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ENSIGN
ENERGY SERVICES INC.

SECOND QUARTER REPORT For the three and six months ended June 30, 2014

Financial and Operating Highlights

($ thousands, except per share data and operating information)	Three months ended June 30 **2014**	2013	% change	Six months ended June 30 **2014**	2013	% change
Revenue	**511,581**	437,874	17	**1,135,775**	1,019,016	11
Adjusted EBITDA [1]	**97,137**	85,746	13	**257,206**	250,128	3
Adjusted EBITDA per share [1]						
Basic	**$0.64**	$0.56	14	**$1.68**	$1.64	2
Diluted	**$0.63**	$0.56	13	**$1.68**	$1.63	3
Adjusted net income [1]	**14,352**	14,484	(1)	**68,310**	81,101	(16)
Adjusted net income per share [1]						
Basic	**$0.09**	$0.09	–	**$0.45**	$0.53	(15)
Diluted	**$0.09**	$0.09	–	**$0.45**	$0.53	(15)
Net income	**15,242**	3,284	364	**75,653**	68,271	11
Net income per share						
Basic	**$0.10**	$0.02	400	**$0.50**	$0.45	11
Diluted	**$0.10**	$0.02	400	**$0.49**	$0.45	9
Funds from operations [1]	**90,431**	88,677	2	**227,442**	228,479	–
Funds from operations per share [1]						
Basic	**$0.59**	$0.58	2	**$1.49**	$1.50	(1)
Diluted	**$0.59**	$0.58	2	**$1.48**	$1.49	(1)
Weighted average shares – basic *(000s)*	**152,684**	152,651	–	**152,772**	152,679	–
Weighted average shares – diluted *(000s)*	**153,411**	153,404	–	**153,469**	153,363	–
Drilling						
Number of marketed rigs						
Canada [2]	**103**	120	(14)	**103**	120	(14)
United States	**111**	117	(5)	**111**	117	(5)
International [3]	**58**	53	9	**58**	53	9
Rigs in transit [4]	**1**	–	–	**1**	–	–
Operating days						
Canada [2]	**2,235**	1,598	40	**7,027**	6,927	1
United States	**5,990**	5,712	5	**11,663**	11,216	4
International [3]	**2,828**	2,805	1	**5,980**	5,517	8
Well Servicing						
Number of marketed rigs						
Canada	**91**	92	(1)	**91**	92	(1)
United States	**45**	44	2	**45**	44	2
Operating hours						
Canada	**28,703**	25,343	13	**63,383**	60,480	5
United States	**30,599**	24,897	23	**59,460**	47,674	25

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 rig being retrofitted and transferred to a new geographic market.

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 period ended June 30, 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 August 7, 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 2015, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "International Oilfield Services" section regarding Libya, and the anticipated date of a drilling rig in transit commencing work, 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:

($ thousands)	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 30 2014	Six months ended June 30 2013
Income before income taxes	**23,948**	9,102	**115,546**	109,833
Interest expense	**5,462**	4,538	**10,888**	8,659
Interest income	**(123)**	(543)	**(459)**	(711)
Depreciation	**69,219**	55,419	**142,528**	112,609
Share-based compensation	**615**	(4,570)	**(298)**	1,826
Foreign exchange and other	**(1,984)**	21,800	**(10,999)**	17,912
Adjusted EBITDA	**97,137**	85,746	**257,206**	250,128

Adjusted net income

($ thousands)	Three months ended June 30 2014	2013	Six months ended June 30 2014	2013
Net income	**15,242**	3,284	**75,653**	68,271
Share-based compensation, net of income taxes	**400**	(2,970)	**(194)**	1,187
Foreign exchange and other, net of income taxes	**(1,290)**	14,170	**(7,149)**	11,643
Adjusted net income	**14,352**	14,484	**68,310**	81,101

Funds from operations

($ thousands)	Three months ended June 30 2014	2013	Six months ended June 30 2014	2013
Net income	**15,242**	3,284	**75,653**	68,271
Non-cash items:				
Depreciation	**69,219**	55,419	**142,528**	112,609
Share-based compensation, net of cash paid	**789**	(2,776)	**607**	4,060
Unrealized foreign exchange and other	**(1,399)**	26,171	**(9,725)**	25,341
Accretion on long-term debt	**87**	82	**175**	162
Deferred income tax	**6,493**	6,497	**18,204**	18,036
Funds from operations	**90,431**	88,677	**227,442**	228,479

Overview

Revenue for the second quarter of 2014 was $511.6 million, 17 percent higher than revenue of $437.9 million recorded in the second quarter of 2013. Revenue for the six months ended June 30, 2014 was $1,135.8 million, 11 percent higher than revenue of $1,019.0 million for the six months ended June 30, 2013. Net income for the second quarter of 2014 increased 364 percent to $15.2 million ($0.10 per common share) compared to net income of $3.3 million ($0.02 per common share) for the second quarter of 2013. Net income for the six months ended June 30, 2014 increased 11 percent to $75.7 million ($0.50 per common share) compared to net income of $68.3 million ($0.45 per common share) for the first six months of 2013. Included in the prior year comparative earnings for the second quarter was the negative impact of a $21.8 million foreign exchange and other loss primarily due to the effect of a weakening Australian dollar on United States dollar debt in the Company's Australian operations. Excluding the tax-effected impact of share based compensation expense (recovery) and foreign exchange and other, adjusted net income for the second quarter of 2014 totaled $14.4 million ($0.09 per common share), one percent lower than adjusted net income of $14.5 million ($0.09 per common share) in the second quarter of 2013. For the six months ended June 30, 2014 adjusted net income was $68.3 million ($0.45 per common share), 16 percent lower than adjusted net income of $81.1 million ($0.53 per common share) for the six months ended June 30, 2013. Adjusted EBITDA totaled $97.1 million ($0.64 per common share) in the second quarter of 2014, 13 percent higher than adjusted EBITDA of $85.7 million ($0.56 per common share) in the second quarter of 2013. For the first six months of 2014 adjusted EBITDA was $257.2 million ($1.68 per common share), three percent higher than adjusted EBITDA of $250.1 million ($1.64 per common share) for the first six months of 2013. Funds from operations increased two percent to $90.4 million ($0.59 per common share) in the second quarter of 2014 from $88.7 million ($0.58 per common share) in the second quarter of the prior year. For the six months ended June 30, 2014, funds from operations was consistent with the prior year comparable period at $227.4 million ($1.49 per common share) compared to $228.5 million ($1.50 per common share) for the six months ended June 30, 2013.

