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, 2017, 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 1, 2018. Additional information, including the Company's Annual Information Form for the year ended December 31, 2016, is available on SEDAR at www.sedar.com. The Company's Annual Information Form for the year ended December 31, 2017 is expected to be filed on SEDAR prior to March 31, 2018.

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, 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)

	2017	2016	Change	% change	2015	Change	% change
Revenue	**1,000,650**	859,702	140,948	16	1,390,978	(531,276)	(38)
Revenue, net of third party [1]	**873,864**	755,857	118,007	16	1,234,775	(478,918)	(39)
Adjusted EBITDA [2]	**201,784**	185,173	16,611	9	329,010	(143,837)	(44)
Adjusted EBITDA per share [2]							
Basic	**$ 1.29**	$ 1.21	$ 0.08	7	$ 2.16	$ (0.95)	(44)
Diluted	**$ 1.29**	$ 1.21	$ 0.08	7	$ 2.16	$ (0.95)	(44)
Net loss	**(37,644)**	(150,522)	112,878	75	(104,049)	(46,473)	nm
Net loss per share							
Basic	**$ (0.24)**	$ (0.99)	$ 0.75	76	$ (0.68)	$ (0.31)	46
Diluted	**$ (0.24)**	$ (0.98)	$ 0.74	76	$ (0.68)	$ (0.30)	44
Cash provided by operating activities	**135,147**	165,336	(30,189)	(18)	412,224	(246,888)	(60)
Funds flow from operations [3]	**141,438**	170,651	(29,213)	(17)	296,273	(125,622)	(42)
Funds flow from operations per share [3]							
Basic	**$ 0.90**	$ 1.12	$ (0.22)	(20)	$ 1.94	$ (0.82)	(42)
Diluted	**$ 0.90**	$ 1.11	$ (0.21)	(19)	$ 1.94	$ (0.83)	(43)
Total assets	**2,958,465**	3,214,395	(255,930)	(8)	3,598,140	(383,745)	(11)
Long-term financial liabilities	**739,933**	717,459	22,474	3	794,109	(76,650)	(10)
Dividends per share	**$ 0.48**	$ 0.48	—	—	$ 0.48	$ —	—

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 “(loss) income before interest, income taxes, depreciation, asset decommissioning and write-downs, share-based compensation and foreign exchange and other”. Management believes that, in addition to net (loss) income, Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company’s principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, how the results are impacted by foreign exchange or how the results are impacted by the accounting standards associated with the Company’s share-based compensation plans.*

($ thousands)	2017	2016	2015
Loss before income taxes	**(187,796)**	(204,545)	(129,754)
Interest expense	**41,491**	30,838	25,333
Interest income	**(281)**	(367)	(420)
Depreciation	**325,811**	349,947	335,513
Asset decommissioning and write-downs	**—**	—	28,281
Share-based compensation	**656**	10,287	7,952
Foreign exchange and other	**21,903**	(987)	62,105
Adjusted EBITDA	**201,784**	185,173	329,010

[3] *Funds flow from operations are defined as "cash provided by operating activities before the change in non-cash working capital". Management believes that, in addition to net loss, Funds flow from operations constitute a measure that provides additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes this measure to assess the Company's ability to finance operating activities and capital expenditures.*

($ thousands)	2017	2016	2015
Net loss	**(37,644)**	(150,522)	(104,049)
Items not affecting cash			
Depreciation	**325,811**	349,947	335,513
Asset decommissioning and write-downs	**—**	—	28,281
Share-based compensation, net of cash paid	**145**	10,287	7,237
Unrealized foreign exchange and other	**(918)**	(6,864)	54,742
Accretion on long-term debt	**1,843**	316	407
Deferred income tax	**(147,799)**	(32,513)	(25,858)
Funds flow from operations	**141,438**	170,651	296,273

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, New Mexico, North Dakota, Pennsylvania and South Dakota. Internationally, the Company currently operates in Australia, Argentina, Kurdistan, Oman 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.

