ENSIGN®

Q1 2016

FIRST QUARTER REPORT For the three months ended March 31, 2016

FINANCIAL AND OPERATING HIGHLIGHTS

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

Three months ended March 31	2016	2015	% change
Revenue	**258,464**	449,289	(42)
Revenue, net of third party [1]	**226,862**	398,615	(43)
Adjusted EBITDA [1]	**59,567**	112,333	(47)
Adjusted EBITDA per share [1]			
Basic	**$0.39**	$0.74	(47)
Diluted	**$0.39**	$0.74	(47)
Adjusted net (loss) income [1]	**(25,066)**	27,713	nm
Adjusted net (loss) income per share [1]			
Basic	**$(0.16)**	$0.18	nm
Diluted	**$(0.16)**	$0.18	nm
Net (loss) income	**(14,911)**	15,427	nm
Net (loss) income per share			
Basic	**$(0.10)**	$0.10	nm
Diluted	**$(0.10)**	$0.10	nm
Funds from operations [1]	**55,180**	109,761	(50)
Funds from operations per share [1]			
Basic	**$0.36**	$0.72	(50)
Diluted	**$0.36**	$0.72	(50)
Total debt, net of cash	**688,405**	770,308	(11)
Weighted average shares - basic *(000s)*	**152,387**	152,525	—
Weighted average shares - diluted *(000s)*	**152,512**	152,805	—
Drilling	**2016**	2015	% change
Number of rigs			
Canada [2]	**83**	90	(8)
United States	**90**	97	(7)
International [3]	**50**	56	(11)
Operating days			
Canada [2]	**1,569**	2,759	(43)
United States	**1,890**	3,723	(49)
International [3]	**1,790**	2,540	(30)
Well Servicing	**2016**	2015	% change
Number of rigs			
Canada	**71**	72	(1)
United States	**44**	47	(6)
Operating hours			
Canada	**13,675**	18,746	(27)
United States	**14,355**	19,754	(27)

nm - calculation not meaningful

[1] *Revenue, net of third party, Adjusted EBITDA, Adjusted EBITDA per share, Adjusted net (loss) income, Adjusted net (loss) 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 "IFRS" and accordingly, may not be comparable to similar measures used by other companies. Non-GAAP measures are defined on page 3.*

[2] *Excludes coring rigs, includes coring drilling days in Q1, 2015.*

[3] *Includes workover rigs.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Ensign Energy Services Inc. and all of its subsidiaries 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, 2016, as well as the audited consolidated financial statements and notes thereto for the year ended December 31, 2015, which are available on SEDAR at www.sedar.com.

This MD&A and the interim consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated and are stated in thousands, except for: per share amounts, number of drilling rigs and operating days. This MD&A is dated May 4, 2016.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

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

Disclosure related to expected future energy commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other future guidance provided throughout this MD&A, including, but not limited to, information provided in the "Funds from Operations and Working Capital" section regarding the Company's expectation that funds generated by operations combined with current and future credit facilities will support current operating and capital requirements, information provided in the "Financing Activities" section regarding the anticipated payment of a dividend in July 2016, information provided in the "New Builds and Major Retrofits" section regarding the new build program for 2016, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for 2016, constitute forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks. The reader should not place undue reliance on these forward-looking statements as there can be no assurance that the plans, initiatives or expectations upon which they are based will occur.

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

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

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

NON-GAAP MEASURES

This MD&A contains references to Adjusted EBITDA, Adjusted EBITDA per share, Adjusted net (loss) income, Adjusted net (loss) income per share, Funds from operations, Funds from operations per share and Revenue, net of third party. Adjusted EBITDA is defined as “(loss) income before interest, income taxes, depreciation, asset decommissioning and write-downs, share-based compensation and foreign exchange and other”. Management believes that, in addition to Net (loss) 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 (loss) income is defined as “Net (loss) income before asset decommissioning and write-downs, share-based compensation and foreign exchange and other, tax-effected using the expected income tax rate for each item or an estimate of 35 percent”. Management believes that, in addition to Net (loss) income, Adjusted net (loss) 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 non-cash charges for equipment write-downs, 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 are defined as “cash provided by operating activities before the change in non-cash working capital”. Management believes that, in addition to Net (loss) income, funds from operations constitute a measure that provides additional information regarding the Company’s liquidity and its ability to generate funds to finance its operations. Management utilizes this measure to assess the Company’s ability to finance operating activities and capital expenditures. Revenue, net of third party is defined as "gross revenue less third party reimbursable items". Management believes that, in addition to revenue, revenue, net of third party is a useful supplemental measure to indicate the Company's operating activity levels.

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

ADJUSTED EBITDA

	Three months ended March 31	
($ thousands)	**2016**	2015
(Loss) income before income taxes	**(25,276)**	23,625
Interest expense	**6,328**	6,077
Interest income	**(340)**	(98)
Depreciation	**94,478**	63,827
Share-based compensation	**(425)**	792
Foreign exchange and other	**(15,198)**	18,110
Adjusted EBITDA	**59,567**	112,333

ADJUSTED NET (LOSS) INCOME

($ thousands)	Three months ended March 31 **2016**	2015
Net (loss) income	**(14,911)**	15,427
Share-based compensation, net of income taxes	**(276)**	514
Foreign exchange and other, net of income taxes	**(9,879)**	11,772
Adjusted net (loss) income	**(25,066)**	27,713

