ENSIGN®

Q3 2016

THIRD QUARTER REPORT For the three and nine months ended September 30, 2016

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended September 30			Nine months ended September 30		
	2016	2015	% change	**2016**	2015	% change
Revenue	**191,313**	324,002	(41)	**625,701**	1,107,091	(43)
Revenue, net of third party [1]	**168,098**	289,327	(42)	**551,383**	982,183	(44)
Adjusted EBITDA [1, 2]	**42,456**	69,209	(39)	**133,508**	253,693	(47)
Adjusted EBITDA per share [1, 2]						
Basic	**$0.28**	$ 0.45	(38)	**$0.88**	$1.66	(47)
Diluted	**$0.28**	$ 0.45	(38)	**$0.88**	$1.66	(47)
Adjusted net loss [1]	**(36,529)**	(31,510)	(16)	**(96,611)**	(778)	nm
Adjusted net loss per share [1]						
Basic	**$(0.24)**	$ (0.22)	(9)	**$(0.63)**	$(0.01)	nm
Diluted	**$(0.24)**	$ (0.22)	(9)	**$(0.63)**	$(0.01)	nm
Net loss	**(33,727)**	(77,265)	56	**(88,617)**	(62,874)	(41)
Net loss per share						
Basic	**$(0.22)**	$ (0.51)	57	**$(0.58)**	$(0.41)	(41)
Diluted	**$(0.22)**	$ (0.51)	57	**$(0.58)**	$(0.41)	(41)
Funds from operations [1]	**30,281**	68,218	(56)	**121,789**	247,368	(51)
Funds from operations per share [1]						
Basic	**$0.20**	$0.45	(56)	**$0.80**	$1.62	(51)
Diluted	**$0.20**	$0.45	(56)	**$0.80**	$1.62	(51)
Total debt, net of cash	**669,618**	752,979	(11)	**669,618**	752,979	(11)
Weighted average shares - basic *(000s)*	**152,311**	152,291	—	**152,336**	152,484	—
Weighted average shares - diluted *(000s)*	**152,523**	152,291	—	**152,493**	152,484	—

Drilling	**2016**	2015	% change	**2016**	2015	% change
Number of rigs						
Canada [3]	**83**	90	(8)	**83**	90	(8)
United States	**90**	98	(8)	**90**	98	(8)
International [4]	**50**	54	(7)	**50**	54	(7)
Operating days						
Canada [3]	**1,073**	1,731	(38)	**3,316**	5,121	(35)
United States	**1,586**	2,768	(43)	**5,085**	9,478	(46)
International [4]	**1,521**	1,893	(20)	**4,855**	6,639	(27)

Well Servicing	**2016**	2015	% change	**2016**	2015	% change
Number of rigs						
Canada	**71**	72	(1)	**71**	72	(1)
United States	**44**	46	(4)	**44**	46	(4)
Operating hours						
Canada	**15,214**	14,496	5	**42,668**	47,572	(10)
United States	**17,651**	21,188	(17)	**47,235**	58,394	(19)

nm - calculation not meaningful

1 Revenue, net of third party, Adjusted EBITDA, Adjusted EBITDA per share, Adjusted net loss, Adjusted net loss 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 Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this presentation.

3 Excludes coring rigs. 2015 restated to exclude coring rigs.

4 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 and nine months ended September 30, 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 rigs and operating days/hours. This MD&A is dated November 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 "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, Adjusted net loss per share, Funds from operations, Funds from operations per share and Revenue, net of third party. Adjusted EBITDA is defined as "(loss) earning before interest, income taxes, depreciation, asset decommissioning and write-downs, share-based compensation and foreign exchange and other". Management believes that, in addition to Net loss, Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, how the results are impacted by foreign exchange or how the results are impacted by the accounting standards associated with the Company's share-based compensation plans.

Adjusted net loss is defined as "Net loss 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, Adjusted net loss 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, 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 September 30		Nine months ended September 30	
($ thousands)	**2016**	2015	**2016**	2015
Loss before income taxes	**(45,300)**	(82,749)	**(134,358)**	(59,982)
Interest expense	**8,089**	7,279	**20,685**	18,840
Interest income	**(4)**	(82)	**(363)**	(275)
Depreciation	**83,982**	89,546	**259,843**	214,757
Asset decommissioning and write-downs	**—**	28,281	**—**	28,281
Share-based compensation [1]	**3,860**	(3,265)	**5,066**	4,828
Foreign exchange and other	**(8,171)**	30,199	**(17,365)**	47,244
Adjusted EBITDA	**42,456**	69,209	**133,508**	253,693

[1] Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this presentation.

ADJUSTED NET LOSS

($ thousands)	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
Net loss	**(33,727)**	(77,265)	**(88,617)**	(62,874)
Asset decommissioning and write-downs, net of income taxes	**—**	28,248	**—**	28,248
Share-based compensation, net of income taxes [1]	**2,509**	(2,122)	**3,293**	3,139
Foreign exchange and other, net of income taxes	**(5,311)**	19,629	**(11,287)**	30,709
Adjusted net loss	**(36,529)**	(31,510)	**(96,611)**	(778)

[1] Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this presentation

FUNDS FROM OPERATIONS

($ thousands)	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
Net loss	**(33,727)**	(77,265)	**(88,617)**	(62,874)
Items not affecting cash				
Depreciation	**83,982**	89,546	**259,843**	214,757
Asset decommissioning and write-downs	**—**	28,281	**—**	28,281
Share-based compensation, net of cash paid	**(2,346)**	(3,020)	**3,416**	5,796
Unrealized foreign exchange and other	**(5,918)**	30,691	**(16,798)**	48,431
Accretion on long-term debt	**104**	104	**316**	301
Deferred income tax	**(11,814)**	(119)	**(36,371)**	12,676
Funds from operations	**30,281**	68,218	**121,789**	247,368