2017 COMPARED WITH 2016

Revenue for the year ended December 31, 2017 was $1,000.7 million, an increase of 16 percent from 2016 revenue of $859.7 million. Revenue, net of third party, for the year ended December 31, 2017 was $873.9 million, an increase of 16 percent from Revenue, net of third party, for the year ended December 31, 2016 of $755.9 million. Adjusted EBITDA for 2017, totaled $201.8 million ($1.29 per common share), 9 percent higher than Adjusted EBITDA of $185.2 million ($1.21 per common share) for 2016.

Net loss for the year ended December 31, 2017 was $37.6 million ($0.24 per common share), compared to net loss of $150.5 million ($0.99 per common share) for the year ended December 31, 2016. Funds flow from operations decreased 17 percent to $141.4 million ($0.90 per common share) in 2017 compared to $170.7 million ($1.12 per common share) in the prior year.

The Company's increased operating and financial results for 2017 resulted from increased demand for oilfield services caused by modest price recovery of crude oil and natural gas commodity prices. Volatile energy commodity prices significantly 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 were adversely impacted by translation to Canadian dollars due to the weakening of the United States dollar relative to the Canadian dollar. During 2017, a two percent decrease in the Canadian/United States dollar exchange rate negatively impacted revenues and margins generated outside Canada.

In 2017 the Company added three new-build ADR® drilling rigs to its drilling rig fleet in the Canada and United States markets, which have been committed to long-term contracts. The Company also added one new-build well servicing rig in the United States.

The Company declared total dividends of $0.48 per common share in 2017.

The Company exited 2017 with a working capital deficit of $342.2 million, compared to a working capital deficit of $11.2 million as at December 31, 2016. The decrease in working capital year-over-year was largely due to the Company's Global Bank Facility ($488.8 million due October 3, 2018) maturing within the next 12 months. The Company's bank credit facilities provide unused and available borrowings of $11.2 million at December 31, 2017, compared to $184.4 million at December 31, 2016, down by $173.2 million because of a reduction in the available credit under the current global facility arrangement and the repayment of Tranche A of the senior unsecured notes in February of 2017.

2016 COMPARED WITH 2015

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 impacted 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.

REVENUE AND OILFIELD SERVICES EXPENSE

($ thousands)	**2017**	2016	Change	% change
Revenue				
Canada	**262,793**	222,804	39,989	18
United States	**459,496**	337,950	121,546	36
International	**278,361**	298,948	(20,587)	(7)
Total revenue	**1,000,650**	859,702	140,948	16
Revenue, net of third party	**873,864**	755,857	118,007	16
Oilfield services expense	**759,700**	622,026	137,674	22
Gross margin	**240,950**	237,676	3,274	1
Gross margin as a percentage of Revenue, net of third party	**27.6**	31.4		

Revenue for the year ended December 31, 2017 totaled $1,000.7 million, a 16 percent increase from the year ended December 31, 2016 of $859.7 million. The increase in revenue was a direct result of the increased demand for oilfield services resulting in higher equipment utilization rates which was offset by lower revenue rates.

Revenue, net of third party, for the year ended December 31, 2017 totaled $873.9 million, an increase of 16 percent from the previous year of $755.9 million. As a percentage of Revenue, net of third party, gross margin for the year ended December 31, 2017 was 27.6 percent (2016 - 31.4 percent). As a result of slow recovery of energy 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 cautious optimism regarding oil and natural gas commodity prices increased demand for oilfield services during 2017, which resulted in higher equipment utilization rates; however, revenue rates declined during prior years and have yet to increase with demand. Financial results from the Company's United States and international operations were negatively impacted on translation, as the weaker United States dollar relative to the Canadian dollar in 2017 compared to the prior year further increased the impact of certain of the revenue rate declines experienced during the year.

CANADIAN OILFIELD SERVICES

	2017	2016	Change	% change
Revenue *($ thousands)*	**$ 262,793**	$ 222,804	$ 39,989	18
Drilling rigs[1]				
Opening balance	**69**	83		
Additions	**2**	—		
Transfers, net	**—**	(2)		
Decommissions/Disposals	**(1)**	(12)		
Ending balance	**70**	69	1	1
Drilling operating days[1,]	**6,860**	4,587	2,273	50
Drilling rig utilization (%)[1]	**26.8**	15.2	11.6	76
Well servicing rigs				
Opening balance	**65**	72		
Decommissions/Disposals	**—**	(7)		
Ending balance	**65**	65	—	—
Well servicing operating hours	**70,556**	61,635	8,921	14
Well servicing utilization (%)	**29.7**	23.8	5.9	25

[1]Excludes coring rig fleet.