FUNDS FROM OPERATIONS

($ thousands)	Three months ended March 31 **2016**	2015
Net (loss) income	**(14,911)**	15,427
Items not affecting cash		
Depreciation	**94,478**	63,827
Share-based compensation, net of cash paid	**781**	1,944
Unrealized foreign exchange and other	**(15,198)**	17,537
Accretion on long-term debt	**109**	99
Deferred income tax	**(10,079)**	10,927
Funds from operations	**55,180**	109,761

OVERVIEW

Revenue for the first quarter of 2016 was $258.5 million, a decrease of 42 percent from revenue for the first quarter of 2015 of $449.3 million. Revenue, net of third party, for the first quarter of 2016 was $226.9 million, a decrease of 43 percent from Revenue, net of third party, for the first quarter of 2015 of $398.6 million. Adjusted EBITDA totaled $59.6 million ($0.39 per common share) in the first quarter of 2016, 47 percent lower than Adjusted EBITDA of $112.3 million ($0.74 per common share) in the first three months of 2015. Net loss for the first quarter of 2016 was $14.9 million ($0.10 per common share), compared to net income of $15.4 million ($0.10 per common share) for the first quarter of 2015. Adjusted net loss for the first quarter of 2016 was $25.1 million ($0.16 per common share), compared to Adjusted net income of $27.7 million ($0.18 per common share) for the first quarter of 2015. Funds from operations decreased 50 percent to $55.2 million ($0.36 per common share) in the first three months of 2016 as compared to $109.8 million ($0.72 per common share) in the first three months of the prior year.

Operating days across the Company's fleet were lower in the first quarter of 2016 when compared to the first quarter of 2015 due to weaker demand for oilfield services caused by low oil and natural gas commodity prices. In the quarter, a strengthening year-over-year 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 was 1.3748 for the first quarter of 2016 (first quarter of 2015 - 1.2411) versus the Canadian dollar, an increase of 11 percent, compared to the first three months of 2015.

Gross margin decreased to $76.2 million (34 percent of Revenue, net of third party) for the first quarter of 2016 compared to a gross margin of $133.8 million (34 percent of Revenue, net of third party) for the first quarter of 2015. The decrease in gross margin in the first quarter of 2016 compared to the first quarter of 2015 was primarily attributed to weaker activity levels and lower revenue rates across the oilfield service equipment fleet.

Working capital at March 31, 2016 was $3.6 million, compared to $144.2 million at December 31, 2015, largely due to a portion of long-term debt (USD $100.0 million of senior unsecured notes bearing interest at 3.43 percent, due February 22, 2017) maturing within the next 12 months. The Company's bank credit facilities provide unused and available borrowings of $277.8 million at March 31, 2016, up by $57.7 million, compared to $220.1 million at December 31, 2015.

REVENUE AND OILFIELD SERVICES EXPENSE

($ thousands)	Three months ended March 31 **2016**	2015	Change	% change
Revenue				
Canada	**75,561**	117,990	(42,429)	(36)
United States	**100,130**	186,400	(86,270)	(46)
International	**82,773**	144,899	(62,126)	(43)
Total revenue	**258,464**	449,289	(190,825)	(42)
Revenue, net of third party	**226,862**	398,615	(171,753)	(43)
Oilfield services expense	**182,267**	315,442	(133,175)	(42)
Gross margin	**76,197**	133,847	(57,650)	(43)
Gross margin as a percentage of Revenue, net of third party	**33.6**	33.6		

Revenue for the first quarter of 2016 totaled $258.5 million, a 42 percent decrease from the first quarter of 2015. As a percentage of Revenue, net of third party, gross margin for the first quarter of 2016 remained consistent at 34 percent when compared with the first quarter of 2015.

The continued decline in oil and natural gas commodity prices reduced demand for oilfield services, which resulted in lower equipment utilization rates and revenue rates in 2016 compared to 2015. Financial results from the Company's United States and international operations were positively impacted upon translation, as the stronger United States dollar relative to the Canadian dollar in the first three months of 2016 served to reduce the impact of some of the revenue rate declines experienced during the quarter.

CANADIAN OILFIELD SERVICES

The Company recorded revenue of $75.6 million in Canada for the three months ended March 31, 2016, a decrease of 36 percent from $118.0 million recorded for the three months ended March 31, 2015. Canada accounted for 29 percent of the Company's revenue in the first quarter of 2016, compared with 26 percent in the first quarter of 2015. Demand for the Company's Canadian oilfield services was lower compared to prior quarters due to the decrease in oil and natural gas commodity prices.

The Company recorded 1,569 operating days in the first quarter of 2016, a 43 percent decrease from 2,759 operating days in the first quarter of 2015. Canadian well servicing hours decreased by 27 percent in the three months ended March 31, 2016, compared to the three months ended March 31, 2015. During the three months ended March 31, 2016, the Company disposed of one well servicing rig.

UNITED STATES OILFIELD SERVICES

The Company’s United States operations recorded revenue of $100.1 million for the first quarter of 2016, a decrease of 46 percent from the $186.4 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 39 percent of the Company’s revenue in the first quarter of 2016, compared to 42 percent in the first quarter of 2015.

Drilling operating days decreased by 49 percent from 3,723 operating days in the first quarter of 2015 to 1,890 operating days in first quarter of 2016. Well servicing activity expressed in operating hours decreased by 27 percent in the first quarter of 2016 compared to the first quarter of 2015.