OVERVIEW

Revenue for the third quarter of 2016 was $191.3 million, a decrease of 41 percent from revenue for the third quarter of 2015 of $324.0 million. Revenue for the nine months ended September 30, 2016 was $625.7 million, a decrease of 43 percent from revenue for the nine months ended September 30, 2015 of $1,107.1 million. Revenue, net of third party, for the third quarter of 2016 was $168.1 million, a decrease of 42 percent from Revenue, net of third party, for the third quarter of 2015 of $289.3 million. Revenue, net of third party, for the nine months ended September 30, 2016 was $551.4 million, a decrease of 44 percent from Revenue, net of third party, for the nine months ended September 30, 2015 of $982.2 million. Adjusted EBITDA totaled $42.5 million ($0.28 per common share) in the third quarter of 2016, 39 percent lower than Adjusted EBITDA of $69.2 million ($0.45 per common share) in the third quarter of 2015. For the first nine months of 2016, Adjusted EBITDA totaled $133.5 million ($0.88 per common share), 47 percent lower than Adjusted EBITDA of $253.7 million ($1.66 per common share) in the first nine months of 2015.

Net loss for the third quarter of 2016 was $33.7 million ($0.22 per common share) compared to a net loss of $77.3 million ($0.51 per common share) for the third quarter of 2015. Net loss for the nine months ended September 30, 2016 was $88.6 million ($0.58 per common share), compared to net loss of $62.9 million ($0.41 per common share) for the nine months ended September 30, 2015. Adjusted net loss for the third quarter of 2016 was $36.5 million ($0.24 per common share) compared to Adjusted net loss of $31.5 million for the third quarter of 2015 ($0.22 per common share). For the nine months ended September 30, 2016, Adjusted net loss was $96.6 million ($0.63 per common share), compared to Adjusted net loss of $0.8 million ($0.01 per common share) for the nine months ended September 30, 2015.

Funds from operations decreased 56 percent to $30.3 million ($0.20 per common share) in the third quarter of 2016 compared to $68.2 million ($0.45 per common share) in the third quarter of the prior year. Funds from operations decreased 51 percent to $121.8 million ($0.80 per common share) in the first nine months of 2016 compared to $247.4 million ($1.62 per common share) in the first nine months of the prior year.

Operating days across the Company’s fleet were lower in the third quarter of 2016 when compared to the third quarter of 2015 due to weaker demand for oilfield services caused by continued relatively low crude oil and natural gas commodity prices. 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 1.32 for the first nine months of 2016 (first nine months of 2015 - 1.26) versus the Canadian dollar, an increase of five percent, compared to the first nine months of 2015.

Gross margin decreased to $52.4 million (31.2 percent of Revenue, net of third party) for the third quarter of 2016 compared to gross margin of $84.5 million (29.2 percent of Revenue, net of third party) for the third quarter of 2015. Gross margin decreased to $173.9 million (31.5 percent of Revenue, net of third party) for the nine months ended September 30, 2016 compared to a gross margin of $307.1 million (31.3 percent of Revenue, net of third party) for the nine months ended September 30, 2015. The decrease in gross margin in the third quarter of 2016 compared to the third quarter of 2015 was primarily attributed to weaker activity levels and lower revenue rates across the oilfield service equipment fleet.

Working capital at September 30, 2016 was a deficit of $39.5 million, compared to a surplus of $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 $293.2 million at September 30, 2016, up by $73.1 million, compared to $220.1 million at December 31, 2015.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Revenue						
Canada	**51,983**	81,597	(36)	**161,667**	245,194	(34)
United States	**72,890**	143,889	(49)	**246,069**	477,199	(48)
International	**66,440**	98,516	(33)	**217,965**	384,698	(43)
Total revenue	**191,313**	324,002	(41)	**625,701**	1,107,091	(43)
Revenue, net of third party	**168,098**	289,327	(42)	**551,383**	982,183	(44)
Oilfield services expense	**138,931**	239,532	(42)	**451,759**	799,949	(44)
Gross margin	**52,382**	84,470	(38)	**173,942**	307,142	(43)
Gross margin as a percentage of Revenue, net of third party	**31.2**	29.2		**31.5**	31.3	

Revenue for the three months ended September 30, 2016 totaled $191.3 million, a decrease of 41 percent from the third quarter of 2015 of $324.0 million. Revenue for the nine months ended September 30, 2016 totaled $625.7 million, a 43 percent decrease from the nine months ended September 30, 2015. As a percentage of Revenue, net of third party, gross margin for the third quarter of 2016 increased to 31.2 percent (2015 - 29.2 percent) and increased to 31.5 percent for the nine months ended September 30, 2016 (2015 - 31.3 percent).

The continuing relatively lower levels of 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 on translation, as the stronger United States dollar relative to the Canadian dollar in the first nine months of 2016 compared to the same period in 2015 served to reduce the impact of some of the revenue rate declines experienced during the year.

CANADIAN OILFIELD SERVICES

Revenue decreased 36 percent to $52.0 million for the three months ended September 30, 2016 from $81.6 million for the three months ended September 30, 2015. The Company recorded revenue of $161.7 million in Canada for the nine months ended September 30, 2016, a decrease of 34 percent from $245.2 million recorded for the nine months ended September 30, 2015. Canadian revenues accounted for 27 percent of the Company's total revenue in the third quarter of 2016, compared to 25 percent in the third quarter of 2015. During the nine months ended September 30, 2016, Canadian revenues were 26 percent of the Company's revenue, compared with 22 percent in the nine months ended September 30, 2015. The Company, for the three months ended September 30, 2016 received, $6.1 million in shortfall revenue compared to $2.6 million in the corresponding period of 2015. For the nine months ended September 30, 2016, the Company received $12.1 million in shortfall revenue compared to $4.6 million in the corresponding period of 2015.