Canadian operating and financial results were improved in the current quarter compared to the prior year as Canadian operations experienced less of a reduction in the current year second quarter due to a shorter spring break-up period as a result of slightly longer winter weather conditions in Canada and a beneficial shift in the mix of drilling rigs working as the industry moves towards deeper drilling projects. Demand for United States and international oilfield services also increased to help improve results for both the three and six months ended June 30, 2014 when compared to the same periods of the prior year. An eight percent increase in the average United States exchange rate against the Canadian dollar for the six months ended June 30, 2014 compared to the same period of the prior year helped to further increase United States and international financial results on translation to Canadian dollars.

Gross margin increased to $120.8 million (23.6 percent of revenue) for the second quarter of 2014 compared with gross margin of $109.3 million (25.0 percent of revenue) for the second quarter of 2013. For the six months ended June 30, 2014 gross margin increased to $303.0 million (26.7 percent of revenue) compared to $293.2 million (28.8 percent of revenue) for the six months ended June 30, 2013. Margins were negatively impacted in the first half of 2014 by higher costs related to ongoing maintenance and start-up costs of additional equipment preparing for work later in 2014.

Working capital at June 30, 2014 was a deficit of $145.3 million, compared to a deficit of $71.1 million at December 31, 2013. During the second quarter of 2014 the Company increased the amount available on its existing global revolving credit facility (the "Global Facility") from $400.0 million to $600.0 million. The expanded Global Facility has a three year term and will support the Company's recently expanded new build and major retrofit program. Available borrowings at June 30, 2014 were $207.1 million compared to $70.7 million at December 31, 2013. Working capital resources were mainly utilized in the first half of 2014 to support dividend payments and the ongoing new build and major retrofit program that delivered three new ADR® drilling rigs and completed three major retrofits to existing drilling rigs during the first six months of 2014.

Revenue and Oilfield Services Expense

($ thousands)	Three months ended June 30 2014	2013	% Change	Six months ended June 30 2014	2013	% Change
Revenue						
Canada	**110,687**	85,453	30	**337,155**	341,441	(1)
United States	**246,185**	219,843	12	**494,548**	420,313	18
International	**154,709**	132,578	17	**304,072**	257,262	18
	511,581	437,874	17	**1,135,775**	1,019,016	11
Oilfield services expense	**390,742**	328,570	19	**832,762**	725,771	15
Gross margin	**120,839**	109,304	11	**303,013**	293,245	3
Gross margin percentage *(%)*	**23.6**	25.0		**26.7**	28.8	

Revenue for the three months ended June 30, 2014 increased 17 percent to $511.6 million compared to $437.9 million for the comparable period in 2013. Revenue for the six months ended June 30, 2014 increased 11 percent to $1,135.8 million from revenue of $1,019.0 million recorded for the six months ended June 30, 2013. As a percentage of revenue, gross margin for the second quarter of 2014 decreased to 23.6 percent (2013 – 25.0 percent) and decreased to 26.7 percent for the six months ended June 30, 2014 (2013 – 28.8 percent). The gross margin decrease was attributable to increased repairs and maintenance costs incurred during the current year second quarter and start-up costs of additional equipment preparing for work later in 2014.

Revenue strengthened across all operating divisions for the three months ended June 30, 2014 compared to the three months ended June 30, 2013. For the six months ended June 30, 2014 only Canadian revenue was down slightly with United States and international revenue increasing over the comparable period of the prior year. Increased demand and upgrades to the Company's consolidated equipment fleet over the last few quarters helped to drive the increase in revenue in the current quarter compared to the prior year. In addition, demand for Canadian oilfield services improved in the current quarter compared to the prior year second quarter as a result of the Company continuing to transition the fleet to deeper capacity drilling rigs to capitalize on increased levels of demand. Year-to-date Canadian operating and financial results reflect the lower demand levels experienced by the Company in the first quarter of 2014 compared to the prior year.

Canadian Oilfield Services

Revenue increased 30 percent to $110.7 million for the three months ended June 30, 2014, from $85.5 million for the three months ended June 30, 2013. For the six months ended June 30, 2014, revenue decreased one percent to $337.2 million compared to $341.4 million for the same period in 2013. Canadian revenues accounted for 22 percent of the Company's total revenue in the second quarter of 2014, compared with 20 percent in the second quarter of 2013, and during the six months ended June 30, 2014, Canadian revenues were 30 percent of total revenue (2013 – 34 percent).

The Company's Canadian operations recorded 2,235 drilling days in the second quarter of 2014, compared to 1,598 drilling days for the second quarter of 2013, an increase of 40 percent. For the six months ended June 30, 2014, the Company recorded 7,027 drilling days compared to 6,927 drilling days for the six months ended June 30, 2013, an increase of one percent. Canadian well servicing hours increased by 13 percent to 28,703 operating hours in the second quarter of 2014 compared with 25,343 operating hours in the corresponding period of 2013. For the six months ended June 30, 2014, well servicing hours increased by five percent to 63,383 operating hours compared with 60,480 operating hours for the six months ended June 30, 2013.

Improved demand for Canadian oilfield services in the second quarter of 2014 compared to the second quarter of 2013 helped to drive up second quarter revenue for this segment. The industry has shifted towards deeper, longer reach drilling and the Company continues to transition its Canadian drilling fleet to deeper drilling rigs through the current new build and major retrofit program. Demand levels were lower for the first three months of 2014 compared to the comparable prior year period, particularly for the oil sands coring division, bringing down year-to-date Canadian operating and financial results. Consistent with prior years, Canadian operations were also negatively impacted in the second quarter of 2014 by the seasonal operating environment where spring break-up weather conditions hindered the mobility of the Company's equipment.

During the six months ended June 30, 2014, the Company added one retrofitted drilling rig transferred from the United States fleet to the Canadian fleet; decommissioned 14 inactive drilling rigs and four inactive well servicing rigs; and transferred two drilling rigs to the oil sands coring fleet and two retrofitted drilling rigs to Australia. In addition one drilling rig has been removed from the Canadian fleet and is undergoing major retrofit for the Australian market.

