ENSIGN®

2019 Q2

SECOND QUARTER REPORT For the three and six months ended June 30, 2019

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended June 30			Six months ended June 30		
	2019	2018	% change	**2019**	2018	% change
Revenue	**377,692**	263,061	44	**822,950**	521,521	58
Adjusted EBITDA [1]	**100,359**	53,064	89	**215,889**	105,358	nm
Adjusted EBITDA per common share [1]						
Basic	**$0.63**	$0.34	85	**$1.37**	$0.67	nm
Diluted	**$0.63**	$0.34	85	**$1.37**	$0.67	nm
Net loss attributable to shareholders	**(31,173)**	(36,697)	15	**(53,521)**	(63,379)	16
Net loss per common share						
Basic	**$(0.20)**	$(0.23)	13	**$(0.34)**	$(0.40)	15
Diluted	**$(0.20)**	$(0.23)	13	**$(0.34)**	$(0.40)	15
Cash provided by operating activities	**47,908**	19,306	nm	**99,778**	39,304	nm
Funds flow from operations [1]	**43,067**	47,808	(10)	**129,378**	101,715	27
Funds flow from operations per common share [1]						
Basic	**$0.27**	$0.31	(13)	**$0.82**	$0.65	26
Diluted	**$0.27**	$0.31	(13)	**$0.82**	$0.65	26
Total debt, net of cash	**1,622,923**	748,609	117	**1,622,923**	748,609	117
Weighted average common shares - basic *(000s)*	**158,229**	156,733	1	**157,656**	156,868	1
Weighted average common shares - diluted *(000s)*	**158,290**	156,889	1	**157,716**	157,032	—
Drilling	**2019**	2018	% change	**2019**	2018	% change
Number of marketed rigs [2]						
Canada [3]	**118**	56	nm	**118**	56	nm
United States	**134**	67	nm	**134**	67	nm
International [4]	**42**	43	(2)	**42**	43	(2)
Operating days						
Canada [3]	**1,317**	830	59	**4,378**	2,781	57
United States	**6,451**	3,228	nm	**13,108**	6,133	nm
International [4]	**1,195**	1,425	(16)	**2,524**	2,783	(9)
Well Servicing	**2019**	2018	% change	**2019**	2018	% change
Number of rigs						
Canada	**55**	62	(11)	**55**	62	(11)
United States	**47**	44	7	**47**	44	7
Operating hours						
Canada	**10,700**	13,359	(20)	**23,498**	30,084	(22)
United States	**28,960**	28,722	1	**57,325**	51,128	12

nm - calculation not meaningful

[1] *Adjusted EBITDA and Adjusted EBITDA 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 - 135, United States - 152, International - 47 (2018 - Canada - 69, United States - 85, 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 ("Ensign" or the "Company") should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended June 30, 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 August 1, 2019.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements generally 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 expressions of a similar nature suggesting future outcome or statements regarding an outlook.

Disclosure related to expected future commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other prospective 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 representations or guarantees of future performance and are subject to certain risks. The reader should not place undue reliance on forward-looking statements as there can be no assurance that the plans, initiatives, projections, anticipations 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 industries in which the Company operate, 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. They are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risk 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 crude oil and natural gas commodity 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; the Company's ability to implement its business strategy; impact of competition; the Company's defence of lawsuits; availability and cost of labour and other equipment, supplies and services; the Company's ability to complete its capital programs; operating hazards and other difficulties inherent in the operation of the Company's oilfield services equipment; availability and cost of financing and insurance; 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 affecting the Company's business, 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 risks and developments, such as expropriation, nationalization, or regime change, 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 expressed or implied by 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 would depend upon its assessment of the future considering all information then available.

For additional information refer to the “Risk and Uncertainties” section of this MD&A. Readers are cautioned that the lists of important factors contained herein are not exhaustive. Unpredictable or unknown factors not discussed in this MD&A could also have material adverse effects on forward-looking statements.

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 its projections, anticipations, estimates or opinions change.

NON-GAAP MEASURES

This MD&A contains references to Adjusted EBITDA, Adjusted EBITDA per share, Funds flow from operations, and Funds flow from operations per share. 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 is used by management and investors to analyze the Company’s profitability based on the Company’s principal business activities prior to how these activities are financed, how assets are depreciated and amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on the core business alone, amounts are removed related to foreign exchange, share-based payment expense, impairment expenses, the sale of assets, restructuring costs and fair value adjustments on financial assets and liabilities, as the Company does not deem these to relate to its core drilling and well services business. Adjusted EBITDA also takes into account the Company’s portion of the principal activities of the joint venture arrangements by removing the loss (gain) from investments in joint ventures and including adjusted EBITDA from investments in joint ventures. Adjusted EBITDA is not intended to represent net (loss) as calculated in accordance with IFRS. Adjusted EBITDA is calculated using 100% of the related amounts from all entities controlled by Trinidad where Trinidad may not hold 100% of the outstanding shares.

ADJUSTED EBITDA

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2019**	2018	**2019**	2018
Loss before income taxes	**(22,009)**	(49,242)	**(55,470)**	(91,101)
Add-back/(deduct):				
Interest expense	**40,009**	9,198	**76,355**	19,392
Depreciation	**89,030**	100,469	**177,197**	199,044
Restructuring costs	**915**	—	**9,397**	—
Gain from investment in joint ventures	**(2,307)**	—	**(295)**	—
Share-based compensation	**1,260**	1,440	**2,887**	1,276
Gain on asset sale	**(9,824)**	—	**(9,824)**	—
Gain on purchase of unsecured Senior Notes	**(650)**	—	**(650)**	—
Foreign exchange and other (gain) loss	**(2,627)**	(8,801)	**7,733**	(23,253)
Adjusted EBITDA from investment in joint ventures	**6,562**	—	**8,559**	—
Adjusted EBITDA	**100,359**	53,064	**215,889**	105,358

Adjusted EBITDA from investments in joint ventures is used by management and investors to analyze the results generated by the Company’s joint venture operations prior to how these activities are financed, how assets are depreciated and amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on its core drilling and well services business, amounts related to foreign exchange, dividend expense, dividend re-class, impairment adjustments to property and equipment, as well as preferred share valuation and the sale of assets are removed. Lastly, amounts recorded for the revaluation on the investment of the TDI joint venture are removed as these are non-cash items and unrelated to the operations of the business. Adjusted EBITDA from investments in joint ventures is not intended to represent net (loss) as calculated in accordance with IFRS.

