Accounts payable and accruals	38,593	Increase was due to increased operating activity in the first quarter of 2014 when compared to the fourth quarter of 2013. It also includes the impact of foreign exchange fluctuations on the consolidation of the Company's foreign subsidiaries and changes in the timing of payments to external vendors during the period.
Operating lines of credit	30,874	Increase was due to additional draws during the period on the Global Facility and the impact of foreign exchange fluctuations on the consolidation of the Company's foreign subsidiaries, offset by repayments during the period.
Share-based compensation	(1,368)	Decrease was due to the decrease in the price of the Company's common shares as at March 31, 2014 compared with December 31, 2013.
Income taxes payable	11,545	Increase was due to the current income tax provision for the period, offset by tax instalments made.
Long-term debt	12,533	Increase was due to foreign exchange fluctuations on the United States dollar denominated long-term debt.
Deferred income taxes	12,757	Increase was primarily due to accelerated tax depreciation of assets added during the current quarter.
Shareholders' equity	94,200	Increase was due to net income for the current quarter and the impact of foreign exchange rate fluctuations on net assets of foreign subsidiaries, offset by the amount of dividends declared in the first quarter.

Funds from Operations and Working Capital

($ thousands)	Three months ended March 31 2014	2013	Change	% change
Funds from operations	**137,011**	139,802	(2,791)	(2)
Funds from operations per share	**$0.90**	$0.92	$(0.02)	(2)
Working capital (deficit) [1]	**(80,987)**	(71,146)	(9,841)	14

1 Comparative figure as of December 31, 2013.

During the three months ended March 31, 2014, the Company generated funds from operations of $137.0 million ($0.90 per common share), compared with funds from operations of $139.8 million ($0.92 per common share) for the three months ended March 31, 2013, a decrease of two percent. This decrease was due to reduced operating and financial results for Canadian oilfield services and higher first quarter spending on continuing equipment maintenance that the Company generally expenses as incurred, offset by stronger results in the United States and the eastern hemisphere in the current quarter.

At March 31, 2014, the Company's working capital totaled a deficit of $81.0 million, compared to a deficit of $71.1 million at December 31, 2013. The decrease in working capital in the first three months of 2014 was mainly related to spending on the ongoing new build and major retrofits construction program that as at March 31, 2014 is anticipated to deliver an additional 26 new build ADR® drilling rigs, one new well servicing rig and eight major retrofits of existing drilling rigs. The Company expects funds generated by operations, combined with current and future credit facilities, to fully support current operating and capital requirements. Existing revolving credit facilities provide for total borrowings of $410.0 million, of which $36.9 million was available at March 31, 2014.

Investing Activities

($ thousands)	Three months ended March 31 2014	2013	Change	% change
Purchase of property and equipment	**(120,753)**	(62,757)	(57,996)	92
Net change in non-cash working capital	**5,491**	485	5,006	1,032
Cash used in investing activities	**(115,262)**	(62,272)	(52,990)	85

Purchases of property and equipment during the first quarter of 2014 totaled $120.8 million (2013 – $62.8 million). The purchase of property and equipment relates predominantly to expenditures made pursuant to the Company's ongoing new build and major retrofit program.

Financing Activities

($ thousands)	Three months ended March 31 2014	2013	Change	% change
Net increase in operating lines of credit	**18,042**	72,553	(54,511)	(75)
Issue of capital stock	**–**	1,238	(1,238)	(100)
Purchase of shares held in trust	**(489)**	(510)	21	(4)
Dividends	**(18,019)**	(16,863)	(1,156)	7
Net change in non-cash working capital	**3,224**	2,957	267	9
Cash provided by financing activities	**2,758**	59,375	(56,617)	(95)

The Company's available operating lines of credit consist of a $400.0 million Global Facility and a $10.0 million Canadian Facility. The Global Facility is available to the Company and certain of its wholly owned subsidiaries, and may be drawn in Canadian, United States or Australian dollars, up to the equivalent value of $400.0 million Canadian dollars. The amount available under the Canadian Facility is $10.0 million or the equivalent in United States dollars.

