ENSIGN®

2020 Q2

SECOND QUARTER REPORT For the three and six months ended June 30, 2020

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended June 30			Six months ended June 30		
	2020	2019	% change	**2020**	2019	% change
Revenue [1]	**194,759**	377,496	(48)	**578,620**	822,516	(30)
Adjusted EBITDA [1, 2]	**58,060**	101,827	(43)	**149,307**	219,120	(32)
Adjusted EBITDA per common share [1, 2]						
Basic	**$0.36**	$0.64	(44)	**$0.92**	$1.39	(34)
Diluted	**$0.36**	$0.64	(44)	**$0.92**	$1.39	(34)
Net loss attributable to common shareholders	**(17,077)**	(31,173)	45	**(46,327)**	(53,521)	13
Net loss per common share						
Basic	**$(0.10)**	$(0.20)	50	**$(0.28)**	$(0.34)	18
Diluted	**$(0.10)**	$(0.20)	50	**$(0.28)**	$(0.34)	18
Cash provided by operating activities [1]	**127,432**	81,620	56	**190,164**	167,598	13
Funds flow from operations [1]	**26,338**	76,779	(66)	**110,833**	197,198	(44)
Funds flow from operations per common share [1]						
Basic	**$0.16**	$0.49	(67)	**$0.68**	$1.25	(46)
Diluted	**$0.16**	$0.49	(67)	**$0.68**	$1.25	(46)
Total long term debt	**1,555,274**	1,662,628	(6)	**1,555,274**	1,662,628	(6)
Weighted average common shares - basic *(000s)*	**162,729**	158,229	3	**162,728**	157,656	3
Weighted average common shares - diluted *(000s)*	**162,791**	158,290	3	**162,857**	157,716	3

Drilling	**2020**	2019	% change	**2020**	2019	% change
Number of marketed rigs [3]						
Canada [4]	**101**	118	(14)	**101**	118	(14)
United States	**122**	134	(9)	**122**	134	(9)
International [5]	**43**	42	2	**43**	42	2
Total	**266**	294	(10)	**266**	294	(10)
Operating days [6]						
Canada [4]	**377**	1,317	(71)	**3,479**	4,378	(21)
United States	**2,214**	6,451	(66)	**7,355**	13,108	(44)
International [5]	**704**	1,195	(41)	**2,142**	2,524	(15)
Total	**3,295**	8,963	(63)	**12,976**	**20,010**	(35)

Well Servicing	**2020**	2019	% change	**2020**	2019	% change
Number of rigs						
Canada	**52**	55	(5)	**52**	55	(5)
United States	**47**	47	—	**47**	47	—
Total	**99**	102	(3)	**99**	102	(3)
Operating hours						
Canada	**3,595**	10,700	(66)	**15,827**	23,498	(33)
United States	**19,363**	28,960	(33)	**50,570**	57,325	(12)
Total	**22,958**	39,660	(42)	**66,397**	80,823	(18)

1. *Comparative revenue, Adjusted EBITDA, Adjusted EBITDA per common share, cash provided by operating activities, funds flow from operations and funds flow from operations per common share have been revised to conform with current year's presentation.*
2. *Adjusted EBITDA and Adjusted EBITDA per common share are not measures that have any standardized meaning prescribed by International Financial Reporting Standards "IFRS" and accordingly, may not be comparable to similar measures used by other companies. Non-GAAP measures are defined in the Non-GAAP Measures section.*
3. *Total owned rigs: Canada - 118, United States - 138, International - 48 (2019 Total owned rigs: Canada - 135, United States - 152, International - 47)*
4. *Excludes coring rigs.*
5. *Includes workover rigs and excludes former joint venture drilling rigs.*
6. *Defined as contract drilling days, between spud to rig release.*

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at ($ thousands)	**June 30 2020**	June 30 2019	December 31 2019
Working capital [1]	**131,761**	182,813	126,987
Cash	**102,655**	39,705	28,408
Long-term debt	**1,555,274**	1,662,628	1,581,529
Total long term financial liabilities	**1,564,652**	1,681,252	1,591,047
Total assets	**3,387,104**	3,717,247	3,470,601
Long-term debt to long term-debt plus equity ratio	**0.52**	0.51	0.52

[1] See non-GAAP Measures section

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2019	% change
Capital expenditures						
Upgrade/growth	**48**	25,105	nm	**10,013**	53,650	(81)
Maintenance	**13,191**	6,807	94	**29,658**	19,628	51
Proceeds from disposals or property and equipment	**(16,985)**	(27,898)	(39)	**(21,150)**	(29,620)	(29)
Net capital expenditures	**(3,746)**	4,014	nm	**18,521**	43,658	(58)

nm - calculation not meaningful

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Ensign Energy Services Inc. and all of its subsidiaries ("Ensign" or the "Company") should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended June 30, 2020, as well as the audited consolidated financial statements and notes thereto for the year ended December 31, 2019, which are available on SEDAR at www.sedar.com.

This MD&A and the interim consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated and are stated in thousands, except for: per common share amounts, number of rigs and operating days/hours. This MD&A is dated August 6, 2020.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements generally can be identified by the words "believe", "anticipate", "expect", "plan", "estimate", "target", "continue", "could", "intend", "may", "potential", "predict", "should", "will", "objective", "project", "forecast", "goal", "guidance", "outlook", "effort", "seeks", "schedule" or expressions of a similar nature suggesting future outcome or statements regarding an outlook.

Disclosure related to expected future commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other prospective guidance provided throughout this MD&A, including, but not limited to, information provided in the "Funds flow from Operations and Working Capital" section regarding the Company's expectation that funds generated by operations combined with current and future credit facilities will support current operating and capital requirements, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for 2020, constitute forward-looking statements. These statements are not representations or guarantees of future performance and are subject to certain risks. The reader should not place undue reliance on forward-looking statements as there can be no assurance that the plans, initiatives, projections, anticipations or expectations upon which they are based will occur.

The forward-looking statements are based on current expectations, estimates and projections about the Company and the industries in which the Company operates, which speak only as of the date such statements were made or as

of the date of the report or document in which they are contained. They are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risk factors include, among others: general economic and business conditions which will, among other things, impact demand for and market prices of the Company's services and the ability of the Company's customers to pay accounts receivable balances; volatility of and assumptions regarding crude oil and natural gas commodity prices; fluctuations in currency and interest rates; economic conditions in the countries and regions in which the Company conducts business; political uncertainty and civil unrest; the Company's ability to implement its business strategy; impact of competition; the Company's defence of lawsuits; availability and cost of labour and other equipment, supplies and services; the Company's ability to complete its capital programs; operating hazards and other difficulties inherent in the operation of the Company's oilfield services equipment; availability and cost of financing and insurance; timing and success of integrating the business and operations of acquired companies; actions by governmental authorities; government regulations and the expenditures required to comply with them (including safety and environmental laws and regulations and the impact of climate change initiatives on capital and operating costs); the adequacy of the Company's provision for taxes; the Company's response to the global COVID-19 pandemic; and other circumstances affecting the Company's business, revenues and expenses.

The Company's operations and levels of demand for its services have been, and at times in the future may be, affected by political risks and developments, such as expropriation, nationalization, or regime change, and by national, regional and local laws and regulations such as changes in taxes, royalties and other amounts payable to governments or governmental agencies and environmental protection regulations. Should one or more of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results may vary in material respects from those expressed or implied by the forward-looking statements. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and the Company's course of action would depend upon its assessment of the future considering all information then available.

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

Although the Company believes the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. Except as required by law, the Company assumes no obligation to update forward-looking statements should circumstances or its projections, anticipations, estimates or opinions change.

NON-GAAP MEASURES

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

Adjusted EBITDA

Adjusted EBITDA is used by management and investors to analyze the Company's profitability based on the Company's principal business activities prior to how these activities are financed, how assets are depreciated and amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on the core business alone, amounts are removed related to foreign exchange, share-based payment expense, impairment expenses, the sale of assets, restructuring costs, gain on repurchase of unsecured Senior Notes and fair value adjustments on financial assets and liabilities, as the Company does not deem these to relate to its core drilling and well services business. Adjusted EBITDA also takes into account the Company's portion of the principal activities of the joint venture arrangements by removing the loss (gain) from investments in joint ventures and including adjusted EBITDA from investments in joint ventures. Adjusted EBITDA is not intended to represent net loss as calculated in accordance with IFRS.

ADJUSTED EBITDA

($ thousands)	Three months ended June 30 **2020**	2019	Six months ended June 30 **2020**	2019
Loss before income taxes [1]	**(24,552)**	(20,541)	**(55,571)**	(52,239)
Add-back/(deduct):				
Financing charges	**29,947**	40,009	**64,789**	76,355
Depreciation	**92,165**	89,030	**181,950**	177,197
Restructuring	**6,509**	915	**7,386**	9,397
Loss (gain) from investment in joint ventures	**127**	(2,307)	**1,785**	(295)
Share-based compensation	**2,879**	1,260	**(1,621)**	2,887
Loss (gain) on asset sale	**3,437**	(9,824)	**3,437**	(9,824)
Gain on repurchase of unsecured Senior Notes [2]	**(52,023)**	(650)	**(63,517)**	(650)
Foreign exchange and other (gain) loss	**(4,426)**	(2,627)	**4,660**	7,733
Adjusted EBITDA from investment in joint ventures	**3,997**	6,562	**6,009**	8,559
Adjusted EBITDA	**58,060**	101,827	**149,307**	219,120

[1] *Comparative loss before income taxes have been revised to conform with current year's presentation.*
[2] *See "Financing Charges" section for definition of Senior Notes.*

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

Adjusted EBITDA from investment in joint ventures is calculated below:

($ thousands)	Three months ended June 30 **2020**	2019	Six months ended June 30 **2020**	2019
(Loss) gain from investment in joint ventures	**(127)**	2,307	**(1,785)**	295
Add-back/(deduct):				
TDI fair value adjustment	**—**	650	**—**	650
Depreciation	**3,755**	3,226	**7,185**	6,655
Foreign exchange and other loss (gain)	**138**	(19)	**240**	(24)
Restructuring	**65**	—	**65**	—
Financing charge	**11**	380	**21**	694
Income taxes	**155**	18	**283**	142
Preferred shares valuation	**—**	—	**—**	147
Adjusted EBITDA from investment in joint ventures	**3,997**	6,562	**6,009**	8,559

Consolidated EBITDA

Consolidated EBITDA, as defined in the Company's Credit Facility agreement, is used in determining the Company's compliance with its covenants. The Consolidated EBITDA is substantially similar to Adjusted EBITDA, except that Adjusted EBITDA from the TDI joint venture is only included into Consolidated EBITDA for the purpose of the Company's Credit Facility when Adjusted EBITDA earned in the TDI joint venture is distributed up to the Company. Consolidated EBITDA is calculated on a rolling twelve-month basis.

