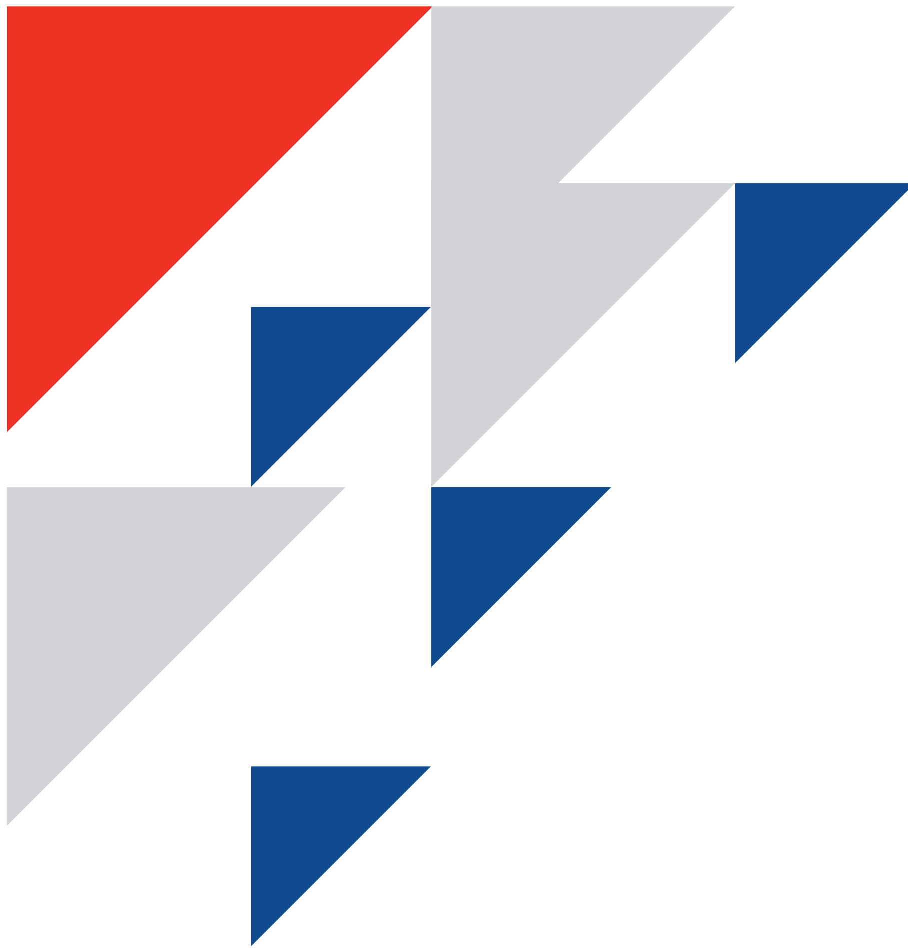

ENSIGN ENERGY SERVICES INC.

2016 ANNUAL REPORT

drilling | directional drilling | testing | well servicing

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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 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 audited consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated and are stated in thousands, except for: per share amounts, number of drilling rigs and operating days. This MD&A is dated March 2, 2017. Additional information, including the Company's Annual Information Form for the year ended December 31, 2015, is available on SEDAR at www.sedar.com. The Company's Annual Information Form for the year ended December 31, 2016 is expected to be filed on SEDAR prior to March 31, 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, 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 income (loss), Adjusted net income (loss) per share, Funds flow from operations, Funds flow from operations per share and Revenue net of third party. 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. The definition and method of calculation of the non-GAAP measures included in this MD&A are included in the "Overview and Selected Annual Information" section.

OVERVIEW AND SELECTED ANNUAL INFORMATION

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

	2016	2015	Change	% change	2014	Change	% change
Revenue	**859,702**	1,390,978	(531,276)	(38)	2,321,765	(930,787)	(40)
Revenue, net of third party [1]	**755,857**	1,234,775	(478,918)	(39)	2,013,035	(778,260)	(39)
Adjusted EBITDA [2]	**185,173**	329,010	(143,837)	(44)	542,262	(213,252)	(39)
Adjusted EBITDA per share [2]							
Basic	**$1.21**	$2.16	$ (0.95)	(44)	$ 3.55	$ (1.39)	(39)
Diluted	**$1.21**	$2.16	$ (0.95)	(44)	$ 3.56	$ (1.40)	(39)
Adjusted net (loss) income [3]	**(144,477)**	(30,264)	(114,213)	nm	151,653	(181,917)	(120)
Adjusted net (loss) income per share [3]							
Basic	**$(0.95)**	$(0.20)	$ (0.75)	nm	$ 0.99	$ (1.19)	(120)
Diluted	**$(0.94)**	$(0.20)	$ (0.74)	nm	$ 0.99	$ (1.19)	(120)
Net (loss) income	**(150,522)**	(104,049)	(46,473)	(45)	71,120	(175,169)	(246)
Net (loss) income per share							
Basic	**$(0.99)**	$(0.68)	$ (0.31)	(46)	$ 0.47	$ (1.15)	(245)
Diluted	**$(0.98)**	$(0.68)	$ (0.30)	(44)	$ 0.46	$ (1.14)	(248)
Cash provided by operating activities	**165,336**	412,244	(246,908)	(60)	521,132	(108,888)	(21)
Funds flow from operations [4]	**170,651**	296,273	(125,622)	(42)	491,886	(195,613)	(40)
Funds flow from operations per share [4]							
Basic	**$1.12**	$1.94	$ (0.82)	(42)	$ 3.22	$ (1.28)	(40)
Diluted	**$1.11**	$1.94	$ (0.83)	(43)	$ 3.21	$ (1.27)	(40)
Total assets	**3,214,395**	3,598,140	(383,745)	(11)	3,723,445	(125,305)	(3)
Long-term financial liabilities	**717,459**	794,109	(76,650)	(10)	786,327	7,782	1
Dividends per share	**$ 0.48**	$ 0.48	—	—	$ 0.4725	$ 0.01	2

nm - calculation not meaningful

[1] *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.*

[2] *Adjusted EBITDA is defined as "income (loss) 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 income (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.

($ thousands)	**2016**	2015	2014
(Loss) income before income taxes	**(204,545)**	(129,754)	111,214
Interest expense	**30,838**	25,333	21,546
Interest income	**(367)**	(420)	(859)
Depreciation	**349,947**	335,513	298,854
Asset decommissioning and write-downs	**—**	28,281	89,495
Share-based compensation [i]	**10,287**	7,952	(8,824)
Foreign exchange and other	**(987)**	62,105	30,836
Adjusted EBITDA	**185,173**	329,010	542,262

[i] Share-based compensation included within the general and administrative expense in prior periods were reclassified in the amount of $7,915 to the share-based compensation expense to conform to this year's presentation

[3] *Adjusted net (loss) income is defined as "net (loss) income before asset decommissioning and write-downs, share-based compensation and foreign exchange and other, tax-effected using the expected income tax rate for each item or an estimate of 35 percent". Management believes that, in addition to net (loss) income, Adjusted net (loss) income is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how the results are impacted by non-cash charges for equipment write-downs, how the results are impacted by foreign exchange and how the results are impacted by the accounting standards associated with the Company's share-based compensation plans, net of income taxes.*

($ thousands)	**2016**	2015	2014
Net (loss) income	**(150,522)**	(104,049)	71,120
Asset decommissioning and write-downs, net of income taxes	**—**	28,248	66,226
Share-based compensation, net of income taxes [i]	**6,687**	5,169	(5,736)
Foreign exchange and other, net of income taxes	**(642)**	40,368	20,043
Adjusted net (loss) income	**(144,477)**	(30,264)	151,653

[i] Share-based compensation included within the general and administrative expense in prior periods were reclassified in the amount of $7,915 to the share-based compensation expense to conform to this year's presentation

[4] *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 income (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.*

($ thousands)	**2016**	2015	2014
Net (loss) income	**(150,522)**	(104,049)	71,120
Items not affecting cash			
Depreciation	**349,947**	335,513	298,854
Asset decommissioning and write-downs	**—**	28,281	89,495
Share-based compensation, net of cash paid	**10,287**	7,237	(10,657)
Unrealized foreign exchange and other	**(6,864)**	54,742	27,648
Accretion on long-term debt	**316**	407	352
Deferred income tax	**(32,513)**	(25,858)	15,074
Funds flow from operations	**170,651**	296,273	491,886

NATURE OF OPERATIONS:

The Company is in the business of providing oilfield services to the oil and natural gas industry in Canada, the United States and internationally. Oilfield services provided by the Company include drilling and well servicing, oil sands coring, directional drilling, underbalanced and managed pressure drilling, equipment rentals, transportation, wireline services and production testing services.

The Company's Canadian operations span the four western provinces of British Columbia, Alberta, Saskatchewan and Manitoba and include the Northwest Territories and the Yukon. In the United States, the Company operates predominantly in the Rocky Mountain and southern regions as well as the states of California, Michigan, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Pennsylvania and South Dakota. Internationally, the Company currently operates in Australia, Argentina, Kurdistan, Oman, North Africa and Venezuela. In addition to these international locations, the Company has operated in several other countries in the past and may relocate equipment to other regions in the future depending on bidding opportunities and anticipated levels of future demand.

2016 COMPARED WITH 2015

Revenue for the year ended December 31, 2016 was $859.7 million, a decrease of 38 percent from 2015 of $1,391.0 million. Revenue, net of third party, for the year ended December 31, 2016 was $755.9 million, a decrease of 39 percent from Revenue, net of third party, for the year ended December 31, 2015 of $1,234.8 million. Adjusted EBITDA for 2016, totaled $185.2 million ($1.21 per common share), 44 percent lower than Adjusted EBITDA of $329.0 million ($2.16 per common share) for the year ended December 31, 2015.

Net loss for the year ended December 31, 2016 was $150.5 million ($0.99 per common share), compared to net loss of $104.0 million ($0.68 per common share) for the year ended December 31, 2015. For the year ended December 31, 2016, Adjusted net loss was $144.5 million ($0.95 per common share), compared to Adjusted net loss of $30.3 million ($0.20 per common share) for the year ended December 31, 2015.

Funds flow from operations decreased 42 percent to $170.7 million ($1.12 per common share) in 2016 compared to $296.3 million ($1.94 per common share) in prior year.

The Company's decreased operating and financial results for the 2016 fiscal year resulted from the slow recovery of oil and natural gas prices. Continued low energy commodity prices adversely impact the current and future cash flows of the Company's customers and, as a result, the expected levels of future demand for oilfield services, particularly in North America. Financial results from the Company's United States and international operations improved on translation to Canadian dollars due to the strengthening of the United States dollar relative to the Canadian dollar. For the year ended December 31, 2016, a four percent increase in the Canadian/United States dollar exchange rate positively impacted revenues and margins generated outside Canada.

The current uncertain market conditions resulting from the continued lower oil and natural gas commodity prices prompted the Company to take a closer look at its equipment fleet. As a result of a detailed review, the Company reduced its marketed equipment fleet in the fourth quarter of 2016 by decommissioning 20 drilling and workover rigs, as well as six servicing rigs. In accordance with its longstanding practice, the Company will retain useful components from the decommissioned rigs for use in its current and future operations. The majority of the non-cash charge associated with the asset decommissioning and write-downs in 2015 relates to the write-down of certain drilling rigs to their recoverable value.

In 2016 the Company added one new Automated Drill Rig ("ADR®") to its drilling rig fleet in the United States market, which has been contracted to a long-term contract.

The Company declared total dividends of $0.48 per common share in 2016.

The Company exited 2016 with a working capital deficit of $11.2 million, compared to a working capital balance of $144.2 million as at December 31, 2015. The decrease in working capital year-over-year was 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 $184.4 million at December 31, 2016, compared to $220.1 million at December 31, 2015, down by $35.7 million because of a reduction in the available credit under the recently renewed global facility arrangement.

2015 COMPARED WITH 2014

The Company's decreased operating and financial results for the 2015 fiscal year resulted from a continued decline in oil prices that began in the second half of 2014. Financial results from the Company's United States and international operations improved on translation to Canadian dollars due to the strengthening of the United States dollar relative to the Canadian dollar. The financial results for the year ended December 31, 2015 were negatively impacted by a $28.3 million non-cash charge for asset decommissioning and write-downs recorded by the Company in the third quarter of 2015. Uncertain market conditions resulting from lower oil and natural gas commodity prices prompted the Company to reduce its marketed equipment fleet in the fourth quarter of 2015 by decommissioning 21 drilling and workover rigs and two well servicing rigs. Furthermore, the Company wrote down five drilling rigs in Latin America in the third quarter.

