# ENSIGN ENERGY SERVICES INC.

## ANNUAL INFORMATION FORM

***For the fiscal year ended December 31, 2019***

**Dated March 12, 2020**

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In this Annual Information Form, the "**Corporation**" means Ensign Energy Services Inc., and "**Ensign**", "we", "us", or "our" means Ensign Energy Services Inc. and all of its controlled entities as a consolidated body.

All $ amounts are in Canadian dollars, unless otherwise indicated.

Information contained in this Annual Information Form is dated as of December 31, 2019 unless otherwise noted.

## Cautionary Statements on Forward-looking Information

Certain statements in this Annual Information Form 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. In particular, but without limiting the foregoing, this Annual Information Form contains forward-looking statements pertaining to, among other things, the following: disclosure related to expected future commodity pricing, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and allocation, our business plans and strategy, ability to find, complete and finance acquisitions, internal growth, market outlook, the timing and amount of future payments of dividends, the impacts and expected changes to regulations, ratification of proposed regulation, debt servicing, actions of regulatory bodies (including OPEC, as defined below), impact of trade negotiations, and other prospective guidance, expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance provided throughout this Annual Information Form.

Forward-looking 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, and actual results or events could differ materially from those anticipated and described in the forward-looking statements.

The forward-looking statements are based on current expectations, estimates and projections about us and the industries in which we 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, expectations, assumptions and other factors that could cause 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 factors include, among others: general economic and business conditions which will, among other things, impact demand for and market prices of our services and the ability of our 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, political and social conditions in the countries and regions in which we conduct business; political uncertainty and civil unrest; results and impact of governmental trade negotiations, our ability to implement our business strategy; impact of competition; the impact of force majeure events on our operations; over-supply of equipment; exposure to credit risk, liquidity risk and third party risk, including collection of accounts receivables; ability to successfully bid on new contracts; ability to renew existing contracts; ability to pay dividends; inability to service and repay our debts; maintenance of covenants contained in our Credit Facility (as defined herein) and Note Indenture (as defined herein); ability to conduct our operations due to debt levels; risks associated with long-term

contracts; loss of key customers; reliance on key management personnel; our defence of lawsuits; availability and cost of labour and other equipment, supplies and services; our ability to assess contingent, potential and unknown liabilities; our ability to complete our capital programs; operating hazards and other difficulties inherent in the operation of our oilfield services equipment; availability and cost of financing and insurance; our and our customer's ability to access capital on reasonable terms; volatility of our share price; dilutive effect of the issuance of additional common shares of the Corporation; timing and success of integrating the business and operations of acquired companies; potential business interruption and casualty losses; 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 impact of changing or new environmental legislation; risk of our operations resulting in environmental contamination; the adequacy of our provision for taxes; risks relating to operation of joint ventures and partnerships; the failure to agree on major issues under any joint venture agreements; seasonality of operations and the impact of unpredictable weather patterns; risks associated with turnkey drilling contracts; risks associated with increased capital expenditures; impairment of capital assets; the impact of alternative energy sources on demand for our services; the impact of non-performance, default or bankruptcy of any joint venture partners; ability to innovate and costs of obtaining new technology; the impact of our safety performance on demand for our services; dependence on information technology systems; cybersecurity risks; conflicts of interest; risks relating to the design of disclosure controls and procedures, as well as internal controls over financial reporting; breach of confidential information; environmental activism; ability to satisfy our customer contracts; and other circumstances affecting our business, revenues and expenses.

Our operations and levels of demand for our 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 our 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 our course of action would depend upon our assessment of the future considering all information then available.

For additional information, refer to the "*Risk Factors*" section of this Annual Information Form. Readers are cautioned that the lists of important factors contained herein are not exhaustive. Unpredictable or unknown factors not discussed in this Annual Information Form could also have material adverse effects on forward-looking statements.

Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us 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, we assume no obligation to update forward-looking statements should circumstances or our projections, anticipations, estimates or opinions change.

# CORPORATE STRUCTURE

## Name and Incorporation

Ensign provides oilfield services to the crude oil and natural gas industries in three main geographic operating regions: Canada, the United States and internationally. The oilfield services we provide include drilling, well servicing, oil sands coring, directional drilling, underbalanced and managed pressure drilling, equipment rentals and transportation.

Our common shares are listed and posted for trading on the Toronto Stock Exchange ("**TSX**") under the trading symbol "ESI".

Our registered and head office is located at:

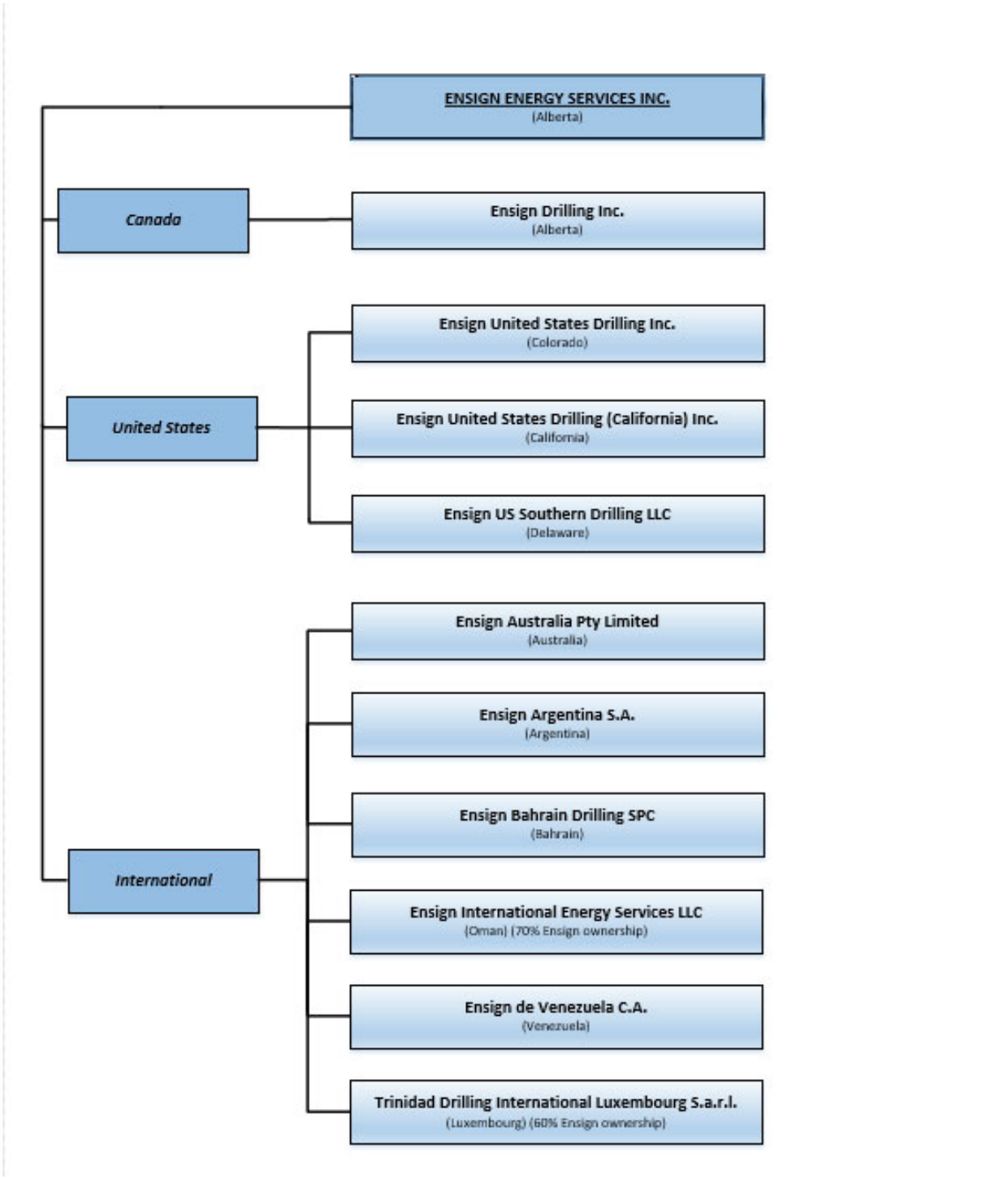
400 – 5th Avenue S.W., Suite 1000, Calgary, Alberta, T2P 0L6
Telephone (403) 262-1361, Facsimile (403) 262-8215
Website www.ensignenergy.com

The Corporation was incorporated on March 31, 1987 pursuant to the provisions of the *Business Corporations Act* (Alberta) ("**ABCA**") as 363975 Alberta Inc. On May 19, 2005, we changed our name to Ensign Energy Services Inc.

## Intercorporate Relationships

On November 27, 2018, Ensign acquired a majority of the outstanding common shares of Trinidad Drilling Ltd. ("**Trinidad**"), a company then listed on the TSX under the trading symbol "TDG". On February 15, 2019, Ensign completed the acquisition of all remaining outstanding common shares of Trinidad and Trinidad's common shares were de-listed from the TSX. As a result, Trinidad became a wholly-owned subsidiary of Ensign as of February 15, 2019 (the "**Trinidad Acquisition**"). For a full description of the Trinidad Acquisition, see "*General Development of the Business – Three Year History – 2019 – Trinidad Acquisition*" below. In connection with this transaction as well as in connection with Ensign's ongoing normal-course efforts to identify opportunities to operate more efficiently and reduce our overhead and operating costs, we completed a number of corporate restructuring transactions during 2019. These transactions included the dissolution or deregistration, as applicable, of a number of wholly-owned non-operating subsidiaries, and the amalgamation with affiliates of a number of wholly-owned operating and non-operating subsidiaries.

The following diagram sets forth our principal operating subsidiaries, and the jurisdiction of formation, incorporation or continuance of such subsidiaries as of December 31, 2019. Ensign owns 100% of the voting securities of each of the principal operating subsidiaries, with the exception of Ensign International Energy Services LLC (an Oman entity), of which Ensign owns 70% of its voting securities, and Trinidad Drilling International Luxembourg S.à.r.l. (a Luxembourg entity), of which Ensign owns 60% of its voting securities.




The above table does not include all of the subsidiaries of Ensign. The assets and annual revenues of unnamed subsidiaries in the aggregate did not exceed 10% of the total consolidated assets or total consolidated revenues of Ensign as at December 31, 2019.

## GENERAL DEVELOPMENT OF THE BUSINESS

Ensign provides oilfield services to the crude oil and natural gas industries in Canada, the United States and internationally. As at December 31, 2019, Ensign marketed a fleet totalling 266 land drilling rigs worldwide in our three (3) main geographic operating regions (101 in Canada, 122 in the United States and 43 internationally). We also marketed five (5) drilling rigs (currently located in Kuwait, Bahrain and in Mexico) that are owned through a joint venture in which we hold a 60% interest. Land drilling forms our major business activity in each of our jurisdictions of operation. Ensign also marketed 21 specialty coring rigs in Canada, 99 well servicing rigs (52 in Canada and 47 in the United States) and various oilfield services support equipment outlined in "*Description of the Business – Segmented Information*". Ensign has also established and developed in-house engineering, procurement and construction facilities, used in support of our operations worldwide.

### Three Year History

Below is a summary of the significant developments and events relating to our business in the last three (3) years and to date in 2020. All of our capital expenditures during the past three (3) years and to date in 2020 have been financed through bank credit facilities, working capital, customer deposits, the Senior Notes (as defined below) and the Debentures (as defined below). Our strategy is to continue to expand through internal growth and selective acquisitions when and as deemed appropriate. Ensign continued to pursue this mandate with the Trinidad Acquisition, described in detail herein.

More information on the effect of market conditions on Ensign over the past three (3) years is set out in "*Description of the Business – Competitive and Industry Conditions*".

#### *2020*

### Market Conditions

To date in 2020, crude oil prices have declined dramatically, largely resulting from the actual and anticipated impact of the novel coronavirus (COVID-19) outbreak upon global commerce and energy demand, and the recent disagreements between major oil producing nations with respect to production quotas. Uncertainty with respect to the size and scope of the impact of the virus outbreak, which initially affected China and has now spread globally, and recent disagreements regarding oil production between Saudi Arabia and Russia, have recently caused dramatic commodity price declines.

The Organization of Petroleum Exporting Countries ("**OPEC**") production cuts in late 2019 and discussions of potentially further cuts in 2020 had, until recently, kept West Texas Intermediate ("**WTI**") oil prices in the mid- to low-$50s. On March 9, 2020, shortly before filing of this Annual Information Form, oil prices fell precipitously due primarily to disagreements between the major oil producing nations of Saudi Arabia and Russia and growing concerns regarding the coronavirus outbreak, creating substantial uncertainty and volatility in the global energy markets as WTI dropped into the low US$30s. In light of the current volatile environment, producers may decrease their activities in general, both in the United States and globally.

Before the recent market disruptions, Canadian activity modestly rebounded in early 2020, with the winter drilling season and crude-by-rail expansion allowing producers to ship crude above the Alberta government's mandatory production curtailments. The Western Canadian Select ("**WCS**") to West Texas Intermediate ("**WTI**") spot price differential did narrow somewhat earlier in the year, however due to the recent developments among certain member countries of OPEC and non-OPEC countries, this differential has again widened significantly. The Canadian industry remains constrained by limited takeaway capacity, with relief such as the Trans Mountain pipeline not expected until it is operational in 2022.

Until recently, overall global market conditions suggested that the industry would continue to maintain or increase production levels. Notwithstanding current uncertainties, we remain committed to responding to market fundamentals and are carefully monitoring emerging developments. Our Board of Directors (the "**Board**" or "**Board of Directors**") recently approved a capital budget for 2020 in the range of CAD $75 to $100 million, primarily for maintenance expenditures.

### Financing Activities

No financing or related activities have taken place to date in 2020.

### Dividends

To date in 2020, the Board of Directors has declared a first quarter dividend of $0.06, payable on April 3, 2020 to shareholders of record as of March 20, 2020.

## *2019*

### Market Conditions

Crude oil prices modestly improved early in 2019 over the 2018 exit, due in part to additional production cuts announced by OPEC and other select non-OPEC countries in late 2018, however average crude oil prices were slightly lower overall over the year as compared with 2018. Operating activity overall in Canada was modestly lower in 2019 as compared with 2018, in part due to the price differential between WTI spot prices and lower Canadian oil spot prices, which demonstrated significant volatility. Differentials in Canadian oil prices as compared to WTI continued to be substantially wider than historical differentials, and although there was some narrowing of this differential in the latter part of 2018 and generally throughout 2019, the lower Canadian oil prices and prolonged significant price differential was expected to continue to result in moderate activity levels in Canada in 2020 as it did in 2019, although the impact of the recent precipitous decline in oil prices creates uncertainties.

During 2019, the Corporation remained and continues in 2020 to remain committed to retaining a strong balance sheet. In 2019, the Corporation's Board of Directors approved a capital budget of approximately CAD $102 million, comprised primarily of maintenance expenditures.

### Trinidad Acquisition

As described above under "*Intercorporate Relationships*", on November 27, 2018, Ensign acquired a majority of the outstanding common shares of Trinidad, which at that time was a TSX-listed public company trading under the symbol "TDG". Trinidad amalgamated with Ensign Holdings Inc., an Ensign subsidiary, and as of February 15, 2019, Trinidad became a wholly-owned subsidiary of Ensign. Trinidad was de-listed from the TSX on February 19, 2019 and ceased to be a reporting issuer in Canada on February 25, 2019.