Overall operating and financial results for the Company’s United States operations were negatively impacted by the decline in demand for oilfield services due to falling oil and natural gas commodity prices. Activity levels and revenue rates in the United States continued to decline in the first quarter of 2016. The reduced activity and associated pricing declines were partially offset by a strengthening of the United States dollar, which increased 11 percent versus the Canadian dollar when compared to the first quarter of 2015. During the first three months ending March 31, 2016, the Company added one new build ADR® drilling rig to the United States fleet.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $82.8 million for the first quarter of 2016, a 43 percent decrease from $144.9 million recorded in the corresponding period of the prior year. The Company's international operations contributed 32 percent of the Company's revenue in the first quarter of 2016, consistent with the same period of 2015.

The Company's international operations recorded 1,790 operating days in the first quarter of 2016, a decrease of 30 percent from 2,540 operating days recorded in the first quarter of 2015.

Similar to the Company's United States operations, international operations were positively impacted by the strengthening United States dollar year-over-year in the first quarter of 2016, versus the Canadian dollar, on translation into Canadian dollars for reporting purposes compared to the first quarter of 2015.

DEPRECIATION

	Three months ended March 31			
($ thousands)	**2016**	2015	Change	% change
Depreciation	**94,478**	63,827	30,651	48

Depreciation expense increased by 48 percent to $94.5 million for the three months ended March 31, 2016 compared with $63.8 million for the three months ended March 31, 2015. Depreciation expense was higher in the current quarter when compared to the prior year's quarter, due to additional depreciation charges relating to idle equipment, the impact of higher dollar value equipment being utilized and the negative translational impact of a stronger United States dollar compared to the Canadian dollar on non-Canadian domiciled fixed assets. The increase was partially offset by the overall decrease in operating activity during the quarter.

GENERAL AND ADMINISTRATIVE EXPENSE

	Three months ended March 31			
($ thousands)	**2016**	2015	Change	% change
General and administrative	**16,630**	21,514	(4,884)	(23)
% of revenue	**6.4**	4.8		

General and administrative expense decreased 23 percent to $16.6 million (6.4 percent of revenue) for the first quarter of 2016 compared to $21.5 million (4.8 percent of revenue) for the first quarter of 2015. The decrease in general and administrative expense arose from the Company's initiatives to reduce costs in reaction to lower oil and natural gas commodity prices. The decrease was partially offset by the negative translational impact on non-Canadian operations of the strengthening United States dollar versus the Canadian dollar for the three months ended March 31, 2016 compared to the three months ended March 31, 2015.

SHARE-BASED COMPENSATION

	Three months ended March 31			
($ thousands)	**2016**	2015	Change	% change
Share-based compensation	**(425)**	792	(1,217)	nm

nm - calculation not meaningful

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 market price of the Company's common shares.

For the three months ended March 31, 2016 share-based compensation was a recovery of $0.4 million compared with an expense of $0.8 million for the three months ended March 31, 2015. The share-based compensation recovery for the first quarter of 2016 was a result of changes in the fair value of the share-based compensation liability, offset by amortization of stock options. The fair value of share-based compensation is impacted by both the input assumptions used to estimate the fair value and the price of the Company's common shares during the period. The closing price of the Company's common shares was $5.98 at March 31, 2016 ($9.93 at March 31, 2015) compared with $7.38 at December 31, 2015 ($10.20 at December 31, 2014).

INTEREST EXPENSE

($ thousands)	2016	2015	Change	% change
	Three months ended March 31			
Interest expense	**6,328**	6,077	251	4
Interest income	**(340)**	(98)	(242)	nm
	5,988	5,979	9	—

nm - calculation not meaningful

Interest is incurred on the Company's $10.0 million Canadian-based revolving credit facility (the "Canadian Facility"), the $600.0 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.

Interest expense increased by four percent for the first quarter of 2016 compared to the same period in 2015 despite overall net debt repayments of $32.7 million in the bank credit facilities in first quarter of 2016. The increased interest expense was due to the negative translational impact on United States dollar-denominated debt of a strengthening United States dollar versus the Canadian dollar on a year-over-year basis.

FOREIGN EXCHANGE AND OTHER

($ thousands)	2016	2015	Change	% change
	Three months ended March 31			
Foreign exchange and other	**(15,198)**	18,110	(33,308)	nm

nm - calculation not meaningful

Included in this amount is the impact of foreign currency fluctuations in the Company's subsidiaries that have functional currencies other than the Canadian dollar. During the three months ended March 31, 2016, the Australian dollar strengthened by approximately five 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, versus the Australian dollar weakening by approximately six percent against the United States dollar in the first quarter of 2015.

In March 2016, the Venezuelan government changed the country's currency exchange regime, resulting in the official ("Venezuelan Central Bank") rate of 6.3 Bolivars changing to a newly introduced "DIPRO" or "protected" non-floating rate of 10.0 Bolivars per United States dollar, applying to vital imports such as food and medicines. The "SIMADI" or Marginal Currency System rate of around 200 Bolivars per United States dollar was replaced by the "DICOM" or "complementary" fluctuating rate, initially at a rate of 206 Bolivars per United States dollar, which applies to all transactions not governed by DIPRO. The impact of these new currency rates, effective in the first quarter of 2016, had no material impact on the revenues and expenses of the Company.

