ENSIGN®

Q1 2017

FIRST QUARTER REPORT For the three months ended March 31, 2017

FINANCIAL AND OPERATING HIGHLIGHTS

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

Three months ended March 31	2017	2016	% change
Revenue	**251,284**	258,464	(3)
Revenue, net of third party [1]	**208,891**	226,862	(8)
Adjusted EBITDA [1, 2]	**50,088**	60,525	(17)
Adjusted EBITDA per share [1, 2]			
Basic	**$0.32**	$0.40	(20)
Diluted	**$0.32**	$0.40	(20)
Adjusted net loss [1]	**(24,553)**	(24,444)	—
Adjusted net loss per share [1]			
Basic	**$(0.16)**	$(0.16)	—
Diluted	**$(0.16)**	$(0.16)	—
Net loss	**(13,792)**	(14,911)	8
Net loss per share			
Basic	**$(0.09)**	$(0.10)	10
Diluted	**$(0.09)**	$(0.10)	10
Cash provided by operating activities	**19,545**	65,079	(70)
Funds flow from operations [1]	**44,809**	55,180	(19)
Funds flow from operations per share [1]			
Basic	**$0.29**	$0.36	(19)
Diluted	**$0.29**	$0.36	(19)
Total debt, net of cash	**709,062**	688,405	3
Weighted average shares - basic *(000s)*	**154,402**	152,387	1
Weighted average shares - diluted *(000s)*	**155,028**	152,512	2

Drilling	2017	2016	% change
Number of rigs			
Canada [3]	**70**	83	(16)
United States	**84**	90	(7)
International [4]	**46**	50	(8)
Operating days			
Canada [3]	**2,325**	1,569	48
United States	**2,253**	1,890	19
International [4]	**1,578**	1,790	(12)

Well Servicing	2017	2016	% change
Number of rigs			
Canada	**65**	71	(8)
United States	**44**	44	—
Operating hours			
Canada	**20,783**	13,675	52
United States	**20,081**	14,355	40

1 *Revenue, net of third party, Adjusted EBITDA, Adjusted EBITDA per share, Adjusted net loss, Adjusted net loss per share, Funds flow from operations and Funds flow from operations per share are not measures that have any standardized meaning prescribed by International Financial Reporting Standards "IFRS" and accordingly, may not be comparable to similar measures used by other companies. Non-GAAP measures are defined on page 3.*

2 *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.*

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 months ended March 31, 2017, as well as the audited consolidated financial statements and notes thereto for the year ended December 31, 2016, which are available on SEDAR at www.sedar.com.

This MD&A and the interim consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated and are stated in thousands, except for: per share amounts, number of rigs and operating days/hours. This MD&A is dated May 5, 2017.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

NON-GAAP MEASURES

This MD&A contains references to Adjusted EBITDA, Adjusted EBITDA per share, Adjusted net loss, Adjusted net loss per share, Funds flow from operations, Funds flow from operations per share and Revenue, net of third party. Adjusted EBITDA is defined as "losses before interest, income taxes, depreciation, asset decommissioning and write-downs, share-based compensation and foreign exchange gain 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 gain 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 flow from operations are defined as "cash provided by operating activities before the change in non-cash working capital". Management believes that, in addition to Net loss, Funds flow from operations constitute a measure that provides additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes this measure to assess the Company's ability to finance operating activities and capital expenditures. Revenue, net of third party is defined as "gross revenue less third party reimbursable items". Management believes that, in addition to revenue, Revenue, net of third party, is a useful supplemental measure to indicate the Company's operating activity levels.

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

ADJUSTED EBITDA

	Three months ended March 31	
($ thousands)	**2017**	2016
Loss before income taxes	**(22,007)**	(25,276)
Interest expense	**9,328**	6,328
Interest income	**(37)**	(340)
Depreciation	**79,359**	94,478
Share-based compensation [1]	**(1,035)**	533
Foreign exchange gain and other	**(15,520)**	(15,198)
Adjusted EBITDA	**50,088**	60,525

[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 period's presentation.

ADJUSTED NET LOSS

	Three months ended March 31	
($ thousands)	**2017**	2016
Net loss	**(13,792)**	(14,911)
Share-based compensation, net of income taxes [1]	**(673)**	346
Foreign exchange gain and other, net of income taxes	**(10,088)**	(9,879)
Adjusted net loss	**(24,553)**	(24,444)

[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 period's presentation

Funds flow from operations

($ thousands)	Three months ended March 31 2017	2016
Net loss	**(13,792)**	(14,911)
Items not affecting cash		
Depreciation	**79,359**	94,478
Share-based compensation, net of cash paid	**(1,225)**	781
Unrealized foreign exchange and other	**(9,382)**	(15,198)
Accretion on long-term debt	**195**	109
Deferred income tax	**(10,346)**	(10,079)
Funds flow from operations	**44,809**	55,180