Working Capital

Working capital is defined as current assets less current liabilities as reported on the consolidated statements of financial position.

OVERVIEW

Revenue for the second quarter of 2020 was $194.8 million, a decrease of 48 percent from revenue for the second quarter of 2019 of $377.5 million. Revenue for the six months ended June 30, 2020 was $578.6 million, a decrease of 30 percent from revenue for the six months ended June 30, 2019 of $822.5 million.

Adjusted EBITDA totaled $58.1 million ($0.36 per common share) in the second quarter of 2020, 43 percent lower than Adjusted EBITDA of $101.8 million ($0.64 per common share) in the second quarter of 2019. For the first six months of 2020, Adjusted EBITDA totaled $149.3 million ($0.92 per common share), 32 percent lower than Adjusted EBITDA of $219.1 million ($1.39 per common share) in the first six months of 2019.

Net loss attributable to common shareholders for the second quarter of 2020 was $17.1 million ($0.10 per common share) compared to a net loss attributable to common shareholders of $31.2 million ($0.20 per common share) for the second quarter of 2019. Net loss attributable to common shareholders for the six months ended June 30, 2020 was $46.3 million ($0.28 per common share), compared to net loss attributable to common shareholders of $53.5 million ($0.34 per common share) for the six months ended June 30, 2019.

During the second quarter of 2020, the Company received a $3.7 million Canada Emergency Wage Subsidy ("**CEWS**") from the Government of Canada and a $1.4 million wage subsidy from the Government of Australia. For three and six month ending June 30, 2020, the wage subsidies received partially offset the decrease in Adjusted EBITDA and net loss attributable to common shareholders.

Funds flow from operations decreased 66 percent to $26.3 million ($0.16 per common share) in the second quarter of 2020 compared to $76.8 million ($0.49 per common share) in the second quarter of the prior year. Funds flow from operations decreased 44 percent to $110.8 million ($0.68 per common share) in the first six months of 2020 compared to $197.2 million ($1.25 per common share) in the first six months of the prior year.

On March 11, 2020, the World Health Organization ("**WHO**") declared the novel coronavirus ("**COVID-19**") a global pandemic due to the sustained risk of worldwide spread of the virus. Governments and health authorities around the world implemented a wide variety of measures to combat the spread of the virus, including travel restrictions, business closures, social distancing, public gathering restrictions, stay-at-home orders and event cancellations. The impact of these measures led to a significant slow-down in global economic activity that subsequently reduced the demand for crude oil and natural gas. The significant reduction in demand contributed to a steep and rapid decline in global crude oil and natural gas prices. Furthermore, the demand decline further challenged commodity prices already reeling from a market share and an oil price war between certain crude oil producing nations that led to further supply in the market.

Over the course of the second quarter, stay-at-home related restrictions started to ease globally, increasing the demand for crude oil and natural gas. Furthermore, OPEC+ nations curtailed crude oil supply in addition to producer led production curtailments over the second quarter. Supply and production curtailments in combination with demand recovery have materially improved crude oil commodity prices. While commodity prices are down year-over-year and there continues to be a strong supply of crude oil in the market, industry fundamentals improved somewhat over the course of the quarter.

Early in March 2020, in response to the COVID-19 pandemic, the Company implemented rigorous measures across its global operations to enhance the safety of its operations, the health of its employees and the continuity of its business. These measures include, but are not limited to, remote work where possible, fitness for work screening for employees, contractors and any third parties on site, restricted travel policies and aggressive hygiene practices and disinfecting protocols in accordance with WHO and local jurisdiction guidelines. Across the Company's global operations, these proactive measures have facilitated the safe continuity and reliability of its operations in the field and an orderly transition to remote work for our office employees. Furthermore, the Company has implemented regional Emergency Response Groups to respond to any incidents. These measures continue to be in place as the Company monitors local government recommendations and public health guidelines, prioritizing the health and safety of its workforce.

The Company's operating days were lower in the second quarter of 2020 when compared to the same period in 2019 as customers quickly responded to the steep declines in commodity prices and an uncertain industry outlook by curtailing capital expenditures and drilling programs. The strengthening year-over-year of the United States dollar against the Canadian dollar partially offset the decrease in the financial results on translation to Canadian dollars. The

average United States dollar exchange rate was $1.36 for the first half year of 2020 (2019 - $1.33) versus the Canadian dollar, an increase of two percent, compared to the first half year of 2019.

Working capital at June 30, 2020 was a surplus of $131.8 million, compared to a surplus of $127.0 million at December 31, 2019. The Company's available liquidity consisting of cash and available borrowings under its $900.0 million revolving credit facility (the "**Credit Facility**") was $225.7 million at June 30, 2020.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2019	% change
Revenue [1]						
Canada	**17,012**	50,598	(66)	**114,149**	157,020	(27)
United States	**128,591**	261,186	(51)	**343,138**	534,544	(36)
International	**49,156**	65,712	(25)	**121,333**	130,952	(7)
Total revenue [1]	**194,759**	377,496	(48)	**578,620**	822,516	(30)
Oilfield services expense [1]	**129,955**	266,253	(51)	**412,777**	581,940	(29)

1. Comparative revenue and oilfield services expense have been revised to conform with current year's presentation.

Revenue for the three months ended June 30, 2020 totaled $194.8 million, a decrease of 48 percent from the second quarter of 2019 of $377.5 million. Revenue for the six months ended June 30, 2020 totaled $578.6 million, a 30 percent decrease from the six months ended June 30, 2019.

The decrease in total revenue during the first half of 2020 was primarily due to the oil price and market share war between certain crude oil producing nations followed by the significant adverse impact of the COVID-19 pandemic on the oil and natural gas industry. The fallout from the pandemic has led to a drop in demand for crude oil and natural gas, further challenging an already over-supplied commodity market. The steep declines in demand and continued oversupply have resulted in a significant activity slowdown for oilfield services, particularly in the United States and Canadian operating regions.

The financial results from the Company's United States and international operations were positively impacted on currency translation, as the United States dollar strengthened relative to the Canadian dollar in the first six months of 2020.

CANADIAN OILFIELD SERVICES

Revenue decreased 66 percent to $17.0 million for the three months ended June 30, 2020 from $50.6 million for the three months ended June 30, 2019. The Company recorded revenue of $114.1 million in Canada for the six months ended June 30, 2020, a decrease of 27 percent from $157.0 million recorded for the six months ended June 30, 2019. Canadian revenues accounted for nine percent of the Company's total revenue in the second quarter of 2020 (2019 - 14 percent) and 20 percent (2019 - 19 percent) for the six months ended June 30, 2020.

The Company's Canadian drilling operations recorded 377 operating days in the second quarter of 2020, compared to 1,317 operating days for the second quarter of 2019, a decrease of 71 percent. For the six months ended June 30, 2020, the Company recorded 3,479 operating days compared to 4,378 drilling days for the six months ended June 30, 2019, a decrease of 21 percent. Canadian well servicing hours decreased by 66 percent to 3,595 operating hours in the second quarter of 2020 compared to 10,700 operating hours in the corresponding period of 2019. For the six months ended June 30, 2020, well servicing hours decreased by 33 percent to 15,827 operating hours compared with 23,498 operating hours for the six months ended June 30, 2019.

The financial results for the Company's Canadian operations decreased during the first half of 2020 primarily due to the oil price war and the impact of the COVID-19 pandemic on the global oil and natural gas industry as described above.

UNITED STATES OILFIELD SERVICES

The Company's United States operations recorded revenue of $128.6 million in the second quarter of 2020, a decrease of 51 percent from the $261.2 million recorded in the corresponding period of the prior year. During the six months ended June 30, 2020, revenue of $343.1 million was recorded, a decrease of 36 percent from the $534.5 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 66 percent of the Company's revenue in the second quarter of 2020 (2019 - 69 percent) and 59 percent of the Company's revenue in the first six months of 2020 (2019 - 65 percent). In the United States, the Company recognized US $3.3 million of idle but contracted rig revenue and US $13.2 million of contract cancellation fees in the second quarter of 2020 (2019 - $ nil). The Company recognized US $4.1 million of idle but contracted rig revenue and US $13.2 million of contract cancellation fees in the first half of 2020 (2019 - $ nil).

Drilling rig operating days decreased to 2,214 operating days in the second quarter of 2020 from 6,451 operating days in the second quarter of 2019, and to 7,355 operating days in first six months of 2020 from 13,108 operating days in the first six months of 2019. Well servicing activity, expressed in operating hours, decreased by 33 percent in the second quarter of 2020 to 19,363 operating hours from 28,960 operating hours in the second quarter of 2019. For the six months ended June 30, 2020 well servicing activity decreased 12 percent to 50,570 operating hours from 57,325 operating hours in the first six months of 2019.

Overall operating results for the Company's United States operations were also negatively impacted by the oil price war and the significant impact of the global COVID-19 pandemic, resulting in a decrease in global oil demand and oversupply of oil and natural gas.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $49.2 million in the second quarter of 2020, a 25 percent decrease from the $65.7 million recorded in the corresponding period of the prior year. International revenues for the six months ended June 30, 2020, decreased seven percent to $121.3 million from $131.0 million recorded in the six months ended June 30, 2019. The Company's international operations contributed 25 percent of the total revenue in the second quarter of 2020 (2019 - 17 percent) and 21 percent of the Company's revenue in the first six months of 2020 (2019 - 16 percent). During the second quarter of 2020 in international, the Company recognized US $7.1 million of standby without crew revenue (2019 -$ nil).

International operating days for the three months ended June 30, 2020, totaled 704 operating days compared to 1,195 operating days in the same period of 2019, a decrease of 41 percent. For the six months ended June 30, 2020, international operating days totaled 2,142 operating days compared to 2,524 operating days for the six months ended June 30, 2019, a decrease of 15 percent.

Overall international operating results were also negatively impacted by the oil price war and the significant impact of the global COVID-19 pandemic, resulting in a decrease in global oil demand and oversupply of oil and natural gas.

