ENSIGN®

2019 Q3

THIRD QUARTER REPORT For the three and nine months ended September 30, 2019

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended September 30			Nine months ended September 30		
	2019	2018	% change	**2019**	2018	% change
Revenue	**$ 393,530**	$ 288,700	36	**$1,216,480**	$ 810,221	50
Adjusted EBITDA [1]	**97,012**	68,641	41	**312,902**	173,999	80
Adjusted EBITDA per common share [1]						
Basic	**$0.60**	$0.44	36	**$1.97**	$1.11	77
Diluted	**$0.60**	$0.44	36	**$1.97**	$1.11	77
Net loss attributable to shareholders	**(37,770)**	(32,791)	(15)	**(91,290)**	(96,170)	5
Net loss per common share						
Basic	**$(0.24)**	$(0.21)	(14)	**$(0.58)**	$(0.61)	5
Diluted	**$(0.24)**	$(0.21)	(14)	**$(0.58)**	$(0.61)	5
Cash provided by operating activities	**77,363**	51,792	49	**176,492**	91,096	94
Funds flow from operations	**53,465**	60,390	(11)	**182,194**	162,105	12
Funds flow from operations per common share						
Basic	**$0.33**	$0.38	(13)	**$1.15**	$1.03	12
Diluted	**$0.33**	$0.38	(13)	**$1.15**	$1.03	12
Total debt, net of cash	**1,597,196**	730,520	nm	**1,597,196**	730,520	nm
Weighted average common shares - basic *(000s)*	**158,667**	156,756	1	**158,513**	156,863	1
Weighted average common shares - diluted *(000s)*	**158,738**	156,911	1	**158,621**	157,021	1
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]	**43**	43	—	**43**	43	—
Operating days [5]						
Canada [3]	**2,354**	1,530	54	**6,732**	4,311	56
United States	**6,382**	3,330	92	**19,489**	9,462	nm
International [4]	**1,403**	1,689	(17)	**3,928**	4,473	(12)
Well Servicing	**2019**	2018	% change	**2019**	2018	% change
Number of rigs						
Canada	**55**	62	(11)	**55**	62	(11)
United States	**47**	45	4	**47**	45	4
Operating hours						
Canada	**11,574**	14,607	(21)	**35,072**	44,691	(22)
United States	**29,416**	30,349	(3)	**86,741**	81,477	6

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 - 48 (2018 - Canada - 69, United States - 85, International - 46)*

[3] *Excludes coring rigs.*

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

[5] *Defined as contract drilling days, between spud to rig release*

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 nine months ended September 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 November 7, 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. Previous presentations included references to publicly disclosed analyst consensus estimates for 2019 Revenue and EBITDA. The Company has since removed the consensus estimates as the Company does not have access and ability to disclose the material factors and assumptions third-party analysts utilize to develop their forward-looking estimates.

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 and Consolidated EBITDA. 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

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	Three months ended September 30		Nine months ended September 30	
($ thousands)	**2019**	2018	**2019**	2018
Loss before income taxes	**(48,290)**	(46,555)	**(103,759)**	(137,656)
Add-back/(deduct):				
Interest expense	**34,870**	10,871	**111,875**	30,263
Depreciation	**92,410**	102,427	**269,607**	301,471
Restructuring costs	**1,692**	—	**11,089**	—
Loss from investment in joint ventures	**2,207**	—	**1,911**	—
Share-based compensation	**(673)**	1,160	**2,214**	2,436
Gain on asset sale	**—**	—	**(9,824)**	—
Gain on purchase of unsecured Senior Notes	**(920)**	—	**(1,570)**	—
Foreign exchange and other loss (gain)	**13,670**	738	**20,753**	(22,515)
Adjusted EBITDA from investment in joint ventures	**2,046**	—	**10,606**	—
Adjusted EBITDA	**97,012**	68,641	**312,902**	173,999

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 September 30		Nine months ended September 30	
($ thousands)	**2019**	2018	**2019**	2018
Loss from investment in joint ventures	**(2,207)**	—	**(1,911)**	—
Add-back/(deduct):				
TDI fair value adjustment	**(25)**	—	**625**	—
Depreciation and amortization	**3,396**	—	**10,051**	—
Foreign exchange	**(46)**	—	**(70)**	—
Finance costs	**474**	—	**1,168**	—
Income taxes	**442**	—	**584**	—
Preferred shares valuation	**12**	—	**159**	—
Adjusted EBITDA from investment in joint ventures	**2,046**	—	**10,606**	—

Consolidated EBITDA

Consolidated EBITDA, as defined in the Company's Credit Facility agreement, is used in determining the Company's compliance with its covenants. The Consolidated EBITDA differs from Adjusted EBITDA by exclusion restructuring costs and certain foreign exchange amounts. Consolidated EBITDA is calculated on a rolling twelve-month basis.

OVERVIEW

Revenue for the third quarter of 2019 was $393.5 million, an increase of 36 percent from revenue for the third quarter of 2018 of $288.7 million. Revenue for the nine months ended September 30, 2019 was $1,216.5 million, an increase of 50 percent from revenue for the nine months ended September 30, 2018 of $810.2 million.

Net loss attributable to shareholders for the third quarter of 2019 was $37.8 million ($0.24 per common share) compared to a net loss attributable to shareholders of $32.8 million ($0.21 per common share) for the third quarter of 2018. Net loss attributable to shareholders for the nine months ended September 30, 2019 was $91.3 million ($0.58 per common share), compared to net loss attributable to shareholders of $96.2 million ($0.61 per common share) for the nine months ended September 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 the Halliburton group of companies, 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 common shares. Results for the first nine 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 key basins in the United States market.