The Company's Canadian operations recorded 1,073 drilling days in the third quarter of 2016, compared to 1,731 drilling days for the third quarter of 2015, a decrease of 38 percent. For the nine months ended September 30, 2016, the Company recorded 3,316 drilling days compared to 5,121 drilling days for the nine months ended September 30, 2015, a decrease of 35 percent. Canadian well servicing hours increased by five percent to 15,214 operating hours in the third quarter of 2016 compared to 14,496 operating hours in the corresponding period of 2015. For the nine months ended September 30, 2016, well servicing hours decreased by 10 percent to 42,668 operating hours compared with 47,572 operating hours for the nine months ended September 30, 2015.

Demand for the Company’s Canadian oilfield services was lower compared to prior quarters due to continued lower oil and natural gas commodity prices. During the nine months ended September 30, 2016, the Company disposed of one well servicing rig.

UNITED STATES OILFIELD SERVICES

The Company’s United States operations recorded revenue of $72.9 million in the third quarter of 2016, a 49 percent decrease from the $143.9 million recorded in the corresponding period of the prior year. During the nine months ended September 30, 2016, revenue of $246.1 million was recorded, a decrease of 48 percent from the $477.2 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 38 percent of the Company's revenue in the third quarter of 2016 (2015 - 45 percent) and 39 percent of the Company’s revenue in the first nine months of 2016 (2015 - 43 percent).

Drilling rig operating days decreased by 43 percent to 1,586 drilling days in the third quarter of 2016 from 2,768 drilling days in the third quarter of 2015. Drilling operating days decreased by 46 percent from 9,478 operating days in the first nine months of 2015 to 5,085 operating days in first nine months of 2016. Well servicing activity expressed in operating hours decreased by 17 percent in the third quarter of 2016 to 17,651 operating hours from 21,188 operating hours in the third quarter of 2015. For the nine months ended September 30, 2016 well servicing activity decreased 19 percent to 47,235 operating hours from 58,394 operating hours in the first nine months 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 relatively lower oil and natural gas commodity prices. Activity levels and revenue rates in the United States continued to decline in the nine months ending September 30, 2016. The reduced activity and associated pricing declines were partially offset by a strengthening of the United States dollar, which increased five percent versus the Canadian dollar when compared to the nine months ending September 30, 2015. During the first nine months ending September 30, 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 $66.4 million in the third quarter of 2016, a 33 percent decrease from the $98.5 million recorded in the corresponding period of the prior year. Similarly, international revenues for the nine months ended September 30, 2016, decreased 43 percent to $218.0 million from $384.7 million recorded in the nine months ended September 30, 2015. The Company's international operations contributed 35 percent of the total revenue in the third quarter of 2016 (2015 - 30 percent) and 35 percent of the Company's revenue in the first nine months of 2016 (2015 - 35 percent).

International operating days for the three months ended September 30, 2016, totaled 1,521 drilling days compared to 1,893 drilling days in the same period of 2015, a decrease of 20 percent. For the nine months ended September 30, 2016, international operating days totaled 4,855 operating days compared to 6,639 drilling days for the nine months ended September 30, 2015, a decrease of 27 percent.

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 nine months of 2016, versus the Canadian dollar, on translation into Canadian dollars for reporting purposes compared to the first nine months of 2015.

DEPRECIATION

($ thousands)	Three months ended September 30 **2016**	2015	% change	Nine months ended September 30 **2016**	2015	% change
Depreciation	**83,982**	89,546	(6)	**259,843**	214,757	21

Depreciation expense totaled $84.0 million for the third quarter of 2016 compared with $89.5 million for the third quarter of 2015, a decrease of six percent. Depreciation expense for the first nine months of 2016 increased by 21 percent to $259.8 million compared with $214.8 million for the first nine months of 2015. Depreciation expense was higher in the nine months ended September 30, 2016 when compared to the nine months ended September 30, 2015, 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 first nine months of 2016, when compared with the first nine months of 2015.

GENERAL AND ADMINISTRATIVE EXPENSE

($ thousands)	Three months ended September 30 **2016**	2015	% change	Nine months ended September 30 **2016**	2015	% change
General and administrative [1]	**9,926**	15,261	(35)	**40,434**	53,449	(24)
% of revenue	**5.2**	4.7		**6.5**	4.8	

[1] Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this presentation.

General and administrative expense decreased 35 percent to $9.9 million (5.2 percent of revenue) for the third quarter of 2016 compared to $15.3 million (4.7 percent of revenue) for the third quarter of 2015. For the nine months ended September 30, 2016, general and administrative expense totaled $40.4 million (6.5 percent of revenue) compared to $53.4 million (4.8 percent of revenue) for the nine months ended September 30, 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.

During the third quarter of 2016, the Company reclassified share-based compensation that was classified in the general and administrative expense of $1.7 million and $2.3 million for the corresponding period of 2015 to the share-based compensation expense. This reclassification for the nine months ended September 30, 2016 was $3.4 million and $4.9 million for the nine months ended September 30, 2015. 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 nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. We expect normalized general and administrative expenses to run in a $9.5 to $10.5 million range per quarter on a go-forward basis, excluding share-based compensation and subject to variability due to foreign exchange rates.

SHARE-BASED COMPENSATION

($ thousands)	Three months ended September 30 **2016**	2015	% change	Nine months ended September 30 **2016**	2015	% change
Share-based compensation [1]	**3,860**	(3,265)	nm	**5,066**	4,828	5

nm - calculation not meaningful
[1] Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this presentation.

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

For the three months ended September 30, 2016 share-based compensation was an expense of $3.9 million compared with a recovery of $3.3 million recorded in the three months ended September 30, 2015. For the nine months ended September 30, 2016 share-based compensation was an expense of $5.1 million compared with an expense of $4.8 million for the nine months ended September 30, 2015. The share-based compensation expense for the nine months ended September 30, 2016 was a result of changes in the fair value of the share-based compensation liability and it impacted by the amortization of share options.