DEPRECIATION

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2019	% change
Depreciation	**92,165**	89,030	4	**181,950**	177,197	3

Depreciation expense totaled $92.2 million for the second quarter of 2020 compared with $89.0 million for the second quarter of 2019, an increase of four percent. Depreciation expense for the six months ended June 30, 2020 increased by three percent, to $182.0 million compared with $177.2 million in six months of 2019. The increase to depreciation expense was the result of depreciating newly acquired property and equipment and a higher foreign exchange rate on United States dollar denominated property and equipment values.

GENERAL AND ADMINISTRATIVE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2019	% change
General and administrative	**10,741**	15,978	(33)	**22,545**	30,015	(25)
% of revenue	**5.5**	4.2		**3.9**	3.6	

General and administrative expenses decreased 33 percent to $10.7 million (5.5 percent of revenue) for the second quarter of 2020 compared to $16.0 million (4.2 percent of revenue) for the second quarter of 2019. For the six months ended June 30, 2020, general and administrative expense totaled $22.5 million (3.9 percent of revenue) compared to $30.0 million (3.6 percent of revenue) for the six months ended June 30, 2019. General and administrative expenses decreased as a result of cost saving initiatives, the wage subsidy received from the Government of Canada and organizational restructuring. The decrease was offset by $0.5 million in accounts receivable write-offs recorded in the second quarter of 2020 (2019 -$ nil).

In light of the current operating environment, the Company took further steps to reduce overhead costs by reducing the salaries of employees. The Company's named executive officers salaries were reduced by 40 percent for the Chairman, 20 percent for the President and Chief Operating Officer and 12.5 percent for the other named executive officers, all effective April 1, 2020. In addition, the annual base cash and equity retainers for independent members of the Board of Directors have been reduced, also effective April 1, 2020, by 20 and 40 percent respectively. Such reductions reflect the Company's belief in the importance of continued cost control in light of the current oilfield services industry outlook. The Company has and will continue to consider additional means of reducing overhead and operating costs.

RESTRUCTURING

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2019	% change
Restructuring	**6,509**	915	nm	**7,386**	9,397	(21)

nm - calculation not meaningful

Restructuring expense totaled $6.5 million for the second quarter of 2020 (2019 - $0.9 million). For the six months ended June 30, 2020, restructuring costs was $7.4 million (2019 - $9.4 million). Restructuring expense consists of costs relating to the organizational restructuring of the Company due to the significant decline in activity. Additional costs are expected to be incurred in subsequent quarters as the Company continues to adjust to the current operating environment.

FOREIGN EXCHANGE AND OTHER (GAIN) LOSS

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2019	% change
Foreign exchange and other (gain) loss	**(4,426)**	(2,627)	68	**4,660**	7,733	(40)

Included in this amount is the impact of foreign currency fluctuations in the Company's subsidiaries that have functional currencies other than the Canadian dollar.

JOINT VENTURE OILFIELD SERVICES

Amounts below are presented at 100 percent of the value included in the statement of operations and comprehensive (loss) income for Trinidad Drilling International ("TDI"). As of June 30, 2020, the Company owned 60 percent of the shares of TDI and each of the parties has equal voting rights. The Company considers the investment to be a financial asset and fair values the investment through profit or loss recognizing changes in fair value of the investment in the consolidated statement of loss (income) as a loss (gain) from investments in joint venture.

Subsequent to the quarter, the Company completed the acquisition of Halliburton's 40 percent ownership interest of the TDI joint venture. The 40 percent ownership interest, inclusive of working capital in TDI joint venture, was purchased for US $33.4 million with cash on hand. With this acquisition, the Company now owns 100 percent of the TDI joint venture.

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2019	% change
Revenue	**18,801**	13,179	43	**35,656**	**23,383**	52
Net (loss) income	**(211)**	3,868	nm	**(2,975)**	**1,161**	nm
Drilling operating days	**266**	82	nm	**487**	**205**	nm

nm - calculation not meaningful

For the three months ended June 30, 2020, TDI recorded revenue of $18.8 million (2019 - $13.2 million). For the three months ended June 30, 2020, TDI operating days totaled 266 (2019 - 82). For the six months ended June 30, 2020, TDI recorded revenue of $35.7 million (2019 - $23.4 million). For the first half year of 2020, TDI operating days totaled 487 (2019 - 205). The increase in revenue and operating days is the result of operations having commenced in Kuwait in the latter half of 2019 under long term contracts.

GAIN ON REPURCHASE OF UNSECURED SENIOR NOTES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2019	% change
Gain on repurchase of Senior Notes	**(52,023)**	(650)	nm	**(63,517)**	(650)	nm

nm - calculation not meaningful

For the three months ended June 30, 2020, the Company repurchased US $57.0 million (2019 - US $18.5 million) of face value Senior Notes, in the open market, for cancellation and recorded a gain on repurchase of $52.0 million (US $37.1 million) (2019 - $0.7 million).

For six months ended June 30, 2020, the Company repurchased US $74.8 million (2019 - US $18.5 million) of face value Senior Notes, in the open market, for cancellation and recorded a gain on repurchase of $63.5 million (US $45.3 million) (2019 - $0.7 million).

Subsequent to June 30, 2020, the Company repurchased US $5.0 million face value of Senior Notes, in the open market, for cancellation. A gain on repurchase of $4.0 million (US $2.9 million) will be recognized in the third quarter of 2020.

LOSS (GAIN) ON ASSET SALE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2018	% change
Loss (gain) on asset sale	**3,437**	(9,824)	nm	**3,437**	(9,824)	nm

nm - calculation not meaningful

During the second quarter of 2020, the Company finalized the sale of the land and building that was classified on its balance sheet as an asset held for sale. The net proceeds received were $15.4 million, resulting in a loss of $3.4 million (2019 - gain of $9.8 million) before taxes.

FINANCING CHARGES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2019	% change
Interest expense	**26,976**	33,712	(20)	**58,846**	67,820	(13)
Accretion of deferred financing charges	**2,971**	6,297	(53)	**5,943**	8,535	(30)
Financing charges	**29,947**	40,009	(25)	**64,789**	76,355	(15)

Financing charges were incurred on the Company's Credit Facility, the United States dollar denominated unsecured Senior Notes ("**Senior Notes**"), $37.0 million of subordinate convertible debentures (the **"Convertible Debentures"**) and capital lease obligations. Included in interest expense is the amortization of deferred financing costs associated with refinancing the Company's debt, which totaled $3.0 million and $5.9 million respectively for the three and six months ended June 30, 2020 (2019 - $6.3 million and $8.5 million respectively). Included within interest expense are $1.2 million and $2.1 million respectively for the three and six months ended June 30, 2020 (2019 - $0.3 million and

$0.3 million respectively) of accrued interest relating to the Senior Notes, paid in cash as part of the repurchase of the Senior Notes.

Financing charges decreased by $10.2 million for the second quarter of 2020 compared to the second quarter of 2019 and decreased by $11.6 million for the first six months of 2020 compared to the same period of 2019. The decrease is the result of a decrease in overall borrowing level. Offsetting the decrease is the negative translational impact of the United States dollar denominated debt.

The Company's blended interest rate on its outstanding debt for the 2020 year will be approximately seven percent. The current capital structure consisting of the Credit Facility and the Senior Notes allows the Company to utilize funds flow generated to reduce debt in the near term with greater flexibility than a more non-callable weighted capital structure.

INCOME TAX (RECOVERY)

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2019	% change
Current tax (recovery)	**(11)**	460	nm	**449**	901	(50)
Deferred tax (recovery)	**(7,431)**	9,242	nm	**(10,855)**	(2,451)	nm
Total income tax (recovery)	**(7,442)**	9,702	nm	**(10,406)**	(1,550)	nm
Effective income tax rate (%)	**30.3**	44.1	(31)	**18.7**	2.8	nm

nm - calculation not meaningful

The effective income tax rate for the three months ended June 30, 2020 was 30.3 percent compared to 44.1 percent for the three months ended June 30, 2019. The effective income tax rate for the six months ended June 30, 2020 was 18.7 percent compared to 2.8 percent for the six months ended June 30, 2019. The effective tax rate in the first six months of the current year was higher than the effective tax rate in the first six months of 2019 due to the impact of the of the accelerated provincial income tax rate reduction in Alberta, Canada (announced in the prior year), capital gains on Senior Notes and the impact of foreign tax rates.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

	Three months ended June 30			Six months ended June 30		
($ thousands, except per common share data)	**2020**	2019	% change	**2020**	2019	% change
Cash provided by operating activities [1]	**127,432**	81,620	56	**190,164**	167,598	13
Funds flow from operations [1]	**26,338**	76,779	(66)	**110,833**	197,198	(44)
Funds flow from operations per common share [1]	**$0.16**	$0.49	(67)	**$0.68**	$1.25	(46)
Working capital [2]	**131,761**	126,987	4	**131,761**	126,987	4

[1] Comparative cash provided by operating activities, funds flow from operations and funds flow from operations per common share have been revised to conform with current year's presentation.
[2] Comparative figure as at December 31, 2019

During the three months ended June 30, 2020, the Company generated funds flow from operations of $26.3 million ($0.16 per common share) compared to funds flow from operations of $76.8 million ($0.49 per common share) for the three months ended June 30, 2019, a decrease of 66 percent. For the six months ended June 30, 2020, the Company generated funds flow from operations of $110.8 million ($0.68 per common share) a decrease of 44 percent from $197.2 million ($1.25 per common share) for the six months ended June 30, 2019. The decrease in funds flow from operations for three and six months ended June 30, 2020 compared to the same periods of 2019 is due to decrease in activity as a result of the oil and natural gas industry's current business environment.

At June 30, 2020 the Company’s working capital was a surplus of $131.8 million, compared to a working capital surplus of $127.0 million at December 31, 2019. The Company currently expects funds generated by operations, combined with current and future credit facilities to fully support the Company's current operating and capital requirements. The Company's Credit Facility provides for total borrowings of $900.0 million, of which $123.0 million was undrawn and available at June 30, 2020.