Adjusted EBITDA totaled $97.0 million ($0.60 per common share) in the third quarter of 2019, 41 percent higher than Adjusted EBITDA of $68.6 million ($0.44 per common share) in the third quarter of 2018. For the first nine months of 2019, Adjusted EBITDA totaled $312.9 million ($1.97 per common share), 80 percent higher than Adjusted EBITDA of $174.0 million ($1.11 per common share) in the first nine months of 2018. The increase in Adjusted EBITDA in the third quarter of 2019 compared to the third 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 11 percent to $53.5 million ($0.33 per common share) in the third quarter of 2019 compared to $60.4 million ($0.38 per common share) in the third quarter of the prior year. Funds flow from operations increased 12 percent to $182.2 million ($1.15 per common share) in the first nine months of 2019 compared to $162.1 million ($1.03 per common share) in the first nine months of the prior year. The decrease in funds flow in the third quarter of 2019 compared to the third quarter of 2018 was primarily attributed to higher interest expense.

Operating days were higher in both of the Company's Canadian and United States divisions in the third quarter of 2019 when compared to the third quarter in 2018 due in large part to the Trinidad Acquisition. The international division's operating days were lower due to reduced activity in the Company's Latin American 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 $1.33 for the first nine months of 2019 (2018 - $1.29) versus the Canadian dollar.

Working capital at September 30, 2019 was a surplus of $140.1 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 $900.0 million revolving credit facility (the "**Credit Facility**") was $178.5 million at September 30, 2019.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Revenue						
Canada	**65,158**	56,184	16	**222,178**	175,469	27
United States	**252,801**	158,077	60	**787,779**	431,668	82
International	**75,571**	74,439	2	**206,523**	203,084	2
Total revenue	**393,530**	288,700	36	**1,216,480**	810,221	50
Oilfield services expense	**286,977**	210,297	36	**872,582**	603,917	44

Revenue for the three months ended September 30, 2019 totaled $393.5 million, an increase of 36 percent from the third quarter of 2018 of $288.7 million. Revenue for the nine months ended September 30, 2019 totaled $1,216.5 million, a 50 percent increase from the nine months ended September 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 nine months of 2019, which offset the impact of some of the revenue rate decreases experienced throughout 2019.

CANADIAN OILFIELD SERVICES

Revenue increased 16 percent to $65.2 million for the three months ended September 30, 2019 from $56.2 million for the three months ended September 30, 2018. The Company recorded revenue of $222.2 million in Canada for the nine months ended September 30, 2019, an increase of 27 percent from $175.5 million recorded for the nine months ended September 30, 2018. Canadian revenues accounted for 17 percent of the Company's total revenue in the third quarter of 2019, (2018 - 19 percent) and 18 percent (2018 - 22 percent) for the nine months ended September 30, 2019.

The Company's Canadian drilling operations recorded 2,354 operating days in the third quarter of 2019, compared to 1,530 operating days for the third quarter of 2018, an increase of 54 percent. For the nine months ended September 30, 2019, the Company recorded 6,732 operating days compared to 4,311 drilling days for the nine months ended September 30, 2018, an increase of 56 percent. Canadian well servicing hours decreased by 21 percent to 11,574 operating hours in the third quarter of 2019 compared to 14,607 operating hours in the corresponding period of 2018. For the nine months ended September 30, 2019, well servicing hours decreased by 22 percent to 35,072 operating hours compared with 44,691 operating hours for the nine months ended September 30, 2018.

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

During the first nine months ended September 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 $252.8 million in the third quarter of 2019, an increase of 60 percent from the $158.1 million recorded in the corresponding period of the prior year. During the nine months ended September 30, 2019, revenue of $787.8 million was recorded, an increase of 82 percent from the $431.7 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 64 percent of the Company's revenue in the third quarter of 2019 (2018 - 55 percent) and 65 percent of the Company's revenue in the first nine months of 2019 (2018 - 53 percent).

Drilling rig operating days increased to 6,382 operating days in the third quarter of 2019 from 3,330 operating days in the third quarter of 2018, and to 19,489 operating days in first nine months of 2019 from 9,462 operating days in the first nine months of 2018. Well servicing activity, expressed in operating hours, decreased by three percent in the third quarter of 2019 to 29,416 operating hours from 30,349 operating hours in the third quarter of 2018. For the nine months ended September 30, 2019 well servicing activity increased six percent to 86,741 operating hours from 81,477 operating hours in the first nine 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 positively impacted by a strengthening of the United States dollar versus the Canadian dollar, when compared to the nine months ending September 30, 2018. The increase to revenue was offset by the decrease in revenue rates.

During the first nine 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 $75.6 million in the third quarter of 2019, a two percent increase from the $74.4 million recorded in the corresponding period of the prior year. International revenues for the nine months ended September 30, 2019, increased two percent to $206.5 million from $203.1 million recorded in the nine months ended September 30, 2018. The Company's international operations contributed 19 percent of the total revenue in the third quarter of 2019 (2018 - 26 percent) and 17 percent of the Company's revenue in the first nine months of 2019 (2018 - 25 percent).

International operating days for the three months ended September 30, 2019, totaled 1,403 operating days compared to 1,689 operating days in the same period of 2018, a decrease of 17 percent. For the nine months ended September 30, 2019, international operating days totaled 3,928 operating days compared to 4,473 operating days for the nine months ended September 30, 2018, a decrease of 12 percent.

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

During the third quarter of 2019, the Company deployed one drilling rig to the Australian fleet to meet increasing demand.

DEPRECIATION

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Depreciation	**92,410**	102,427	(10)	**269.607**	301.471	(11)

Depreciation expense totaled $92.4 million for the third quarter of 2019 compared with $102.4 million for the third quarter of 2018, a decrease of 10 percent. Depreciation expense for the nine months ended September 30, 2019 decreased

by 11 percent, to $269.6 million compared with $301.5 million in nine months of 2018. In the first quarter of 2019, in connection with the Trinidad Acquisition, the Company reviewed the makeup of and the age of its drilling rig fleet and equipment and, based on age, specification and type of recertifications that were underway, determined that the useful life estimates previously used did not appropriately represent the useful life of this equipment. On this adjusted 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 nine months ended September 30, 2019, compared to similar periods in the previous year.