During the third quarter of 2016, the Company reclassified share-based compensation that was classified in the general and administrative expense of $1.7 million and $2.3 million for the corresponding period of 2015 to the share-based compensation expense. This reclassification for the nine months ended September 30, 2016 was $3.4 million and $4.9 million for the nine months ended September 30, 2015. The fair value of share-based compensation is impacted by both the input assumptions used to estimate the fair value and the price of the Company's common shares during the period. The closing price of the Company's common shares was $7.50 at September 30, 2016 ($8.21 at September 30, 2015), compared with $7.25 at June 30, 2016 ($12.24 at June 30, 2015) and $7.38 at December 31, 2015 ($10.20 at December 31, 2014).

INTEREST EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Interest expense	**8,089**	7,279	11	**20,685**	18,840	10
Interest income	**(4)**	(82)	(95)	**(363)**	(275)	32
	8,085	7,197	12	**20,322**	18,565	9

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. During the nine month ending September 30, 2016, the Company extended the Global Facility maturity date to October 3, 2017.

Interest expense increased by 10 percent for the first nine months of 2016 compared to the same period in 2015 despite overall net debt repayments of $57.6 million on the bank credit facilities in the nine months ended September 30, 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

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Foreign exchange and other	**(8,171)**	30,199	nm	**(17,365)**	47,244	nm

nm - calculation not meaningful

Included in this amount is the impact of foreign currency fluctuations in the Company's subsidiaries that have functional currencies other than the Canadian dollar. During the three months ended September 30, 2016, the Australian dollar strengthened by approximately three 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 nine months ended September 30, 2016, the Australian dollar strengthened against the United States dollar by approximately five percent, compared with the Australian dollar weakening by 15 percent against the United States dollar during the nine months ended September 30, 2015.

INCOME TAXES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Current income tax	**241**	(5,365)	nm	**(9,370)**	(9,784)	(4)
Deferred income tax	**(11,814)**	(119)	nm	**(36,371)**	12,676	nm
Total income tax	**(11,573)**	(5,484)	nm	**(45,741)**	2,892	nm
Effective income tax rate (%)	**25.5**	6.6		**34.0**	(4.8)	

nm - calculation not meaningful

The effective income tax rate for the three months ended September 30, 2016 was 25.5 percent compared to 6.6 percent for the three months ended September 30, 2015. The effective income tax rate for the nine months ended September 30, 2016 was 34.0 percent compared with a negative 4.8 percent for the nine months ended September 30, 2015. The effective tax rate in the first nine months of the current year was higher than the effective tax rate in the first nine months of 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 September 30, 2016 are outlined below:

($ thousands)	Change	Explanation
Cash and cash equivalents	(9,628)	See consolidated statements of cash flows.
Accounts receivable	(45,655)	Decrease is due to an increase in collections, a decline in activity in the first nine months 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	(11,645)	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 amortization of prepaid expenses during the quarter.
Income taxes receivable	648	Increase is due to the current year income tax recovery, net of refunds and payments made during the quarter.
Property and equipment	(304,679)	Decrease is primarily due to the impact of a decrease in the quarter-end translation rate to 1.31, compared to the December 31, 2015 translation rate of 1.38, as well as current period depreciation.
Accounts payable and accruals	(15,580)	Decrease is due to a reduction in operating activity in the first nine months 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.
Dividends payable	404	Increase in dividends payable is due to the discount offered to eligible shareholders electing to receive shares instead of cash for the declared third quarter dividend.
Share-based compensation	2,021	Increase is mainly a result of changes in the fair value of the share-based compensation. The fair value of share-based compensation expense is impacted by both the input assumptions used to estimate the fair value, and the price of the Company's common shares during the period.
Long-term debt, including current portion	(93,733)	Decrease is due to net repayments of $57.6 million during the first nine months of 2016 and to the weakening of the United States dollar from December 31, 2015 to September 30, 2016.
Deferred income taxes	(41,222)	Decrease arises from the deferred tax recovery for the first nine months 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	(222,849)	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 nine months of 2016.

FUNDS FROM OPERATIONS AND WORKING CAPITAL

	Three months ended September 30			Nine months ended September 30		
($ thousands, except per share data)	**2016**	2015	% change	**2016**	2015	% change
Funds from operations	**30,281**	68,218	(56)	**121,789**	247,368	(51)
Funds from operations per share	**$0.20**	$0.45	(56)	**$0.80**	$1.62	(51)
Working capital [1]	**(39,473)**	144,239	nm	**(39,473)**	144,239	nm

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

During the three months ended September 30, 2016, the Company generated Funds from operations of $30.3 million ($0.20 per common share) compared to Funds from operations of $68.2 million ($0.45 per common share) for the three months ended September 30, 2015, a decrease of 56 percent. For the nine months ended September 30, 2016, the Company generated Funds from operations of $121.8 million ($0.80 per common share) a decrease of 51 percent from $247.4 million ($1.62 per common share) for the nine months ended September 30, 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 lower global energy prices.

At September 30, 2016 the Company's working capital was a deficit of $39.5 million, compared to a working capital surplus of $144.2 million at December 31, 2015. The decrease in working capital in the first nine 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 $293.2 million was undrawn and available at September 30, 2016.

INVESTING ACTIVITIES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Purchase of property and equipment	**(8,942)**	(26,061)	(66)	**(40,218)**	(155,122)	(74)
Proceeds from disposals of property and equipment	**1,273**	1,006	27	**8,304**	4,266	95
Net change in non-cash working capital	**(1,806)**	(14,187)	(87)	**(20,309)**	(55,624)	(63)
Cash used in investing activities	**(9,475)**	(39,242)	(76)	**(52,223)**	(206,480)	(75)

Net purchases of property and equipment for the third quarter of 2016 totaled $7.7 million (2015 - $25.1 million). Net purchases of property and equipment during the first nine months of 2016 totaled $31.9 million (2015 - $150.9 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 current quarter and first nine months of this year.