INVESTING ACTIVITIES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2019	% change
Purchase of property and equipment	**(13,239)**	(31,912)	(59)	**(39,671)**	(73,278)	(46)
Proceeds from disposals of property and equipment	**16,985**	27,898	(39)	**21,150**	29,620	(29)
Acquisition of minority interest	**—**	—	nm	**—**	(49,214)	nm
Net change in non-cash working capital	**(3,504)**	(5,426)	(35)	**4,249**	11,000	(61)
Cash provided by (used in) investing activities	**242**	(9,440)	nm	**(14,272)**	(81,872)	(83)

nm - calculation not meaningful

Net proceeds of property and equipment for the second quarter of 2020 totaled $3.7 million (2019 - net purchases $4.0 million). Net purchases of property and equipment during the first six months of 2020 totaled $18.5 million (2019 - $43.7 million). The purchase of property and equipment consists of $29.7 million in maintenance capital and $10.0 million in upgrade capital.

FINANCING ACTIVITIES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2020**	2019	% change	**2020**	2019	% change
Proceeds from long-term debt	**41,163**	998,265	(96)	**94,289**	2,224,231	(96)
Repayments of long-term debt	**(50,005)**	(1,099,564)	(95)	**(105,477)**	(2,252,107)	(95)
Lease obligation principal repayments	**(2,957)**	(2,357)	25	**(5,627)**	(3,616)	56
Interest paid	**(49,177)**	(34,661)	nm	**(61,144)**	(81,729)	(85)
Purchase of common shares held in trust	**667**	553	21	**(556)**	(523)	6
Cash dividends	**(9,787)**	(11,588)	(16)	**(19,574)**	(30,437)	(36)
Net change in non-cash working capital	—	(2,380)	nm	**—**	18,299	nm
Cash used in financing activities	**(70,096)**	(151,732)	(54)	**(98,089)**	(125,882)	(22)

nm - calculation not meaningful

The Company's available bank facilities consist of a $900.0 million Credit Facility, which matures November 26, 2021, of which $123.0 million was available and undrawn as of June 30, 2020. In addition, the Company also has available US $50.0 million secured letter of credit facility, of which US $19.7 million was available as at June 30, 2020.

The Company may at any time and from time-to-time acquire additional Senior Notes for cancellation by means of open market purchases, negotiated transactions or otherwise. As previously noted, the Company has purchased US $74.8 million of face value Senior Notes, in the open market, for cancellation during the first six months of 2020. The Company repurchased a further US $5.0 million of face value Senior Notes in open market, for cancellation subsequent to June 30, 2020.

Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at June 30, 2020:

	Covenant	June 30 2020
The Credit Facility		
Consolidated Total Debt to Consolidated EBITDA[1]	≤ 5.00	4.18
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 2.50	2.93
Consolidated Senior Debt to Consolidated EBITDA[1,3]	≤ 2.50	1.98

[1] *Please refer to Non-GAAP Measures for Consolidated EBITDA definition.*

[2] *Consolidated Interest Expense is defined as all interest expense calculated on twelve month rolling consolidated basis excluding amortized finance cost and interest expense on capital building lease.*

[3] *Consolidated Senior Debt is defined as Consolidated Total Debt minus Subordinated Debt.*

As at June 30, 2020 the Company was in compliance with all covenants related to the Credit Facility.

The Credit facility

The Credit Facility agreement, available on SEDAR, requires that the Company comply with certain covenants including Consolidated Total Debt to Consolidated EBITDA, Consolidated Senior Debt to Consolidated EBITDA and Consolidated EBITDA to Consolidated Interest Expense as detailed above.

The Credit Facility contains certain covenants that place restrictions on the Company's ability to create, incur or assume additional indebtedness; change the Company's primary business; enter into mergers or amalgamations; and to dispose of property.

Subject to market conditions during the remainder of 2020, it is likely that the Company will be required to enter into discussion with its Credit Facility syndicate to amend covenants under its Credit Facility, which otherwise may be susceptible to breach in the latter half of 2020.

The Senior Notes

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

The indenture also restricts the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2.0 to 1.0. As at June 30, 2020, the Company has not incurred additional indebtedness that would require the Fixed Charge Coverage Ratio to be calculated. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of indebtedness, including the incurrence of debt under credit facilities up to the greater of $900.0 million or 22.5 percent of the Company's consolidated tangible assets and of additional secured debt subordinated to the credit facilities up to the greater of US $125.0 million or 4.0 percent of the Company's consolidated tangible assets.

FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at June 30, 2020 totaled $151.0 million, a decrease of $121.2 million from $272.3 million as at December 31, 2019. The varying levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increases the collection risk of accounts receivable balances.

As part of the Company's international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at June 30, 2020, the Company had a net accounts receivable balance of approximately $11.0 million for work performed in Venezuela and has received several payments in recent months. The Company has a history of collecting accounts receivable in Venezuela; however, due to the recent decline in the price of oil, continuing political unrest in the country and expansion of sanctions by the US government, there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages liquidity by forecasting cash flows on an annual basis and secures sufficient credit facilities to meet financing requirements that exceed anticipated internally generated funds. As at June 30, 2020, the remaining contractual maturities of accounts payable and accruals are less than one year.

Subject to market conditions during the remainder of 2020, it is likely that the Company will be required to enter into discussion with its Credit Facility syndicate to amend covenants under its Credit Facility, which otherwise may be susceptible to breach in the latter half of 2020. As of the date of this MD&A, the Company has not entered into formal discussions about the renewal and extension of its existing Credit Facility with the Credit Facility syndicate.

NEW BUILDS AND MAJOR RETROFITS

As at June 30, 2020, the Company did not have changes to its rig fleet. The Company is currently directing capital expenditures to primarily maintenance capital items.

SUMMARY QUARTERLY RESULTS

($ thousands, except per common share data)	**Q2-2020**	Q1-2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018
Revenue [1]	**194,759**	383,861	375,409	393,410	377,496	445,020	346,136	288,700
Adjusted EBITDA [1,2]	**58,060**	91,247	95,169	97,953	101,827	117,295	81,678	68,641
Adjusted EBITDA per common share [1,2]								
Basic	**$0.36**	$0.56	$0.57	$0.62	$0.64	$0.75	$0.52	$0.44
Diluted	**$0.36**	$0.56	$0.57	$0.62	$0.64	$0.74	$0.52	$0.44
Net income (loss) attributable to common shareholders	**(17,077)**	(29,250)	(71,615)	(37,770)	(31,173)	(22,347)	154,472	(32,791)
Net income (loss) per common share								
Basic	**$(0.10)**	$(0.18)	$(0.44)	$0.00	$(0.20)	$(0.14)	$0.98	$(0.21)
Diluted	**$(0.10)**	$(0.18)	$(0.44)	$0.00	$(0.20)	$(0.14)	$0.98	$(0.21)
Cash provided by operating activities [2]	**127,432**	62,732	127,796	109,421	81,620	85,979	61,037	51,792
Funds flow from operations [2]	**26,338**	84,495	89,512	85,523	76,779	120,420	63,834	60,390
Funds flow from operations per common share [2]								
Basic	**$0.16**	$0.52	$0.54	$0.00	$0.49	$0.77	$0.41	$0.38
Diluted	**$0.16**	$0.52	$0.54	$0.00	$0.49	$0.77	$0.41	$0.38
Total debt, net of cash	**1,452,619**	1,596,727	1,553,121	1,597,196	1,622,923	1,688,087	1,641,830	730,520

[1] Comparative revenue, Adjusted EBITDA, Adjusted EBITDA per common share, cash provided by operating activities, funds flow from operations and funds flow from operations per common share have been revised to conform with current year's presentation.

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

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

In addition to the seasonality noted above, the variability noted in the Company's quarterly results reflect continued volatile levels of demand for oilfield services and the acquisition of Trinidad Drilling Ltd., in late 2018.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of August 6, 2020:

	Number		Amount ($)
Common shares	161,895,266	$	230,425

	Outstanding	Exercisable
Stock options	5,738,125	3,514,165

OUTLOOK

Industry Overview

The outlook for the oil field service industry remains uncertain as the macroeconomic environment for the oil and natural gas industry remains fluid. The global COVID-19 pandemic and associated mitigation strategies significantly impacted energy demand, contributing to a commodity oversupply and storage build-up in the short term. The imbalance between crude oil and natural gas supply and demand resulted in deteriorating commodity prices exiting the first quarter and into the second quarter of 2020 with the benchmark price of West Texas Intermediate ("**WTI**") averaging US $16 /bbl in April 2020.

As global economies started to lift lock-down restrictions related to COVID-19, demand for crude oil and natural gas has steadily improved. In addition, many energy producers reduced crude oil and natural gas production along with OPEC+ nations. Global demand recovery coupled with reduced production and supply, resulted in meaningful improvements in crude oil commodity prices over the latter half of the second quarter 2020, with WTI averaging approximately US $28/bbl in May, US $38/bbl in June and currently averaging around US $40/bbl.

Oil and natural gas producers have continued to adjust to the improving commodity price environment by selectivity restoring curtailed production while remaining committed to reducing planned capital expenditures. Furthermore, OPEC+ recently decreased supply curtailments, increasing global crude oil supply. While industry fundamentals have improved, the current environment has led to significant and downward pressure on the demand for the Company's services over the short term, resulting in decreased utilization across the Company's global fleet over the second quarter.

In the short term, we expect continued uncertainty with the macroeconomic conditions including the pathway of the COVID-19 pandemic, the degree and impact of COVID-19 mitigation strategies on demand for crude oil and natural gas, commodity prices and the demand for the oil field services. The Company has responded to the current operating environment with strict and opportunistic capital allocation and significant cost reductions. The Company's expected capital expenditures for 2020 remain at $50.0 million.

Subsequent to the second quarter, the Company acquired the remaining 40 percent ownership in the joint venture operating under the name Trinidad Drilling International ("**TDI**") for US $33.4 million with cash on hand. TDI owns and operates five drilling rigs located in Kuwait (two rigs), Mexico (two rigs) and Bahrain (one rig). The Company views this as a strategic and opportunistic transaction, given the asset value, exposure to key basins and contracted revenue with active and long-term contracts in Kuwait and Bahrain. The Company expects very minimal integration and modest synergies in our Middle East operations.

The Company remains committed to debt retirement, balance sheet and liquidity preservation and capital efficiency. Furthermore, the Company continues to monitor the current macroeconomic environment and will continue to take additional steps to mitigate the negative impacts of these events to be well positioned to take advantage of opportunities when they may occur.