Adjusted EBITDA from investment in joint ventures is calculated below:

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2019**	2018	**2019**	2018
Income from investment in joint ventures	**2,307**	—	**295**	—
Add-back/(deduct):				
TDI fair value adjustment	**650**	—	**650**	—
Depreciation and amortization	**3,226**	—	**6,655**	—
Foreign exchange	**(19)**	—	**(24)**	—
Finance costs	**380**	—	**694**	—
Income taxes	**18**	—	**142**	—
Preferred shares valuation	**—**	—	**147**	—
Adjusted EBITDA from investment in joint ventures	**6,562**	—	**8,559**	—

OVERVIEW

Revenue for the second quarter of 2019 was $377.7 million, an increase of 44 percent from revenue for the second quarter of 2018 of $263.1 million. Revenue for the six months ended June 30, 2019 was $823.0 million, an increase of 58 percent from revenue for the six months ended June 30, 2018 of $521.5 million.

Net loss attributable to shareholders for the second quarter of 2019 was $31.7 million ($0.20 per common share) compared to a net loss of $36.7 million ($0.23 per common share) for the second quarter of 2018. Net loss attributable to shareholders for the six months ended June 30, 2019 was $53.9 million ($0.34 per common share), compared to net loss of $63.4 million ($0.40 per common share) for the six months ended June 30, 2018.

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 acquisition included a 60 percent interest in Trinidad Drilling International ("**TDI**"), which is a joint venture with a wholly-owned subsidiary of Halliburton Company, which served to expand the Company's geographic footprint with the addition of three new countries of operation (Bahrain, Kuwait and Mexico). During the first quarter of 2019, the Company acquired the remaining 10.7 percent of Trinidad shares. Results for the first six months of 2019 were materially impacted by the Trinidad Acquisition, notably through increased activity levels due to the increase in rig fleet, expanded customer base and additional exposure in the United States market.

Adjusted EBITDA totaled $100.4 million ($0.63 per common share) in the second quarter of 2019, 89 percent higher than Adjusted EBITDA of $53.1 million ($0.34 per common share) in the second quarter of 2018. For the first six months of 2019, Adjusted EBITDA totaled $215.9 million ($1.37 per common share), $110.5 million higher than Adjusted EBITDA of $105.4 million ($0.67 per common share) in the first six months of 2018. The increase in Adjusted EBITDA in the second quarter of 2019 compared to the second quarter of 2018 was primarily attributed to higher activity levels in the current period, effective cost control in operations, and the realization of synergies, largely resulting from the Trinidad Acquisition.

Funds flow from operations decreased 10 percent to $43.1 million ($0.27 per common share) in the second quarter of 2019 compared to $47.8 million ($0.31 per common share) in the second quarter of the prior year. Funds flow from operations increased 27 percent to $129.4 million ($0.82 per common share) in the first six months of 2019 compared to $101.7 million ($0.65 per common share) in the first six months of the prior year.

Operating days were higher in each of the Company's Canada and United States divisions in the second quarter of 2019 when compared to the second quarter in 2018 due in large part to the Trinidad Acquisition, while the international division's operating days were lower due to reduced activity in the Company's Venezuela operations.

A year-over-year strengthening of the United States dollar against the Canadian dollar positively impacted United States and international financial results on translation to Canadian dollars. The average United States exchange rate was $1.34 for the first six months of 2019 (2018 - $1.28) versus the Canadian dollar.

Working capital at June 30, 2019 was a surplus of $182.8 million, compared to a deficit of $156.2 million at December 31, 2018. This increase in working capital was largely due to the repayment of US $200.0 million Ensign senior unsecured notes (the "**Ensign Notes**") and the repayment of the Trinidad credit facility (the "**Trinidad Facility**") of $98.0 million, which had been classified as short term at December 31, 2018. The Company's available liquidity consisting of cash and available borrowings under its bank credit facilities of $166.0 million at June 30, 2019. In the second quarter of 2019, the Company issued US $700.0 million of Senior Notes due 2024 bearing interest of 9.25%, and proceeds from these Senior Notes combined with cash on hand were used to retire the Company's US $700.0 million senior loan.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Revenue						
Canada	**50,598**	45,473	11	**157,020**	119,285	32
United States	**261,382**	148,088	77	**534,978**	273,591	96
International	**65,712**	69,500	(5)	**130,952**	128,645	2
Total revenue	**377,692**	263,061	44	**822,950**	521,521	58
Oilfield services expense	**267,917**	198,255	35	**585,605**	393,620	49

Revenue for the three months ended June 30, 2019 totaled $377.7 million, an increase of 44 percent from the second quarter of 2018 of $263.1 million. Revenue for the six months ended June 30, 2019 totaled $823.0 million, a 58 percent increase from the six months ended June 30, 2018.

The Company has continued to show increased activity and revenue as a result of the Trinidad Acquisition and relatively stable ongoing operations despite volatile commodity pricing to date in 2019, while reducing operating costs on a per day basis. The financial results from the Company's United States and international operations were positively impacted on currency translation, as the United States dollar strengthened relative to the Canadian dollar in the first six months of 2019, which offset the impact of some of the revenue rate decreases experienced during the past several months.

CANADIAN OILFIELD SERVICES

Revenue increased 11 percent to $50.6 million for the three months ended June 30, 2019 from $45.5 million for the three months ended June 30, 2018. The Company recorded revenue of $157.0 million in Canada for the six months ended June 30, 2019, an increase of 32 percent from $119.3 million recorded for the six months ended June 30, 2018. Canadian revenues accounted for 14 percent of the Company's total revenue in the second quarter of 2019, (2018 - 17 percent) and 19 percent (2018 - 23 percent) for the six months ended June 30, 2019.

The Company's Canadian drilling operations recorded 1,317 operating days in the second quarter of 2019, compared to 830 operating days for the second quarter of 2018, an increase of 59 percent. For the six months ended June 30, 2019, the Company recorded 4,378 operating days compared to 2,781 drilling days for the six months ended June 30, 2018, an increase of 57 percent. Canadian well servicing hours decreased by 20 percent to 10,700 operating hours in the second quarter of 2019 compared to 13,359 operating hours in the corresponding period of 2018. For the six months ended June 30, 2019, well servicing hours decreased by 22 percent to 23,498 operating hours compared with 30,084 operating hours for the six months ended June 30, 2018.

The overall increase in activity levels for the quarter and first half of 2019, compared to equivalent periods in 2018 is a result of adding 68 rigs from the Trinidad Acquisition. The increase in activity is offset by lower revenue rates realized in 2019 to date due to continuing challenges to commodity prices in the Canadian market, combined with seasonal demand impacting rig mix in the second quarter of 2019.

During the six months ended June 30, 2019, the Company transferred one ADR® drilling rig from Canada to the United States, decommissioned one drilling rig and decommissioned three service rigs in Canada.