FINANCING ACTIVITIES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2016**	2015	% change	**2016**	2015	% change
Net decrease in bank credit facilities	**(17,677)**	(21,267)	(17)	**(57,640)**	(93,902)	(39)
Purchase of shares held in trust	**(30)**	(279)	(89)	**(1,578)**	(6,468)	(76)
Dividends	**(18,368)**	(18,368)	—	**(55,102)**	(55,102)	—
Net change in non-cash working capital	**3,523**	5,016	(30)	**3,440**	4,987	(31)
Cash used in financing activities	**(32,552)**	(34,898)	(7)	**(110,880)**	(150,485)	(26)

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 matures in early October 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 Company has made net debt repayments of $57.6 million during the nine months ended September 30, 2016, reducing the outstanding long-term debt balance. As of September 30, 2016, the credit facilities are primarily being used to fund capital expenditures and to support international operations.

During the third quarter of 2016, the Board of Directors of the Company approved and adopted a Dividend Reinvestment Plan (the "DRIP"). The DRIP provides eligible holders of common shares with an option to elect to reinvest their dividends in common shares of the Company at a discount of up to five percent of the average market price on each dividend payment date. In the settlement of the third quarter dividend, subsequent to September 30, 2016, 42 percent of shareholders elected to reinvest their dividends in common shares of the Company.

FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at September 30, 2016 totaled $169.8 million, a decrease of $45.7 million from $215.4 million as at December 31, 2015. Reduced levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increases the collection risk of accounts receivable balances.

As part of the Company's international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at September 30, 2016, the Company had accounts receivable of approximately $26.4 million for work performed in Venezuela, and in recent months a number of payments have been received by the Company. However, due to the recent decline in the price of oil and continuing political unrest within Venezuela there can be no assurance that the Company will be successful in collecting all of such outstanding balance.

NEW BUILDS AND MAJOR RETROFITS

During the nine months ended September 30, 2016, the Company added one new build ADR® drilling rig to its expansive tier one-fleet worldwide, which has been contracted on a long-term contract. The Company continues to selectively add new ADR® drilling rigs to meet the increasing technical demands of its customers.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q3-2016**	**Q2-2016**	Q1-2016	Q4-2015	Q3-2015	Q2-2015	Q1-2015	Q4-2014
Revenue	**191,313**	**175,924**	258,464	283,887	324,002	333,800	449,289	602,691
Revenue, net of third party [1]	**168,098**	**156,423**	226,862	252,592	289,327	294,241	398,615	521,713
Adjusted EBITDA [1, 2]	**42,456**	**31,485**	59,567	73,733	69,209	71,267	113,217	143,216
Adjusted EBITDA per share [1, 2]								
Basic	**$0.28**	**$0.21**	$0.39	$0.49	$0.45	$0.47	$0.74	$0.94
Diluted	**$0.28**	**$0.21**	$0.39	$0.49	$0.45	$0.47	$0.74	$0.94
Adjusted net (loss) income [1]	**(36,529)**	**(35,016)**	(25,066)	(30,514)	(31,510)	2,443	28,288	44,314
Adjusted net (loss) income per share [1]								
Basic	**$(0.24)**	**$(0.23)**	$(0.16)	$(0.20)	$(0.22)	$0.02	$0.19	$0.29
Diluted	**$(0.24)**	**$(0.23)**	$(0.16)	$(0.20)	$(0.22)	$0.02	$0.19	$0.29
Net (loss) income	**(33,727)**	**(39,979)**	(14,911)	(41,175)	(77,265)	(1,036)	15,427	(31,038)
Net (loss) income per share								
Basic	**$(0.22)**	**$(0.26)**	$(0.10)	$(0.26)	$(0.51)	$(0.01)	$0.10	$(0.20)
Diluted	**$(0.22)**	**$(0.26)**	$(0.10)	$(0.26)	$(0.51)	$(0.01)	$0.10	$(0.20)
Funds from operations [1]	**30,281**	**36,328**	55,180	48,905	68,218	69,389	109,761	132,257
Funds from operations per share [1]								
Basic	**$0.20**	**$0.24**	$0.36	$0.31	$0.45	$0.46	$0.72	$0.87
Diluted	**$0.20**	**$0.24**	$0.36	$0.31	$0.45	$0.46	$0.72	$0.86
Total debt, net of cash	**669,618**	**664,560**	688,405	753,723	752,979	716,659	770,308	732,330

[1] *See definition of "Non-GAAP Measures" section of this MD&A.*
[2] *Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this presentation.*

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 2016.

OUTSTANDING SHARE DATA

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

	Number	Amount ($)
Common shares	153,638,607	$ 172,970

	Outstanding	Exercisable
Stock options	6,486,700	3,326,700

OUTLOOK

Energy commodity prices continue to be volatile and relatively suppressed due to supply-demand fundamentals and fluctuating inventory levels. The gradual recovery in the global economy, paired with some reduction of world oil production and potential coordinated future production restraints are, starting to provide some apparent support for crude oil prices. Natural gas demand prospects are also starting to improve, with expanding global exports, other than for Canada due to pipeline constraints, and waning inventory surpluses arising from power generation switching to natural gas as well as normalizing weather factors. Despite short-term uncertainty from the pending United States election, Brexit, banking sector concerns in Europe, and geopolitical tensions in the Middle East, a positive outlook for energy commodities seems to be a reasonable expectation.

Surplus supply and inventory overhang are the primary causes for the current relatively low energy commodity price environment. It remains to be seen when full rebalancing effects and other factors will push energy commodity prices upward. The recent OPEC agreement in Algiers, together with statements coming from Russia on reducing output levels are having a positive impact on crude oil prices.

On the shale side, particularly as it is developing in the United States, development is extremely sensitive to minor price differences. Economics recently have improved considerably to make crude oil reserve development economical in the price range of USD $50 per barrel in some areas.

The Company's Canadian operations have performed relatively well in 2016, largely because it operates drilling rigs with specifications suitable for deeper and higher pressure resource plays. Activity levels have tracked consistently with the industry; in early September 2016, the Canadian Association of Oilwell Drilling Contractors updated its forecast to indicate 2016 operating days will finish 38 percent lower than those of 2015, even though the decrease for the first nine months of 2016 was been nearly 45 percent from the first nine months of 2015. The Company expects 2017 industry activity levels to increase somewhat from those in 2016, but downward pricing pressure for some rig types will likely persist, due to highly competitive conditions.