Canadian Activity

Canadian activity, representing nine percent of our business, decreased significantly over the second quarter due to seasonal spring break-up, exacerbated by COVID-19 related industry impacts. We expect activity to improve modestly with the commodity price improvement into the latter half of the year as we exit spring break-up and enter the winter drilling season.

Of our 101 marketed Canadian drilling rigs, approximately 13 percent are engaged under term contracts of various terms. Approximately 62 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early terminations.

United States Activity

United States activity, representing 66 percent of our business, steadily and significantly decreased over the second quarter as operators reduced their drilling programs in response to the current operating environment. As declines have slowed exiting the second quarter, we expect activity to remain flat at current levels into the third quarter.

Of 122 marketed United States drilling rigs, approximately 24 percent are engaged under term contracts of various terms. Approximately 41 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early terminations.

International Activity

International activity, representing 25 percent of our business, decreased over the second quarter and has stabilized entering the third quarter. Latin American operations decreased over the quarter with Venezuela operations completely ceasing. Our operations in Argentina are expected to generally remain flat at current levels into the third quarter. Australian operations modestly decreased over the quarter and are expected to modestly improve into the third quarter. In the Middle East, the Company's operations in Oman decreased to zero operating rigs over the quarter as our three active rigs rolled off contract. However, our operations in Bahrain and Kuwait remain steady under long-term contracts. With the Company's recent acquisition of the remaining 40 percent interest in the TDI joint venture, we expect to realize increased earnings and modest synergies from our Bahrain and Kuwait operations.

Of 48 marketed international drilling rigs, including the former five joint venture drilling rigs now wholly owned, approximately 28 percent are engaged under term contracts of various terms. Approximately 85 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early terminations.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As at June 30, 2020 an evaluation of the effectiveness of our disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including the President and Chief Operating Officer and the Chief Financial Officer. Based on this evaluation, the President and Chief Operating Officer and the Chief Financial Officer concluded that, as at June 30, 2020, the design and operations of our disclosure controls and procedures was effective.

Internal control over financial reporting is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. Under the supervision and with the participation of the President and Chief Operating Officer and the Chief Financial Officer, management conducted an evaluation of the effectiveness of its control over financial reporting as at June 30, 2020.

Based on this evaluation, the President and Chief Operating Officer and the Chief Financial Officer concluded that as at June 30, 2020, the Company's internal control over financial reporting was effective. The Company utilizes the Internal Control - Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. As at June 30, 2020 there was no change in the Company's internal control over financial reporting that materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

RISK AND UNCERTAINTIES

Pandemic Risk

The outbreak of epidemics, pandemics and other public health crises in geographic areas in which we have operations, suppliers, customers or employees, including the global outbreak of the novel coronavirus ("COVID-19") pandemic, may increase our exposure to, and magnitude of, each of the risks identified in the Risk Management and Risk Factors section of our 2019 annual MD&A that result from a reduction in demand for crude oil and natural gas consumption and/or lower commodity prices. Our business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, ability to fund dividend payments and/or business plans may, in particular, without limitation, be adversely impacted as a result of the pandemic and/or decline in commodity prices as a result of:

- The delay or suspension of work due to workforce disruption or labour shortages caused by workers becoming infected with COVID-19, or government or health authority, shelter in place orders, quarantine orders, mandated restrictions on travel by workers or closure of facilities, workforce camps or worksites;

- Suppliers and third-party vendors experiencing similar workforce disruption or being ordered to suspend operations;

- Reduced cash flows resulting in less funds from operations being available to fund our capital expenditure;

- Counterparties being unable to fulfill their contractual obligations to us on a timely basis or at all;

- The capabilities of our information technology systems and the potential heightened threat of a cyber-security breach arising from the increased number of employees working remotely;

- Our ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, foreign currency exchange rates, commodity prices and/or a change in market fundamentals; and

- An overall slowdown in the global economy, political and economic instability, and civil unrest.

Given the dynamic nature of the events related to the COVID-19 pandemic, we cannot reasonably estimate the period of time that the pandemic and related market conditions will persist, the full extent of the impact they will have on our business, financial condition, results of operations or cash flows or the pace or extent of any subsequent recovery. We anticipate that 2020 will continue to be a challenging year for us, as our customers operate with reduced capital budgets or continue to reduce their capital expenditures. Therefore, we expect a substantial decline in activity from levels we experienced in the first half of 2020, coupled with downward pressure on the price of the oilfield services provided by the Company, and corresponding reductions in revenue and operating margins.

Oil and Natural Gas Prices

The most significant factors affecting the overall business of the Company continue to be oil and natural gas commodity prices. The COVID-19 pandemic, in particular, has led to an unprecedented reduction in demand for oil and natural gas. Recent market events and conditions, including global excess crude oil, natural gas and petroleum product supply as a result of actions taken by the Organization of Petroleum Exporting Countries ("**OPEC**") and non-OPEC oil and gas exporting countries to set and maintain increased production levels and influence crude oil prices and decreased global demand due to the COVID-19 pandemic, have caused significant weakness and volatility in commodity and petroleum product prices and corresponding reductions in industry capital and operating budgets. With the rapid and continuing spread of the COVID-19 virus and resulting global pandemic and additional crude oil supply expected to come on-stream over the near term, the price of crude oil and other petroleum products has deteriorated significantly and is expected to remain under pressure and be volatile. The overall result of these recent events and conditions could lead to a prolonged period of depressed prices for crude oil and other petroleum products. Commodity price levels affect the capital programs of energy exploration and production companies, as the price they receive for the oil and natural gas they produce has a direct impact on the cash flow available to them and the subsequent demand for oilfield services provided by the Company. The COVID-19 pandemic has resulted in, and may continue to result in, a reduction in the demand for, and prices of, oil and natural gas, and also increases the risk that storage for crude oil and refined petroleum products could reach capacity in certain geographic locations in which we operate. A prolonged period of decreased demand for, and prices of, oil and natural gas, and any applicable storage constraints, could also result in a decrease the demand for oilfield services provided by the Company, which could adversely impact our business, financial condition and results of operations. Further, oil and natural gas prices have been volatile in recent years and may continue to be so, as supply/demand fundamentals, weather conditions, government regulations, political and economic environments, pipeline capacity, storage levels and other factors outside of the Company's control continue to influence commodity prices. Demand for the Company's services in the future will continue to be influenced by oil and natural gas commodity prices and the resultant impact on the cash flow of its customers and may not be reflective of historical activity levels.

Competition and Industry Conditions

The oilfield services industry is, and will continue to be, highly competitive. Contract drilling companies compete primarily on a regional basis and competition may vary significantly from region to region at any particular time. Most drilling and workover contracts are awarded on the basis of competitive bids, which results in price competition. Many drilling, workover and well servicing rigs can be moved from one region to another in response to changes in levels of activity, which can result in an oversupply of rigs in an area. In many markets in which the Company operates, the supply of rigs exceeds the demand for rigs, resulting in further price competition. Certain competitors are present in more than one of the regions in which the Company operates, although no one competitor operates in all of these

areas. In Canada, the Company competes with several firms of varying size. In the United States there are many competitors with national, regional or local rig operations. Internationally, there are several competitors in each country where the Company operates and some of those international competitors may be better positioned in certain markets, allowing them to compete more effectively. There is no assurance that the Company will be able to continue to compete successfully or that the level of competition and pressure on pricing will not affect the Company's margins.

Access to Credit Facilities and Debt Capital Markets

The Company and its customers require reasonable access to credit facilities and debt capital markets as an important source of liquidity. The disruption and volatility in global capital markets that has resulted, and may continue to result, from the COVID-19 pandemic, as well as other global economic events, outside the control of the Company or its customers, may restrict or reduce the access to credit facilities and debt capital markets. Tightening credit markets may reduce the funds available to the Company's customers for paying accounts receivable balances and may also result in reduced levels of demand for the Company's services. Additionally, the Company relies on access to credit facilities, along with its reserves of cash and cash flow from operating activities, to meet its obligations and finance operating activities. The Company believes it has adequate bank credit facilities to provide liquidity.

Changes in Laws and Regulations

The Company and its customers are subject to numerous laws and regulations governing its operations and the exploration and development of oil and natural gas, including environmental regulations. The events and conditions outlined above under "*Oil and Natural Gas Prices*" have caused a significant decrease in the valuation of oil and natural gas companies and a decrease in confidence in the oil and natural gas industry. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax, royalty changes and environmental regulation. Existing and expected environmental legislation and regulations may increase the costs associated with providing oilfield services, as the Company may be required to incur additional operating costs or capital expenditures in order to comply with any new regulations. The costs of complying with increased environmental and other regulatory changes in the future, such as royalty regime changes, changes to taxation regimes and changes to international trade agreements, may also have an adverse effect on the cash flows of the Company's customers and may dampen demand for oilfield services provided by the Company. In addition, the difficulties encountered by midstream proponents to obtain the necessary approvals on a timely basis to build pipelines, liquefied natural gas plants and other facilities to provide better access to markets for the oil and natural gas industry in western Canada has led to additional downward price pressure on oil and natural gas produced in western Canada. The overall impact of these current market conditions and the lack of confidence in the Canadian oil and natural gas industry could materially and adversely affect the Company's business, prospects, financial condition, results of operations and cash flows.

Foreign Operations

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. While COVID-19 had minimal impact on our foreign operations in the first quarter of 2020, certain international customers have now reduced capital spending, deferring exploration and appraisal activity and looking to reduce costs on major ongoing projects, which we expect will have a substantial negative impact on the demand for our products and services. Furthermore, significant operational disruptions are expected at least throughout the year due to the pandemic. We are experiencing restricted movements of personnel within and between countries, quarantining requirements for rotational staff, logistics delays due to third-party personnel reductions, and some country closures. We expect international activity to slow down and continue to decline, at a minimum, through the end of 2020. The Canadian, United States, and Australian regulatory regimes are generally stable and, typically, supportive of energy industry activity. Internationally, the Company's operations are subject to regulations in various jurisdictions and support for the oil and natural gas industry can vary in these jurisdictions. There are risks inherent in foreign operations such as unstable government regimes, risks of pandemics or other outbreaks of illness, disease or virus, such as COVID-19, civil and/or labor unrest, strikes, terrorist threats, regulatory uncertainty and complex commercial arrangements. Risks to the Company's operations include, but are not limited to, loss of revenue, expropriation and nationalization, restrictions on repatriation of income or capital, currency exchange restrictions, contract deprivation, force majeure events and the potential for trade and economic sanctions or other restrictions to be imposed by the Canadian government or other governments or organizations. To mitigate these risks, the Company seeks to negotiate long-term service contracts for drilling services that ideally include early termination provisions and other clauses for the Company's protection. However, there is, and there can be, no assurance that the Company will be fully effective in mitigating foreign operation risks. Such risks could have material adverse impacts on the Company's financial condition and operating results.

