ENSIGN®

2021 Q3

THIRD QUARTER REPORT For the three and nine months ended September 30, 2021

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended September 30			Nine months ended September 30		
	2021	2020	% change	**2021**	2020	% change
Revenue	**268,578**	156,933	71	**699,428**	735,553	(5)
Adjusted EBITDA [1]	**59,769**	39,476	51	**155,312**	188,783	(18)
Adjusted EBITDA per common share [1]						
Basic	**$0.37**	$0.24	54	**$0.96**	$1.16	(17)
Diluted	**$0.36**	$0.24	50	**$0.95**	$1.16	(18)
Net loss attributable to common shareholders	**(34,398)**	(36,094)	(5)	**(130,240)**	(82,421)	58
Net loss attributable to common shareholders per common share						
Basic	**$(0.21)**	$(0.23)	(9)	**$(0.80)**	$(0.51)	57
Diluted	**$(0.21)**	$(0.23)	(9)	**$(0.80)**	$(0.51)	57
Cash provided by operating activities	**59,399**	39,417	51	**139,421**	229,581	(39)
Funds flow from operations	**56,198**	29,802	89	**144,051**	140,635	2
Funds flow from operations per common share						
Basic	**$0.35**	$0.18	94	**$0.89**	$0.86	3
Diluted	**$0.34**	$0.18	89	**$0.88**	$0.86	2
Total long-term debt	**1,443,323**	1,474,307	(2)	**1,443,323**	1,474,307	(2)
Weighted average common shares - basic *(000s)*	**162,481**	162,728	—	**162,385**	162,629	—
Weighted average common shares - diluted *(000s)*	**163,444**	162,957	—	**162,845**	162,901	—

Drilling	**2021**	2020	% change	**2021**	2020	% change
Number of marketed rigs [2]						
Canada [3]	**127**	101	26	**127**	101	26
United States	**93**	122	(24)	**93**	122	(24)
International [4]	**42**	48	(13)	**42**	48	(13)
Total	**262**	271	(3)	**262**	271	(3)
Operating days [5]						
Canada [3]	**2,846**	686	nm	**5,750**	4,165	38
United States	**3,074**	1,437	nm	**8,554**	8,791	(3)
International [4]	**929**	790	18	**2,632**	2,922	(10)
Total	**6,849**	2,913	nm	**16,936**	15,878	7

Well Servicing	**2021**	2020	% change	**2021**	2020	% change
Number of rigs						
Canada	**52**	52	—	**52**	52	—
United States	**48**	47	2	**48**	47	2
Total	**100**	99	1	**100**	99	1
Operating hours						
Canada	**9,316**	5,556	68	**26,433**	21,383	24
United States	**32,452**	21,682	50	**95,497**	72,252	32
Total	**41,768**	27,238	53	**121,930**	93,635	30

nm - calculation not meaningful

[1] *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.*

[2] *Total owned rigs: Canada - 153, United States - 136, International - 53 (2020 Total owned rigs: Canada - 118, United States - 138, International - 53)*

[3] *Excludes coring rigs.*

[4] *Includes workover rigs.*

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

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at ($ thousands)	**September 30 2021**	December 31 2020	September 30 2020
Working capital [1]	**73,919**	98,612	80,194
Cash	**24,326**	44,198	56,973
Long-term debt	**1,443,323**	1,384,605	1,474,307
Total long term financial liabilities	**1,448,012**	1,390,647	1,481,795
Total assets	**3,006,840**	3,054,493	3,242,768
Long-term debt to long term-debt plus equity ratio	**0.54**	0.50	0.51

[1] See non-GAAP Measures section

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2021**	2020	% change	**2021**	2020	% change
Capital expenditures						
Upgrade/growth	**9,502**	—	nm	**17,097**	10,013	71
Maintenance	**8,498**	5,539	53	**25,242**	35,197	(28)
Proceeds from disposals of property and equipment	**(1,665)**	(2,308)	(28)	**(4,647)**	(23,458)	(80)
Net capital expenditures before acquisitions	**16,335**	3,231	nm	**37,692**	21,752	73
Acquisition of 35 drilling rigs, related equipment, land and buildings	**117,928**	—	nm	**117,928**	—	nm
Net capital expenditures	**134,263**	3,231	nm	**155,620**	21,752	nm

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 nine months ended September 30, 2021, as well as the audited consolidated financial statements and notes thereto for the year ended December 31, 2020, which are available on SEDAR at www.sedar.com.

The interim consolidated financial statements and comparative information have been prepared in accordance with and comply with International Financial Reporting Standards ("**IFRS**"), which include the International Accounting Standards ("**IAS**") and the interpretations developed by the International Financial Reporting Interpretations Committee ("**IFRIC**"), as issued by the International Accounting Standards Board ("**IASB**"). The interim financial statements comply with IAS 34 Interim Financial Reporting and do not include all of the information required for annual financial statements. 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 was approved by the Company's Board of Directors on November 4, 2021, after review by the Company's Audit Committee.

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 other expressions of a similar nature suggesting future outcome or statements regarding an outlook.

Disclosure related to expected future commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other prospective guidance provided throughout this MD&A, including, but not limited to, information provided in the "Funds Flow from Operations and Working Capital" section regarding the Company's expectation that funds generated by operations combined with current and future credit facilities will support current operating and capital requirements, information provided in the "New Builds and Major Retrofits" section, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for the remainder of 2021, are examples of forward-looking statements. These statements are not representations or guarantees of future performance and are subject to certain risks and unforeseen results. 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 assumptions, expectations, estimates and projections about the Company and the industries and environments 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. These assumptions include, among other things: the fluctuation in oil prices may pressure customers to modify their drilling budgets; the status of current negotiations with the Company's customers and vendors; customer focus on safety performance; existing term contracts that may not be renewed or are terminated prematurely; the Company's ability to provide services on a timely basis; successful integration of acquisitions; and the general stability of the economic and political environments in the jurisdictions where we operate.