UNITED STATES OILFIELD SERVICES

The Company's United States operations recorded revenue of $261.4 million in the second quarter of 2019, an increase of 77 percent from the $148.1 million recorded in the corresponding period of the prior year. During the six months ended June 30, 2019, revenue of $535.0 million was recorded, an increase of 96 percent from the $273.6 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 69 percent of the

Company's revenue in the second quarter of 2019 (2018 - 56 percent) and 65 percent of the Company's revenue in the first six months of 2019 (2018 - 52 percent).

Drilling rig operating days increased to 6,451 operating days in the second quarter of 2019 from 3,228 operating days in the second quarter of 2018, and to 13,108 operating days in first six months of 2019 from 6,133 operating days in the first six months of 2018. Well servicing activity expressed in operating hours, increased by one percent in the second quarter of 2019 to 28,960 operating hours from 28,722 operating hours in the second quarter of 2018. For the six months ended June 30, 2019 well servicing activity increased 12 percent to 57,325 operating hours from 51,128 operating hours in the first six months of 2018.

Activity levels and revenues for the Company's United States operations were positively impacted by the addition of the Trinidad rigs to the fleet. Revenues were also impacted by a strengthening of the United States dollar versus the Canadian dollar, when compared to the six months ending June 30, 2018.

During the six months of 2019, the Company transferred one ADR® drilling rig from Canada to the United States and deployed a new service rig in the United States to meet increasing demand.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $65.7 million in the second quarter of 2019, a five percent decrease from the $69.5 million recorded in the corresponding period of the prior year. International revenues for the six months ended June 30, 2019, increased two percent to $131.0 million from $128.6 million recorded in the six months ended June 30, 2018. The Company's international operations contributed 17 percent of the total revenue in the second quarter of 2019 (2018 - 26 percent) and 16 percent of the Company's revenue in the first six months of 2019 (2018 - 25 percent).

International operating days for the three months ended June 30, 2019, totaled 1,195 operating days compared to 1,425 operating days in the same period of 2018, a decrease of 16 percent. For the six months ended June 30, 2019, international operating days totaled 2,524 operating days compared to 2,783 operating days for the six months ended June 30, 2018, a decrease of nine percent.

Activity levels were lower for the three and six months ended June 30, 2019 in the Company's Latin America operations due to reduced activity in Venezuela where operating rigs were reduced from four active drilling rigs to two active drilling rigs, offset by strengthening activity in the Australian operations. The overall decrease in activity was offset by higher revenue rates, leading to a six percent decrease in revenue for the second quarter of 2019 compared to the similar period of 2018, and a two percent increase for the six months ended June 30, 2019. The lower activity was also offset by strengthening United States dollar year-over-year in the first six months of 2019, versus the Canadian dollar, compared to the same period of 2018.

DEPRECIATION

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Depreciation	**89,030**	100,469	(11)	**177,197**	199,044	(11)

Depreciation expense totaled $89.0 million for the second quarter of 2019 compared with $100.5 million for the second quarter of 2018, a decrease of 11 percent. Depreciation expense for the months ended June 30, 2019 decreased by 11 percent, to $177.2 million compared with $199.0 million in six months of 2018. In the first quarter of 2019, due to the Trinidad Acquisition the Company reviewed the makeup of and the age of its 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 for the three and six months ended June 30, 2019, compared to similar periods in the previous year.

GENERAL AND ADMINISTRATIVE EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
General and administrative expense	**15,978**	11,742	36	**30,015**	22,543	33
% of revenue	**4.2**	4.5		**3.6**	4.3	

General and administrative expense increased 36 percent to $16.0 million (4.2 percent of revenue) for the second quarter of 2019 compared to $11.7 million (4.5 percent of revenue) for the second quarter of 2018. For the six months ended June 30, 2019, general and administrative expense totaled $30.0 million (3.6 percent of revenue) compared to $22.5 million (4.3 percent of revenue) for the six months ended June 30, 2018. The increase in total general and administrative expense for the three and six months ended June 30, 2019 is due primarily to the Trinidad Acquisition. However, synergies and savings realized from the Trinidad Acquisition have led to a decrease in general and administrative expense as a percentage of revenue. The Company continues to focus on initiatives to manage costs and realize further acquisition cost savings.

RESTRUCTURING COSTS

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Restructuring costs	**915**	—	nm	**9,397**	—	nm

nm - calculation not meaningful

Restructuring costs totaled $0.9 million for the second quarter of 2019, which includes one-time severance cost of $0.4 million (2018 - $nil). For the six months ended June 30, 2019 restructuring costs were $9.4 million which includes one-time severance cost of $7.3 million (2018 - $nil).

GAIN ON ASSET SALE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Gain on asset sale	**(9,824)**	—	nm	**(9,824)**	—	nm

nm - calculation not meaningful

On April 30, 2019 the Company completed the asset sale of its Testing and Wireline assets in Canada and the United States for cash proceeds of $24.0 million. The transaction resulted in a gain of $9.8 million (2018 - $nil) before taxes.

JOINT VENTURE OILFIELD SERVICES

As part of the Trinidad Acquisition during fourth quarter, 2018, Ensign acquired a 60 percent ownership in Trinidad Drilling International ("**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 party having equal voting rights.

Amounts below are presented at 100 percent of the TDI operations, as included in its statement of operations and comprehensive income (loss):

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Revenue	**13,179**	—	nm	**23,383**	—	nm
Net income	**3,868**	—	nm	**1,161**	—	nm
Drilling operating days	**82**	—	nm	**205**	—	nm

nm - calculation not meaningful

For the three months ended June 30, 2019, TDI recorded revenue of $13.2 million (2018 - $nil). For three months ended June 30, 2019, TDI operating days totaled 82 (2018 - $nil).

For the six months ended June 30, 2019, TDI recorded revenue of $23.4 million (2018 - $nil). For the six months ended June 30, 2019, TDI operating days totaled 205 (2018 - $nil).

INTEREST EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Interest expense	**40,009**	9,198	nm	**76,355**	19,392	nm

Interest was incurred on the Company's $900.0 million global revolving credit facility (the **"Credit Facility"**), US $700.0 million Senior Notes, $37.0 million subordinate convertible debenture (the **"Debentures"**), capital lease obligations, and on prior debt instruments until they were repaid during the period. Also included in interest expense is the amortization of deferred financing costs associated with the refinancing the Company's debt largely due to the Trinidad Acquisition, which totaled $6.3 million and $8.5 million respectively for the three and six months ended June 30, 2019 (2018 - $0.8 million and $1.2 million respectively).

Interest expense increased by $30.8 million for the second quarter of 2019 compared to the same period in 2018 as a result of an increase to the overall interest rate and total debt incurred to fund the Trinidad Acquisition. The negative translational impact on United States dollar-denominated debt due to a strengthened United States dollar versus the Canadian dollar also impacted interest expense for the quarter.