The Company's revenue for the 2014 fiscal year was the highest in the Company's history. The Company generated strong operating and financial results for the majority of the 2014 fiscal year, even though falling oil prices in the second half of the year began to adversely impact the demand for oilfield services. The Company's international operations continued to grow with new equipment added during 2014. As a result of uncertain market conditions developing toward the end of 2014, the Company reduced its global marketed equipment fleet by 53 drilling rigs, 27 well servicing rigs and three workover rigs.

REVENUE AND OILFIELD SERVICES EXPENSE

($ thousands)	**2016**	2015	Change	% change
Revenue				
Canada	**222,804**	306,997	(84,193)	(27)
United States	**337,950**	609,301	(271,351)	(45)
International	**298,948**	474,680	(175,732)	(37)
Total revenue	**859,702**	1,390,978	(531,276)	(38)
Revenue, net of third party	**755,857**	1,234,775	(478,918)	(39)
Oilfield services expense	**622,026**	995,025	(372,999)	(37)
Gross margin	**237,676**	395,953	(158,277)	(40)
Gross margin as a percentage of Revenue, net of third party	**31.4**	32.1		

Revenue for the year ended December 31, 2016 totaled $859.7 million, a 38 percent decrease from the year ended December 31, 2015 of $1,391.0 million. The decline in revenue was a direct result of the slow recovery of oil and natural gas commodity prices which began to decline in the second half of 2014. Reduced demand for oilfield services resulted in lower equipment utilization rates and revenue rates during the year.

Revenue, net of third party, for the year ended December 31, 2016 totaled $755.9 million, a decrease of 39 percent from the previous year of $1,234.8 million. As a percentage of Revenue, net of third party, gross margin for the year ended December 31, 2016 was 31.4 percent (2015 - 32.1 percent). As a result of weaker commodity prices, the Company has reduced its revenue rate and operating cost structure and made changes to reduce the cost of its administrative and supervisory structure.

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 2016 compared to the prior year served to reduce the impact of some of the revenue rate declines experienced during the year.

CANADIAN OILFIELD SERVICES

	2016	2015	Change	% change
Revenue *($ thousands)*	**$ 222,804**	$ 306,997	$ (84,193)	(27)
Drilling rigs[1]				
Opening balance	**83**	88		
Additions	**—**	5		
Transfers, net	**(2)**	—		
Decommissions/Disposals	**(12)**	(10)		
Ending balance	**69**	83	(14)	(17)
Drilling operating days[1, 2]	**4,587**	6,728	(2,141)	(32)
Drilling rig utilization (%)[1]	**15.2**	20.7	(5.5)	(27)
Well servicing rigs				
Opening balance	**72**	71		
Additions	**—**	1		
Decommissions/Disposals	**(7)**	—		
Ending balance	**65**	72	(7)	(10)
Well servicing operating hours	**61,635**	63,426	(1,791)	(3)
Well servicing utilization (%)	**23.8**	24.2	(0.4)	(2)

[1] Excludes coring rig fleet.
[2] 2015 Restated to exclude coring rigs.

The Company recorded revenue of $222.8 million in Canada for the year ended December 31, 2016, a decrease of 27 percent from $307.0 million recorded for the year ended December 31, 2015. During the year ended December 31, 2016, Canadian revenues were 26 percent of the Company's revenue, compared with 22 percent in the year ended December 31, 2015. During 2016 the Company received $17.1 million in shortfall revenue and termination revenue in Canada compared to $4.6 million in the corresponding period of 2015.

For the year ended December 31, 2016, the Company recorded 4,587 drilling days in Canada, compared to 6,728 drilling days for the year ended December 31, 2015, a decrease of 32 percent. Well servicing hours decreased by three percent to 61,635 operating hours compared with 63,426 operating hours for the year ended December 31, 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. The weakened commodity pricing negatively affected the demand for oilfield services. Utilization and revenue rates for the Company’s Canadian oilfield services decreased as the Company’s customers actively reduced planned levels of capital expenditures in reaction to the steep decline in crude oil prices. During the year ended December 31, 2016, the Company transferred two drilling rigs to its United States fleet, disposed of one well servicing rig and decommissioned 12 and six drilling and well servicing rigs respectively.

UNITED STATES OILFIELD SERVICES

	2016	2015	Change	% change
Revenue *($ thousands)*	**$ 337,950**	$ 609,301	$ (271,351)	(45)
Drilling rigs				
Opening balance	**89**	95		
Additions	**1**	3		
Transfers, net[1]	**—**	(1)		
Decommissions/Disposals	**(6)**	(8)		
Ending balance	**84**	89	(5)	(6)
Drilling operating days	**7,152**	11,895	(4,743)	(40)
Drilling rig utilization (%)	**21.8**	33.7	(11.9)	(35)
Well servicing rigs				
Opening balance	**44**	45		
Additions	**—**	2		
Decommissions/Disposals	**—**	(3)		
Ending balance	**44**	44	—	—
Well servicing operating hours	**66,211**	78,586	(12,375)	(16)
Well servicing utilization (%)	**41.2**	46.1	(4.9)	(11)

[1] Includes two rigs transferred in from the Canada fleet and two rigs transferred out to the international fleet.

During the year ended December 31, 2016, revenue of $338.0 million was recorded in the United States, a decrease of 45 percent from the $609.3 million recorded in the prior year. The Company's United States operations accounted for 39 percent of the Company's revenue in the fiscal year of 2016 (2015 - 44 percent) and was the largest contributor to the Company's consolidated revenues in 2016, consistent with the prior year.

In the United States, drilling operating days decreased by 40 percent from 11,895 operating days in 2015 to 7,152 operating days in 2016. For the year ended December 31, 2016 well servicing activity decreased 16 percent to 66,211 operating hours from 78,586 operating hours in 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. The reduced activity and associated pricing declines were partially offset by a strengthening of the United States dollar, which increased four percent versus the Canadian dollar when compared to 2015.

During 2016, the Company added one ADR® drilling rig, transferred in two drilling rigs from the Canadian fleet, transferred out two drilling rigs to the international fleet and decommissioned six inactive drilling rigs.

INTERNATIONAL OILFIELD SERVICES

	2016	2015	Change	% change
Revenue *($ thousands)*	**298,948**	474,680	(175,732)	(37)
Drilling and workover rigs				
Opening balance	**50**	56		
Transfers	**2**	—		
Decommissions	**(6)**	(6)		
Ending balance	**46**	50	(4)	(8)
Drilling operating days	**6,545**	8,553	(2,008)	(23)
Drilling rig utilization (%)	**36.0**	43.1	(7.1)	(16)

The Company's international revenues for the year ended December 31, 2016, decreased 37 percent to $298.9 million from $474.7 million recorded in the year ended December 31, 2015. The Company's international operations contributed 35 percent of the Company's revenue in 2016 (2015 - 34 percent).

International operating days totaled 6,545 compared to 8,553 drilling days for the year ended December 31, 2016, a decrease of 23 percent, compared to the year prior.

Similar to the Company's United States operations, international operations were positively impacted by the strengthening United States dollar year-over-year in 2016, versus the Canadian dollar, on translation into Canadian dollars for reporting purposes compared to 2015. The slow recovery of relatively depressed oil and natural gas commodity prices have affected all geographical areas including the Company's international operations. The lower crude oil prices are particularly challenging for Venezuela due to the heavy economic reliance on energy revenues in that country. The possible impact to the Company of the challenges in Venezuela are discussed further in the "Financial Instruments" section of this MD&A under Credit Risk and also in the "Risks and Uncertainties – Foreign Operations" section of this MD&A. During the year end December 31, 2016, the Company transferred two drilling rigs to it's international fleet, sold four drilling rigs and decommissioned two inactive workover rigs.

DEPRECIATION

($ thousands)	2016	2015	Change	% change
Depreciation	**349,947**	335,513	14,434	4

Depreciation expense for the year increased by four percent to $349.9 million compared with $335.5 million for the year ended 2015. Depreciation expense was four percent higher in the year ended December 31, 2016 when compared to the year ended December 31, 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 year, when compared with 2015.

As a result of certain external impairment indicators existing in the market, the Company completed impairment tests in all its cash generating units (each a "CGU"). The Company did not note any impairments for any CGUs based on the following key assumptions: weighted average pre-tax discount rate of 10 percent to14 percent based on cost of capital and debt, asset and country risk, together with past experience; annual inflationary growth after five years and limited to the assets' lives; and cash flow projections consistent with market conditions and estimated rig salvage values of 10 percent. A 1.6 percent change in the discount rate, a eight percent change in cash flow projections, or a changing in the terminal growth rate to zero, independent of each other, would not have resulted in any impairments.

GENERAL AND ADMINISTRATIVE EXPENSE

($ thousands)	2016	2015	Change	% change
General and administrative [1]	**52,503**	66,943	(14,440)	(22)
% of revenue	**6.1**	4.8		

[1] Share-based compensation included within the general and administrative expense in prior periods were reclassified in the amount of $7,915 to the share-based compensation expense to conform to this year's presentation.

For the year ended December 31, 2016, general and administrative expense totaled $52.5 million (6.1 percent of revenue) compared to $66.9 million (4.8 percent of revenue) for the year ended December 31, 2015, a decrease of 22 percent. The decrease in general and administrative expense resulted from the Company's initiatives to reduce costs in reaction to lower oil and natural gas commodity prices.

During 2016, the Company reclassified share-based compensation that was included in the general and administrative expense of $7.9 million for the corresponding period of 2015 to share-based compensation expense.

The decrease in general and administrative expense was partially offset by one-time restructuring costs incurred during the year, as well as the negative translational impact of the strengthening United States dollar versus the Canadian dollar for the year ended December 31, 2016 compared to the year ended December 31, 2015.

ASSET DECOMMISSIONING AND WRITE-DOWNS

($ thousands)	**2016**	2015	Change	% change
Asset decommissioning and write-downs	**—**	28,281	(28,281)	nm

nm - calculation not meaningful

As a result of a detailed review of its equipment fleet in light of the persistent downturn in market conditions, the Company assessed future prospects for its property and equipment. The assessment resulted in the decommissioning of 20 drilling rigs and six well servicing rigs that were fully depreciated. In 2015, the Company incurred a non-cash charge of $28.3 million to asset decommissioning and write-down expense relating to specific assets in its international operations. In accordance with its longstanding practice, the Company retains useful components from the decommissioned rigs for use in its current and future operations.

SHARE-BASED COMPENSATION

($ thousands)	**2016**	2015	Change	% change
Share-based compensation [1]	**10,287**	7,952	2,335	29

nm - calculation not meaningful

[1] Share-based compensation included within the general and administrative expense in prior periods were reclassified in the amount of $7,915 to the share-based compensation expense to conform to this year'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 year ended December 31, 2016, share-based compensation was an expense of $10.3 million compared with an expense of $8.0 million for the year ended December 31, 2015. The share-based compensation expense for the year ended December 31, 2016 was a result of changes in the fair value of the share-based compensation liability and was impacted by the amortization of share options.

During the year, the Company reclassified share-based compensation that was included in the general and administrative expense of $7.9 million for the corresponding period of 2015 to the share-based compensation expense. 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 $9.38 at December 31, 2016, compared with $7.38 at December 31, 2015.

INTEREST EXPENSE

($ thousands)	**2016**	2015	Change	% change
Interest expense	**30,838**	25,333	5,505	22
Interest income	**(367)**	(420)	53	(13)
	30,471	24,913	5,558	22

Interest is incurred on the Company's $500.0 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 year, the Company extended the Global Facility maturity date to October 3, 2018. Due to payment delays in Venezuela for work performed, the Company recognized a discount on its receivable in the amount of $2.6 million within interest expense. The receivable is discounted at eight percent and assumes a three year even collection period.

Interest expense increased by 22 percent for the year ended December 31, 2016 compared to the same period in 2015 despite overall net debt repayments of $49.0 million on the bank credit facilities in fiscal 2016. The increased interest expense was due to the negative translational impact on United States dollar-denominated debt and the discount applied on Venezuela receivables.