United States Oilfield Services

The Company's United States operations recorded revenue of $246.2 million in the second quarter of 2014, a 12 percent increase from the $219.9 million recorded in the corresponding period of the prior year. During the six months ended June 30, 2014, revenue of $494.5 million was recorded, an increase of 18 percent from the $420.3 million recorded for the six months ended June 30, 2013. The Company's United States operations accounted for 48 percent of the Company's revenue in the second quarter of 2014 (2013 – 50 percent) and 43 percent of total revenue in the six months ended June 30, 2014 (2013 – 41 percent). Drilling rig operating days increased by five percent to 5,990 drilling days in the second quarter of 2014 from 5,712 drilling days in the second quarter of 2013. For the six months ended June 30, 2014, drilling days increased by four percent to 11,663 drilling days from 11,216 drilling days in the six months ended June 30, 2013. Well servicing activity increased by 23 percent in the second quarter of 2014 to 30,599 operating hours from 24,897 operating hours in the second quarter of 2013. For the six months ended June 30, 2014 well servicing activity increased 25 percent to 59,460 operating hours from 47,674 operating hours in the first six months of 2013.

Upgrades to the Company's United States equipment fleet throughout 2013 and the first three months of 2014 helped to strengthen revenue rates and this combined with an increase in demand levels helped to improve revenue in the three and six months ended June 30, 2014 compared to the three and six months ended June 30, 2013. In addition, the United States dollar strengthened against the Canadian dollar in the first six months of 2014 compared to the first six months of 2013, having a positive impact on the translation of United States financial results to Canadian dollars. In the first six months of 2014, the average United States dollar exchange rate increased by approximately eight percent to 1.10 when compared to the same period of the prior year.

An additional ADR® was added to the United States fleet 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 half of 2014. In 2013, the Company added three new build ADRs and one new well servicing rig to the United States fleet.

International Oilfield Services

The Company's international operations recorded revenue of $154.7 million in the second quarter of 2014, a 17 percent increase over the $132.6 million recorded in the corresponding period of the prior year. Similarly, international revenues for the six months ended June 30, 2014, increased by 18 percent to $304.1 million from $257.3 million recorded for the six months ended June 30, 2013. International operations contributed 30 percent of the Company's revenue in the second quarter of 2014 (2013 – 30 percent) and 27 percent of the Company's revenue in the first half of 2014 (2013 - 25 percent). International operating days for the three months ended June 30, 2014 totaled 2,828 drilling days compared with 2,805 drilling days in 2013, an increase of one percent. For the six months ended June 30, 2014, international operating days totaled 5,980 drilling days compared with 5,517 drilling days for the six months ended June 30, 2013, an increase of eight percent.

Additions and upgrades to the Company's international drilling rig fleet over the past 12 months helped to grow revenue for the three and six months ended June 30, 2014 when compared to the three and six months ended June 30, 2013. In the first six months of 2014, two retrofitted drilling rigs were transferred from the Canadian fleet to Australia and two new build ADRs were added in Australia. Currently one retrofitted drilling rig is in transit from Canada to Australia and is expected to begin work in the third quarter of 2014. In the latter half of 2013, the Company added one drilling rig into Kurdistan, a region new to Ensign's operations, resumed operations with an additional drilling rig in Libya and added one retrofitted drilling rig to Australia from the United States fleet.

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

Subsequent to the second quarter of 2014, the Company suspended operations in Libya due to an escalation of civil unrest within the country and there is uncertainty as to when operations may resume. The carrying value of assets located in Libya is approximately $41.4 million and at this time the Company does not believe that any impairment has occurred.

Depreciation

($ thousands)	Three months ended June 30 2014	2013	% Change	Six months ended June 30 2014	2013	% Change
Depreciation	**69,219**	55,419	25	**142,528**	112,609	27

Depreciation expense totaled $69.2 million for the second quarter of 2014 compared with $55.4 million for the second quarter of 2013, an increase of 25 percent. Depreciation expense for the first six months of 2014 was $142.5 million, an increase of 27 percent over the $112.6 million recorded for the first six months of 2013. Increased depreciation reflects higher-valued equipment being utilized in the first half of 2014, new and retrofitted equipment being added to the Company's global fleet throughout the latter half of 2013 and into 2014 and the impact of the 2013 second quarter acquisitions of assets from EGOC Enviro Group of Companies Ltd. ("EGOC") and Departure Energy Services Inc. ("Departure"). In addition, an eight percent increase in the average United States dollar exchange rate against the Canadian dollar increased United States and international depreciation in the three and six months ended June 30, 2014 compared to the same periods of the prior year.

General and Administrative Expense

($ thousands)	Three months ended June 30 2014	2013	% Change	Six months ended June 30 2014	2013	% Change
General and administrative	**23,702**	23,558	1	**45,807**	43,117	6
% of revenue	**4.6**	5.4		**4.0**	4.2	

General and administrative expense increased one percent to $23.7 million (4.6 percent of revenue) for the second quarter of 2014 compared with $23.6 million (5.4 percent of revenue) for the second quarter of 2013. For the six months ended June 30, 2014, general and administrative expense totaled $45.8 million (4.0 percent of revenue) compared with $43.1 million (4.2 percent of revenue) recorded for the six months ended June 30, 2013, an increase of six percent. The overall increase in general and administrative expense in the current periods reflects the negative translational impact of a stronger United States dollar on United States and international administrative expenses and increased costs to support growing international operations.

Share-Based Compensation Expense (Recovery)

($ thousands)	Three months ended June 30 2014	2013	% Change	Six months ended June 30 2014	2013	% Change
Share-based compensation	**615**	(4,570)	(113)	**(298)**	1,826	(116)

Share-based compensation expense (recovery) 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 June 30, 2014, share-based compensation expense (recovery) was an expense of $0.6 million compared with a recovery of $4.6 million recorded in the second quarter of 2013. For the six months ended June 30, 2014, share-based compensation was a recovery of $0.3 million compared with an expense of $1.8 million for the six months ended June 30, 2013. The change in share-based compensation expense in the three and six months ended June 30, 2014, compared to the same periods of 2013 was a result of the change in the fair value of the share-based compensation liability primarily resulting from movements in the price of the Company's common shares. The closing price of the Company's common shares was $16.57 at June 30, 2014 ($16.28 at June 30, 2013), compared with $16.34 at March 31, 2014 ($17.32 at March 31, 2013) and $16.73 at December 31, 2013 ($15.37 at December 31, 2012).