The Company recorded revenue of $262.8 million in Canada for the year ended December 31, 2017, an increase of 18 percent from $222.8 million recorded for the year ended December 31, 2016. During the year ended December 31, 2017, Canadian revenues were 26 percent of the Company's revenue, consistent with the prior year. During 2017 the Company received $1.3 million in shortfall and termination revenue in Canada compared to $17.1 million in 2016.

For the year ended December 31, 2017, the Company recorded 6,860 drilling days in Canada, compared to 4,587 drilling days for the year ended December 31, 2016, an increase of 50 percent. Well servicing hours increased by 14 percent to 70,556 operating hours compared with 61,635 operating hours for the year ended December 31, 2016.

Demand for the Company’s Canadian oilfield services was higher compared to 2016 due largely to a modest increase in oil and natural gas commodity prices. The increase in demand was offset by lower revenue rates and lower short fall revenue earned in 2017 compared to 2016.

During 2017, the Company added two new-build ADR® drilling rigs to the Canadian fleet and decommissioned one drilling rig.

UNITED STATES OILFIELD SERVICES

	2017	2016	Change	% change
Revenue *($ thousands)*	**$ 459,496**	$ 337,950	$ 121,546	36
Drilling rigs				
Opening balance	**84**	89		
Additions	**1**	1		
Decommissions/Disposals	**—**	(6)		
Ending balance	**85**	84	1	1
Drilling operating days	**10,944**	7,152	3,792	53
Drilling rig utilization (%)	**35.6**	21.8	13.8	63
Well servicing rigs				
Opening balance	**44**	44		
Additions	**1**	—		
Ending balance	**45**	44	1	2
Well servicing operating hours	**90,281**	66,211	24,070	36
Well servicing utilization (%)	**55.6**	41.2	14.4	35

For the year ended December 31, 2017, revenue of $459.5 million was recorded in the United States, an increase of 36 percent from the $338.0 million recorded in the prior year. The Company's United States operations accounted for 46 percent of the Company's revenue in 2017 fiscal year (2016 - 39 percent) and were the largest contributor to the Company's consolidated revenues in 2017, consistent with the prior year.

In the United States, drilling operating days increased by 53 percent from 7,152 operating days in 2016 to 10,944 operating days in 2017. For the year ended December 31, 2017 well servicing activity increased 36 percent to 90,281 operating hours from 66,211 operating hours in 2016.

Overall operating and financial results for the Company’s United States operations were positively impacted by a significant increase in demand for oilfield services due primarily to renewed optimism regarding oil and natural gas commodity prices. The increased activity and associated operating financial results increase were partially offset by a weakening of the United States dollar, which decreased by two percent versus the Canadian dollar when compared to 2016.

During 2017, the Company added one new-build ADR® drilling rig and one new-build well servicing rig to the United States fleet.

INTERNATIONAL OILFIELD SERVICES

	2017	2016	Change	% change
Revenue *($ thousands)*	**278,361**	298,948	(20,587)	(7)
Drilling and workover rigs				
Opening balance	**46**	50		
Transfers	**—**	2		
Decommissions	**—**	(6)		
Ending balance	**46**	46	—	—
Drilling operating days	**6,106**	6,545	(439)	(7)
Drilling rig utilization (%)	**36.4**	36.0	0.4	1

The Company's international revenues for the year ended December 31, 2017, decreased seven percent to $278.4 million from $298.9 million recorded in the year ended December 31, 2016. The Company's international operations contributed 28 percent of the Company's revenue in 2017 (2016 - 35 percent).

International operating days totaled 6,106 compared to 6,545 drilling days for the year ended December 31, 2017, a decrease of seven percent compared to the year prior.

Similar to the Company's United States operations, international operations were negatively impacted by the weakening United States dollar year-over-year in 2017, versus the Canadian dollar, on translation into Canadian dollars for reporting purposes compared to 2016. International operations incurred a decrease in activity as certain drilling rigs on long-term contracts completed their term and were not renewed. Moreover, the decline in crude oil prices over the past several years has been 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.