FOREIGN EXCHANGE AND OTHER

($ thousands)	**2016**	2015	Change	% change
Foreign exchange and other	**(987)**	62,105	(63,092)	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 year ended December 31, 2016, the Australian dollar weakened against the United States dollar by approximately one percent, compared with the Australian dollar weakening by 11 percent against the United States dollar during the year ended December 31, 2015.

INCOME TAXES

($ thousands)	**2016**	2015	Change	% change
Current income tax	**(21,510)**	153	(21,663)	nm
Deferred income tax	**(32,513)**	(25,858)	(6,655)	26
Total income tax	**(54,023)**	(25,705)	(28,318)	nm
Effective income tax rate (%)	**26.4**	19.8		

nm - calculation not meaningful

The effective income tax rate for the year ended December 31, 2016 was 26.4 percent compared with 19.8 percent for the year ended December 31, 2015. The effective tax rate was higher than the effective tax rate of 2015 due to tax rate increases in Alberta, 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 December 31, 2016 are outlined below:

($ thousands)	Change	Explanation
Cash and cash equivalents	(10,549)	See consolidated statements of cash flows.
Accounts receivable	(10,074)	Decrease is due to an increase in collections, a decline in activity in fourth quarter 2016 compared to the fourth quarter of 2015, recognition of a discount for work performed in Venezuela and the decrease in the year-end foreign exchange rate on translation of accounts receivable in the Company's foreign subsidiaries.
Inventories and other	(22,956)	Decrease is due to the consumption of available inventory, the impact of a decrease in the year-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.
Income taxes receivable	12,261	Increase is due to the current year income tax recovery, net of refunds and payments made during the year.
Property and equipment	(352,427)	Decrease is primarily due to the impact of a decrease in the year-end translation rate to 1.34, compared to the December 31, 2015 translation rate of 1.38, as well as current period depreciation. The decrease is offset by $43.4 million of additions during the year.
Accounts payable and accruals	(14,496)	Decrease is due to a reduction in operating activity in the fourth quarter of 2016, a reduction in the size of the Company's new build and major retrofit program, and from the decrease in the year-end foreign exchange rate on translation of accounts payable and accrued liabilities in the Company's foreign subsidiaries.
Dividends payable	510	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	5,474	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	(76,650)	Decrease is due to net repayments of $49.0 million during 2016 and to the weakening of the United States dollar from December 31, 2015 to December 31, 2016 on United States denominate debt.
Deferred income taxes	(44,476)	Decrease arises from the deferred tax recovery of 2016 and the effect of the year-end foreign exchange rate on translation of the deferred tax liability of the Company's foreign subsidiaries.
Shareholders' equity	(254,107)	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 during the year.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per share data)	**2016**	2015	Change	% change
Funds flow from operations	**170,651**	296,273	(125,622)	(42)
Funds flow from operations per share	**$1.12**	$1.94	(0.82)	(42)
Working capital	**(11,153)**	144,239	(155,392)	nm

nm - calculation not meaningful

For the year ended December 31, 2016, the Company generated Funds flow from operations of $170.7 million ($1.12 per common share) a decrease of 42 percent from $296.3 million ($1.94 per common share) for the year ended December 31, 2015. The decrease in Funds flow 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. The significant factors that may impact the Company's ability to generate Funds flow from operations in future periods are outlined in the "Risks and Uncertainties" section of this MD&A.

As at December 31, 2016, the Company's working capital was a deficit of $11.2 million, compared to a working capital surplus of $144.2 million at December 31, 2015. The decrease in working capital in the fiscal year ending 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 $500.0 million, of which $184.4 million was undrawn and available at December 31, 2016.

INVESTING ACTIVITIES

($ thousands)	**2016**	2015	Change	% change
Purchase of property and equipment	**(43,394)**	(168,281)	124,887	(74)
Proceeds from disposals of property and equipment	**14,274**	9,248	5,026	54
Net change in non-cash working capital	**(23,627)**	(61,037)	37,410	(61)
Cash used in investing activities	**(52,747)**	(220,070)	167,323	(76)

Net purchases of property and equipment during the fiscal year ending 2016 totaled $29.1 million (2015 - $159.0 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 during the year. The Company completed one new ADR® drilling rig for the United States fleet that commenced work in the first quarter of 2016, under a long term contract.

FINANCING ACTIVITIES

($ thousands)	**2016**	2015	Change	% change
Net decrease in bank credit facilities	**(48,995)**	(121,458)	72,463	(60)
Purchase of shares held in trust	**(2,035)**	(6,781)	4,746	(70)
Dividends	**(66,440)**	(73,469)	7,029	(10)
Net change in non-cash working capital	**(1,887)**	257	(2,144)	nm
Cash used in financing activities	**(119,357)**	(201,451)	82,094	(41)

The Company renewed its available bank credit facilities during the year, which now consists 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.

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 $49.0 million during the year ended December 31, 2016, reducing the outstanding long-term debt balance. As of December 31, 2016, the credit facilities are primarily being used to fund capital expenditures and to support international operations.

During the year ended December 31, 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 fourth quarter dividend, subsequent to December 31, 2016, 39 percent of shareholders elected to reinvest their dividends in common shares of the Company.

Subsequent to December 31, 2016, the Company declared a dividend for the first quarter of 2017. A quarterly dividend of $0.1200 per common share is payable April 4, 2017 to all Common Shareholders of record as of March 23, 2017. The dividend is pursuant to the quarterly dividend policy adopted by the Company. Pursuant to subsection 89(1) of the Canadian Income Tax Act ("ITA"), the dividend being paid is designated as an eligible dividend, as defined in subsection 89(1) of the ITA.

CONTRACTUAL OBLIGATIONS

In the normal course of business, the Company enters into various commitments that will have an impact on future operations. These commitments relate primarily to credit facilities, senior unsecured notes and facility leases.

A summary of the Company's total contractual obligations as of December 31, 2016, is as follows:

($ thousands)	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Senior unsecured notes	144,489	156,628	139,436	—	440,553
Drawings on bank and credit facilities	1,239	318,006	—	—	319,245
Facility leases	4,492	9,128	427	454	14,501
	150,220	483,762	139,863	454	774,299

FINANCIAL INSTRUMENTS

The classification and measurement of financial instruments the Company has recognized is presented below:

Cash and cash equivalents and accounts receivable are classified as financial assets at amortized cost.

Accounts payable and accruals, operating lines of credit, dividends payable and long-term debt are classified as financial liabilities at amortized cost.

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at December 31, 2016 totaled $205.3 million, a decrease of $10.1 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.

The Company assesses the credit worthiness of its customers on an ongoing basis and establishes credit limits for each customer based on external credit reports and other publicly available information, internal analysis and historical experience with the customer. Credit limits are approved by senior management and are reviewed on a regular basis or when changing economic circumstances dictate. The Company manages credit risk through dedicated credit resources, ongoing monitoring and follow up of balances owing, well liens, and tightening or restriction of credit terms as required. The Company also monitors the amount and age of accounts receivable balances on an ongoing basis. As at December 31, 2016, the Company had trade receivables of $30.0 million (2015 - $20.4 million) with multiple customers that were greater than 90 days old for which an allowance for doubtful accounts of $5.8 million (2015 - $5.3 million) has been recorded to provide for balances which, in management's best estimate, are deemed uncollectible as at December 31, 2016. The allowance for doubtful accounts is an estimate requiring significant judgment and may differ materially from actual results.

As part of the Company's international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at December 31, 2016, the Company had accounts receivable of approximately $24.8 million for work performed in Venezuela, discounted at eight percent and assuming a three year even collection period (2015 - $16.2 million). 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.

Liquidity Risk

The Company is subject to liquidity risk on its financial liabilities, which at December 31, 2016 totaled $889.7 million, a decrease of $90.6 million from $980.4 million as at December 31, 2015.

The Company manages liquidity by forecasting cash flows on an annual basis and secures sufficient credit facilities to meet financing requirements that exceed anticipated internally generated funds. As at December 31, 2016, the remaining contractual maturities of accounts payable and accruals and dividends payable are less than one year. Maturity information regarding the Company's bank credit facilities and long-term debt is described in the "Contractual Obligations" section of this MD&A.

As at December 31, 2016, the Company had undrawn and available bank credit facilities of $184.4 million (2015 – $220.1 million). The Company is in compliance with all debt covenants as of December 31, 2016.

NEW BUILDS AND MAJOR RETROFITS

During the year ended December 31, 2016, the Company added one new build ADR® drilling rig to its expansive worldwide tier-one fleet; the addition 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)	**Q4-2016**	Q3-2016	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015	Q1-2015
Revenue	**234,001**	191,313	175,924	258,464	283,887	324,002	333,800	449,289
Revenue, net of third party [1]	**204,474**	168,098	156,423	226,862	252,592	289,327	294,241	398,615
Adjusted EBITDA [1, 2]	**51,665**	42,456	31,485	59,567	75,317	69,209	71,267	113,217
Adjusted EBITDA per share [1, 2]								
Basic	**$0.33**	$0.28	$0.21	$0.39	$0.50	$0.45	$0.47	$0.74
Diluted	**$0.33**	$0.28	$0.21	$0.39	$0.50	$0.45	$0.47	$0.74
Adjusted net (loss) income [1]	**(47,866)**	(36,529)	(35,016)	(25,066)	(29,485)	(31,510)	2,443	28,288
Adjusted net (loss) income per share [1]								
Basic	**$(0.32)**	$(0.24)	$(0.23)	$(0.16)	$(0.19)	$(0.22)	$0.02	$0.19
Diluted	**$(0.31)**	$(0.24)	$(0.23)	$(0.16)	$(0.19)	$(0.22)	$0.02	$0.19
Net (loss) income	**(61,905)**	(33,727)	(39,979)	(14,911)	(41,175)	(77,265)	(1,036)	15,427
Net (loss) income per share								
Basic	**$(0.41)**	$(0.22)	$(0.26)	$(0.10)	$(0.26)	$(0.51)	$(0.01)	$0.10
Diluted	**$(0.40)**	$(0.22)	$(0.26)	$(0.10)	$(0.26)	$(0.51)	$(0.01)	$0.10
Cash provided by operating activities	**8,089**	25,315	66,854	65,079	73,532	62,067	119,464	157,181
Funds flow from operations [1]	**48,862**	30,281	36,328	55,180	48,905	68,218	69,389	109,761
Funds flow from operations per share [1]								
Basic	**$0.32**	$0.20	$0.24	$0.36	$0.31	$0.45	$0.46	$0.72
Diluted	**$0.31**	$0.20	$0.24	$0.36	$0.31	$0.45	$0.46	$0.72
Total debt, net of cash	**687,622**	669,618	664,560	688,405	753,723	752,979	716,659	770,308

[1] *See definition of "Non-GAAP Measures" in the "Overview and Selected Annual Information" 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 year's 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.