GENERAL AND ADMINISTRATIVE EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
General and administrative expense	**11,587**	9,762	19	**41,602**	32,305	29
% of revenue	**2.9**	3.4		**3.4**	4.0	

General and administrative expense increased 19 percent to $11.6 million (2.9 percent of revenue) for the third quarter of 2019 compared to $9.8 million (3.4 percent of revenue) for the third quarter of 2018. For the nine months ended September 30, 2019, general and administrative expense totaled $41.6 million (3.4 percent of revenue) compared to $32.3 million (4.0 percent of revenue) for the nine months ended September 30, 2018.

The increase in total general and administrative expense for the three and nine months ended September 30, 2019 is primarily due 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 September 30			Nine months ended September 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Restructuring costs	**1,692**	—	nm	**11,089**	—	nm

nm - calculation not meaningful

Restructuring costs totaled $1.7 million for the third quarter of 2019, which includes one-time severance cost of $1.1 million (2018 - $nil). For the nine months ended September 30, 2019 restructuring costs were $11.1 million which includes one-time severance cost of $8.0 million (2018 - $nil).

GAIN ON ASSET SALE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Gain on asset sale	**—**	—	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, Ensign acquired a 60 percent ownership in TDI, a joint venture with a wholly owned subsidiary of the Halliburton group of companies. TDI has five rigs and operates rigs in Bahrain, Mexico and Kuwait. The Company owns a 60 percent interest of TDI with 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 September 30			Nine months ended September 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Revenue	**17,589**	—	nm	**40,973**	—	nm
Net income	**(4,537)**	—	nm	**(3,376)**	—	nm
Drilling operating days	**216**	—	nm	**421**	—	nm

nm - calculation not meaningful

For the three months ended September 30, 2019, TDI recorded revenue of $17.6 million (2018 - $nil) and 216 operating days (2018 - $nil).

For the nine months ended September 30, 2019, TDI recorded revenue of $41.0 million (2018 - $nil) and 421 operating days (2018 - $nil).

INTEREST EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Interest expense	**34,870**	10,871	nm	**111,875**	30,263	nm

nm - calculation not meaningful

Interest was incurred on the Company's $900.0 million Credit Facility, US $700.0 million Senior Notes, $37.0 million subordinate convertible debenture (the **"Debentures"**), capital lease obligations, and on certain other 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 resulting from the Trinidad Acquisition, which totaled $2.8 million and $11.3 million respectively for the three and nine months ended September 30, 2019 (2018 - $0.4 million and $1.6 million respectively).

Interest expense increased by $24.0 million for the third quarter of 2019 compared to the third quarter of 2018 and increased by $81.6 million for the first nine months of 2019 compared to the same period of 2018. The increase is the result of the overall increase to the interest rate and additional debt incurred to fund the Trinidad Acquisition. The negative translational impact on US dollar-denominated debt also impacted interest expense for the quarter.

FOREIGN EXCHANGE AND OTHER LOSS (GAIN)

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Foreign exchange and other loss (gain)	**13,670**	738	nm	**20,753**	(22,515)	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 September 30			Nine months ended September 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Current income tax	**550**	(1,294)	nm	**1,451**	667	nm
Deferred income tax	**(10,274)**	(12,470)	(18)	**(12,725)**	(42,153)	(70)
Total income tax	**(9,724)**	(13,764)	(29)	**(11,274)**	(41,486)	(73)
Effective income tax rate (%)	**20.1**	29.6	(32)	**10.9**	30.1	(64)

nm - calculation not meaningful

The effective income tax rate for the three months ended September 30, 2019 was 20.1 percent compared to 29.6 percent for the three months ended September 30, 2018. The effective income tax rate for the nine months ended September 30, 2019 was 10.9 percent compared with 30.1 percent for the nine months ended September 30, 2018. The effective tax rate in the first nine months of the current year was lower than the effective tax rate in the first nine 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 September 30			Nine months ended September 30		
($ thousands, except per share data)	**2019**	2018	% change	**2019**	2018	% change
Funds flow from operations	**53,465**	60,390	(11)	**182,194**	162,105	12
Funds flow from operations per share	**$0.33**	$0.38	(13)	**$1.15**	$1.03	12
Working capital [1]	**140,087**	(156,223)	nm	**140,087**	(156,223)	nm

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

During the three months ended September 30, 2019, the Company generated funds flow from operations of $53.5 million ($0.33 per common share) compared to funds flow from operations of $60.4 million ($0.38 per common share) for the three months ended September 30, 2018, a decrease of 11 percent. For the nine months ended September 30, 2019, the Company generated funds flow from operations of $182.2 million ($1.15 per common share) an increase of twelve percent from $162.1 million ($1.03 per common share) for the nine months ended September 30, 2018. Decreased funds flow from operations for three months ended September 30, 2019 when compared to three months ended September 30, 2018 is due to higher interest expense as a result of the increased debt associated with the Trinidad Acquisition. The increase in funds flow from operations for nine months ended September 30, 2019 compared to the similar period of 2018 is due to increased activity from the Trinidad Acquisition combined with the stronger United States dollar in 2019 which was partially offset by increased interest cost.

At September 30, 2019 the Company's working capital was a surplus of $140.1 million, compared to a working capital deficit of $156.2 million at December 31, 2018. The increase in working capital in the first nine 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. The Company's Credit Facility provides for total borrowings of $900.0 million, of which $142.0 million was undrawn and available at September 30, 2019.