Trinidad and its subsidiaries provided contract drilling and related services in Canada, the United States and internationally. The Trinidad Acquisition increased the size and scale of Ensign's existing business and has diversified our sources of earnings and geographic footprint through the expansion of our fleet into Kuwait, Bahrain, the United Arab Emirates and Mexico, all of which are areas where we have not recently, or ever, been actively engaged in business. Further details regarding the Trinidad Acquisition are set forth in the business acquisition report (completed on Form 51-102F4) of Ensign dated March 19, 2019, available on SEDAR at www.sedar.com.

### Financing Activities

In 2019, Ensign completed the following financing and related activities, all of which were in connection with the Trinidad Acquisition:

- On January 11, 2019, we redeemed all of our outstanding USD $200 million in senior guaranteed notes, comprised of USD $100 million of 3.97% notes due February 22, 2019, and USD $100 million of 4.54% notes due February 22, 2022.
- On February 14, 2019:
    - We entered into a new senior loan facility in the principal amount of USD $700 million (the "**Senior Loan**");
    - We reduced the principal amount available under our Credit Facility (defined and described under "*2018*" below) to CAD $900 million;
    - We repurchased 99.93% of the outstanding US$350 million of Trinidad senior notes due February 15, 2025 (the remainder of which were repurchased on March 21, 2019); and
    - We repaid all amounts owing under Trinidad's existing credit facility and terminated such facility.
- On April 10, 2019:
    - We entered into a note indenture (the "**Note Indenture**") with U.S. Bank National Association, as trustee, with respect to the issue of senior notes in the principal amount of USD $700 million, due 2024 and bearing interest at 9.25% (the "**Senior Notes**"); and
    - We repaid all amounts owing under the Senior Loan and terminated such loan.

For more information regarding Ensign's Credit Facility and the Note Indenture, reference is made to the Risk Factor entitled: "*We require sufficient cash flows to service and repay our debts and our Credit Facility and Note Indenture contain restrictive covenants*". Additional information can also be obtained from Note

12 (Long Term Debt) of the Corporation's Consolidated Financial Statements for the year ended December 31, 2019, which note is hereby incorporated by reference into this Annual Information Form. The Credit Facility, Note Indenture and the Corporation's Consolidated Financial Statements are available on SEDAR at www.sedar.com.

### Equipment Management

In Canada, in 2019, we moved five (5) under-utilized drilling rigs into our reserve fleet, decommissioned 18 drilling rigs and 10 well servicing rigs, and transferred one (1) automated drilling rig ("**ADR®**") drilling rig from Canada to the United States. In the United States, in 2019, we deployed one (1) new-build well servicing rig and decommissioned 14 drilling rigs. Internationally, we deployed one (1) new ADR® drilling rig into our international operations, using various components from its spare capital inventory, and decommissioned two (2) drilling rigs in the international fleet. As a result, as at December 31, 2019, Ensign marketed a fleet totaling 266 land drilling rigs, 99 well servicing rigs and 21 specialty coring rigs.

In May 2019, we sold all of the wireline and production testing assets in our Canadian and United States business units, which had been operated by Ensign Testing Services (a division of Ensign Drilling Inc.) in Canada, and Ensign Testing Services (U.S.A.) Inc. in the United States. No other significant equipment-related developments occurred in our other lines of business.

In addition, as of December 31, 2019 we had installed our proprietary "Ensign Edge" drilling optimization system onto approximately 50 drilling rigs in our fleet. The Ensign Edge delivers a comprehensive technology suite for today's drilling challenges, optimizing drilling performance, crew safety, equipment reliability and rig processes.

### Dividends

On February 27, 2019, the Board of Directors re-implemented the Dividend Reinvestment Plan ("**DRIP**") with substantially the same features as the DRIP implemented in 2016. The DRIP provided eligible holders of our common shares with an option to elect to reinvest their dividends in common shares of the Corporation at a discount of up to five percent (5%) of the average market price on each dividend payment date. For the dividend payable in the third quarter of 2019, 41% of shareholders elected to reinvest their dividends in common shares of the Corporation by means of the DRIP. The DRIP was subsequently cancelled on November 7, 2019.

In 2019, we declared dividends that totalled $0.42 per common share (2018 – $0.48; 2017 – $0.48).

### Board of Directors

There were no changes to our Board of Directors in 2019.

## *2018*

### Trinidad Acquisition

As noted above, our acquisition of control over the outstanding common shares of Trinidad occurred on November 27, 2018. Please see the section called "*Trinidad Acquisition*" under "*2019*" above.

### Financing Activities

On March 29, 2018 and April 12, 2018, the Corporation completed a non-brokered private placement of Debentures (as described in further detail below under "*Description of Capital Structure*") for aggregate gross proceeds of $37,000,000. The Debentures bear interest from the date of closing at 7.0% per annum, payable semi-annually in arrears, on April 1 and October 1 each year. The Debentures will mature on January 31, 2022.

Further, in connection with the Trinidad Acquisition, on November 29, 2018, we entered into a new revolving credit agreement which will mature on November 26, 2021 (the "**Credit Facility**"). The Credit Facility had an initial principal amount available of CAD $1.25 billion, and in accordance with its terms, the principal amount available was reduced to CAD $900 million on February 14, 2019.

For more information regarding Ensign's Credit Facility, reference is made to the Risk Factor entitled: "*We require sufficient cash flows to service and repay our debts and our Credit Facility and Note Indenture contain restrictive covenants*". Additional information can also be obtained from Note 12 (Long Term Debt) of the Corporation's Consolidated Financial Statements for the year ended December 31, 2019, which note is hereby incorporated by reference into this Annual Information Form. The Credit Facility and the Corporation's Consolidated Financial Statements are available on SEDAR at www.sedar.com.

### Market Conditions

The slow and relatively modest increases to energy commodity prices experienced in 2017 continued through the first half of 2018. The demand for our services and industry activity levels were generally sustained, and in some regions increased modestly, during this period. However, in the latter half of 2018, crude oil commodity prices declined with the result that some regions, in particular Canada, experienced modest decreases in demand for our services over levels that were anticipated towards the end of 2018.

### Equipment Management

In 2018, the major additions to our drilling rig fleet occurred as a result of the Trinidad Acquisition, which added 68 drilling rigs to the Canadian fleet, 66 drilling rigs to the fleet in the United States and one (1) drilling rig in our international operations. An additional five (5) drilling rigs were added in the international division through a joint venture owned 60% by Trinidad (described in detail in "*Description of the Business – Segmented Information – International Oilfield Services"* below). In addition, we transferred one (1) ADR® from Canada to the United States, added three (3) new well servicing rigs to the United States fleet, decommissioned one (1) drilling rig in the United States, decommissioned three (3) well servicing rigs in Canada and decommissioned two (2) well servicing rigs in the United States. As at

December 31, 2018 Ensign marketed a fleet totaling 335 land drilling rigs, 108 well servicing rigs and 27 specialty rigs.

No other significant equipment-related developments occurred in our other lines of business in 2018.

### Dividends

In 2018, we declared dividends that totalled $0.48 per common share, which was unchanged from 2017 and 2016.

### Board of Directors

At our annual meeting of the shareholders held on May 4, 2018, Mr. Kenneth Skirka retired and did not stand for re-election to the Board of Directors, and the size of the Board became nine (9) directors.

## *2017*

### Market Conditions

Signs of a modest recovery for the industry started to show in 2017. In the first half of 2017, activity picked up substantially compared to 2016, particularly in North America, before leveling off in the latter half of 2017. However, notwithstanding the overall higher demand for our services year-over-year, persistently low crude oil and natural gas prices continued to result in generally low operating days for our drilling rigs and low operating hours for our well service rigs as compared with pre-2015 levels. Demand for our services in our international operations remained generally consistent with 2016 levels, which was as expected due in part to the longer term nature of international drilling contracts.

### Equipment Management

In 2017, our growth resulting from capital expenditures included delivery of two (2) new-build ADR® drilling rigs deployed into our Canadian operations (1 x ADR-1500 and 1 x ADR-850) and one (1) new-build ADR® into our United States fleet, all on long-term contracts (contracts having a term of six (6) months or longer). In addition, one (1) new-build well servicing rig was deployed into the Permian basin region of the United States, and we completed major upgrades to two (2) 1500 HP rigs in our United States fleet, by converting them to “super-spec” ADR-1500 drilling rigs.

In addition, as part of our ongoing review of equipment and operations, in 2017 the Corporation continued its review and analysis of our global equipment fleet, resulting in the decommissioning of one (1) inactive drilling rig from our Canadian fleet. Consequently, as at December 31, 2017, Ensign marketed a fleet totaling 201 land drilling rigs, 110 well servicing rigs and 27 specialty rigs.

In addition, we accelerated the deployment of Ensign’s proprietary “Ensign Edge” drilling optimization system into our drilling rig fleet. As at the end of 2017, Ensign Edge control systems had been installed into 24 drilling rigs in our fleet.

No other significant equipment related developments occurred in our other lines of business.

### Dividends

In 2017, we declared dividends that totalled $0.48 per common share, which was unchanged from 2016. During the year ended December 31, 2017, the Board of Directors of the Corporation suspended the Dividend Reinvestment Plan ("**DRIP**"), which had been implemented in the third quarter of 2016 and is described in further detail below.

### Board of Directors

Effective as of December 4, 2017, Mr. Gary W. Casswell was appointed to the Board of Directors and the size of the Board became ten (10) directors.

# DESCRIPTION OF THE BUSINESS

## General

Ensign's operations are divided into three (3) main geographic operating regions: Canada, the United States and International.

In Canada, Ensign's oilfield services business is composed of the following services: drilling and workover rigs, oil sands/coring rigs, directional services, well servicing, underbalanced and managed pressure drilling, and equipment rental services. Our Canadian business spans the four (4) western Canadian provinces of British Columbia, Alberta, Saskatchewan and Manitoba, and includes the Northwest Territories and the Yukon.

In the United States, we offer drilling and workover rigs, directional services, well servicing and equipment rental services. We operate predominantly in the Rocky Mountain region, the southern region and the states of California, New Mexico, North Dakota, Pennsylvania and South Dakota.

Internationally, we offer drilling and workover rigs in Argentina, Australia, Bahrain, Kurdistan, Kuwait, Mexico, Oman, United Arab Emirates and Venezuela. In addition to these international locations, we have operated in several other countries in the past and may relocate equipment to other regions in the future, depending on bidding or contracting opportunities and anticipated levels of future demand.

## Revenue by Geographic Operating Region

Ensign's revenue by geographic operating region is summarized in the following table:

| | 2019 | 2018 |
|---|---|---|
| **Canada** | $293.3 million | $241.0 million |
| **United States** | $1,005.5 million | $641.6 million |
| **International** | $293.4 million | $273.8 million |
| **TOTAL** | **$1,592.2 million** | **$1,156.4 million** |

Our customers vary in size from major multi-nationals, national oil companies and senior producers through to intermediate-sized and junior oil and gas companies.

In 2019, Ensign did not have any customers that represented 10% or more of its revenues. For more information, reference is made to Note 17 (Segmented Information) of our Consolidated Financial Statements for the year ended December 31, 2019, which are available on SEDAR at www.sedar.com and which note is hereby incorporated by reference into this Annual Information Form.

## Segmented Information

Ensign's geographic operating regions are further divided into a total of 15 operating divisions in eleven countries: Canada, the United States, Argentina, Australia, Bahrain, Kurdistan, Kuwait, Mexico, Oman, United Arab Emirates and Venezuela. The following sections identify these 15 operating divisions, their marketed fleet size and their area of operation as at December 31, 2019.

### *Canadian Oilfield Services*

| Division | Description | Marketed Fleet Size | Area of Operation |
|---|---|---|---|
| Ensign Canadian Drilling, a division of Ensign Drilling Inc. | Provides shallow, intermediate and deep well drilling and specialized drilling services including horizontal drilling, underbalanced drilling, horizontal re-entry and slant drilling for steam assisted gravity drainage (SAGD) applications. Provides equipment and services on a daywork, footage, turnkey or integrated service basis. Based in Nisku, Alberta, with a regional office in Oxbow, Saskatchewan. | 101 drilling rigs | Western Canada |
| Encore Coring & Drilling, a division of Ensign Drilling Inc. | Based in Calgary, Alberta. Provides coring and oilsands drilling services to the mining and oil and natural gas industries. | 21 specialty oil sands / coring rigs | Western Canada, Yukon, Northwest Territories |
| Ensign Directional Services, a division of Ensign Drilling Inc. | Based in Calgary, Alberta. Provides directional drilling and related services for conventional and horizontal drilling applications. | Directional drilling kits | Western Canada |
| Ensign Well Servicing, a division of Ensign Drilling Inc. | Based in Calgary, Alberta with regional offices throughout the province. Provides shallow to deep well servicing to oil and natural gas producers, including completions, abandonments, production workovers and bottom hole pump changes. | 52 well servicing rigs | Western Canada |
| Enhanced Drill Systems, a division of Ensign Drilling Inc. | Provides interactive pressure drilling packages comprised of completely self-contained systems, including nitrogen generation, compression equipment and surface control systems capable of providing managed pressure drilling, underbalanced drilling and membrane generated nitrogen services. | 16 under-balanced / managed pressure drilling units | Western Canada |
| Chandel Equipment Rentals, a division of Ensign Drilling Inc. | Rents an inventory of drill strings, loaders, tanks, pumps, rig matting, blow-out preventers, waste bins and wastewater treatment equipment for the drilling and completions segments of the oilfield industry. This division has locations throughout the provinces of Alberta and Saskatchewan. | Oilfield rental assets | Western Canada |

Our contract drilling operations in Canada were conducted, as of December 31, 2019, through Ensign Drilling Inc. in the Western Canadian Sedimentary Basin. The composition of the rig fleet covers all drilling requirements from the shallow depth range to the deep oil and natural gas drilling requirements of the foothills region of the Canadian Rocky Mountains. Additionally, we have acquired a level of expertise in specialty drilling areas, including coring, horizontal drilling, underbalanced drilling and the horizontal re-entry of existing wells.

Ensign Drilling Inc.'s drilling operations, including directional drilling, employed approximately 1,135 employees in salaried and hourly positions as at December 31, 2019. Drilling services are conducted on a contract basis. Drilling contracts are awarded through either competitive bids or negotiation. The majority of our drilling contracts in Canada are carried out on a daywork basis which provides that specified drilling services will be provided for a fixed charge per day regardless of the number of days required to complete the well. We are obliged to provide the drilling rig and crews necessary to perform the contract. Accordingly, all wages of operating crews and certain operating and maintenance costs of the drilling rigs are our responsibility in performing the contract.

Our Canadian well servicing division, Ensign Well Servicing, provides shallow to deep well servicing activities to crude oil and natural gas producers throughout most of the Western Canadian Sedimentary Basin and has operating bases located in Ardmore, Brooks, Grande Prairie, Lloydminster and Nisku, Alberta. Well servicing work is usually performed on a "call up" basis. The amount charged is primarily based on an agreed rate per hour dependent upon the type of service rig and nature of the service to be performed. Approximately 155 employees were employed by Ensign Well Servicing in salaried and hourly positions as at December 31, 2019.

Enhanced Drill Systems provides managed pressure and underbalanced drilling services, and oilfield equipment rentals operations are provided through Chandel Equipment Rentals. Both of these divisions are based in Calgary, Alberta and collectively employ approximately 10 employees in salaried and hourly positions as at December 31, 2019.