FOURTH QUARTER ANALYSIS

(in thousands of Canadian dollars, except per share data and operating information)	Three months ended December 31			
	2016	2015	Change	% change
Revenue	**234,001**	283,887	(49,886)	(18)
Revenue, net of third party [1]	**204,474**	252,592	(48,118)	(19)
Adjusted EBITDA [1]	**51,665**	75,317	(23,652)	(31)
Adjusted EBITDA per share [1]				
Basic	**$0.33**	$0.49	$(0.16)	(33)
Diluted	**$0.33**	$0.49	$(0.16)	(33)
Adjusted net loss [1]	**(47,865)**	(29,485)	(18,380)	(62)
Adjusted net loss per share [1]				
Basic	**$(0.32)**	$(0.19)	$(0.13)	(68)
Diluted	**$(0.31)**	$(0.19)	$(0.12)	(63)
Net loss	**(61,905)**	(41,175)	(20,730)	(50)
Net loss per share				
Basic	**$(0.41)**	$(0.26)	$(0.15)	(58)
Diluted	**$(0.40)**	$(0.26)	$(0.14)	(54)
Cash provided by operating activities	**8,088**	73,532	(65,444)	(89)
Funds flow from operations [1]	**48,862**	48,905	(43)	—
Funds flow from operations per share [1]				
Basic	**$0.32**	$0.31	$0.01	3
Diluted	**$0.31**	$0.31	$0.00	—
Weighted average shares - basic *(000s)*	**153,579**	152,436	1,143	1
Weighted average shares - diluted *(000s)*	**154,093**	152,436	1,657	1
Drilling	**2016**	2015	Change	% change
Operating days				
Canada [2]	**1,271**	1,607	(336)	(21)
United States	**2,067**	2,417	(350)	(14)
International [3]	**1,690**	1,914	(224)	(12)
Drilling rig utilization (%)				
Canada [2]	**17.1**	19.9	(2.8)	(14)
United States	**25.0**	27.7	(2.7)	(10)
International [3]	**37.5**	39.5	(2.0)	(5)
Well Servicing	**2016**	2015		% change
Operating hours				
Canada	**18,967**	15,854	3,113	20
United States	**18,976**	20,192	(1,216)	(6)
Well servicing rig utilization rate (%)				
Canada	**29.0**	23.9	5.1	21
United States	**46.9**	46.7	0.2	—

[1] *See definition of "Non-GAAP Measures" in the "Overview and Selected Annual Information" section of this MD&A. Certain prior period amounts have been restated to reflect current year presentation.*

[2] *Excludes coring rigs.*

[3] *Includes workover rigs.*

REVENUE AND OILFIELD SERVICES EXPENSE

($ thousands)	**2016**	2015	Change	% change
Revenue				
Canada	**61,137**	61,803	(666)	(1)
United States	**91,881**	132,102	(40,221)	(30)
International	**80,983**	89,982	(8,999)	(10)
Total revenue	**234,001**	283,887	(49,886)	(18)
Revenue, net of third party	**204,474**	252,592	(48,118)	(19)
Oilfield services expense	**170,267**	195,076	(24,809)	(13)
Gross margin	**63,734**	88,811	(25,077)	(28)
Gross margin as a percentage of Revenue, net of third party	**31.2**	35.2		

The Company recorded revenue of $234.0 million for the three months ended December 31, 2016, an 18 percent decrease from the $283.9 million recorded in the three months ended December 31, 2015. Drilling operating days for the fourth quarter of 2016 totaled 5,028 days, a 15 percent decrease from the prior year of 5,938 drilling operating days. The slow recovery of oil and natural gas commodity prices in 2016 negatively impacted the demand for oilfield services. Reduced North American demand was offset by the positive translational impact of the strengthening of the United States dollar versus the Canadian dollar compared to the prior year.

As a percentage of revenue, net of third party, gross margin decreased for the fourth quarter of 2016 to 31.2 percent percent from 35.2 percent for the fourth quarter of 2015. The reduction in gross margin in the fourth quarter of 2016 compared to the prior year is due to revenue rate pressures in reaction to reduced levels of demand for oilfield services in a lower commodity price environment.

Depreciation expense totaled $90.1 million for the fourth quarter of 2016 compared with $120.8 million for the fourth quarter of 2015. Decreased depreciation expense reflects the lower operating activity in the fourth quarter of 2016 compared with the same period of the prior year. The decrease was partially offset by the negative impact of a four percent year-over-year increase in the United States dollar exchange rate against the Canadian dollar.

General and administrative expense decreased 11 percent to $12.1 million (5.2 percent of revenue) for the fourth quarter of 2016 compared with $13.5 million (4.8 percent of revenue) for the fourth quarter of 2015. The decrease in general and administrative expense in the fourth quarter of 2016 compared to the prior year is primarily due to the Company's initiatives to reduce fixed costs in reaction to lower oil and natural gas commodity prices. The decrease was partially offset by one-time restructuring costs, as well as the negative translational impact of the strengthening United States dollar versus the Canadian dollar on general and administrative expenses incurred in the United States and internationally in the current year.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of March 2, 2017:

	Number		Amount ($)
Common shares	154,493,569	$	189,395

	Outstanding	Exercisable
Stock options	4,962,500	1,868,800

OUTLOOK

Industry Overview

2016 was a year of extreme volatility which finished with some positive news and optimism. In November 2016, the market was surprised by OPEC and Non-OPEC members agreeing on collective production cuts. Although the market was skeptical on whether participating countries would follow through, the February 2017 production data show about a 90 percent compliance. These production cuts appear to have given oil prices some near term stability. Also in November, the United States elected a new President. It is too early into the new Administration to fully understand the impact of the election, if any, on the oil and natural gas industry. While the initial signs appear to be positive, more clarity on energy, domestic, foreign and tax policies is needed.

Overall, 2017 is expected to be a year with some positive relief for the oilfield services sector as utilization and rig counts are expected to continue to rise. In addition, spot market pricing for the deeper high-specification drilling rigs in certain operating areas are starting to experience an increase due to the supply and demand for those rigs beginning to balance. We expect this trend to continue throughout the rest of 2017 and into 2018.

In 2017 we expect our customers will continue to look to further reduce or at least maintain the operating costs and efficiencies they have been experiencing. We will continue to support this objective with our deeper high-specification drilling rigs. We believe the drilling rig market going forward will continue to get smaller, with fewer rigs than historically required drilling more wells more efficiently. Over the last couple of years the Company has prepared itself for what is now expected to be a slow recovery and continues to be proactive in this volatile environment.

The Company will continue to look at its rig and equipment fleet and will invest in improvements where returns are justified. We believe the existing equipment fleet that resulted from the Company's new build and major retrofit programs and decommissionings during prior years have positioned it to respond to customers' demands for premium oilfield services equipment and services around the world.

Canadian Activity

Canadian drilling days in the fourth quarter of 2016 were down 21 percent from the fourth quarter of 2015. Activity in 2017 is expected to increase as CAODC rig count reported 279 drilling rigs operating in January 2017, representing a utilization rate of 43 percent. This is an increase from the prior year of 192 drilling rigs or 26 percent utilization for the same period. The February 10, 2017 Baker Hughes Rig count was at 352 rigs in Canada which represents 130 more rigs than the same period in 2016. Rig rate pressure from operators is still ongoing but the rig rates for deep capability rigs deployed in the Company's Canadian fleet have offset revenue day rate reductions seen in the spot markets. Future expectations are for the Company's Canadian operations to track with industry levels.

United States Activity

United States land drilling rig activity has commenced to increase from the lows experienced in 2016. The February 10, 2017 Baker Hughes rig count showed 740 active natural gas and oil rigs compared to a year ago with 541 active rigs. Although the Company's United States operations saw a decrease in operating days of 14 percent, when comparing fourth quarter 2016 to fourth quarter 2015, our United States operations have maintained and in some areas grew market share throughout 2016. Similar to Canada and around the world, pressure on revenue day rates and contract retention persist. However, we are beginning to see revenue day rate increases in the deeper high-specification drilling rig market's and this is expected to continue into 2017 and 2018.

International Activity

Operating days in the Company's international operations for the fourth quarter of 2016 were down 12 percent when compared to the fourth quarter of 2015. The Company's operations outside of North America have declined less than those in Canada and the United States due in part to the longer term nature of the contracts. The Company does have some rigs that have come or are coming off contract, but they are expected to return to work with new or existing customers. Revenue day rates have also experienced some pressure over 2016 and this is expected to continue into 2017 until activity starts to increase again in some markets.

CRITICAL ACCOUNTING ESTIMATES

Management is required to make judgments, assumptions and estimates in applying its accounting policies and practices, which have a significant impact on the financial results of the Company. These significant accounting policies involve critical accounting estimates due to complex judgments and assumptions. These estimates, judgments and assumptions are based on the circumstances that exist at the reporting date and may affect the reported amounts of income and

expenses during the reporting periods and the carrying amounts of assets, liabilities, accruals, provisions, contingent liabilities, other financial obligations, as well as the determination of fair values.

Property and Equipment

The estimated useful life, residual value and depreciation methods selected are the Company's best estimate of such and are based on industry practice, historical experience and other applicable factors. These assumptions and estimates are subject to change as more experience is obtained or as general market conditions change, both of which could impact the operations of the Company's property and equipment.

Impairment

For impairment testing, the assessment of facts and circumstances is a subjective process that often involves a number of estimates and is subject to interpretation. An impairment is recognized if the carrying value exceeds the recoverable amount for a CGU. Property and equipment are aggregated into CGUs based on their ability to generate separately identifiable and largely independent cash flows. The testing of assets or CGUs for impairment, as well as the assessment of potential impairment reversals, requires that the Company estimate an asset's or CGU's recoverable amount. The estimate of a recoverable amount requires a number of assumptions and estimates, including expected market prices, market supply and demand, margins and discount rates. These assumptions and estimates are subject to change as new information becomes available and changes in any of the assumptions could result in an impairment of an asset's or CGU's carrying value.

Share-based Compensation

Measurement inputs include share price on measurement date, exercise price, expected volatility, expected life, expected dividends and the risk-free interest rate. Significant estimates and assumptions are used in determining the expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life and expected forfeitures, based on historical experience and general option holder behavior. Changes to the input assumptions could have a significant impact on the share-based compensation liability and expense.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability, using the substantively enacted income tax rates. Current income taxes for the current and prior periods are measured at the amount expected to be recoverable from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period. The deferred income tax assets and liabilities are adjusted to reflect changes in enacted or substantively enacted income tax rates that are expected to apply, with the corresponding adjustment recognized in net income or in shareholders' equity depending on the item to which the adjustment relates.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty and the interpretations can impact net income through the income tax expense arising from the changes in deferred income tax assets or liabilities.

Allowance for Doubtful Accounts

The Company is subject to credit risk on accounts receivable balances and assesses the recoverability of accounts receivable balances on an ongoing basis. The Company establishes an allowance for estimated losses for uncollectible accounts as circumstances warrant. The allowance is determined based on customer credit-worthiness, current economic trends and past experience. Assessing accounts receivable balances for recoverability involves significant judgment and uncertainty, including estimates of future events. Changes in circumstances underlying these estimates may result in adjustments to the allowance for doubtful accounts in future periods.

Functional Currency

The Company determines functional currency based on the primary economic environment in which the entity operates. This includes a number of factors that must be considered by the Company in using its judgment to determine the appropriate functional currency for each entity.

RECENT ACCOUNTING PRONOUNCEMENTS

On January 13, 2016 the IASB issued IFRS 16 - Leases ("IFRS 16") which has not yet been adopted by the Company. IFRS 16 replaces the accounting requirements under IAS 17 - Leases and is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. IFRS 16 requires all leases to be reported on the Company's balance sheet as assets and liabilities. The Company is in the process of assessing the impact that the amendments will have on its financial statements or whether to early adopt.

On July 24, 2014 the IASB issued amendments to IFRS 9 - Financial Instruments ("IFRS 9") which have not yet been adopted by the Company. IFRS 9 amendments are effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Amendments to IFRS 9 introduce an expected credit loss model for the measurement of the impairment of financial assets and a new hedge accounting model. The Company is in the process of assessing the impact that the amendments will have on its financial statements or whether to early adopt.

On May 28, 2014 the IASB issued IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") which has not yet been adopted by the Company. IFRS 15 replaces all current guidance on revenue recognition and is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 15 provides a single comprehensive revenue recognition model for all contracts with customers and is based on the principal that revenue is recognized on the transfer of goods or services to customers at an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. IFRS 15 also includes new disclosure requirements. The Company is in the process of assessing the impact that the new standard will have on its financial statements or whether to early adopt.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As of December 31, 2016, the Corporation's management evaluated the effectiveness of its disclosure controls and procedures as defined in the rules of the Canadian Securities Administrators. This evaluation is performed under the supervision of, and with the participation of, the President and Chief Operating Officer and the Chief Financial Officer. The President and Chief Operating Officer and the Chief Financial Officer have concluded that the Corporation's Disclosure Controls and Procedures are effective as of December 31, 2016.

The President and Chief Operating Officer and Chief Financial Officer do not expect that the Corporation's disclosure controls and procedures will prevent or detect all errors, misstatements and fraud but they are designed to provide reasonable assurance of achieving these objectives. A control system, no matter how well designed or operated, can only provide reasonable, not absolute, assurance that the corresponding objectives are met.

As of December 31, 2016, the management of the Corporation evaluated the Corporation's effectiveness of the internal control over financial reporting, as defined in the rules of the Canadian Securities Administrators. This evaluation is performed under the supervision of, and with the participation of, the President and Chief Operating Officer and Chief Financial Officer. The President and Chief Operating Officer and Chief Financial Officer concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2016.