Interest Expense

($ thousands)	Three months ended June 30 2014	2013	% Change	Six months ended June 30 2014	2013	% Change
Interest expense	**5,462**	4,538	20	**10,888**	8,659	26
Interest income	**(123)**	(543)	(77)	**(459)**	(711)	(35)
	5,339	3,995	34	**10,429**	7,948	31

Interest is incurred on the Company's $10.0 million Canadian-based revolving credit facility (the "Canadian Facility"), the expanded $600.0 million 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 was included in interest expense in both quarters.

Interest expense in the three and six months ended June 30, 2014 increased over interest expense in the comparable periods of 2013 due to increased draws on the expanded Global Facility and the negative translational impact of a stronger United States dollar on United States and international interest expense in the current quarter. During the current year second quarter, the Company amended its existing Global Facility, increasing the amount available to $600.0 million from $400.0 million. The amended Global Facility has a term of three years.

Foreign Exchange and Other ((Gain)/Loss)

($ thousands)	Three months ended June 30 2014	2013	% Change	Six months ended June 30 2014	2013	% Change
Foreign exchange and other	**(1,984)**	21,800	(109)	**(10,999)**	17,912	(161)

Included in this amount are foreign currency movements, mainly in the Company's subsidiaries that have functional currencies other than Canadian dollars. During the three months ended June 30, 2014, the Australian dollar strengthened by approximately two 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. During the six months ended June 30, 2014, the Australian dollar strengthened by approximately five percent. In general the United States dollar was stronger when compared to other world currencies in the first half of 2014 compared to the first half of 2013, but weakened slightly during the three months ended June 30, 2014.

Income Taxes

($ thousands)	Three months ended June 30 2014	2013	% Change	Six months ended June 30 2014	2013	% Change
Current income tax	**2,213**	(679)	(426)	**21,689**	23,526	(8)
Deferred income tax	**6,493**	6,497	–	**18,204**	18,036	1
	8,706	5,818	50	**39,893**	41,562	(4)
Effective income tax rate *(%)*	**36.4**	63.9		**34.5**	37.8	

The effective income tax rate for the three months ended June 30, 2014 was 36.4 percent compared with 63.9 percent for the three months ended June 30, 2013. The effective income tax rate for the six months ended June 30, 2014 was 34.5 percent compared with 37.8 percent for the six months ended June 30, 2013. The decrease in the effective income tax rate in the current quarter and first half of 2014 was due to a higher proportion of taxable income earned in lower tax rate jurisdictions, including Canada. The prior year tax rates had also been increased by the impact of foreign exchange translation losses for which the effective tax rate varies from statutory rates, however this was not a factor in the first half of 2014.

Financial Position

The following chart outlines significant changes in the consolidated statement of financial position from December 31, 2013 to June 30, 2014:

($ thousands)	Change	Explanation
Cash and cash equivalents	19,852	See consolidated statements of cash flows.
Accounts receivable	(19,006)	Decrease was due to reduced operating activity in Canada as a result of spring break-up weather conditions in the second quarter of 2014 when compared to the fourth quarter of 2013.
Inventories and other	(11,130)	Decrease was due to normal course use of consumables and amortization of prepaid expenses, offset by additional inventory.
Property and equipment	135,742	Increase was due to additions from the current new build and major retrofit construction program and the impact of a slight increase in the quarter-end foreign exchange rate on the consolidation of the Company's foreign subsidiaries, offset by depreciation.
Accounts payable and accruals	480	Accounts payable and accruals was mainly consistent at June 30, 2014 when compared to December 31, 2013. Changes reflect a small increase in the quarter-end foreign exchange rate 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	60,405	Increase was due to additional draws during the period on the expanded 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	(859)	Decrease was due to the decrease in the price of the Company's common shares as at June 30, 2014 compared with December 31, 2013.
Long-term debt	1,364	Increase was due to foreign exchange fluctuations on the United States dollar denominated long-term debt.
Deferred income taxes	18,306	Increase was primarily due to accelerated tax depreciation of assets added during the current quarter.
Shareholders' equity	41,070	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 half of 2014.

Funds from Operations and Working Capital

($ thousands)	Three months ended June 30 2014	2013	% Change	Six months ended June 30 2014	2013	% Change
Funds from operations	**90,431**	88,677	2	**227,442**	228,479	–
Funds from operations per share	**$0.59**	$0.58	2	**$1.49**	$1.50	(1)
Working capital (deficit) [1]	**(145,342)**	(71,146)	104	**(145,342)**	(71,146)	104

1 Comparative figure as of December 31, 2013.

During the three months ended June 30, 2014, the Company generated funds from operations of $90.4 million ($0.59 per common share) compared with funds from operations of $88.7 million ($0.58 per common share) for the three months ended June 30, 2013, an increase of two percent. For the six months ended June 30, 2014, the Company generated funds from operations of $227.4 million ($1.49 per common share), which was consistent with funds from operations of $228.5 million ($1.50 per common share) generated in the first half of 2013. This increase in the current quarter compared to the prior year second quarter reflects improvements in demand throughout the Company's global operations whereas the decrease year-to-date was mainly a result of Canadian operations having lower activity in the first quarter of 2014 when compared to the prior year. In addition, higher spending on continuing equipment maintenance that the Company generally expenses as incurred reduced both the three and six month funds from operations when compared to the same periods of the prior year.

At June 30, 2014, the Company had a working capital deficit of $145.3 million, compared to a deficit of $71.1 million at December 31, 2013. The Company's working capital resources were used in the current quarter to fund the ongoing new build and major retrofits construction program that as at June 30, 2014 is anticipated to deliver an additional 34 new build ADR® drilling rigs and nine major retrofits to 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. In addition, the Company may look to long-term financing to improve the current working capital position and expects future contributions from additions from the current new build and major retrofit program to help reduce the working capital deficit once the equipment starts working. The newly expanded revolving credit facilities provide for total borrowing of $610.0 million, of which $207.1 million was available at June 30, 2014.