Interest expense increased by $57.0 million for the six months ended June 30, 2019 compared to the same period in 2018 as a result of an increase to the overall interest rate and total debt incurred to fund the Trinidad Acquisition.

FOREIGN EXCHANGE AND OTHER (GAINS) LOSS

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Foreign exchange and other (gains) loss	**(2,627)**	(8,801)	(70)	**7,733**	(23,253)	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 June 30			Six months ended June 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Current income tax	**460**	617	(25)	**901**	1,961	(54)
Deferred income tax	**9,242**	(13,162)	nm	**(2,451)**	(29,683)	(92)
Total income tax	**9,702**	(12,545)	nm	**(1,550)**	(27,722)	(94)
Effective income tax rate (%)	**44.1**	25.5	73	**2.8**	30.4	(91)

nm - calculation not meaningful

The effective income tax rate for the three months ended June 30, 2019 was 44.1 percent compared to 25.5 percent for the three months ended June 30, 2018. The effective income tax rate for the six months ended June 30, 2019 was 2.8 percent compared with 30.4 percent for the six months ended June 30, 2018. The effective tax rate in the first six months of the current year was lower than the effective tax rate in the first six months of 2018 due to the impact of the provincial income tax rate reduction in Alberta, Canada, changes in the hybrid interest deductibility in the United States and the impact of foreign tax rates.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

	Three months ended June 30			Six months ended June 30		
($ thousands, except per share data)	**2019**	2018	% change	**2019**	2018	% change
Funds flow from operations	**43,067**	47,808	(10)	**129,378**	101,715	27
Funds flow from operations per share	**$0.27**	$0.31	(13)	**$0.82**	$0.65	26
Working capital [1]	**182,813**	(156,223)	nm	**182,813**	(156,223)	nm

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

During the three months ended June 30, 2019, the Company generated funds flow from operations of $43.1 million ($0.27 per common share) compared to funds flow from operations of $47.8 million ($0.31 per common share) for the three months ended June 30, 2018, a decrease of 10 percent. For the six months ended June 30, 2019, the Company generated funds flow from operations of $129.4 million ($0.82 per common share) an increase of 27 percent from $101.7 million ($0.65 per common share) for the six months ended June 30, 2018. The increase in funds flow from operations for the three and six month periods ended June 30, 2019 compared to the similar periods of 2018 is due to increased activity levels due to the Trinidad Acquisition, combined with the stronger United States dollar in 2019.

At June 30, 2019 the Company's working capital was a surplus of $182.8 million, compared to a working capital deficit of $156.2 million at December 31, 2018. The increase in working capital in the first six months of 2019, was mainly related to the repayment of US $200.0 million Ensign Notes and the $98.0 million Trinidad Facility in the first quarter of 2019. Existing revolving credit facilities provide for total borrowings of $900.0 million, of which $126.1 million was undrawn and available at June 30, 2019.

INVESTING ACTIVITIES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Purchase of property and equipment	**(31,912)**	(22,979)	39	**(73,278)**	(39,455)	86
Proceeds from disposals of property and equipment	**27,898**	1,138	nm	**29,620**	2,168	nm
Acquisition of minority interest	**—**	—	nm	**(49,214)**	—	nm
Net change in non-cash working capital	**(5,426)**	9,516	nm	**11,000**	10,314	7
Cash used in investing activities	**(9,440)**	(12,325)	(23)	**(81,872)**	(26,973)	nm

nm - calculation not meaningful

Net purchases of property and equipment for the second quarter of 2019 totaled $4.0 million (2018 - $21.8 million). Net purchases of property and equipment during the first six months of 2019 totaled $43.7 million (2018 - $37.3 million). The purchase of property and equipment relates predominantly to maintenance capital for certain drilling rigs, rig upgrades, and construction of one new service rig for deployment in the United States.

FINANCING ACTIVITIES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Proceeds from long-term debt, net of debt issuance cost	**998,265**	—	nm	**2,224,231**	—	nm
Repayments of long-term debt	**(1,099,564)**	(5,736)	nm	**(2,252,107)**	(8,744)	nm
Lease obligation principle repayments	**(2,357)**	—	nm	**(3,616)**	—	nm
Purchase of shares held in trust	**553**	(223)	nm	**(523)**	(513)	2
Issuance of convertible debenture	**—**	11,050	nm	**—**	37,000	nm
Dividends	**(11,588)**	(18,849)	(39)	**(30,437)**	(37,698)	(19)
Net change in non-cash working capital	**(3,329)**	(3,035)	10	**4,390**	(296)	nm
Cash used in financing activities	**(118,020)**	(16,793)	nm	**(58,062)**	(10,251)	nm

nm - calculation not meaningful

The Company's available bank facilities consist of a $900.0 million secured Bank Facility, which matures November 26, 2021, of which $126.1 million was available and undrawn as at June 30, 2019. In addition, the Company also has available to it a US $50.0 million secured letter of credit facility, of which US $9.9 million was available as at June 30, 2019.

As at June 30, 2019 the Company had $4.9 million (2018 - $11.3 million) outstanding cash collateralized letters of credit, used in the normal course of business.

During the second quarter of 2019, the Company issued US $700.0 million of Senior Notes due 2024 bearing interest of 9.25%. The net proceeds of the Senior Notes offering and cash on hand were used to repay all outstanding loans under the Company's US $700.0 million senior loan. 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 its outstanding debt for the year will be approximately 7.0%. The go forward capital structure consisting of the Bank Facility and the Senior Notes allows the Company to utilize funds flow generated to reduce debt in the near term with greater flexibility than a more non-callable weighted capital structure.

The Company may at any time and from time to time acquire Senior Notes for cancellation by means of open market purchases, negotiated transactions or otherwise. During the second quarter of 2019, the Company purchased US $18.5 million of Senior Notes with a further US $9.5 million purchased subsequent to the second quarter of 2019.

As at June 30, 2019 the Company was in compliance with all covenants related to the Bank Facility.

The Board of Directors of the Company has declared a third quarter cash dividend of $0.12 per common share to be payable on October 3, 2019 to all Common Shareholders of record as of September 19, 2019. The dividend is pursuant to the quarterly dividend policy adopted by the Company, under which eligible shareholders are able to participate in the Company Dividend Reinvestment Plan (**"DRIP"**), if elected. DRIP participants will receive a five percent premium in the form of a share dividend. Pursuant to subsection 89(1) of 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 June 30, 2019 totaled $325.9 million, a decrease of $25.7 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 June 30, 2019, the Company had accounts receivable of approximately $12.1 million for work performed in Venezuela, and in recent months a number of payments have been received by the Company. Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in the

country there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding.