Internal control over financial reporting, no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

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 December 31, 2016 was approximately 1.34 compared with 1.38 at December 31, 2015 and 1.16 at December 31, 2014. In addition, the Company has foreign exchange risk in relation to the conversion of United States dollar-denominated debt to Australian dollars. The United States/Australian dollar exchange rate at December 31, 2016 was approximately 1.38, compared with 1.37 at December 31, 2015 and 1.22 at December 31, 2014. Fluctuations in the future period's exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

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.

MANAGEMENT'S REPORT

The consolidated financial statements and other information contained in the annual report are the responsibility of the management of the Company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards consistently applied, using management's best estimates and judgments, where appropriate.

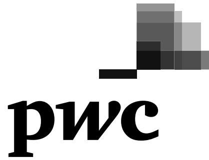
Preparation of financial statements is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains a system of internal accounting controls to ensure that properly approved transactions are accurately recorded on a timely basis and result in reliable financial statements. The Company's external auditors are appointed by the shareholders. They independently perform the necessary tests of the Company's accounting records and procedures to enable them to express an opinion as to the fairness of the consolidated financial statements, in conformity with International Financial Reporting Standards.

The Audit Committee, which is comprised of independent directors, meets with management and the Company's external auditors to review the consolidated financial statements and reports on them to the Board of Directors. The consolidated financial statements have been approved by the Board of Directors.

"Signed"
Robert H. Geddes
President and Chief Operating Officer

"Signed"
Michael Gray
Chief Financial Officer

March 2, 2017



March 2, 2017

Independent Auditor's Report

To the Shareholders of
Ensign Energy Services Inc.

We have audited the accompanying consolidated financial statements of Ensign Energy Services Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of loss, comprehensive (loss) income, changes in equity and cash flows for the years ended December 31, 2016 and December 31, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

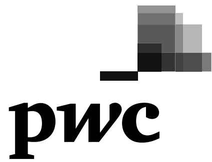
Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
111 5 Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ensign Energy Services Inc. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years ended December 31, 2016 and December 31, 2015 accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
Chartered Professional Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	December 31 2016	December 31 2015
(in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash and cash equivalents *(Note 16)*	**$ 29,837**	$ 40,386
Accounts receivable	**205,347**	215,421
Inventories and other	**48,850**	71,806
Income taxes receivable	**17,208**	4,947
Total current assets	**301,242**	332,560
Property and equipment *(Note 5)*	**2,913,153**	3,265,580
Total assets	**$ 3,214,395**	$ 3,598,140
Liabilities		
Current Liabilities		
Accounts payable and accruals *(Note 6)*	**$ 153,385**	$ 167,881
Dividends payable	**18,877**	18,367
Share-based compensation *(Note 11)*	**5,943**	2,073
Current portion of long-term debt (Note 7)	**134,190**	—
Total current liabilities	**312,395**	188,321
Long-term debt *(Note 7)*	**583,269**	794,109
Share-based compensation *(Note 11)*	**2,539**	935
Deferred income taxes *(Note 8)*	**483,703**	528,179
Total liabilities	**1,381,906**	1,511,544
Shareholders' Equity		
Share capital *(Note 9)*	**180,666**	169,171
Contributed surplus	**1,524**	2,538
Foreign currency translation reserve	**292,547**	332,230
Retained earnings	**1,357,752**	1,582,657
Total shareholders' equity	**1,832,489**	2,086,596
Total liabilities and shareholders' equity	**$ 3,214,395**	$ 3,598,140

Contingencies and commitments *(Note 19)*
See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:

"Signed"
John Schroeder
Chairman of the Audit Committee and Director

"Signed"
James B. Howe
Director

CONSOLIDATED STATEMENTS OF LOSS

For the years ended December 31 *(in thousands of Canadian dollars, except per share data)*	**2016**	2015
Revenue	**$ 859,702**	$ 1,390,978
Expenses		
Oilfield services	**622,026**	995,025
Depreciation *(Note 5)*	**349,947**	335,513
General and administrative [1]	**52,503**	66,943
Asset decommissioning and write-downs *(Note 5)*	**—**	28,281
Share-based compensation [1] *(Note 11)*	**10,287**	7,952
Foreign exchange and other	**(987)**	62,105
Total expenses	**1,033,776**	1,495,819
Loss before interest and income taxes	**(174,074)**	(104,841)
Interest income	**(367)**	(420)
Interest expense	**30,838**	25,333
Loss before income taxes	**(204,545)**	(129,754)
Income taxes *(Note 8)*		
Current tax	**(21,510)**	153
Deferred tax	**(32,513)**	(25,858)
Total income taxes	**(54,023)**	(25,705)
Net loss	**$ (150,522)**	$ (104,049)
Net loss per share *(Note 10)*		
Basic	**$ (0.99)**	$ (0.68)
Diluted	**$ (0.98)**	$ (0.68)

[1] *Share-based compensation included within the general and administrative expense in prior periods were reclassified in the amount of $7,915 to the share-based compensation expense to conform to this presentation.*

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

For the years ended December 31		**2016**		2015
(in thousands of Canadian dollars)				
Net loss	**$**	**(150,522)**	$	(104,049)
Other comprehensive (loss) income				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment		**(39,683)**		218,350
Comprehensive (loss) income	**$**	**(190,205)**	$	114,301

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Contributed Surplus	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
(in thousands of Canadian dollars)					
Balance, January 1, 2016	$ 169,171	$ 2,538	$ 332,230	$ 1,582,657	$ 2,086,596
Net loss	—	—	—	(150,522)	(150,522)
Other comprehensive loss	—	—	(39,683)	—	(39,683)
Total comprehensive loss	—	—	(39,683)	(150,522)	(190,205)
Dividends	7,943	—	—	(74,383)	(66,440)
Share-based compensation	—	4,573	—	—	4,573
Shares vested previously held in trust	5,587	(5,587)	—	—	—
Purchase of shares held in trust	(2,035)	—	—	—	(2,035)
Balance December 31, 2016	**$ 180,666**	**$ 1,524**	**$ 292,547**	**$ 1,357,752**	**$ 1,832,489**
Balance, January 1, 2015	$ 169,215	$ 1,967	$ 113,880	$ 1,760,175	$ 2,045,237
Net loss	—	—	—	(104,049)	(104,049)
Other comprehensive income	—	—	218,350	—	218,350
Total comprehensive income	—	—	218,350	(104,049)	114,301
Dividends	—	—	—	(73,469)	(73,469)
Share-based compensation	—	7,308	—	—	7,308
Shares vested previously held in trust	6,737	(6,737)	—	—	—
Purchase of shares held in trust	(6,781)	—	—	—	(6,781)
Balance December 31, 2015	$ 169,171	$ 2,538	$ 332,230	$ 1,582,657	$ 2,086,596

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 *(in thousands of Canadian dollars)*	**2016**	2015
Cash provided by (used in)		
Operating activities		
Net loss	**$ (150,522)**	$ (104,049)
Items not affecting cash		
Depreciation	**349,947**	335,513
Asset decommissioning and write-downs	**—**	28,281
Share-based compensation, net of cash paid	**10,287**	7,237
Unrealized foreign exchange and other	**(6,864)**	54,742
Accretion on long-term debt	**316**	407
Deferred income tax	**(32,513)**	(25,858)
Funds flow from operations	**170,651**	296,273
Net change in non-cash working capital *(Note 16)*	**(5,315)**	115,971
Cash provided by operating activities	**165,336**	412,244
Investing activities		
Purchase of property and equipment	**(43,394)**	(168,281)
Proceeds from disposals of property and equipment	**14,274**	9,248
Net change in non-cash working capital *(Note 16)*	**(23,627)**	(61,037)
Cash used in investing activities	**(52,747)**	(220,070)
Financing activities		
Net decrease in bank credit facilities	**(48,995)**	(121,458)
Purchase of shares held in trust *(Note 9)*	**(2,035)**	(6,781)
Dividends *(Note 9)*	**(66,440)**	(73,469)
Net change in non-cash working capital *(Note 16)*	**(1,887)**	257
Cash used in financing activities	**(119,357)**	(201,451)
Net decrease in cash and cash equivalents	**(6,768)**	(9,277)
Effects of foreign exchange on cash and cash equivalents	**(3,781)**	(4,334)
Cash and cash equivalents		
Beginning of year	**40,386**	53,997
End of year	**$ 29,837**	$ 40,386
Supplemental information		
Interest paid	**$ 30,851**	$ 25,036
Income taxes recovered	**$ (9,249)**	$ (10,741)

See accompanying notes to the 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

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved by the Company’s Board of Directors on March 2, 2017, after review by the Company’s Audit Committee.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

These consolidated financial statements have been prepared on an historical cost basis, except as discussed in the significant accounting policies below.

(b) Basis of consolidation

These consolidated financial statements include the accounts of Ensign Energy Services Inc. and its subsidiaries and partnerships, substantially all of which are wholly owned, which it controls. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intercompany balances and transactions, including unrealized gains or losses between subsidiaries and partnerships are eliminated on consolidation.

(c) Cash and cash equivalents

Cash and cash equivalents consists of cash and cash equivalents with maturities of three months or less or convertible to cash on demand without penalty.

(d) Inventories

Inventories, comprised of spare equipment parts and consumables, are recorded at the lower of cost and net realizable value. Cost is determined on a specific item basis.

(e) Property and equipment

Property and equipment is initially recorded at cost. Costs associated with equipment upgrades that result in increased capabilities or performance enhancements of property and equipment are capitalized. Costs incurred to repair or maintain property and equipment are expensed as incurred. Property and equipment is subsequently carried at cost less accumulated depreciation and write-downs and is derecognized on disposal or when there is no future economic benefit expected from its use or disposal. Gains or losses on derecognition of property and equipment are recognized in net income.

Depreciation is based on the estimated useful lives of the assets as follows:

Asset Class	Expected Life	Method	Residual
Oilfield services equipment			
Drilling rigs and related	2,500 - 5,000 operating days	Unit-of-production	10%
Well servicing rigs	24,000 operating hours	Unit-of-production	10%
Oil sands coring rigs	680 - 1,370 operating days	Unit-of-production	10%
Heavy oilfield service equipment	3 - 15 years	Straight-line	10%
Drill pipe	1,500 operating days	Unit-of-production	—
Drilling rig spare equipment	1 - 10 years	Straight-line	—
Buildings	20 years	Straight-line	—
Automotive equipment	3 years	Straight-line	15%
Office furniture and shop equipment	5 - 15 years	Straight-line	—

The calculation of depreciation includes assumptions related to useful lives and residual values. The assumptions are based on experience with similar assets and are subject to change as new information becomes available. During the year the Company recorded additional depreciation for assets that have been inactive for a period of time.

Property and equipment is reviewed for impairment when events or changes in circumstances indicate that its carrying value may not be recoverable. The Company's operations and business environment are routinely monitored, and judgment and assessments are made to determine if an event has occurred that indicates possible impairment.

If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit ("CGU") is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down to its recoverable amount. The recoverable amount of an asset or CGU is the greater of its fair value less costs to dispose and value-in-use. Value-in-use is determined as the amount of estimated risk-adjusted discounted future cash flows.

(f) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Company at the date control of the business is obtained. The cost of the business combination is measured as the aggregate of the fair value at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at their fair values at the acquisition date.

(g) Revenue recognition

Revenue from oilfield services is generally earned based upon service orders or contracts with a customer that include fixed or determinable prices based upon daily, hourly or job rates. Revenue is recognized when services are performed and only when collectability is reasonably assured. Customer contract terms do not include provisions for significant post-service delivery obligations.

The Company also provides services under turnkey contracts whereby oilfield services are performed for a fixed price, regardless of the time required or the problems encountered performing the service. Revenue from such contracts is recognized using the percentage-of-completion method based upon costs incurred to date and estimated total contract costs. Anticipated losses, if any, on uncompleted contracts are recorded at the time the estimated costs exceed the contract revenue.

For contracts that are terminated prior to the specified term, early termination payments received by the Company are recognized as revenue when all contractual requirements are met.