In the United States, industry prospects are positive for higher activity levels. However rig rates are challenging as existing term contracts with higher day rates continue to drop off and drilling rigs begin to move into the spot rate market. The Company's United States operations are affected by these trends, however, in certain situations, where longstanding customer relationships have developed around a performance focus, pricing is less of an issue, as the Company's high value performance and service proposition are principal considerations.

Industry activity levels outside of North America continue to decline at a slow rate, reflecting uneven market conditions among geographic areas. The Company's international operations have been relatively stable, as they are supported by long term contracts in certain markets.

Similar to the last seven quarters in which the industry downturn took hold, the Company continues to maintain its focus on prudent business management, making investments only where clearly recoverable from operations, and taking every opportunity to increase efficiency and lower costs. Balance sheet preservation and close attention to cash management are ongoing. The recent implementation of a dividend reinvestment program is in furtherance of the Company's determination to balance internal cash needs while continuing to provide returns to its loyal shareholder base.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

Access to Credit Facilities and Debt Capital Markets

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

Changes in Laws and Regulations

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

Foreign Operations

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

Foreign Exchange Exposure

The Company's consolidated financial statements are presented in Canadian dollars. Operations in countries outside of Canada result in foreign exchange risk to the Company. The principal foreign exchange risk relates to the conversion of United States dollar-denominated activity to Canadian dollars. The United States/Canadian dollar exchange rate at September 30, 2016 was approximately 1.31 compared with 1.38 at December 31, 2015 and 1.34 at September 30, 2015. In addition, the Company has foreign exchange risk in relation to the conversion of United States dollar-denominated debt to Australian dollars. The United States/Australian dollar exchange rate at September 30, 2016 was approximately 1.30, compared with 1.37 at December 31, 2015 and 1.43 at September 30, 2015. Fluctuations in the future period's exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

Litigation and Legal Proceedings

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

Operating Risks and Insurance

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

Technology

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

Reliance on Key Management Personnel

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

Workforce

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

Seasonality and Weather

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		September 30 2016		December 31 2015
(Unaudited, in thousands of Canadian dollars)				
Assets				
Current Assets				
Cash and cash equivalents *(Note 10)*	**$**	**30,758**	$	40,386
Accounts receivable		**169,766**		215,421
Inventories and other		**60,161**		71,806
Income taxes receivable		**5,595**		4,947
Total current assets		**266,280**		332,560
Property and equipment		**2,960,901**		3,265,580
Total assets	**$**	**3,227,181**	$	3,598,140
Liabilities				
Current Liabilities				
Accounts payable and accruals	**$**	**152,301**	$	167,881
Dividends payable		**18,771**		18,367
Share-based compensation *(Note 8)*		**3,590**		2,073
Current portion of long-term debt (Note 5)		**131,091**		—
Total current liabilities		**305,753**		188,321
Long-term debt *(Note 5)*		**569,285**		794,109
Share-based compensation *(Note 8)*		**1,439**		935
Deferred income taxes		**486,957**		528,179
Total liabilities		**1,363,434**		1,511,544
Shareholders' Equity				
Share capital *(Note 6)*		**172,970**		169,171
Contributed surplus		**584**		2,538
Foreign currency translation reserve		**251,658**		332,230
Retained earnings		**1,438,535**		1,582,657
Total shareholders' equity		**1,863,747**		2,086,596
Total liabilities and shareholders' equity	**$**	**3,227,181**	$	3,598,140

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS

	Three months ended		Nine months ended	
	September 30 2016	September 30 2015	**September 30 2016**	September 30 2015
(Unaudited, in thousands of Canadian dollars, except per share data)				
Revenue	**$ 191,313**	$ 324,002	**$ 625,701**	$ 1,107,091
Expenses				
Oilfield services	**138,931**	239,532	**451,759**	799,949
Depreciation	**83,982**	89,546	**259,843**	214,757
General and administrative [1]	**9,926**	15,261	**40,434**	53,449
Asset decommissioning and write-downs	**—**	28,281	**—**	28,281
Share-based compensation [1]	**3,860**	(3,265)	**5,066**	4,828
Foreign exchange and other	**(8,171)**	30,199	**(17,365)**	47,244
Total expenses	**228,528**	399,554	**739,737**	1,148,508
Loss before interest and income taxes	**(37,215)**	(75,552)	**(114,036)**	(41,417)
Interest income	**(4)**	(82)	**(363)**	(275)
Interest expense	**8,089**	7,279	**20,685**	18,840
Loss before income taxes	**(45,300)**	(82,749)	**(134,358)**	(59,982)
Income taxes				
Current tax	**241**	(5,365)	**(9,370)**	(9,784)
Deferred tax	**(11,814)**	(119)	**(36,371)**	12,676
Total income taxes	**(11,573)**	(5,484)	**(45,741)**	2,892
Net loss	**$ (33,727)**	$ (77,265)	**$ (88,617)**	$ (62,874)
Net loss per share (Note 7)				
Basic	**$ (0.22)**	$ (0.51)	**$ (0.58)**	$ (0.41)
Diluted	**$ (0.22)**	$ (0.51)	**$ (0.58)**	$ (0.41)

[1] *Share-based compensation included within the general and administrative expense in prior periods were reclassified to the share-based compensation expense to conform to this presentation.*

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three months ended		Nine months ended	
	September 30 2016	September 30 2015	**September 30 2016**	September 30 2015
(Unaudited, in thousands of Canadian dollars)				
Net loss	**$ (33,727)**	$ (77,265)	**$ (88,617)**	$ (62,874)
Other comprehensive (loss) income				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**12,499**	103,444	**(80,572)**	208,521
Comprehensive (loss) income	**$ (21,228)**	$ 26,179	**$ (169,189)**	$ 145,647