INVESTING ACTIVITIES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Purchase of property and equipment	**(38,354)**	(20,332)	89	**(111,632)**	(59,787)	87
Proceeds from disposals of property and equipment	**3,295**	1,180	nm	**32,915**	3,348	nm
Acquisition of minority interest	**—**	—	nm	**(49,214)**	—	nm
Net change in non-cash working capital	**(6,515)**	51	nm	**4,485**	10,365	(57)
Cash used in investing activities	**(41,574)**	(19,101)	nm	**(123,446)**	(46,074)	nm

nm - calculation not meaningful

Net purchases of property and equipment for the third quarter of 2019 totaled $35.1 million (2018 - $19.2 million). Net purchases of property and equipment during the first nine months of 2019 totaled $78.7 million (2018 - $56.4 million). The purchase of property and equipment relates predominantly to maintenance capital for certain drilling rigs, rig upgrades, the deployment of one drilling rig for the international segment and one new service rig for the United States.

FINANCING ACTIVITIES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2019**	2018	% change	**2019**	2018	% change
Proceeds from long-term debt, net of debt issuance cost	**10,000**	—	nm	**2,234,231**	—	nm
Repayments of long-term debt	**(53,251)**	(8,200)	nm	**(2,305,358)**	(16,944)	nm
Lease obligation principle repayments	**(2,380)**	—	nm	**(5,996)**	—	nm
Purchase of shares held in trust	**(373)**	(284)	31	**(896)**	(797)	12
Issuance of convertible debenture	**—**	—	nm	**—**	37,000	nm
Dividends	**(11,298)**	(18,849)	(40)	**(41,735)**	(56,547)	(26)
Net change in non-cash working capital	**20,231**	4,326	nm	**24,621**	4,030	nm
Cash used in financing activities	**(37,071)**	(23,007)	61	**(95,133)**	(33,258)	nm

nm - calculation not meaningful

The Company's available credit facilities consist of a $900.0 million secured Credit Facility, which matures November 26, 2021, of which $142.0 million was available and undrawn as at September 30, 2019. In addition, the Company also has available to it a US $50.0 million secured letter of credit facility, of which US $0.3 million was available as at September 30, 2019.

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 current capital structure consisting of the Credit 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. The Company has purchased US $37.5 million of Senior Notes in the first nine months of 2019. A further US $3.0 million was purchased subsequent to the third quarter of 2019.

Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at September 30, 2019:

	Covenant	September 30 2019
The Credit Facility		
Consolidated Debt to Consolidated EBITDA[1]	≤ 5.25	3.50
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 2.50	4.06
Consolidated Senior Debt to Consolidated EBITDA[1,3]	≤ 2.75	1.60

[1] *Please refer to Non-GAAP Measures for Consolidated EBITDA definition.*
[2] *Consolidated Interest Expense is defined as all interest expense calculated on twelve month rolling consolidated basis excluding amortized finance cost and interest expense associated with the Trinidad Note purchase.*
[3] *Consolidated Senior Debt is defined as Consolidated Total Debt minus Subordinated Debt.*

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

The Credit facility

The Credit Facility requires that the Company comply with certain covenants including Consolidated Debt to Consolidated EBITDA, Consolidated Senior Debt to Consolidated EBITDA and Consolidated EBITDA to Consolidated Interest Expense.

The Credit Facility contains certain covenants that place restrictions on the Company's ability to create, incur or assume additional indebtedness; change the Company's primary business; enter into mergers or amalgamations; dispose of property; and for the aggregate amount of cash on consolidated basis or available borrowings be at least $50 million.

The Senior Notes

The indenture governing the Senior Notes, which is available on SEDAR, contains certain restrictions and exemptions on the Company's ability to pay dividends, purchase and redeem shares and subordinated debt of the Company, and make certain restricted investments. Limitations on these restrictions are tempered by the existence of a number of exceptions to the general prohibition, including baskets allowing for restricted payments.

The indenture also restricts the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2.0 to 1.0. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness, including the incurrence of additional debt under credit facilities up to the greater of $900.0 million or 22.5 percent of the Company's consolidated tangible assets. As at September 30, 2019, the Company has not incurred additional indebtedness that would require the Fixed Charge Coverage Ratio to be calculated.

The Board of Directors of the Company has declared a fourth quarter cash dividend of $0.06 per common share to be payable on January 3, 2020 to all Common Shareholders of record as of December 19, 2019, which constitutes a 50 percent reduction of the dividend declared and paid in respect of the prior quarter. The Board of Directors also decided to discontinue the Company Dividend Reinvestment Plan ("DRIP"). The dividend is being paid pursuant to subsection 89(1) of the Canadian Income Tax Act ("ITA") and is designated as an eligible dividend as defined in subsection 89(1) therein. The reduction in quarterly dividend from $0.12 per share in prior quarters and discontinuation of the DRIP were implemented by the Board of Directors in recognition of prevailing industry conditions, to enable the Company to pursue alternative uses of available cash and to curtail the dilution resulting from the DRIP.

FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at September 30, 2019 totaled $306.5 million, a decrease of $45.1 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 September 30, 2019, the Company had accounts receivable of approximately $12.9 million for work performed in Venezuela, and in recent months several 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.