DEPRECIATION

($ thousands)	**2017**	2016	Change	% change
Depreciation	**325,811**	349,947	(24,136)	(7)

Depreciation expense for the year decreased by seven percent to $325.8 million compared with $349.9 million for the year ended 2016. Depreciation expense was lower in the year ended December 31, 2017 when compared to the year ended December 31, 2016, due to certain operating assets having become fully depreciated in which case no further depreciation expense is required. Furthermore, the impacts of a weaker United States dollar compared to the Canadian dollar on non-Canadian domiciled fixed assets decreased the expense.

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 to 14 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, an 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)	**2017**	2016	Change	% change
General and administrative	**39,166**	52,503	(13,337)	(25)
% of revenue	**3.9**	6.1		

For the year ended December 31, 2017, general and administrative expense totaled $39.2 million (3.9 percent of revenue) compared to $52.5 million (6.1 percent of revenue) for the year ended December 31, 2016, a decrease of 25 percent. The year over year decrease in general and administrative expense reflect the Company's initiatives to reduce costs in reaction to the oil service industry decline and lower oil and natural gas commodity prices, which began in 2015 and are ongoing.

SHARE-BASED COMPENSATION

($ thousands)	**2017**	2016	Change	% change
Share-based compensation	**656**	10,287	(9,631)	(94)

nm - calculation not meaningful

Share-based compensation expense arises from the Black-Scholes valuation 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, 2017, share-based compensation was an expense of $0.7 million compared with an expense of $10.3 million for the year ended December 31, 2016. The share-based compensation expense for the year ended December 31, 2017 was a result of changes in the fair value of the share-based compensation liability and was impacted by the amortization of stock options which was offset by additional expenses in 2017 related to Performance Share Units (PSUs) issued under a long-term incentive plan implemented in 2017.

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 $6.47 at December 31, 2017, compared with $9.38 at December 31, 2016.

During 2017 the Company granted PSUs to certain officers and employees of the Company to participate in the growth and development of the Company and to promote further alignment of interests between employees and the shareholders. PSUs are subject to the Company's pre-established performance metrics with a three year performance period. Each PSU granted permits the holder to receive a cash payment equal to the fair market value of a share as of the maturity date, adjusted for a performance multiplier. PSU holders are entitled to share in dividends which are credited as additional PSUs at the dividend record date.

Included in net earnings for the year ended December 31, 2017 is an expense of $1.1 million (2016 - $nil). This was calculated using the trailing ten day volume weighted average share price of the Company's underlying common shares, as the PSUs have no exercise price, are adjusted for performance factors and are subject to a two percent cap relative to Adjusted EBITDA in the final year of their three year term based on certain financial performance metrics.

INTEREST EXPENSE

($ thousands)	**2017**	2016	Change	% change
Interest expense	**41,491**	30,838	10,653	35
Interest income	**(281)**	(367)	86	(23)
	41,210	30,471	10,739	35

Interest is incurred on the Company's $500.0 million global revolving credit facility (the "Global Bank Facility") and the United States dollar $200.0 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.

Due to payment delays for work performed in Venezuela, the Company recognized a discount on its receivable in the amount of $4.6 million within interest expense. The receivable is discounted at 15 percent and assumes nominal collections in the first year with even collections thereafter over a five year period.

Interest expense increased by 35 percent for the year ended December 31, 2017 compared to the same period in 2016 as a result of borrowings of an additional $42.2 million on the bank credit facilities in fiscal 2017, an increase in the interest rate and a discount applied on the Venezuela receivable.

FOREIGN EXCHANGE AND OTHER

($ thousands)	**2017**	2016	Change	% change
Foreign exchange and other	**21,903**	(987)	22,890	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.