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	—	—	—	(88,617)	(88,617)
Other comprehensive loss	—	—	(80,572)	—	(80,572)
Total comprehensive loss	—	—	(80,572)	(88,617)	(169,189)
Dividends	—	—	—	(55,505)	(55,505)
Share-based compensation	—	3,423	—	—	3,423
Shares vested previously held in trust	5,377	(5,377)	—	—	—
Purchase of shares held in trust	(1,578)	—	—	—	(1,578)
Balance September 30, 2016	**$ 172,970**	**$ 584**	**$ 251,658**	**$ 1,438,535**	**$ 1,863,747**
Balance, January 1, 2015	$ 169,215	$ 1,967	$ 113,880	$ 1,760,175	$ 2,045,237
Net loss	—	—	—	(62,874)	(62,874)
Other comprehensive income	—	—	208,521	—	208,521
Total comprehensive income	—	—	208,521	(62,874)	145,647
Dividends	—	—	—	(55,102)	(55,102)
Share-based compensation	—	5,960	—	—	5,960
Shares vested previously held in trust	6,737	(6,737)	—	—	—
Purchase of shares held in trust	(6,468)	—	—	—	(6,468)
Balance September 30, 2015	$ 169,484	$ 1,190	$ 322,401	$ 1,642,199	$ 2,135,274

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Nine months ended	
	September 30 2016	September 30 2015	**September 30 2016**	September 30 2015
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net loss	**$ (33,727)**	$ (77,265)	**$ (88,617)**	$ (62,874)
Items not affecting cash				
Depreciation	**83,982**	89,546	**259,843**	214,757
Asset decommissioning and write-downs	**—**	28,281	**—**	28,281
Share-based compensation, net of cash paid	**(2,346)**	(3,020)	**3,416**	5,796
Unrealized foreign exchange and other	**(5,918)**	30,691	**(16,798)**	48,431
Accretion on long-term debt	**104**	104	**316**	301
Deferred income tax	**(11,814)**	(119	**(36,371)**	12,676
Funds provided by operations	**30,281**	68,218	**121,789**	247,368
Net change in non-cash working capital *(Note 10)*	**(4,966)**	(6,151)	**35,459**	91,344
Cash provided by operating activities	**25,315**	62,067	**157,248**	338,712
Investing activities				
Purchase of property and equipment	**(8,942)**	(26,061)	**(40,218)**	(155,122)
Proceeds from disposals of property and equipment	**1,273**	1,006	**8,304**	4,266
Net change in non-cash working capital *(Note 10)*	**(1,806)**	(14,187)	**(20,309)**	(55,624)
Cash used in investing activities	**(9,475)**	(39,242)	**(52,223)**	(206,480)
Financing activities				
Net decrease in bank credit facilities	**(17,677)**	(21,267)	**(57,640)**	(93,902)
Purchase of shares held in trust *(Note 6)*	**(30)**	(279)	**(1,578)**	(6,468)
Dividends *(Note 6)*	**(18,368)**	(18,368)	**(55,102)**	(55,102)
Net change in non-cash working capital *(Note 10)*	**3,523**	5,016	**3,440**	4,987
Cash used in financing activities	**(32,552)**	(34,898)	**(110,880)**	(150,485)
Net decrease in cash and cash equivalents	**(16,712)**	(12,073)	**(5,855)**	(18,253)
Effects of foreign exchange on cash and cash equivalents	**174**	4,722	**(3,773)**	8,152
Cash and cash equivalents				
Beginning of period	**47,296**	51,247	**40,386**	53,997
End of period	**30,758**	43,896	**$ 30,758**	$ 43,896
Supplemental information				
Interest paid	**4,162**	3,470	**$ 16,839**	$ 14,826
Income taxes recovered	**(10,224)**	(2,244)	**$ (8,722)**	$ (8,456)

See accompanying notes to the interim consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended September 30, 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 November 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

		September 30 2016		December 31 2015
Drawings on the Global Facility	$	307,781	$	380,205
Senior unsecured notes				
Tranche A, due February 22, 2017, 3.43%		131,170		138,694
Tranche B, due February 22, 2019, 3.97%		131,170		138,694
Tranche C, due February 22, 2022, 4.54%		131,170		138,694
Unamortized deferred financing costs		(915)		(2,178)
Total	$	700,376	$	794,109
Less: current portion		(131,091)		—
Total long-term debt	$	569,285	$	794,109

Interest accrued on the senior unsecured notes (the "Notes") at September 30, 2016 was $5,221 (2015 - $5,331) and has been included in accounts payable and accruals on the consolidated statement of financial position. The Company incurred financing costs associated with the Notes that are being deferred and amortized using the effective interest method.

During the nine months ended September 30, 2016, the Company extended the Global Facility maturity date to October 3, 2017.

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	255,557		3,799
Closing balance - September 30 2016	**152,557,830**	**$**	**172,970**

The total number of unvested shares held in trust for share-based compensation plans as at September 30, 2016 was 502,166 (December 31, 2015 – 757,723).

(c) Dividends

During the third quarter of 2016, the Board of Directors of the Company approved and adopted a Dividend Reinvestment Plan (the "DRIP"). The DRIP provides eligible holders of common shares with an option to elect to reinvest their dividends in common shares of the Company at a discount of up to five percent of the average market price on each dividend payment date. In the settlement of the third quarter dividend, subsequent to September 30, 2016, 42 percent of shareholders elected to reinvest their dividends in common shares of the Company.

During the three months ended September 30, 2016, the Company declared dividends of $18,368 (2015 - $18,368), being $0.12 per common share (2015 - $0.12 per common share). For the nine months ended September 30, 2016, the Company declared dividends of $55,505 (2015 - $55,102), being $0.36 per common share (2015 - $0.36 per common share).