During the first nine months ended September 30, 2019, the Company:

- deployed one new ADR® drilling rig to the Company's international operations, using various components from its spare capital inventory,
- 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)	**Q3-2019**	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018	Q4-2017
Revenue	**393,530**	377,692	445,258	346,136	288,700	263,061	258,460	270,013
Adjusted EBITDA [1]	**97,012**	100,359	115,531	81,678	68,641	53,064	52,294	54,820
Adjusted EBITDA per share [1]								
Basic	**$0.60**	$0.63	$0.74	$0.52	$0.44	$0.34	$0.33	$0.34
Diluted	**$0.60**	$0.63	$0.74	$0.52	$0.44	$0.34	$0.33	$0.35
Net income (loss) attributable to shareholders	**(37,770)**	(31,173)	(22,347)	154,472	(32,791)	(36,697)	(26,682)	46,488
Net income (loss) per share								
Basic	**$(0.24)**	$(0.20)	$(0.14)	$0.98	$(0.21)	$(0.23)	$(0.17)	$0.30
Diluted	**$(0.24)**	$(0.20)	$(0.14)	$0.98	$(0.21)	$(0.23)	$(0.17)	$0.30
Cash provided by operating activities	**77,363**	47,908	51,871	61,037	51,792	19,306	19,998	38,124
Funds flow from operations	**53,465**	43,067	86,312	63,834	60,390	47,808	53,907	12,244
Funds flow from operations per share								
Basic	**$0.33**	$0.27	$0.55	$0.41	$0.38	$0.31	$0.34	$0.07
Diluted	**$0.33**	$0.27	$0.55	$0.41	$0.38	$0.31	$0.34	$0.07
Total debt, net of cash	**1,597,196**	1,622,923	1,688,087	1,641,830	730,520	748,609	726,636	707,559

[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.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of November 7, 2019:

	Number		Amount ($)
Common shares	162,910,665	$	230,572

	Outstanding	Exercisable
Stock options	6,715,845	3,955,265

OUTLOOK

Industry Overview

The oil and gas industry continues to see discipline in capital allocation, balance sheet preservation and operating within cash flow. As the industry faces commodity price volatility, uncertain future oil and natural gas demand and trade tensions, conservatism continues to weigh on energy markets.

The Company remains steadfastly committed to debt reduction, strict cost control and realizing annualized cost savings of $40.0 million from the Trinidad Acquisition. The full impact of these initiatives is expected to be recognized in 2020 and beyond.

Customer budget revitalization balanced with muted demand growth expected in 2020, results in a flat outlook for oilfield services. However, we believe our relatively low cost structure puts us at a competitive advantage during a time of uncertainty and modest commodity prices.

Canadian Activity

Canadian market sentiment, accustomed to constrained take-away capacity and uncertain Federal Government support, remains muted. Activity over the quarter has settled and is expected to remain flat for the remainder of the year and into 2020.

Of our 118 marketed Canadian drilling rigs, approximately 42 percent are engaged under term contracts, with approximately 50 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 continued to drop quarter over quarter and as a result, day rates have reduced slightly as we move through 2019. Day rates are expected to be flat to down for the remainder of the year and into 2020. The Company retained market share throughout the quarter and expects relatively flat activity for the remainder of the year.

Of our 134 marketed United States drilling rigs, approximately 46 percent are contracted, with approximately 41 percent of the contracted rigs having a remaining contract term of six months or longer.

International Activity

Year to date, international operations has been an important growth area for the Company. Australia activity remains firm and is expected to remain flat for the remainder of the year into 2020. Despite geopolitical tensions, Latin American operations remained steady throughout the quarter and again is expected to remain flat for the rest of the year. Activity in the Middle East is expected to be up over the fourth quarter and flat into 2020, recognizing the full impact of the two 60 percent owned Kuwait rigs which commenced operations in the third quarter of 2019 along with the wholly owned Bahrain drilling rig that commenced operations in the fourth quarter of 2019, all projected to remain active with long term contracts.

Of our 48 marketed international drilling rigs including the five joint venture drilling rigs, approximately 48 percent are contracted, with approximately 73 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 September 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 December 31, 2018 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 September 30, 2019.

CHANGE IN ACCOUNTING POLICY

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

Upon transition, the Company recognized the right-of-use assets and corresponding liabilities of $13.8 million. During the three months and the nine months ended September 30, 2019, Adjusted EBITDA was positively impacted by $1.3 million and $3.9 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 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 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 several 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 September 30, 2019 was approximately 1.33 compared with 1.36 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	September 30 2019	December 31 2018
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash *(Note 14)*	**$ 36,540**	$ 84,823
Accounts receivable	**306,463**	351,596
Inventories, investments, prepaid and other	**50,752**	58,175
Asset held for sale *(Note 6)*	**18,806**	18,806
Income taxes receivable	**3,050**	1,994
Total current assets	**415,611**	515,394
Property and equipment *(Note 5)*	**2,966,710**	3,201,704
Deferred income taxes	**121,053**	99,054
Investment in joint ventures (*Note 8)*	**165,596**	177,010
Total assets	**$ 3,668,970**	$ 3,993,162
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 255,009**	$ 271,374
Cash dividends payable	**11,341**	18,849
Share-based compensation *(Note 12)*	**221**	975
Income taxes payable	**4,755**	3,807
Current portion of long-term debt *(Note 9)*	**—**	376,612
Current portion of lease obligation	**4,198**	—
Total current liabilities	**275,524**	671,617
Long-term debt *(Note 9)*	**1,633,736**	1,340,352
Lease obligations	**17,938**	9,689
Share-based compensation *(Note 12)*	**5,117**	3,033
Deferred income taxes	**177,680**	171,781
Non-controlling interest	**4,482**	6,007
Total liabilities	**2,114,477**	2,202,479
Shareholders' Equity		
Share capital *(Note 10)*	**230,572**	206,328
Contributed surplus	**23,566**	1,013
Equity component of convertible debenture	**3,193**	3,193
Foreign currency translation reserve	**253,768**	315,095
Minority interest	**—**	72,078
Retained earnings	**1,043,394**	1,192,976
Total shareholders' equity	**1,554,493**	1,790,683
Total liabilities and shareholders' equity	**$ 3,668,970**	$ 3,993,162