NEW BUILDS AND MAJOR RETROFITS

The Company continues to focus on innovative strategies to address the technical demands of our customers. One new build ADR® is scheduled to be deployed in the third quarter of 2019 to our international operations. The new ADR® is being constructed using various component from the Company's spare capital inventory.

During the six months ended June 30, 2019, the Company:

- transferred one ADR® drilling rig from Canada to the United States,
- deployed one new service rig in the United States,
- moved five under-utilized drilling rigs into its reserve fleet and decommissioned one drilling and seven service rigs in Canada.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q2-2019**	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Q3-2017
Revenue	**377,692**	445,258	346,136	288,700	263,061	258,460	270,013	247,121
Adjusted EBITDA [1]	**100,359**	115,531	81,678	68,641	53,064	52,294	54,820	52,600
Adjusted EBITDA per share [1]								
Basic	**$0.63**	$0.74	$0.52	$0.44	$0.34	$0.33	$0.34	$0.34
Diluted	**$0.63**	$0.74	$0.52	$0.44	$0.34	$0.33	$0.35	$0.33
Net income (loss) attributable to shareholders	**(31,173)**	(22,347)	154,472	(32,791)	(36,697)	(26,682)	46,488	(36,526)
Net income (loss) per share								
Basic	**$(0.20)**	$(0.14)	$0.98	$(0.21)	$(0.23)	$(0.17)	$0.30	$(0.23)
Diluted	**$(0.20)**	$(0.14)	$0.98	$(0.21)	$(0.23)	$(0.17)	$0.30	$(0.23)
Cash provided by operating activities	**47,908**	51,871	61,037	51,792	19,306	19,998	38,124	32,791
Funds flow from operations	**43,067**	86,312	63,834	60,390	47,808	53,907	12,244	39,616
Funds flow from operations per share								
Basic	**$0.27**	$0.55	$0.41	$0.38	$0.31	$0.34	$0.07	$0.25
Diluted	**$0.27**	$0.55	$0.41	$0.38	$0.31	$0.34	$0.07	$0.25
Total debt, net of cash	**1,622,923**	1,688,087	1,641,830	730,520	748,609	726,636	707,559	700,011

[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 August 1, 2019:

	Number		Amount ($)
Common shares	160,079,260	$	222,653

	Outstanding	Exercisable
Stock options	6,917,920	4,075,700

OUTLOOK

Industry Overview

With the oil and natural gas industry's continued focus on generating free cash flow and debt reductions the outlook for the oilfield services industry remains generally unchanged for 2019. Oilfield service companies and their customers continue to experience significant commodity price volatility. Growing geopolitical tensions have reinforced the uncertainty and conservatism within the oil and natural gas industry. During the second quarter, the oil and natural gas industry saw West Texas Intermediate prices fluctuate from the mid US $60's to the low US $50's with the volatility expected to continue with Middle East tensions continuing to be a variable factor. With this continued uncertainty and conservatism, the Company continues to focus on reducing its cost structure, targeting a realization of in excess of annualized cost savings of $40.0 million from the Trinidad Acquisition and the reduction of net debt for the remainder of the year.

Canadian Activity

The re-approval of the Trans Mountain Pipeline Expansion by the Federal Government delivered a modest improvement in Canadian market sentiment. The impact of this expansion will not be felt for a few years as take-away capacity is still constraining Canadian supply and pricing. The wet weather in June and July also negatively impacted the reactivation of drilling rigs in Western Canada. Customers are cautious with capital budgets and it is expected this caution will continue for the remainder of the year.

Of our 118 marketed Canadian drilling rigs, approximately 36 percent are engaged under term contracts, with approximately 77 percent of the contracted rigs having a remaining contract term of six months or longer.

United States Activity

The drilling rig count in the United States has continued to drop with a quarter over quarter reduction of approximately six percent. We expect the drilling rig count will remain relatively flat or decline slightly for the remainder of the year. Day rates continue to be flat to down slightly from the end of 2018 and are expected to remain flat until the drilling rig count begins to increase.

Of our 134 marketed United States drilling rigs, approximately 57 percent are contracted, with approximately 36 percent of the contracted rigs having a remaining contract term of six months or longer.

International Activity

As stated in the previous quarterly outlook, Australia will continue to be an important growth area for the Company as the incremental drilling rigs contracted in Q4, 2018 commence operations in 2019. Latin American operations have remained steady from Q1, 2019 levels and are expected to remain steady for the remainder of the year. Activity in the Middle East will increase with the award of two contracts in Bahrain for one wholly owned drilling rig and one 60 percent owned TDI joint venture drilling rig. In addition, the two 60 percent TDI owned rigs in Kuwait have commenced operations and will remain active with long term contracts.

Of our 47 marketed international drilling rigs including the joint venture drilling rigs, approximately 51 percent are contracted, with approximately 75 percent of the contracted rigs having a remaining contact term of six months or longer.

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"*. Except as described below, there have been no changes in the Company's internal control over financial reporting and disclosure controls and procedures that occurred during the three months ended June 30, 2019, which have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

The Company has implemented changes in its internal control over financial reporting and disclosure controls since March 31, 2019 related to the previous scope limitation regarding the acquisition of Trinidad, whereby the controls, policies and procedures of Trinidad were excluded from the Company's internal control over financial reporting. The Company has ensured that its internal control over financial reporting processes and controls now cover all aspects of the acquired Trinidad business and no limitation of scope is required or reported June 30, 2019. This change was made during the three month period ended June 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 three months and the six months ended June 30, 2019, Adjusted EBITDA was positively impacted by $1.3 million and $2.6 million respectively.

RISK AND UNCERTAINTIES

Oil and Natural Gas Prices

The Company's revenue, cash flow and earnings are substantially dependent upon, and affected by, the level of crude oil and natural gas exploration and production. Both short-term and long-term trends in crude oil and natural gas prices affect the level of such activity. 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 June 30, 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	June 30 2019	December 31 2018
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash and Cash Equivalents *(Note 14)*	**$ 39,705**	$ 84,823
Accounts receivable	**325,929**	351,596
Inventories, investments, prepaid and other	**49,381**	58,175
Asset held for sale *(Note 6)*	**18,806**	18,806
Income taxes receivable	**1,860**	1,994
Total current assets	**435,681**	515,394
Property and equipment *(Note 5)*	**3,004,467**	3,201,704
Deferred income taxes	**111,186**	99,054
Investment in joint ventures (*Note 8)*	**165,913**	177,010
Total assets	**$ 3,717,247**	$ 3,993,162
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 233,508**	$ 271,374
Cash dividends payable	**11,298**	18,849
Share-based compensation *(Note 12)*	**706**	975
Income taxes payable	**3,158**	3,807
Current portion of long-term debt *(Note 9)*	**—**	376,612
Current portion of lease obligation	**4,198**	—
Total current liabilities	**252,868**	671,617
Long-term debt *(Note 9)*	**1,662,628**	1,340,352
Lease obligations	**18,624**	9,689
Share-based compensation *(Note 12)*	**5,432**	3,033
Deferred income taxes	**175,832**	171,781
Non-controlling interest	**5,224**	6,007
Total liabilities	**2,120,608**	2,202,479
Shareholders' Equity		
Share capital *(Note 10)*	**222,653**	206,328
Contributed surplus	**23,340**	1,013
Equity component of convertible debenture	**3,193**	3,193
Foreign currency translation reserve	**246,656**	315,095
Minority interest	**—**	72,078
Retained earnings	**1,100,797**	1,192,976
Total shareholders' equity	**1,596,639**	1,790,683
Total liabilities and shareholders' equity	**$ 3,717,247**	$ 3,993,162