***United States Oilfield Services***

| Division | Description | Marketed Fleet Size | Area of Operation |
|---|---|---|---|
| Ensign United States Drilling Inc. | Based in Denver, Colorado. Provides contract drilling services, including directional drilling services and equipment rental services, in the Rocky Mountain region, primarily by providing equipment and services for the drilling of oil and natural gas wells on a daywork, footage, turnkey or integrated service basis. The division also provides shallow to deep well servicing to oil and natural gas producers. | 29 drilling rigs; 23 well servicing rigs; directional drilling kits, oilfield rental assets | United States: Rocky Mountain region |
| Ensign United States Drilling (California) Inc. | Based in Bakersfield, California. Provides contract drilling services and equipment rental services, and well servicing services in the San Joaquin, Los Angeles and Sacramento basins of California on a footage, daywork, turnkey or integrated service basis. | 18 drilling rigs; 24 well servicing rigs | United States: California |
| Ensign US Southern Drilling LLC | Based in Houston, Texas, with yards in Houston and Midland, Texas. Provides contract drilling, including directional drilling services, equipment rental services and well servicing services in many of the resource plays in the southern United States on a daywork, footage, turnkey or integrated service basis. | 75 drilling rigs | United States: Southern region, New Mexico and Pennsylvania |
| RigMinder Operating, LLC | Based in Houston, Texas. Provides a directional drilling guidance system and electronic data recorder which monitors the functionality of the drilling rig operations. These products also provide the ability to independently integrate and operate downhole tools. | Software systems, products and related equipment | United States |

The Ensign United States Drilling Inc. marketed drilling rig fleet is composed of 29 drilling rigs that are marketed in the Rocky Mountain region. Drilling services are conducted on a contract basis and the majority of the drilling contracts are conducted on a daywork basis; however, we have developed drilling expertise in various areas throughout the Rocky Mountain region, allowing us to pursue higher returns through added value footage, integrated service or turnkey contracts. Ensign United States Drilling Inc. is headquartered in Denver, Colorado with field offices in Casper, Wyoming; LaSalle, Colorado; and Williston, North Dakota. As at December 31, 2019, this division employed approximately 450 people in salaried and hourly positions.

The Ensign United States Drilling (California) Inc. marketed drilling fleet is composed of 18 drilling rigs that are marketed primarily in the San Joaquin, Los Angeles and Sacramento basins in California. Through this division we operate in the shallow heavy oil market and natural gas producing areas. Ensign United States Drilling (California) Inc. is headquartered in Bakersfield, California. As at December 31, 2019, this division employed approximately 375 people in salaried and hourly positions.

Ensign US Southern Drilling LLC marketed 75 drilling rigs primarily in the resource plays of the southern United States and the Marcellus shale play of the Appalachian region of Pennsylvania. Operations are based out of Houston, Texas with regional offices located in Shreveport, Louisiana and Williamsport, Pennsylvania. As at December 31, 2019, this division employed approximately 1,235 people in salaried and hourly positions.

RigMinder Operating LLC provides drilling software solutions designed to optimize operations, based in Houston, Texas. As at December 31, 2019, this division employed approximately 15 people in salaried positions.

Our well servicing operations in the United States operate under the name "Ensign Well Services" and are composed of 23 well servicing rigs in the Rocky Mountain region and 24 well servicing rigs in California. As at December 31, 2019, Ensign Well Services employed approximately 465 people in salaried and hourly positions.

***International Oilfield Services***

| Division | Description | Marketed Fleet Size | Area of Operation |
|---|---|---|---|
| Ensign Australia Pty Limited ("**Ensign Australia**") | This division is based in Adelaide, Australia, and is an integrated drilling services provider specializing in the drilling of all forms of hydrocarbon and geothermal wells on either daywork, footage, turnkey or integrated service basis. | 18 drilling and workover rigs | Australia |
| Ensign International Energy Services Pty Limited / Ensign International Energy Services LLC / Ensign Bahrain Drilling SPC | This division (collectively called "**Ensign International**") is based primarily in Dubai, U.A.E., and is made up of integrated drilling services providers specializing in the drilling of all forms of hydrocarbon and geothermal wells on either daywork, footage, turnkey or integrated service basis. | 10 drilling and workover rigs | Oman, Bahrain and Kurdistan |
| Ensign Argentina S.A. | This division is an Argentina-based drilling and completion services provider. | Seven (7) drilling and workover rigs | Argentina |
| Ensign de Venezuela C.A. | This division is a Venezuela-based drilling and completion services provider. | Eight (8) drilling and workover rigs | Venezuela |
| ***International Joint Venture*** | | | |
| Trinidad Drilling International | This division is a joint venture with a wholly-owned subsidiary of Halliburton Company, and operates as "Trinidad Drilling International" ("**TDI**"). Trinidad has a 60% interest and Halliburton has a 40% interest. TDI provides contract drilling services in jurisdictions outside of North America. | Five (5) drilling rigs | Bahrain (1), Kuwait (2), Mexico (2) |

At December 31, 2019, the marketed drilling fleet in Ensign Australia was composed of 18 drilling and workover rigs. Ensign Australia has its main operations base in Adelaide, Australia. Field offices are located in various other locations in Australia to provide the required level of local support.

At December 31, 2019, the marketed drilling fleet in Ensign International was composed of 10 drilling and workover rigs. Through these divisions, we currently have active operations in Oman and Bahrain, with its main operations base in Muscat, Oman. Field offices are located in various international locations to provide the required level of support for local operations.

Also as at December 31, 2019, Ensign Argentina S.A. marketed seven (7) drilling and workover rigs, and has its main operations base in Neuquen, Argentina; and Ensign de Venezuela C.A. marketed eight (8) drilling and workover rigs, and has its main operations base in El Tigre, Venezuela.

The TDI joint venture marketed five (5) drilling rigs (in Kuwait, Bahrain and in Mexico), as at December 31, 2019.

As at December 31, 2019, our international oilfield services divisions (including international joint ventures) collectively employed approximately 1,320 people in salaried and hourly positions.

### Employees

As at December 31, 2019, Ensign had an approximate total of 5,155 salaried and field/hourly employees worldwide. The following is a breakdown of our employee population:

| | Salaried Employees: | Field/Hourly Employees: | Total: |
|---|---|---|---|
| **Canada** | 200 | 1,100 | 1,300 |
| **United States** | 175 | 2,360 | 2,535 |
| **International** | 145 | 1,175 | 1,320 |
| **TOTALS:** | **520** | **4,635** | **5,155** |

Economic, seasonal and other conditions that influence drilling activity result in changes to our population of field employees within a year and from year to year. Typically, seasonality is the most significant of these factors affecting drilling activity in our Canadian operations and results in changes to this region's population of field employees within a year and from year to year. Historically, the deployment of new equipment and the establishment of training and retention programs have assisted in the retention of skilled and experienced field personnel notwithstanding the seasonal shifts.

### Seasonality

The activity levels in the oilfield services industry are subject to a degree of seasonality. Operating activities within the Canadian industry are generally lower in April and May, during spring break-up. Activity in Canada tends to increase in the fall and peaks during the winter months of December through March, inclusive. Operations are always subject to unpredictable and uncontrollable weather patterns and natural disasters, such as temperature volatility and flooding, which affect the ability to provide contracted services. Historically, the activity levels for oilfield services in the United States are generally

lower from January to March and gradually build through the remainder of the year. Our international operations are not materially affected by seasonal variations but may be affected by unpredictable and uncontrollable weather patterns and natural disasters.

### Health, Safety and Environment

We are committed to building and maintaining a best in class safety culture, through safety and training programs designed to improve safety performance, raise awareness of the importance of safety in our operations, and minimize the impact of our operations on the environment.

Ensign's goal is to Drive to Zero® – zero safety incidents, zero injuries, zero days off work due to injury. Driving to Zero® means accepting that every incident is preventable and focusing on the operational discipline to achieve zero incidents and injuries. Ensign's established tools and processes, such as "Stop Work Authority", "Rig Specific Operating Procedures", "Job Safety Analyses" and "Ensign's Coach Assist and Assure Process" (EnCAAP) have resulted in an increasingly safety-aware workplace culture and safer operations overall. In 2019, Ensign achieved a global "Total Recordable Injury Rate" (TRIR) of 1.05, representing slightly more than one recordable incident per 100 full-time workers during 2019, a historic low for the Corporation.

As a part of our continued commitment to safe operations and to encourage personal accountability, compensation incentives tied to safety performance are in place at all levels of Ensign.

The Health, Safety and Environment Committee (the "**HSE Committee**") of the Board of Directors provides additional oversight in relation to global health, safety and environment matters. The HSE Committee was composed, as at December 31, 2019 and as of the date hereof, of three (3) independent directors, being Gary W. Casswell (Chairman), Len O. Kangas and Barth E. Whitham. Our HSE Committee is responsible for reviewing, reporting and making recommendations to the Board on the development and implementation of our policies, standards and practices with respect to health, safety and the environment. Its mandate includes: (i) reviewing, and recommending to the Board for approval, fundamental policies pertaining to health, safety and the environment; (ii) reviewing our internal control systems, our strategies and policies regarding health, safety and the environment; (iii) reviewing and reporting to the Board on our performance with respect to health, safety and environmental compliance and the results or findings of any report or reviews pertaining to us; and (iv) monitoring emerging trends with respect to health, safety and the environment.

The Corporation's Health, Safety and Environmental Policy states that our goal is to protect our people, the public, property and the environment in which we work and live.

We strive to run our operations efficiently and with due consideration for our impact on the environment. Our efforts to reduce our environmental footprint and input costs through a variety of measures have been ongoing for over a decade. Notably, our electric ADR® drilling rigs are smaller than other drilling rigs in the same horsepower category, and through efficiencies, reduce the overall time, energy and resources needed to drill and complete a well, resulting in less surface impact and lower emissions. Our ADR® X-Y

walking drilling rigs also allow for efficient pad-drilling, whereby we reduce the overall surface impact to drill and complete multiple wells in a single location.

In 2019, in keeping with our drive for improved operational and environmental performance, drilling rig #162 in our United States fleet completed its successful test of new hybrid drilling rig technology, powered by natural gas generators and a battery energy storage system. The drilling rig's performance confirmed numerous improvements, including $CO_2$ emissions reductions of between 15-25%, an 80% reduction in NOx and a 90% reduction in particulate matter emissions when compared to an equivalent horsepower diesel drilling rig. Other benefits include a 20% improvement in fuel consumption, superior power transitioning and a significant reduction in maintenance requirements.

In addition to hybrid technology, we continue our efforts to work with our customers to utilize alternative fuels to power our equipment, which historically has relied on diesel fuel. As such, we currently have a number of drilling rigs in our active fleet, primarily in North America, utilizing natural gas and bi-fuel generators, as well as electric grid-tied power ("highline"), all of which result in reduced emissions from our operations.

In 2019, on average, our active fleet of drilling rigs on any given day was operating between 35 and 40 drilling rigs using highline power, natural gas or bi-fuel generators. Overall, annual $CO_2$ emissions saved by our average active rig mix of highline, hybrid, natural gas and bi-fuel power approximates 45,000 tons.

### Competitive and Industry Conditions

The oilfield services industry is, and will continue to be, highly competitive. Contract drilling companies compete on both a regional and global 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 results in price competition. A drilling company is also evaluated by potential customers based on the performance of its equipment, drilling depth capacity, safety record and the expertise of its operational personnel.

Many drilling, workover and well servicing rigs can be moved from one region to another in response to changes in demand, which can result in an oversupply of rigs in a particular region.

In many markets in which we operate, 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 we operate, although no one competitor operates in all of these areas.

In Canada, we compete 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 at each location where we operate and some of those international competitors may be better positioned in certain markets, allowing them to compete more effectively. There is no assurance that we will be able to continue to compete successfully or that the level of competition and pressure on pricing will not affect our margins.

We recorded the following drilling rig operating days and well servicing operating hours in each of our geographic operating regions over the past three (3) years:

| | Drilling Rig Operating Days | | | Well Service Operating Hours | |
|---|---|---|---|---|---|
| | **Canada** | **United States** | **International [1]** | **Canada** | **United States** |
| **2019** | 8,949 | 24,802 | 5,360 | 46,718 | 115,136 |
| **2018** | 6,002 | 14,173 | 6,061 | 57,068 | 112,224 |
| **2017** | 6,860 | 10,944 | 6,106 | 70,556 | 90,281 |

(1) Excludes operating days in TDI (joint venture).

We believe this metric provides a good proxy for the level of oilfield services activity and resulting competitive conditions in each of the geographic segments in which we operate. Demand for our services continues to be driven by crude oil and natural gas commodity prices and the resulting capital spending by our customers.

The decline in crude oil prices which began in late 2014 and which generally was sustained throughout 2015 continued, although not as steeply, in 2016. In 2017, we saw a slight increase in the demand for our services as compared to 2016, however this demand was relatively weak compared to pre-2015 levels due primarily to persistent low crude oil and natural gas prices. The modest increase in crude oil and natural gas prices which occurred during the latter part of 2017 was generally sustained during 2018, although a substantial degree of volatility in commodity prices remained. This resulted in a slightly higher overall demand for our services in 2018 as compared to 2017 in the United States, with activity levels in Canada and in the international regions remaining relatively unchanged.

In 2019, crude oil commodity prices were highly volatile with WTI fluctuating between mid-40s to mid-60s, largely as a result of geopolitical events. In addition, Henry Hub natural gas prices steadily declined over the course of 2019. The volatile and uncertain commodity price outlook further ingrained the existing sense of caution and conservatism into the industry's capital allocation decisions. Strict capital allocation through 2019 slowed down drilling activity in the United States in particular, impacting activity levels especially in the latter half of the year. However, the WCS-WTI spot price differential continued to narrow throughout the year as the Alberta government extended oil production curtailments, which began in 2019, into 2020, resulting in improved WCS prices. With crude-by-rail curtailment exemptions opening up in late 2019, the demand in Canada for our services increased at the tail end of 2019. In addition, OPEC's production cuts late in 2019 bolstered North American crude oil prices as we exited the year.

As noted above under "*Market Conditions – 2020*", to date in 2020, crude oil prices have declined dramatically, largely resulting from the impact of the novel coronavirus (COVID-19) outbreak's anticipated impact upon global commerce and energy demand and the recent disagreements between major oil producing nations. The uncertainty of the impact of the virus outbreak, which initially affected China and has spread globally, and recent disagreements between major producers in Saudi Arabia and Russia, have recently caused dramatic energy price declines.

The OPEC production cuts in late 2019 and discussions of potentially further cuts in 2020 have, until recently, kept WTI oil prices in the mid- to low-$50s. On March 9, 2020, shortly before filing of this report, oil prices fell precipitously due primarily to disagreements between major producing nations and growing concerns regarding the coronavirus outbreak, creating substantial uncertainty and volatility in the global energy markets as WTI dropped into the low US$30s. In light of the current volatile environment, producers may decrease their activities in general, both in the United States and globally.

Until recently, overall global market conditions suggested the industry would continue to maintain production levels near current levels. Current events create considerable uncertainty. Notwithstanding these current uncertainties, we remain committed to responding to market fundamentals and are carefully monitoring current and emerging developments.

Canada:

As a result of ongoing reduced levels of commodity prices, 2017 activity levels had risen only modestly from 2016 levels, which were the lowest industry activity levels on record, according to the Canadian Association of Oilwell Drilling Contractors (the "**CAODC**").

In 2019, activity levels in Canada were lower than in 2018. Industry operating days in 2019 were 46,511, as compared with 64,722 in 2018 and 66,524 operating days in 2017. The CAODC currently estimates that 2020 oilfield services activity levels in western Canada will increase very slightly from 2019 activity levels, with 4,905 wells forecasted to be drilled in 2020, as compared with the 4,896 wells drilled in 2019 and 7,428 wells drilling in 2018.