7. NET LOSS PER SHARE

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

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

	Three months ended		Nine months ended	
	September 30 2016	September 30 2015	**September 30 2016**	September 30 2015
Net loss attributable to common shareholders:				
Basic and diluted	**$ (33,727)**	$ (77,265)	**$ (88,617)**	$ (62,874)
Weighted average number of common shares outstanding:				
Basic	**152,311,133**	152,290,515	**152,335,884**	152,483,941
Potentially dilutive share-based compensation plans	**211,713**	—	**157,018**	—
Diluted	**152,522,846**	152,290,515	**152,492,902**	152,483,941

During the three months ended September 30, 2016, share options of 6,625,800 (2015 – 6,563,300) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

During the nine months ended September 30, 2016, share options of 6,629,000 (2015 – 6,563,300) 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 September 30, 2016 and the changes during the nine month period ended, is presented below:

	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1, 2016	7,404,000	$ 12.04
Exercised for cash	(1,500)	7.30
Forfeited	(773,500)	12.76
Outstanding - September 30, 2016	**6,629,000**	**$ 11.96**
Exercisable - September 30, 2016	**3,333,000**	**$ 14.12**

The following table lists the options outstanding at September 30, 2016:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$7.30 to $8.83	2,100,700	4.25	$ 7.30	421,500	$ 7.30
$8.84 to $12.85	1,779,200	3.25	10.37	714,800	10.37
$12.86 to $16.67	1,569,800	2.00	16.06	1,017,400	16.02
$16.68 to $17.20	1,179,300	0.25	17.20	1,179,300	17.20
	6,629,000	2.74	$ 11.96	3,333,000	$ 14.12

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of September 30, 2016 and the changes during the nine month period ended, is presented below:

	Number of SARs		Weighted Average Exercise Price
Outstanding – January 1, 2016	895,100	$	12.70
Exercised	(1,000)		7.30
Forfeited	(285,600)		14.13
Outstanding - September 30, 2016	**608,500**	**$**	**12.03**
Exercisable - September 30, 2016	**301,700**	**$**	**14.17**

The following table lists the SARs outstanding at September 30, 2016:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)		Weighted Average Exercise Price	SARs Exercisable		Weighted Average Exercise Price
$7.30 to $8.83	195,000	4.25	$	7.30	39,000	$	7.30
$8.84 to $12.85	154,000	3.25		10.37	62,800		10.37
$12.86 to $16.67	151,000	2.22		16.11	91,400		16.11
$16.68 to $17.20	108,500	0.25		17.20	108,500		17.20
	608,500	2.78	$	12.03	301,700	$	14.17

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				2015			
As at and for the nine month period ended September 30	Canada	United States	International	Total	Canada	United States	International	Total
Revenue	161,667	246,069	217,965	625,701	245,194	477,199	384,698	1,107,091
(Loss) income before interest and income taxes	(62,640)	(56,283)	4,887	(114,036)	(44,968)	38,999	(35,448)	(41,417)
Property and equipment, net	949,782	1,430,586	580,533	2,960,901	1,050,664	1,630,167	600,723	3,281,554

	2016				2015			
As at and for the three month period ended September 30	Canada	United States	International	Total	Canada	United States	International	Total
Revenue	51,983	72,890	66,440	191,313	81,597	143,889	98,516	324,002
(Loss) income before interest and income taxes	(15,197)	(24,712)	2,694	(37,215)	(14,810)	(11,477)	(49,265)	(75,552)

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

10. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

(a) Non-cash working capital

	Three months ended		Nine months ended	
	September 30 2016	September 30 2015	**September 30 2016**	September 30 2015
Net change in non-cash working capital				
Accounts receivable	**$ (62,774)**	$ 49,418	**$ (7,878)**	$ 259,017
Inventories and other	**12,788**	5,840	**17,436**	5,699
Accounts payable and accruals	**24,674**	(67,643)	**2,284**	(223,445)
Income taxes receivable	**21,661**	(2,937)	**6,346**	(564)
Dividends payable	**402**	—	**402**	—
	$ (3,249)	$ (15,322)	**$ 18,590**	$ 40,707
Relating to:				
Operating activities	**$ (4,966)**	$ (6,151)	**$ 35,459**	$ 91,344
Investing activities	**(1,806)**	(14,187)	**(20,309)**	(55,624)
Financing activities	**3,523**	5,016	**3,440**	4,987
	$ (3,249)	$ (15,322)	**$ 18,590**	$ 40,707

(b) Cash and cash equivalents

	September 30 2016	December 31 2015
Cash	**$ 30,758**	$ 33,902
Cash equivalents	**—**	6,484
Total cash and cash equivalents	**$ 30,758**	$ 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.

12. SUBSEQUENT EVENTS

Subsequent to September 30, 2016, the Company settled the declared third quarter dividend of $0.12 per common share, by paying $10,700 and issuing 1,080,777 common shares, to eligible holders of common shares participating in the Company's DRIP, representing a 42 percent acceptance.

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

JOHN SCHROEDER [1,3]
Independent Businessman

KENNETH J. SKIRKA [2,4]
Independent Businessman

GAIL SURKAN [2,3]
Independent Businesswoman

BARTH WHITHAM [1,4]
President and CEO,
Enduring Resources LLC

CORPORATE MANAGEMENT

N. MURRAY EDWARDS
Chairman

ROBERT H. GEDDES
President and Chief Operating Officer

ED KAUTZ
President United States Operations

MICHAEL GRAY
Chief Financial Officer

BRAGE JOHANNESSEN
Executive Vice President,
International Operations

ROBERT RAIMONDO
Vice President, Health, Safety and Environment

CATHY ROBINSON
Vice President, Global Human Resources

SUZANNE DAVIES
General Counsel and Corporate Secretary

HEAD OFFICE

400 - 5th Avenue S.W., Suite 1000
Calgary, Alberta T2P 0L6
Telephone: (403)-262-1361
Facsimile: (403)-262-8215
Email: info@ensignenergy.com
Website: www.ensignenergy.com

BANKERS

HSBC Bank Canada

Royal Bank of Canada

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: ESI

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Trust Company of Canada

COMMITTEE MEMBERS

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