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS

	Three months ended		Six months ended	
	June 30 2019	June 30 2018	**June 30 2019**	June 30 2018
(Unaudited, in thousands of Canadian dollars, except per share data)				
Revenue	**$ 377,692**	$ 263,061	**$ 822,950**	$ 521,521
Expenses				
Oilfield services	**267,917**	198,255	**585,605**	393,620
Depreciation *(Note 5)*	**89,030**	100,469	**177,197**	199,044
General and administrative	**15,978**	11,742	**30,015**	22,543
Restructuring costs	**915**	—	**9,397**	—
Share-based compensation	**1,260**	1,440	**2,887**	1,276
Gain on asset sale *(Note 7)*	**(9,824)**	—	**(9,824)**	—
Gain on purchase of unsecured Senior Notes *(Note 9)*	**(650)**	—	**(650)**	—
Foreign exchange and other (gains) loss	**(2,627)**	(8,801)	**7,733**	(23,253)
Total expenses	**361,999**	303,105	**802,360**	593,230
Income (loss) before interest and income taxes	**15,693**	(40,044)	**20,590**	**(71,709)**
Gain from investment in joint ventures *(Note 8)*	**(2,307)**	—	**(295)**	—
Interest expense	**40,009**	9,198	**76,355**	19,392
Loss before income taxes	**(22,009)**	(49,242)	**(55,470)**	(91,101)
Income taxes				
Current income tax	**460**	617	**901**	1,961
Deferred income tax	**9,242**	(13,162)	**(2,451)**	(29,683)
Total income taxes	**9,702**	(12,545)	**(1,550)**	(27,722)
Net loss	**$ (31,711)**	$ (36,697)	**$ (53,920)**	$ (63,379)
Net loss attributable to:				
Shareholders of Ensign	**(31,173)**	(36,697)	**(53,521)**	(63,379)
Non-controlling interests	**(538)**	—	**(399)**	—
	(31,711)	(36,697)	**(53,920)**	(63,379)
Net loss per share *(Note 11)*				
Basic	**$ (0.20)**	$ (0.23)	**$ (0.34)**	$ (0.40)
Diluted	**$ (0.20)**	$ (0.23)	**$ (0.34)**	$ (0.40)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three months ended		Six months ended	
	June 30 2019	June 30 2018	**June 30 2019**	June 30 2018
(Unaudited, in thousands of Canadian dollars)				
Net loss	**$ (31,711)**	$ (36,697)	**$ (53,920)**	$ (63,379)
Other comprehensive (loss)				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**(45,593)**	9,889	**(68,439)**	35,085
Comprehensive loss	**$ (77,304)**	$ (26,808)	**$ (122,359)**	$ (28,294)
Other comprehensive income (loss) attributable to:				
Shareholders of Ensign	**$ (45,593)**	$ 9,889	**$ (68,439)**	$ 35,085
	$ (45,593)	$ 9,889	**$ (68,439)**	$ 35,085

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	—	—	—	—	—	(53,521)	(53,521)
Other comprehensive loss	—	—	—	(68,439)	—	—	(68,439)
Total comprehensive loss	—	—	—	(68,439)	—	(53,521)	(121,960)
Dividends	7,643	—	—	—	—	(38,658)	(31,015)
Accrued share dividends	8,129	—	—	—	—	—	8,129
Acquisition of minority interest	—	—	—	—	(49,214)	—	(49,214)
Derecognition of net assets attributable to minority interest	—	22,864	—	—	(22,864)	—	—
Share-based compensation	—	539	—	—	—	—	539
Shares vested previously held in trust	1,076	(1,076)	—	—	—	—	—
Purchase of shares held in trust	(523)	—	—	—	—	—	(523)
Balance June 30, 2019	**$ 222,653**	**$ 23,340**	**$ 3,193**	**$ 246,656**	**$ —**	**$ 1,100,797**	**$ 1,596,639**
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, January 1, 2018	$ 206,042	$ 1,126	$ —	$ 237,885	$ —	$ 1,231,542	$ 1,676,595
Net loss	—	—	—	—	—	(63,379)	(63,379)
Other comprehensive income	—	—	—	35,085	—	—	35,085
Total comprehensive income (loss)	—	—	—	35,085	—	(63,379)	(28,294)
Dividends	—	—	—	—	—	(37,698)	(37,698)
Convertible debenture	—	—	3,193	—	—	—	3,193
Share-based compensation	—	571	—	—	—	—	571
Shares vested previously held in trust	988	(988)	—	—	—	—	—
Purchase of shares held in trust	(513)	—	—	—	—	—	(513)
Balance June 30, 2018	$ 206,517	$ 709	$ 3,193	$ 272,970	$ —	$ 1,130,465	$ 1,613,854

