ENSIGN®

2019 Q1

FIRST QUARTER REPORT For the three months ended March 31, 2019

FINANCIAL AND OPERATING HIGHLIGHTS

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

Three months ended March 31	**2019**	2018	% change
Revenue	**445,258**	258,460	72
Revenue, net of third party [1]	**412,361**	226,967	82
Adjusted EBITDA [1]	**115,531**	52,294	nm
Adjusted EBITDA per share [1]			
Basic	**$0.74**	$0.33	nm
Diluted	**$0.74**	$0.33	nm
Net loss attributed to shareholders	**(22,347)**	(26,682)	(16)
Net loss per share			
Basic	**$(0.14)**	$(0.17)	(18)
Diluted	**$(0.14)**	$(0.17)	(18)
Cash provided by operating activities	**51,871**	19,998	nm
Funds flow from operations [1]	**86,312**	53,907	60
Funds flow from operations per share [1]			
Basic	**$0.55**	$0.34	62
Diluted	**$0.55**	$0.34	62
Total debt, net of cash	**1,688,087**	726,636	nm
Weighted average shares - basic *(000s)*	**156,951**	156,866	—
Weighted average shares - diluted *(000s)*	**156,982**	157,027	—

Drilling	**2019**	2018	% change
Number of marketed rigs [2]			
Canada [3]	**119**	57	nm
United States	**134**	66	nm
International [4]	**42**	43	(2)
Operating days			
Canada [3]	**3,061**	1,960	56
United States	**6,657**	2,904	nm
International [4]	**1,329**	1,358	(2)

Well Servicing	**2019**	2018	% change
Number of rigs			
Canada	**55**	62	(11)
United States	**46**	43	7
Operating hours			
Canada	**12,798**	16,726	(23)
United States	**28,365**	22,406	27

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

[2] *Total rigs Canada - 136, United Sates - 152, International - 47 (2018 - Canada - 70, United States - 84, International - 46)*

[3] *Excludes coring rigs.*

[4] *Includes workover rigs and excluded joint venture drilling rigs.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Ensign Energy Services Inc. and all of its subsidiaries and partnerships ("Ensign" or the "Company") should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2019, as well as the audited consolidated financial statements and notes thereto for the year ended December 31, 2018, which are available on SEDAR at www.sedar.com.

This MD&A and the interim consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated and are stated in thousands, except for: per share amounts, number of rigs and operating days/hours. This MD&A is dated May 10, 2019.

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, international operations, operating costs, annualized operating synergies as a result of the Trinidad Acquisition (as defined below) capital expenditures and other future guidance provided throughout this MD&A, including, but not limited to, information provided in the "Funds flow from operations and Working Capital" section regarding the Company's expectation that funds generated by operations combined with current and future credit facilities will support current operating and capital requirements, information provided in the "New Builds and Major Retrofits" section regarding the new build program for 2019, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for 2019, 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. Adjusted EBITDA is defined as “losses before interest, income taxes, depreciation, asset decommissioning and write-downs, share-based compensation, restructuring costs, and foreign exchange loss (gain) and other”. Management believes that, in addition to Net loss, Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company’s principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, how the results are impacted by foreign exchange or how the results are impacted by the accounting standards associated with the Company’s share-based compensation plans. Adjusted EBITDA also takes into account the Company's portion of the principle activities of the joint venture arrangements be removing the loss (gain) from investment in joint ventures and including adjusted EBITDA from investment in joint ventures.

Funds flow from operations is defined as “cash provided by operating activities before the change in non-cash working capital”. Management believes that, in addition to Net loss, Funds flow from operations constitute a measure that provides additional information regarding the Company’s liquidity and its ability to generate funds to finance its operations. Management utilizes this measure to assess the Company’s ability to finance operating activities and capital expenditures.

Revenue, net of third party is defined as "gross revenue less third party reimbursable items". Management believes that, in addition to revenue, Revenue, net of third party, is a useful supplemental measure to indicate the Company's operating activity levels.

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

ADJUSTED EBITDA

	Three months ended March 31	
($ thousands)	**2019**	2018
Loss before income taxes	**(33,460)**	(41,859)
Interest expense	**36,346**	10,194
Depreciation	**88,167**	98,575
Restructuring costs	**8,482**	—
Share-based compensation	**1,627**	(164)
Loss from investment in joint ventures	**2,011**	—
Foreign exchange loss (gain) and other	**10,360**	(14,452)
Adjusted EBITDA from investment in joint ventures	**1,998**	—
Adjusted EBITDA	**115,531**	52,294

Adjusted EBITDA from investment in joint ventures is calculated below:

	Three months ended March 31	
($ thousands)	**2019**	2018
Loss from investment in joint ventures	**(2,011)**	—
Depreciation and amortization	**3,429**	—
Foreign exchange	**(5)**	—
Finance cost	**314**	—
Income taxes	**124**	—
Preferred shares valuation	**147**	—
Adjusted EBITDA	**1,998**	—

Funds flow from operations

	Three months ended March 31	
($ thousands)	**2019**	2018
Net loss	**(22,208)**	(26,682)
Items not affecting cash		
Depreciation	**88,167**	98,575
Loss from joint ventures	**2,011**	—
Share-based compensation, net of cash paid	**1,627**	(164)
Unrealized foreign exchange and other	**26,170**	(1,337)
Accretion on long-term debt	**2,238**	36
Deferred income tax	**(11,693)**	(16,521)
Funds flow from operations	**86,312**	53,907

OVERVIEW

Revenue for the three months ended March 31, 2019 was $445.3 million, an increase of 72 percent from revenue for the three months ended March 31, 2018 of $258.5 million. Revenue, net of third party, for the three months ended March 31, 2019 was $412.4 million, an increase of 82 percent from Revenue, net of third party, for the three months ended March 31, 2018 of $227.0 million. Adjusted EBITDA totaled $115.5 million ($0.74 per common share) in the first quarter of 2019, higher by $63.2 million than Adjusted EBITDA of $52.3 million ($0.33 per common share) in the first quarter of 2018. Net loss attributed to shareholders for the three months ended March 31, 2019 was $22.3 million ($0.14 per common share), compared to net loss attributed to shareholders of $26.7 million ($0.17 per common share) for the three months ended March 31, 2018, Funds flow from operations increased 60 percent to $86.3 million ($0.55 per common share) in the first quarter of 2019 compared to $53.9 million ($0.34 per common share) in the first quarter of the prior year.

During the fourth quarter of 2018, the Company acquired 89.3 percent of Trinidad Drilling Ltd. (**"Trinidad"**), the largest acquisition in the Company's history (the "**Trinidad Acquisition**"), ultimately adding 68 drilling rigs in Canada, 66 in the United States and one internationally. The Trinidad Acquisition also expanded the Company's geographic footprint with the addition of three new countries of operation (Bahrain, Kuwait and Mexico) in connection with the joint venture described below, expanded the Company's existing customer base, and provided the Company additional exposure to the United States market in particular.