The forward-looking statements 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 and industry conditions; determinations by OPEC and other countries regarding production levels; changes to laws and regulations; 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; access to credit facilities and debt capital markets; the Company's ability to amend covenants under the Credit Facility with its Credit Facility syndicate, 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 impact of, and the Company's response to, the global COVID-19 pandemic and the success of vaccinations for COVID-19; foreign operations; foreign exchange exposure and interest rate changes; workforce and reliance on key management; technology; seasonality and weather; ability to successfully integrate acquisitions; and the impact thereof upon the business environments in which the Company is or may become engaged; 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, environmental protection regulations, the global COVID-19 pandemic, the potential reinstatement or removal of COVID-19 mitigation strategies, such as stay-at-home orders and lockdown related restrictions, and the impact thereof upon the Company, its customers and its business. Should one or more of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results from operations 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.

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. 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 and the Company's results from operations. Further additional information on the risk factors that could affect the Company's business, operations or financial results are included in reports on file with applicable securities regulatory authorities, including but not limited to the Company's Annual Information Form for the year ended December 31, 2020, which may be accessed on SEDAR at www.sedar.com.

The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by law.

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 principle business activities prior to how these activities are financed, how assets are depreciated, 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 compensation expense, 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 is not intended to represent net loss as calculated in accordance with IFRS.

ADJUSTED EBITDA	Three months ended September 30		Nine months ended September 30	
($ thousands)	**2021**	2020	**2021**	2020
Loss before income taxes	**(40,670)**	(45,501)	**(153,851)**	(101,072)
Add-back/(deduct):				
Interest expense	**25,536**	24,292	**72,569**	83,138
Accretion of deferred financing charges	**2,702**	2,972	**8,109**	8,915
Depreciation	**73,261**	96,417	**213,994**	278,367
Restructuring	**697**	4,208	**4,230**	11,594
(Gain) loss from investment in joint ventures	**—**	(436)	**—**	1,349
Share-based compensation	**(440)**	(1,272)	**6,382**	(2,893)
Loss on asset sale	**—**	—	**—**	3,437
Gain on repurchase of unsecured Senior Notes [1]	**—**	(40,072)	**(7,431)**	(103,589)
Foreign exchange and other (gain) loss	**(1,317)**	(1,598)	**11,310**	3,062
Adjusted EBITDA from investment in joint ventures	**—**	466	**—**	6,475
Adjusted EBITDA	**59,769**	39,476	**155,312**	188,783

[1] *See "Interest Expense" section for definition of Senior Notes.*

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. 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 third quarter of 2021 was $268.6 million, an increase of 71 percent from revenue for the third quarter of 2020 of $156.9 million. Revenue for the nine months ended September 30, 2021, was $699.4 million, a decrease of five percent from revenue for the nine months ended September 30, 2020, of $735.6 million.

Adjusted EBITDA totaled $59.8 million ($0.37 per common share) in the third quarter of 2021, 51 percent higher than Adjusted EBITDA of $39.5 million ($0.24 per common share) in the third quarter of 2020. For the first nine months ended September 30, 2021, Adjusted EBITDA totaled $155.3 million ($0.96 per common share), 18 percent lower than Adjusted EBITDA of $188.8 million ($1.16 per common share) in the first nine months ended September 30, 2020.

Net loss attributable to common shareholders for the third quarter of 2021 was $34.4 million ($0.21 per common share) compared to a net loss attributable to common shareholders of $36.1 million ($0.23 per common share) for the third quarter of 2020. Net loss attributable to common shareholders for the nine months ended September 30, 2021 was $130.2 million ($0.80 per common share), compared to a net loss attributable to common shareholders of $82.4 million ($0.51 per common share) for the nine months ended September 30, 2020.

During the third quarter of 2021, the Company acquired a fleet of 35 land-based drilling rigs located in Canada, as well as related equipment and certain real property, for $117.9 million. The Company funded the purchase price with cash on hand and available Credit Facilities.

During the first three and nine months ended September 30, 2021, the Company received $5.3 million and $15.1 million of the Canada Emergency Wage Subsidy (**"CEWS"**) from the Government of Canada respectively. The wage subsidies received partially offset the decrease in Adjusted EBITDA and net loss attributable to common shareholders.

Funds flow from operations increased 89 percent to $56.2 million ($0.35 per common share) in the third quarter of 2021 compared to $29.8 million ($0.18 per common share) in the third quarter of the prior year. Funds flow from operations increased two percent to $144.1 million ($0.89 per common share) for the nine months ended September 30, 2021 compared to $140.6 million ($0.86 per common share) for the nine months ended September 30, 2020.

Through the third quarter of 2021, macro-economic conditions impacting the oil and natural gas industry continued its effort to recover from the significant fall out of the novel coronavirus ("**COVID-19**") pandemic. Rising vaccination rates continue to support the easing of travel and social restrictions, increasing global economic activity and mobility. While still below pre-COVID-19 pandemic levels, the easing of restrictions in combination with rising global economic growth has resulted in a recovering of demand for crude oil and natural gas. Tight crude oil and natural gas supply in combination with rising demand has resulted in increased global commodity prices for oil and natural gas producers, driving oilfield services activity improvements year-over-year in the third quarter of 2021.