INCOME TAXES

($ thousands)	**2017**	2016	Change	% change
Current income tax	**(2,353)**	(21,510)	19,157	(89)
Deferred income tax	**(147,799)**	(32,513)	(115,286)	nm
Total income tax	**(150,152)**	(54,023)	(96,129)	nm
Effective income tax rate (%)	**80.0**	26.4		

nm - calculation not meaningful

The effective income tax rate for the year ended December 31, 2017 was 80.0 percent compared with 26.4 percent for the year ended December 31, 2016. The United States passed comprehensive tax reform under the Tax Cut and Jobs Act ("Tax Act") on December 22, 2017. The Federal corporate income tax rate will drop from 35% to 21% beginning January 1, 2018. Due to these changes, the Company has revalued its deferred tax liability as at December 31, 2017 and the result of this revaluation was a deferred tax recovery for the year ended December 31, 2017 of $109.3 million to reduce the deferred tax liability balance.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per share data)	**2017**	2016	Change	% change
Funds flow from operations	**141,438**	170,651	(29,213)	(17)
Funds flow from operations per share	**$0.90**	$1.12	(0.22)	(20)
Working capital	**(342,199)**	(11,153)	(331,046)	nm

nm - calculation not meaningful

For the year ended December 31, 2017, the Company generated Funds flow from operations of $141.4 million ($0.90 per common share) a decrease of 17 percent from $170.7 million ($1.12 per common share) for the year ended December 31, 2016. The decrease in Funds flow from operations in 2017 compared to 2016 is due to the impact of foreign exchange. 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, 2017, the Company's working capital was a deficit of $342.2 million, compared to a working capital deficit of $11.2 million at December 31, 2016. The decrease in working capital in 2017 was mainly related to the financial statement reclassification of the portion of long-term debt ($488.8 million of the Global Bank Facility, due October 3, 2018) 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 $11.2 million was undrawn and available at December 31, 2017. In addition, the Company has a $50 million accordion to be included in the existing revolving global facilities but not yet exercised.

INVESTING ACTIVITIES

($ thousands)	**2017**	2016	Change	% change
Purchase of property and equipment	**(123,763)**	(43,394)	(80,369)	nm
Proceeds from disposals of property and equipment	**6,051**	14,274	(8,223)	(58)
Net change in non-cash working capital	**(2,667)**	(23,627)	20,960	(89)
Cash used in investing activities	**(120,379)**	(52,747)	(67,632)	nm

nm - calculation not meaningful

Net purchases of property and equipment during the fiscal year ending 2017 totaled $117.7 million (2016 - $29.1 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 a total of three new-build ADR® drilling rigs for the Canadian and United States fleets that commenced work under long term contracts and one new-build well servicing rig for the United States.

FINANCING ACTIVITIES

($ thousands)	**2017**	2016	Change	% change
Net increase (decrease) in bank credit facilities	**42,189**	(48,995)	91,184	nm
Purchase of shares held in trust	**(1,103)**	(2,035)	932	(46)
Dividends	**(52,577)**	(66,440)	13,863	(21)
Net change in non-cash working capital	**(482)**	(1,887)	1,405	(74)
Cash used in financing activities	**(11,973)**	(119,357)	107,384	(90)

nm - calculation not meaningful

The Global Bank 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 a $50 million accordion included in the existing Global Facility, but this has not yet been exercised. The Company also finalized a waiver with its lenders that allows the Company to maintain Global Facility unsecured.

The Company made a net withdrawal on the Global Facility of $42.2 million during the year ended December 31, 2017, increasing the outstanding long-term debt balance. As of December 31, 2017, the Global Facility is primarily being used to fund capital expenditures.

During the year ended December 31, 2017, the Board of Directors of the Company cancelled a Dividend Reinvestment Plan (the “DRIP”). The DRIP provided 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.

Subsequent to December 31, 2017, the Company declared a dividend for the first quarter of 2017. A quarterly dividend of $0.12 per common share is payable April 5, 2018 to all Common Shareholders of record as of March 23, 2018. 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, 2017, is as follows:

($ thousands)	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Senior unsecured notes	11,045	148,198	130,626	—	289,869
Drawings on bank and credit facilities	509,741	—	—	—	509,741
Capital Leases	408	1,017	11	—	1,436
Facility leases	4,104	6,936	6	448	11,494
	525,298	156,151	130,643	448	812,540

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, 2017 totaled $232.2 million, an increase of $26.8 million from $205.3 million as at December 31, 2016. Reduced levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increases the collection risk of accounts receivable balances.