Net draws of the operating lines of credit were mainly used to fund the ongoing new build and major retrofit program that added one new ADR® drilling rig to the Company's United States fleet in the first quarter of 2014; as well as completed two major retrofits to existing drilling rigs, one in Canada and one in Australia. As of March 31, 2014, the operating lines of credit are primarily being used to fund the completion of the most recent new build and major retrofit program and to support international operations.

During the first quarter of 2014, the Company secured 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 Board of Directors of the Company has declared a second quarter dividend of $0.1175 per common share to be payable July 4, 2014 to all Common Shareholders of record as of June 20, 2014. 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

As part of the Company's international operations, it provides oilfield services in Venezuela pursuant to long-term contracts. Many of these existing contracts are due to expire in 2014 and as a result of the current political unrest in Venezuela, there is and there can be no assurance that the Company will be able to renew all of such contracts on terms acceptable to the Company or at all. In addition, as at March 31, 2014, the Company had net accounts receivable of approximately $37.4 million for work performed in Venezuela and, due to the continuing political unrest in Venezuela, there is and there can be no assurance that the Company will be successful in collecting all or any of such outstanding balance.

New Builds and Major Retrofits

During the three months ended March 31, 2014, the Company commissioned one new ADR® drilling rig in the United States; retrofitted one drilling rig transferred from the United States to Canada; and retrofitted one drilling rig transferred from Canada to Australia.

In response to contracts and advanced bid activity for Ensign's higher technology drilling rigs, the Company has ramped up its new build program and plans to deliver 26 new ADR® drilling rigs through to the end of 2015. In Canada the Company is continuing to transition from shallow drilling to deeper drilling, building new ADRs and upgrading existing drilling rigs for deeper resource plays in the northwest part of the Western Canada Sedimentary Basin. In the United States the Company builds new ADRs for specific resource plays and has been upgrading existing drilling rigs for pad drilling operations. Internationally, the Company has been increasing its capabilities, through a combination of new ADRs and major retrofits of existing drilling rigs, to meet the requirements of specific markets. In addition, the Company is in discussions with numerous customers for the possible supply of a number of additional new drilling rigs that may be constructed and delivered into operations between now and December 31, 2015, beyond these 26 new ADR® drilling rigs currently set for delivery.

The estimated delivery schedule for new ADRs and major retrofits of existing drilling rigs currently under construction at March 31, 2014, and as approved by the Company's Board of Directors, is as follows:

	Estimated Delivery Date							
	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Total
New Build ADRs	2	2	5	4	4	4	5	26
Major Retrofits	2	4	–	2	–	–	–	8
	4	6	5	6	4	4	5	34

Summary Quarterly Results

($ thousands, except per share data)	Q1-2014	Q4-2013	Q3-2013	Q2-2013
Revenue	**624,194**	536,044	542,951	437,874
Adjusted EBITDA	**160,069**	112,461	123,123	85,746
Adjusted EBITDA per share				
Basic	**$1.05**	$0.74	$0.81	$0.56
Diluted	**$1.04**	$0.73	$0.80	$0.56
Adjusted net income	**53,958**	27,947	34,861	14,484
Adjusted net income per share				
Basic	**$0.35**	$0.18	$0.23	$0.09
Diluted	**$0.35**	$0.18	$0.23	$0.09
Net income	**60,411**	26,895	33,699	3,284
Net income per share				
Basic	**$0.40**	$0.18	$0.22	$0.02
Diluted	**$0.39**	$0.18	$0.22	$0.02
Funds from operations	**137,011**	101,209	105,923	88,677
Funds from operations per share				
Basic	**$0.90**	$0.66	$0.69	$0.58
Diluted	**$0.89**	$0.66	$0.69	$0.58