Results for the first quarter of 2019 were materially impacted by the Trinidad Acquisition. The acquisition includes a 60 percent interest in Trinidad Drilling International ("**TDI**"), which is a joint venture with a wholly-owned subsidiary of Halliburton Company. During the first quarter of 2019, the Company acquired the remaining 10.7 percent of Trinidad shares and as a result Trinidad shares were delisted from trading on the Toronto Stock Exchange.

Operating days were higher in Canada and the United States in the first quarter of 2019 when compared to the first quarter of 2018 due to additional days from the Trinidad Acquisition as well as an increased demand in oilfield services caused by stabilization of crude oil and natural gas commodity prices. A strengthening year-over-year of the United States dollar against the Canadian dollar positively impacted United States and international financial results on translation to Canadian dollars. The average United States dollar exchange rate was 1.33 for the first three months of 2019 (first three months of 2018 - 1.26) versus the Canadian dollar, an increase of five percent, compared to the first three months of 2018.

Gross margin increased to $127.6 million (30.9 percent of Revenue, net of third party) for the first quarter of 2019 compared to gross margin of $63.1 million (27.8 percent of Revenue, net of third party) for the first quarter of 2018. The increase in gross margin percentage in the first quarter of 2019 compared to the first quarter of 2018 was primarily attributed to the increase in activity, effective cost controls, synergies obtained from the Trinidad Acquisition and the positive impact of the strengthened United States dollar against the Canadian dollar.

Working capital at March 31, 2019 was a surplus of $279.2 million, compared to a deficit of $156.2 million at December 31, 2018. The increase in working capital year-over-year was largely due to the repayment USD $200.0 million Ensign senior unsecured notes (the "**Ensign Notes**") and the repayment the Trinidad's credit facility (the **"Trinidad Facility"**) of $98.0 million. At the end of the first quarter 2019, the Company had total liquidity of $139.3 million consisting of $122.8 million in cash and $16.5 million in available bank facilities.

REVENUE AND OILFIELD SERVICES

			Three months ended March 31	
($ thousands)	**2019**	2018	Change	% change
Revenue				
Canada	**106,422**	73,813	32,609	44
United States	**273,596**	125,502	148,094	nm
International	**65,240**	59,145	6,095	10
Total revenue	**445,258**	258,460	186,798	72
Revenue, net of third party	**412,361**	226,967	185,394	82
Oilfield services expense	**317,688**	195,365	122,323	63
Gross margin	**127,570**	63,095	64,475	nm
Gross margin as a percentage of Revenue, net of third party	**30.9**	27.8		

Revenue for the three months ended March 31, 2019 totaled $445.3 million, an increase of 72 percent from the first quarter of 2018 of $258.5 million. As a percentage of Revenue, net of third party, gross margin for the first quarter of 2019 increased to 30.9 percent (2018 - 27.8 percent).

The increase in revenue was largely due to increased operating activity by way of the Trinidad Acquisition and revenue rate increases. Further, the financial results from the Company's United States and international operations were positively impacted upon translation, due to the stronger United States dollar relative to the Canadian dollar in the first three months of 2019.

CANADIAN OILFIELD SERVICES

The Company recorded revenue of $106.4 million in Canada for the three months ended March 31, 2019, an increase of 44 percent from $73.8 million recorded for the three months ended March 31, 2018. Canadian revenues accounted for 24 percent of the Company's total revenue in the first quarter of 2019, compared to 29 percent in the first quarter of 2018.

The increased operating results for the Company's Canadian operations was largely due to the Trinidad Acquisition and revenue rate improvements. The increase was partially offset by lower operating activities by Canadian well servicing. Gross margin was higher because of effective cost control and synergies realized from the Trinidad Acquisition.

For the three months ended March 31, 2019, the Company recorded 3,061 drilling days compared to 1,960 drilling days for the three months ended March 31, 2018, an increase of 56 percent. Well servicing hours decreased by 23 percent to 12,798 operating hours in the first quarter of 2019 compared to 16,726 operating hours in the corresponding period of 2018.

During the three months ended March 31, 2019, the Company transferred one ADR® drilling rig from Canada to the United States, moved five under-utilized drilling rigs into the Company's reserve fleet and decommissioned seven well servicing rigs in Canada.

UNITED STATES OILFIELD SERVICES

During the three months ended March 31, 2019, revenue of $273.6 million was recorded by the Company's United States operations, an increase of $148.1 million from the $125.5 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 61 percent of the Company's revenue in the first quarter of 2019 (2018 - 49 percent).

Drilling rig operating days increased to 6,657 drilling days in the first quarter of 2019 from 2,904 drilling days in the first quarter of 2018. Well servicing activity expressed in operating hours increased by 27 percent in the first quarter of 2019 to 28,365 operating hours from 22,406 operating hours in the first quarter of 2018.

Overall operating results for the Company's United States operations were positively impacted by an increase in operating activity by way of the Trinidad Acquisition. Gross margin was higher because of effective cost control and synergies

realized from the Trinidad Acquisition. Furthermore, the operating results were positively impacted by a strengthening United States dollar, which increased five percent versus the Canadian dollar when compared to the three months ending March 31, 2018.

During the three months ended March 31, 2019 the Company transferred one ADR® drilling rig from Canada to the United States.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $65.2 million in the first quarter of 2019, a 10 percent increase from the $59.1 million recorded in the corresponding period of the prior year. The Company's international operations contributed 15 percent of the total revenue in the first quarter of 2019 (2018 - 23 percent).

For the three months ended March 31, 2019, international operating days totaled 1,329 operating days compared to 1,358 drilling days for the three months ended March 31, 2018, a decrease of two percent.

Although the operating days decreased in the first quarter of 2019, the international operating results improved due to higher revenue rates and the strengthened United States dollar, which increased five percent versus the Canadian dollar when compared to the first quarter of 2018.

DEPRECIATION

	Three months ended March 31			
($ thousands)	**2019**	2018	Change	% change
Depreciation	**88,167**	98,575	(10,408)	(11)

Depreciation expense totaled $88.2 million for the first quarter of 2019 compared with $98.6 million for the first quarter of 2018. In the first quarter of 2019, due to the acquisition of Trinidad the Company reviewed the makeup of and the age of the drilling rig fleet and equipment and determined that based on age, specification and type of recertifications that were taking place, that the useful life estimates previously used did not appropriately represent the useful life of this equipment. On this basis the Company believes the new useful life estimates for its equipment accurately reflect the future economic benefits related to these assets. These adjustments were applied prospectively and, as such, have caused a decrease in depreciation expense in 2019.