OVERVIEW

Revenue for the three months ended March 31, 2017 was $251.3 million, a decrease of three percent from revenue for the three months ended March 31, 2016 of $258.5 million. Revenue, net of third party, for the three months ended March 31, 2017 was $208.9 million, a decrease of eight percent from Revenue, net of third party, for the three months ended March 31, 2016 of $226.9 million. Adjusted EBITDA totaled $50.1 million ($0.32 per common share) in the first quarter of 2017, 17 percent lower than Adjusted EBITDA of $60.5 million ($0.40 per common share) in the first quarter of 2016. Net loss for the three months ended March 31, 2017 was $13.8 million ($0.09 per common share), compared to net loss of $14.9 million ($0.10 per common share) for the three months ended March 31, 2016, Adjusted net loss was $24.6 million ($0.16 per common share), compared to Adjusted net loss of $24.4 million ($0.16 per common share) for the three months ended March 31, 2016. Funds flow from operations decreased 19 percent to $44.8 million ($0.29 per common share) in the first quarter of 2017 compared to $55.2 million ($0.36 per common share) in the first quarter of the prior year.

Operating days across the Company's fleet were higher in Canada and the United States in the first quarter of 2017 when compared to the first quarter of 2016 due to increased demand in oilfield services caused by a modest price recovery of crude oil and natural gas commodity prices. A year-over-year weakening of the United States dollar against the Canadian dollar negatively impacted United States and international financial results on translation to Canadian dollars. The average United States dollar exchange rate was 1.32 for the first three months of 2017 (first three months of 2016 - 1.37) versus the Canadian dollar, a decrease of four percent, compared to the first three months of 2016.

Gross margin decreased to $60.6 million (29.0 percent of Revenue, net of third party) for the first quarter of 2017 compared to gross margin of $76.2 million (33.6 percent of Revenue, net of third party) for the first quarter of 2016. The decrease in gross margin in the first quarter of 2017 compared to the first quarter of 2016 was primarily attributed to lower revenue rates across the oilfield service equipment fleet and nominal shortfall revenue earned.

Working capital at March 31, 2017 was a surplus of $147.9 million, compared to a deficit of $11.2 million at December 31, 2016, largely due to the repayment of a portion of long-term debt (USD $100.0 million of senior unsecured notes bearing interest at 3.43 percent, paid February 22, 2017). The Company's bank credit facilities provide unused and available borrowings of $22.0 million as at March 31, 2017, down by $162.4 million, compared to $184.4 million at December 31, 2016, due to the senior unsecured notes repayment in February 2017.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended March 31			
($ thousands)	**2017**	2016	Change	% change
Revenue				
Canada	**84,250**	75,561	8,689	11
United States	**98,010**	100,130	(2,120)	(2)
International	**69,024**	82,773	(13,749)	(17)
Total revenue	**251,284**	258,464	(7,180)	(3)
Revenue, net of third party	**208,891**	226,862	(17,971)	(8)
Oilfield services expense	**190,645**	182,267	8,378	5
Gross margin	**60,639**	76,197	(15,558)	(20)
Gross margin as a percentage of Revenue, net of third party	**29.0**	33.6		

Revenue for the three months ended March 31, 2017 totaled $251.3 million, a decrease of three percent from the first quarter of 2016 of $258.5 million. As a percentage of Revenue, net of third party, gross margin for the first quarter of 2017 increased to 29.0 percent (2016 - 33.6 percent).

The moderate price increases in oil and natural gas commodity prices have increased demand for oilfield services, which resulted in higher equipment utilization rates; however revenue rates declined throughout the prior years and have yet to increase with demand. The financial results from the Company's United States and international operations were negatively impacted on translation, as the United States dollar weakened relative to the Canadian dollar in the first three months of 2017 as opposed to a strengthening in the first quarter of 2016. This served to increase the impact of some of the revenue rate declines experienced during the past several months.

CANADIAN OILFIELD SERVICES

The Company recorded revenue of $84.3 million in Canada for the three months ended March 31, 2017, an increase of 11 percent from $75.6 million recorded for the three months ended March 31, 2016. Canadian revenues accounted for 34 percent of the Company's total revenue in the first quarter of 2017, compared to 29 percent in the first quarter of 2016.

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

For the three months ended March 31, 2017, the Company recorded 2,325 drilling days compared to 1,569 drilling days for the three months ended March 31, 2016, an increase of 48 percent. Canadian well servicing hours increased by 52 percent to 20,783 operating hours in the first quarter of 2017 compared to 13,675 operating hours in the corresponding period of 2016.

During the three months ended March 31, 2017, the Company added one new build ADR® drilling rig to the Canadian fleet.

UNITED STATES OILFIELD SERVICES

During the three months ended March 31, 2017, revenue of $98.0 million was recorded by the Company's United States operations, a decrease of two percent from the $100.1 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 2017 (2016 - 39 percent).