	Q1-2013	Q4-2012	Q3-2012	Q2-2012
Revenue	581,142	530,106	525,666	463,878
Adjusted EBITDA	164,382	123,915	132,577	89,562
Adjusted EBITDA per share				
Basic	$1.08	$0.81	$0.87	$0.59
Diluted	$1.07	$0.81	$0.87	$0.59
Adjusted net income	66,617	48,367	45,248	19,810
Adjusted net income per share				
Basic	$0.44	$0.32	$0.30	$0.13
Diluted	$0.43	$0.32	$0.30	$0.13
Net income	64,987	48,489	44,832	18,677
Net income per share				
Basic	$0.43	$0.32	$0.29	$0.12
Diluted	$0.42	$0.32	$0.29	$0.12
Funds from operations	139,802	116,555	121,229	87,336
Funds from operations per share				
Basic	$0.92	$0.76	$0.80	$0.57
Diluted	$0.91	$0.76	$0.79	$0.57

Certain prior period amounts have been restated to reflect current period presentation.

Variability in the Company's quarterly results is driven primarily by the seasonal operating environment in Canada and fluctuations in crude 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. 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. Management utilizes Adjusted EBITDA and Adjusted net income to assess results from the Company's principal business activities prior to the impact of share-based compensation and foreign exchange and other.

In addition to the seasonality noted above, the variability noted in the Company's quarterly results that occurred in the period beginning with the second quarter of 2012 and ending with the current quarter reflect reduced activity levels in North America, particularly in Canada, as the decrease in demand that started late in 2012 continued into 2013, partially offset by improvements from the Company's international operations. North American customers reduced their demand for oilfield services in reaction to uncertain global economic conditions and concerns regarding the economics of oil and natural gas projects. The positive impacts from the expansion of the Company's oilfield rentals and directional drilling capabilities in the second quarter of 2013 as well as generally stronger financial results from international operations in the eastern hemisphere and upgrades to the Company's global equipment fleet helped to partially offset the reduction in North American activity.

Outstanding Share Data

The following common shares and stock options were outstanding as of May 9, 2014:

	Number	Amount *($thousands)*
Common shares	152,675,969	166,680

	Outstanding	Exercisable
Stock options	7,971,100	3,060,600

Outlook

The Company continues to believe that the global economy is improving, despite flattening economic growth in China and uncertainty in some other regions of the world. Less volatile energy prices are starting to provide support for increased development activities. Current geopolitical tensions are giving rise to concerns about global crude oil supply disruptions. Minor supply issues for natural gas in North America may emerge after a cold winter ended with unusually low storage levels. Except for delivery infrastructure development delays, downside factors for energy commodity prices currently appear limited for the next year or two. In particular, Canada's energy prices have recently been positively affected by a weaker currency and narrower transportation differentials.

Canadian exploration and development activities trended upward slightly in the first quarter of 2014, and capital investment activities may increase further in the second half of the year, based on increased industry cash flows from higher commodity prices. The trend is toward only a slightly higher well count, but with increased depths and longer reaches, particularly in key resource plays. Ensign's Canadian fleet utilization improved in the first quarter, with positive prospects for the balance of the year, as the Company continues with the fleet modernization program to more closely match industry demand.

Land-based drilling continues to expand in the United States, albeit at a slow and steady pace, as illustrated by weekly changes to the industry drilling rig count. Oil and natural gas liquids projects continue to be preferred, but dry natural gas prospects are starting to improve, due to planned LNG exports. Typical with prior years, the Company's United States fleet activities were fairly flat with those in the immediately preceding quarter. The Company expects improving operating and financial results for the balance of the year.

The Company's international revenue and operating days were stronger in the current quarter compared to both the immediately preceding quarter and the prior year quarter, despite challenges in certain African and Latin American countries. The Company's activity levels are expected to continue to expand throughout 2014, particularly as drilling rigs are added or as existing rigs are repositioned into the international fleet to fulfill contracts.