While activity continued to improve from 2020 lows during the third quarter of 2021, industry operating conditions are still recovering from the impacts of the COVID-19 pandemic. Over the short term, a degree of uncertainty remains regarding the macro-economic conditions that will impact our business including the resolution of the COVID-19 pandemic, setbacks to COVID-19 vaccine efficacy, virus mutations, and other factors that may impact the demand for crude oil and natural gas, commodity prices, and the demand for oilfield services.

The Company's operating days were higher in the three and nine months ended September 30, 2021, when compared to the same periods in 2020 as a result of global activity improvements and the Company's acquisition of 35 land based drilling rigs in Canada. The weakening year-over-year of the United States dollar against the Canadian dollar partially offset the United States and international financial results on translation to Canadian dollars. The average United States dollar exchange rate was $1.25 for the nine months ended September 30, 2021 (2020 - $1.35) versus the Canadian dollar, a decrease of seven percent, compared to the same period of 2020.

Working capital at September 30, 2021, was a surplus of $73.9 million, compared to a surplus of $98.6 million at December 31, 2020. The Company's available liquidity, consisting of cash and available borrowings under its $900.0 million revolving credit facility (the "**Credit Facility**"), was $27.7 million at September 30, 2021.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2021**	2020	% change	**2021**	2020	% change
Revenue						
Canada	**74,469**	21,838	nm	**159,436**	135,987	17
United States	**140,309**	83,263	69	**386,535**	426,401	(9)
International	**53,800**	51,832	4	**153,457**	173,165	(11)
Total revenue	**268,578**	156,933	71	**699,428**	735,553	(5)
Oilfield services expense	**198,813**	108,716	83	**516,049**	521,493	(1)

nm - calculation not meaningful

Revenue for the three months ended September 30, 2021, totaled $268.6 million, an increase of 71 percent from the third quarter of 2020 of $156.9 million. Revenue for the nine months ended September 30, 2021, totaled $699.4 million, a five percent decrease from the nine months ended September 30, 2020.

The increase in total revenue during the third quarter of 2021 was primarily due to the global economic recovery, improving industry fundamentals, and the Company's acquisition of 35 land based drilling rigs in Canada. The increases in financial results from the Company's global operations were offset by the negative impact of currency translation, as the United States dollar weakened relative to the Canadian dollar for the first nine months ended September 30, 2021.

CANADIAN OILFIELD SERVICES

Revenue increased by $52.7 million to $74.5 million for the three months ended September 30, 2021, from $21.8 million for the three months ended September 30, 2020. The Company recorded revenue of $159.4 million in Canada for the nine months ended September 30, 2021, an increase of 17 percent from $136.0 million recorded for the nine months ended September 30, 2020.

Canadian revenue accounted for 28 percent of the Company's total revenue in the third quarter of 2021 (2020 - 14 percent) and 23 percent (2020 - 18 percent) for the first nine months of 2021. The Company recognized $0.9 million of standby revenue and $4.8 million of early termination revenue in the third quarter of 2021 (2020 - $1.1 million and $nil respectively). During the first nine months of 2021, the Company recognized $3.3 million of standby revenue and $4.8 million of early termination revenue (2020 - $1.6 million and $nil respectively).

The Company's Canadian drilling operations recorded 2,846 operating days in the third quarter of 2021, compared to 686 operating days for the third quarter of 2020, an increase of 2,160 operating days. For the nine months ended September 30, 2021, the Company recorded 5,750 operating days compared to 4,165 drilling days for the nine months ended September 30, 2020, an increase of 38 percent. Canadian well servicing hours increased by 3,760 operating hours to 9,316 operating hours in the third quarter of 2021 compared to 5,556 operating hours in the corresponding period of 2020. For the nine months ended September 30, 2021, well servicing hours increased by 24 percent to 26,433 operating hours compared with 21,383 operating hours for the nine months ended September 30, 2020.

The operating and financial results for the Company's Canadian operations for the first nine months of 2021, were positively impacted by improved industry fundamentals and increasing operational activity that primarily resulted from the Company's acquisition of 35 land based drilling rigs during the third quarter. In addition to the July 29, 2021 acquisition of a fleet of 35 drilling rigs in Canada, the Company moved nine under-utilized drilling rigs into its Canadian operations reserve fleet during the first nine months of 2021.

UNITED STATES OILFIELD SERVICES

The Company’s United States operations recorded revenue of $140.3 million in the third quarter of 2021, an increase of 69 percent from the $83.3 million recorded in the corresponding period of the prior year. During the nine months ended September 30, 2021, revenue of $386.5 million was recorded, a decrease of nine percent from the $426.4 million recorded in the corresponding period of the prior year.

The Company's United States operations accounted for 52 percent of the Company's revenue in the third quarter of 2021 (2020 - 53 percent) and 55 percent of the Company’s revenue in the first nine months of 2021 (2020 - 58 percent). In the United States, the Company recognized US $2.0 million of standby revenue and US $0.4 million of contract early termination or cancellation fees in the third quarter of 2021 (2020 - US $2.9 million and US $6.4 million, respectively). The Company recognized US $9.1 million of standby revenue and US $3.5 million of contract cancellation fees in the first nine months of 2021 (2020 - US $7.0 million and US $19.6 million respectively).

Drilling rig operating days increased to 3,074 operating days in the third quarter of 2021 from 1,437 operating days in the third quarter of 2020, and 8,554 operating days in the first nine months of 2021 from 8,791 operating days in the first nine months of 2020. United States well servicing hours, increased by 50 percent in the third quarter of 2021, to 32,452 operating hours from 21,682 operating hours in the third quarter of 2020. For the first nine of 2021, well servicing activity increased 32 percent to 95,497 operating hours from 72,252 operating hours in the first nine months of 2020.