Drilling rig operating days increased by 19 percent to 2,253 drilling days in the first quarter of 2017 from 1,890 drilling days in the first quarter of 2016. Well servicing activity expressed in operating hours increased by 40 percent in the first quarter of 2017 to 20,081 operating hours from 14,355 operating hours in the first quarter of 2016.

Overall operating results for the Company's United States operations were positively impacted by a modest increase in demand for oilfield services due to renewed optimism regarding oil and natural gas commodity prices. Revenue rates in the United States have not yet rebounded with the operating activity, maintaining declines experienced throughout 2016. The increased activity was partially offset by a weakening United States dollar, which decreased four percent versus the Canadian dollar when compared to the three months ending March 31, 2016.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $69.0 million in the first quarter of 2017, a 17 percent decrease from the $82.8 million recorded in the corresponding period of the prior year. The Company's international operations contributed 27 percent of the total revenue in the first quarter of 2017 (2016 - 32 percent).

For the three months ended March 31, 2017, international operating days totaled 1,578 operating days compared to 1,790 drilling days for the three months ended March 31, 2016, a decrease of 12 percent.

The international operations saw a decrease in activity as certain rigs on long-term contracts rolled off and were not renewed. Similar to the Company's United States operations, international operations were negatively impacted by the weakening United States dollar year-over-year in the first three months of 2017, versus the Canadian dollar, on translation into Canadian dollars for reporting purposes compared to the same period of 2016.

DEPRECIATION

	Three months ended March 31			
($ thousands)	**2017**	2016	Change	% change
Depreciation	**79,359**	94,478	(15,119)	(16)

Depreciation expense totaled $79.4 million for the first quarter of 2017 compared with $94.5 million for the first quarter of 2016, a decrease of 16 percent. Depreciation expense was lower in the three months ended March 31, 2017 compared to the three months ended March 31, 2016, despite higher operating activity. The lower depreciation expense was due to certain operating assets now being fully depreciated and thus no further depreciation expense is required on such assets, depreciation on certain idle equipment in the prior year, and the positive translational impact of a weaker United States dollar compared to the Canadian dollar on non-Canadian domiciled fixed assets.

GENERAL AND ADMINISTRATIVE EXPENSE

	Three months ended March 31			
($ thousands)	**2017**	2016	Change	% change
General and administrative [1]	**10,551**	15,672	(5,121)	(33)
% of revenue	**4.2**	6.1		

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

General and administrative expense decreased 33 percent to $10.6 million (4.2 percent of revenue) for the first quarter of 2017 compared to $15.7 million (6.1 percent of revenue) for the first quarter of 2016. The decrease in general and administrative expense resulted from the Company's continued initiatives to reduce costs. The decrease was accentuated by the positive translational impact on non-Canadian operations of the weakening United States dollar versus the Canadian dollar for the three months ended March 31, 2017 compared to the three months ended March 31, 2016. 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

	Three months ended March 31			
($ thousands)	**2017**	2016	Change	% change
Share-based compensation [1]	**(1,035)**	533	(1,568)	nm

nm - calculation not meaningful
[1] Share-based compensation included within the general and administrative expense in prior periods was reclassified to the share-based compensation expense to conform to this period's 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 March 31, 2017 share-based compensation was a recovery of $1.0 million compared with an expense of $0.5 million for the three months ended March 31, 2016. The share-based compensation recovery for the first quarter of 2017 was a result of changes in the fair value of the share-based compensation liability which impacted the amortization of share options.

The fair value of share-based compensation is impacted by both the input assumptions used to estimate the fair value and the price of the Company’s common shares during the period. The closing price of the Company's common shares was $7.97 at March 31, 2017 ($5.98 at March 30, 2016), compared with $9.38 at December 31, 2016 ($7.38 at December 31, 2015).

INTEREST EXPENSE

	Three months ended March 31			
($ thousands)	**2017**	2016	Change	% change
Interest expense	**9,328**	6,328	3,000	47
Interest income	**(37)**	(340)	303	(89)
	9,291	5,988	3,303	55

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

Interest expense increased by 47 percent for the first quarter of 2017 compared to the same period in 2016 as a result of borrowings of an additional $23.5 million on the Company's bank credit facilities and an increase to the overall interest rate. The increased interest expense was partially offset by the positive translational impact on United States dollar-denominated debt of a weakening United States dollar versus the Canadian dollar on a year-over-year basis.

FOREIGN EXCHANGE GAIN AND OTHER

	Three months ended March 31			
($ thousands)	**2017**	2016	Change	% change
Foreign exchange gain and other	**(15,520)**	(15,198)	(322)	2

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, 2017, the Australian dollar strengthened by approximately six 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 strengthening by approximately five percent against the United States dollar in the first quarter of 2016.