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, 2017, the Company had trade receivables of $25.8 million (2016 - $30 million) with multiple customers that were greater than 90 days old for which an allowance for doubtful accounts of $4.2 million (2016 - $5.8 million) has been recorded to provide for balances which, in management's best estimate, are deemed uncollectible as at December 31, 2017. 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, 2017, the Company had accounts receivable of approximately $28.6 million for work performed in Venezuela, of which certain account receivables were discounted at 15 percent and assumed nominal collections in the first year with even collections thereafter over a five year period (2016 - $24.8 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, 2017 totaled $948.9 million, an increase of $59.2 million from $889.7 million as at December 31, 2016.

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, 2017, 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, 2017, the Company had undrawn and available bank credit facilities of $11.2 million (2016 – $184.4 million). The Company was in compliance with all debt covenants as of December 31, 2017.

NEW BUILDS AND MAJOR RETROFITS

During the year ended December 31, 2017, the Company added two new-build ADR® drilling rigs in Canada and one new-build ADR® drilling rig in the United States. The additions to the drilling fleet have been contracted on long-term contracts. One new-build well servicing rig was added in the United States. 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)	**Q4-2017**	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Revenue	**270,013**	247,121	232,232	251,284	234,001	191,313	175,924	258,464
Revenue, net of third party [1]	**241,987**	211,299	211,687	208,891	204,474	168,098	156,423	226,862
Adjusted EBITDA [1]	**54,820**	52,600	44,276	50,088	51,665	42,456	31,485	59,567
Adjusted EBITDA per share [1]								
Basic	**$0.34**	$0.34	$0.29	$0.32	$0.33	$0.28	$0.21	$0.39
Diluted	**$0.35**	$0.33	$0.29	$0.32	$0.33	$0.28	$0.21	$0.39
Net (loss) income	**46,488**	(36,526)	(33,814)	(13,792)	(61,905)	(33,727)	(39,979)	(14,911)
Net (loss) income per share								
Basic	**$0.30**	$(0.23)	$(0.22)	$(0.09)	$(0.41)	$(0.22)	$(0.26)	$(0.10)
Diluted	**$0.30**	$(0.23)	$(0.22)	$(0.09)	$(0.40)	$(0.22)	$(0.26)	$(0.10)
Cash provided by operating activities	**38,124**	32,791	44,687	19,545	8,089	25,315	66,854	65,079
Funds flow from operations [1]	**12,244**	39,616	44,769	44,809	48,862	30,281	36,328	55,180
Funds flow from operations per share [1]								
Basic	**$0.07**	$0.25	$0.29	$0.29	$0.32	$0.20	$0.24	$0.36
Diluted	**$0.07**	$0.25	$0.29	$0.29	$0.31	$0.20	$0.24	$0.36
Total debt, net of cash	**707,559**	700,011	714,357	709,062	687,662	669,618	664,560	688,405

[1] *See definition of "Non-GAAP Measures" in the "Overview and Selected Annual Information" section of this MD&A.*

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

The quarterly results may also be impacted by the Black-Scholes valuation accounting associated with the Company's share-based compensation and Performance Share Unit plans respectively, 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 varying levels of demand for oilfield services in the 2017 and 2016 fiscal years compared to prior years. Such demand for oilfield services was positively influenced by more favorable oil and natural gas commodity prices for 2017.