Investing Activities

($ thousands)	Three months ended June 30 2014	2013	% Change	Six months ended June 30 2014	2013	% Change
Acquisitions	**–**	(76,408)	(100)	**–**	(76,408)	(100)
Purchase of property and equipment	**(136,916)**	(83,605)	64	**(257,669)**	(146,362)	76
Net change in non-cash working capital	**(7,625)**	(4,974)	53	**(2,134)**	(4,489)	(52)
Cash used in investing activities	**(144,541)**	(164,987)	(12)	**(259,803)**	(227,259)	14

Purchases of property and equipment during the second quarter of 2014 totaled $136.9 million (2013 – $83.6 million). Purchases of property and equipment during the first half of 2014 totaled $257.7 million (2013 – $146.4 million). The purchase of property and equipment relates predominantly to expenditures made pursuant to the Company's ongoing new build and major retrofit program.

During the second quarter of 2013 the Company acquired the rental assets of EGOC and the directional drilling assets of Departure.

Financing Activities

($ thousands)	2014	Three months ended June 30 2013	% Change	2014	Six months ended June 30 2013	% Change
Net increase in operating lines of credit	**42,765**	5,646	657	**60,807**	78,199	(22)
Issue of capital stock	**–**	256	(100)	**–**	1,494	(100)
Purchase of shares held in trust	**(4,259)**	(4,848)	(12)	**(4,748)**	(5,358)	(11)
Dividends	**(18,018)**	(16,864)	7	**(36,037)**	(33,727)	7
Net change in non-cash working capital	**(3,359)**	(3,076)	9	**(135)**	(119)	13
Cash provided by (used in) financing activities	**17,129**	(18,886)	(191)	**19,887**	40,489	(51)

The Company's available operating lines of credit consist of an expanded $600.0 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 $600.0 million Canadian dollars. The amount available under the Canadian Facility is $10.0 million or the equivalent in United States dollars.

During the second quarter the Company amended its existing Global Facility, increasing the amount available from $400.0 million to $600.0 million. Net draws of the operating lines of credit for the three and six months ended June 30, 2014 were mainly used to fund the ongoing new build and major retrofit program that added three new ADR® drilling rigs to the Company's global fleet in the first six months of 2014, one in the United States and two in Australia; as well as completed three major retrofits to existing drilling rigs, one in Canada and two in Australia. As of June 30, 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. As at June 30, 2014, $19.0 million was drawn on the facility.

The Board of Directors of the Company has declared a third quarter dividend of $0.1175 per common share to be payable October 3, 2014 to all Common Shareholders of record as of September 19, 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 June 30, 2014, the Company had net accounts receivable of approximately $23.9 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 six months ended June 30, 2014, the Company commissioned one new ADR® drilling rig in the United States; retrofitted one drilling rig transferred from the United States to Canada; commissioned two new ADR® drilling rigs in Australia; and retrofitted two drilling rigs transferred from Canada to Australia.

In response to contracts and advanced bid activity for Ensign's higher technology drilling rigs, the Company has added an additional 10 new build 4000m deep tele-doubles to its existing 24 new build ADRs. The addition of these 10 new builds, specifically targeted for the Canadian fleet, will bring the total to 34 new build ADRs that Ensign will deliver into its fleet through to the end of 2015. Concurrent with the delivery of these 10 new builds, designated as ADR® - 850 ultra-deep tele-double drilling rigs, 10 existing Canadian drilling rigs will be decommissioned.

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 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 34 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 June 30, 2014, and as approved by the Company's Board of Directors, is as follows:

	Estimated Delivery Date						
	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Total
New Build ADRs	2	7	7	8	5	5	34
Major Retrofits	7	–	2	–	–	–	9
	9	7	9	8	5	5	43

Summary Quarterly Results

($ thousands, except per share data)	**Q2-2014**	Q1-2014	Q4-2013	Q3-2013
Revenue	**511,581**	624,194	536,044	542,951
Adjusted EBITDA	**97,137**	160,069	112,461	123,123
Adjusted EBITDA per share				
Basic	**$0.64**	$1.05	$0.74	$0.81
Diluted	**$0.63**	$1.04	$0.73	$0.80
Adjusted net income	**14,352**	53,958	27,947	34,861
Adjusted net income per share				
Basic	**$0.09**	$0.35	$0.18	$0.23
Diluted	**$0.09**	$0.35	$0.18	$0.23
Net income	**15,242**	60,411	26,895	33,699
Net income per share				
Basic	**$0.10**	$0.40	$0.18	$0.22
Diluted	**$0.10**	$0.39	$0.18	$0.22
Funds from operations	**90,431**	137,011	101,209	105,923
Funds from operations per share				
Basic	**$0.59**	$0.90	$0.66	$0.69
Diluted	**$0.59**	$0.89	$0.66	$0.69

	Q2-2013	Q1-2013	Q4-2012	Q3-2012
Revenue	437,874	581,142	530,106	525,666
Adjusted EBITDA	85,746	164,382	123,915	132,577
Adjusted EBITDA per share				
Basic	$0.56	$1.08	$0.81	$0.87
Diluted	$0.56	$1.07	$0.81	$0.87
Adjusted net income	14,484	66,617	48,367	45,248
Adjusted net income per share				
Basic	$0.09	$0.44	$0.32	$0.30
Diluted	$0.09	$0.43	$0.32	$0.30
Net income	3,284	64,987	48,489	44,832
Net income per share				
Basic	$0.02	$0.43	$0.32	$0.29
Diluted	$0.02	$0.42	$0.32	$0.29
Funds from operations	88,677	139,802	116,555	121,229
Funds from operations per share				
Basic	$0.58	$0.92	$0.76	$0.80
Diluted	$0.58	$0.91	$0.76	$0.79

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 in early 2014 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. In the current quarter, activity levels began to pick up as upgrades to the Company's global equipment fleet helped to capitalize on increased demand as a result of shifts in the industry in certain regions. The 2013 second quarter acquisitions of assets, to expand the Company's Canadian oilfield rentals and directional drilling capabilities, also helped to improve financial results in 2014.