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Six months ended	
	June 30 2019	June 30 2018	**June 30 2019**	June 30 2018
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net loss	**$ (31,711)**	$ (36,697)	**$ (53,920)**	$ (63,379)
Items not affecting cash				
Depreciation	**89,030**	100,469	**177,197**	199,044
Gain from investment in joint ventures	**(2,307)**	—	**(296)**	—
Gain on asset sale *(Note 7)*	**(9,824)**	—	**(9,824)**	—
Gain on purchase of unsecured Senior Notes *(Note 9)*	**(650)**	—	**(650)**	—
Share-based compensation	**1,260**	1,440	**2,887**	1,276
Unrealized foreign exchange and other (gains) loss	**(18,270)**	(4,230)	**7,900**	(5,567)
Accretion on long-term debt	**6,297**	(12)	**8,535**	24
Deferred income tax	**9,242**	(13,162)	**(2,451)**	(29,683)
Funds flow from operations	**43,067**	47,808	**129,378**	101,715
Net change in non-cash working capital *(Note 14)*	**4,841**	(28,502)	**(29,600)**	(62,411)
Cash provided by operating activities	**47,908**	19,306	**99,778**	39,304
Investing activities				
Purchase of property and equipment	**(31,912)**	(22,979)	**(73,278)**	(39,455)
Proceeds from disposals of property and equipment	**27,898**	1,138	**29,620**	2,168
Acquisition of minority interest	**—**	—	**(49,214)**	—
Net change in non-cash working capital *(Note 14)*	**(5,426)**	9,516	**11,000**	10,314
Cash used in investing activities	**(9,440)**	(12,325)	**(81,872)**	(26,973)
Financing activities				
Proceeds from long-term debt, net of debt issuance cost	**998,265**	—	**2,224,231**	—
Repayments of long-term debt	**(1,099,564)**	(5,736)	**(2,252,107)**	(8,744)
Lease obligation principle repayments	**(2,357)**	—	**(3,616)**	—
Purchase of shares held in trust *(Note 10)*	**553**	(223)	**(523)**	(513)
Issuance of convertible debenture	**—**	11,050	**—**	37,000
Dividends *(Note 10)*	**(11,588)**	(18,849)	**(30,437)**	(37,698)
Net change in non-cash working capital *(Note 14)*	**(3,329)**	(3,035)	**4,390**	(296)
Cash used in by financing activities	**(118,020)**	(16,793)	**(58,062)**	(10,251)
Net (decrease) increase in cash and cash equivalents	**(79,552)**	(9,812)	**(40,156)**	2,080
Effects of foreign exchange on cash and cash equivalents	**(3,544)**	(90)	**(4,962)**	(1,220)
Cash				
Beginning of period	**122,801**	43,136	**84,823**	32,374
End of period	**$ 39,705**	$ 33,234	**$ 39,705**	$ 33,234
Supplemental information				
Interest paid	**$ 34,661**	$ 12,234	**$ 81,729**	$ 19,663
Income taxes recovered	**$ (1,190)**	$ (1,798)	**$ (1,416)**	$ (3,195)

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 interim consolidated financial statements were approved by the Company's Board of Directors on August 1, 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 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 country; 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 the 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 the 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 of 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 than 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 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:

		June 30 2019		January 1 2019
Properties	**$**	**9,482**	$	13,792
Vehicles		**12,704**		6,952
Total right-of-use assets	**$**	**22,186**	$	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 six months ended June 30, 2019 of $61,812. A summary of the new depreciation methodologies for drilling and well servicing rigs and related equipment is 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 June 30, 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 June 30, 2019. It is expected that these assets will be sold in 2019.

7. ASSET DISPOSAL

On April 30, 2019 the Company completed the asset sale of the Testing and Wireline assets in Canada and the United States for cash proceeds of $24,000. The transaction resulted in a gain before tax of $9,824.

8. INVESTMENT IN JOINT VENTURES

Joint venture loss reconciliation

	Three months ended		Six months ended	
	June 30 2019	June 30 2018	**June 30 2019**	June 30 2018
Trinidad Drilling International gain from investment	**$ (2,321)**	$ —	**$ (697)**	$ —
Other joint arrangements net loss from investments	**14**	—	**402**	—
Gain from investment in joint ventures	**$ (2,307)**	$ —	**$ (295)**	$ —

Joint venture investment reconciliation

	June 30 2019	December 31 2018
Trinidad Drilling International investment balance	**$ 166,080**	$ 177,223
Other joint arrangements net loss from investments	**(167)**	(213)
Investment in joint ventures	**$ 165,913**	$ 177,010

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 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

	June 30 2019	December 31 2018
Opening balance	**$ 177,223**	$ —
Acquisition of Trinidad Drilling Ltd.	**—**	144,776
Contributions to joint venture	**—**	26,144
Gain from investment in joint venture	**295**	1,096
Change in loan in joint venture	**(4,592)**	528
Elimination of downstream transactions	**206**	(48)
Fair value adjustment	**(650)**	—
Effect of foreign exchange	**(6,402)**	4,727
Ending balance	**$ 166,080**	$ 177,223

9. BANK CREDIT FACILITIES AND LONG-TERM DEBT

		June 30 2019		December 31 2018
Drawings on the Bank Facility	**$**	**773,921**	$	946,531
Senior notes, due April 2024, 9.25%		**892,235**		—
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%		**35,676**		34,538
Unamortized deferred financing costs		**(39,204)**		(14,547)
Total	**$**	**1,662,628**	$	1,716,964
Less: current portion		**—**		(376,612)
Total long-term debt	**$**	**1,662,628**	$	1,340,352

For the six months ended June 30, 2019, The Company extinguished Tranches B and C of Ensign Notes, Trinidad Notes and the Trinidad Facility using the proceeds from the US$700,000 Senior Loan. During the six months ended June 30, 2019 the Bank Facility was changed from an unsecured facility to a secured facility.

The Bank Facility has the following covenant requirements:

- The Consolidated Debt to Consolidated EBITDA Ratio shall not exceed 5:25:1.00 at the end of the Fiscal Quarters ending June 30, 2019 and September 30, 2019, and 5.00:1.00 at any time thereafter;
- The Consolidated EBITDA to Consolidated Interest Expense as at the end of any Fiscal Quarter shall not be less than 2.50:1.00; and
- The Consolidated Senior Debt to Consolidated EBITDA Ratio shall not exceed 2.75:1.00 at the end of the Fiscal Quarters ending June 30, 2019 and September 30, 2019, and 2.50:1.00 at any time thereafter.

As at June 30, 2019 the Company was in compliance with all covenants related to the Bank Facility.

On April 10, 2019 the Company issued US $700,000 of Senior Notes (the "Senior Notes") due 2024 bearing interest of 9.25%. Interest is payable semi-annually in arrears on April 15 and October 15 and the Senior Notes mature April 15, 2024. 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 incurred debt issue costs of $32,600 related to the Senior Notes which will be amortized over the life of the Senior Notes. The net proceeds of the offering and cash on hand were used to repay all outstanding loans under the US$700,000 Senior Loan. During the second quarter of 2019, the Company purchased US $18,500 of the Senior Notes and recorded gain on purchase of $650.

In addition, the Company has a US $50,000 secured Letter of Credit Facility. As of June 30, 2019, the available amount was US $9,888.

The following table sets out an analysis of long-term debts and the movements in the long term debt for the periods presented:

		2019
Opening balance	$	**1,716,964**
Proceeds from long-term debt, net of debt issuance costs		**2,224,231**
Long-term debt repayments		**(2,252,107)**
Convertible debenture fair value adjustment		**1,138**
Amortization of debt issuance costs		**8,535**
Foreign exchange adjustments		**(36,133)**
Ending balance	$	**1,662,628**

10. 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	1,431,124		7,643
Changes in unvested shares held in trust	(100,641)		553
Closing balance - June 30, 2019	**158,191,539**	**$**	**214,524**
Accrued share dividends	1,887,721	$	8,129
Share capital	**160,079,260**	**$**	**222,653**

The total number of unvested shares held in trust for share-based compensation plans as at June 30, 2019 was 112,784 (December 31, 2018 – 213,425).