INCOME TAXES

($ thousands)	2016	2015	Change	% change
	Three months ended March 31			
Current income tax	**(286)**	(2,729)	2,443	(90)
Deferred income tax	**(10,079)**	10,927	(21,006)	nm
Total income tax	**(10,365)**	8,198	(18,563)	nm
Effective income tax rate (%)	**41.0**	34.7		

nm - calculation not meaningful

The effective income tax rate for the three months ended March 31, 2016 was 41.0 percent compared with 34.7 percent for the three months ended March 31, 2015. The effective tax rate in the current quarter was higher than the effective tax rate in the first quarter of 2015 due to tax rate increases in Alberta and Oman, further increased by the impact of foreign exchange gains for which effective tax rates vary from statutory rates.

FINANCIAL POSITION

Significant changes in the consolidated statement of financial position from December 31, 2015 to March 31, 2016 are outlined below:

($ thousands)	Change	Explanation
Cash and cash equivalents	(11,933)	See consolidated statements of cash flows.
Accounts receivable	(24,763)	Decrease is due to an increase in collections, a decline in activity in the first quarter of 2016 compared to the fourth quarter of 2015, and the decrease in the quarter-end foreign exchange rate on translation of accounts receivable in the Company's foreign subsidiaries.
Inventories and other	(3,822)	Decrease is due to the impact of a decrease in the quarter-end foreign exchange rate on the translation of the inventory and prepaid balances in the Company's foreign subsidiaries as well as normal course usage of consumables and amortization of prepaid expenses during the quarter.
Income taxes receivable	1,800	Increase is due to the current year income tax recovery net of payments made during the quarter.
Property and equipment	(203,416)	Decrease is primarily due to the impact of a decrease in the quarter-end translation rate of 1.2971, compared to the December 31, 2015 translation rate of 1.3840, as well as current period depreciation.
Accounts payable and accruals	(27,176)	Decrease is due to a reduction in operating activity in the first quarter of 2016, a reduction in the size of the Company's new build and major retrofit program, and from the decrease in the quarter-end foreign exchange rate on translation of accounts payable and accrued liabilities in the Company's foreign subsidiaries.
Share-based compensation	(520)	Decrease was mainly a result of changes in the fair value of the share-based compensation. The fair value of share-based compensation expense is impacted by both the input assumptions used to estimate the fair value, and the price of the Company's common shares during the period.
Long-term debt, including current portion	(77,251)	Decrease is due to net repayments of $32.7 million during the quarter and to the weakening of the United States dollar from December 31, 2015 to March 31, 2016.
Deferred income taxes	(8,092)	Decrease arises from the deferred tax recovery for the first quarter of 2016 and the effect of the quarter-end foreign exchange rate on translation of the deferred tax liability of the Company's foreign subsidiaries.
Shareholders' equity	(129,095)	Decrease is due to the impact of foreign exchange rate fluctuations on net assets of foreign subsidiaries, the net loss incurred and the amount of dividends declared in the first quarter of 2016.

FUNDS FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per share data)	Three months ended March 31 **2016**	2015	Change	% change
Funds from operations	**55,180**	109,761	(54,581)	(50)
Funds from operations per share	**$0.36**	$0.72	(0.36)	(50)
Working capital [1]	**3,607**	144,239	(140,632)	nm

nm - calculation not meaningful
[1] Comparative figure as of December 31, 2015

Funds from operations totaled $55.2 million ($0.36 per common share) during the three months ended March 31, 2016, a decrease of 50 percent from $109.8 million ($0.72 per common share) generated for the three months ended March 31, 2015. The decrease in Funds from operations in 2016 compared to 2015 is due to the decline in demand for both North American and international oilfield services, attributed to the decline in global energy prices.

At March 31, 2016 the Company's working capital totaled $3.6 million, compared to working capital of $144.2 million at December 31, 2015. The decrease in working capital in the first three months of 2016, was mainly related to a reduction in operating levels by the Company in 2016 and the financial statement reclassification of the portion of long-term debt (USD $100.0 million of senior unsecured notes bearing interest at 3.43 percent, due February 22, 2017) maturing within the next 12 months to current liabilities. 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 $610.0 million, of which $277.8 million was undrawn and available at March 31, 2016.

INVESTING ACTIVITIES

($ thousands)	Three months ended March 31 **2016**	2015	Change	% change
Purchase of property and equipment	**(17,874)**	(80,511)	62,637	(78)
Proceeds from disposals of property and equipment	**3,195**	1,826	1,369	75
Net change in non-cash working capital	**(18,950)**	(40,851)	21,901	(54)
Cash used in investing activities	**(33,629)**	(119,536)	85,907	(72)

Net purchases of property and equipment for the first quarter of 2016 totaled $14.7 million (2015 - $78.7 million). The purchase of property and equipment relates predominantly to expenditures made pursuant to the Company's new build and major retrofit program, and for maintenance capital costs incurred in the quarter.

FINANCING ACTIVITIES

($ thousands)	Three months ended March 31 **2016**	2015	Change	% change
Net decrease in bank credit facilities	**(32,730)**	(29,995)	(2,735)	9
Purchase of shares held in trust	**(283)**	(554)	271	(49)
Dividends	**(18,367)**	(18,367)	—	—
Net change in non-cash working capital	**3,785**	3,640	145	4
Cash used in financing activities	**(47,595)**	(45,276)	(2,319)	5

The Company's available bank credit facilities consist of a $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 Global Facility expires in June 2017. The amount available under the Canadian Facility is $10.0 million or the equivalent in United States dollars.

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

The Board of Directors of the Company has declared a second quarter dividend of $0.12 per common share to be payable July 6, 2016 to all Common Shareholders of record as of June 22, 2016. The dividend is pursuant to the quarterly dividend policy adopted by the Company. Pursuant to subsection 89(1) of the Canadian Income Tax Act (“ITA”), the dividend being paid is designated as an eligible dividend, as defined in subsection 89(1) of the ITA.

FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at March 31, 2016 totaled $190.7 million, a decrease of $24.8 million from $215.4 million as at December 31, 2015. Reduced levels of oil and natural gas commodity prices negatively impacts the cash flow of the Company's customers and, consequently, increases the collection risk of accounts receivable balances.

As part of the Company’s international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at March 31, 2016, the Company had accounts receivable of approximately $22.2 million for work performed in Venezuela, and in recent months a number of payments have been received by the Company. However, due to the recent decline in the price of oil and continuing political unrest within Venezuela there can be no assurance that the Company will be successful in collecting all of such outstanding balance.

NEW BUILDS AND MAJOR RETROFITS

During the three months ended March 31, 2016, the Company completed one new build drilling rig. The Company continues to selectively build new ADR® drilling rigs and upgrade existing rigs to meet the increasing technical demands of its customers. The decline in oil and natural gas commodity prices resulted in the Company proactively and aggressively reducing the rig build program during the year.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q1-2016**	Q4-2015	Q3-2015	Q2-2015	Q1-2015	Q4-2014	Q3-2014	Q2-2014
Revenue	**258,464**	283,887	324,002	333,800	449,289	602,691	583,299	511,581
Revenue, net of third party [1]	**226,862**	252,592	289,327	294,241	398,615	521,713	509,030	446,730
Adjusted EBITDA [1]	**59,567**	72,314	66,914	69,534	112,333	143,012	137,295	97,137
Adjusted EBITDA per share [1]								
Basic	**$0.39**	$0.47	$0.44	$0.46	$0.74	$0.94	$0.90	$0.64
Diluted	**$0.39**	$0.47	$0.44	$0.46	$0.74	$0.94	$0.89	$0.63
Adjusted net (loss) income [1]	**(25,066)**	(31,436)	(33,002)	1,316	27,713	44,181	36,076	14,352
Adjusted net (loss) income per share [1]								
Basic	**$(0.16)**	$(0.20)	$(0.22)	$0.01	$0.18	$0.29	$0.24	$0.09
Diluted	**$(0.16)**	$(0.20)	$(0.22)	$0.01	$0.18	$0.29	$0.24	$0.09
Net (loss) income	**(14,911)**	(41,175)	(77,265)	(1,036)	15,427	(31,038)	26,505	15,242
Net (loss) income per share								
Basic	**$(0.10)**	$(0.26)	$(0.51)	$(0.01)	$0.10	$(0.20)	$0.17	$0.10
Diluted	**$(0.10)**	$(0.26)	$(0.51)	$(0.01)	$0.10	$(0.20)	$0.17	$0.10
Funds from operations [1]	**55,180**	48,905	68,218	69,389	109,761	132,257	132,187	90,431
Funds from operations per share [1]								
Basic	**$0.36**	$0.31	$0.45	$0.46	$0.72	$0.87	$0.87	$0.59
Diluted	**$0.36**	$0.31	$0.45	$0.46	$0.72	$0.86	$0.86	$0.59
Total debt, net of cash	**688,405**	753,723	752,979	716,659	770,308	732,330	724,942	606,991

[1] *See definition of "Non-GAAP Measures" section of this MD&A.*

Variability in the Company’s quarterly results is driven primarily by the seasonal operating environment in Canada and fluctuations in oil and natural gas commodity prices. Financial and operating results for the Company’s Canadian oilfield services division are generally strongest during the first and fourth quarters when the Company’s customers conduct the majority of their drilling programs. Utilization rates typically decline during the second quarter as spring break-up weather conditions hinder mobility of the Company’s equipment in Canada. Oil and natural gas commodity prices ultimately drive the level of exploration and development activities carried out by the Company’s customers and the resultant demand for the oilfield services provided by the Company.

The quarterly results may also be impacted by the Black-Scholes valuation accounting associated with the Company's share-based compensation plans, which can fluctuate significantly from quarter to quarter as a result of changes in the valuation inputs, as well as changes in foreign currencies against the functional currencies of the Company's operating entities.

In addition to the seasonality noted above, the variability noted in the Company's quarterly results reflect continued declining levels of demand for oilfield services in the 2016 and 2015 fiscal years compared to prior years. Such demand for oilfield services was negatively influenced by unfavorable oil and natural gas commodity prices for all of 2016 and 2015. The impact of lower oil and natural gas commodity prices on the demand for oilfield services, particularly in North America, can be seen in the reduction in the Company's financial results for the first quarter of 2016.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of May 4, 2016:

	Number		Amount ($)
Common shares	152,387,211	$	170,600

	Outstanding	Exercisable
Stock options	7,204,600	2,216,200

OUTLOOK

The oil and natural gas industry downturn, which appears to be mainly caused by excess supply, has begun to show some stabilization over the past month. Crude oil prices are still very volatile with West Texas Intermediate hitting lows of USD $26 in February and rising to USD $42 in April, representing a 62 percent change.

The global producers' meeting in Doha on April 17 failed to create an agreement on OPEC production freezes, with most of the attention centered on Iran not being at the table. As expected by many analysts, this meeting did not create any meaningful impact. Even without an agreement in Doha, it appears that there are some indications that supply is starting to or soon will begin to decrease, causing the market to begin the much-needed rebalancing phase.