The demand for higher technology drilling rigs, such as the Company's ADR®, remains robust. Accordingly, current plans for the remainder of 2014 and 2015 include the addition of 26 new ADR® drilling rigs and one new well servicing rig, with eight major drilling rig retrofits planned for 2014 and 2015. The Company has the ability to ramp up new build activity as future customer demand dictates.

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 March 31, 2014.

Risks and Uncertainties

Crude Oil and Natural Gas Prices

The most significant factors affecting the business of the Company are crude 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 crude oil and natural gas they produce has a direct impact on the cash flow available to them and subsequent demand for oilfield services provided by the Company. Crude oil and natural gas prices have been volatile in recent years and may continue to be so as 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 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 at each location 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.

Foreign Operations

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. The Canadian and United States 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.

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.

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 Canada/United States dollar exchange rate at March 31, 2014, was approximately 1.11 compared with 1.06 at December 31, 2013 and 0.99 at December 31, 2012. In addition, the Company has foreign exchange risk in relation to the conversion of United States dollar denominated debt to Australian dollars. The Australia/United States dollar exchange rate at March 31, 2014 was approximately 1.08, compared with 1.12 at December 31, 2013 and 0.96 at December 31, 2012.

Fluctuations in future exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

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 crude 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.

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.

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.

New Build and Major Retrofit Schedule Delays

As customer demand for oilfield service equipment increases, from time to time, the Company may undertake to increase its fleet through upgrades to rigs or through new construction. These projects are subject to risks of delay inherent in any large construction project resulting from numerous factors, including but not limited to shortages of equipment, materials or skilled labor; and unscheduled delays in the delivery of ordered materials and equipment. Project delays may affect the Company's ability to meet contractual commitments as well as the timely commencement of operations of the Company's drilling and well servicing rigs following delivery.

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.

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.

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.

Consolidated Statements of Financial Position

As at	March 31 2014	December 31 2013
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash and cash equivalents *(Note 12)*	**$ 40,493**	$ 78,858
Accounts receivable	**557,777**	440,790
Inventories and other	**57,565**	66,847
Income taxes receivable	**–**	8,572
	655,835	595,067
Property and equipment	**2,918,060**	2,788,331
Note receivable	**4,345**	4,280
	$ 3,578,240	$ 3,387,678
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 345,740**	$ 307,147
Operating lines of credit	**357,399**	326,525
Dividends payable	**18,019**	18,019
Share-based compensation *(Note 9)*	**12,691**	14,522
Income taxes payable	**2,973**	–
	736,822	666,213
Long-term debt *(Note 5)*	**329,940**	317,407
Share-based compensation *(Note 9)*	**3,456**	2,993
Deferred income taxes	**451,253**	438,496
	1,521,471	1,425,109
Shareholders' Equity		
Share capital *(Note 7)*	**170,046**	168,155
Contributed surplus	**3,589**	4,614
Foreign currency translation reserve	**76,007**	25,065
Retained earnings	**1,807,127**	1,764,735
	2,056,769	1,962,569
	$ 3,578,240	$ 3,387,678

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Income

For the three months ended	March 31 2014	March 31 2013
(Unaudited, in thousands of Canadian dollars, except per share data)		
Revenue	**$ 624,194**	$ 581,142
Expenses		
Oilfield services	**442,020**	397,201
Depreciation	**73,309**	57,190
General and administrative	**22,105**	19,559
Share-based compensation	**(913)**	6,396
Foreign exchange and other	**(9,015)**	(3,888)
	527,506	476,458
Income before interest and income taxes	**96,688**	104,684
Interest income	**336**	168
Interest expense	**(5,426)**	(4,121)
Income before income taxes	**91,598**	100,731
Income taxes *(Note 6)*		
Current tax	**19,476**	24,205
Deferred tax	**11,711**	11,539
	31,187	35,744
Net income	**$ 60,411**	$ 64,987
Net income per share *(Note 8)*		
Basic	**$ 0.40**	$ 0.43
Diluted	**$ 0.39**	$ 0.42