FOURTH QUARTER ANALYSIS

(in thousands of Canadian dollars, except per share data and operating information)	Three months ended December 31			
	2017	2016	Change	% change
Revenue	**270,013**	234,001	36,012	15
Revenue, net of third party [1]	**241,987**	204,474	37,513	18
Adjusted EBITDA [1]	**54,820**	51,665	3,155	6
Adjusted EBITDA per share [1]				
Basic	**$0.34**	$0.33	$0.01	3
Diluted	**$0.35**	$0.33	$0.02	6
Net (loss) income	**46,488**	(61,905)	108,393	nm
Net (loss) income per share				
Basic	**$0.30**	$(0.41)	$0.71	nm
Diluted	**$0.30**	$(0.41)	$0.71	nm
Cash provided by operating activities	**38,124**	8,088	30,036	nm
Funds flow from operations [1]	**12,244**	48,862	(36,618)	(75)
Funds flow from operations per share [1]				
Basic	**$0.07**	$0.32	$(0.25)	(78)
Diluted	**$0.07**	$0.32	$(0.25)	(78)
Weighted average shares - basic *(000s)*	**156,794**	153,579	3,215	2
Weighted average shares - diluted *(000s)*	**156,976**	154,093	2,883	2
Drilling	**2017**	2016	Change	% change
Operating days				
Canada [2]	**1,649**	1,271	378	30
United States	**3,066**	2,067	999	48
International [3]	**1,547**	1,690	(143)	(8)
Drilling rig utilization (%)				
Canada [2]	**25.3**	17.1	8.2	48
United States	**39.4**	25.0	14.4	58
International [3]	**36.4**	37.5	(1.1)	(3)
Well Servicing	**2017**	2016		% change
Operating hours				
Canada	**16,947**	18,967	(2,020)	(11)
United States	**23,644**	18,976	4,668	25
Well servicing rig utilization rate (%)				
Canada	**28.3**	29.0	(0.7)	(2)
United States	**57.1**	46.9	10.2	22

nm - calculation not meaningful

[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)	**2017**	2016	Change	% change
Revenue				
Canada	**64,260**	61,137	3,123	5
United States	**129,188**	91,881	37,307	41
International	**76,565**	80,983	(4,418)	(5)
Total revenue	**270,013**	234,001	36,012	15
Revenue, net of third party	**241,987**	204,474	37,513	18
Oilfield services expense	**206,750**	170,267	36,483	21
Gross margin	**63,263**	63,734	(471)	(1)
Gross margin as a percentage of Revenue, net of third party	**26.1**	31.2		

The Company recorded revenue of $270.0 million for the three months ended December 31, 2017, a 15 percent increase from the $234.0 million recorded in the three months ended December 31, 2016. Drilling operating days for the fourth quarter of 2017 totaled 6,262 days, a 25 percent increase from the prior year of 5,028 drilling operating days. The modest recovery of oil and natural gas commodity prices in 2017 positively impacted the demand for oilfield services. Increased North American demand was offset by the negative 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 2017 to 26.1 percent from 31.2 percent for the fourth quarter of 2016. The reduction in gross margin in the fourth quarter of 2017 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 and shortfall payments earned in the prior year not earned in 2017.

Depreciation expense totaled $91.7 million for the fourth quarter of 2017 compared with $90.1 million for the fourth quarter of 2016. The decrease was due to the negative impact of a two percent year-over-year increase in the United States dollar exchange rate against the Canadian dollar.

General and administrative expense decreased 30 percent to $8.4 million (3.1 percent of revenue) for the fourth quarter of 2017 compared with $12.1 million (5.2 percent of revenue) for the fourth quarter of 2016. The decrease in general and administrative expense in the fourth quarter of 2017 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.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of March 1, 2018:

	Number		Amount ($)
Common shares	156,792,521	$	206,055

	Outstanding	Exercisable
Stock options	6,477,500	2,862,300

OUTLOOK

Industry Overview

Signs of a modest recovery for the industry started to show in 2017. In the first half of 2017 activity picked up substantially compared to 2016 before leveling off in the latter half 2017. Oil prices continued to be volatile, with the price of WTI fluctuating between the low $40’s and mid $60’s throughout the year and early 2018.

The rebalancing of the oil markets continues to date in 2018 with the expectation that world GDP and oil demand will increase in the current year and beyond, and that OPEC and non-OPEC members, led by Russia, remain supportive of the oil production cuts. This optimism is overshadowed by the expected increase in oil production from the United States. Until the market overall can gain a proper understanding of the United States production capability and sustainability, there appears to be a ceiling on oil prices as additional production could impact oil supply and pricing.

In 2018 it is generally expected that oil and natural gas producers will focus more on financial returns. This will impact where and when capital investments are deployed. Areas like the United States expected to continue to see capital deployment in contrast to Canada where ongoing uncertainty of provincial and federal government policies and market pricing are expected to continue impacting the oil and natural gas industry. In addition, companies will continue to seek at contractors that capable of providing drilling and operational efficiencies that will help reduce total well costs. The challenge for oil and natural gas drilling contractors will be how to share in the financial gains that they are creating from these efficiencies.