Outstanding Share Data

The following common shares and stock options were outstanding as of August 7, 2014:

	Number	Amount *($thousands)*
Common shares	152,614,533	165,787

	Outstanding	Exercisable
Stock options	7,697,800	4,211,400

Outlook

Oil and natural gas producers benefited from favorable oil and natural gas prices throughout much of the first half of 2014. North American natural gas prices retreated in the second quarter from peak pricing levels in the first quarter that primarily resulted from a cold winter in many natural gas consuming regions of North America. Crude oil prices were pushed to nine month highs in the second quarter due to geopolitical turmoil and tensions in Europe and the Middle East. While crude oil prices have recently subsided slightly, the Company expects relatively steady prices to support continuing demand growth for energy services, particularly in North America.

Operating days and revenues recorded by our Canadian operations in the second quarter were up strongly when compared with the second quarter of 2013. Equipment had been repositioned and reconfigured to take advantage of increased levels of demand that occurred during this year's spring break-up quarter in Canada. The Company expects the overall trend to higher utilization in our Canadian operations to continue through the second half of 2014, as the equipment fleet continues to transition to deeper capacity. While Ensign is slightly more optimistic than in the past, sustained improvements in the demand for oilfield services in Canada will ultimately depend on positive developments with respect to improving crude oil and natural gas transportation infrastructure.

Second quarter operating days in the Company's United States operations were up slightly over the immediately preceding quarter, as land-based drilling activity continues to expand in certain of the large resource plays. The United States drilling industry continues to shift further into multiple well, pad drilling projects in such resource plays, where the Company's deeper, longer reach, self-moving high-tech ADR® drilling rigs meet stringent customer demands for horizontal and lateral drilling. Consequently, the majority of our new ADRs being constructed over the next several years will likely end up in our United States fleet to service the demand of our growing customer base.

The second quarter results for Ensign's international operations were essentially flat on a year-over-year basis. Challenges persist in some of the Company's international markets, such as in parts of Africa and the Middle East; however start-ups of recent new drilling rig deployments and repositioning transfers will contribute to improved operating and financial results in future quarters.

The Company expanded its credit arrangements in support of the current capital program during the second quarter. The amended Global Facility will ensure that the Company has the funds it needs to complete the current new build and major retrofit program and finance future expanded operations.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company is required to comply with National Instrument 52-109 *"Certification of Disclosure in Issuer's Annual and Interim Filings"*. This instrument requires that the Company disclose in the interim MD&A any changes in the Company's internal control over financial reporting that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company confirms that no such changes occurred during the three months ended June 30, 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 the 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 June 30, 2014, was approximately 1.07 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 June 30, 2014 was approximately 1.11, 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 or incur penalties, 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.

Recent Accounting Pronouncements

On May 28, 2014 the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") which has not yet been adopted by the Company. IFRS 15 replaces all current guidance on revenue recognition and is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. IFRS 15 provides a single comprehensive revenue recognition model for all contracts with customers and is based on the principal that revenue is recognized on the transfer of goods or services to customers at an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. IFRS 15 also includes new disclosure requirements. The Company has not yet begun the process of assessing the impact that the new standard will have on its financial statements or whether to early adopt.

Consolidated Statements of Financial Position

As at	June 30 2014	December 31 2013
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash and cash equivalents *(Note 14)*	**$ 98,710**	$ 78,858
Accounts receivable	**421,784**	440,790
Inventories and other	**55,717**	66,847
Income taxes receivable	**3,750**	8,572
	579,961	595,067
Property and equipment	**2,924,073**	2,788,331
Note receivable	**4,410**	4,280
	$ 3,508,444	$ 3,387,678
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 307,627**	$ 307,147
Operating lines of credit *(Note 6)*	**386,930**	326,525
Dividends payable	**18,019**	18,019
Share-based compensation *(Note 11)*	**12,727**	14,522
	725,303	666,213
Long-term debt *(Note 7)*	**318,771**	317,407
Share-based compensation *(Note 11)*	**3,929**	2,993
Deferred income taxes	**456,802**	438,496
	1,504,805	1,425,109
Shareholders' Equity		
Share capital *(Note 9)*	**165,787**	168,155
Contributed surplus	**3,827**	4,614
Foreign currency translation reserve	**29,674**	25,065
Retained earnings	**1,804,351**	1,764,735
	2,003,639	1,962,569
	$ 3,508,444	$ 3,387,678

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Income

For the three and six months ended June 30	Three months ended June 30 2014	June 30 2013	Six months ended June 30 2014	June 30 2013
(Unaudited, in thousands of Canadian dollars, except per share data)				
Revenue	**$ 511,581**	$ 437,874	**$ 1,135,775**	$ 1,019,016
Expenses				
Oilfield services	**390,742**	328,570	**832,762**	725,771
Depreciation	**69,219**	55,419	**142,528**	112,609
General and administrative	**23,702**	23,558	**45,807**	43,117
Share-based compensation	**615**	(4,570)	**(298)**	1,826
Foreign exchange and other	**(1,984)**	21,800	**(10,999)**	17,912
	482,294	424,777	**1,009,800**	901,235
Income before interest and income taxes	**29,287**	13,097	**125,975**	117,781
Interest income	**123**	543	**459**	711
Interest expense	**(5,462)**	(4,538)	**(10,888)**	(8,659)
Income before income taxes	**23,948**	9,102	**115,546**	109,833
Income taxes				
Current tax	**2,213**	(679)	**21,689**	23,526
Deferred tax	**6,493**	6,497	**18,204**	18,036
	8,706	5,818	**39,893**	41,562
Net income	**$ 15,242**	$ 3,284	**$ 75,653**	$ 68,271
Net income per share *(Note 10)*				
Basic	**$ 0.10**	$ 0.02	**$ 0.50**	$ 0.45
Diluted	**$ 0.10**	$ 0.02	**$ 0.49**	$ 0.45

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the three and six months ended June 30	Three months ended June 30 2014	June 30 2013	Six months ended June 30 2014	June 30 2013
(Unaudited, in thousands of Canadian dollars)				
Net income	**$ 15,242**	$ 3,284	**$ 75,653**	$ 68,271
Other comprehensive (loss) income				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**(46,333)**	29,803	**4,609**	53,365
Comprehensive (loss) income	**$ (31,091)**	$ 33,087	**$ 80,262**	$ 121,636