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS

	Three months ended		Nine months ended	
	September 30 2019	September 30 2018	**September 30 2019**	September 30 2018
(Unaudited, in thousands of Canadian dollars, except per share data)				
Revenue	**$ 393,530**	$ 288,700	**$ 1,216,480**	$ 810,221
Expenses				
Oilfield services	**286,977**	210,297	**872,582**	603,917
Depreciation *(Note 5)*	**92,410**	102,427	**269,607**	301,471
General and administrative	**11,587**	9,762	**41,602**	32,305
Restructuring costs	**1,692**	—	**11,089**	—
Share-based compensation	**(673)**	1,160	**2,214**	2,436
Gain on asset sale *(Note 7)*	**—**	—	**(9,824)**	—
Gain on purchase of unsecured Senior Notes *(Note 9)*	**(920)**	—	**(1,570)**	—
Foreign exchange and other loss (gain)	**13,670**	738	**20,753**	(22,515)
Total expenses	**404,743**	324,384	**1,206,453**	917,614
Income (loss) before interest, loss from investment in joint ventures and income taxes	**(11,213)**	(35,684)	**10,027**	(107,393)
Loss from investment in joint ventures *(Note 8)*	**2,207**	—	**1,911**	—
Interest expense	**34,870**	10,871	**111,875**	30,263
Loss before income taxes	**(48,290)**	(46,555)	**(103,759)**	(137,656)
Income taxes				
Current income tax	**550**	(1,294)	**1,451**	667
Deferred income tax	**(10,274)**	(12,470)	**(12,725)**	(42,153)
Total income taxes	**(9,724)**	(13,764)	**(11,274)**	(41,486)
Net loss	**(38,566)**	(32,791)	**(92,485)**	(96,170)
Net loss attributable to:				
Shareholders	**(37,770)**	(32,791)	**(91,290)**	(96,170)
Non-controlling interests	**(796)**	—	**(1,195)**	—
	(38,566)	(32,791)	**(92,485)**	(96,170)
Net loss per share *(Note 11)*				
Basic	**$ (0.24)**	$ (0.21)	**$ (0.58)**	$ (0.61)
Diluted	**$ (0.24)**	$ (0.21)	**$ (0.58)**	$ (0.61)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three months ended		Nine months ended	
	September 30 2019	September 30 2018	**September 30 2019**	September 30 2018
(Unaudited, in thousands of Canadian dollars)				
Net loss	**$ (38,566)**	$ (32,791)	**$ (92,485)**	$ (96,170)
Other comprehensive (loss)				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**7,112**	(22,881)	**(61,327)**	12,204
Comprehensive loss	**$ (31,454)**	$ (55,672)	**$ (153,812)**	$ (83,966)
Other comprehensive income (loss) attributable to:				
Shareholders of Ensign	**$ 7,112**	$ (22,881)	**$ (61,327)**	$ 12,204
	$ 7,112	$ (22,881)	**$ (61,327)**	$ 12,204

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	—	—	—	—	—	(91,290)	(91,290)
Other comprehensive loss	—	—	—	(61,327)	—	—	(61,327)
Total comprehensive loss	—	—	—	(61,327)	—	(91,290)	(152,617)
Dividends	15,772	—	—	—	—	(58,292)	(42,520)
Accrued share dividends	8,292	—	—	—	—	—	8,292
Acquisition of minority interest	—	—	—	—	(49,214)	—	(49,214)
Derecognition of net assets attributable to minority interest	—	22,864	—	—	(22,864)	—	—
Share-based compensation	—	765	—	—	—	—	765
Shares vested previously held in trust	1,076	(1,076)	—	—	—	—	—
Purchase of shares held in trust	(896)	—	—	—	—	—	(896)
Balance September 30, 2019	**$ 230,572**	**$ 23,566**	**$ 3,193**	**$ 253,768**	**$ —**	**$ 1,043,394**	**$ 1,554,493**
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	—	—	—	—	—	(96,170)	(96,170)
Other comprehensive income	—	—	—	12,204	—	—	12,204
Total comprehensive income (loss)	—	—	—	12,204	—	(96,170)	(83,966)
Dividends	—	—	—	—	—	(56,547)	(56,547)
Convertible debenture	—	—	3,193	—	—	—	3,193
Share-based compensation	—	846	—	—	—	—	846
Shares vested previously held in trust	1,333	(1,333)	—	—	—	—	—
Purchase of shares held in trust	(797)	—	—	—	—	—	(797)
Balance September 30, 2018	$ 206,578	$ 639	$ 3,193	$ 250,089	$ —	$ 1,078,825	$ 1,539,324