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the three months ended	**March 31 2014**	March 31 2013
(Unaudited, in thousands of Canadian dollars)		
Net income	**$ 60,411**	**$ 64,987**
Other comprehensive income		
Item that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustment	**50,942**	23,562
Comprehensive income	**$ 111,353**	$ 88,549

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

For the three months ended
(Unaudited, in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
Balance, January 1, 2014	$ 168,155	$ 4,614	$ 25,065	$ 1,764,735	$ 1,962,569
Net income	–	–	–	60,411	60,411
Other comprehensive income	–	–	50,942	–	50,942
Total comprehensive income	–	–	50,942	60,411	111,353
Dividends	–	–	–	(18,019)	(18,019)
Share-based compensation	–	1,355	–	–	1,355
Shares vested previously held in trust	2,380	(2,380)	–	–	–
Purchase of shares held in trust	(489)	–	–	–	(489)
Balance March 31, 2014	**$ 170,046**	**$ 3,589**	**$ 76,007**	**$ 1,807,127**	**$ 2,056,769**
Balance, January 1, 2013	$ 164,670	$ 4,811	$ (16,007)	$ 1,704,484	$ 1,857,958
Net income	–	–	–	64,987	64,987
Other comprehensive income	–	–	23,562	–	23,562
Total comprehensive income	–	–	23,562	64,987	88,549
Dividends	–	–	–	(16,863)	(16,863)
Shares issued under employee stock option plan	1,508	–	–	–	1,508
Share-based compensation	–	1,589	–	–	1,589
Shares vested previously held in trust	2,687	(2,687)	–	–	–
Purchase of shares held in trust	(510)	–	–	–	(510)
Balance March 31, 2013	**$ 168,355**	**$ 3,713**	**$ 7,555**	**$ 1,752,608**	**$ 1,932,231**

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Cash Flows

For the three months ended	March 31 2014	March 31 2013
(Unaudited, in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net income	$ 60,411	$ 64,987
Items not affecting cash		
Depreciation	73,309	57,190
Share-based compensation, net of cash paid	(182)	6,836
Unrealized foreign exchange and other	(8,326)	(830)
Accretion on long-term debt	88	80
Deferred income tax	11,711	11,539
Net change in non-cash working capital *(Note 12)*	(58,867)	(32,958)
	78,144	106,844
Investing activities		
Purchase of property and equipment	(120,753)	(62,757)
Net change in non-cash working capital *(Note 12)*	5,491	485
	(115,262)	(62,272)
Financing activities		
Net increase in operating lines of credit	18,042	72,553
Issue of capital stock *(Note 7)*	–	1,238
Purchase of shares held in trust *(Note 7)*	(489)	(510)
Dividends *(Note 7)*	(18,019)	(16,863)
Net change in non-cash working capital *(Note 12)*	3,224	2,957
	2,758	59,375
Net (decrease) increase in cash and cash equivalents	(34,360)	103,947
Effects of foreign exchange on cash and cash equivalents	(4,005)	1,524
Cash and cash equivalents – beginning of period	78,858	33,208
Cash and cash equivalents – end of period	$ 40,493	$ 138,679
Supplemental information		
Interest paid	$ 899	$ 107
Income taxes paid	$ 7,931	$ 31,588

See accompanying notes to the interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(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 crude oil and natural gas industry in Canada, the United States and internationally.

2. Basis of presentation

These interim consolidated financial statements are presented in Canadian dollars which is the Company's functional currency. These interim 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, 2013. 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, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

These interim consolidated financial statements were approved by the Company's Board of Directors on May 9, 2014, after review by the Company's Audit Committee.