Demand for oil is still growing year-over-year and, according to the April OPEC Monthly Oil Market Report, oil demand is still expected to grow at 1.2 million barrels per day in 2016. Demand growth will aid in the rebalancing and should help create some stability in oil prices. Price stabilization is what our customers need to increase investment in drilling and other oilfield services.

As the market begins to rebalance, we see some issues arising from the commodity slump. One of them will be the access to capital required for our customers to increase drilling activity. Some E&P companies are seeing their credit lines reduced, and some of them have decided to issue equity in order to strengthen their balance sheets. We believe that this credit tightening will affect the recovery and that some energy companies are at risk of default as access to additional capital will be difficult and more expensive than in the past.

Oilfield services activity levels in Canada continue to be weak, as had widely been expected. The Company is starting to see mixed signals on producer expenditures with some choosing to increase spending from 2015 levels and some are decreasing it and focusing on field maintenance. The current price increase and talks of price stabilization may partially begin to restore customer confidence. Activity levels for the Company's Canadian equipment fleet continue to be in line with the industry. Future expectations are for the Company to track with lower industry levels, and for the Company's larger rigs to continue to perform relatively well in deeper plays under development with major operators in Canada.

The United States drilling rig count appears to have bottomed, with some weekly count increases and decreases. As of mid-April, active land-based rigs operating in the United States were 440 rigs, down 514 rigs from around the same time in 2015. The Company's United States equipment fleet continues to perform somewhat favorably when compared with the overall industry, but pressures on day rates and contract retention persist and are expected to continue until activity increases.

The mid-April rig count for international, according to the Baker Hughes March 2016 rig count, was down 266 rigs from the prior year to 985. The international drilling markets tend to be more diverse and generally have longer term contracts.

Our international operations, which have diversified the Company, have aided in reducing the declines that have been seen in North America. For the remainder of 2016, the Company expects to operate internationally at similar utilization levels to those of the first quarter due to a relatively high proportion of long-term contracts and international oil companies capitalizing on the lower service sector costs. The Company's international operations are exposed to geopolitical issues, civil unrest, economic constraints and other factors inherent in international activities.

The Company remains focused on: operational improvements, close attention to customer credit conditions, and safeguarding the balance sheet. The market may soon begin the rebalancing process, which could continue into late 2016 or early 2017. As we move forward, the Company will continue to look for ways to deal with the "new normal."

In addition, for clarification purposes the Company notes that its Management Information Circular, dated March 17, 2016, incorrectly referred to the principal residence of Mr. N. Murray Edwards, Chairman of the Company, as Calgary, Alberta. As indicated in the Company's Revised Annual Information Form, dated March 31, 2016, Mr. Edwards' principal residence is London, United Kingdom.

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, 2016.

RISKS AND UNCERTAINTIES

Oil and Natural Gas Prices

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

Competition and Industry Conditions

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

Changes in Laws and Regulations

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

Foreign Operations

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

Foreign Exchange Exposure

The Company's consolidated financial statements are presented in Canadian dollars. Operations in countries outside of Canada result in foreign exchange risk to the Company. The principal foreign exchange risk relates to the conversion of United States dollar-denominated activity to Canadian dollars. The United States/Canadian dollar exchange rate at March 31, 2016 was approximately 1.30 compared with 1.38 at December 31, 2015 and 1.16 at December 31, 2014. In addition, the Company has foreign exchange risk in relation to the conversion of United States dollar-denominated debt to Australian dollars. The United States/Australian dollar exchange rate at March 31, 2016 was approximately 1.30, compared with 1.37 at December 31, 2015 and 1.22 at December 31, 2014. Fluctuations in the future period's exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

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.

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.

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.

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.

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.

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.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		**March 31 2016**		December 31 2015
(Unaudited, in thousands of Canadian dollars)				
Assets				
Current Assets				
Cash and cash equivalents *(Note 10)*	**$**	**28,453**	$	40,386
Accounts receivable		**190,658**		215,421
Inventories and other		**67,984**		71,806
Income taxes receivable		**6,747**		4,947
Total current assets		**293,842**		332,560
Property and equipment		**3,062,164**		3,265,580
Total assets	**$**	**3,356,006**	$	3,598,140
Liabilities				
Current Liabilities				
Accounts payable and accruals	**$**	**140,705**	$	167,881
Dividends payable		**18,367**		18,367
Share-based compensation *(Note 8)*		**1,624**		2,073
Current portion of long-term debt (Note 5)		**129,539**		—
Total current liabilities		**290,235**		188,321
Long-term debt *(Note 5)*		**587,319**		794,109
Share-based compensation *(Note 8)*		**864**		935
Deferred income taxes		**520,087**		528,179
Total liabilities		**1,398,505**		1,511,544
Shareholders' Equity				
Share capital *(Note 6)*		**170,600**		169,171
Contributed surplus		**2,081**		2,538
Foreign currency translation reserve		**235,441**		332,230
Retained earnings		**1,549,379**		1,582,657
Total shareholders' equity		**1,957,501**		2,086,596
Total liabilities and shareholders' equity	**$**	**3,356,006**	$	3,598,140