(c) Dividends

During the first quarter of 2019, the Company reintroduced dividend reinvestment plan ("DRIP") to eligible common shareholders.

During the three months ended June 30, 2019, the Company settled it's declared dividends of $19,427 by paying $11,588 in cash and issuing 1,431,124 shares (2018 - $18,849 paid in cash), being $0.12 per common share (2018 - $0.12 per common share). For the six months ended June 30, 2018, the Company settled it's declared dividends of $38,658 by paying $30,437 in cash and issuing 1,431,124 shares (2018 - $37,698 paid in cash), being $0.24 per common share (2018 - $0.24 per common share).

11. NET LOSS PER SHARE

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

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

	Three months ended		Six months ended	
	June 30 2019	June 30 2018	**June 30 2019**	June 30 2018
Net loss attributable to common shareholders:				
Basic and diluted	**$ (31,173)**	$ (36,697)	**$ (53,521)**	$ (63,379)
Weighted average number of common shares outstanding:				
Basic	**158,229,273**	156,733,024	**157,655,750**	156,867,599
Potentially dilutive share-based compensation plans	**60,945**	156,385	**60,585**	164,845
Diluted	**158,290,218**	156,889,409	**157,716,335**	157,032,444

During the three and six months ended June 30, 2019, share options of 7,004,300 (2018 – 7,773,750) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

12. SHARE-BASED COMPENSATION

A summary of the Company's share option plan as of June 30, 2019 and the changes during the six 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	5.69
Exercised for cash	(3,300)	5.60
Forfeited	(361,700)	7.17
Outstanding - June 30, 2019	**7,010,800**	**$ 7.23**
Exercisable - June 30, 2019	**2,737,340**	**$ 8.34**

The following table lists the options outstanding at June 30, 2019:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$5.60 to $6.66	3,266,350	3.90	$ 5.73	406,140	$ 5.76
$6.67 to $7.64	1,490,300	1.51	7.30	898,900	7.30
$7.65 to $10.37	2,254,150	1.35	9.36	1,432,300	9.73
	7,010,800	2.57	$ 7.23	2,737,340	$ 8.34

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

	June 30 2019
Remaining expected life (years)	2.3
Volatility (percent)	40.0
Forfeiture rate (percent)	6.1
Risk-free interest rate (percent)	1.4
Expected dividend (percent)	11.2

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of June 30, 2019 and the changes during the six month period ended, is presented below:

	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1, 2019	616,800	$ 7.28
Granted	179,930	5.69
Forfeited	(51,150)	6.81
Outstanding - June 30, 2019	**745,580**	**$ 6.92**
Exercisable - June 30, 2019	**249,860**	**$ 8.05**

The following table lists the SARs outstanding at June 30, 2019:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$5.60 to $7.00	414,930	3.92	$ 5.75	49,860	$ 5.80
$9.01 to $9.00	234,550	1.91	7.58	122,800	7.52
$9.01 to $10.37	96,100	0.50	10.37	77,200	10.37
	745,580	2.84	$ 6.92	249,860	$ 8.05

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	1,046,836
Granted through dividend payment	82,421
Forfeited	(43,356)
Outstanding - June 30, 2019	**2,359,016**

Included in net earnings for the three months ended June 30, 2019 is an expense of $1,552 (2018 - $527), and six months ended June 30, 2019 is as expense of $2,261 (2018 - $471). 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.

13. 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 six month period ended June 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**157,020**	**534,978**	**130,952**	**822,950**	119,285	273,591	128,645	521,521
(Loss) income before interest and income taxes	**(27,341)**	**23,764**	**24,167**	**20,590**	(6,151)	(39,712)	(25,846)	(71,709)
Property and equipment, net	**770,063**	**1,783,123**	**451,281**	**3,004,467**	838,868	1,192,326	473,129	2,504,323

	2019				2018			
As at and for the three month period ended June 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**50,598**	**261,382**	**65,712**	**377,692**	45,473	148,088	69,500	263,061
(Loss) income before interest and income taxes	**(4,853)**	**5,691**	**14,855**	**15,693**	(2,106)	(17,229)	(20,709)	(40,044)

	Three months ended		Six months ended	
	June 30 2019	June 30 2018	**June 30 2019**	June 30 2018
Rig rental revenue	**$ 231,230**	$ 138,144	**$ 544,726**	$ 293,382
Service revenue	**146,462**	124,917	**278,224**	228,139
Total revenue	**$ 377,692**	$ 263,061	**$ 822,950**	$ 521,521

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

14. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

(a) Non-cash working capital

	Three months ended		Six months ended	
	June 30 2019	June 30 2018	**June 30 2019**	June 30 2018
Net change in non-cash working capital				
Accounts receivable	**$ 33,415**	$ 1,519	**$ 6,344**	$ 3,913
Inventories investments, prepaid and other	**3,304**	(3,284)	**6,801**	(5,604)
Accounts payable and accruals	**(38,517)**	(19,265)	**(25,417)**	(50,023)
Income taxes receivable	**(2,116)**	(991)	**(1,938)**	(679)
	$ (3,914)	$ (22,021)	**$ (14,210)**	$ (52,393)
Relating to:				
Operating activities	**$ 4,841**	$ (28,502)	**$ (29,600)**	$ (62,411)
Investing activities	**(5,426)**	9,516	**11,000**	10,314
Financing activities	**(3,329)**	(3,035)	**4,390**	(296)
	$ (3,914)	$ (22,021)	**$ (14,210)**	$ (52,393)

(b) Cash and cash equivalents

	June 30 2019	December 31 2018
Cash	**$ 34,195**	$ 75,709
Restricted cash	**5,510**	9,114
Total cash and cash equivalents	**$ 39,705**	$ 84,823

15. 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.

16. SUBSEQUENT EVENTS

Subsequent to the quarter, the Company has purchased and cancelled US $9,500 of Senior Notes.

Subsequent to June 30, 2019 the Company settled it's declared dividends by paying $11,298 in cash and issued 1,887,721 common shares.

CORPORATE INFORMATION

BOARD OF DIRECTORS

N. MURRAY EDWARDS
Corporate Director and Investor

ROBERT H. GEDDES
President and COO,
Ensign Energy Services Inc.

GARY CASSWELL [2,4]
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

N. MURRAY EDWARDS
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

TREVOR RUSSELL
Vice President, Finance

AHMED IQBAL
Vice President, Corporate Controller

JONATHAN BASKEYFIELD
Vice President, Tax

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