To date in 2020, Canadian activity has modestly rebounded, with the winter drilling season and crude-by-rail expansion allowing producers to ship crude above the Alberta government's mandatory production curtailments. Canadian industry remains constrained by limited takeaway capacity, with relief from solutions such as the Trans Mountain pipeline not expected until it is online in 2022. The impact of the March 9, 2020 precipitous decline in oil prices is uncertain.

United States:

Similar to Canada, by the middle of 2016 the United States drilling rig count reached recent historical lows, resulting in corresponding downward pressure on rates. In 2017, the United States experienced a significant increase in demand for oilfield services as compared to 2016 and 2018 remained relatively consistent with 2017 demand levels. In 2019, the United States and China trade negotiations weighed on global markets and drove highly volatile commodity prices, with WTI fluctuating between mid-$40s to mid-$60s until recently. This environment ingrained conservatism in producer capital allocation and as a result the United States drilling rig count declined over the year, adversely impacting demand for oilfield services as compared to 2018. The impact of the March 9, 2020 precipitous decline in oil prices is uncertain.

International:

Activity in the international oil and natural gas industry typically involves larger projects with longer lead times and longer-term commitments by operators as compared to the activity in North America. Demand

for oilfield services within the international arena varies widely depending on regional economies, political stability and other factors.

Prior to the decline in crude oil prices that began in mid-2014, a period of several years of price stability resulted in increased bidding and contracting activity in the international oilfield services market. However, regional geopolitical issues continue to temper overall levels of demand for our oilfield services, with resulting downward pressure on rates. Escalating tensions and violence in some regions remain a concern. We currently have several international projects with drilling rigs on long-term contracts that we expect will continue, and we will continue to seek new international opportunities. The impact of the March 9, 2020 precipitous decline in oil prices is uncertain.

General:

Over the years, we have been able to grow throughout cycles of both increased and reduced activity levels by making strategic acquisitions, building new equipment, updating existing equipment through innovation, controlling costs and remaining flexible in meeting customers' demands.

See the section of this Annual Information Form entitled "*Risk Factors*", wherein we note, among other things, that our operations are dependent on the prices of crude oil and natural gas. Protracted relatively low commodity prices will continue to have a material adverse effect on our business. The impact of the March 9, 2020 precipitous decline in oil prices is uncertain.

### Environmental Considerations

Ensign and others in the oilfield services industry are subject to various environmental laws and regulations in most of the jurisdictions in which we operate that primarily govern the manufacturing, processing, transportation, handling and disposal of certain materials used in operations.

The complex regulatory landscape imposes numerous requirements with respect to the transportation of dangerous goods, release or emission of substances (including oil spills and carbon emissions), waste management, health and safety of workers and environmental concerns.

In addition, permit or license requirements, which require compliance with certain environmental regulations, are imposed on a variety of our activities, including drilling, well completion/servicing and access to remote or environmentally sensitive areas.

Our customers are subject to similar laws and regulations, as well as limits on emissions into the air and discharges into surface and sub-surface waters.

In many of the jurisdictions in which we operate, new environmental laws and regulations, particularly in relation to the reduction of emissions, construction and maintenance of pipelines, hydraulic fracking and water use have either been recently enacted or are likely to be enacted. There is no assurance that such programs, laws or regulations, or those which may be enacted in the future, will not result in reduced industry activity and negatively affect our operations and financial condition. Moreover, we may be required to increase operating expenses or capital expenditures in order to comply with new restrictions or regulations.

The services provided by us, in some cases, involve heavy equipment, flammable products and high pressures. To address these risks, we have developed and implemented safety and training programs and policies. In addition, a comprehensive insurance and risk management program has been established to provide protection relating to our personnel, assets, operations and liability, however there is no assurance that such insurance will be applicable or will be in an adequate amount.

We continue to operate in several urban and suburban environments because of successful consideration and mitigation of light, noise, and odour that may result from our operations. We have modified exhaust systems to mitigate noise and odour, and use soft yellow lights instead of the typical white lights to minimize disturbance to suburban communities and wildlife.

Overall, to date, environmental protection requirements have not had a significant direct financial or operational effect on our capital expenditures, earnings or competitive position. Environmental protection requirements are not presently anticipated to have a significant direct effect on such matters in 2020, but may have a more substantial effect in the future.

### Reorganizations

Other than as described elsewhere in this Annual Information Form, there have been no material reorganizations of Ensign during the three most recently completed financial years.

## DIVIDENDS

In 1995, the Board of Directors implemented a dividend policy whereby a semi-annual dividend would be paid at the discretion of the Board of Directors and may vary depending on a variety of factors and conditions existing from time to time relating to our other needs for capital. In March 1999, the Board of Directors changed our dividend policy from semi-annual to quarterly payments.

Since we began paying a dividend in September 1995 and through to the end of 2015, Ensign had increased the amount of dividends declared in each fiscal year. In each year from 2015 through 2018, in response to market conditions, we held our dividend at an aggregate of $0.48 per common share per year.

In 2019, we declared dividends that totalled $0.42 per common share, a modest decrease from $0.48 in 2017 and 2018.

On February 27, 2019, the Board of Directors implemented a Dividend Reinvestment Plan ("**DRIP**"). The DRIP provided eligible holders of common shares with an option to elect to reinvest their dividends in common shares of the Corporation at a discount of up to five (5%) percent of the average market price on each dividend payment date. The Board of Directors terminated the DRIP on November 7, 2019.

Our Credit Facility and our Senior Notes prohibit the payment of a dividend in the event of a default or where the payment of a dividend would result in an event of default. We are in compliance with all debt covenants as at December 31, 2019. Although we intend to make dividends of available cash to shareholders, these cash dividends may be reduced or suspended. The actual amount distributed will depend on numerous factors and conditions existing from time to time. See "*Risk Factors – Dividends may be variable or suspended*."

The amount of future dividends, if any, will be in the sole discretion of our Board after considering a variety of factors and conditions existing from time to time, including our financial results, current and future commodity prices, foreign currency and exchange rates, current operations, regulatory compliance, and the satisfaction of the liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends.

Ensign is a taxable public corporation resident in Canada; all dividends paid to shareholders since January 1, 2006 have been designated as "eligible" dividends, as defined in the *Income Tax Act* (Canada).

## DESCRIPTION OF CAPITAL STRUCTURE

Ensign's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. At December 31, 2019, our issued and outstanding share capital consisted of 163,118,758 common shares. As at that date, there were no series of preferred shares issued and outstanding.

### Common Shares

The rights, privileges, restrictions and conditions attaching to the common shares entitle the holders to vote at any meeting of shareholders, receive any dividends declared by us and to receive our remaining property on dissolution, subject to the prior rights and privileges attached to any other class of shares.

### Preferred Shares

Preferred shares may be issued from time to time in one or more series, with such rights, privileges, restrictions and conditions attaching to the preferred shares, as determined by our Board of Directors. As regards to dividends and return of capital, any preferred shares shall be in priority to all other shares of Ensign.

### Senior Notes

General:

On April 10, 2019, the Corporation issued USD $700 million of Senior Notes due 2024 bearing interest at a rate of 9.25% per annum, payable semi-annually in arrears on April 15 and October 15. The Senior Notes will mature in April 2024, unless earlier redeemed or repurchased in accordance with the terms of the Senior Notes. The Senior Notes are jointly and severally guaranteed on a general unsecured senior basis by the Corporation and certain subsidiaries of the Corporation.

The Note Indenture contains the terms and provisions governing the Senior Notes, including covenants respecting limitations on restricted payments, payment of dividends and other distributions, additional indebtedness, asset sales, transactions with affiliates, liens, designation of restricted and unrestricted subsidiaries and amalgamations, mergers and consolidations. These covenants are subject to a number of qualifications and exceptions as set forth in the Note Indenture.

Redemption:

The Corporation may redeem the Senior Notes, in whole or in part, at any time before April 15, 2021, at a redemption price equal to 100% of the principal amount thereof plus a make-whole premium and accrued and unpaid interest to, but excluding, the redemption date. At any time on or after April 15, 2021, the Corporation may redeem the Senior Notes, in whole or in part, at the various redemption prices set forth in the Note Indenture, plus accrued and unpaid interest to, but excluding, the redemption date.

In addition, before April 15, 2021, the Corporation may redeem up to 35% of the Senior Notes with net cash proceeds from an equity offering, at a redemption price equal to 109.25% of the aggregate principal amount thereof plus accrued and unpaid interest to, but excluding, the redemption date.

The Corporation may also redeem the Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to, but excluding, the redemption date upon the occurrence of certain changes in tax law.

Change of Control:

Upon the occurrence of a change of control (as defined in the Note Indenture) and subject to the exceptions set out in the Note Indenture, each holder will have the right to require the Corporation to repurchase all or any part of that holder's Senior Notes in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest to, but excluding, the date of purchase.

A complete copy of the Note Indenture may be found under the Corporation's profile on SEDAR at www.sedar.com.

### Subordinate convertible debentures

On March 29, 2018 and April 12, 2018, the Corporation completed a non-brokered private placement of unsecured, subordinated convertible debentures (the "**Debentures**") for aggregate gross proceeds of $37,000,000. The Debentures bear interest from the date of closing at 7.0% per annum, payable semi-annually in arrears, on April 1 and October 1 each year. The Debentures will mature on January 31, 2022.

If, on and after April 1, 2021, the closing price of the Corporation's common shares on the TSX exceeds 125% of the Conversion Price (as defined in the Debentures) of $7.00 for at least 30 consecutive trading days, the Debentures may be redeemed by the Corporation for cash, in whole or in part from time to time, on not more than 90 days and not less than 60 days prior notice, at a redemption price equal to the outstanding principal amount of the Debentures plus accrued and unpaid interest thereon (if any), up to, but excluding, the date of redemption.

## MARKET FOR SECURITIES

### Trading Price Range and Volume of Common Shares

Our common shares are listed for trading on the TSX and trade under the symbol ESI. The following table sets forth the high and low prices and the aggregate volume of trading of the common shares on the TSX for the periods indicated (as quoted by the TSX):

| Toronto Stock Exchange | | | |
|---|---|---|---|
| **2019 Period** | **High ($)** | **Low ($)** | **Volume** |
| January | 5.49 | 4.66 | 4,866,097 |
| February | 5.47 | 4.33 | 4,948,553 |
| March | 6.09 | 5.16 | 6,728,021 |
| April | 6.45 | 5.35 | 3,912,804 |
| May | 5.90 | 5.05 | 4,711,625 |
| June | 5.24 | 4.20 | 4,892,442 |
| July | 4.65 | 3.99 | 5,267,087 |
| August | 4.21 | 2.67 | 10,860,916 |
| September | 4.32 | 2.86 | 23,627,232 |
| October | 3.04 | 2.67 | 7,539,058 |
| November | 3.03 | 2.25 | 11,498,582 |
| December | 2.98 | 2.26 | 9,457,318 |

### Prior Sales

No securities were issued during the year ended December 31, 2019 pursuant to Ensign's compensation plans. For further information on Ensign's compensation plans, please see the management information circular dated March 22, 2019 available on our SEDAR profile.

## ESCROWED SECURITIES

The Corporation has no escrowed securities or securities subject to contractual restriction on transfer.

## DIRECTORS AND EXECUTIVE OFFICERS

Our Board of Directors, as at December 31, 2019, was composed of nine (9) directors. The following information is presented with respect to the directors of Ensign as at December 31, 2019:

| Name and Municipality of Residence | Director Since | Principal Occupation |
|---|---|---|
| **N. Murray Edwards**<br>St. Moritz, Switzerland | October 1989 | Investor and Corporate Director |
| **Robert H. Geddes**<br>Calgary, Alberta, Canada | March 2007 | President and Chief Operating Officer of Ensign |
| **Gary W. Casswell** (2) (4)<br>Montgomery, Texas, USA | December 2017 | Independent Businessman |
| **James B. Howe** (1) (3)<br>Calgary, Alberta, Canada | June 1987 | President, Bragg Creek Financial Consultants Ltd. (financial consulting) |
| **Len O. Kangas** (2) (4)<br>Red Deer, Alberta, Canada | June 1990 | Independent Businessman |
| **Cary A. Moomjian, Jr.** (2) (3)<br>Frisco, Texas, USA | November 2014 | Principal of CAM OilServ Advisors LLC (consulting, expert witness, dispute resolution, training) |
| **John G. Schroeder** (1) (3)<br>Calgary, Alberta, Canada | June 1990 | Independent Businessman |
| **Gail D. Surkan** (2) (3)<br>Red Deer, Alberta, Canada | March 2006 | Independent Businesswoman |
| **Barth E. Whitham** (1) (4)<br>Denver, Colorado, USA | March 2007 | President and Chief Executive Officer of Enduring Resources, LLC (energy resource exploration and development) |

(1) Member of the Audit Committee.
(2) Member of the Corporate Governance, Nominations & Risk Committee
(3) Member of the Compensation Committee.
(4) Member of the HSE Committee.

The current term of each of the directors will expire at the next annual meeting of our shareholders, which is scheduled for May 8, 2020. It is anticipated that all of the above directors will stand for re-election at the annual meeting. The last annual meeting of the shareholders was held on May 10, 2019.

Each of the current directors of Ensign has been engaged for five (5) or more years in his or her present occupation or in other similar capacities with the same firm or organization other than Mr. Casswell who retired as President and Chief Executive Officer of Northern Offshore Ltd., an offshore oil and gas drilling company, in June 2017, where he had been employed in that role since 2010.

The following information is presented with respect to our executive officers as at December 31, 2019:

| Name and Municipality of Residence | Position Held with Ensign | Principal Occupation |
|---|---|---|
| **N. Murray Edwards**<br>St. Moritz, Switzerland | Chairman | Investor and Corporate Director |
| **Robert H. Geddes**<br>Calgary, Alberta, Canada | President and Chief Operating Officer | Officer of Ensign |
| **Michael Gray**<br>Calgary, Alberta, Canada | Chief Financial Officer | Officer of Ensign |
| **Tom Connors**<br>Calgary, Alberta, Canada | Executive Vice President Canadian Operations | Officer of Ensign |
| **Michael Nuss**<br>Houston, Texas, USA | Executive Vice President U.S. Operations | Officer of Ensign |
| **Brent Conway**<br>Calgary, Alberta, Canada | Executive Vice President International Operations | Officer of Ensign |

Each of the executive officers of Ensign has been employed for five (5) years or more by us, with the exception of Mr. Gray, who has been with Ensign since March 2015, and Mr. Conway, who was the President and Chief Executive Officer of Trinidad Drilling Ltd. until its acquisition by Ensign in late 2018 (see "*General Development of the Business*" above). Prior to Mr. Gray's employment with Ensign, he was the corporate controller and in various other finance roles at CanElson Drilling Inc., since 2011. Mr. Conway had been employed by Trinidad since 2001.

### Shareholdings

As of December 31, 2019, our Directors and executive officers as a group beneficially owned, directly or indirectly, or exercised control or direction over, 31,474,729 (approximately 19.3%) of our issued and outstanding common shares.

### Conflicts of Interest

Circumstances may arise where members of our Board of Directors or our executive officers serve as directors or officers of corporations that are in competition with the interests of Ensign, and as such our directors and officers may encounter conflicts of interests in the administration of their duties with respect to Ensign. Such conflicts of interest shall be dealt with according to the procedures required under the ABCA and our Code of Conduct (as defined below).