INCOME TAXES

	Three months ended March 31			
($ thousands)	**2017**	2016	Change	% change
Current income tax	**2,131**	(286)	2,417	nm
Deferred income tax	**(10,346)**	(10,079)	(267)	3
Total income tax	**(8,215)**	(10,365)	2,150	(21)
Effective income tax rate (%)	**37.3**	41.0		

nm - calculation not meaningful

The effective income tax rate for the three months ended March 31, 2017 was 37.3 percent compared with 41.0 percent for the three months ended March 31, 2016. The effective tax rate in the first quarter of the current year was lower than the effective tax rate in the first quarter of 2016 due to increased tax rates having been recognized in 2016 first quarter results, further decreased 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, 2016 to March 31, 2017 are outlined below:

($ thousands)	Change	Explanation
Cash and cash equivalents	4,849	See consolidated statements of cash flows.
Accounts receivable	25,843	Increase is due to an increase in activity in the first quarter of 2017 compared to the fourth quarter of 2016. The increase was partially offset by the decrease in the quarter-end foreign exchange rate on translation of accounts receivable in the Company's foreign subsidiaries.
Inventories and other	1,150	Increase is due to the impact of increased operating activity and deposits with vendors. The increase was partially offset with the decrease in the quarter-end foreign exchange rate on the translation of the inventory and prepaid balances in the Company’s foreign subsidiaries.
Income taxes receivable	3,355	Increase is due to the current year income tax recovery.
Property and equipment	(45,572)	Decrease is primarily due to current period depreciation and the decrease in the quarter-end foreign exchange rate, which was offset by $31.1 million in purchases during the quarter.
Accounts payable and accruals	11,703	Increase is due to an increase in operating activity and purchases of property and equipment. The increase was partially offset by 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	112	Increase in dividends payable is due to the discount offered to eligible shareholders electing to receive shares instead of cash for the declared first quarter dividend.
Share-based compensation	(1,887)	Decrease is mainly a result of changes in the fair value of the share-based compensation. The fair value of share-based compensation expense is impacted by both the input assumptions used to estimate the fair value, and the price of the Company’s common shares during the period.
Long-term debt, including current portion	26,289	Increase is due to additional borrowings of $23.5 million on Company's bank credit facilities during the first three months of 2017. The increase was partially offset by the weakening of the United States dollar from December 31, 2016 to March 31, 2017.
Deferred income taxes	(9,981)	Decrease arises from the deferred tax recovery for the first three months of 2017 and the effect of the quarter-end foreign exchange rate on translation of the deferred tax liability of the Company's foreign subsidiaries.
Shareholders’ equity	(36,611)	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 three months of 2017.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per share data)	Three months ended March 31			
	2017	2016	Change	% change
Funds flow from operations	**44,809**	55,180	(10,371)	(19)
Funds flow from operations per share	**$0.29**	$0.36	(0.07)	(19)
Working capital [1]	**147,874**	(11,153)	159,027	nm

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

For the three months ended March 31, 2017, the Company generated Funds flow from operations of $44.8 million ($0.29 per common share) a decrease of 19 percent from $55.2 million ($0.36 per common share) for the three months ended March 31, 2016. The decrease in Funds flow from operations in 2017 compared to 2016 is due to the decline in revenue rates, nominal short fall revenue earned compared to the prior period, and the weakening United States dollar.

At March 31, 2017 the Company's working capital was a surplus of $147.9 million, compared to a working capital deficit of $11.2 million at December 31, 2016. The increase in working capital in the first three months of 2017, was mainly related to the repayment a USD $100.0 million of senior unsecured notes. 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 $500.0 million, of which $22.0 million was undrawn and available at March 31, 2017. The Company is finalizing a $50.0 million accordion to be included in the existing revolving credit facilities.

INVESTING ACTIVITIES

($ thousands)	Three months ended March 31			
	2017	2016	Change	% change
Purchase of property and equipment	**(31,071)**	(17,874)	(13,197)	74
Proceeds from disposals of property and equipment	**1,602**	3,195	(1,593)	(50)
Net change in non-cash working capital	**135**	(18,950)	19,085	nm
Cash used in investing activities	**(29,334)**	(33,629)	4,295	(13)

nm - calculation not meaningful

Net purchases of property and equipment for the first quarter of 2017 totaled $29.5 million (2016 - $14.7 million). The purchase of property and equipment relates predominantly to the construction of two new ADR® drilling rigs and upgrades to certain drilling rigs to a higher specification, as well as for maintenance capital costs incurred in the current quarter.

FINANCING ACTIVITIES

($ thousands)	Three months ended March 31			
	2017	2016	Change	% change
Net Increase (decrease) in bank credit facilities	**23,530**	(32,730)	56,260	nm
Purchase of shares held in trust	**(292)**	(283)	(9)	3
Dividends	**(11,385)**	(18,367)	6,982	(38)
Net change in non-cash working capital	**3,157**	3,785	(628)	(17)
Cash used in financing activities	**15,010**	(47,595)	62,605	nm

nm - calculation not meaningful

The Company's available bank credit facilities consist of a $500.0 million Global Facility. The Global Facility is available to the Company and certain of its wholly-owned subsidiaries, and may be drawn in Canadian, United States or Australian dollars, up to the equivalent value of $500.0 million Canadian dollars. The Global Facility matures in early October 2018. The Company is finalizing a $50.0 million accordion that will be included in the existing revolving credit facilities.