(h) Foreign currency translation

The consolidated financial statements are presented in Canadian dollars which is the Company's functional currency. Financial statements of the Company's United States and international subsidiaries have a functional currency different from Canadian dollars and are translated to Canadian dollars using the exchange rate in effect at the year-end date for all assets and liabilities, and at average rates of exchange during the year for revenues and expenses. All changes resulting from these translation adjustments are recognized in other comprehensive (loss) income.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statement of (loss) income.

(i) Borrowing costs

Interest and borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets. Qualifying assets are those which take a substantial period of time to prepare for their intended use. Capitalization ceases when substantially all activities necessary to prepare the qualifying asset for its intended use are complete. All other interest is recognized in the consolidated statement of (loss) income in the period in which it is incurred.

(j) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using enacted or substantively enacted income tax rates. The effect of a change in income tax rates on deferred income tax liabilities and assets is recognized in income in the period in which the change is substantively enacted.

Deferred tax assets are recognized to the extent that future taxable income will be available against which temporary differences can be utilized.

(k) Share-based compensation

The Company has an employee share option plan or equivalent that provides all option holders the right to elect to receive either common shares or a direct cash payment in exchange for the options exercised. These options are accounted for as a compound financial instrument, which requires the fair value of the liability component to be determined first and the residual value, if any, allocated to the equity component. The fair value of the settlement option under cash and shares is the same; therefore these options are accounted for as cash-settled awards.

The Company has other cash-settled share-based compensation plans. Cash-settled share-based compensation plans are recognized as compensation expense over the vesting period using fair values with a corresponding increase or decrease in liabilities. The liability is remeasured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as share-based compensation expense in the statement of income. The fair value is determined using the Black-Scholes option pricing model.

The Company has share savings and share bonus plans for employees, as well as a program whereby a portion of the retainer paid to Directors is in the form of common shares of the Company. In all cases, any common shares acquired for such plans are purchased in the open market and administered through trusts until the shares are vested. The share purchase price is considered the fair value.

(l) Financial instruments

Financial assets and liabilities are recognized on the date the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. Financial liabilities are derecognized when the Company's contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial assets or liabilities are classified as amortized cost or as Fair Value Through Profit or Loss ("FVTPL").

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at FVTPL, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in net income.

Financial assets

A financial asset is classified and measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Financial assets other than those qualifying for amortized cost measurement are classified as FVTPL and measured at fair value with all changes in fair value recognized in net income.

Financial assets that are measured at amortized cost are assessed for impairment on an individual account basis at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected. An allowance account is used when there is uncertainty surrounding the estimated future cash flows. When there is objective evidence the impairment will not be reversed the amount originally charged to the allowance is written off against the carrying amount of the impaired financial asset.

Financial liabilities

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as FVTPL. Financial liabilities classified as FVTPL are measured at fair value with all changes in fair value recognized in net loss with the exception of changes in fair value attributable to credit risk which are recorded in other comprehensive (loss) income.

Financial liabilities that are not held for trading and are not designated as FVTPL are subsequently measured at amortized cost using the effective interest method. Interest expense that is not capitalized is included in net loss.

(m) Critical judgments and accounting estimates

Preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the most critical estimates and assumptions used in determining the value of assets and liabilities:

Allowance for doubtful accounts

The Company establishes an allowance for estimated losses for uncollectible accounts. The allowance is determined based on customer credit-worthiness, current economic trends and past experience. Information regarding the allowance for doubtful accounts is included in Note 18.

Property and equipment

The calculation of depreciation includes assumptions related to useful lives and residual values. Assumptions are based on experience with similar assets and is subject to change as new information becomes available. In addition, assessing for impairment requires estimates and assumptions.

Assets are grouped into CGUs based on separately identifiable and largely independent cash inflows and are used for impairment testing. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of market prices, market supply and demand, margins, and discount rates. Information regarding property and equipment is included in Note 5.

Share-based compensation

Measurement inputs include share price on measurement date, exercise price, expected volatility, weighted average expected life, expected dividends, and risk-free interest rate. Significant estimates and assumptions are used in determining the expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life and expected forfeitures, based on historical experience and general option-holder behavior. Changes to input assumptions will impact share-based compensation liability and expense. Information regarding share-based compensation is included in Note 11.

Income taxes

The Company is subject to income taxes in a number of tax jurisdictions. The amount expected to be settled and the actual outcome and tax rates can change over time, depending on the facts and circumstances. Changes to these assumptions will impact income tax and the deferred tax provision. Information regarding income taxes is included in Note 8.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Functional currency

The Company determines functional currency based on the primary economic environment in which the entity operates. This includes a number of factors that must be considered by the Company in using its judgment to determine the appropriate functional currency for each entity. These factors include currency of revenue contracts and currency that mainly influences operating, financing and investing activities. Information regarding the specific functional currencies by Subsidiaries and Partnerships is included in Note 15.

Impairments

Assessing for indicators of possible impairment requires judgment in the assessment of facts and circumstances and is a subjective process that often involves a number of estimates and is subject to interpretation. Information regarding impairment is included in Note 5.

Deferred income tax assets

The recognition of deferred tax assets is based on judgments about future taxable profits.

(n) Recent accounting pronouncements

On January 13, 2016 the IASB issued IFRS 16 - Leases ("IFRS 16") which has not yet been adopted by the Company. IFRS 16 replaces the accounting requirements under IAS 17 - Leases and is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. IFRS 16 requires all leases to be reported on the Company's balance sheet as assets and liabilities. The Company is in the process of assessing the impact that the amendments will have on its financial statements or whether to early adopt.

On July 24, 2014 the IASB issued amendments to IFRS 9 - Financial Instruments (“IFRS 9”) which have not yet been adopted by the Company. IFRS 9 amendments are effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Amendments to IFRS 9 introduce an expected credit loss model for the measurement of the impairment of financial assets and a new hedge accounting model. The Company is in the process of assessing the impact that the amendments will have on its financial statements or whether to early adopt.

On May 28, 2014 the IASB issued IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”) which has not yet been adopted by the Company. IFRS 15 replaces all current guidance on revenue recognition and is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 15 provides a single comprehensive revenue recognition model for all contracts with customers and is based on the principal that revenue is recognized on the transfer of goods or services to customers at an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. IFRS 15 also includes new disclosure requirements. The Company is in the process of assessing the impact that the new standard will have on its financial statements or whether to early adopt.

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. PROPERTY AND EQUIPMENT

	Rig and related equipment	Automotive and other equipment	Land and buildings	Total
Cost:				
Balance at December 31, 2014	$ 4,525,852	$ 132,991	$ 65,981	$ 4,724,824
Additions	158,075	9,808	2,745	170,628
Disposals	(40,760)	(10,007)	(6)	(50,773)
Asset decommissioning and write-downs	(36,583)	—	—	(36,583)
Effects of foreign exchange	541,604	13,901	5,111	560,616
Balance at December 31, 2015	5,148,188	146,693	73,831	5,368,712
Additions	39,096	3,199	1,099	43,394
Disposals	(81,424)	(23,147)	(1,860)	(106,431)
Asset decommissioning	(61,191)	—	—	(61,191)
Effects of foreign exchange	(72,856)	(4,042)	(1,025)	(77,923)
Balance at December 31, 2016	**$ 4,971,813**	**$ 122,703**	**$ 72,045**	**$ 5,166,561**
Accumulated depreciation and write-downs				
Balance at December 31, 2014	$ (1,502,346)	$ (81,619)	$ (15,932)	$ (1,599,897)
Depreciation	(315,239)	(20,153)	(3,150)	(338,542)
Disposals	29,422	7,143	6	36,571
Asset decommissioning and write-downs	36,583	—	—	36,583
Asset write-downs	(28,281)	—	—	(28,281)
Effects of foreign exchange	(199,816)	(8,778)	(972)	(209,566)
Balance at December 31, 2015	(1,979,677)	(103,407)	(20,048)	(2,103,132)
Depreciation	(332,740)	(13,093)	(3,036)	(348,869)
Disposals	80,865	20,497	695	102,057
Asset decommissioning	61,191	—	—	61,191
Effects of foreign exchange	33,192	1,925	228	35,345
Balance at December 31, 2016	**$ (2,137,169)**	**$ (94,078)**	**$ (22,161)**	**$ (2,253,408)**
Net book value:				
At December 31, 2015	$ 3,168,511	$ 43,286	$ 53,783	$ 3,265,580
At December 31, 2016	**$ 2,834,644**	**$ 28,625**	**$ 49,884**	**$ 2,913,153**

Property and equipment includes equipment under construction of $106,881 (2015 - $127,567) that has not yet been subject to depreciation. During the year, the Company decommissioned 20 drilling rigs and six servicing rigs that had been fully depreciated.

The adverse economic effects arising from the sustained low oil and natural gas prices are considered indicators of possible impairment of the Company's assets, and accordingly an asset impairment test was performed by Management. The Company completed impairment tests in each of its CGU's using five year cash flow projections with a terminal value and concluded that no impairment charges were required for any CGU's as at December 31, 2016. The impairment tests were based on the following key assumptions:

- a weighted average pre-tax discount rate of 10% to 14% based on the cost of the Company's capital and debt, asset and country risk, together with past experience;
- cash flow projections based on the assumption that activity levels will return to 85% of 2014 EBITDA in the year 2020; and
- a terminal growth rate of 2%.

The Company performed a sensitivity analysis and noted no material impact in any CGU under any of the following situations:

- discount rates 1.6% higher or lower;
- cash flows 8% higher or lower; and
- a terminal growth rate 2% higher or lower.

6. ACCOUNTS PAYABLE AND ACCRUALS

	December 31 2016	December 31 2015
Trade payables	**$ 58,705**	$ 63,738
Accrued liabilities	**30,329**	36,813
Accrued payroll	**37,321**	41,292
Interest payable	**1,362**	1,377
Deferred revenue	**23,808**	21,699
Other liabilities	**1,860**	2,962
	$ 153,385	$ 167,881

7. BANK CREDIT FACILITIES AND LONG-TERM DEBT

	December 31 2016	December 31 2015
Drawings on the Global Facility	**$ 316,701**	$ 380,205
Senior unsecured notes		
Tranche A, due February 22, 2017, 3.43%	**134,270**	138,694
Tranche B, due February 22, 2019, 3.97%	**134,270**	138,694
Tranche C, due February 22, 2022, 4.54%	**134,270**	138,694
Unamortized deferred financing costs	**(2,052)**	(2,178)
Total	**$ 717,459**	$ 794,109
Less: current portion	**(134,190)**	—
Total long-term debt	**$ 583,269**	$ 794,109

Bank credit facilities:

As at December 31, 2016, the Company's available bank credit facilities consist of a $500,000 (2015 - $600,000) global revolving credit facility (the "Global Facility"), which was renewed during the year. 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 $500,000 Canadian dollars.

Interest is incurred on the utilized balance of the Global Facility based on election of one of the following options when funds are drawn:

a. The bank's Canadian prime lending rate plus 0.20% to 2.50%
b. The US base rate plus 0.20% to 2.50%
c. The BBSY rate plus 1.20% to 3.50%
d. The BA rate plus 1.20% to 3.50%
e. The LIBOR rate plus 1.20% to 3.50%

The Global Facility matures October 3, 2018, unless extended and is unsecured. No principal payments are due until then. At December 31, 2016 the Company had $9,250 outstanding in letters of credit and bank guarantees (2015 - $9,743). Included in the drawings on the Global Facility balance is a United States denominated portion of USD $90,000 and an Australian denominated portion of AUD $140,800 (2015 - USD $216,230, AUD $0).

The Global Facility has the following covenant requirements:

- The Consolidated Senior Debt (being the Company's bank debt and outstanding senior unsecured notes) to Consolidated EBITDA Ratio shall not exceed: (i) 4.00:1.00 as at the end of the Fiscal Quarters ending on December 31, 2016, March 31, 2017 and June 30, 2017, (ii) 3.75:1.00 as at the end of the Fiscal Quarters ending on September 30, 2017 and December 31, 2017, and (iii) 3.50:1.00 at any time thereafter;
- The Consolidated Debt to Consolidated EBITDA Ratio shall not exceed: (i) 4.75:1.00 as at the end of the Fiscal Quarters ending on December 31, 2016, March 31, 2017 and June 30, 2017, (ii) 4.50:1.00 as at the end of the Fiscal Quarters ending on September 30, 2017 and December 31, 2017, and (iii) 4.25:1.00 at any time thereafter;
- The Consolidated Debt to Consolidated Capitalization Ratio as at the end of any Fiscal Quarter shall not exceed 45%; and
- The Consolidated EBITDA to Consolidated Interest Expense as at the end of any Fiscal Quarter shall not be less than 3.00:1.00.