The directors of Ensign are required by law to act honestly and in good faith with a view to the best interests of Ensign and to disclose any interests which they may have in any project or opportunity of Ensign. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his or her interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA.

Further, we have adopted a "Code of Integrity, Business Ethics and Conduct" (the "**Code of Conduct**"), which is intended to support our efforts to conduct our business in a consistently legal and ethical manner. Topics include conflicts of interest, the treatment of confidential information and trading in our shares. Each Director, officer and employee of Ensign is required to abide by the Code of Conduct.

### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, none of the directors or executive officers is or has been, in the last 10 years, a director, chief executive officer or chief financial officer of any company (including Ensign) that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days (an "**Order**") that was issued while the director was acting in that capacity; or (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in such a capacity.

To the knowledge of the Corporation, none of the directors or executive officers of Ensign, nor any shareholder holding a sufficient number of securities of Ensign to affect materially the control of Ensign, (i) is, as at the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including Ensign) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director, executive officer or shareholder of Ensign holding a sufficient number of securities of Ensign to materially affect the control of the Corporation has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Ensign is not, and has not been at any time within the most recently completed financial year, a party to any legal proceedings, nor is or was Ensign's property the subject of any legal proceedings, known or contemplated, that involves a claim for damages exclusive of interest and costs that met or exceeded 10% of our current assets.

Further, there have not been any (a) penalties or sanctions imposed against Ensign by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2019, (b)

any other penalties or sanctions imposed by a court or regulatory body against Ensign that would likely be considered important to a reasonable investor in making an investment decision, or (c) settlement agreements entered into by Ensign before a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2019.

## AUDIT COMMITTEE DISCLOSURES

National Instrument 52-110 - *Audit Committees* ("**NI 52-110**") relating to audit committees has mandated certain disclosures for inclusion in this Annual Information Form. The text of the Audit Committee's mandate is attached as Appendix A to this Annual Information Form.

The members of the Audit Committee are John G. Schroeder (Chairman), James B. Howe, and Barth E. Whitham, each of whom is independent and financially literate within the meaning of NI 52-110. The following comprises a brief summary of each member's relevant education and experience:

***John G. Schroeder (Chairman):*** On July 31, 2009, Mr. Schroeder retired from his position as Vice President Finance and Chief Financial Officer of Parkland Income Fund, a public petroleum marketing income trust. Prior to joining Parkland Income Fund, Mr. Schroeder was Vice President Finance for Geocrude Energy Inc. Mr. Schroeder received a Bachelor of Commerce, with Honours, from the University of Manitoba and achieved a Chartered Accountant designation. Mr. Schroeder is a member of the Chartered Professional Accountants of Alberta.

***James B. Howe:*** Mr. Howe is President of Bragg Creek Financial Consultants Ltd., a private financial consulting company. Mr. Howe has served as Chief Financial Officer of several public companies. In addition to serving on Ensign's Audit Committee and Compensation Committee, Mr. Howe also serves on the board of directors, audit and compensation committees of Pason Systems Inc., and on the board of directors and audit committee of Bengal Energy Ltd. Mr. Howe received a Bachelor of Arts from the Ivey School of Business at the University of Western Ontario and is a member of the Chartered Professional Accountants of Alberta.

***Barth E. Whitham:*** Mr. Whitham is President and Chief Executive Officer of Enduring Resources, LLC a private, Denver-based company with onshore exploration and production operations in the United States. Previously he served as President, Chief Operating Officer and Director of Westport Resources Corporation, a public upstream oil and gas company listed on the New York Stock Exchange ("**NYSE**"). Mr. Whitham was a member of the audit committee of Westport Resources Corporation and is currently a director and serves on the audit committee of Enduring Resources, LLC. He is also a director and serves on the audit and corporate governance committees, and is the chair of the compensation committee, of Intrepid Potash, Inc., a company listed on the NYSE. Mr. Whitham received a Bachelor of Science in Petroleum Engineering and a Master of Science in Economics, each from the Colorado School of Mines and is a Registered Professional Engineer.

The Audit Committee has approved a policy whereby management can engage the Corporation's external auditor to provide non-audit services to a maximum of $20,000 per individual engagement with an aggregate maximum of $50,000 per year without further authorization. In addition, the Audit Committee

has authorized management to engage the Corporation's external auditor to provide non-audit services to a maximum of $20,000 per year with respect to non-audit services required in support of the Corporation's foreign subsidiaries, excluding Ensign International, without further authorization.

Our external auditor is PricewaterhouseCoopers LLP. The following is a summary of the external audit services fees by category in 2019 and 2018:

| External Auditor Fees | 2018 ($) | 2019 ($) |
|---|---|---|
| Audit Fees[(1)] | 557,950 | 801,650 |
| Audit Related Fees[(2)] | 80,000 | 293,855 |
| Tax Fees[(3)] | 40,000 | 196,865 |
| All Other Fees[(4)] | 7,400 | 11,000 |
| **Total** | **685,350** | **1,303,370** |

(1) "**Audit Fees**" include fees necessary to perform the annual audit and quarterly reviews of our financial statements.

(2) "**Audit Related Fees**" for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements (not included in Audit Fees). The services provided in this category include due diligence assistance, accounting consultations on transactions and proposed transactions, services related to the Senior Notes offering memorandum and consultation on International Financial Reporting Standards conversion.

(3) "**Tax Fees**" include fees for professional services for tax compliance, tax advice, tax planning and preparation of tax returns.

(4) "**All Other Fees**" includes fees for products and services not included under the headings: Audit Fees, Audit Related Fees and Tax Fees.

## RISK FACTORS

The following is a summary of certain risk factors relating to our business. These risk factors should be read in conjunction with the detailed information appearing elsewhere in this Annual Information Form. If any of the following risks or uncertainties occurs, our operations, revenue and financial condition could be materially impaired. In that event, the market price of our common shares could decline and investors could lose all or part of their investment. Additional risks and uncertainties presently unknown, or that are not believed to be material at this time, may also impair or have a material adverse effect on our operations and financial condition.

In addition to the risks described elsewhere and the other information contained in this Annual Information Form, investors should carefully consider each of and the cumulative effect of all of the following risk factors. Additional risks are described in Ensign's other reports on file with the Canadian securities regulatory authorities available on SEDAR at www.sedar.com.

### 1. Our operations are dependent on the prices of crude oil and natural gas, a decline of either of which could have a material adverse effect on us.

Our 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 and prices of 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 regulation, political and economic environments, pipeline capacity, storage levels and other factors outside of our control continue to influence commodity prices. Demand for our 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 our customers, and may not be reflective of historical activity levels. Generally, we experience high demand for our services when commodity prices are relatively high and the opposite is true when commodity prices are low.

Worldwide military, political and economic events, including OPEC, may affect both the demand for, and the supply of, crude oil and natural gas. Weather conditions, governmental regulation (both in Canada and elsewhere), activities of indigenous communities, levels of consumer demand, the availability of pipeline capacity, storage levels, capacity and other factors beyond our control may also affect the supply of and demand for crude oil and natural gas. All of these factors can thus affect future commodity prices.

Subsequent to a relatively stable and buoyant period of pricing for crude oil in 2010 through mid-2014, competitive actions by OPEC to gain global market share, growing U.S. production levels, and other factors, triggered a decrease in crude oil prices commencing in the third quarter of 2014, which negatively affected demand for our services. After reaching a 13-year low in early 2016, crude oil prices had, until recently, improved due in part to an agreement by OPEC and select non-OPEC countries to cut production in late 2016. Following these cuts, crude oil prices saw a modest upward trend until the latter part of 2018. In early 2019, crude oil prices showed some improvement as a result of additional production cuts announced by OPEC and other select non-OPEC countries in late 2018. Further, throughout the latter part of 2018, the price differential between WTI spot prices and lower Canadian oil spot prices demonstrated

significant volatility, with differentials on Canadian oil prices being substantially wider than historical differentials. Over the course of the year in 2019, WCS modestly increased as a result of the Alberta government's mandatory production curtailments and crude by rail exemptions. WTI saw high volatility and on average declines from 2018 to 2019. In 2020 to date, WTI and WCS have experienced significant volatility, with WTI spot prices falling to levels consistent with the start of 2016 and WCS spot prices falling to levels consistent with November 2018.

The average price of natural gas declined over the 2014-2015 period. In 2016, prices generally increased as a result of weather and market conditions. In 2017, 2018 and 2019, prices have been more volatile, with a slight uptick seen in late 2019. Natural gas prices saw steady declines over the course of 2019 and into 2020 due to robust growth in supply over the 2019 year with limited takeaway infrastructure. Moreover, events which transpired shortly before this Annual Information Form was completed, including the precipitous decline in oil prices which resulted in a dramatic drop in energy and energy service company share prices (including our share price) on March 9, 2020, have created considerable uncertainty in the global energy and equity markets.

The current economic environment could also cause our customers to seek to terminate, renegotiate or fail to honour our drilling and service contracts; affect the ability of our customers to pay accounts receivable balances; affect the fair market value of our equipment fleet which could trigger a write-down for accounting purposes; affect our ability to retain skilled oilfield service personnel; and affect our ability to obtain access to capital to finance, maintain and grow our businesses. There is no assurance that the future level of demand or rates for our services or future conditions in the crude oil and natural gas and oilfield services industries will be maintained or improve. See "*Description of the Business—Competitive and Industry Conditions*."

### 2. We operate in a highly competitive industry.

The oilfield services industry is, and will continue to be, highly competitive with many industry participants. Contract drilling companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time.

In many markets in which we operate, the supply of rigs exceeds the demand for rigs, resulting in price competition. Certain competitors are present in more than one of the regions in which we operate, although no one competitor operates in all of these areas. Further, 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 greater competition and an oversupply of rigs in an area. In addition, competition could increase if older, less efficient rigs are retired and replaced by newer, higher specification rigs.

The recent prolonged period of relatively low crude oil and natural gas prices has meant that more drilling and workover contracts are awarded on the basis of competitive bids, which results in further price competition. In addition, we believe that the following factors are also important for our customers in determining which drilling services provider to select: capability and condition of the competing drilling rigs; mobility and efficiency of the rigs; quality of service and experience of the rig crews; safety records; availability of ancillary services; and ability to provide drilling and production equipment adaptable to,

and personnel familiar with, new technologies and drilling and production techniques. At times, Ensign may compete directly with other companies that have greater financial resources and access to capital, which could allow them to compete more effectively than us. There is no assurance that we will be able to continue to compete successfully or that the level of competition and pressure on pricing will not affect our margins. See "*Description of the Business—Competitive and Industry Conditions*."

Our business results and the strength of our financial position are affected by our ability to strategically manage our capital expenditure program in a manner consistent with industry cycles and fluctuations in the demand for our services. If we do not effectively manage our capital expenditures or respond to market signals relating to the supply or demand for contract drilling and oilfield services, it could have a material adverse effect on our revenue, operations and financial condition.

### 3. Our operations may be vulnerable to force majeure events.

Our operations, information systems and demand for our products and services may be vulnerable to substantial loss or damage as a result of certain disruptions, including natural disasters, national emergencies, acts of war and terrorism, technological attacks, domestic and global trade disruptions, infrastructure disruptions, civil disobedience or unrest, and the outbreak of disease or similar events (such as COVID-19, as discussed elsewhere in this Annual Information Form), any of which may have a material adverse effect on our reputation, our business, financial conditions or operating results.

### 4. Our drilling business is exposed to the risk of over-supply of equipment.

Because of the lengthy life span of oilfield service equipment and the lag between the time a decision is made to build new equipment, such as a drilling rig, and the time such new equipment is placed into service, the supply of equipment in the industry does not always correlate to the level of demand for that equipment. Periods of high demand often spur increased capital expenditures on oilfield service equipment, and those capital expenditures may produce equipment that exceeds actual demand, which would have a negative effect on the price at which we can sell our services. Management believes that notwithstanding the prolonged downturn in the oilfield services industry, there currently remains an excess of certain classes of oilfield service equipment in North America in relation to current and anticipated future levels of demand. Any capital overbuild could lead to a decrease in rates in the oilfield services industry generally, which would have an adverse effect on our revenues, cash flows and earnings.

### 5. We are exposed to credit risk on accounts receivable balances.

Our revenue, cash flow and earnings are subject to credit risk on accounts receivable balances. Global economic conditions, including tightening of the credit markets and reductions in commodity prices, heighten our credit risk, as our customers may experience reduced cash flows and reduced access to credit. In addition, the ability of our customers operating in the international market to pay their debts in a timely manner may be impaired by geopolitical influences. Collection of these receivables could be influenced by economic factors affecting the crude oil and natural gas industry. The carrying value of accounts receivable reflects managements assessment of the associated risks.

We manage credit risk through dedicated credit resources, ongoing monitoring and follow up of balances owing, well liens, and tightening or restriction of credit terms as deemed appropriate. There is no assurance that the future level of demand for our services or that our future ability to collect on accounts receivable will not decline.

### 6. Our business is dependent on successfully bidding on new contracts and renewing existing contracts.

The Corporation's business depends on the ability to successfully bid on new contracts and renew existing contracts with customers. Contract proposals and negotiations are complex and could involve a lengthy bidding and selection process, which are affected by a number of factors, such as market conditions, financing arrangements and required government approvals. If negative market conditions arise, or if there is a failure to secure adequate financial arrangements or the required governmental approval, the Corporation may not be able to pursue projects which could adversely reduce or eliminate profitability.

### 7. Dividends may be variable or suspended.

Ensign's ability to pay dividends to shareholders and the amount of such dividends are dependent on a number of factors including the Corporation's financial performance, its working capital requirements, its tax obligations, the impact of interest rates, foreign exchange rates and commodity prices, and its debt covenants and obligations, including restrictive covenants and other provisions contained in the Note Indenture. The payment of such dividends is at the discretion of the Board and dividends may be increased, reduced or suspended from time to time, any of which may impact the market value of our common shares.

### 8. We require sufficient cash flows to service and repay our debts and our Credit Facility and Note Indenture contain restrictive covenants.

Ensign has a secured Credit Facility which matures on November 26, 2021. We will require sufficient cash flow in the future to service and repay our outstanding debt, and to access sufficient funds under our Credit Facility. Our cash flow is subject to prevailing economic conditions, prevailing interest rate levels and financial, competitive, business and other factors, many of which are beyond our control. We may not have sufficient cash flow or be able to access sufficient funds under the Credit Facility, from the capital markets or from other sources, to pay our obligations as they become due, or to fund other liquidity requirements. In such event, we may seek to refinance our debt or arrange alternative measures. We may not be able to refinance or arrange alternative measures on favourable terms or at all.

In addition, the Credit Facility contains certain customary financial covenants, including a consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization ("**EBITDA**") ratio, consolidated EBITDA to consolidated interest expense ratio, and consolidated senior debt to consolidated EBITDA ratio. Market conditions and other factors beyond our control may affect our ability to meet these covenants in the future. If we breach any of the covenants, it could result in a default under our Credit Facility, and may trigger a cross-default under other debt including the Note Indenture, accelerating the maturity of such debts, or other events.

If we are unable to meet the financial covenants under the Credit Facility, or service, repay or refinance our debt, it could have a negative impact on our financial condition.

As at December 31, 2019, we were in compliance with the covenants of our Credit Facility.