Foreign Exchange Exposure

The recent COVID-19 pandemic, and actions taken and that may continue to be taken by governmental authorities in response thereto, has resulted, and may continue to result in, increased volatility in financial markets and foreign currency exchange rates. The Company's consolidated financial statements are presented in Canadian dollars. Operations in countries outside of Canada result in foreign exchange risk to the Company. The principal foreign exchange risk relates to the conversion of United States dollar-denominated activity to Canadian dollars. The United States/Canadian dollar exchange rate at June 30, 2020 was approximately 1.36 compared with 1.29 at December 31, 2019. Fluctuations in the future period's exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

Workforce

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

Litigation and Legal Proceedings

From time to time, the Company is subject to litigation and legal proceedings that may include employment, tort, commercial and class action suits. Amounts claimed in such suits or actions may be material and accordingly decisions against the Company could have an adverse effect on the Company's financial condition or results of operations. In addition to the impacts described above related to COVID-19, other current and potential impacts include, but are not limited to, litigation risk and possible loss contingencies related to COVID-19 and its impact, including with respect to commercial contracts, employee matters and insurance arrangements.

Operating Risks and Insurance

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

Technology

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

Reliance on key management

The success and growth of the Company is dependent upon its key management personnel. The loss of services of such persons could have a material adverse effect on the business and operations of the Company. No assurance can be provided that the Company will be able to retain or attract key management members. The Company is also subject to risks relating to the health and safety of our personnel (including key management personnel), as well as the potential for a slowdown or temporary suspension of our operations in locations impacted by an outbreak of COVID-19.

Seasonality and Weather

The Company's Canadian oilfield services operations are impacted by weather conditions that hinder the Company's ability to move heavy equipment. The timing and duration of "spring break-up", during which time the Company is prohibited from moving heavy equipment on secondary roads, restricts movement of equipment in and out of certain areas, thereby negatively impacting equipment utilization levels. Further, the Company's activities in certain areas in northern Canada are restricted to winter months when the ground is frozen solid enough to support the Company's equipment. This seasonality is reflected in the Company's operating results, as rig utilization is normally at its lowest

during the second and third quarters of the year. The Company continues to mitigate the impact of Canadian weather conditions through expansion into markets not subject to the same seasonality and by working with customers in planning the timing of their drilling programs. In addition, volatility and unpredictability in the weather across all areas of the Company's operations can create additional risk and unpredictability in equipment utilization rates and operating results.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	June 30 2020	December 31 2019
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	**$ 102,655**	$ 28,408
Accounts receivable	**151,035**	272,254
Inventories, prepaid and other	**50,524**	47,292
Asset held for sale *(Note 6)*	**—**	18,806
Income taxes receivable	**1,614**	1,515
Total current assets	**305,828**	368,275
Property and equipment	**2,812,411**	2,855,223
Deferred income taxes	**139,742**	121,748
Investment in joint ventures (*Note 9)*	**129,123**	125,355
Total assets	**$ 3,387,104**	$ 3,470,601
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 160,284**	$ 216,719
Cash dividends payable	**—**	9,787
Share-based compensation *(Note 10)*	**237**	297
Income taxes payable	**4,420**	4,489
Current portion of lease obligation	**9,126**	9,996
Total current liabilities	**174,067**	241,288
Share-based compensation *(Note 10)*	**3,015**	6,325
Long-term debt *(Note 11)*	**1,555,274**	1,581,529
Lease obligations	**9,378**	9,518
Deferred income taxes	**178,598**	163,781
Non-controlling interest	**5,290**	5,138
Total liabilities	**1,925,622**	2,007,579
Shareholders' Equity		
Shareholders' capital *(Note 12)*	**230,767**	230,100
Contributed surplus	**23,441**	23,966
Equity component of convertible debenture	**3,193**	3,193
Accumulated other comprehensive income	**298,203**	243,771
Retained earnings	**905,878**	961,992
Total shareholders' equity	**1,461,482**	1,463,022
Total liabilities and shareholders' equity	**$ 3,387,104**	$ 3,470,601

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS

	Three months ended		Six months ended	
	June 30 2020	June 30 2019	**June 30 2020**	June 30 2019
(Unaudited, in thousands of Canadian dollars, except per common share data)				
Revenue ***(Note 6)***	**$ 194,759**	$ 377,496	**$ 578,620**	$ 822,516
Expenses				
Oilfield services *(Note 6)*	**129,955**	266,253	**412,777**	581,940
Depreciation	**92,165**	89,030	**181,950**	177,197
General and administrative	**10,741**	15,978	**22,545**	30,015
Restructuring	**6,509**	915	**7,386**	9,397
Share-based compensation	**2,879**	1,260	**(1,621)**	2,887
Foreign exchange and other (gain) loss	**(4,426)**	(2,627)	**4,660**	7,733
Total expenses	**237,823**	370,809	**627,697**	809,169
(Loss) income before financing charges and other (gains) losses and income taxes	**(43,064)**	6,687	**(49,077)**	13,347
Loss (gain) from investment in joint ventures *(Note 9)*	**127**	(2,307)	**1,785**	(295)
Gain on repurchase of unsecured Senior Notes *(Note 11)*	**(52,023)**	(650)	**(63,517)**	(650)
Loss (gain) on asset sale *(Note 6)*	**3,437**	(9,824)	**3,437**	(9,824)
Financing charges	**29,947**	40,009	**64,789**	76,355
Loss before income taxes	**(24,552)**	(20,541)	**(55,571)**	(52,239)
Income tax (recovery)				
Current income tax (recovery)	**(11)**	460	**449**	901
Deferred income tax (recovery)	**(7,431)**	9,242	**(10,855)**	(2,451)
Total income tax (recovery)	**(7,442)**	9,702	**(10,406)**	(1,550)
Net loss from continuing operations	**(17,110)**	(30,243)	**(45,165)**	(50,689)
Loss from discontinued operations *(Note 6)*	**(127)**	(1,468)	**(1,254)**	(3,231)
Net loss	**$ (17,237)**	$ (31,711)	**$ (46,419)**	$ (53,920)
Net loss attributable to:				
Common shareholders	**(17,077)**	(31,173)	**(46,327)**	(53,521)
Non-controlling interests	**(160)**	(538)	**(92)**	(399)
	(17,237)	(31,711)	**(46,419)**	(53,920)
Net loss attributable to common shareholders per common share *(Note 13)*				
Basic	**$ (0.10)**	$ (0.20)	**$ (0.28)**	$ (0.34)
Diluted	**$ (0.10)**	$ (0.20)	**$ (0.28)**	$ (0.34)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three months ended		Six months ended	
	June 30 2020	June 30 2019	**June 30 2020**	June 30 2019
(Unaudited, in thousands of Canadian dollars)				
Net loss	$ (17,237)	$ (31,711)	$ (46,419)	(53,920)
Other comprehensive (loss) income				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**(30,342)**	(45,593)	**54,432**	(68,439)
Comprehensive (loss) income	**$ (47,579)**	$ (77,304)	**$ 8,013**	$ (122,359)
Other comprehensive (loss) income attributable to:				
Common shareholders of the Company	**$ (30,342)**	$ (45,593)	**$ 54,432**	$ (68,439)
	$ (30,342)	$ (45,593)	**$ 54,432**	$ (68,439)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Shareholders' Capital	Contributed Surplus	Equity Component of Convertible Debenture	Accumulated Other Comprehensive Income	Minority Interest	Retained Earnings	Total Equity
(Unaudited, in thousands of Canadian dollars)							
Balance, January 1, 2020	$ 230,100	$ 23,966	$ 3,193	$ 243,771	$ —	$ 961,992	$ 1,463,022
Net loss attributable to common shareholders	—	—	—	—	—	(46,327)	(46,327)
Other comprehensive income	—	—	—	54,432	—	—	54,432
Total comprehensive income (loss)	—	—	—	54,432	—	(46,327)	8,105
Dividends	—	—	—	—	—	(9,787)	(9,787)
Share-based compensation	—	698	—	—	—	—	698
Common shares vested previously held in trust	1,223	(1,223)	—	—	—	—	—
Purchase of common shares held in trust	(556)	—	—	—	—	—	(556)
Balance, June 30, 2020	**$ 230,767**	**$ 23,441**	**$ 3,193**	**$ 298,203**	**$ —**	**$ 905,878**	**$ 1,461,482**
Balance, January 1, 2019	$ 206,328	$ 1,013	$ 3,193	$ 315,095	$ 72,078	$ 1,192,976	$ 1,790,683
Net loss attributable to common shareholders	—	—	—	—	—	(53,521)	(53,521)
Other comprehensive loss	—	—	—	(68,439)	—	—	(68,439)
Total comprehensive loss	—	—	—	(68,439)	—	(53,521)	(121,960)
Dividends	7,643	—	—	—	—	(38,658)	(31,015)
Accrued share dividends	8,129	—	—	—	—	—	8,129
Acquisition of minority interest	—	—	—	—	(49,214)	—	(49,214)
Derecognition of net assets attributable to minority interest	—	22,864	—	—	(22,864)		—
Share-based compensation	—	539	—	—	—	—	539
Common shares vested previously held in trust	1,076	(1,076)	—	—	—	—	—
Purchase of common shares held in trust	(523)	—	—	—	—	—	(523)
Balance, June 30, 2019	$ 222,653	$ 23,340	$ 3,193	$ 246,656	$ —	$ 1,100,797	$ 1,596,639