Overall operating and financial results for the Company’s United States operations for the first nine months of 2021 were negatively impacted by the significant effects of the global COVID-19 pandemic, resulting in a decrease in global oil demand and oversupply of oil and natural gas seen in 2020 and earlier this year. Quarter over quarter in 2021, the Company's United States operation continue to see an increase of activity due to the economic recovery, post the COVID-19 pandemic severity peak. The financial results from the Company's United States operations were further negatively impacted on the currency translation, as the United States dollar weakened relative to the Canadian dollar for the first nine months of 2021.

During the first nine months of 2021, the Company acquired one well servicing rig and moved 29 under-utilized drilling rigs into its United States reserve fleet.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $53.8 million in the third quarter of 2021, a four percent increase from the $51.8 million recorded in the corresponding period of the prior year. International revenues for the nine months ended September 30, 2021, decreased 11 percent to $153.5 million from $173.2 million recorded in the nine months ended September 30, 2020.

The Company's international operations contributed 20 percent of the total revenue in the third quarter of 2021 (2020 - 33 percent) and 22 percent of the Company's revenue in the first nine months of 2021 (2020 - 24 percent). There were no standby or contract cancellation fees in the Company's international operating region in the third quarter of 2021 (2020 - US $0.4 million). The Company recognized US $0.6 million of standby revenue during the first nine months of 2021 (2020 - US $7.5 million).

International operating days for the three months ended September 30, 2021, totaled 929 operating days compared to 790 operating days in the same period of 2020, an increase of 18 percent. For the nine months ended September 30, 2021, international operating days totaled 2,632 operating days compared to 2,922 operating days for the nine months ended September 30, 2020, a decrease of 10 percent.

Similar to the Company's United States operations, for the first nine months of 2021, international operating and financial results were also negatively impacted by the COVID-19 pandemic. The financial results from the Company's international operations were further negatively impacted on the currency translation, as the United States dollar weakened relative to the Canadian dollar for the first nine months of 2021.

During the first nine months of 2021, the Company moved six under-utilized drilling rigs into its international operations reserve fleet.

DEPRECIATION

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2021**	2020	% change	**2021**	2020	% change
Depreciation	**73,261**	96,417	(24)	**213,994**	278,367	(23)

Depreciation expense totaled $73.3 million for the third quarter of 2021 compared with $96.4 million for the third quarter of 2020, a decrease of 24 percent. Depreciation expense for the first nine months of 2021 decreased by 23 percent, to $214.0 million compared with $278.4 million in the first nine months of 2020. The decrease in depreciation is due to certain operating assets having become fully depreciated whereafter no further depreciation expense is incurred on such assets. Furthermore, the positive translational impact of United States dollar-denominated assets also decreased the depreciation expense. Offsetting the decease is depreciation on the additional 35 drilling rigs acquired in Canada during the third quarter of 2021.

GENERAL AND ADMINISTRATIVE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2021**	2020	% change	**2021**	2020	% change
General and administrative	**9,996**	9,207	9	**28,067**	31,752	(12)
% of revenue	**3.7**	5.9		**4.0**	4.3	

General and administrative expense increased nine percent to $10.0 million (3.7 percent of revenue) for the third quarter of 2021 compared to $9.2 million (5.9 percent of revenue) for the third quarter of 2020. For the nine months ended September 30, 2021, general and administrative expense totaled $28.1 million (4.0 percent of revenue) compared to $31.8 million (4.3 percent of revenue) for the nine months ended September 30, 2020. General and administrative expense decreased as a result of cost saving initiatives implemented in response to the COVID-19 pandemic, the wage subsidy received from the Government of Canada, reductions in personnel, and organizational restructuring.

RESTRUCTURING

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2021**	2020	% change	**2021**	2020	% change
Restructuring	**697**	4,208	(83)	**4,230**	11,594	(64)

For the nine months ended September 30, 2021, restructuring costs were $4.2 million (2020 - $11.6 million). Restructuring expense consists of costs relating to the organizational restructuring of the Company due to the significant decline in oilfield services activity as a result of the COVID-19 pandemic.

FOREIGN EXCHANGE AND OTHER (GAIN) LOSS

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2021**	2020	% change	**2021**	2020	% change
Foreign exchange and other (gain) loss	**(1,317)**	(1,598)	(18)	**11,310**	3,062	nm

nm - calculation not meaningful

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

GAIN ON REPURCHASE OF UNSECURED SENIOR NOTES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2021**	2020	% change	**2021**	2020	% change
Gain on repurchase of unsecured Senior Notes	**—**	(40,072)	nm	**(7,431)**	(103,589)	(93)

nm - calculation not meaningful

There were no repurchases of unsecured Senior Notes ("**Senior Notes**") in the open market during the third quarter of 2021 (2020 - US $51.2 million).

For nine months ended September 30, 2021, the Company repurchased US $25.7 million (2020 - US $126.0 million) of face value Senior Notes, in the open market, for cancellation and recorded a gain on repurchase of $7.4 million (US $5.9 million) (2020 - $103.6 million).

INTEREST EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2021**	2020	% change	**2021**	2020	% change
Interest expense	**25,536**	24,292	5	**72,569**	83,138	(13)

Interest expense was incurred on the Company's $900.0 million Credit Facility, US $417.5 million Senior Notes, $37.0 million subordinate convertible debentures (the "**Convertible Debentures**"), and capital lease obligations. Included in interest expense for the first nine months of 2021, is $0.5 million of accrued interest relating to the Senior Notes, paid in cash as part of the repurchase of the Senior Notes (2020 - $4.4 million).