As of March 11, 2020, Ensign has an aggregate of USD $637,955,000 outstanding on our Senior Notes due 2024. The Senior Notes have no financial covenant compliance reporting requirements, however there are certain restrictions and exemptions on our ability to pay dividends, purchase and redeem shares and subordinated debt of the Company, and make certain restricted investments. These restrictions are tempered by the existence of a number of exceptions to the general prohibitions, including baskets allowing for restricted payments. The Note Indenture also restricts our 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, including the incurrence of additional debt under credit facilities up to the greater of $900.0 million or 22.5 percent of our consolidated tangible assets. As at December 31, 2019, the Company has not incurred additional indebtedness that would require the Fixed Charge Coverage Ratio to be calculated.

As at December 31, 2019, we were in compliance with the covenants of our Note Indenture.

### 9. Our operations may be constrained due to debt levels.

The Corporation has a significant amount of indebtedness, particularly with respect to the Senior Notes and the Credit Facility, and this indebtedness could materially and adversely affect it in a number of ways. For example, it could:

(a) increase the Corporation's vulnerability to general adverse economic and industry conditions;
(b) require the Corporation to dedicate a portion of its future cash flow from operations to service payments on its indebtedness, thereby reducing the availability of the Corporation's future cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
(c) limit the Corporation's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
(d) place the Corporation at a competitive disadvantage compared to its competitors that have less debt; and
(e) limit the Corporation's ability to borrow additional funds on commercially reasonable terms, if at all, to meet its operating expenses and for other purposes.

### 10. There are risks associated with joint ventures.

Actions of and disputes with our joint venture partners could have a material adverse effect on the business and results of operations and, in turn, our business and consolidated results of operations, including our ability to pay dividends or distributions. As with any joint venture arrangements, differences in views among the participants may result in delayed decisions or in failures to agree on major issues.

We cannot control the actions of our joint venture partners, including any non-performance, default, or bankruptcy. These factors could have a material adverse effect on the business and results of operations of our joint ventures and, in turn, our business and consolidated results of operations.

### 11. Our and our customer's operations are affected by governmental regulations and policies.

The addition, interpretation, elimination or curtailment of government regulations and policies, including new taxation, environmental, royalty or other regimes, could have a significant impact on the crude oil and natural gas business in Canada, the United States and other international jurisdictions where we maintain operations. These factors could lead to a decline in the demand for our services, resulting in a material adverse effect on our revenues, cash flows and earnings.

Major projects which would benefit our customers, such as new pipelines and other facilities, may be inhibited, delayed or stopped by a variety of factors, including inability to obtain regulatory or governmental approvals or public opposition. In western Canada, for example, delays and/or the inability to obtain necessary regulatory approvals for pipeline projects that would provide additional transportation capacity and access to refineries for our customers has led to downward pressure on the price of crude oil and natural gas produced in Canada. This has depressed the overall exploration and production activity of our customers in Canada, resulting in a corresponding reduction in the demand for our services. A continued downward pressure on the price of oil and natural gas could have a material adverse effect on our global revenue, cash flow and profitability.

### 12. We are exposed to risks and uncertainties inherent in foreign operations which could negatively affect our results of operations.

We conduct a portion of our business outside North America, in areas including the Middle East**,** Australia and South America. We are subject to risks inherent in conducting foreign operations, including, but not limited to, the following: an uncertain political and economic environment; loss of revenue, property and equipment as a result of expropriation, nationalization or confiscation, contract deprivation and force majeure; war, terrorist acts or threats and civil and/or labour unrest or insurrection; strikes; regime change and other political risks; fluctuations in foreign currency and exchange controls; restrictions on the repatriation of income or capital; increases in duties, taxes and governmental royalties; renegotiation of contracts with governmental entities; trade and other economic sanctions or other restrictions imposed by the Canadian government or other governments or organizations; compliance with anti-corruption and anti-bribery legislation within and outside of North America; trade restrictions or embargoes; as well as changes in laws and policies governing operations of foreign-based companies.

In the last several years, there have been increased levels of political unrest in certain Middle Eastern and South American countries, as well as increased incidents and/or risk of terrorism both in North America and internationally. Moreover, oil and natural gas facilities, including drilling rigs, could be targeted by terrorists. In the event of a terrorist attack on our operations, or as a result of political instability in the areas in which we operate, the Corporation's operations could be adversely impacted resulting in negative impacts to our operating results and overall financial condition.

Since we derive a substantial portion of our revenues from subsidiaries outside of Canada, the payment of dividends or the making of other cash payments or advances by our subsidiaries to us may be subject to restrictions or exchange controls on the transfer of funds in or out of the respective countries or result in the imposition of taxes on such payments or advances.

In addition, in the international markets in which we operate, we are subject to various laws and regulations that govern the operation and taxation of our businesses and the import and export of our equipment from country to country, the imposition, application and interpretation of which can prove to be uncertain. We have organized our foreign operations in part based on certain assumptions about various tax laws (including capital gains and withholding taxes), foreign currency exchange and capital repatriation laws and other relevant laws of a variety of foreign jurisdictions. While we believe that such assumptions are reasonable, there is no assurance that foreign taxing or other authorities will reach the same conclusion. Further, if such foreign jurisdictions were to change or modify such laws, we could suffer adverse tax and financial consequences.

In some jurisdictions in which we operate, we are required by local laws to partner with local nationals, which we may accomplish with joint ventures or other types of partnerships. These arrangements can expose us to counterparty risk, including compliance with international laws, which could negatively affect our reputation and results of our operations.

In the international markets where we operate, we are subject to various laws and regulations that govern the operation and taxation of our businesses and the import and export of our equipment from country to country. While we have developed procedures designed to achieve compliance with applicable international laws, we could be exposed to potential claims, economic sanctions or other restrictions for alleged or actual violations of international laws related to our international operations, including anti-corruption and anti-bribery legislation, trade laws and trade sanctions. In addition, there may be uncertainty about how applicable laws and regulations are imposed, applied or interpreted, and they could be subject to change. While we cannot predict the impact of any of these factors, if any of these risks materialize, it could have a material adverse effect on our reputation, operations and financial condition.

### 13. We are exposed to risk due to our long-term contracts.

We periodically contract our land drilling rigs under long-term, take-or-pay contracts. Although we are confident that these contracts are legally enforceable, there is risk that our customers may not honour their take-or-pay contracts, which could materially reduce our revenue and profitability, and have a negative adverse effect on our results of operations. Weak market conditions could increase the number of customers terminating their long-term contracts early. Further, while most of our take-or-pay contracts require that an early termination payment be made to us if such contract is terminated prior to expiration, such payment may not fully compensate us for the loss of such contract. There is a risk that long-term contracts could be cancelled by customers, without early termination payments, if we follow unsafe or unacceptable operating practices.

### 14. We are exposed to currency exchange risk which could have a material adverse effect on our operating results.

Although our financial results are reported in Canadian dollars, a portion of our sales and operating costs are denominated in United States dollars and other currencies, including those with highly inflationary environments. In addition, we are exposed to currency exchange risk on those of our assets denominated in United States dollars and other currencies.

Any change in the value of the Canadian dollar relative to the United States dollar, and to a lesser extent, other currencies, during a given financial reporting period would result in a foreign currency loss or gain on the translation of our assets measured in other currencies into Canadian dollars. Consequently, our reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses. In addition, changes in currency exchange rates will affect the amount of revenues and expenses we record for our United States and international operations, which can increase or decrease our net earnings.

We may use futures and forward contracts to partially hedge against short-term fluctuations in currency; however, such activities provide only short-term protection against a limited portion of our currency exposure. We may, from time to time, hedge a portion of our net exchange rate exposure by way of one or more swap transactions to Canadian dollars, to the extent our management considers it reasonable to do so having regard to the then prevailing levels of our net assets or revenues denominated in other currencies, and to the extent available on reasonable terms; however, such activities provide only short-term protection and there is no assurance that such transactions will be effective in insulating us against exchange rate fluctuations.

### 15. Global economic conditions remain subject to uncertainty and volatility, which could have an impact on our operations and the price of our common shares.

The uncertainty and volatility surrounding the financial markets globally could have adverse effects on our industry and operations, including our future operating results and the ability to recover our assets at their stated values. Additionally, a volatile financial market could lead to the inability of our customers to pay suppliers, including us, in the event they are unable to access the capital markets to fund their business operations or have insufficient cash flow. If any of the foregoing were to occur, it could have a material adverse effect on our business and financial results.

In November, 2018, Canada, the United States and Mexico signed the Canada-United States-Mexico Agreement ("**USMCA**") to replace the North American Free Trade Agreement, from which the United States government had indicated it would withdraw. The Senate of Mexico ratified the USMCA in January 2020. Canada is in the process of ratification and has introduced legislation for implementation.

There is modest uncertainty surrounding the ratification of the USMCA in Canada due to a current minority government. The United States remains by far Canada's largest trade partner and the largest international market for the export of crude oil, natural gas and NGLs from Canada. Any changes to the USMCA (or in the event the USMCA is not ratified by Canada) could have a material impact on the global crude oil and natural gas industries, and as a result, our business.

In July 2018, the United States and China entered trade and tariff negotiations. Early in 2020, the United States and China signed and entered phase one of their trade deal. There is uncertainty surrounding the enforcement of that agreement and its impact on our business. As China is a large importer of crude oil and natural gas, any changes to that agreement or further trade negotiations between the United States and China could have an impact on global crude oil and natural gas industries, and as a result, our business.

Potential supply disruptions and global demand impacts amid evolving trade conflicts, including uncertainty from oversupply and decreased demand for crude oil due to United States-China trade tensions, may result in increased volatility in market prices for oil and natural gas products and could have an effect on demand, including the demand for oilfield services generally. The Corporation cannot predict the effect of this volatility in market prices and demand for oil and natural gas products and any major changes may materially and adversely affect the Corporation's business, financial condition, results of operations and cash flows.

Moreover, events which transpired shortly before this report was completed, including the precipitous decline in oil prices which resulted in a dramatic drop in energy and energy service company share prices (including our share price) on March 9, 2020, have created considerable uncertainty in the global energy and equity markets.

As a result of changing global financial conditions, the Corporation is exposed to various counterparty and liquidity risks, including, but not limited to, the following: counterparty risks associated with the financial institutions that provide available funding on the Credit Facility, customer payments and insurance providers, as well as liquidity risks in the event our cash positions decline or become inaccessible for any reason, or additional financing to support our operations is unavailable, or demand for crude oil and natural gas falls. In the event that a counterparty fails to complete its obligations or in the event of the default or bankruptcy of a counterparty, the Corporation would bear the risk of loss of the amount expected to be received under these financial instruments. These risks may impact the ability of the Corporation to obtain further financing, loans and other credit facilities in the future and, if obtained, on terms favourable to the Corporation. If volatility and market turmoil recur, the Corporation's results of operations and planned growth could be adversely impacted.

### 16. The loss of key customers could cause our revenue to decline substantially.

During the year ending December 31, 2019, none of Ensign’s customers represented more than 10% of its consolidated revenue. There can be no assurance that our relationship with important customers will continue. A significant reduction or total loss of the business from one or more important customers, if not offset by sales to new or existing customers, may have a material adverse effect on our business, revenue, cash flows and earnings.

### 17. Our business competes for its supply of labour with others within our industry as well as other industries.

Our operations are dependent on attracting, developing and maintaining a skilled workforce. During periods of improvements in and/or peak activity levels, we may be faced with a lack of personnel, and we

may be unable to find enough skilled and unskilled labour to meet our needs. In addition, during periods of high demand, we may be required to increase wage rates, which may or may not be reflected in any increases in the service rates we collect. We are also faced with the challenge of retaining our most experienced employees during periods of low utilization, while maintaining a cost structure that varies with activity levels. Other factors, such as the volatility and physically demanding nature of work can also affect our ability to attract enough workers to meet our needs.

To mitigate these risks, we have developed an employee recruitment and training program, and continue to focus on creating a work environment that is safe for our employees. Our financial results depend, at least in part, upon our ability to attract, develop and maintain a skilled work force.

### 18. We may be subject to litigation, contingent liabilities and potential unknown liabilities.

From time to time, we are subject to the costs and other effects of legal and administrative proceedings, settlements, reviews, claims and actions. We may in the future be involved in disputes with other parties which could result in litigation or other actions, proceedings or related matters. Further, there may be unknown liabilities assumed by us in relation to prior or future acquisitions or dispositions as well as environmental or tax exposures. The discovery of any material liabilities could have an adverse effect on our financial condition.

The impact of litigation or other proceedings on our operations and financial condition cannot be accurately predicted due to the uncertainty in the final outcome of such matters. Our assessment of the likely outcome of these matters is based on our judgment of a number of factors including past history, precedents, relevant financial and other evidence and facts specific to the matter as known at the time of the assessment. If the results of any material litigation or other proceedings prove to be negative for Ensign, they could have an adverse effect on our reputation, operations and financial condition.

### 19. Our operations are subject to business interruption and casualty losses.

Our operations are subject to many hazards inherent in the drilling, workover and well-servicing industries, including, among others, safety incidents, blowouts, cratering, explosions, fires, loss of well control, loss of hole, damaged or lost drilling, workover or other oilfield service equipment damage, loss from inclement weather or natural disasters, and environmental and pollution risks. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage and damage to our property and the property of others. Such events may affect our reputation within the industry and may prevent us from obtaining future work or longer term contracts, which could have a material adverse effect on our financial and operational results.

Drilling contracts typically provide for the division of responsibilities between a drilling company and its customer, and we seek to obtain indemnifications or releases from our customers by contract for certain of these risks. To the extent that we are unable to transfer such risks to customers by contract, release or indemnification agreements, we seek protection through insurance. However, there is no assurance that such insurance, release or indemnification agreements will adequately protect us against liability from all of the consequences of the hazards described above and otherwise inherent in our operations, or that

contractual releases or indemnifications will be enforced under applicable law. The occurrence of an event not fully insured or indemnified against, or the failure of a customer or insurer to meet its indemnification, release or insurance obligations could result in substantial losses and have a material adverse effect on our financial condition.

Moreover, there is no assurance that insurance will be available to cover any or all of these risks, or, even if available, that it will be adequate in coverage or amounts or that insurance premiums or other costs will not rise significantly in the future, so as to make such insurance prohibitive. In future insurance renewals, we may choose to increase our self-insurance retentions or decrease the amounts or types of coverage (and thus assume a greater degree of risk) in order to reduce insurance premiums.

### 20. New technology could place Ensign at a disadvantage versus competitors.

Complex drilling programs for the exploration and development of remaining conventional and unconventional oil and natural gas reserves require high performance drilling rigs and other sophisticated oilfield service equipment. The ability of oilfield service providers to meet this demand depends on continuous improvement of existing technology and equipment, such as drilling rig drive systems, horizontal and multilateral drilling technology, advanced automation and control systems, mud systems, top drives, downhole equipment and mobile pad moving systems designed to improve drilling efficiency. Our ability to deliver equipment and services that are as or more efficient than those of our competitors is critical to our continued success. There is no assurance that competitors will not achieve technological improvements that are more advantageous, timely or cost effective than improvements developed by us.

Certain of the Corporation's equipment or systems may become obsolete or experience a decrease in demand through the introduction of competing products that are lower in cost, exhibit enhanced performance characteristics or are determined by the market to be more preferable for environmental or other reasons. The Corporation will need to keep current with the changing market for equipment and technological and regulatory changes. If the Corporation fails to do so, this could have a material adverse effect on our business, financial condition, results of operations and cash flows.

### 21. Our business is subject to environmental legislation in all jurisdictions in which we operate and any changes in such legislation could negatively affect our results of operations.