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 received net debt proceeds of $23.5 million during the three months ended March 31, 2017, increasing the outstanding long-term debt balance.

In the settlement of the first quarter dividend, subsequent to March 31, 2017, 41 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 March 31, 2017 totaled $231.2 million, an increase of $25.8 million from $205.3 million as at December 31, 2016. Reduced levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increases the collection risk of accounts receivable balances.

As part of the Company’s international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at March 31, 2017, the Company had accounts receivable of approximately $29.8 million for work performed in Venezuela, discounted at eight percent and assuming a three year even collection period. Though the Company has a history of collecting accounts receivable in Venezuela, due to the recent decline in the price of oil and continuing political unrest in the country there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding.

NEW BUILDS AND MAJOR RETROFITS

During the three months ended March 31, 2017, 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. The Company is currently in the process of completing one new ADR® 1500s for the United States and one new ADR® 1000 for Canada. These rigs are expected to be finished in the second half of 2017 and were part of the canceled rig build program that the company halted in 2014 to preserve the balance sheet in a declining market.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q1-2017**	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015
Revenue	**251,284**	234,001	191,313	175,924	258,464	283,887	324,002	333,800
Revenue, net of third party [1]	**208,891**	204,474	168,098	156,423	226,862	252,592	289,327	294,241
Adjusted EBITDA [1, 2]	**50,088**	51,665	40,753	32,230	60,525	75,317	69,209	71,267
Adjusted EBITDA per share [1, 2]								
Basic	**$0.32**	$0.33	$0.27	$0.21	$0.40	$0.50	$0.45	$0.47
Diluted	**$0.32**	$0.33	$0.27	$0.21	$0.40	$0.50	$0.45	$0.47
Adjusted net (loss) income [1]	**(24,553)**	(47,866)	(37,635)	(34,532)	(24,444)	(29,485)	(31,510)	2,443
Adjusted net (loss) income per share [1]								
Basic	**$(0.16)**	$(0.32)	$(0.24)	$(0.23)	$(0.16)	$(0.19)	$(0.22)	$0.02
Diluted	**$(0.16)**	$(0.31)	$(0.24)	$(0.23)	$(0.16)	$(0.19)	$(0.22)	$0.02
Net (loss) income	**(13,792)**	(61,905)	(33,727)	(39,979)	(14,911)	(41,175)	(77,265)	(1,036)
Net (loss) income per share								
Basic	**$(0.09)**	$(0.41)	$(0.22)	$(0.26)	$(0.10)	$(0.26)	$(0.51)	$(0.01)
Diluted	**$(0.09)**	$(0.40)	$(0.22)	$(0.26)	$(0.10)	$(0.26)	$(0.51)	$(0.01)
Cash provided by operating activities	**19,545**	8,089	25,315	66,854	65,079	73,532	62,067	119,464
Funds from operations [1]	**44,809**	48,862	30,281	36,328	55,180	48,905	68,218	69,389
Funds from operations per share [1]								
Basic	**$0.29**	$0.32	$0.20	$0.24	$0.36	$0.31	$0.45	$0.46
Diluted	**$0.29**	$0.31	$0.20	$0.24	$0.36	$0.31	$0.45	$0.46
Total debt, net of cash	**709,062**	687,622	669,618	664,560	688,405	753,723	752,979	716,659

[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 first quarter of 2017, 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 over the past few years. The impact of lower oil and natural gas commodity prices on the demand for oilfield services, particularly in North America, can be seen in the reduction in the Company's financial results for 2017.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of May 5, 2017:

	Number		Amount ($)
Common shares	155,472,562	$	196,640

	Outstanding	Exercisable
Stock options	6,155,550	1,858,500

OUTLOOK

Despite a meaningful improvement in crude oil pricing in the first quarter of 2017 with WTI averaging USD $52 per barrel compared to USD $33 per barrel in the comparable period of 2016, the abundance of idle oilfield equipment has resulted in continued pricing pressure. However, with WTI oil prices appearing to settle in the high USD $40's to low USD $50's, we believe some stability is emerging and is resulting in our customers' increasing activity levels year-over-year.

Year-to-date, activity levels were significantly higher in North America than the previous year but still are below historical averages. The Company continues to focus on positioning itself with key customers and expanding the services that it offers at the well-site including drilling, directional drilling, rental equipment and well servicing. The combining of services has allowed the Company to reduce drilling time and increase efficiencies for the benefit of our customers according them improved economics during this period of low commodity prices.