GENERAL AND ADMINISTRATIVE

	Three months ended March 31			
($ thousands)	**2019**	2018	Change	% change
General and administrative	**14,037**	10,801	3,236	30
% of revenue	**3.2**	4.2		

General and administrative expense increased 30 percent to $14.0 million (3.2 percent of revenue) for the first quarter of 2019 compared to $10.8 million (4.2 percent of revenue) for the first quarter of 2018. The increase was due primarily to the Trinidad Acquisition. Management continues to focus on managing costs and realization of additional synergies from the acquisition of Trinidad.

RESTRUCTURING COSTS

	Three months ended March 31			
($ thousands)	**2019**	2018	Change	% change
Restructuring costs	**8,482**	—	8,482	nm

nm - calculation not meaningful

Restructuring costs totaled $8.5 million for the first quarter of 2019, which includes severance cost of $6.9 million (2018 - $nil).

JOINT VENTURE OILFIELD SERVICES

As part of the Trinidad Acquisition during fourth quarter, 2018, Ensign acquired a 60 percent ownership in Trinidad Drilling ("**TDI**"), a joint venture with a wholly-owned subsidiary of Halliburton Company. TDI has five rigs and operates rigs in Bahrain, Mexico and Kuwait. The Company owns 60 percent of the shares of TDI and each parties have equal voting rights.

Amounts below are presented at 100 percent of the value included in the statement of operations and comprehensive (loss):

			Three months ended March 31	
($ thousands)	**2019**	2018	Change	% change
Revenue	**10,204**	—	10,204	nm
Net loss	**(2,707)**	—	(2,707)	nm
Drilling operating days	**123**	—	123	nm

nm - calculation not meaningful

For the three months ended March 31, 2019, TDI recorded revenue of $10.2 million (2018 - $nil). For three months ended March 31, 2019, TDI operating days totaled 123 (2018 - $nil).

INTEREST EXPENSE

			Three months ended March 31	
($ thousands)	**2019**	2018	Change	% change
Interest expense	**36,346**	10,194	26,152	nm

nm - calculation not meaningful

Interest was incurred on the Company's $900.0 million global revolving credit facility (the “Credit Facility”), USD $700.0 million senior loan facility (the "Senior Loan"), the $37.0 million subordinate convertible debenture (the Debentures") and capital lease obligations. Interest was also incurred on prior debt instrument until retired during the quarter and as well as the amortization of deferred financing costs associated with the refinancing the Company's debt.

Interest expense increased by $26.2 million for the first quarter of 2019 compared to the same period in 2018 as a result of an increase to the overall interest rate and total debt. The negative translational impact on United States dollar-denominated debt of a strengthened United States dollar versus the Canadian dollar also impacted interest expense for the quarter.

FOREIGN EXCHANGE GAIN AND OTHER

			Three months ended March 31	
($ thousands)	**2019**	2018	Change	% change
Foreign exchange loss (gain) and other	**10,360**	(14,452)	24,812	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

			Three months ended March 31	
($ thousands)	**2019**	2018	Change	% change
Current tax	**441**	1,344	(903)	(67)
Deferred tax	**(11,693)**	(16,521)	4,828	(29)
Total tax	**(11,252)**	(15,177)	3,925	(26)
Effective tax rate (%)	**35.8**	36.3		

The effective income tax rate for the three months ended March 31, 2019 was 35.8 percent compared with 36.3 percent for the three months ended March 31, 2018. The effective tax rate in the first quarter of the current year was lower than the effective tax rate in the first quarter of 2018 due to the impact of earnings in foreign tax jurisdictions.

FUNDS FLOW FROM OPERATIONS AND

		Three months ended March 31		
($ thousands, except per share data)	**2019**	2018	Change	% change
Cash provided by operating activities	**51,871**	19,998	31,873	nm
Funds flow from operations	**86,312**	53,907	32,405	60
Funds flow from operations per share	**$0.55**	$0.34	0.21	62
Working capital [1]	**279,153**	(156,223)	435,376	nm

nm - calculation not meaningful
[1] Comparative figure as of December 31, 2018

For the three months ended March 31, 2019, the Company generated Funds flow from operations of $86.3 million ($0.55 per common share) an increase of $32.4 million from $53.9 million ($0.34 per common share) for the three months ended March 31, 2018. The increase in Funds flow from operations in 2019 compared to 2018 is largely due to the increase in activity compared to the prior period due to the Trinidad Acquisition. The increase was further positively impacted by the strengthening United States dollar.

As at March 31, 2019 the Company's working capital was a surplus of $279.2 million, compared to a working capital deficit of $156.2 million at December 31, 2018. The increase in working capital in the first three months of 2019, was mainly related the repayment of USD $200.0 million Ensign Notes and the $98.0 million Trinidad Facility. The Company expects funds generated by operations, combined with current and future credit facilities, to fully support current operating and capital requirements. The existing bank facility provides for total borrowings of $900.0 million and the Senior Loan provides USD $700.0 million of which $16.5 million was undrawn and available at March 31, 2019.

INVESTING ACTIVITIES

		Three months ended March 31		
($ thousands)	**2019**	2018	Change	% change
Purchase of property and equipment	**(41,366)**	(16,476)	(24,890)	nm
Proceeds from disposals of property and equipment	**1,722**	1,030	692	67
Acquisition of minority interest	**(49,214)**	—	(49,214)	nm
Net change in non-cash working capital	**16,426**	798	15,628	nm
Cash used in investing activities	**(72,432)**	(14,648)	(57,784)	nm

nm - calculation not meaningful

Net purchases of property and equipment for the first quarter of 2019 totaled $39.6 million (2018 - $15.4 million). The purchase of property and equipment relates predominantly to maintenance capital for certain drilling rigs and to the construction of one service rig for the United States. During first quarter of 2019, the Company acquired the remaining 10.7 percent of Trinidad shares for consideration of $49.2 million.

FINANCING ACTIVITIES

	Three months ended March 31			
($ thousands)	**2019**	2018	Change	% change
Proceeds from long-term debt	**1,259,136**	—	1,259,136	nm
Repayments of long-term debt	**(1,186,972)**	(3,008)	(1,183,964)	nm
Purchase of shares held in trust	**(1,076)**	(290)	(786)	nm
Issuance of convertible debenture	**—**	25,950	(25,950)	(100)
Dividends	**(18,849)**	(18,849)	—	—
Net change in non-cash working capital	**7,719**	2,739	4,980	nm
Cash provided by financing activities	**59,958**	6,542	53,416	nm

nm - calculation not meaningful

The Company's available bank facilities consist of a $900.0 million Bank Facility and USD $700.0 million Senior Loan. The Bank Facility and the Senior Loan mature November 26, 2021 and February 14, 2024 respectively.