Our operations, and those of our customers, are subject to numerous laws, regulations and guidelines governing the protection of the environment and health and safety. These laws, regulations and guidelines include those relating to spills, releases, emissions and discharges of hazardous substances or other waste materials into the environment, and removal or remediation of pollutants or contaminants. Failure to comply with these laws, regulations and guidelines can result in civil and criminal penalties, including injunctive relief and the imposition of stop, control, remediation and abandonment orders. The costs arising from compliance with such laws, regulations and guidelines may be material to us. We may also incur material costs associated with the investigation, clean up and restoration of contaminated land, water or ecosystems, as well as claims for damage to property, death or injury to persons resulting from exposure to hazardous materials or adverse impacts on natural resources and properties resulting from our operations.

In addition, the trend in environmental regulation has been to impose more restrictions and limitations on activities that may impact the environment, particularly the generation of carbon emissions; the building and maintenance of pipelines; hydraulic fracking and water use. These restrictions and limitations may continue to increase in the future which may increase operating costs for both us and our customers, may restrict our activities and may result in a decreased demand for our services. A stricter interpretation of existing laws, regulations and guidelines, any changes in these laws, regulations and guidelines or the enactment of new laws, regulations and guidelines may impose new material obligations on us.

Climate change concerns and impacts could reduce global demand for hydrocarbons and hydrocarbon-based products and propel a shift to relatively lower carbon intensity fossil fuels. In particular, increasing pressure on governments to reduce carbon emissions has led to a variety of actions that aim to reduce the use of fossil fuels, including, among others, carbon emission caps and trade regimes, carbon taxes, increased energy efficiency standards and incentives and mandates for renewable energy and other alternative energy sources. The landscape of greenhouse gas-related laws and regulations has been in a state of constant reassessment and it is difficult to predict with certainty the ultimate impact greenhouse gas-related laws, regulations and international agreements will have on us.

Existing and future environmental and climate change concerns and impacts, including physical impacts to infrastructure, and related laws, regulations, treaties, protocols, policies and other actions could shift demand to relatively lower carbon intensity fossil fuels and energy sources, reduce demand for hydrocarbons and hydrocarbon-based products, increase costs for compliance and maintenance, and have a material impact on the nature of oil and natural gas operations of the Corporation's customers, which may in turn impact the Corporation, our operations and financial condition. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels

### 22. Our operations may result in environmental contamination.

While we endeavor to conduct our operations to avoid all environmental contamination, our operations face hazards such as blowouts, cratering, explosions, fires and the like which can result in environmental contamination. While we maintain liability insurance, including insurance for certain environmental claims, the insurance is subject to coverage limits and certain of our policies exclude coverage for damages resulting from environmental contamination. There is no assurance that insurance will continue to be available to us on commercially reasonable terms, that the possible types of liabilities that may be incurred by us will be covered by our insurance, or that the dollar amount of such liabilities will not exceed our policy limits. Even a partially uninsured claim, if successful and of sufficient magnitude, could have a material adverse effect on our business, reputation and financial results.

### 23. We and our customers require reasonable access to capital, which may not be available at all or on acceptable terms.

We and our customers participate in a capital intensive industry and any reduction or inability in our or their ability to obtain credit or financing may lower demand for our services and may harm our ability to meet our obligations and finance our operating activities. We and our customers require reasonable

access to capital, whether by way of credit facilities, debt capital markets or otherwise, as an important source of liquidity. Global economic events, outside our control or the control of our customers, may restrict or reduce the access to credit facilities and debt capital markets. Tightening credit markets may reduce the funds available to our customers for paying accounts receivable balances and may also result in reduced levels of demand for our services. In addition, governments, financial institutions, environmental and governance organizations, institutional investors, social and environmental activists, and individuals, are increasingly seeking to implement, among other things, changes in investment patterns which could affect investor or lender sentiment towards our business or the industry in which we operate and could impede our ability to secure and maintain cost-effective financing.

Additionally, we rely on access to credit facilities, along with our reserves of cash and cash flow from operating activities, to meet our obligations and finance operating activities. There can be no assurance that we (or our customers) will be able to access additional financing when we need it, or on terms we find acceptable or favourable. If we (or our customers) are unable to obtain financing to support ongoing operations or to fund necessary expenditures, it could have a material adverse effect on our ability to carry out our business strategy, our revenue and our financial condition.

### 24. We rely on key management personnel.

Our success and growth is dependent upon our key management personnel. The loss of services of such persons could have a material adverse effect on the business and operations of the Corporation. There is no assurance that we will be able to retain or attract key management personnel. We may experience intense competition for personnel and cannot assure investors that we will be able to retain key personnel or that we will be successful in attracting and retaining personnel in the future.

### 25. Our business is seasonal and is influenced by weather patterns.

In Canada, the level of activity in the oilfield service industry is influenced by seasonal weather patterns. During the spring months, wet weather and the spring thaw make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels and placing an increased level of importance on the location of our equipment prior to imposition of the road bans. Additionally, certain oil and natural gas producing areas are located in sections of the Western Canadian Sedimentary Basin that are inaccessible, other than during the winter months, because the ground surrounding or containing the drilling sites in these areas consists of terrain known as muskeg. Until the muskeg freezes, the rigs and other necessary equipment cannot cross the terrain to reach the drilling site. Moreover, once the rigs and other equipment have been moved to a drilling site, they may become stranded or otherwise unable to relocate to another site should the muskeg thaw unexpectedly.

Our United States and international operations are not materially affected by seasonal variations but may be affected by unpredictable and uncontrollable weather patterns and natural disasters, such as flooding.

Our financial results depend, at least in part, upon the severity and duration of the Canadian and United States winter. In addition, to the extent any of our operations are adversely affected by unpredictable and

uncontrollable weather patterns and material natural disasters, it may affect our financial results. Global climate change could impact the weather patterns in each of the jurisdictions in which we operate, altering our expectations of the weather plans as described above. We cannot estimate the degree to which climate change could impact our business and operating results.

### 26. The price of our common shares may fluctuate and the issuance of additional shares could affect share value and will result in dilution.

Several factors can cause volatility in our share price, including increases or decreases in revenue or earnings, changes in revenue or earnings estimates by the investment community, failure to meet analysts' expectations, reduction or suspension of dividends, and speculation in the media or investment community about our financial condition or results of operations. General market conditions and Canadian, United States or international economic factors and political events unrelated to our performance may also affect the price of our common shares. Investors should therefore not rely on past performance of our common shares to predict the future performance of our common shares or financial results. The impact of the March 9, 2020 precipitous declines in oil prices and our share price is uncertain.

We may issue additional common shares in the future to fund our business needs. Acquisitions, financings or other transactions involving the issuance of our securities may be dilutive to the current holders of our common shares. There are no restrictions in our articles or bylaws with respect to the number of shares of any class that may be issued and outstanding.

### 27. There are risks associated with turnkey drilling contracts.

Particularly in our United States operations, we are entering into an increased number of "turnkey" drilling contracts as compared to prior years. Turnkey contracts have a higher risk profile than daywork contracts because we control and are responsible for the majority of or even the entire drilling operation. In addition, in a turnkey contract, we assume a higher degree of the commercial and legal risk over the drilling operation, as compared with a daywork drilling contract. The increased risk of turnkey drilling contracts generally includes responsibility for cost overruns and increased exposure for well loss or damage, wild well control, relief wells, pollution and environmental damage. Some of these risks and costs may not be covered by insurance or may be underinsured and thus could have a material adverse impact on our operating and financial results.

### 28. There are risks associated with increased capital expenditures.

The timing and amount of future capital expenditures incurred by Ensign will directly affect the amount of cash available to us. The cost of equipment and its maintenance has escalated over the past several years and also has and will continue to be impacted by increasingly advanced and complex drilling technologies and equipment. There can be no assurance that we will be able to recover higher capital costs through rate increases to our customers and, in such event, our financial results may be adversely affected.

### 29. Impairment of our capital assets may result in a non-cash charge against our consolidated net income.

The value of our capital assets is dependent on the cash flow generating capacity and the recoverable value of the assets. A variety of factors may affect the cash flow generating capacity and the recoverable value of our capital assets including the condition of the asset, the potential earning capacity of the asset and external economic factors. Should management's assessment of the recoverable value of our capital assets change, an impairment charge, which would result in a non-cash charge against our consolidated net income, would be necessary.

### 30. The energy industry may move towards alternative energy sources.

There are indications that the global energy industry is trending away from fossil fuels toward alternative energy sources, such as hydro, wind and solar. The speed and rate at which alternative energy sources are adopted will affect demand for our services which could have a material adverse impact on our revenues, cash flow and earnings.

### 31. Business acquisitions entail numerous risks and may disrupt our business or distract management attention.

As part of our business strategy, we will continue to consider and evaluate acquisitions of, or significant investments in, complementary businesses and assets. Acquisitions involve numerous risks, including unanticipated costs and liabilities; the difficulty of integrating the operations, assets and personnel of the acquired business; the ability to properly access and maintain an effective internal control environment over an acquired company; the potential loss of key employees and customers of the acquired company; and an increase in expenses and working capital requirements.

We may incur substantial indebtedness to finance acquisitions and also may issue dilutive equity securities in connection with any such acquisitions, affecting our balance sheet and financial condition. With an acquisition, there is a risk that the Corporation may discover that it has acquired substantial undisclosed liabilities. Acquisitions could also divert the attention of management and other employees from our day-to-day operations and the development of new business opportunities. In addition, we may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets. Even if we are successful in integrating our recent or future acquisitions into our existing operations, we may not derive the benefits, such as operational or administrative synergies, that we expected from such acquisitions.

Any acquisition that we complete could have unforeseen and potentially material adverse effects on our financial and operating results.

In addition, merger and acquisition activity in the oil and natural gas exploration and production sector may impact demand for the Corporation's services as customers focus on reorganizing their business prior to committing funds to exploration and development projects. Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than the Corporation. The

Corporation's inability to retain existing customers or employees of an acquired entity could have a material adverse impact on the Corporation's business, financial condition, results of operations and cash flows.

### 32. The demand for our services is affected by our safety performance.

Our customers place an emphasis on safe operations. Additionally, as a service provider, we are subject to customer safety policies, procedures and requirements, accepted industry safety practices, and health and safety legislation. As a result, we have implemented policies, procedures and systems to promote the safety of our people and operations and foster compliance with these requirements. However, these systems do not guarantee that there will be no safety incidents. If we were to suffer from poor safety performance or a material safety incident was to occur, it may result in liability, increase our costs and reduce the demand for our services, which could cause reputational damage and have a material adverse effect on our financial condition.

### 33. Our operations have become increasingly dependent on our information technology systems which may be subject to cybersecurity risks or may otherwise result in a breach of confidential information.

Our operations rely on an extensive network of communications and computer hardware and software systems. Additionally, our equipment collects, transmits and retains a large amount of drilling data and other relevant information. As such, our information technology systems are a critical aspect of our business. While we have applied risk management controls and protections consistent with industry accepted standards to protect our information technology systems, there is no guarantee that these controls and protections will fully prevent a cybersecurity incident. In the event of a cybersecurity incident, our information technology systems could be compromised and, in such event, we could experience disruption of our operations, a compromise of our safety procedures and business processes, loss or damage to our information, and/or unauthorized disclosure of personal information, any of which could have a material adverse effect on our reputation and financial condition.

The Corporation's efforts to protect confidential information may prove unsuccessful due to the actions of third parties, software bugs, technical malfunctions, employee error, or other factors. Should any of these events occur, this information could be accessed or disclosed improperly. Any incidents involving a breach of confidential information could damage the Corporation's reputation and expose competitive positioning of future growth strategy of the Corporation. Should this occur, it could have a material adverse effect on our business, financial condition, and reputation.

### 34. There are risks involved with the design of disclosure controls and procedures.

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation is made known to the President and Chief Operating Officer and the Chief Financial Officer by others within the Corporation, particularly during the period in which the annual and interim filings of the Corporation are being prepared, in an accurate and timely manner in order for the Corporation to comply with our disclosure and financial reporting obligations.

Consistent with the concept of reasonable assurance, the Corporation recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Corporation's disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of such controls and procedures are met.

### 35. There are risks involved with internal controls over financial reporting.

The President and Chief Operating Officer and the Chief Financial Officer of the Corporation are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. While management of the Corporation has put in place certain plans and procedures to mitigate the risk of a material misstatement in the Corporation's financial reporting, a system of internal controls can provide only reasonable, not absolute, assurance that the objectives of the control system are met, no matter how well conceived or operated.

### 36. There are risks as a result of recent increases in environmental activism in the oil and gas industry and against related industries.

Environmental activism and opposition to our operations may adversely affect the business of the Corporation by decreasing revenues and increasing remedial costs. The Corporation's operations, equipment and infrastructure could be vulnerable to unforeseen problems relating to environmental activism including, but not limited to, vandalism and theft which could interrupt the Corporation's operations for an extended period of time, result in significant delays to the Corporation's plans and result in increased costs to the Corporation. As a result of such interruption, the Corporation's business, financial condition and results of operations could be materially adversely affected. The Corporation's operations are dependent upon our ability to protect our operating equipment against damage from fire, vandalism, theft or a similar catastrophic event. Theft, vandalism and other disruptions could jeopardize the Corporation's operations and infrastructure and could result in significant set-backs, potential liabilities and deter future customers. While the Corporation has systems, policies, practices and procedures designed to prevent or limit the effect of the failure or interruptions of our infrastructure there can be no assurance that these measures will be sufficient and that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed in a timely manner.

### 37. Conflicts of interest may arise and must be managed.

Members of our Board are engaged, and will continue to be engaged, in certain business interests on their own behalf and on behalf of other companies. In the event that a situation arises where our directors or officers are in direct competition with us, such persons are subject to and are governed by the Code of Conduct and by the procedures prescribed by the ABCA.

### 38. Our business is dependent on the satisfactory performance of our obligations.

The Corporation's success depends in large part on whether we fulfill our obligations with customers and maintain customer satisfaction. If the Corporation fails to satisfactorily perform our obligations, our

customers could terminate contracts, exposing the Corporation to loss of our reputation and risk of loss or reduced profits or, in some cases, the loss of a project.

In many instances, customer commitments are made to start or complete a project by a scheduled time. If the project is not started or completed on schedule, the Corporation may either incur significant additional costs or be held responsible for the costs incurred by the customer to rectify damages due to late commencement or late completion. In addition, performance of projects can be affected by a number of factors beyond the Corporation's control, including unavoidable delays from governmental inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in project scope of services requested by clients, industrial accidents, environmental hazards, labour disruptions, infrastructure disruptions, civil disobedience or unrest, and the outbreak of disease or similar events (such as COVID-19, as discussed elsewhere in this Annual Information Form) and other factors. To the extent these events occur, the total cost of a project could exceed estimates and the Corporation could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate overall profitability.

### 39. Forward-looking statements may prove inaccurate.

Investors are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this Annual Information Form under the heading "*Cautionary Statements on Forward-looking Information*". The impact of the March 9, 2020 precipitous declines in oil prices and our share price is uncertain.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of Ensign, there is no material interest, direct or indirect, of any director or executive officer of Ensign, person or company that is the direct or beneficial owner, or who exercises control or direction over, directly or indirectly, more than 10% of Ensign's outstanding common shares, or any associate or affiliate of any of the foregoing, in any transaction within the three (3) most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Ensign.

## TRANSFER AGENT AND REGISTRAR

Our transfer agent and registrar for our common shares is Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario, Canada, M5J 2Y1.