Throughout the downturn Management's focus has been on reducing costs, controlling capital expenditures and creating efficiencies with new systems and processes. Management will continue to implement a cost structure that remains variable through these volatile times. This is expected to enable future revenue day rate increases to improve returns and increase margins.

Canada

Currently, the Montney and Duvernay are the Company's most active operating areas in Canada. Utilization for our high-spec triple drilling rigs was higher than the industry average for this type of rig for the first quarter of 2017 and we continue to see higher demand for this type of rigs. We are expecting spring breakup activity to be stronger than the prior year with a total of 10 rigs running as at May 5, 2017. Of our Canadian rigs, 34 drilling and coring rigs are currently under contract with 27 under contract longer than six months or 47 percent of the marketed fleet. Gross margins currently in Canada will likely lag 2016 gross margins due to the short fall revenues that were received during 2016. This will be offset by any pricing increases that are realized.

United States

The Company's three main operating areas in the United States, being the Rockies, California and the Permian Basin, have seen an increase in activity from the second half of 2016. As at May 5, 2017, seven rigs are currently running in the Rockies, five in California and 18 in the Permian Basin with one rig running in the North East. Of our United States rigs, 25 drilling rigs are currently under contract with 10 under contract longer than six months or 37 percent of the marketed fleet. We are still experiencing pricing pressure in the West Coast and the Rockies region but are seeing some pricing increases in the Permian Basin for the high-spec walking drilling rigs. Although activity in the United States is expected to continue to increase throughout the remainder of the year, the extent of potential resulting increases in revenue day rates is still moderately unknown.

International

Activity internationally is expected to remain relatively flat for the year when compared to the first quarter of 2017. There are a total of nine of our drilling rigs currently running in Latin America as at May 5, 2017 and that is expected to be maintained throughout the year, but could vary depending on the political situation in Venezuela which poses risks to the Company and others operating in this unstable environment. We have a total of four rigs running in the Middle East and six in Australia. The Middle East and Australia are expected to see slightly lower activity due to rigs that recently came off contract and are currently being marketed. In the international segment we have 17 drilling rigs under contract with 12, or 27 percent of the marketed fleet under contract longer than six months.

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, 2017.

RISKS AND UNCERTAINTIES

Oil and Natural Gas Prices

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

Competition and Industry Conditions

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

Access to Credit Facilities and Debt Capital Markets

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

Changes in Laws and Regulations

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

Foreign Operations

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

Foreign Exchange Exposure

The Company’s consolidated financial statements are presented in Canadian dollars. Operations in countries outside of Canada result in foreign exchange risk to the Company. The principal foreign exchange risk relates to the conversion of United States dollar-denominated activity to Canadian dollars. The United States/Canadian dollar exchange rate at March 31, 2017 was approximately 1.33 compared with 1.34 at December 31, 2016 and 1.38 at December 31, 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 March 31, 2017 was approximately 1.31, compared with 1.38 at December 31, 2016 and 1.37 at December 31, 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		March 31 2017		December 31 2016
(Unaudited, in thousands of Canadian dollars)				
Assets				
Current Assets				
Cash and cash equivalents *(Note 10)*	**$**	**34,686**	$	29,837
Accounts receivable		**231,190**		205,347
Inventories and other		**50,000**		48,850
Income taxes receivable		**20,563**		17,208
Total current assets		**336,439**		301,242
Property and equipment		**2,867,581**		2,913,153
Total assets	**$**	**3,204,020**	$	3,214,395
Liabilities				
Current Liabilities				
Accounts payable and accruals	**$**	**165,088**	$	153,385
Dividends payable		**18,989**		18,877
Share-based compensation *(Note 8)*		**4,488**		5,943
Current portion of long-term debt (Note 5)		**—**		134,190
Total current liabilities		**188,565**		312,395
Long-term debt *(Note 5)*		**743,748**		583,269
Share-based compensation *(Note 8)*		**2,107**		2,539
Deferred income taxes		**473,722**		483,703
Total liabilities		**1,408,142**		1,381,906
Shareholders' Equity				
Share capital *(Note 6)*		**189,103**		180,666
Contributed surplus		**1,047**		1,524
Foreign currency translation reserve		**280,757**		292,547
Retained earnings		**1,324,971**		1,357,752
Total shareholders' equity		**1,795,878**		1,832,489
Total liabilities and shareholders' equity	**$**	**3,204,020**	$	3,214,395

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS

For the three months ended		March 31 2017		March 31 2016
(Unaudited, in thousands of Canadian dollars, except per share data)				
Revenue	**$**	**251,284**	$	258,464
Expenses				
Oilfield services		**190,645**		182,267
Depreciation		**79,359**		94,478
General and administrative [1]		**10,551**		15,672
Share-based compensation [1]		**(1,035)**		533
Foreign exchange gain and other		**(15,520)**		(15,198)
Total expenses		**264,000**		277,752
Loss before interest and income taxes		**(12,716)**		(19,288)
Interest income		**(37)**		(340)
Interest expense		**9,328**		6,328
Loss before income taxes		**(22,007)**		(25,276)
Income taxes				
Current tax		**2,131**		(286)
Deferred tax		**(10,346)**		(10,079)
Total income taxes		**(8,215)**		(10,365)
Net loss	**$**	**(13,792)**	$	(14,911)
Net loss per share (Note 7)				
Basic	**$**	**(0.09)**	$	(0.10)
Diluted	**$**	**(0.09)**	$	(0.10)