As at March 31, 2019 the Company had $44.2 million (2018 - $8.2 million) outstanding collateralized letters of credit, used in the normal course of business.

Subsequent to March 31, 2019, the Company issued US$700.0 million of Senior Notes due 2024 bearing interest of 9.25%. The net proceeds of the offering and cash on hand were used to repay all outstanding loans under the US$700.0 million Senior loan disclosed in Note 7. The Senior Notes are callable on or after April 15, 2021 at 104.625%, April 15, 2022 at 102.313% and April 15, 2023 and thereafter at 100%. The Company's blended interest rate on outstanding debt for the year will be approximately 7.0%. The go forward capital structure consisting of the Bank Facility and Senior notes allows for the Company to utilize cash to reduce debt in the near term with greater flexibility then a more weighted non-callable capital structure.

The Company may at any time and from time to time acquire Senior Notes by means of open market purchases, negotiated transactions or otherwise.

The Board of Directors of the Company has declared a second quarter cash dividend of $0.12 per common share to be payable on July 5, 2019 to all Common Shareholders of record as of June 21, 2019. The dividend is pursuant to the quarterly dividend policy adopted by the Company. Pursuant to subsection 89(1) of the Canadian Income Tax Act ("ITA"), the dividend being paid is designated as an eligible dividend, as defined in subsection 89(1) of the ITA.

FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at March 31, 2019 totaled $373.3 million, an increase of $21.7 million from $351.6 million as at December 31, 2018. Varying levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increases the collection risk of accounts receivable balances.

As part of the Company's international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at March 31, 2019, the Company had net accounts receivable balance of approximately $12.6 million net of allowance for doubtful accounts for work performed in Venezuela. 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 and expansion of sanctions by the US government, there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding.

NEW BUILDS AND MAJOR RETROFITS

During the three months ended March 31, 2019, the Company transferred one ADR® drilling rig from Canada to United States, moved five under-utilized drilling rigs into the Company's reserve fleet and decommissioned seven well servicing rigs in Canada. The Company continues to selectively add new ADR® drilling rigs to meet the increasing technical

demands of its customers. Following March 31, 2019, the Company deployed a new well servicing rig to the United States. The Company plans to deploy one ADR® drilling rig to the international fleet in the second quarter.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q1-2019**	Q4-2018	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017
Revenue	**445,258**	346,136	288,700	263,061	258,460	270,013	247,121	232,232
Revenue, net of third party [1]	**412,361**	308,651	254,424	231,871	226,967	241,987	211,299	211,687
Adjusted EBITDA [1]	**115,531**	81,678	68,641	53,064	52,294	54,820	52,600	44,276
Adjusted EBITDA per share [1]								
Basic	**$0.74**	$0.52	$0.44	$0.34	$0.33	$0.34	$0.34	$0.29
Diluted	**$0.74**	$0.52	$0.44	$0.34	$0.33	$0.35	$0.33	$0.29
Net income (loss) income attributable to shareholders	**(22,347)**	154,472	(32,791)	(36,697)	(26,682)	46,488	(36,526)	(33,814)
Net income (loss) income per share								
Basic	**$(0.14)**	$0.98	$(0.21)	$(0.23)	$(0.17)	$0.30	$(0.23)	$(0.22)
Diluted	**$(0.14)**	$0.98	$(0.21)	$(0.23)	$(0.17)	$0.30	$(0.23)	$(0.22)
Cash provided by operating activities	**51,871**	61,037	51,792	19,306	19,998	38,124	32,791	44,687
Funds from operations [1]	**86,312**	63,834	60,390	47,808	53,907	12,244	39,616	44,769
Funds from operations per share								
Basic	**$0.55**	$0.41	$0.38	$0.31	$0.34	$0.07	$0.25	$0.29
Diluted	**$0.55**	$0.41	$0.38	$0.31	$0.34	$0.07	$0.25	$0.29
Total debt, net of cash	**1,688,087**	1,641,830	730,520	748,609	726,636	707,559	700,011	714,357

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

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

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

In addition to the seasonality noted above, the variability noted in the Company's quarterly results reflect continued volatile levels of demand for oilfield services and the acquisition of Trinidad Drilling Ltd. Such demand for oilfield services was positively influenced by more favorable oil and natural gas commodity prices.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of May 10, 2019:

	Number		Amount ($)
Common shares	158,397,934	$	214,778

	Outstanding	Exercisable
Stock options	7,110,925	2,737,340

OUTLOOK

Industry Overview

Operating free cash flow and debt reductions are what both the oilfield services industry and their customers are focusing on in 2019 and beyond. This emphasis and focused discipline should help drive returns into the future and contribute to a healthier industry going forward. The oilfield services industry continues to experience volatility with the benchmark price of West Texas Intermediate experiencing significant increases in Q1, 2019 compared to the significant decreases in Q4, 2018. This volatility has continued to cause companies to be cautious as they approach and budget for 2019 and beyond. Through this period of volatility, the Company intends to continue to focus on costs, realization of annualized synergies of $40.0 million from the Trinidad acquisition and exercising prudent capital controls with a budgeted net capital spend in 2019 of $102.0 million dedicated solely to maintenance capital.

Canadian Activity

The mandatory oil production curtailments in Alberta drastically improved the differential for light and heavy Canadian oil in Q1, 2019. This has improved the cash flow of many of our customers and has the potential to increase activity or at least sentiment in Canadian market. Takeaway capacity is still the primary issue in the Canadian market and potentially may see some improvement in 2020 with the Enbridge Line 3 and crude by rail capacity expected to increase. Customer inquiries for drilling rigs for the back half of 2019 have increased and could portend an increase in activity. In addition, the ongoing LNG Canada project is expected to increase activity in 2020 as natural gas supplies will be required to fulfill the project and its commitments.

Of our 119 marketed Canadian rigs, approximately 31 percent are engaged in contracts, with 26 percent of the contracts having a remaining term that is six months or greater.

United States Activity

The drilling rig count in the United States has been reduced by approximately five percent from the start of the year with a general expectation that the count will remain relatively flat for the remainder of the year. Day rates have increased modestly year over year, but have been flat to slightly down from Q4, 2018. Day rates increases will likely abate until the drilling rig count begins to increase.

Of our 134 marketed United States drilling rigs, approximately 57 percent are contracted, with 32 percent of the contracts having term that is six months or greater.

International Activity

Australia will continue to be the growth area for the Company as the drilling rigs contracted in Q4 2018 commence operations in 2019. Latin American operations have seen and likely will continue to see a decrease in activity due to the January 2019 expansion of sanctions against Venezuela by the United States. Activity in the Middle East is now expected to increase with the award of two contracts in Bahrain for one wholly owned drilling rig and one 60 percent owned joint venture drilling rig.