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

For the six months ended June 30
(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	–	–	–	75,653	75,653
Other comprehensive income	–	–	4,609	–	4,609
Total comprehensive income	–	–	4,609	75,653	80,262
Dividends	–	–	–	(36,037)	(36,037)
Share-based compensation	–	1,593	–	–	1,593
Shares vested previously held in trust	2,380	(2,380)	–	–	–
Purchase of shares held in trust	(4,748)	–	–	–	(4,748)
Balance, June 30, 2014	**$ 165,787**	**$ 3,827**	**$ 29,674**	**$ 1,804,351**	**$ 2,003,639**
Balance, January 1, 2013	$ 164,670	$ 4,811	$ (16,007)	$ 1,704,484	$ 1,857,958
Net income	–	–	–	68,271	68,271
Other comprehensive income	–	–	53,365	–	53,365
Total comprehensive income	–	–	53,365	68,271	121,636
Dividends	–	–	–	(33,727)	(33,727)
Shares issued under employee stock option plan	1,764	–	–	–	1,764
Share-based compensation	–	3,564	–	–	3,564
Shares vested previously held in trust	2,688	(2,688)	–	–	–
Purchase of shares held in trust	(5,358)	–	–	–	(5,358)
Balance, June 30, 2013	**$ 163,764**	**$ 5,687**	**$ 37,358**	**$ 1,739,028**	**$ 1,945,837**

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Cash Flows

For the three and six months ended June 30	Three months ended June 30 2014	June 30 2013	Six months ended June 30 2014	June 30 2013
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net income	**$ 15,242**	$ 3,284	**$ 75,653**	$ 68,271
Items not affecting cash				
Depreciation	**69,219**	55,419	**142,528**	112,609
Share-based compensation, net of cash paid	**789**	(2,776)	**607**	4,060
Unrealized foreign exchange and other	**(1,399)**	26,171	**(9,725)**	25,341
Accretion on long-term debt	**87**	82	**175**	162
Deferred income tax	**6,493**	6,497	**18,204**	18,036
Net change in non-cash working capital *(Note 14)*	**98,971**	77,251	**40,104**	44,293
	189,402	165,928	**267,546**	272,772
Investing activities				
Purchase of property and equipment	**(136,916)**	(83,605)	**(257,669)**	(146,362)
Acquisitions	**–**	(76,408)	**–**	(76,408)
Net change in non-cash working capital *(Note 14)*	**(7,625)**	(4,974)	**(2,134)**	(4,489)
	(144,541)	(164,987)	**(259,803)**	(227,259)
Financing activities				
Net increase in operating lines of credit	**42,765**	5,646	**60,807**	78,199
Issue of capital stock	**–**	256	**–**	1,494
Purchase of shares held in trust *(Note 9)*	**(4,259)**	(4,848)	**(4,748)**	(5,358)
Dividends *(Note 9)*	**(18,018)**	(16,864)	**(36,037)**	(33,727)
Net change in non-cash working capital *(Note 14)*	**(3,359)**	(3,076)	**(135)**	(119)
	17,129	(18,886)	**19,887**	40,489
Net increase (decrease) in cash and cash equivalents	**61,990**	(17,945)	**27,630**	86,002
Effects of foreign exchange on cash and cash equivalents	**(3,773)**	(7,995)	**(7,778)**	(6,471)
Cash and cash equivalents				
Beginning of period	**40,493**	138,679	**78,858**	33,208
End of period	**$ 98,710**	$ 112,739	**$ 98,710**	$ 112,739
Supplemental information				
Interest paid	**$ 8,716**	$ 7,312	**$ 9,615**	$ 7,419
Income taxes paid	**$ 8,936**	$ 3,135	**$ 16,867**	$ 34,723

See accompanying notes to the interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 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 August 7, 2014, after review by the Company's Audit Committee.

3. Recent accounting pronouncements

On May 28, 2014 the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which has not yet been adopted by the Company. IFRS 15 replaces all current guidance on revenue recognition and is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. IFRS 15 provides a single comprehensive revenue recognition model for all contracts with customers and is based on the principal that revenue is recognized on the transfer of goods or services to customers at an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. IFRS 15 also includes new disclosure requirements. The Company has not yet begun the process of assessing the impact that the new standard will have on its financial statements or whether to early adopt.

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.

Operations in Libya were recently suspended due to an escalation of civil unrest within the country and there is uncertainty as to when operations may resume. The approximate carrying value of assets located in Libya is $41,429 and the Company does not believe that at this time any impairment has occurred; management will continue monitoring the situation. 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.

The Company provides oilfield services in Venezuela pursuant to long-term contracts, some of which are due to expire in 2014. As at June 30, 2014, the Company had net accounts receivable of approximately $23,920 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.

6. Operating lines of credit

In June 2014, the Company amended its existing global revolving credit facility (the "Global Facility"), increasing the amount available from $400,000 to $600,000. Interest is incurred on the utilized balance of the amended Global Facility at prime interest rates plus 0.50 percent or bankers' acceptance rates/LIBOR plus 1.50 percent. The Global Facility matures June 20, 2017 and is unsecured.

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. As at June 30, 2014 $18,994 was drawn on the facility.

7. Long-term debt

	June 30 2014	December 31 2013
Senior unsecured notes		
Tranche A, due February 22, 2017, 3.43%	**$ 106,760**	$ 106,360
Tranche B, due February 22, 2019, 3.97%	**106,760**	106,360
Tranche C, due February 22, 2022, 4.54%	**106,760**	106,360
Unamortized deferred financing costs	**(1,509)**	(1,673)
	$ 318,771	$ 317,407

Interest accrued on the senior unsecured notes (the "Notes") at June 30, 2014 was $1,062 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.

8. Income taxes

The consolidated effective income tax rates in respect of continuing operations for the three months ended June 30, 2014 and 2013 were 36.4 percent and 63.9 percent, respectively. The consolidated effective income tax rates in respect of continuing operations for the six months ended June 30, 2014 and 2013 were 34.5 percent and 37.8 percent, respectively. The decrease in the effective income tax rate in the current quarter and first half of 2014 was due to a higher proportion of taxable income earned in lower tax rate jurisdictions, including Canada. The prior year tax rates had also been increased by the impact of foreign exchange translation losses for which the effective tax rate varies from statutory rates, however this was not a factor in the first half of 2014.