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

For the three months ended		March 31 2016		March 31 2015
(Unaudited, in thousands of Canadian dollars, except per share data)				
Revenue	**$**	**258,464**	$	449,289
Expenses				
Oilfield services		**182,267**		315,442
Depreciation		**94,478**		63,827
General and administrative		**16,630**		21,514
Share-based compensation		**(425)**		792
Foreign exchange and other		**(15,198)**		18,110
Total expenses		**277,752**		419,685
(Loss) income before interest and income taxes		**(19,288)**		29,604
Interest income		**(340)**		(98)
Interest expense		**6,328**		6,077
(Loss) income before income taxes		**(25,276)**		23,625
Income taxes				
Current tax		**(286)**		(2,729)
Deferred tax		**(10,079)**		10,927
Total income taxes		**(10,365)**		8,198
Net (loss) income	**$**	**(14,911)**	$	15,427
Net (loss) income per share (Note 7)				
Basic	**$**	**(0.10)**	$	0.10
Diluted	**$**	**(0.10)**	$	0.10

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

For the three months ended		March 31 2016		March 31 2015
(Unaudited, in thousands of Canadian dollars)				
Net (loss) income	**$**	**(14,911)**	$	15,427
Other comprehensive (loss) income				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment		**(96,789)**		129,470
Comprehensive (loss) income	**$**	**(111,700)**	$	144,897

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited, in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
Balance, January 1, 2016	$ 169,171	$ 2,538	$ 332,230	$ 1,582,657	$ 2,086,596
Net loss	—	—	—	(14,911)	(14,911)
Other comprehensive loss	—	—	(96,789)	—	(96,789)
Total comprehensive loss	—	—	(96,789)	(14,911)	(111,700)
Dividends	—	—	—	(18,367)	(18,367)
Share-based compensation	—	1,255	—	—	1,255
Shares vested previously held in trust	1,712	(1,712)	—	—	—
Purchase of shares held in trust	(283)	—	—	—	(283)
Balance March 31, 2016	**$ 170,600**	**$ 2,081**	**$ 235,441**	**$ 1,549,379**	**$ 1,957,501**
Balance, January 1, 2015	$ 169,215	$ 1,967	$ 113,880	$ 1,760,175	$ 2,045,237
Net income	—	—	—	15,427	15,427
Other comprehensive income	—	—	129,470	—	129,470
Total comprehensive income	—	—	129,470	15,427	144,897
Dividends	—	—	—	(18,367)	(18,367)
Share-based compensation	—	1,134	—	—	1,134
Shares vested previously held in trust	2,053	(2,053)	—	—	—
Purchase of shares held in trust	(554)	—	—	—	(554)
Balance March 31, 2015	$ 170,714	$ 1,048	$ 243,350	$ 1,757,235	$ 2,172,347

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended		**March 31 2016**		March 31 2015
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net (loss) income	**$**	**(14,911)**	$	15,427
Items not affecting cash				
Depreciation		**94,478**		63,827
Share-based compensation, net of cash paid		**781**		1,944
Unrealized foreign exchange and other		**(15,198)**		17,537
Accretion on long-term debt		**109**		99
Deferred income tax		**(10,079)**		10,927
Funds provided by operations		**55,180**		109,761
Net change in non-cash working capital *(Note 10)*		**9,899**		47,420
Cash provided by operating activities		**65,079**		157,181
Investing activities				
Purchase of property and equipment		**(17,874)**		(80,511)
Proceeds from disposals of property and equipment		**3,195**		1,826
Net change in non-cash working capital *(Note 10)*		**(18,950)**		(40,851)
Cash used in investing activities		**(33,629)**		(119,536)
Financing activities				
Net decrease in bank credit facilities		**(32,730)**		(29,995)
Purchase of shares held in trust *(Note 6)*		**(283)**		(554)
Dividends *(Note 6)*		**(18,367)**		(18,367)
Net change in non-cash working capital *(Note 10)*		**3,785**		3,640
Cash used in financing activities		**(47,595)**		(45,276)
Net decrease in cash and cash equivalents		**(16,145)**		(7,631)
Effects of foreign exchange on cash and cash equivalents		**4,212**		7,003
Cash and cash equivalents				
Beginning of period		**40,386**		53,997
End of period	**$**	**28,453**	$	53,369
Supplemental information				
Interest paid	**$**	**2,541**	$	2,213
Income taxes paid	**$**	**1,923**	$	2,919

See accompanying notes to the interim consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2016 and 2015
(Unaudited, in thousands of Canadian dollars, except share and per share data)

1. NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting ("IAS 34"). The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2015. The calculation of depreciation includes assumptions related to useful lives and residual values that are regularly reviewed by management. The disclosures provided below do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the same accounting policies throughout all periods presented.

These consolidated financial statements were approved by the Company's Board of Directors on May 4, 2016, 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.

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.

5. BANK CREDIT FACILITIES AND LONG-TERM DEBT

		March 31 2016		December 31 2015
Drawings on the Global Facility	$	**328,839**	$	380,205
Senior unsecured notes				
Tranche A, due February 22, 2017, 3.43%		**129,710**		138,694
Tranche B, due February 22, 2019, 3.97%		**129,710**		138,694
Tranche C, due February 22, 2022, 4.54%		**129,710**		138,694
Unamortized deferred financing costs		**(1,111)**		(2,178)
Total	$	**716,858**	$	794,109
Less: current portion		**(129,539)**		—
Total long-term debt	$	**587,319**	$	794,109

Interest accrued on the senior unsecured notes (the "Notes") at March 31, 2016 was $5,162 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.

6. 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 2016	152,302,273	$	169,171
Changes in unvested shares held in trust	84,938		1,429
Closing balance - March 31 2016	**152,387,211**	**$**	**170,600**

The total number of unvested shares held in trust for share-based compensation plans as at March 31, 2016 was 672,785 (December 31, 2015 – 757,723).