Our 50 marketed international rigs including the joint venture drilling rigs, approximately 50 percent are contracted, with 38 percent of the contracts having term that is six months or greater.

Trinidad Acquisition Update

As of April 1, 2019, the North American operations of Trinidad were completely amalgamated and consolidated into Ensign. The International operations will be fully incorporated into Ensign by the end of the year. The acquisition has been accretive to the Company's cash flow per share on a debt-adjusted basis and should continue to be accretive into

the future as the Company fully expects to realize annualized targeted synergies in excess of $40.0 million relating to the elimination of duplicate public company costs, facility overlap and staff efficiencies.

Subsequent Event

Subsequent to the quarter the Company completed the sale of the testing and wireline division for approximately $24.0 million. The proceeds of the sale were applied to the bank facility. The Company as previously stated, expects to reduce debt by $100.0 million by the end of 2019 and the reduction in debt remains a priority.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company is required to comply with National Instrument 52-109 *"Certification of Disclosure in Issuer's Annual and Interim Filings"*. This instrument requires that the Company disclose in the interim MD&A any changes in the Company's internal control over financial reporting that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company confirms that no such changes occurred during the three months ended March 31, 2019.

On February 15, 2019, the Company and Trinidad completed the transaction. As at March 31, 2019, management has not fully completed the design of internal control over financial reporting and disclosure controls and procedures of Trinidad. Since the acquisition date of Trinidad is within 365 days from the end of the financial reporting period, management has limited the scope of design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Trinidad for the period ended March 31, 2019. This scope limitation is in accordance with Section 3.3 of National Instrument 52-109. The Company intends to complete the design of disclosure controls and procedures and internal control over financial reporting of Trinidad by September 30, 2019.

CHANGE IN ACCOUNTING POLICY

Effective January 1, 2019 the Company adopted IFRS 16 - *Leases* using modified retrospective method with cumulative effect of adopting this standard as an adjustment to the opening retained earnings. The company did not adjust the opening balances of retained earnings as at January 1, 2019 given that adoption of IFRS 16 did not result in any changes in measurements.

Upon transition, the Company recognized the right-of-use assets and corresponding liabilities of $13.8 million. During the first quarter, Adjusted EBITDA was positively impacted by $1.3 million.

RISKS AND UNCERTAINTIES

Oil and Natural Gas Prices

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

Competition and Industry Conditions

The oilfield services industry is, and will continue to be, highly competitive. Contract drilling companies compete primarily on a regional basis and competition may vary significantly from region to region at any particular time. Most drilling and workover contracts are awarded on the basis of competitive bids, which result in price competition. Many drilling, workover and well servicing rigs can be moved from one region to another in response to changes in levels of activity, which can result in an oversupply of rigs in an area. In many markets in which the Company operates, the supply of rigs exceeds the demand for rigs, resulting in further price competition. Certain competitors are present in more than one of the regions in which the Company operates, although no one competitor operates in all of these areas. In Canada, the Company competes with several firms of varying size. In the United States there are many competitors with national, regional or local rig operations. Internationally, there are several competitors in each country where the Company operates and

some of those international competitors may be better positioned in certain markets, allowing them to compete more effectively. There is no assurance that the Company will be able to continue to compete successfully or that the level of competition and pressure on pricing will not affect the Company's margins.

Access to Credit Facilities and Debt Capital Markets

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

Changes in Laws and Regulations

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

Foreign Operations

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

Foreign Exchange Exposure

The Company's consolidated financial statements are presented in Canadian dollars. Operations in countries outside of Canada result in foreign exchange risk to the Company. The principal foreign exchange risk relates to the conversion of United States dollar-denominated activity to Canadian dollars. The United States/Canadian dollar exchange rate at March 31, 2019 was approximately 1.33 compared with 1.29 at December 31, 2018 and 1.26 at December 31, 2017. Fluctuations in the future period's exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

Litigation and Legal Proceedings

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

Operating Risks and Insurance

The Company's operations are subject to risks inherent in the oilfield services industry. Where available and cost-effective, the Company carries insurance to cover the risk to its equipment and people, and each year the Company reviews the level of insurance for adequacy. Although the Company believes its level of insurance coverage to be

adequate, there can be no assurance that the level of insurance carried by the Company will be sufficient to cover all potential liabilities.

Technology

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

Reliance on Key Management Personnel

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

Workforce

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

Seasonality and Weather

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	March 31 2019	December 31 2018
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash and cash equivalents *(Note 13)*	**$ 122,803**	$ 84,823
Accounts receivable	**373,323**	351,596
Inventories, investments, prepaid and other	**54,393**	58,175
Asset held for sale *(Note 6)*	**18,806**	18,806
Income taxes receivable	**1,641**	1,994
Total current assets	**570,966**	515,394
Property and equipment	**3,124,523**	3,201,704
Investment in joint ventures *(Note 7)*	**167,335**	177,010
Total assets	**$ 3,862,824**	$ 3,894,108
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 259,934**	$ 271,374
Cash dividends payable	**11,588**	18,849
Share dividends payable	**7,643**	—
Share-based compensation *(Note 11)*	**1,185**	975
Income taxes payable	**3,669**	3,807
Current portion of long-term debt *(Note 8)*	**—**	376,612
Current portion of lease obligations	**7,794**	—
Total current liabilities	**291,813**	671,617
Long-term debt *(Note 8)*	**1,810,890**	1,340,352
Lease obligations	**14,843**	9,689
Share-based compensation *(Note 11)*	**4,060**	3,033
Deferred income taxes	**58,153**	72,727
Non-controlling interest	**5,885**	6,007
Total liabilities	**2,185,644**	2,103,425
Shareholders' Equity		
Share capital *(Note 9)*	**207,135**	206,328
Contributed surplus	**23,205**	1,013
Equity component of convertible debenture	**3,193**	3,193
Foreign currency translation reserve	**292,249**	315,095
Minority interest	**—**	72,078
Retained earnings	**1,151,398**	1,192,976
Total shareholders' equity	**1,677,180**	1,790,683
Total liabilities and shareholders' equity	**$ 3,862,824**	$ 3,894,108