Interest expense increased by five percent for the third quarter of 2021 in relation to the 35 newly acquired drilling rigs and related equipment compared to the third quarter of 2020. Interest expense decreased by 13 percent for the first nine months of 2021 compared to the same period of 2020. The decrease for the first nine months of 2021 is the result of a reduction in overall borrowing. The positive translational impact on United States dollar-denominated debt further decreased interest expense for the quarter.

The Company's blended interest rate on its outstanding debt for the 2021 year will be approximately seven percent. The current capital structure primarily 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 TAXES (RECOVERY)

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2021**	2020	% change	**2021**	2020	% change
Current income taxes	**167**	640	(74)	**693**	1,089	(36)
Deferred income taxes recovery	**(6,978)**	(10,012)	(30)	**(27,750)**	(20,867)	33
Total income taxes recovery	**(6,811)**	(9,372)	(27)	**(27,057)**	(19,778)	37
Effective income tax rate (%)	**16.7**	20.6	(19)	**17.6**	19.6	(10)

The effective income tax rate for the three months ended September 30, 2021, was 16.7 percent compared to 20.6 percent for the three months ended September 30, 2020. The effective income tax rate for the nine months ended September 30, 2021, was 17.6 percent compared to 19.6 percent for the nine months ended September 30, 2020. The effective income tax rate in the first nine months of the current year was lower than the effective income tax rate in the same period of 2020 due to activity levels in foreign tax jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

	Three months ended September 30			Nine months ended September 30		
($ thousands, except per common share data)	**2021**	2020	% change	**2021**	2020	% change
Cash provided by operating activities	**59,399**	39,417	51	**139,421**	229,581	(39)
Funds flow from operations	**56,198**	29,802	89	**144,051**	140,635	2
Funds flow from operations per common share	**$0.35**	$0.18	94	**$0.89**	$0.86	3
Working capital [1]	**73,919**	98,612	(25)	**73,919**	98,612	(25)

[1] Comparative figure as at December 31, 2020

During the three months ended September 30, 2021, the Company generated funds flow from operations of $56.2 million ($0.35 per common share) compared to funds flow from operations of $29.8 million ($0.18 per common share) for the three months ended September 30, 2020, an increase of 89 percent. For the nine months ended September 30, 2021, the Company generated funds flow from operations of $144.1 million ($0.89 per common share) an increase of two percent from $140.6 million ($0.86 per common share) for the nine months ended September 30, 2020. The increase in funds flow from operations for nine months ended September 30, 2021, compared to the same period of 2020 is due primarily to increased activity as a result of the global economic recovery and improving industry fundamentals.

At September 30, 2021 the Company's working capital was a surplus of $73.9 million, compared to a working capital surplus of $98.6 million at December 31, 2020. 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 $3.4 million was undrawn and available at September 30, 2021.

INVESTING ACTIVITIES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2021**	2020	% change	**2021**	2020	% change
Acquisition of 35 drilling rigs, related equipment, land and buildings	**(117,928)**	—	nm	**(117,928)**	—	nm
Purchase of property and equipment	**(18,000)**	(5,539)	nm	**(42,339)**	(45,210)	(6)
Proceeds from disposals of property and equipment	**1,665**	2,308	(28)	**4,647**	23,458	(80)
Acquisition of joint venture, net of cash	**—**	(31,885)	nm	**—**	(31,885)	nm
Net change in non-cash working capital	**1,118**	(3,666)	nm	**2,121**	583	nm
Cash used in investing activities	**(133,145)**	(38,782)	nm	**(153,499)**	(53,054)	nm

nm - calculation not meaningful

Net purchases of property and equipment for the third quarter of 2021 totaled $134.3 million (2020 - $3.2 million). Net purchases of property and equipment during the first nine months of 2021 totaled $155.6 million (2020 - $21.8 million). During the third quarter of 2021, the Company acquired a fleet of 35 land-based drilling rigs located in Canada, as well as related equipment and certain real property for $117.9 million. The remaining purchase of property and equipment for the first nine months of 2021 consists of $17.1 million in upgrade capital and $25.2 million in maintenance capital.

FINANCING ACTIVITIES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2021**	2020	% change	**2021**	2020	% change
Proceeds from long-term debt	**110,595**	14,280	nm	**149,126**	108,569	37
Repayments of long-term debt	**(18,180)**	(43,309)	(58)	**(84,743)**	(148,786)	(43)
Lease obligation principal repayments	**(1,905)**	(1,777)	7	**(5,132)**	(7,404)	(31)
Interest paid	**(11,306)**	(14,360)	(21)	**(61,157)**	(75,504)	(19)
Purchase of common shares held in trust	**(310)**	(169)	83	**(794)**	(725)	10
Cash dividends	**—**	—	nm	**—**	(19,574)	nm
Cash provided by (used in) financing activities	**78,894**	(45,335)	nm	**(2,700)**	(143,424)	(98)

nm - calculation not meaningful

The Company's available bank facilities consist of a $900.0 million Credit Facility, of which $3.4 million was available and undrawn as of September 30, 2021. In addition, the Company has available US $50.0 million secured letter of credit facility, of which US $8.0 million was available as of September 30, 2021.

On March 29, 2021, the Company has amended the terms of the Convertible Debentures to:

i. extend the Maturity Date from January 31, 2022 to May 1, 2023;
ii. increase the interest rate from 7.00% to 7.75% per annum; and
iii. reduce the Conversion Price from $7.00 to $1.75.