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Six months ended	
	June 30 2020	June 30 2019	**June 30 2020**	June 30 2019
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net loss	**$ (17,237)**	$ (31,711)	**$ (46,419)**	$ (53,920)
Items not affecting cash				
Depreciation	**92,165**	89,030	**181,950**	177,197
Loss (gain) from investment in joint ventures	**127**	(2,307)	**1,785**	(296)
Loss (gain) on asset sale *(Note 6)*	**3,437**	(9,824)	**3,437**	(9,824)
Gain on repurchase of unsecured Senior Notes *(Note 11)*	**(52,023)**	(650)	**(63,517)**	(650)
Share-based compensation	**2,879**	1,260	**(1,621)**	2,887
Unrealized foreign exchange and other	**(25,526)**	(18,270)	**(18,716)**	7,900
Accretion of deferred financing charges *(Note 3)*	**2,971**	6,297	**5,943**	8,535
Interest expense *(Note 3)*	**26,976**	33,712	**58,846**	67,820
Deferred income tax	**(7,431)**	9,242	**(10,855)**	(2,451)
Funds flow from operations	**26,338**	76,779	**110,833**	197,198
Net change in non-cash working capital *(Note 8)*	**101,094**	4,841	**79,331**	(29,600)
Cash provided by operating activities	**127,432**	81,620	**190,164**	167,598
Investing activities				
Purchase of property and equipment	**(13,239)**	(31,912)	**(39,671)**	(73,278)
Proceeds from disposals of property and equipment	**16,985**	27,898	**21,150**	29,620
Acquisition of minority interest	**—**	—	**—**	(49,214)
Net change in non-cash working capital *(Note 8)*	**(3,504)**	(5,426)	**4,249**	11,000
Cash (used in) provided by investing activities	**242**	(9,440)	**(14,272)**	(81,872)
Financing activities				
Proceeds from long-term debt *(Note 11)*	**41,163**	998,265	**94,289**	2,224,231
Repayments of long-term debt *(Note 11)*	**(50,005)**	(1,099,564)	**(105,477)**	(2,252,107)
Lease obligation principal repayments	**(2,957)**	(2,357)	**(5,627)**	(3,616)
Interest paid *(Note 3)*	**(49,177)**	(34,661)	**(61,144)**	(81,729)
Purchase of common shares held in trust *(Note 12)*	**667**	553	**(556)**	(523)
Cash dividends *(Note 12)*	**(9,787)**	(11,588)	**(19,574)**	(30,437)
Net change in non-cash working capital *(Note 3, 8)*	**—**	(2,380)	**—**	18,299
Cash used in financing activities	**(70,096)**	(151,732)	**(98,089)**	(125,882)
Net increase (decrease) in cash	**57,578**	(79,552)	**77,803**	(40,156)
Effects of foreign exchange on cash	**(3,483)**	(3,544)	**(3,556)**	(4,962)
Cash				
Beginning of period	**48,560**	122,801	**28,408**	84,823
End of period	**$ 102,655**	$ 39,705	**$ 102,655**	$ 39,705

See accompanying notes to the interim consolidated financial statements.

1. NATURE OF BUSINESS

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

Recent developments and impact on estimation uncertainty

In early March 2020, the World Health Organization declared coronavirus outbreak ("COVID-19") to be a pandemic. Responses to the spread of COVID-19 have resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile commodity prices, currency exchange rates, and a marked decline in long-term interest rates. These events are resulting in a challenging economic climate in which it is difficult to reliably estimate the length or severity of these developments and their financial impact. A significant adverse impact to the Company includes, but is not limited to, substantial reductions in revenues and cash flows, increased risk of non-payment from customers and future impairments of property and equipment. Estimates and judgments made in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

2. BASIS OF PRESENTATION

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting ("IAS 34"). The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2019. The calculation of depreciation includes assumptions related to useful lives and residual values that are regularly reviewed by management. The disclosures provided below do not include all the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the same accounting policies throughout all periods presented.

These interim consolidated financial statements were approved by the Company's Board of Directors on August 6, 2020, after review by the Company's Audit Committee.

3. CHANGES IN ACCOUNTING POLICIES

Consolidated Statements of Cash Flows

During the first quarter of 2020, the Company began presenting the interest paid as a financing activity (previously considered to be an operating activity) on the consolidated statements of cash flow. The change in presentation better aligns with the fact that the long-term debt is principally the result of financing past acquisitions and capital expenditures.

The impact to the comparative consolidated statements of cash flows is as follows:

	Three months ended 2019	Six months ended 2019
Operating activity as previously presented	$ 47,908	$ 99,778
Add: interest expense	33,712	67,820
Operating activity (as currently presented)	**81,620**	**167,598**
Financing activities as previously presented	(118,020)	(58,062)
Interest paid	(34,661)	(81,729)
Net change in non-cash working capital	949	13,909
Financing activity (as currently presented)	**$ (151,732)**	**$ (125,882)**

Government Subsidies

During the first half of 2020, the Company adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy ("**CEWS**") program as enacted on April 11, 2020, by the federal Government of Canada and the Government of Australia.

Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and that the Company will comply with relevant conditions. Government subsidies related to current expenses are recorded as a reductions of the related expenses.

During the first half of 2020, the Company qualified for the CEWS program and recognized $5,087 with a reduction to wage expense with $4,087 and $1,000 allocated to direct operating expenses and general and administrative expenses, respectively.

4. SEASONALITY OF OPERATIONS

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

5. FOREIGN OPERATIONS

The Company provides oilfield services throughout much of North America and internationally in several onshore drilling areas. The Company's foreign operations, with the general exception of operations in the United States and Australia, are subject to several risks and uncertainties such as unstable government regimes, civil and/or labor unrest, strikes, terrorist threats, regulatory uncertainty and complex commercial arrangements.

The Company's operations in Venezuela and Argentina are subject to certain restrictions with respect to the transfer of funds into or out of such countries; however, such restrictions are not considered significant to the Company at this time due to the relatively small size of the operations and certain contractual provisions that have been put in place designed to protect the Company. As such the Company is exposed to insignificant foreign exchange risks.

6. ASSET DISPOSAL AND DISCONTINUED OPERATIONS

During the second quarter of 2020 the Company finalized the sale of the land and building, that was on its balance sheet as asset held for sale. The net cash proceeds received was $15,369, resulting in a loss of $3,437.

Effective June 30, 2020, the Company discontinued the operations of its subsidiary that was acquired through the Trinidad acquisition.

Financial performance and cash flow information

The financial performance and cash flow presented reflects the operations for the three and six months ended June 30, 2020 and the impact to the comparative consolidated statements of cash flows is as follows:

	Three months ended		Six months ended	
	June 30 2020	June 30 2019	**June 30 2020**	June 30 2019
Revenue	**$ —**	$ 196	**$ 37**	$ 434
Expenses	**127**	1,664	**1,291**	3,665
Loss before interest and income taxes	**(127)**	(1,468)	**(1,254)**	(3,231)
Income tax	**—**	—	**—**	—
Loss from discontinued operations	**$ (127)**	$ (1,468)	**$ (1,254)**	$ (3,231)
Net loss per common share from discontinued operations				
Basic	**—**	(0.01)	**(0.01)**	(0.02)
Diluted	**—**	(0.01)	**(0.01)**	(0.02)
Funds flow from operations	**$ (127)**	$ (1,468)	**$ (1,254)**	$ (3,231)
Net increase in cash generated by discontinued operations	**$ (127)**	$ (1,468)	**$ (1,254)**	$ (3,231)

Prior year amounts in the consolidated statements of loss related to discontinued operations have been reclassified to conform to current's year's presentation. The revised financial statement line items for 2019 periods as follows:

	Three months ended		Six months ended	
	2019 (Revised)	2019	**2019 (Revised)**	2019
Revenue	**$ 377,496**	$ 377,692	**$ 822,516**	$ 822,950
Oilfield services	**266,253**	267,917	**581,940**	585,605
Loss from discontinued operations	**(1,468)**	—	**(3,231)**	—
	$ 109,775	$ 109,775	**$ 237,345**	$ 237,345

7. IMPAIRMENT OF PROPERTY AND EQUIPMENT

At each reporting period, the Company reviews the carrying value of its property and equipment for indicators of impairment. Due to the global economic slowdown and significant commodity price reductions in the first quarter of 2020, the Corporation identified indications of impairment in each of its cash-generating units ("CGU") at March 31, 2020 and completed impairment test in each of its CGU's.

At June 30, 2020, the Company reviewed each of its CGU's and did not identify indications of impairment and therefore, did not test its CGU's for impairment.

There is a risk that impairment charges may be required in future periods due to the volatility and uncertainty of the economy and commodity price environment. The result of future impairment assessments cannot be determined with certainty and will be impacted by assumptions and estimates of market conditions at that point in time.

8. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash working capital

	Three months ended		Six months ended	
	June 30 2020	June 30 2019	**June 30 2020**	June 30 2019
Net change in non-cash working capital				
Accounts receivable	**$ 174,125**	$ 33,415	**$ 145,948**	$ 6,344
Inventories, prepaid and other	**(2,690)**	3,304	**(4,076)**	6,801
Accounts payable and accruals	**(73,820)**	(37,568)	**(58,149)**	(11,508)
Income taxes receivable	**(25)**	(2,116)	**(143)**	(1,938)
	$ 97,590	$ (2,965)	**$ 83,580**	$ (301)
Relating to:				
Operating activities	**$ 101,094**	$ 4,841	**$ 79,331**	$ (29,600)
Investing activities	**(3,504)**	(5,426)	**4,249**	11,000
Financing activities	**—**	(2,380)	**—**	18,299
	$ 97,590	$ (2,965)	**$ 83,580**	$ (301)

9. INVESTMENT IN JOINT VENTURES

Joint venture loss (gain) reconciliation

	Three months ended		Six months ended	
	June 30 2020	June 30 2019	**June 30 2020**	June 30 2019
Trinidad Drilling International loss (gain) from investment	**$ 127**	$ (2,321)	**$ 1,785**	$ (697)
Other joint arrangements loss from investments	**—**	14	**—**	402
Loss (gain) from investment in joint ventures	**$ 127**	$ (2,307)	**$ 1,785**	$ (295)

Joint venture investment reconciliation

	June 30 2020	December 31 2019
Trinidad Drilling International investment balance	**$ 129,228**	$ 125,376
Other joint arrangements loss from investments	**(105)**	(21)
Investment in joint ventures	**$ 129,123**	$ 125,355

The Company owns an interest in a joint venture arrangement with a wholly-owned subsidiary of Halliburton company, that operates rigs in Bahrain and Kuwait. The joint venture conducts business under the name Trinidad Drilling International ("**TDI**") through separately incorporated companies. The Company owns 60% of the shares of TDI and each of the joint parties have equal voting rights. Subsequent to the quarter, the Company completed the acquisition of Halliburton's 40 percent ownership interest of the TDI joint venture. The 40 percent ownership interest, inclusive of working capital in TDI joint venture, was purchased for US $33,400 with the Company's cash on hand. With this acquisition, the Company now owns 100 percent of the TDI joint venture.