## MATERIAL CONTRACTS

Other than contracts entered into in the normal course of business, the only material contracts entered into by the Corporation within the most recently completed financial year, before the most recently completed financial year but which are still in effect, or year to date in 2020, are the Credit Facility and Note Indenture.

On November 29, 2018, in connection with the Trinidad Acquisition, we entered into the Credit Facility (as defined above under "*General Development of the Business – 2018 – Credit Facility*"), which had an initial principal amount available of CAD $1.25 billion, and in accordance with its terms, the principal amount available was reduced to CAD $900 million on February 14, 2019. Also on February 14, 2019, we entered into the Senior Loan (as defined above under "*General Development of the Business – 2019 – Financing Activities*"), having a principal sum of USD $700 million, which was subsequently repaid in full and terminated on April 10, 2019. On April 10, 2019, we issued the Senior Notes (as defined above under "*General Development of the Business – 2019 – Financing Activities*") pursuant to the Note Indenture.

For more information, reference is made to the Risk Factor entitled: "*We require sufficient cash flows to service and repay our debts and our Credit Facility and Note Indenture contain restrictive covenants*". Additional information can also be obtained from Note 12 (Long Term Debt) of the Corporation's Consolidated Financial Statements for the year ended December 31, 2019, which note is hereby incorporated by reference into this Annual Information Form. The Credit Facility, the Note Indenture and the Corporation's Consolidated Financial Statements are available on SEDAR at www.sedar.com.

## INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report, valuation or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 – *Continuous Disclosure Obligations* by us during, or related to, our most recently completed financial year other than PricewaterhouseCoopers LLP ("**PwC**"), our auditors. PwC has prepared the auditor's report for the Corporation's annual consolidated financial statements. PWC has advised that they are independent with respect to Ensign within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

## ADDITIONAL INFORMATION

Additional information relating to us is available on SEDAR at www.sedar.com.

Additional information, including directors' and executive officers' remuneration and indebtedness, principal holders of our securities, and securities authorized for issuance under equity compensation plans, will be contained in our upcoming Information Circular, to be filed on SEDAR, in relation to our annual meeting of shareholders currently scheduled for May 8, 2020.

Financial information is contained in our Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2019.

**APPENDIX "A" – AUDIT COMMITTEE MANDATE & TERMS OF REFERENCE**

**ENSIGN ENERGY SERVICES INC.**

**MANDATE OF THE AUDIT COMMITTEE**

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|---|---|
| **Approved by:** Board of Directors | **Current Revision Date:** March 7, 2019<br>**Prior Revision Date:** August 5, 2016 |

**Role and Objectives:**

The Audit Committee (the "**Committee**") is a committee of the Board of Directors (the "**Board**") of Ensign Energy Services Inc. (the "**Corporation**") established to assist the Board in fulfilling its responsibility for oversight of the Corporation's financial reporting, including oversight of:

(a) the preparation, review and disclosure of the Corporation's financial statements and other required financial disclosure materials;

(b) the nature and scope of the annual audit of the Corporation's consolidated financial statements;

(c) the independence, qualifications and appointment of the independent auditor;

(d) the Corporation's internal accounting controls, procedures and practices; and

(e) the Corporation's auditing, financial reporting and accounting systems and procedures.

The Committee recommends, for Board approval, the interim consolidated financial statements, the audited annual consolidated financial statements and other mandatory disclosure releases containing financial information.

The function of the Committee is oversight of the financial, financial risk and control related activities of the Corporation. The Committee and its members are specifically not accountable or responsible for the day to day operation or performance of such activities. In particular, any members who may be identified as audit committee financial experts shall not be accountable for giving professional opinions on the internal or external audit of the Corporation's financial information.

**Membership of Committee:**

1. The Committee shall be comprised of at least three (3) Directors. Each member of the Committee shall be an "independent" director (as defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Corporation's securities are listed for trading).

2. At least 25% of the members of the Committee shall be Canadian residents.

3. Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the committee upon ceasing to be a director. The Board

shall fill any vacancy if the membership of the Committee is less than three directors. Whenever there is a vacancy on the Committee, the remaining members may exercise its powers as long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be appointed by the Board annually and each member of the Committee shall remain on the Committee until his or her successor is appointed and qualified or his or her earlier resignation or removal.

4. The Board appoints the Committee Chair. The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over meetings, making committee assignments and reporting to the Board. The Chair of the Committee shall be a Canadian resident, provided that in the event of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of all resident Canadian Directors who were on the Committee, this requirement shall not be applicable for a period of 60 days after the last resident Canadian ceased to serve, during which time the remaining Directors shall appoint a Canadian resident to the Committee to act as Chair.

5. All of the members of the Committee must be "financially literate" (as that term is defined from time to time under the requirements or guidelines for audit committee service under securities laws and the rules of any stock exchange on which the Corporation's securities are listed for trading) or must become financially literate within a reasonable period of time after his or her appointment to the Committee and at least one member of the Committee shall be considered to be a "financial expert". The Board has adopted the definition for "financial literacy" to mean the ability to read and understand a set of financial statements of breadth and complexity similar to the breadth and complexity of the issues to be raised by the Corporation's financial statements. The definition of "financial expert" as adopted by the Board means a person who has the following attributes:

    (a) an understanding of generally accepted accounting principles and financial statements;

    (b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

    (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;

    (d) an understanding of internal controls and procedures for financial reporting; and

    (e) an understanding of audit committee functions.

**Meetings:**

6. At all meetings of the Committee, every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote.

7. A quorum for meetings of the Committee shall be a majority of its members.

8. The rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board.

9. The Chair of the Committee shall designate a person who need not be a member of the Committee or a director to act as secretary or, if the Chair of the Committee fails to designate such a person, the secretary of the Corporation shall be secretary of the Committee. The agenda of Committee meetings will be prepared by the Chair of the Committee, working with the secretary of the Committee and, whenever reasonably practicable, circulated to each member prior to each meeting.

10. Minutes of all meetings of the Committee shall be taken by the secretary. The minutes of Committee meetings shall accurately record the discussions of and decisions made by the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to all Committee members.

11. Meetings of the Committee should be scheduled to take place at least four times per year, and more often as it deems necessary to perform the duties and discharge its responsibilities as described in this Mandate. The Chief Financial Officer shall attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Committee Chair.

12. The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities, its compliance with this Mandate and any recommendations made by the Committee to the Board.

13. The Committee shall meet with the independent auditor of the Corporation at least twice per year (in connection with the mandate for and the preparation of the year end audited consolidated financial statements) and at such other times as the independent auditor and the Committee consider appropriate. The meetings held by the Committee with the independent auditor shall include an "in camera" session with no members of management present. The Committee shall have such other direct and independent interaction with such persons from time to time as the members of the Committee deem appropriate. The independent auditor will have direct access to the Committee at its own initiative.

14. The Committee may retain persons having special expertise and/or obtain independent professional advice as may be necessary to carry out its duties and responsibilities, at the expense of the Corporation and without any further approval of the Board, including requiring the independent auditor to perform such supplemental reviews or audits as the Committee may deem desirable and may retain such special legal, accounting, financial or other advisors as the Committee may deem necessary.

15. If a Committee member faces a potential or actual conflict of interest relating to a matter before the Committee, that member shall be responsible for alerting the Committee Chair. If the Committee Chair faces a potential or actual conflict of interest, the Committee Chair shall advise the chairman of the Board (the "**Chair**"). If the Committee Chair, or the Chair, as the case may be, concurs that a potential or actual conflict of interest exists, the member faced with such conflict

shall disclose to the Committee his or her interest and shall not participate in consideration of the matter and shall not vote on the matter.

16. If a Committee member serves on the audit committees of more than two publicly-traded entities, including the Corporation, the Board must determine that such service would not impair the ability of the member to effectively serve on the Committee and disclose such determination in the annual proxy circular.

**Powers:**

17. The Committee shall be entitled to full access to all books, records, facilities, and personnel of the Corporation and its subsidiaries. The Committee may require such officers, directors and employees of the Corporation and its subsidiaries and others as it may see fit from time to time to provide any information about the Corporation and its subsidiaries it may deem appropriate and to attend and assist at meetings of the Committee.

18. The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

19. The Committee may adopt policies and procedures for carrying out its responsibilities.

**Mandate and Responsibilities of Committee:**

***Oversight of the Corporation's Financial Disclosures:***

20. It is a primary responsibility of the Committee to review the financial statements of the Corporation prior to their submission to the Board for approval. The Committee shall:

    (a) review with the independent auditor and management and recommend to the Board for approval the audited annual consolidated financial statements and the notes and managements' discussion and analysis accompanying such financial statements, the Corporation's annual report, annual information form and any financial information of the Corporation contained in any prospectus or information circular of the Corporation; and

    (b) review with the independent auditor and management each set of interim financial statements and the notes and managements' discussion and analysis accompanying such financial statements and any other disclosure documents or regulatory filings of the Corporation containing or accompanying such financial information of the Corporation;

    in each case prior to the release of any summary of the financial results or the filing of such reports with the applicable regulators.

21. The Committee shall review and discuss with management and the independent auditor (together or separately, as it deems necessary):

    (a) the quality, appropriateness and acceptability of the Corporation's accounting principles and practices used in its financial reporting;

(b) changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;

(c) significant accruals or other estimates and all significant financial reporting judgments made in connection with the preparation of the financial statements;

(d) the accounting treatment of unusual or non-recurring transactions;

(e) compliance with covenants under loan agreements;

(f) disclosures respecting commitments and contingencies;

(g) adjustments raised by the independent auditor, whether or not included in the financial statements;

(h) unresolved differences between management and the independent auditor;

(i) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles; and

(j) explanations of significant variances with comparative reporting periods.

22. The Committee shall review news releases and other public disclosure containing new financial information prior to their distribution or public disclosure.

23. Periodically, the Committee shall assess the adequacy of the procedures for the review of disclosure of financial information extracted or derived from the financial statements.

24. The Committee shall review the processes and disclosure, if any, with respect to its pre-approval of audit and non-audit services provided by the independent auditor.

***Disclosure Controls and Internal Control Systems:***

25. The Committee shall review with management and assess the Corporation's disclosure procedures and controls and material changes to the design of the Corporation's disclosure procedures and controls.

26. The Committee shall review disclosures made respecting the design and operation of internal controls over financial reporting and disclosure controls and procedures, including any disclosure of limitations on their assessment by the President (acting in the capacity of Chief Executive Officer) and Chief Financial Officer and deficiencies in their design or operating effectiveness and any fraud involving persons who have a significant role in the Corporation's internal controls.

27. The Committee shall exercise oversight of, review and discuss with management and the independent auditor (together and separately, as it deems necessary):

(a) the adequacy and effectiveness of the Corporation's internal control over financial reporting and disclosure controls and procedures;

(b) any significant deficiencies or material weaknesses in internal control over financial reporting or disclosure controls and procedures, and the status of any plans for their remediation;

(c) the adequacy of the Corporation's internal controls and any related significant findings and recommendations of the independent auditor and internal auditors together with management's response thereto; and

(d) compliance with such controls, procedures and systems and with legal, ethical and regulatory requirements.

***Independent Auditor:***

28. The independent auditor is accountable to the Committee and the Board as the representatives of the shareholders of the Corporation and shall report directly to the Committee and the Committee shall so instruct the independent auditor.

29. The Committee shall review management's recommendation for the appointment of the independent auditor, evaluate the quality of service, independence, objectivity, professional skepticism and performance of the independent auditor and make recommendations to the Board on the reappointment or replacement of the independent auditor of the Corporation to be proposed in the Corporation's proxy circular for shareholder approval. If a change in independent auditor is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed independent auditor before making its recommendation to the Board.

30. The Committee shall approve in advance the terms of engagement and, if the shareholders authorize the Board to do so, the compensation to be paid by the Corporation to the independent auditor with respect to the conduct of the annual audit of the Corporation's consolidated financial statements. The Committee may approve policies and procedures for the pre-approval of services to be rendered by the independent auditor including any *de minimus* exceptions, which policies and procedures shall include reasonable detail with respect to the services covered. All non-audit services to be provided to the Corporation or any of its affiliates by the independent auditor or any of their affiliates which are not covered by pre-approval policies and procedures approved by the Committee shall be subject to pre-approval by the Committee. The Committee will review disclosure respecting fees paid to the independent auditor for audit and non-audit services.

31. The Committee shall review the independence and professional skepticism of the independent auditor and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the independent auditor. In connection with such review, the Committee shall:

(a) actively engage in a dialogue with the independent auditor about all relationships or services that may impact the objectivity and independence of the independent auditor, including whether there are any disputes, restrictions or limitations placed on their work;

(b) require that the independent auditor submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between the Corporation and its subsidiaries, on the one hand, and the independent auditor and their affiliates on the other hand;

(c) ensure the rotation of the lead (and concurring) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by applicable law and/or professional practice; and

(d) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies.

32. The Committee shall review and approve policies for hiring by the Corporation of employees or former employees of the independent auditor.

33. The Committee shall require the independent auditor to provide to the Committee, and shall review and discuss with the independent auditor, all notices and reports which the independent auditor is required to provide to the Committee or to the Board under rules, policies or practices of professional or regulatory bodies applicable to the independent auditor.

***Overview and Monitoring of Audits:***

34. The Committee shall review with the independent auditor and management the audit function generally, the objectives, staffing, locations, co-ordination, reliance upon management and internal audit and general audit approach and scope of proposed audits of the financial statements of the Corporation and its subsidiaries, the overall audit plans, the responsibilities of management and the independent auditor, the audit procedures to be used and the timing and estimated budgets of the audits.

35. The Committee shall discuss with the independent auditor any difficulties that arose with management during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of management's responses in correcting audit-related deficiencies.

36. The Committee shall review with management the results of independent audits of the Corporation's consolidated financial statements.

37. The Committee shall review annually with the independent auditor their plan for their year-end audit and, upon completion of the audit, their reports upon the annual consolidated financial statements of the Corporation and its subsidiaries.

38. The Committee shall take such other reasonable steps as it may deem necessary to satisfy itself that the annual audit of the Corporation's consolidated financial statements was conducted in a

manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

***Internal Auditors:***

39. The Committee shall review and approve the appointment, the terms of engagement, replacement or dismissal of the internal auditor(s).

40. Meet periodically with the internal auditors to discuss their audit plan for the year, progress of their activities, any significant findings stemming from internal audits, any changes required in the planned scope of their audit plan and whether there are any disputes, restrictions or limitations on the internal audit.

41. Review summaries of the significant reports to management prepared by the internal auditors, or the actual reports if requested by the Committee, and management's responses to such reports.

***Financial Risk Matters:***

42. The Committee shall oversee and review processes for the identifying, monitoring and mitigation of financial reporting.

43. The Committee shall receive and review:

    (a) periodic reports on compliance with requirements regarding statutory deductions and remittances and, in the event of any non-compliance, the nature and extent of non-compliance, the reasons therefor and the management's plan and timetable to correct any deficiencies;

    (b) material policies and practices of the Corporation respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the Corporation; and

    (c) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.

44. The Committee shall meet periodically with management to review and discuss the Corporation's major financial risk exposures and the policy steps management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities and the Corporation's insurance programs.

***Communications with Others:***

45. The Committee shall establish and monitor procedures for the receipt and treatment of complaints received by the Corporation regarding accounting, internal control systems or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with management, the compliance manager and/or the internal auditors, these procedures and any significant complaints received on such issues and other business practices.

***General:***

46. The Committee shall review and reassess the adequacy of this Mandate periodically and recommend changes to the Board. The performance of the Committee shall be evaluated with reference to this Mandate annually.