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS

For the three months ended	March 31 2019	March 31 2018
(Unaudited, in thousands of Canadian dollars, except per share data)		
Revenue	**$ 445,258**	$ 258,460
Expenses		
Oilfield services	**317,688**	195,365
Depreciation	**88,167**	98,575
General and administrative	**14,037**	10,801
Restructuring costs	**8,482**	—
Share-based compensation	**1,627**	(164)
Foreign exchange and other loss (gain)	**10,360**	(14,452)
Total expenses	**440,361**	290,125
Income (loss) before interest and income taxes and loss from investments	**4,897**	(31,665)
Loss from investment in joint ventures *(Note 7)*	**2,011**	—
Interest expense	**36,346**	10,194
Loss before income taxes	**(33,460)**	(41,859)
Income taxes		
Current tax	**441**	1,344
Deferred tax	**(11,693)**	(16,521)
Total income taxes	**(11,252)**	(15,177)
Net loss	**$ (22,208)**	$ (26,682)
Net (loss) income attributable to:		
Shareholders of Ensign	**(22,347)**	(26,682)
Non-controlling interests	**139**	—
	(22,208)	(26.682)
Net loss per share (Note 10)		
Basic	**$ (0.14)**	$ (0.17)
Diluted	**$ (0.14)**	$ (0.17)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three months ended	**March 31 2019**	March 31 2018
(Unaudited, in thousands of Canadian dollars)		
Net loss	**$ (22,208)**	$ (26,682)
Other comprehensive loss		
Item that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustment	**(22,846)**	25,196
Comprehensive loss	**$ (45,054)**	$ (1,486)
Other Comprehensive income (loss) attributable to:		
Shareholders of Ensign	**$ (22,846)**	$ 25,196
	$ (22,846)	$ 25,196

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Contributed Surplus	Equity Component of Convertible Debenture	Foreign Currency Translation Reserve	Minority Interest	Retained Earnings	Total Equity
(Unaudited, in thousands of Canadian dollars)							
Balance, January 1, 2019	$ 206,328	$ 1,013	$ 3,193	$ 315,095	$ 72,078	$ 1,192,976	$ 1,790,683
Net loss	—	—	—	—	—	(22,347)	(22,347)
Other comprehensive loss	—	—	—	(22,846)	—	—	(22,846)
Total comprehensive loss	—	—	—	(22,846)	—	(22,347)	(45,193)
Dividends	—	—	—	—	—	(19,231)	(19,231)
Acquisition of minority interest	—	—	—	—	(49,214)	—	(49,214)
Derecognition of net assets attributable to minority interest	—	22,864	—	—	(22,864)	—	—
Share-based compensation	—	404	—	—	—	—	404
Shares vested previously held in trust	1,076	(1,076)	—	—	—	—	—
Purchase of shares held in trust	(269)	—	—	—		—	(269)
Balance March 31, 2019	**$ 207,135**	**$ 23,205**	**$ 3,193**	**$ 292,249**	**$ —**	**$ 1,151,398**	**$ 1,677,180**
Balance, at December 31, 2017 as originally presented	$ 206,042	$ 1,126	$ —	$ 237,885	$ —	$ 1,244,323	$ 1,689,376
Change in accounting policy	—	—	—	—	—	(12,781)	(12,781)
Balance as at January 1, 2018	206,042	1,126	—	237,885	—	1,231,542	1,676,595
Net loss	—	—	—	—	—	(26,682)	(26,682)
Other comprehensive income	—	—	—	25,196	—	—	25,196
Total comprehensive income (loss)	—	—	—	25,196	—	(26,682)	(1,486)
Dividends	—	—	—	—	—	(18,849)	(18,849)
Convertible Debenture	—	—	2,212	—	—	—	2,212
Share-based compensation	—	379		—	—	—	379
Shares vested previously held in trust	989	(989)	—	—	—	—	—
Purchase of shares held in trust	(290)	—	—	—	—	—	(290)
Balance March 31, 2018	$ 206,741	$ 516	$ 2,212	$ 263,081	$ —	$ 1,186,011	$ 1,658,561

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended	**March 31 2019**	March 31, 2018
(Unaudited, in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net loss	**$ (22,208)**	$ (26,682)
Items not affecting cash		
Depreciation	**88,167**	98,575
Loss from investment in joint ventures	**2,011**	—
Share-based compensation	**1,627**	(164)
Unrealized foreign exchange and other	**26,170**	(1,337)
Accretion on long-term debt	**2,238**	36
Deferred income tax	**(11,693)**	(16,521)
Funds flow from operations	**86,312**	53,907
Net change in non-cash working capital *(Note 13)*	**(34,441)**	(33,909)
Cash provided by operating activities	**51,871**	19,998
Investing activities		
Purchase of property and equipment	**(41,366)**	(16,476)
Proceeds from disposals of property and equipment	**1,722**	1,030
Acquisition of minority interest	**(49,214)**	—
Net change in non-cash working capital *(Note 13)*	**16,426**	798
Cash used in investing activities	**(72,432)**	(14,648)
Financing activities		
Proceeds from long-term debt	**1,259,136**	—
Repayments of long-term debt	**(1,186,972)**	(3,008)
Purchase of shares held in trust *(Note 9)*	**(1,076)**	(290)
Issuance of convertible debenture (Note 8)	**—**	25,950
Dividends *(Note 9)*	**(18,849)**	(18,849)
Net change in non-cash working capital *(Note 13)*	**7,719**	2,739
Cash provided by financing activities	**59,958**	6,542
Net increase in cash and cash equivalents	**39,397**	11,892
Effects of foreign exchange on cash and cash equivalents	**(1,417)**	(1,130)
Cash and cash equivalents		
Beginning of period	**84,823**	32,374
End of period	**$ 122,803**	$ 43,136
Supplemental information		
Interest paid	**$ 47,069**	$ 7,428
Income taxes recovered	**$ (226)**	$ (1,397)

See accompanying notes to the interim consolidated financial statements.

1. NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting ("IAS 34"). The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2018. The calculation of depreciation includes assumptions related to useful lives and residual values that are regularly reviewed by management. The disclosures provided below do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the same accounting policies throughout all periods presented.

These consolidated financial statements were approved by the Company's Board of Directors on May 10, 2019, after review by the Company's Audit Committee.

3. SEASONALITY OF OPERATIONS

The Company's Canadian oilfield services operations are seasonal in nature and are impacted by weather conditions that may hinder the Company's ability to access locations or move heavy equipment. The lowest activity levels are experienced during the second quarter of the year when road weight restrictions are in place and access to wellsites in Canada is reduced. In addition, operations in certain international jurisdictions may be subject to seasonal weather conditions.

4. FOREIGN OPERATIONS

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. The Company expanded its foreign operations to Bahrain, Mexico, the United Arab Emirates and Kuwait through the acquisition of Trinidad Drilling Ltd. 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 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. CHANGES IN ACCOUNTING POLICIES

IFRS 16 Leases

Effective January 1, 2019 the Company adopted IFRS 16 - *Leases* using modified retrospective method with cumulative effect of adopting this standard as an adjustment to the opening retained earnings. The company did not adjust the opening balances of retained earnings as at January 1, 2019 given that adoption of IFRS 16 did not result in any changes in measurements.
On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 of 7.1 percent.