9. 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	(158,333)	(2,368)
Closing balance – June 30, 2014	**152,614,533**	**$ 165,787**

The total amount of unvested shares held in trust for share-based compensation plans as at June 30, 2014 was 734,563 (December 31, 2013 – 576,230).

(c) Dividends

During the three months ended June 30, 2014, the Company declared dividends of $18,019 (2013 - $16,864), being $0.1175 per common share (2013 - $0.110 per common share). For the six months ended June 30, 2014, the Company declared dividends of $36,037 (2013 - $33,727), being $0.235 per common share (2013 - $0.220 per common share).

(d) Normal Course Issuer Bid

On June 21, 2013 the Company received approval from the Toronto Stock Exchange to acquire for cancellation up to three percent of the Company's issued and outstanding common shares under a Normal Course Issuer Bid (the "Bid"). The Bid commenced on June 25, 2013 and was terminated on June 24, 2014, under which no common shares were purchased and cancelled.

10. 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.

	Three months ended		Six months ended	
	June 30 2014	June 30 2013	**June 30 2014**	June 30 2013
Net income attributable to common shareholders:				
Basic and diluted	**$ 15,242**	$ 3,284	**$ 75,653**	$ 68,271
Weighted average number of common shares outstanding:				
Basic	**152,684,068**	152,650,803	**152,771,882**	152,679,112
Potentially dilutive share-based compensation plans	**727,230**	753,687	**696,918**	684,057
Diluted	**153,411,298**	153,404,490	**153,468,800**	153,363,169

During the three months ended June 30, 2014, a total of 4,126,500 (2013 – 4,043,300) options were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive. For the six months ended June 30, 2014, a total of 4,126,500 options (2013 – 4,211,300) were excluded from the calculation of diluted weighted average number of common shares outstanding.

11. Share-based compensation

A summary of the Company's share option plan as of June 30, 2014 and the changes during the six 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	(257,600)	14.79
Forfeited	(216,300)	16.20
Outstanding – June 30, 2014	**7,834,800**	**$ 15.66**
Exercisable – June 30, 2014	**3,047,100**	**$ 15.30**

The following table lists the options outstanding at June 30, 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	1,710,900	1.50	$ 14.00	903,900	$ 14.00
$14.29 to $15.20	1,775,500	0.50	15.09	1,304,800	15.09
$15.21 to $16.67	2,492,500	4.30	16.06	92,800	15.57
$16.68 to $17.20	1,855,900	2.51	17.20	745,600	17.20
	7,834,800	2.40	$ 15.66	3,047,100	$ 15.30

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of June 30, 2014, and the changes during the six month period then ended, is presented below:

	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1, 2014	799,500	$ 15.82
Exercised	(46,200)	14.02
Forfeited	(22,800)	16.05
Outstanding – June 30, 2014	**730,500**	**$ 15.93**
Exercisable – June 30, 2014	**190,600**	**$ 15.66**

The following table lists the SARs outstanding at June 30, 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	198,900	1.33	$ 14.19	99,800	$ 14.29
$15.33 to $16.13	306,500	4.48	16.11	1,600	15.51
$16.14 to $17.20	225,100	2.51	17.20	89,200	17.20
	730,500	3.01	$ 15.93	190,600	$ 15.66

12. 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:

	Three months ended		Six months ended	
	June 30 2014	June 30 2013	**June 30 2014**	June 30 2013
Revenue				
Canada	**$ 110,687**	$ 85,453	**$ 337,155**	$ 341,441
United States	**246,185**	219,843	**494,548**	420,313
International	**154,709**	132,578	**304,072**	257,262
	$ 511,581	$ 437,874	**$ 1,135,775**	$ 1,019,016

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

	June 30 2014	December 31 2013
Property and equipment, net		
Canada	**$ 958,499**	$ 944,188
United States	**1,348,734**	1,355,712
International	**616,840**	488,431
	$ 2,924,073	$ 2,788,331

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

13. Expenses by nature

	Three months ended		Six months ended	
	June 30 2014	June 30 2013	**June 30 2014**	June 30 2013
Salaries, wages and benefits	**$ 217,305**	$ 183,375	**$ 460,499**	$ 428,101
Share-based compensation	**1,188**	(2,567)	**1,699**	5,551
Total employee costs	**218,493**	180,808	**462,198**	433,652
Depreciation	**69,219**	55,419	**142,528**	112,609
Purchased materials, supplies and services	**196,566**	166,750	**416,073**	337,062
Foreign exchange and other	**(1,984)**	21,800	**(10,999)**	17,912
Total expenses before interest and income taxes	**$ 482,294**	$ 424,777	**$ 1,009,800**	$ 901,235

14. Supplemental disclosure of cash flow information

(a) Non-cash working capital

	Three months ended		Six months ended	
	June 30 2014	June 30 2013	**June 30 2014**	June 30 2013
Net change in non-cash working capital:				
Accounts receivable	**$ 125,647**	$ 110,706	**$ 23,836**	$ 60,199
Inventories and other	**635**	3,781	**14,353**	12,156
Accounts payable and accruals	**(31,439)**	(52,024)	**(8,209)**	(32,369)
Note receivable	**(65)**	(65)	**(130)**	(130)
Income taxes payable	**(6,791)**	6,802	**7,985**	(182)
Dividends payable	**–**	1	**–**	11
	$ 87,987	$ 69,201	**$ 37,835**	$ 39,685
Relating to:				
Operating activities	**$ 98,971**	$ 77,251	**$ 40,104**	$ 44,293
Investing activities	**(7,625)**	(4,974)	**(2,134)**	(4,489)
Financing activities	**(3,359)**	(3,076)	**(135)**	(119)
	$ 87,987	$ 69,201	**$ 37,835**	$ 39,685

(b) Cash and cash equivalents

	June 30 2014	December 31 2013
Cash	$ 84,632	$ 64,634
Cash equivalents	14,078	14,224
	$ 98,710	$ 78,858

15. 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.

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

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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