3. Seasonality of operations

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

4. Foreign operations

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. The Company's foreign operations, with the general exception of operations in the United States and Australia, are subject to a number of risks and uncertainties such as unstable government regimes, civil and/or labor unrest, strikes, terrorist threats, regulatory uncertainty and complex commercial arrangements.

There are currently no significant restrictions with respect to the Company's ability to access or use its assets and settle its liabilities in foreign jurisdictions in which the Company operates. 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 due to the relatively small size of the operations and certain contractual provisions that have been put in place designed to protect the Company.

The Company provides oilfield services in Venezuela pursuant to long-term contracts, some of which are due to expire in 2014. As at March 31, 2014, the Company had net accounts receivable of approximately $37,389 for work performed in Venezuela. As a result of the current political unrest in Venezuela, there is and there can be no assurance that the Company will be successful in renewing all of its contracts or collecting all or any of such outstanding balances within Venezuela.

5. Long-term debt

	March 31 2014	December 31 2013
Senior unsecured notes		
Tranche A, due February 22, 2017, 3.43%	**$ 110,530**	$ 106,360
Tranche B, due February 22, 2019, 3.97%	**110,530**	106,360
Tranche C, due February 22, 2022, 4.54%	**110,530**	106,360
Unamortized deferred financing costs	**(1,650)**	(1,673)
	$ 329,940	$ 317,407

Interest accrued on the senior unsecured notes (the "Notes") at March 31, 2014 was $4,399 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 first quarter of 2014, the Company secured a $20,000 uncommitted facility, solely for issuing letters of credit, primarily used for bidding on contracts in the normal course of business.

6. Income taxes

The consolidated effective income tax rates in respect of continuing operations for the three months ended March 31, 2014 and 2013 were 34.0 percent and 35.5 percent, respectively. The decrease in the effective income tax rate in the current quarter compared to the first quarter of the prior year was due to the tax impact of the currency devaluation in Venezuela that occurred in February 2013 being included in the prior year quarter.

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, 2014	152,772,866	$ 168,155
Changes in unvested shares held in trust	103,203	1,891
Closing balance – March 31, 2014	**152,876,069**	**$ 170,046**

The total amount of unvested shares held in trust for share-based compensation plans as at March 31, 2014 was 473,027 (December 31, 2013 – 576,230).

(c) Dividends

During the three months ended March 31, 2014, the Company declared dividends of $18,019 (2013 – $16,863), being $0.1175 per common share (2013 – $0.1100 per common share).

8. Net income per share

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

Diluted net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period adjusted for conversion of all potentially dilutive common shares. Diluted net income is calculated using the treasury share method, which assumes that all outstanding share options are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period.

	March 31 2014	March 31 2013
Net income attributable to common shareholders:		
Basic and diluted	**$ 60,411**	$ 64,987
Weighted average number of common shares outstanding:		
Basic	**152,864,209**	152,707,734
Potentially dilutive share-based compensation plans	**789,983**	682,898
Diluted	**153,654,192**	153,390,632

Share options of 4,261,200 (2013 – 4,341,600) 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 March 31, 2014 and the changes during the three month period then ended, is presented below:

	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1, 2014	8,308,700	$ 15.65
Exercised for cash	(210,600)	14.74
Forfeited	(43,800)	16.72
Outstanding – March 31, 2014	**8,054,300**	**$ 15.67**
Exercisable – March 31, 2014	**3,112,600**	**$ 15.30**

The following table lists the options outstanding at March 31, 2014:

Exercise Price	Options Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$11.33 to $14.28	1,732,900	1.75	$ 14.00	906,300	$ 14.00
$14.29 to $15.20	1,832,300	0.75	15.09	1,351,400	15.09
$15.21 to $16.67	2,582,500	4.55	16.06	95,800	15.56
$16.68 to $17.20	1,906,600	2.75	17.20	759,100	17.20
	8,054,300	2.66	$ 15.67	3,112,600	$ 15.30

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of March 31, 2014, and the changes during the three month period then ended, is presented below:

	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1, 2014	799,500	$ 15.82
Exercised	(14,800)	14.00
Forfeited	(1,500)	17.20
Outstanding – March 31, 2014	**783,200**	**$ 15.85**
Exercisable – March 31, 2014	**236,000**	**$ 15.46**

The following table lists the SARs outstanding at March 31, 2014:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$14.00 to $15.32	237,200	1.62	$ 14.19	136,800	$ 14.27
$15.33 to $16.13	316,500	4.73	16.11	7,100	15.95
$16.14 to $17.20	229,500	2.75	17.20	92,100	17.20
	783,200	3.21	$ 15.85	236,000	$ 15.46

10. Segmented information

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

	March 31 2014	March 31 2013
Revenue		
Canada	**$ 226,468**	$ 255,988
United States	**248,363**	200,470
International	**149,363**	124,684
	$ 624,194	$ 581,142

Revenues are attributed to geographical areas based on the location in which the services are rendered.

	March 31 2014	December 31 2013
Property and equipment, net		
Canada	**$ 950,439**	$ 944,188
United States	**1,428,156**	1,355,712
International	**539,465**	488,431
	$ 2,918,060	$ 2,788,331

The segment presentation of property and equipment is based on the geographical location of the assets.

11. Expenses by nature

	March 31 2014	March 31 2013
Salaries, wages and benefits	**$ 243,194**	$ 244,725
Share-based compensation	**511**	8,119
Total employee costs	**243,705**	252,844
Depreciation	**73,309**	57,190
Purchased materials, supplies and services	**219,507**	170,312
Foreign exchange and other	**(9,015)**	(3,888)
Total expenses before interest and income taxes	**$ 527,506**	$ 476,458

12. Supplemental disclosure of cash flow information

(a) Non-cash working capital

	March 31 2014	March 31 2013
Net change in non-cash working capital		
Accounts receivable	$ (101,811)	$ (50,507)
Inventories and other	13,718	8,375
Accounts payable and accruals	23,230	19,655
Note receivable	(65)	(65)
Income taxes payable	14,776	(6,984)
Dividends payable	–	10
	$ (50,152)	$ (29,516)
Relating to:		
Operating activities	$ (58,867)	$ (32,958)
Investing activities	5,491	485
Financing activities	3,224	2,957
	$ (50,152)	$ (29,516)

(b) Cash and cash equivalents

	March 31 2014	December 31 2013
Cash	$ 32,941	$ 64,634
Cash equivalents	7,552	14,224
	$ 40,493	$ 78,858

13. Fair value measurements

The fair values of cash and cash equivalents, accounts receivable, operating lines of credit, accounts payable and accruals and dividends payable approximate their carrying value due to the short-term maturity of these financial instruments.

The estimated fair values of the non-interest bearing note receivable and senior unsecured notes have 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 values of the note receivable and senior unsecured notes approximate their carrying values.

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 the non-interest bearing note receivable was based on Level 1 inputs. 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.

14. Prior period amounts

Certain prior period amounts in the consolidated statement of cash flow have been reclassified to conform to current period presentation.

Corporate Information

Corporate Management

N. Murray Edwards
Chairman

Selby Porter
Vice Chairman

Robert H. Geddes
President and
Chief Operating Officer

Ed Kautz
Executive Vice President United States
and International Operations

Glenn Dagenais
Executive Vice President Finance
and Chief Financial Officer

Timothy Lemke
Vice President Finance

Rob Wilman
Vice President Health, Safety and Environment

Noel Lumsden
Corporate Controller

Suzanne Davies
General Counsel and Corporate Secretary

Head Office

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Bankers

HSBC Bank Canada
Royal Bank of Canada

Stock Exchange Listing

Toronto Stock Exchange
Symbol: ESI

Auditors

PricewaterhouseCoopers LLP

Legal Counsel

Burnet, Duckworth & Palmer LLP

Transfer Agent

Computershare Trust Company of Canada