The Company may at any time and from time to time acquire Senior Notes for cancellation by means of open market repurchases or negotiated transactions. The Company is limited in the acquisition and cancellation of the Senior Notes up to $25.0 million under applicable covenants. Senior Notes may be repurchased for redemption in excess of $25.0 million if certain criteria are met. During the nine months ended September 30, 2021, the Company purchased US $25.7 million of face value Senior Notes for cancellation, in the open market for US $19.8 million.

Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at September 30, 2021:

	Covenant	September 30 2021
The Credit Facility		
Consolidated EBITDA[1]	> 140.0 million	232,656
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 1.50	2.49
Consolidated Senior Debt to Consolidated EBITDA[1,3]	≤ 4.00	3.75

[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 and excluding Senior Notes interest in repurchase.*
[3] *Consolidated Senior Debt is defined as Consolidated Total Debt minus Subordinated Debt.*

As at September 30, 2021, the Company was in compliance with all covenants related to the Credit Facility.

The Credit Facility

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

The Credit Facility also contains certain covenants that place restrictions on the Company's ability to repurchase or redeem Senior Notes and Convertible Debentures, to create, incur or assume additional indebtedness; change the Company's primary business; enter into mergers or amalgamations; and dispose of property. In the most recent amendment to the Credit Facility, dated December 31, 2020, the permitted encumbrances including Senior Note repurchases were reduced from $75.0 million to $25.0 million.

The Senior Notes

The indenture governing the Senior Notes, 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 of September 30, 2021, 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 September 30, 2021 totaled $206.1 million, an increase of $42.1 million from $164.4 million as at December 31, 2020. 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 provided oilfield services in Venezuela pursuant to contractual arrangements. As at September 30, 2021, the Company had a net accounts receivable balance of approximately $5.2 million for work performed in Venezuela. Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in the country as well as imposed sanctions 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 a regular basis and secures sufficient credit facilities to meet financing requirements that exceed anticipated internally generated funds. As at September 30, 2021, the remaining contractual maturities of accounts payable and accruals are less than one year.

On December 31, 2020, the Company amended and extended the existing $900.0 million Credit Facility agreement with its syndicate of lenders. On March 29, 2021 the Company extended Convertible Debentures maturity date to May 1, 2023. The amendments and one-year extension provide the Company with continued access to revolver capacity and near-term flexibility in a volatile oil price environment.

NEW BUILDS AND MAJOR RETROFITS

During the first nine months of 2021, the Company acquired a fleet of 35 land-based drilling rigs located in Canada as well as related equipment and certain real property for $117.9 million. Furthermore, the Company added one well servicing rig to the United States fleet and moved nine, 29 and six under-utilized drilling rigs to its Canadian, the United States, and international operations reserve fleets respectively.

The Company is currently directing capital expenditures primarily to maintenance capital items and selective upgrades.

SUMMARY QUARTERLY RESULTS

($ thousands, except per common share data)	**Q3-2021**	Q2-2021	Q1-2021	Q4-2020	Q3-2020	Q2-2020	Q1-2020	Q1-2019
Revenue	**268,578**	212,306	218,544	201,265	156,933	194,759	383,861	375,410
Adjusted EBITDA [1]	**59,769**	45,645	49,898	52,742	39,476	58,060	91,247	95,404
Adjusted EBITDA per common share [1]								
Basic	**$0.37**	$0.28	$0.31	$0.33	$0.24	$0.36	$0.56	$0.58
Diluted	**$0.36**	$0.28	$0.31	$0.33	$0.24	$0.36	$0.56	$0.58
Net (loss) income attributable to common shareholders	**(34,398)**	(52,292)	(43,550)	3,092	(36,094)	(17,077)	(29,250)	(71,615)
Net (loss) income per common share								
Basic	**$(0.21)**	$(0.32)	$(0.27)	$0.02	$(0.23)	$(0.10)	$(0.18)	$(0.44)
Diluted	**$(0.21)**	$(0.32)	$(0.27)	$0.02	$(0.23)	$(0.10)	$(0.18)	$(0.44)
Cash provided by operating activities	**59,399**	53,185	26,837	17,393	39,417	127,432	62,732	127,796
Funds flow from operations	**56,198**	41,326	46,527	69,630	29,802	26,338	84,495	89,512
Funds flow from operations per common share								
Basic	**$0.35**	$0.25	$0.29	$0.44	$0.18	$0.16	$0.52	$0.54
Diluted	**$0.34**	$0.25	$0.29	$0.44	$0.18	$0.16	$0.52	$0.54
Total debt, net of cash	**1,418,997**	1,313,837	1,321,452	1,340,407	1,422,515	1,452,619	1,596,727	1,553,121

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

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

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of November 4, 2021:

	Number		Amount ($)
Common shares	162,100,208	$	230,636

	Outstanding	Exercisable
Stock options	5,135,330	2,850,670

OUTLOOK

Industry Overview

The outlook for oilfield services continues to improve as the crude oil and natural gas industry continues to recover from the adverse impact of the COVID-19 pandemic. Rising vaccination rates globally have aided economic growth and mobility, which has hastened the recovery of crude oil demand. Over the short term, the tight supply of coal and natural gas in certain nations has driven further oil demand growth. Strengthening oil demand coupled with moderated oil supply has resulted in relatively strong global commodity prices over the third quarter of 2021, with the benchmark price of West Texas Intermediate ("**WTI**") averaging a low of US $68/bbl in August 2021 to an average high of US $82/bbl in October 2021.

We expect vaccine progress and oil demand recovery coupled with a sustained commodity price environment will likely continue to drive oilfield services activity improvements through the remainder of 2021 and into 2022. However, we continue to expect oilfield activity to be moderated by oil and natural gas producers as producers remain committed to conserving capital expenditures, maintaining current production levels and directing cash to balance sheets or shareholder returns. We expect activity may increase in 2022 as producers revisit maintenance production programs and evaluate decline rates and per-well productivity.