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

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three months ended		**March 31 2017**		March 31 2016
(Unaudited, in thousands of Canadian dollars)				
Net loss	**$**	**(13,792)**	$	(14,911)
Other comprehensive loss				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment		**(11,790)**		(96,789)
Comprehensive loss	**$**	**(25,582)**	$	(111,700)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited, in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
Balance, January 1, 2017	$ 180,666	$ 1,524	$ 292,547	$ 1,357,752	$ 1,832,489
Net loss	—	—	—	(13,792)	(13,792)
Other comprehensive loss	—	—	(11,790)	—	(11,790)
Total comprehensive loss	—	—	(11,790)	(13,792)	(25,582)
Dividends	7,604	—	—	(18,989)	(11,385)
Share-based compensation	—	648	—	—	648
Shares vested previously held in trust	1,125	(1,125)	—	—	—
Purchase of shares held in trust	(292)	—	—	—	(292)
Balance March 31, 2017	**$ 189,103**	**$ 1,047**	**$ 280,757**	**$ 1,324,971**	**$ 1,795,878**
Balance, January 1, 2016	$ 169,171	$ 2,538	$ 332,230	$ 1,582,657	$ 2,086,596
Net loss	—	—	—	(14,911)	(14,911)
Other comprehensive income	—	—	(96,789)	—	(96,789)
Total comprehensive income	—	—	(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

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended		**March 31 2017**		March 31 2016
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net loss	**$**	**(13,792)**	$	(14,911)
Items not affecting cash				
Depreciation		**79,359**		94,478
Share-based compensation, net of cash paid		**(1,225)**		781
Unrealized foreign exchange and other		**(9,382)**		(15,198)
Accretion on long-term debt		**195**		109
Deferred income tax		**(10,346)**		(10,079)
Funds flow from operations		**44,809**		55,180
Net change in non-cash working capital *(Note 10)*		**(25,264)**		9,899
Cash provided by operating activities		**19,545**		65,079
Investing activities				
Purchase of property and equipment		**(31,071)**		(17,874)
Proceeds from disposals of property and equipment		**1,602**		3,195
Net change in non-cash working capital *(Note 10)*		**135**		(18,950)
Cash used in investing activities		**(29,334)**		(33,629)
Financing activities				
Net increase (decrease) in bank credit facilities		**23,530**		(32,730)
Purchase of shares held in trust *(Note 6)*		**(292)**		(283)
Dividends *(Note 6)*		**(11,385)**		(18,367)
Net change in non-cash working capital *(Note 10)*		**3,157**		3,785
Cash provided by (used in) financing activities		**15,010**		(47,595)
Net increase (decrease) in cash and cash equivalents		**5,221**		(16,145)
Effects of foreign exchange on cash and cash equivalents		**(372)**		4,212
Cash and cash equivalents				
Beginning of period		**29,837**		40,386
End of period	**$**	**34,686**	$	28,453
Supplemental information				
Interest paid	**$**	**6,910**	$	2,541
Income taxes paid	**$**	**1,145**	$	1,923

See accompanying notes to the interim consolidated financial statements.

1. NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting ("IAS 34"). The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2016. The calculation of depreciation includes assumptions related to useful lives and residual values that are regularly reviewed by management. The disclosures provided below do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the same accounting policies throughout all periods presented.

These consolidated financial statements were approved by the Company's Board of Directors on May 5, 2017, 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 2017		December 31 2016
Drawings on the Global Facility	**$**	**478,614**	$	316,701
Senior unsecured notes				
Tranche A, due February 22, 2017, 3.43%		**—**		134,270
Tranche B, due February 22, 2019, 3.97%		**133,220**		134,270
Tranche C, due February 22, 2022, 4.54%		**133,220**		134,270
Unamortized deferred financing costs		**(1,306)**		(2,052)
Total	**$**	**743,748**	$	717,459
Less: current portion		**—**		(134,190)
Total long-term debt	**$**	**743,748**	$	583,269

Interest accrued on the senior unsecured notes (the "Notes") at March 31, 2017 was $3,779 (2016 - $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.

During the three months ended March 31, 2017, the Company extinguished Tranche A of the senior unsecured notes using the Global Facility.

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 2017	153,594,857	$	180,666
Shares issue as part of the dividend reinvestment plan	798,785		7,604
Changes in unvested shares held in trust	65,331		833
Closing balance - March 31 2017	**154,458,973**	**$**	**189,103**

The total number of unvested shares held in trust for share-based compensation plans as at March 31, 2017 was 480,585 (December 31, 2016 – 545,916).