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Nine months ended	
	September 30 2019	September 30 2018	**September 30 2019**	September 30 2018
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net loss	**$ (38,566)**	$ (32,791)	**$ (92,485)**	$ (96,170)
Items not affecting cash				
Depreciation	**92,410**	102,427	**269,607**	301,471
Loss from investment in joint ventures	**2,207**	—	**1,911**	—
Gain on asset sale *(Note 7)*	**—**	—	**(9,824)**	—
Gain on purchase of unsecured Senior Notes *(Note 9)*	**(920)**	—	**(1,570)**	—
Share-based compensation	**(673)**	1,160	**2,214**	2,436
Unrealized foreign exchange and other (gains) loss	**6,469**	1,737	**13,719**	(3,830)
Accretion on long-term debt	**2,812**	327	**11,347**	351
Deferred income tax	**(10,274)**	(12,470)	**(12,725)**	(42,153)
Funds flow from operations	**53,465**	60,390	**182,194**	162,105
Net change in non-cash working capital *(Note 14)*	**23,898**	(8,598)	**(5,702)**	(71,009)
Cash provided by operating activities	**77,363**	51,792	**176,492**	91,096
Investing activities				
Purchase of property and equipment	**(38,354)**	(20,332)	**(111,632)**	(59,787)
Proceeds from disposals of property and equipment	**3,295**	1,180	**32,915**	3,348
Acquisition of minority interest	**—**	—	**(49,214)**	—
Net change in non-cash working capital *(Note 14)*	**(6,515)**	51	**4,485**	10,365
Cash used in investing activities	**(41,574)**	(19,101)	**(123,446)**	(46,074)
Financing activities				
Proceeds from long-term debt, net of debt issuance cost	**10,000**	—	**2,234,231**	—
Repayments of long-term debt	**(53,251)**	(8,200)	**(2,305,358)**	(16,944)
Lease obligation principle repayments	**(2,380)**	—	**(5,996)**	—
Purchase of shares held in trust *(Note 10)*	**(373)**	(284)	**(896)**	(797)
Issuance of convertible debenture	**—**	—	**—**	37,000
Dividends *(Note 10)*	**(11,298)**	(18,849)	**(41,735)**	(56,547)
Net change in non-cash working capital *(Note 14)*	**20,231**	4,326	**24,621**	4,030
Cash used in by financing activities	**(37,071)**	(23,007)	**(95,133)**	(33,258)
Net (decrease) increase in cash and cash equivalents	**(1,282)**	9,684	**(42,087)**	11,764
Effects of foreign exchange on cash and cash equivalents	**(1,880)**	(1,419)	**(6,196)**	(2,639)
Cash				
Beginning of period	**39,702**	33,234	**84,823**	32,374
End of period	**$ 36,540**	$ 41,499	**$ 36,540**	$ 41,499
Supplemental information				
Interest paid	**$ 14,546**	$ 6,546	**$ 96,275**	$ 26,209
Income taxes recovered	**$ (143)**	$ (503)	**$ (1,559)**	$ (3,698)

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 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 November 7, 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 several 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 several 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 a contract contains a lease. This assessment involved the exercise of judgment about whether it depends on a specified asset, 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:

		September 30 2019		January 1 2019
Properties	**$**	**7,576**	$	13,792
Vehicles		**12,792**		6,952
Total right-of-use assets	**$**	**20,368**	$	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 nine months ended September 30, 2019 of $92,256. 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 September 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 September 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		Nine months ended	
	September 30 2019	September 30 2018	**September 30 2019**	September 30 2018
Trinidad Drilling International loss from investment	**$ 2,722**	$ —	**$ 2,025**	$ —
Other joint arrangements gain from investments	**(515)**	—	**(114)**	—
Loss from investment in joint ventures	**$ 2,207**	$ —	**$ 1,911**	$ —

Joint venture investment reconciliation

	September 30 2019	December 31 2018
Trinidad Drilling International investment balance	**$ 165,710**	$ 177,223
Other joint arrangements net loss from investments	**(114)**	(213)
Investment in joint ventures	**$ 165,596**	$ 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

	September 30 2019	December 31 2018
Opening balance	**$ 177,223**	$ —
Acquisition of Trinidad Drilling Ltd.	**—**	144,776
Contributions to joint venture	**—**	26,144
Gain (loss) from investment in joint venture	**(1,911)**	1,096
Change in loan in joint venture	**(4,592)**	528
Elimination of downstream transactions	**391**	(48)
Fair value adjustment	**(625)**	—
Effect of foreign exchange	**(4,776)**	4,727
Ending balance	**$ 165,710**	$ 177,223

9. CREDIT FACILITIES AND LONG-TERM DEBT

	September 30 2019	December 31 2018
Drawings on the Credit Facility	**$ 758,000**	$ 946,531
Senior notes, due April 2024, 9.25%	**877,274**	—
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%	**35,454**	34,538
Unamortized deferred financing costs	**(36,992)**	(14,547)
Total	**$ 1,633,736**	$ 1,716,964
Less: current portion	**—**	(376,612)
Total long-term debt	**$ 1,633,736**	$ 1,340,352

During the first quarter of 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 first quarter of 2019 the Credit Facility was changed from an unsecured facility to a secured facility.

The Credit 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 Quarter ending 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 Quarter ending September 30, 2019, and 2.50:1.00 at any time thereafter.

As at September 30, 2019 the Company was in compliance with all covenants related to the Credit 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 $34,490 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 third quarter of 2019, the Company purchased US $19,000 of the Senior Notes and recorded gain on purchase of $920. For the first nine months the Company purchased US $37,500 of the Senior Notes and recorded gain on purchase of $1,570.

In addition, the Company has a US $50,000 secured Letter of Credit Facility. As of September 30, 2019, the available amount was US $343.

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	**$**	**1,716,964**
Proceeds from long-term debt, net of debt issuance costs		**2,234,231**
Long-term debt repayments		**(2,305,358)**
Convertible debenture fair value adjustment		**916**
Amortization of debt issuance costs		**11,347**
Foreign exchange adjustments		**(24,364)**
Ending balance	**$**	**1,633,736**

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	3,318,845		15,772
Changes in unvested shares held in trust	5,467		180
Closing balance - September 30, 2019	**160,185,368**	**$**	**222,280**
Accrued share dividends	2,725,297	$	8,292
Share capital	**162,910,665**	**$**	**230,572**

The total number of unvested shares held in trust for share-based compensation plans as at September 30, 2019 was 207,958 (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 September 30, 2019, the Company settled it's declared dividends of $19,427 by paying $11,298 in cash and issuing 1,887,721shares (2018 - $18,849 paid in cash), being $0.12 per common share (2018 - $0.12 per common share). For the nine months ended September 30, 2018, the Company settled it's declared dividends of $57,507 by paying $41,735 in cash and issuing 3,318,845 shares (2018 - $56,547 paid in cash), being $0.36 per common share (2018 - $0.36 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		Nine months ended	
	September 30 2019	September 30 2018	**September 30 2019**	September 30 2018
Net loss attributable to common shareholders:				
Basic and diluted	**$ (37,770)**	$ (32,791)	**$ (91,290)**	$ (96,170)
Weighted average number of common shares outstanding:				
Basic	**158,666,702**	156,755,754	**158,512,635**	156,863,230
Potentially dilutive share-based compensation plans	**71,000**	154,925	**107,953**	158,199
Diluted	**158,737,702**	156,910,679	**158,620,588**	157,021,429