Consolidated EBITDA is defined under the Agreement as net income from continuing operations for the 12 month period then ended determined in accordance with IFRS before interest expense, depreciation, amortization and accretion expenses, all provisions for taxes, all non-cash expenses and non-cash income, the amount of any stock-based compensation; and extraordinary gains and losses.

During the first quarter of 2014, the Company secured a $20,000 uncommitted facility, solely for issuing letters of credit, primarily used for bidding on contracts in the normal course of business. As at December 31, 2016, the Company had $3,406 (2015 - $7,234) outstanding in letters of credit under the facility.

Senior unsecured notes:

On February 22, 2012, the Company completed the private placement of USD $300.0 million of senior unsecured notes (the "Notes") with the terms noted above. Interest on the Notes is payable semi-annually on May 31st and November 30th each year with final interest payments due on expiry of the Notes. These Notes are unsecured, rank equally with the Company's Global Facility and have been guaranteed by the Parent company and certain of the Company's subsidiaries located in Canada, the United States and Australia.

Interest accrued on the Notes at December 31, 2016 was $1,362 (2015 - $1,377) 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.

The Company expects the Global Facility to support the repayment of the current portion of the senior unsecured note.

8. INCOME TAXES

Analysis of deferred tax liability:

	December 31 2016	December 31 2015
Property and equipment	**$ 614,965**	$ 583,805
Partnership timing differences	**—**	9,165
Share-based compensation	**(1,497)**	(601)
Non-capital losses	**(120,644)**	(48,917)
Other	**(9,121)**	(15,273)
Net deferred tax liability	**$ 483,703**	$ 528,179

Deferred Tax:	December 31 2016	December 31 2015
Deferred tax asset recovered within 12 months	**$ (9,720)**	$ (64,791)
Deferred tax asset recovered after 12 months	**(133,019)**	—
Deferred tax liability recovered within 12 months	**4,375**	9,165
Deferred tax liability recovered after 12 months	**622,067**	583,805
Net deferred tax liability	**$ 483,703**	$ 528,179

Earnings retained by subsidiaries and equity-accounted investments amounted to $1,114,896 at December 31, 2016 (2015 - $1,102,367). A provision has been made for withholding and other taxes that would become payable on the distribution of these earnings only to the extent that either the Company does not control the relevant entity or it is expected that these earnings will be remitted in the foreseeable future.

The provision for income taxes is different from the expected provision for income taxes using combined Canadian federal and provincial income tax rates for the following reasons:

For the years ended	December 31 2016	December 31 2015
Income (loss) before income taxes	**$ (204,545)**	$ (129,754)
Income tax rate	**26.9%**	26.3%
Expected income tax expense	**(55,023)**	(34,125)
Increase (decrease) from:		
Higher effective tax rate on foreign operations	**(10,462)**	(5,914)
Non-deductible expenses	**3,116**	1,837
Adjustments from prior years	**4,050**	378
Functional currency translation adjustment and other	**(704)**	5,841
Rate change impact on deferred taxes	**5,000**	6,278
Income tax expense	**$ (54,023)**	$ (25,705)

The statutory rate for 2016 increased slightly over that of 2015 due to the increase in the Alberta tax rate, effective July 1, 2015.

9. SHARE CAPITAL

(a) Authorized

Unlimited common shares, no par value
Unlimited preferred shares, no par value, issuable in series

(b) Issued, fully paid and outstanding

	2016		2015	
	Number of Common Shares	Amount	Number of Common Shares	Amount
Opening balance – January 1	152,302,273	$ 169,171	152,432,134	$ 169,215
Shares issue as part of the dividend reinvestment plan	1,080,777	7,942	—	—
Changes in unvested shares held in trust	211,807	3,552	(129,861)	(44)
Closing balance - December 31	**153,594,857**	**$ 180,665**	**152,302,273**	**$ 169,171**

The total number of unvested shares held in trust for share-based compensation plans as at December 31, 2016 was 545,916 (December 31, 2015 – 757,723).

(c) Dividends

During the year ended December 31, 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 fourth quarter dividend, subsequent to December 31, 2016, 39 percent of shareholders elected to reinvest their dividends in common shares of the Company.

During the year ended December 31, 2016, the Company declared dividends of $74,383 (2015 - $73,469), being $0.48 per common share (2015 - $0.48 per common share). Subsequent to December 31 2016, the Company declared a dividend for the first quarter of 2017 of $0.12 per common share or approximately $18,877. The dividend has not been provided for and is pursuant to the quarterly dividend policy adopted by the Company. Pursuant to subsection 89(1) of the Canadian Income Tax Act ("ITA"), the dividend being paid is designated as an eligible dividend, as defined in subsection 89(1) of the ITA.

10. 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.

	December 31 2016	December 31 2015
Net loss attributable to common shareholders:		
Basic and diluted	**$ (150,522)**	$ (104,049)
Weighted average number of common shares outstanding:		
Basic	**152,759,973**	152,476,615
Potentially dilutive share-based compensation plans	**424,359**	—
Diluted	**153,184,332**	152,476,615

Share options of 5,037,700 (2015 – 7,404,000) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

11. SHARE-BASED COMPENSATION

Share option plan

The Company has an employee share option plan that provides all option holders the right to elect to receive either common shares or a direct cash payment in exchange for the options exercised. The Company may grant options to its employees for up to 14,885,900 (2015 - 14,885,900) common shares. The options' exercise price equals the market price of the Company's common shares on the date of grant. Share options granted vest evenly over a period of five years.

The total intrinsic value of the liability for vested benefits at December 31, 2016 was $2,817 (2015 - $1,681).

A summary of the Company's share option plan as of December 31, 2016 and 2015 and the changes during the years then ended, is presented below:

	2016		2015	
	Number of Share Options	Weighted Average Exercise Price	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1	7,404,000	$ 12.04	7,943,600	$ 14.14
Granted	—	—	2,259,500	7.30
Exercised for cash	(32,200)	7.30	—	—
Forfeited	(991,100)	12.08	(1,550,700)	14.32
Expired	(1,343,000)	17.00	(1,248,400)	14.00
Outstanding - December 31	**5,037,700**	**$ 10.74**	**7,404,000**	**$ 12.04**
Exercisable - December 31	**1,938,600**	**$ 12.24**	**2,259,100**	**$ 15.56**

The weighted average share price at the date of exercise of options in 2016 was $9.10 per common share.

The following table lists the options outstanding at December 31, 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	1,943,200	4.00	$ 7.30	388,400	$ 7.30
$8.84 to $12.94	1,729,300	3.00	10.37	709,600	10.37
$12.95 to $15.82	32,600	1.00	15.51	26,000	15.51
$15.83 to $16.13	1,332,600	2.00	16.13	814,600	16.13
	5,037,700	3.10	$ 10.74	1,938,600	$ 12.24

The assumptions used to estimate the fair value of employee share options as at December 31, were:

	December 31 2016	December 31 2015
Remaining expected life (years)	**3.0**	2.5
Volatility (percent)	**40.0**	31.4
Forfeiture rate (percent)	**6.6**	6.0
Risk-free interest rate (percent)	**0.9**	0.6
Expected dividend (percent)	**5.1**	6.5

The expected volatility is determined based on weighted average historic prices for the Company's common shares. The forfeiture rate is estimated based on historical experience and general option holder behavior.

Share Appreciation Rights (SARs)

The Company has granted share appreciation rights ("SARs") to certain employees that entitle the employees to a cash payment. The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and exercise date. Grants under the plan vest evenly over a period of five years.

A summary of the Company's SARs plan as of December 31, 2016 and 2015 and the changes during the years ended, is presented below:

		2016		2015
	Number of SARs	Weighted Average Exercise Price	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1, 2016	895,100	$ 12.70	972,600	$ 14.32
Granted	—	—	210,500	7.30
Exercised	(2,300)	7.30	—	—
Forfeited	(307,200)	13.83	(158,400)	14.40
Expired	(108,500)	17.20	(129,600)	14.00
Outstanding - December 31, 2016	**477,100**	**$ 10.97**	895,100	$ 12.70
Exercisable - December 31, 2016	**189,900**	**$ 12.52**	302,400	$ 15.71

The weighted average share price at the date of exercise of SARs in 2016 was $8.51 per common share.

The following table lists the SARs outstanding at December 31, 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	184,100	4.00	$ 7.30	37,700	$ 7.30
$8.84 to $12.84	144,800	3.00	10.37	60,800	10.37
$12.85 to $15.82	4,000	1.00	15.51	3,200	15.51
$15.83 to $16.13	144,200	2.00	16.13	88,200	16.13
	477,100	3.07	$ 10.97	189,900	$ 12.52

12. 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:

As at and for the year ended December 31, 2016	Canada	United States	International	Total
Revenue	222,804	337,950	298,948	859,702
Depreciation and amortization	121,141	164,306	64,500	349,947
(Loss) income before interest and income taxes	(76,303)	(80,151)	(17,620)	(174,074)
Total assets	1,036,806	1,456,516	721,073	3,214,395
Total liabilities	725,434	444,713	211,759	1,381,906
Purchase of property & equipment, net	5,864	(1,442)	24,698	29,120

As at and for the year ended December 31, 2015	Canada	United States	International	Total
Revenue	306,997	609,301	474,680	1,390,978
Depreciation and amortization	109,256	156,209	70,048	335,513
Asset decommissioning and write-downs	—	—	28,281	28,281
(Loss) income before interest and income taxes	(50,089)	4,266	(59,018)	(104,841)
Total assets	904,104	1,759,062	934,974	3,598,140
Total liabilities	236,679	817,208	457,657	1,511,544
Purchase of property & equipment, net	55,282	84,332	19,419	159,033

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.

During the year ended December 31, 2016 the Company had no customers that represented more than 10 percent of the Company's revenue. During the year ended December 31, 2015, the Company had two customers representing 10.5 percent and 10.0 percent of the Company's revenue.

13. EXPENSES BY NATURE

	December 31 2016	December 31 2015
Salaries, wages and benefits	**$ 371,986**	$ 734,137
Share-based compensation	**10,287**	7,952
Total employee costs	**382,273**	742,089
Depreciation	**349,947**	335,513
Asset decommissioning and write-downs	**—**	28,281
Purchased materials, supplies and services	**302,543**	327,831
Foreign exchange and other	**(987)**	62,105
Total expenses before interest and income taxes	**$ 1,033,776**	$ 1,495,819

14. KEY MANAGEMENT COMPENSATION

Key management personnel comprises the Company’s directors and named executive officers. Compensation for key management personnel consists of the following:

	December 31 2016	December 31 2015
Short-term compensation	$ 2,923	$ 2,991
Share-based compensation	539	3,436
Total management compensation	$ 3,462	$ 6,427

15. SIGNIFICANT SUBSIDIARIES AND PARTNERSHIPS

The following table lists the Company's principal operating partnerships and subsidiaries, the functional currency, the jurisdiction of formation, incorporation or continuance of such partnerships and subsidiaries and the percentage of shares owned, directly or indirectly, by the Company as of December 31, 2016:

Name of Subsidiary	Functional Currency	Jurisdiction of Formation Incorporation or Continuance	Percentage Ownership of Shares Beneficially Owned or Controlled Directly or Indirectly by the Company	
			2016	**2015**
Ensign Drilling Inc.	CAD	Alberta	100	100
Ensign Well Servicing Inc.	CAD	Alberta	100	100
Ensign Argentina S.A.	USD	Argentina	100	100
Ensign de Venezuela C.A.	USD	Venezuela	100	100
Ensign Energy Services International Limited	USD	Australia	100	100
Ensign Australia Pty Limited	AUD	Australia	100	100
Ensign Testing Services Inc.	CAD	Alberta	100	100
Ensign Testing Services (U.S.A) Inc.	USD	Montana	100	100
Ensign United States Drilling Inc.	USD	Colorado	100	100
Ensign United States Drilling (California) Inc.	USD	California	100	100
Ensign US Financial (Delaware) LP	USD	Delaware	100	100
Ensign US Southern Drilling LLC	USD	Delaware	100	100
OFS Canada Inc.	CAD	Alberta	100	100
OFS Global Inc.	USD	Nevada	100	100
Ensign Drilling Partnership	CAD	Alberta	—	100
Ensign Well Servicing Partnership	CAD	Alberta	—	100
Enhanced Petroleum Services Partnership	CAD	Alberta	—	100

16. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

(a) Non-cash working capital

	December 31 2016	December 31 2015
Net change in non-cash working capital		
Accounts receivable	**$ (40,403)**	$ 293,848
Inventories and other	**30,015**	4,069
Accounts payable and accruals	**(10,154)**	(254,359)
Income taxes receivable	**(10,723)**	11,633
Dividends payable	**436**	—
	$ (30,829)	$ 55,191
Relating to:		
Operating activities	**$ (5,315)**	$ 115,971
Investing activities	**(23,627)**	(61,037)
Financing activities	**(1,887)**	257
	$ (30,829)	$ 55,191

(b) Cash and cash equivalents

		December 31 2016		December 31 2015
Cash	**$**	**24,500**	$	33,902
Cash equivalents and held in trust		**5,337**		6,484
Total cash and cash equivalents	**$**	**29,837**	$	40,386

17. CAPITAL MANAGEMENT STRATEGY

The Company's objectives when managing capital are to exercise financial discipline, and to deliver positive returns and stable dividend streams to its shareholders. The Company continues to be cognizant of the challenges associated with operating in a cyclical, commodity-based industry and may make future adjustments to its capital management strategy in light of changing economic conditions.