Moreover, short-term uncertainty remains regarding the macroeconomic conditions, including commodity price fluctuations, potential setbacks in COVID-19 vaccine deployment or vaccine efficacy, demand for hydrocarbons and OPEC+ production and supply decisions that may impact the short-term demand for oilfield services.

On July 29, 2021, the Company acquired a fleet of 35 land-based drilling rigs located in Canada, as well as related equipment and certain real property for $117.9 million. The Company funded the purchase price with cash on hand and its available Credit Facility. The Company views this acquisition as a strategic and opportunistic transaction, given the asset value, exposure to key and active basins in Canada, enhanced customer mix, and current contract book.

The Company remains committed to strategic capital allocation and debt retirement. With the aforementioned acquisition of 35 drilling rigs and the ongoing demand for customer supported rig enhancements, the guidance for the Company's 2021 capital expenditures is estimated to be in the range of $60.0 million to $65.0 million, of which $20.0 million is identified as upgrade and growth capital, that is anticipated to generate incremental adjusted EBITDA.

Canadian Activity

Canadian activity, representing 23 percent of total revenue year to date, increased over the third quarter due to improving industry conditions and the above-mentioned 35 drilling rig acquisition. We expect activity to improve in the fourth quarter of 2021 and into the first quarter of 2022 as operations enter the winter drilling season with improving industry conditions.

As of November 4, 2021, of our 127 marketed Canadian drilling rigs, approximately 37 percent are engaged under term contracts of various durations. Approximately 47 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

United States Activity

United States activity, representing 55 percent of total revenue year to date, modestly improved over the third quarter. We expect US activity to remain steady and continue to improve throughout the fourth quarter of 2021 into the first quarter of 2022.

As of November 4, 2021, of our 93 marketed United States drilling rigs, approximately 49 percent are engaged under term contracts of various durations. Approximately 13 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

International Activity

International activity, representing 22 percent of total revenue year to date, modestly improved over the third quarter due to timing of the former TDI joint venture acquisition on July 16, 2020. Australia is expected to remain steady to slightly up for the remainder of the year. Operations in Argentina are expected to remain flat at current levels with one rig active. In the Middle East, our operations are expected to remain steady through the fourth quarter with four rigs active.

As of November 4, 2021, of our 42 marketed international drilling rigs, approximately 31 percent are engaged under term contracts of various durations. Approximately 62 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company is required to comply with National Instrument 52-109 *"Certification of Disclosure in Issuer's Annual and Interim Filings"*. This instrument requires that the Company disclose in the interim MD&A any changes in the Company's internal control over financial reporting that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company confirms that no such changes occurred during the three months ended September 30, 2021.

RISK AND UNCERTAINTIES

The Company is exposed to a number of risks through the pursuit of its strategic objectives. Some of these risks impact the energy industry as a whole and others are unique to the Company's operations. The impact of any risk or a combination of risks may adversely affect, among other things, the Company's business, reputation, financial condition, results of operation and cash flows, which may reduce or restrict the Company's ability to pursue strategic priorities, respond to changes in operating environments, fulfill obligations, and may materially affect the market price of the Company's securities. The risks and uncertainties described below are not exhaustive. Additional risks and uncertainties can be found in other public filings of the Company on www.sedar.com including the Company's most recent annual information form.

The Impacts of COVID-19 on the Company's Business

The ongoing COVID-19 pandemic and measures taken in response by governments and health authorities around the world have resulted in economic uncertainty. The ongoing uncertainty surrounding the COVID-19 pandemic, including the emergence of new variants of the COVID-19 virus, has resulted in and could result in further restrictions on movement and businesses being re-imposed or imposed on a stricter basis, which could negatively impact demand for commodities and commodity prices and negatively impact the Company's business, results of operations and financial condition. It remains impossible at this point to predict precisely the duration or extent of the impacts of the COVID-19 pandemic on the Company's employees, customers, partners and business or when economic activity will completely normalize.

The COVID-19 pandemic has and may continue to increase the Company's exposure to, and magnitude of, each of the risks identified in the Risk Factors section of the Company's most recent annual information form. The Company's 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 workforce disruption, labour shortages, or being ordered to suspend operations;
- The efficacy of COVID-19 vaccination programs;
- Labour shortages and workforce disruptions that may result from vaccine requirements, such as the implementation of "vaccine passports";Labour shortages and workforce disruptions that may result from vaccine requirements, such as the implementation of "vaccine passports";
- Reduced cash flows resulting in less funds from operations being available to fund the Company's capital expenditures;
- Counterparties being unable to fulfill their contractual obligations on a timely basis or at all;
- The capabilities of the Company's information technology systems and the heightened threat of a potential cyber-security breach arising from the increased number of employees working remotely;
- The Company's 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
- Increased uncertainty in the global economy, political and economic instability, and civil unrest.

Given the dynamic nature of the events related to the COVID-19 pandemic and the dependence upon the ability of the governments to successfully provide vaccination for their citizens, 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 the Company's business, financial condition, results of operations or cash flows or the pace or extent of any subsequent recovery. To the extent that the Company's customers reduce their capital budgets and expenditures, this may result in continued 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 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 natural gas exporting countries to set and maintain increased production levels and influence crude oil prices alongside 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 ongoing spread of the COVID-19 virus variants of concern and the continuing global pandemic as well as 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 with high volatility. 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 expenditure 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. These market conditions have 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 in the demand for oilfield services provided by the Company, which could adversely impact the Company's 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 to compete effectively in certain markets. 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. Both the Company and its clients may be exposed to interest rate risk as rising inflation rates in North America provide incentive to implement monetary policy raising interest rates, potentially decreasing access to credit. At this time, the Company continues to believe it has adequate bank credit facilities to provide liquidity for its operations.