For leases previously classified as finance the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The finance lease liability was estimated using rate of 2.85 percent at initial recognition and not revised with IFRS 16. The measurement principles of IFRS 16 are only applied after that date. This did not result in material adjustments.

	January 1 2019
Operating lease commitments disclosed as at December 31, 2018	22,844
Adjustment to Lease Commitments as at December 31, 2018	(5,968)
Undiscounted Commitments as at December 31, 2018	16,876
Discounted using the incremental borrowing rate at the date of initial application	13,792
Add: finance lease liabilities recognized as at December 31, 2018	9,689
(Less): short term leases recognized on a straight-line basis as expense	(760)
Lease liability recognized as at January 1, 2019	22,721

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

(i) The use of a single discount rate to a portfolio a leases with reasonably similar characteristics;
(ii) Reliance on previous assessment on whether lease is onerous;
(iii) The accounting for operating leases with a remaining lease term of less that 12 months as at January 1, 2019 as short-term leases;
(iii) The exclusion of initial costs for the measurement of the right-of-use asset at the end of initial application;
(iv) The accounting for each lease component as a single lease component.

At inception, the Company assessed whether or not a contract is or not contains a lease. This assessment involved the exercise of judgment about whether it depends on a specified assets, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset.

The recognized right-of-use assets relate to the following types of assets and is included in the property and equipment amount:

	March 31 2019	January 1 2019
Properties	**12,542**	13,792
Vehicles	**8,135**	6,952
Total right-of-use assets	**20,677**	20,744

Property and Equipment

During the first quarter on 2019, due to the acquisition of Trinidad the Company reviewed the makeup of and the age of the drilling rig fleet and equipment and determined that based on age, specification and type of recertifications that were taking place, that the useful life estimates previously used did not appropriately represent the useful life of this equipment. On this basis the Company believes the new useful life estimates for its equipment accurately reflect the future economic benefits related to these assets. These adjustments were applied prospectively and, as such, have caused a decrease in depreciation expense in 2019.

These adjustments were applied prospectively and caused a decrease in depreciation for the first three months ended March 31, 2019 of $30,752. A summary of the new depreciation methodologies for drilling and well servicing rigs and related equipment is as as follows:

Asset Class	Expected Life	Method	Residual
Oilfield services equipment			
Drawworks, mast and substructure	up to 25 years	Straight-line	10%
Building and electrical	up to 15 years	Straight-line	10%
Mud pumps and mud systems	up to 15 years	Straight-line	10%
Blow out preventer and boilers	up to 15 years	Straight-line	10%
Top drives	up to 15 years	Straight-line	10%
Drill Pipe	up to 6 years	Straight-line	10%
Recertification	up to 5 years	Straight-line	—%
Service rig equipment	up to 25 years	Straight-line	10%
Heavy oilfield service equipment	3- 15 years	Straight-line	10%
Drilling rig spare equipment	up to 10 years	Straight-line	—%
Buildings	up to 20 years	Straight-line	—%
Automotive equipment	up to 3 years	Straight-line	10%
Office furniture	5- 10 years	Straight-line	—%

6. ASSET HELD FOR SALE

As at March 31, 2019 building and land classified as held for sale had not been sold. As such, they were still classified as assets held for sale as at March 31, 2019. It is expected that these assets will be sold in 2019.

7. INVESTMENT IN JOINT VENTURES

Joint venture loss reconciliation

		March 31 2019		March 31 2018
Trinidad Drilling International loss from investment	**$**	**1,624**	$	—
Other joint arrangements net loss from investments		**387**		—
Loss from investment in joint ventures	**$**	**2,011**	$	—

Joint venture investment reconciliation

		March 31 2019		March 31 2018
Trinidad Drilling International investment balance	**$**	**167,550**	$	—
Other joint arrangements net loss from investments		**(215)**		—
Investment in joint ventures	**$**	**167,335**	$	—

During fourth quarter of 2018, through the Trinidad Acquisition, the Company acquired the TDI joint venture arrangement with a wholly-owned subsidiary of Halliburton Company, to operate rigs in Bahrain, Kuwait, Saudi Arabia, United Arab Emirates and Mexico. The joint venture conducts business under the name Trinidad Drilling International through separately incorporated companies. Trinidad owns 60 percent of the shares of TDI and each of the joint parties have equal voting rights. The investment is held through common shares and mandatory redeemable preferred shares (**"MRPS"**) classified as liabilities. The investment is treated as a financial asset and is fair valued through profit or loss and recognizes changes in fair value of the investment in the consolidated statements of income (loss) and comprehensive income (loss) as gain from investment in joint venture. The change in fair value of the investment was insignificant in the quarter.

Continuity of investment in TDI

	March 31 2019	December 31 2018
Opening Balance	**$ 177,223**	$ —
Acquisition of Trinidad Drilling Ltd.		144,776
Contributions to joint venture	**—**	26,144
Loss from investment in joint venture	**(1,624)**	1,096
Change in loan in joint venture	**(4,592)**	528
Elimination of downstream transactions	**(7)**	(48)
Effect of foreign exchange	**(3,450)**	4,727
Ending balance	**$ 167,550**	$ 177,223

8. BANK CREDIT FACILITIES AND LONG-TERM DEBT

	March 31 2019	December 31 2018
Drawings on the Bank Facility	**$ 883,527**	$ 946,531
Senior Loan	**933,920**	—
Ensign Notes - Senior unsecured notes		
Tranche B, due February 22, 2019, 3.97%	**—**	136,444
Tranche C, due February 22, 2022, 4.54%	**—**	136,444
Trinidad Notes - Senior unsecured notes, February 2025, 6.63%	**—**	477,554
Subordinated Convertible Debenture, January 22, 2022, 7.00%	**35,085**	34,538
Unamortized deferred financing costs	**(41,642)**	(14,547)
Total	**$ 1,810,890**	$ 1,716,964
Less: current portion	**—**	(376,612)
Total long-term debt	**$ 1,810,890**	$ 1,340,352

During the three months ended March 31, 2019, the Company extinguished Tranches B and C of Ensign Notes, Trinidad Notes and the Trinidad Facility using the proceeds from the Senior Loan. During the three months ended March 31, 2019 the Bank Facility was changed from an unsecured facility to a secured facility. Subsequent to March 31, 2019 the Senior Loan was repaid and is discussed in Note 14.

In addition, the Company obtained a US$50,000 secured Letter of Credit Facility. As of March 31, 2019, the available amount was USD $43,000.

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

	Number of Common Shares	Amount
Opening balance – January 1 2019	156,861,056	206,328
Shares issued as part of the dividend reinvestment plan	—	—
Changes in unvested shares held in trust	123,754	807
Closing balance - March 31 2019	**156,984,810**	**$ 207,135**

The total number of unvested shares held in trust for share-based compensation plans as at March 31, 2019 was 89,671 (December 31, 2018 – 213,425).