Canadian Activity

The AECO natural gas price, oil price differentials and takeaway capacity will likely continue to dominate the headlines in 2018 and will likely continue to cast a shadow over industry activity. Absent any major announcements or volatility in commodity pricing, 2018 drilling activity, is expected to be similar to late 2017. With the corporate tax law changes in the USA that became effective in 2018, there is a possibility for customers with assets in the North America will focus on United States activity before deploying capital in Canada.

United States Activity

In comparison to the Canada, the United States market is much more optimistic for 2018. Analysts are expecting the rig count to continue to grow in 2018, with some expecting between 50 to 100 additional drilling rigs being activated in 2018 with additional rig deployments into 2019. The tightness and continued expected tightness in the AC 1500 horse power drilling rig category is expected to place upward pressure on rates for that class of assets that could trickle down to lower specification drilling rigs. At the current pricing levels there is minimal expectation that new builds will be introduced into the market during 2018, which may allow for pricing to begin to normalize and lower spec assets to be activated. In 2017, the market experienced upgrades and modifications to drilling rigs. The magnitude of such upgrades is expected to decline in 2018 as the assets that readily could be upgraded have been completed already and the remaining rigs that can be upgraded will involve a substantial capital expenditure, which will require increased pricing and/or longer contract terms to be economical.

The reduced corporate tax rate and changes to tax regulations in the United States have and are likely to continue creating incentives for capital to be allocated to the United States. It is expected that 2018 operating activity and pricing in the United States in this market is expected to be higher than 2017.

International Activity

The Company's expectation for its International segment is contemplates some growth and continued reduction in costs. The Australian operations appear to have bottomed in 2017 with activity looking to increase in 2018, especially the latter half of 2018. Activity in the Middle East is expected to remain relatively steady with the potential for some rig activations toward the latter half of 2018 as well. There is increased potential that Argentina may add additional drilling rigs and the Company is expected to participate in certain tenders for work in 2018 and beyond. Venezuela as a country continues to have significant social, economical and political challenges and those challenges are expected to continue for some time. The Company is closely monitoring business activities in Venezuela and will react as deemed appropriate. The Company continues to operate in Venezuela and is expected to do so into 2018 and beyond.

General Activity

The Company expects the overall market to be lower for longer. The modest recovery to date has been slow and steady as expected. The Company continues to review capital projects with returns on the forefront and only plans to proceed with projects that are expected to provide the appropriate returns for shareholders. The cost control and organizational changes that the Company has implemented during the past three years have resulted in reduced general and administrative costs that will be scalable into the future. The Company will continue to look at ways to reduce costs or increase revenue and will be focused on returns for its shareholders.

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

As of January 1, 2018, IFRS 15 *Revenue from Contracts with Customers* came into effect, replacing IAS 18 *Revenue*, IAS 11 *Construction Contracts* and any associated interpretations. The standard is required to be adopted either retrospectively or using a modified transition method, with early adoption permitted. The Company has completed its initial assessment of IFRS 15 Revenue from Contracts with Customers has adopted as of January 1, 2018. This will not have a material impact on the recognition of revenue, however, it will have an impact on the associated disclosures.

As of January 1, 2018, IFRS 9 *Financial Instruments,* came into effect, superseding earlier versions of IFRS 9 and replacing IAS 39 *Financial Instruments: Recognition and Measurement.* The Company is currently in the process of completing its assessment of the standard and its expected impact on the consolidated financial statements ahead of year end.

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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As of December 31, 2017, 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, 2017.

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, 2017, the management of the Corporation evaluated the Corporation's effectiveness of internal controls 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, 2017.

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, 2017 was approximately 1.26 compared with 1.34 at December 31, 2016 and 1.38 at December 31, 2015. In addition, the Company has foreign exchange risk in relation to the conversion of United States dollar-denominated debt to Australian dollars. The United States/Australian dollar exchange rate at December 31, 2017 was approximately

1.28, compared with 1.38 at December 31, 2016 and 1.37 at December 31, 2015. Fluctuations in the future period's exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

Litigation and Legal Proceedings

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

Operating Risks and Insurance

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

Technology

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

Reliance on Key Management Personnel

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

Workforce

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

Seasonality and Weather

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