The Company considers its capital structure to include shareholders' equity, bank credit facilities and senior unsecured notes. In order to maintain or adjust its capital structure, the Company may from time to time adjust its capital spending or dividend policy to manage the level of its borrowings, or may revise the terms of its bank credit facilities to support future growth initiatives. The Company may consider additional long-term borrowings or equity financing if deemed necessary. As at December 31, 2016, the bank credit facilities' drawings totaled $316,701 (2015 - $380,205), senior unsecured notes totaled $400,758 (2015 - $413,904) and shareholders' equity totaled $1,832,489 (2015 - $2,086,596).

The Company is subject to externally imposed capital requirements associated with its bank credit facilities and senior unsecured notes, including financial covenants that incorporate shareholders' equity, earnings, consolidated interest expense and level of indebtedness. The Company monitors its compliance with these requirements on an ongoing basis and projects future operating cash flows, capital expenditure levels and dividend payments to assess how these activities may impact compliance in future periods. As at December 31, 2016, the Company is in compliance with all debt covenants.

18. FINANCIAL INSTRUMENTS

Categories of financial instruments

The classification and measurement of financial instruments is presented below:
Cash and cash equivalents and accounts receivable are classified as financial assets at amortized cost.
Accounts payable and accruals, dividends payable and long-term debt are classified as financial liabilities at amortized cost.

Fair values

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 approximate 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.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's accounts receivable balances owing from customers operating primarily in the oil and natural gas industry in Canada, the United States and internationally. The carrying amount of accounts receivable represents the maximum credit exposure as at December 31, 2016.

The Company assesses the credit worthiness of its customers on an ongoing basis and establishes credit limits for each customer based on external credit reports and other publicly available information, internal analysis and historical experience with the customer. Credit limits are approved by senior management and are reviewed on a regular basis or when changing economic circumstances dictate. The Company manages credit risk through dedicated credit resources, ongoing monitoring and follow up of balances owing, well liens, and tightening or restriction of credit terms as required. The Company also monitors the amount and age of accounts receivable balances on an ongoing basis. As at December 31, 2016, the Company had trade receivables of $30,011 (2015 - $20,338) with multiple customers that were greater than 90 days old for which an allowance for doubtful accounts of $5,802 (2015 - $5,297) has been recorded to provide for balances which, in management's best estimate, are deemed uncollectible as at December 31, 2016. The allowance for doubtful accounts is an estimate requiring significant judgment and may differ materially from actual results.

As part of the Company's international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at December 31, 2016, the Company had accounts receivable of approximately $24.8 million for work performed in Venezuela, discounted at eight percent and assuming a three year even collection period (2015 - $16.2 million). 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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages liquidity by forecasting cash flows on an annual basis and secures sufficient credit facilities to meet financing requirements that exceed anticipated internally generated funds. As at December 31, 2016, the remaining contractual maturities of accounts payable and accruals and dividends payable are less than one year. Maturity information regarding the principal and interest on the Company's long-term debt are as follows:

As at December 31	Less than 1 Year	1-3 Years	4-5 Years	Total
Senior unsecured notes	$ 144,489	$ 156,628	$ 139,436	$ 440,553
Bank credit facilities[1]	1,269	318,006	—	319,275
Total	$ 145,758	$ 474,634	$ 139,436	$ 759,828

1 Interest on the bank credit facilities is calculated based on the amount drawn at December 31, 2016 and the applicable bankers' acceptance/ LIBOR interest rates outstanding as at December 31, 2016. USD denominated balances are converted using the foreign exchange rate as of December 31, 2016.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's net income or the value of its financial instruments.

Interest rate risk

The Company is exposed to interest rate risk with respect to its bank credit facilities which bear interest at floating market rates. For the year ended December 31, 2016, if interest rates applicable to its bank credit facilities had been 0.25 percent higher or lower, with all other variables held constant, income before income taxes would have been $791 lower or higher.

Foreign currency exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar. The principal foreign exchange risk relates to the translation of the Company's foreign subsidiaries from their functional currencies to Canadian dollars. At December 31, 2016, had the Canadian dollar weakened or strengthened by $0.01 against the United States dollar, with all other variables held constant, the Company's income before income taxes would have been $1,036 higher or lower.

In addition the Company has foreign exchange risk in relation to the conversion of Australian dollar denominated debt to Canadian dollars. At December 31, 2016, had the Australian dollar strengthened or weakened by $0.01 against the Canadian dollar, with all other variables held constant, the Company's income before income taxes would have been $1,408 higher or lower.

The above sensitivities are limited to the impact of changes in the specified variable applied to the items noted above and do not represent the impact of a change in the variable on the operating results of the Company taken as a whole.

19. CONTINGENCIES AND COMMITMENTS

The Company has provided insurance bonds to certain government agencies in respect of the temporary importation of equipment into that country. It is not anticipated that any material liabilities will arise from these insurance bonds. The Company has commitments for facility leases, with future minimum payments as follows:

Not later than 1 year	$	4,492
Later than 1 year and not later than 5 years		9,555
Later than 5 years		454

The Company leases a number of facilities under operating leases. The leases typically run for a period of two to ten years, with an option to renew the lease after that date. Lease payments are increased throughout the lease term to reflect market rates.

For the year ended December 31, 2016, lease payments of $7,459 (2015 - $8,393) were recognized as an expense. The Company is a party to various disputes and lawsuits in the normal course of its business and believes the ultimate liability arising from these matters will have no material impact on its consolidated financial statements.

20. SUBSEQUENT EVENTS

Subsequent to December 31, 2016, the Company settled the declared fourth quarter dividend of $0.12 per common share, by paying $11,273 and issuing 798,785 common shares, to eligible holders of common shares participating in the Company's DRIP, representing a 39 percent acceptance.

Subsequent to December 31, 2016, the Company paid the USD $100.0 million of senior unsecured notes bearing interest at 3.43 percent, due February 22, 2017 using the Global Facility.

Share Trading Summary

For the three months ended (Unaudited)	High ($)	Low ($)	Close ($)	Volume	Value ($)
2016					
March 31	**7.87**	**4.72**	**5.98**	**26,405,400**	**156,908,091**
June 30	**8.37**	**5.83**	**7.25**	**14,017,900**	**101,023,677**
September 30	**8.02**	**6.81**	**7.50**	**8,995,800**	**67,376,904**
December 31	**10.41**	**7.36**	**9.38**	**15,125,200**	**137,422,931**
Total				**64,544,300**	**462,731,603**

For the three months ended (Unaudited)	High ($)	Low ($)	Close ($)	Volume	Value ($)
2015					
March 31	11.30	8.17	9.93	24,162,184	234,518,089
June 30	12.50	9.34	12.24	26,348,949	294,003,231
September 30	12.43	7.88	8.21	20,790,364	204,983,342
December 31	9.97	6.00	7.38	19,329,789	146,902,315
Total				90,631,286	880,406,977

10 Year Financial information

(Unaudited - $ thousands, except per share data)	2016	2015	2014	2013	2012
Revenue	859,702	1,390,978	2,321,765	2,098,011	2,197,321
Gross margin	237,676	395,953	635,370	573,838	641,812
Gross margin % of revenue	27.6 %	28.5 %	27.4%	27.4%	29.2%
Adjusted EBITDA	185,173	329,010	542,262	485,712	560,975
Depreciation	349,947	335,513	298,854	248,026	220,227
Net income (loss)	(150,522)	(104,049)	71,120	128,865	217,522
Net income (loss) per share					
Basic	$(0.99)	$(0.68)	$0.47	$0.84	$1.42
Diluted	$(0.98)	$(0.68)	$0.46	$0.84	$1.42
Funds from operations	170,651	296,273	491,886	435,611	506,355
Funds from operations per share					
Basic	$1.12	$1.94	$3.22	$2.85	$3.32
Diluted	$1.11	$1.94	$3.21	$2.84	$3.31
Net capital expenditures, excluding acquisitions	29,120	159,033	582,999	342,225	306,689
Acquisitions	—	—	—	76,408	—
Working capital (deficit)	(11,153)	144,239	189,698	(71,146)	13,861
Long-term debt, net of current portion	717,459	794,109	786,327	317,407	296,589
Shareholders' equity	1,832,489	2,086,596	2,045,237	1,962,569	1,857,958
Return on average shareholders' equity	(8.2)%	(5.0)%	3.5%	6.7%	12.1%
Long-term debt to equity	0.32:1	0.38:1	0.38:1	0.16:1	0.16:1
Weighted avg. common shares outstanding - basic	152,759,973	152,476,615	152,710,636	152,693,280	152,664,447
Closing share price - December 31	$9.38	$7.38	$10.20	$16.73	$15.37

*Restated under IFRS

**Not restated for IFRS

All per share data and the weighted average common shares outstanding have been restated to reflect the 3-for-1 stock split effective May 2001 and the 2-for-1 stock split effective May 2006.

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

(Unaudited - $ thousands, except per share data)	2011	2010*	2009**	2008**	2007**
Revenue	1,890,372	1,355,683	1,137,575	1,705,579	1,577,601
Gross margin	567,446	370,860	356,554	559,695	523,267
Gross margin % of revenue	30.0%	27.4%	31.3%	32.8%	33.2%
Adjusted EBITDA	497,188	310,011	305,670	498,139	472,493
Depreciation	177,927	132,980	111,015	125,809	92,636
Net income (loss)	212,393	119,308	125,436	259,959	249,765
Net income (loss) per share					
Basic	$1.39	$0.78	$0.82	$1.70	$1.64
Diluted	$1.39	$0.78	$0.82	$1.68	$1.62
Funds from operations	473,099	288,513	259,239	402,407	297,311
Funds from operations per share					
Basic	$3.09	$1.89	$1.69	$2.63	$1.95
Diluted	$3.09	$1.88	$1.69	$2.61	$1.93
Net capital expenditures, excluding acquisitions	386,833	255,463	132,573	274,323	271,984
Acquisitions	497,352	—	52,573	—	—
Working capital (deficit)	(10,233)	84,516	107,894	107,024	60,272
Long-term debt, net of current portion	405,953	—	—	20,000	—
Shareholders' equity	1,723,422	1,548,155	1,530,797	1,551,151	1,244,206
Return on average shareholders' equity	13.0%	7.7%	8.1%	18.6%	21.2%
Long-term debt to equity	0.24:1	NA	NA	0.01:1	NA
Weighted avg. common shares outstanding - basic	152,865,133	152,834,798	153,154,557	153,094,863	152,517,446
Closing share price - December 31	$16.25	$15.03	$15.00	$13.22	$15.25

*Restated under IFRS

**Not restated for IFRS

All per share data and the weighted average common shares outstanding have been restated to reflect the 3-for-1 stock split effective May 2001 and the 2-for-1 stock split effective May 2006.

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

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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Toronto Stock Exchange
Symbol: ESI

AUDITORS

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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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