(c) Dividends

During the three months ended March 31, 2016, the Company declared dividends of $18,367 (2015 - $18,367), being $0.12 per common share (2015 - $0.12 per common share).

7. NET (LOSS) INCOME PER SHARE

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

Diluted net (loss) income per share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the period adjusted for conversion of all potentially dilutive common shares. Diluted net (loss) 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 2016	March 31 2015
Net (loss) income attributable to common shareholders:		
Basic and diluted	**$ (14,911)**	$ 15,427
Weighted average number of common shares outstanding:		
Basic	**152,387,397**	152,524,557
Potentially dilutive share-based compensation plans	**124,730**	280,628
Diluted	**152,512,127**	152,805,185

Share options of 7,225,300 (2015 – 7,488,200) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

8. SHARE-BASED COMPENSATION

A summary of the Company's share option plan as of March 31, 2016 and the changes during the three month period ended, is presented below:

	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1, 2016	7,404,000	$ 12.04
Forfeited	(178,700)	11.41
Outstanding – March 31, 2016	**7,225,300**	**$ 12.06**
Exercisable – March 31, 2016	**2,236,900**	**$ 15.58**

The following table lists the options outstanding at March 31, 2016:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$7.30 to $9.37	2,211,000	4.75	$ 7.30	—	$ —
$9.38 to $15.82	2,170,100	3.46	10.92	564,900	11.95
$15.83 to $16.67	1,528,300	2.75	16.13	615,700	16.13
$16.68 to $17.20	1,315,900	0.75	17.20	1,056,300	17.20
	7,225,300	3.21	$ 12.06	2,236,900	$ 15.58

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of March 31, 2016 and the changes during the three month period ended is presented below:

	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1, 2016	895,100	$ 12.70
Forfeited	(50,600)	13.59
Outstanding – March 31, 2016	**844,500**	**$ 12.64**
Exercisable – March 31, 2016	**293,000**	**$ 15.72**

The following table lists the SARs outstanding at March 31, 2016:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$7.30 to $9.37	210,500	4.75	$ 7.30	—	$ —
$9.38 to $15.82	227,000	3.70	10.49	50,800	10.70
$15.83 to $16.67	227,500	2.75	16.13	95,800	16.13
$16.68 to $17.20	179,500	0.75	17.20	146,400	17.20
	844,500	3.08	$ 12.64	293,000	$ 15.72

9. SEGMENTED INFORMATION

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

	2016			
As at and for the three month period ended March 31	Canada	United States	International	Total
Revenue	75,561	100,130	82,773	258,464
(Loss) income before interest and income taxes	(18,020)	(13,853)	12,585	(19,288)
Property and equipment, net	979,877	1,499,624	582,663	3,062,164

	2015			
As at and for the three month period ended March 31	Canada	United States	International	Total
Revenue	117,990	186,400	144,899	449,289
(Loss) income before interest and income taxes	(2,435)	36,784	(4,745)	29,604
Property and equipment, net	1,089,751	1,565,781	643,152	3,298,684

There are no material differences in the basis of accounting or the measurement of income, assets and liabilities between the Corporation and reported segment information, except that certain inter-company liabilities and equity are offset with the assets of the appropriate related segment. Revenues and expenses are attributed to geographical areas based on the location in which the services are rendered. The segment presentation of assets and liabilities is based on the geographical location of the assets.

10. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

(a) Non-cash working capital

	March 31 2016	March 31 2015
Net change in non-cash working capital		
Accounts receivable	**$ 17,122**	$ 105,494
Inventories and other	**(369)**	2,013
Accounts payable and accruals	**(19,311)**	(92,434)
Income taxes receivable	**(2,708)**	(4,864)
	$ (5,266)	$ 10,209
Relating to:		
Operating activities	**$ 9,899**	$ 47,420
Investing activities	**(18,950)**	(40,851)
Financing activities	**3,785**	3,640
	$ (5,266)	$ 10,209

(b) Cash and cash equivalents

	March 31 2016	December 31, 2015
Cash	**$ 22,812**	$ 33,902
Cash equivalents	**5,641**	6,484
Total cash and cash equivalents	**$ 28,453**	$ 40,386

11. FAIR VALUE MEASUREMENTS

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

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

N. MURRAY EDWARDS
Corporate Director and Investor

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

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

LEN KANGAS (2,4)
Independent Businessman

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

SELBY PORTER
Vice Chairman,
Ensign Energy Services Inc.

JOHN SCHROEDER (1,3)
Independent Businessman

KENNETH J. SKIRKA (2,4)
Independent Businessman

GAIL SURKAN (2,3)
Independent Businesswoman

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

CORPORATE MANAGEMENT

N. MURRAY EDWARDS
Chairman

SELBY PORTER
Vice Chairman

ROBERT H. GEDDES
President and Chief Operating Officer

ED KAUTZ
President United States Operations

TIMOTHY LEMKE
Vice President Finance and Chief Financial Officer

BRAGE JOHANNESSEN
Executive Vice President,
International Operations

MICHAEL GRAY
Corporate Controller

ROBERT RAIMONDO
Vice President, Health, Safety and Environment

CATHY ROBINSON
Vice President, Global Human Resources

SUZANNE DAVIES
General Counsel and Corporate Secretary

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Royal Bank of Canada

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: ESI

AUDITORS

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LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

TRANSFER AGENT

Computershare Trust Company of Canada

COMMITTEE MEMBERS

[1] Audit
[2] Corporate Governance, Nominations and Risk
[3] Compensation
[4] Health, Safety and Environment

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