Continuity of investment in TDI

	June 30 2020	December 31 2019
Opening balance	**$ 125,376**	$ 177,223
Loss from investment in joint venture	**(1,785)**	(40,008)
Change in loan in joint venture	**—**	(4,592)
Elimination of downstream transactions	**391**	(136)
Fair value adjustment	**—**	(625)
Effect of foreign exchange	**5,246**	(6,486)
Ending balance	**$ 129,228**	$ 125,376

10. SHARE-BASED COMPENSATION

A summary of the Company's share option plan as of June 30, 2020 and the changes during the six month period ended, is presented below:

	2020	
	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1, 2020	5,408,900	$ 6.53
Granted	1,362,525	0.54
Forfeited	(759,700)	4.64
Expired	(39,425)	6.86
Outstanding - June 30, 2020	**5,972,300**	**$ 5.40**
Exercisable - June 30, 2020	**2,606,690**	**$ 6.88**

The following table lists the options outstanding at June 30, 2020:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$0.54 to $5.65	2,199,030	3.56	$ 2.93	459,780	$ 5.60
$5.66 to $6.66	1,550,120	3.16	5.80	477,260	5.86
$6.67 to $7.98	2,223,150	0.88	7.56	1,669,650	7.52
	5,972,300	2.46	$ 5.40	2,606,690	$ 6.88

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

	June 30 2020
Remaining expected life (years)	2.3
Volatility (percent)	40.0
Forfeiture rate (percent)	7.5
Risk-free interest rate (percent)	0.3
Expected dividend (percent)	—

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of June 30, 2020 and the changes during the six month period ended, is presented below:

	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1, 2020	631,955	$ 6.42
Granted	161,690	0.54
Forfeited	(92,445)	4.45
Outstanding - June 30, 2020	**701,200**	**$ 5.32**
Exercisable - 44012	**283,763**	**$ 6.77**

The following table lists the SARs outstanding at June 30, 2020:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$0.54 to $5.65	252,925	3.56	$ 2.89	50,520	$ 5.60
$5.66 to $6.65	225,975	3.05	5.84	71,043	5.89
$6.66 to $7.98	222,300	0.90	7.57	162,200	7.53
	701,200	2.58	$ 5.32	283,763	$ 6.77

Performance Share Units (PSUs)

The Company grants Performance Share Units (PSUs) to certain officers and employees of the Company to participate in the growth and development of the Company and to promote further alignment of interests between employees and the common shareholders. PSUs are subject to the Company's performance metrics assessed by management with a three year performance period. Each PSU granted permits the holder to receive a cash payment equal to the fair market value of a common share as of the maturity date, adjusted for a performance multiplier.

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

	Outstanding
Outstanding – January 1, 2020	2,564,170
Granted	2,199,084
Granted through dividend payment	602,149
Exercised	(735,420)
Forfeited	(72,013)
Outstanding - June 30, 2020	**4,557,970**

Included in net earnings for the three months ended June 30, 2020 is an expense of $687 (2019 - $1,552), and for the six months ended June 30, 2020 is a recovery of $3,183 (2019 - an expense of $2,261). This was calculated using the trailing ten day volume weighted average common share price of the Company's underlying common shares, as the PSUs have no exercise price, adjusted for performance factors and subject to a two percent cap based on certain financial performance metrics.

11. LONG-TERM DEBT

	June 30 2020	December 31 2019
Drawings on the Credit Facility	**$ 776,962**	$ 750,000
Unsecured Senior Notes, due April 2024, 9.25%	**770,114**	832,108
Subordinated Convertible Debenture, January 22, 2022, 7.00%	**36,680**	33,846
Unamortized deferred financing costs	**(28,482)**	(34,425)
Total long-term debt	**$ 1,555,274**	$ 1,581,529

The Credit Facility has the following covenant requirements:

- The Consolidated Total Debt to Consolidated EBITDA Ratio at the end of the Fiscal Quarter shall not exceed 5.00:1.00;
- The Consolidated EBITDA to Consolidated Interest Expense as at the end of any Fiscal Quarter shall not be less than 2.50:1.00; and
- The Consolidated Senior Debt to Consolidated EBITDA Ratio at the end of the Fiscal Quarter shall not exceed 2.50:1.00.

As at June 30, 2020 the Company was in compliance with all covenants related to the Credit Facility.

During the second quarter of 2019 the Company issued US $700,000 of Senior Notes (the "**Senior Notes**") due 2024 bearing interest of 9.25%. Interest is payable semi-annually in arrears on April 15 and October 15 and the Senior Notes mature April 15, 2024. During the first half of 2020, the Company repurchased US $74,766 of face value Senior Notes and recorded gain on repurchase of $63,517.

In addition, the Company has a US $50,000 secured Letter of Credit Facility. As of June 30, 2020, the available amount was US $19,677.

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

	2020
Opening balance	**$ 1,581,529**
Proceeds from long-term debt, net of debt issuance costs	**94,289**
Long-term debt repayments	**(105,477)**
Gain on repurchase of Senior Notes	**(63,517)**
Convertible debenture fair value adjustment	**2,834**
Amortization of debt issuance costs	**5,943**
Foreign exchange adjustments	**39,673**
Ending balance	**$ 1,555,274**

12. SHAREHOLDERS' CAPITAL

(a) Authorized

Unlimited common shares, no par value
Unlimited preferred shares, no par value, issuable in series

(b) Issued, fully paid and outstanding

	Number of Common Shares	Amount
Opening balance – January 1, 2020	162,665,576	$ 230,100
Changes in unvested common shares held in trust	(314,529)	667
Closing balance - June 30, 2020	**162,351,047**	**$ 230,767**

The total number of unvested common shares held in trust for share-based compensation plans as at June 30, 2020 was 767,576 (December 31, 2019 – 453,047).

(c) Dividends

During the second quarter of 2020 the Company suspended its quarterly dividend. During the three and six months ended June 30, 2020, the Company settled it's declared dividends of $9,787 and $19,574 respectively (2019 - $19,427 and $38,658 respectively).

13. NET LOSS PER COMMON SHARE

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

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

	Three months ended		Six months ended	
	June 30 2020	June 30 2019	**June 30 2020**	June 30 2019
Net loss attributable to common shareholders:				
Basic and diluted	**$ (17,077)**	$ (31,173)	**$ (46,327)**	$ (53,521)
Weighted average number of common shares outstanding:				
Basic	**162,728,897**	158,229,273	**162,728,160**	157,655,750
Potentially dilutive share-based compensation plans	**62,584**	60,945	**129,289**	60,585
Diluted	**162,791,481**	158,290,218	**162,857,449**	157,716,335

During the three and six months ended June 30, 2020, share options of 5,972,300 (2019 – 7,004,300) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

14. SEGMENTED INFORMATION

The Company determines its operating segments based on internal information regularly reviewed by management to allocate resources and assess performance. Oilfield services are provided in Canada, the United States and internationally. The amounts related to each geographic area are as follows:

	2020				2019			
As at and for the three month period ended June 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue [1]	**17,012**	**128,591**	**49,156**	**194,759**	50,598	261,186	65,712	377,496
(Loss) income before financing charges and other gains (losses) and income taxes [1]	**(36,983)**	**(8,986)**	**2,905**	**(43,064)**	(11,490)	3,322	14,855	6,687

	2020				2019			
As at and for the six month period ended June 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue [1]	**114,149**	**343,138**	**121,333**	**578,620**	157,020	534,544	130,952	822,516
(Loss) income before financing charges and other gains (losses) and income taxes [1]	**(47,261)**	**1,465**	**(3,281)**	**(49,077)**	(33,978)	23,158	24,167	13,347
Property and equipment, net	**658,342**	**1,706,106**	**447,963**	**2,812,411**	770,063	1,783,123	451,281	3,004,467

[1] *Comparative revenue and (loss) income before financing charges and other gains (losses) and income taxes have been revised to conform with current year's presentation.*

	Three months ended		Six Months Ended	
	June 30 2020	June 30 2019	**June 30 2020**	June 30 2019
Rig rental revenue	**$ 123,572**	$ 231,230	**$ 390,445**	$ 544,726
Service revenue	**71,187**	146,266	**188,175**	277,790
Total revenue	**$ 194,759**	$ 377,496	**$ 578,620**	$ 822,516

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

15. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

16. FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at June 30, 2020 totaled $151.0 million, a decrease of $121.2 million from $272.3 million as at December 31, 2019. The varying levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increases the collection risk of accounts receivable balances.

As part of the Company’s international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at June 30, 2020, the Company had a net accounts receivable balance of approximately $11.0 million for work performed in Venezuela and has received several payments in recent months. The Company has a history of collecting accounts receivable in Venezuela; however, due to the recent decline in the price of oil, continuing political unrest in the country and expansion of sanctions by the US government, there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages liquidity by forecasting cash flows on an annual basis and secures sufficient credit facilities to meet financing requirements that exceed anticipated internally generated funds. As at June 30, 2020, the remaining contractual maturities of accounts payable and accruals are less than one year.

Subject to market conditions during the remainder of 2020, it is likely that the Company will be required to enter into discussion with its Credit Facility syndicate to amend covenants under its Credit Facility, which otherwise may be susceptible to breach in the latter half of 2020. As of the date of the consolidated financial statements, the Company has not entered into formal discussions about the renewal and extension of its existing Credit Facility with the Credit Facility syndicate.

17. SUBSEQUENT EVENTS

Subsequent to the quarter, the Company completed the acquisition of Halliburton’s 40 percent ownership interest of the TDI joint venture. The 40 percent ownership interest, inclusive of working capital in TDI joint venture, was purchased for US $33,400 with the Company's cash on hand. With this acquisition, the Company now owns 100 percent of the TDI joint venture. Given the limited time between the date of the acquisition, July 17, 2020, and the preparation of these interim financial statements, the value of the individual assets acquired and the liabilities assumed upon acquisition were not yet available as of the date of this report. The Company's third quarter interim financial statements will include purchase price allocation.

Subsequent to June 30, 2020, the Company repurchased US $5,034 face value of Senior Notes, in the open market, for cancellation. A gain on repurchase of $3,959 (US $2,901) will be recognized in the third quarter of 2020.

CORPORATE INFORMATION

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