During the three months ended September 30, 2019, share options of 6,792,890 (2018 – 7,221,150) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

During the nine months ended September 30, 2019, share options of 6,792,890 (2018 – 7,217,550) 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 September 30, 2019 and the changes during the nine 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	(579,610)	6.97
Outstanding - September 30, 2019	**6,792,890**	**$ 7.25**
Exercisable - September 30, 2019	**4,029,270**	**$ 7.97**

The following table lists the options outstanding at September 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	3,121,840	3.65	$ 5.73	1,015,620	$ 5.74
$6.67 to $7.64	1,467,600	1.25	7.30	1,176,900	7.30
$7.65 to $10.37	2,203,450	1.09	9.37	1,836,750	9.64
	6,792,890	2.31	$ 7.25	4,029,270	$ 7.97

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

	September 30 2019
Remaining expected life (years)	2.0
Volatility (percent)	40.0
Forfeiture rate (percent)	6.1
Risk-free interest rate (percent)	1.5
Expected dividend (percent)	15.7

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of September 30, 2019 and the changes during the nine 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	(66,190)	6.69
Outstanding - September 30, 2019	**730,540**	**$ 6.93**
Exercisable - September 30, 2019	**391,148**	**$ 7.63**

The following table lists the SARs outstanding at September 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	404,190	3.62	$ 5.75	129,998	$ 5.77
$7.01 to $9.00	231,850	1.66	7.57	166,650	7.53
$9.01 to $10.37	94,500	0.25	10.37	94,500	10.37
	730,540	2.58	$ 6.93	391,148	$ 7.63

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	148,101
Forfeited	(43,356)
Outstanding - September 30, 2019	**2,424,696**

Included in net earnings for the three months ended September 30, 2019 is an expense of $111 (2018 - $49), and for the nine months ended September 30, 2019 is an expense of $2,372 (2018 - $521). 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 nine month period ended September 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**222,178**	**787,779**	**206,523**	**1,216,480**	175,469	431,668	203,084	810,221
(Loss) income before interest, loss from investment in joint ventures and income taxes	**(66,731)**	**35,223**	**41,535**	**10,027**	(15,908)	(42,995)	(48,490)	(107,393)
Property and equipment, net	**725,565**	**1,775,991**	**465,154**	**2,966,710**	803,793	1,158,198	431,609	2,393,600

	2019				2018			
As at and for the three month period ended September 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**65,158**	**252,801**	**75,571**	**393,530**	56,184	158,077	74,439	288,700
(Loss) income before interest, loss from investment in joint venture	**(39,390)**	**10,809**	**17,368**	**(11,213)**	(9,757)	(3,282)	(22,645)	(35,684)

	Three months ended		Nine Months Ended	
	September 30 2019	September 30 2018	**September 30 2019**	September 30 2018
Rig rental revenue	**$ 246,235**	$ 165,382	**$ 790,961**	$ 458,764
Service revenue	**147,295**	123,318	**425,519**	351,457
Total revenue	**$ 393,530**	$ 288,700	**$ 1,216,480**	$ 810,221

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		Nine months ended	
	September 30 2019	September 30 2018	**September 30 2019**	September 30 2018
Net change in non-cash working capital				
Accounts receivable	**$ 22,030**	$ (10,705)	**$ 28,374**	$ (6,792)
Inventories investments, prepaid and other	**(1,691)**	(2,915)	**5,110**	(8,519)
Accounts payable and accruals	**16,747**	11,254	**(8,670)**	(38,769)
Income taxes receivable	**528**	(1,855)	**(1,410)**	(2,534)
	$ 37,614	$ (4,221)	**$ 23,404**	$ (56,614)
Relating to:				
Operating activities	**$ 23,898**	$ (8,598)	**$ (5,702)**	$ (71,009)
Investing activities	**(6,515)**	51	**4,485**	10,365
Financing activities	**20,231**	4,326	**24,621**	4,030
	$ 37,614	$ (4,221)	**$ 23,404**	$ (56,614)

(b) Cash

	September 30 2019	December 31 2018
Cash	**$ 36,540**	$ 75,709
Restricted cash	**—**	9,114
Total cash	**$ 36,540**	$ 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 credit facilities approximates it's 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 it's 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. PRIOR YEAR AMOUNTS

Certain prior year amounts in the consolidated statements of financial position related to the deferred income tax asset and deferred income tax liability have been reclassified to conform to current year's presentation.

17. SUBSEQUENT EVENTS

Subsequent to the quarter, the Company has purchased and cancelled US $3,000 of Senior Notes.

On October 3, 2019 the Company settled the third quarter declared dividends by paying $11,341 in cash and issued 2,725,297 common shares, to eligible holders of common shares participating in the Company's DRIP, representing a 41 percent acceptance. The Company has declared a fourth quarter cash dividend of $0.06 per common share to be payable on January 3, 2020 to all Common Shareholders of record as of December 19, 2019, which constitutes a 50 percent reduction of the dividend declared and paid in respect of the prior quarter. The reduction in quarterly dividend from $0.12 per share in prior quarters and discontinuation of the DRIP were implemented by the Board of Directors in recognition of prevailing industry conditions, to enable the Company to pursue alternative uses of available cash and to curtail the dilution resulting from the DRIP.

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 - US

BRENT CONWAY
Executive Vice President - International

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

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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

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