(c) Dividends

During the three months ended March 31, 2019, the Company declared dividends of $19,231 (2018 - $18,989), being $0.12 per common share (2018 - $0.12 per common share).

10. NET LOSS PER SHARE

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

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

	Three months ended	
	March 31 2019	March 31 2018
Net loss attributable to shareholders:		
Basic and diluted	**(22,347)**	$ (26,682)
Weighted average number of common shares outstanding:		
Basic	**156,950,787**	156,865,754
Potentially dilutive share-based compensation plans	**30,908**	161,675
Diluted	**156,981,695**	157,027,429

Share options of 5,910,450 (2018 – 6,472,900) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

11. SHARE-BASED COMPENSATION

A summary of the Company's share option plan as of March 31, 2019 and the changes during the three month period ended, is presented below:

	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1, 2019	6,038,200	$ 7.56
Granted	1,337,600	5.35
Forfeited	(126,700)	7.32
Outstanding - March 31, 2019	**7,249,100**	**$ 7.16**
Exercisable - March 31, 2019	**2,820,290**	**$ 8.34**

The following table lists the options outstanding at March 31, 2019:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$5.35 to $6.66	3,402,400	4.15	$ 5.60	418,640	$ 5.76
$6.67 to $7.64	1,528,900	1.75	7.30	925,300	7.30
$7.65 to $10.37	2,317,800	1.60	9.36	1,476,350	9.73
	7,249,100	2.83	$ 7.16	2,820,290	$ 8.34

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

	March 31, 2019
Remaining expected life (years)	2.1
Volatility (percent)	40.0
Forfeiture rate (percent)	6.7
Risk-free interest rate (percent)	1.5
Expected dividend (percent)	9.0

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of March 31, 2019 and the changes during the three month period ended, is presented below:

	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1, 2019	616,800	$ 7.28
Granted	179,930	5.35
Expired	—	—
Outstanding - March 31, 2019	**796,730**	**$ 7.28**
Exercisable - March 31, 2019	**263,600**	**$ 8.07**

The following table lists the SARs outstanding at March 31, 2019:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$5.06 to $7.00	445,130	4.15	$ 5.61	52,400	$ 5.80
$7.01 to $9.00	248,100	2.16	7.57	128,400	7.51
$9.01 to $10.37	103,500	0.75	10.37	82,800	10.37
	796,730	3.09	$ 6.84	263,600	$ 8.07

Performance Share Units (PSUs)

The Company grants Performance Share Units (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 performance metrics assessed by management 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.

A summary of the activity under this share based incentive plan is presented below:

	Outstanding
Outstanding – January 1, 2019	1,273,115
Granted through dividend payment	31,961
Outstanding - March 31, 2019	**1,305,076**

Included in net earnings for the three months ended March 31, 2019 is an expense of $709 (2018 - recovery of $56). 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, adjusted for performance factors and subject to a two percent cap based on certain financial performance metrics.

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:

	2019				2018			
As at and for the three month period ended March 31	Canada	United States	International	Total	Canada	United States	International	Total
Revenue	106,422	273,596	65,240	445,258	73,813	125,502	59,145	258,460
Loss before interest and income taxes and loss from investments	(22,488)	18,073	9,312	4,897	(4,045)	(22,483)	(5,137)	(31,665)
Property and equipment, net	806,952	1,858,980	458,591	3,124,523	739,609	1,288,255	527,924	2,555,788

	March 31 2019	March 31 2018
Rig rental revenue	**313,496**	155,238
Service revenue	**131,762**	103,222
Total revenue	**445,258**	258,460

There are no material differences in the basis of accounting or the measurement of loss, 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.

13. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

(a) Non-cash working capital

		March 31 2019		March 31 2018
Net change in non-cash working capital				
Accounts receivable	**$**	**(27,071)**	$	2,394
Inventories, investments, prepaid and other		**3,497**		(2,320)
Accounts payable and accruals		**13,100**		(30,758)
Income taxes receivable		**178**		312
	$	**(10,296)**	$	(30,372)
Relating to:				
Operating activities	**$**	**(34,441)**	$	(33,909)
Investing activities		**16,426**		798
Financing activities		**7,719**		2,739
	$	**(10,296)**	$	(30,372)

(b) Cash and cash equivalents

		March 31 2019		December 31 2018
Cash	**$**	**78,610**	$	75,709
Restricted cash		**44,193**		9,114
Total cash and cash equivalents	**$**	**122,803**	$	84,823

14. FAIR VALUE MEASUREMENTS

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

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

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

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

The estimated fair value of the liability portion of the convertible debt was based on Level 3 inputs and was estimated using the relative market interest rate.

The estimated fair value of the investment in joint ventures is a Level 3 in the value of hierarchy and is not based on observable market.

The fair value of non-controlling interest is based on Level 3 inputs and is not based on observable market.

15. SUBSEQUENT EVENTS

Subsequent to March 31, 2019, the Company issued US$700,000 of Senior Notes due 2024 bearing interest of 9.25%. The net proceeds of the offering and cash on hand were used to repay all outstanding loans under the US $700,000 Senior Loan disclosed in Note 7. The Senior Notes are callable on or after April 15, 2021 at 104.625%, April 15, 2022 at 102.313% and April 15, 2023 and thereafter at 100%.

Subsequent to March 31, 2019, the Company sold its testing and wireline operations in Canada and the United States for $24,000. The proceeds from this sale will go towards reducing debt.

Subsequent to the quarter the Company has reduced the amount outstanding on the facility by approximately $86,000 through the combination of operating cashflow, restricted cash and the sale of testing and wireline division of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

N. MURRAY EDWARDS
Corporate Director and Investor

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Ensign Energy Services Inc.

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Independent Businessman

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

GAIL SURKAN [2,3]
Independent Businesswoman

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

CORPORATE MANAGEMENT

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Chairman

ROBERT H. GEDDES
President and Chief Operating Officer

MICHAEL GRAY
Chief Financial Officer

TOM CONNORS
Executive Vice President - Canada

MICHAEL NUSS
Executive Vice President,

BRENT CONWAY
Executive Vice President International

TREVOR RUSSELL
Vice President, Finance

AHMED IQBAL
Corporate Controller

ROBERT RAIMONDO
Vice President, Health, Safety and Environment

CATHY ROBINSON
Vice President, Global Human Resources

SUZANNE DAVIES
Vice President Legal and Corporate Secretary

HEAD OFFICE

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

BANKERS

HSBC Bank Canada
Bank of Montreal

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: ESI

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Trust Company of Canada

COMMITTEE MEMBERS

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