(c) Dividends

In the settlement of the first quarter dividend, subsequent to March 31, 2017, 41 percent of shareholders elected to reinvest their dividends in common shares of the Company.

During the three months ended March 31, 2017, the Company declared dividends of $18,989 (2016 - $18,367), being $0.12 per common share (2016 - $0.12 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	
	March 31 2017	March 31 2016
Net loss attributable to common shareholders:		
Basic and diluted	**$ (13,792)**	$ (14,911)
Weighted average number of common shares outstanding:		
Basic	**154,402,363**	152,387,397
Potentially dilutive share-based compensation plans	**625,393**	124,730
Diluted	**155,027,756**	152,512,127

Share options of 4,224,750 (2016 – 7,225,300) 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 March 31, 2017 and the changes during the three month period ended, is presented below:

	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1, 2017	5,037,700	$ 10.74
Granted	1,221,750	7.98
Forfeited	(103,900)	12.23
Outstanding - March 31, 2017	**6,155,550**	**$ 10.17**
Exercisable - March 31, 2017	**1,858,500**	**$ 12.21**

The following table lists the options outstanding at March 31, 2017:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$7.30 to $7.64	1,930,800	3.75	$ 7.30	381,600	$ 7.30
$7.65 to $9.18	1,211,750	4.75	7.98	—	—
$9.19 to $12.94	1,692,100	2.75	10.37	677,800	10.37
$12.95 to $16.13	1,320,900	1.73	16.11	799,100	16.11
	6,155,550	3.24	$ 10.17	1,858,500	$ 12.21

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

	March 31, 2017
Remaining expected life (years)	3.0
Volatility (percent)	40.0
Forfeiture rate (percent)	6.6
Risk-free interest rate (percent)	0.9
Expected dividend (percent)	6.0

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of March 31, 2017 and the changes during the three month period ended, is presented below:

	Number of SARs		Weighted Average Exercise Price
Outstanding – January 1, 2017	477,100	$	10.97
Granted	116,500		7.98
Forfeited	(15,400)		12.21
Outstanding - March 31, 2017	**578,200**	**$**	**10.33**
Exercisable - March 31, 2017	**176,500**	**$**	**12.55**

The following table lists the SARs outstanding at March 31, 2017:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)		Weighted Average Exercise Price	SARs Exercisable		Weighted Average Exercise Price
$7.30 to $7.64	181,700	3.75	$	7.30	35,300	$	7.30
$7.65 to $9.18	116,500	4.75		7.98	—		—
$9.19 to $12.94	138,000	2.75		10.37	55,200		10.37
$12.95 to $16.13	142,000	1.72		16.11	86,000		16.11
	578,200	3.22	$	10.33	176,500	$	12.55

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:

	2017				2016			
As at and for the three month period ended March 31	Canada	United States	International	Total	Canada	United States	International	Total
Revenue	84,250	98,010	69,024	251,284	75,561	100,130	82,773	258,464
(Loss) income before interest and income taxes	(2,948)	(18,717)	8,949	(12,716)	(18,020)	(13,853)	12,585	(19,288)
Property and equipment, net	905,091	1,377,398	585,092	2,867,581	979,877	1,499,624	582,663	3,062,164

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

	March 31 2017	March 31 2016
Net change in non-cash working capital		
Accounts receivable	$ **(31,752)**	$ 17,122
Inventories and other	**(904)**	(369)
Accounts payable and accruals	**9,920**	(19,311)
Income taxes receivable	**764**	(2,708)
	$ **(21,972)**	$ (5,266)
Relating to:		
Operating activities	$ **(25,264)**	$ 9,899
Investing activities	**135**	(18,950)
Financing activities	**3,157**	3,785
	$ **(21,972)**	$ (5,266)

(b) Cash and cash equivalents

	March 31 2017	December 31 2016
Cash	$ **34,686**	$ 24,500
Cash equivalents and held in trust	**—**	5,337
Total cash and cash equivalents	$ **34,686**	$ 29,837

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 March 31, 2017, the Company settled the declared first quarter dividend of $0.12 per common share, by paying $11,056 and issuing 1,013,589 common shares, to eligible holders of common shares participating in the Company's DRIP, representing a 41 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

MICHAEL GRAY
Chief Financial Officer

ED KAUTZ
President United States Operations

TOM CONNORS
Executive Vice President,
Canadian Operations

BRAGE JOHANNESSEN
Executive Vice President,
International Operations

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

TREVOR RUSSELL
Vice President, Finance

ROBERT RAIMONDO
Vice President, Health, Safety and Environment

CATHY ROBINSON
Vice President, Global Human Resources

SUZANNE DAVIES
Vice President Legal and Corporate Secretary

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HSBC Bank 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

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