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. In particular, pipeline constraints continue to limit the ability of producers to operate more profitably in Canada, with key pipeline permits being cancelled or jeopardized by the US presidential administration, and other pipeline projects facing governmental and societal resistance. 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. As a result of the COVID-19 pandemic, certain of the Company's international customers reduced capital spending during 2020 and the beginning of 2021, deferring exploration and appraisal activity and looking to reduce costs on major ongoing projects, which has had and is expected to continue to have a substantial negative impact on the demand for the Company's products and services. In certain countries internationally, operational disruptions due to COVID-19 have continued through 2021, and as a result, the Company continues to experience restricted movements of personnel within and between certain countries, quarantining requirements for rotational staff, logistics delays due to third-party personnel reductions, and some country closures, all of which are and may continue to be disruptive to the Company's operations.

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

Continued actions taken by governmental authorities in response to the COVID-19 pandemic have 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 principle foreign exchange risk relates to the conversion of United States dollar-denominated activity to Canadian dollars. The United States/Canadian dollar exchange rate at September 30, 2021 was approximately 1.27 compared with 1.28 at December 31, 2020. 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, or as a result of other economic factors, 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.

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. While the Company strives to retain employees by providing a high quality working environment, no assurance can be provided that the Company will be able to retain or attract key management members. The unexpected loss of key personnel or the inability to retain or recruit skilled personnel could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. 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 its personnel (including key management personnel), as well as the potential for a slowdown or temporary suspension of the Company's operations in locations impacted by an outbreak of COVID-19.

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. These risks include equipment defects, malfunction and failures, vehicle accidents, equipment shortages, human error, bodily harm, suspension of operations, natural disasters and other catastrophic events, damage to facilities, damage to or destruction of property, equipment and the environment, among others. These risks could expose the Corporation to substantial legal liability. The frequency and severity of such incidents will affect operating costs, insurability and relationships with investors, customers, employees, government regulators and the general public.

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-related operations, 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. The successful operation of the Company's business relies on a wide variety of hardware, software, information systems and network services to function at greater levels of efficiency. As such, there are risks that loss of these services, whether due to cybersecurity attacks or failure of the underlying infrastructure, could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

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	September 30 2021	December 31 2020
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	**$ 24,326**	$ 44,198
Accounts receivable	**206,085**	164,395
Inventories, prepaid and other	**49,509**	52,679
Income taxes receivable	**608**	290
Total current assets	**280,528**	261,562
Property and equipment	**2,567,184**	2,649,702
Deferred income taxes	**159,128**	143,229
Total assets	**$ 3,006,840**	$ 3,054,493
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 189,912**	$ 146,011
Share-based compensation *(Note 5)*	**1,218**	251
Income taxes payable	**8,732**	8,429
Current portion of lease obligation	**6,747**	8,259
Total current liabilities	**206,609**	162,950
Share-based compensation *(Note 5)*	**7,808**	2,743
Long-term debt *(Note 6)*	**1,443,323**	1,384,605
Lease obligations	**4,689**	6,042
Deferred income taxes	**117,200**	128,276
Non-controlling interest	**4,849**	4,853
Total liabilities	**1,784,478**	1,689,469
Shareholders' Equity		
Shareholders' capital *(Note 7)*	**230,755**	230,354
Contributed surplus	**22,816**	23,324
Equity component of convertible debenture *(Note 6)*	**2,380**	3,193
Accumulated other comprehensive income	**223,775**	235,277
Retained earnings	**742,636**	872,876
Total shareholders' equity	**1,222,362**	1,365,024
Total liabilities and shareholders' equity	**$ 3,006,840**	$ 3,054,493

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS

	Three months ended		Nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
(Unaudited, in thousands of Canadian dollars, except per common share data)				
Revenue	**$ 268,578**	$ 156,933	**$ 699,428**	$ 735,553
Expenses				
Oilfield services	**198,813**	108,716	**516,049**	521,493
Depreciation	**73,261**	96,417	**213,994**	278,367
General and administrative	**9,996**	9,207	**28,067**	31,752
Restructuring	**697**	4,208	**4,230**	11,594
Share-based compensation	**(440)**	(1,272)	**6,382**	(2,893)
Foreign exchange and other (gain) loss	**(1,317)**	(1,598)	**11,310**	3,062
Total expenses	**281,010**	215,678	**780,032**	843,375
Loss before interest expense, accretion of deferred financing charges and other (gains) losses and income taxes	**(12,432)**	(58,745)	**(80,604)**	(107,822)
(Gain) loss from investment in joint ventures	**—**	(436)	**—**	1,349
Gain on repurchase of unsecured Senior Notes *(Note 6)*	**—**	(40,072)	**(7,431)**	(103,589)
Loss on asset sale	**—**	—	**—**	3,437
Interest expense	**25,536**	24,292	**72,569**	83,138
Accretion of deferred financing charges	**2,702**	2,972	**8,109**	8,915
Loss before income taxes	**(40,670)**	(45,501)	**(153,851)**	(101,072)
Income taxes (recovery)				
Current income taxes	**167**	640	**693**	1,089
Deferred income taxes recovery	**(6,978)**	(10,012)	**(27,750)**	(20,867)
Total income tax recovery	**(6,811)**	(9,372)	**(27,057)**	(19,778)
Net loss from continuing operations	**(33,859)**	(36,129)	**(126,794)**	(81,294)
Loss from discontinued operations *(Note 8)*	**(523)**	(73)	**(3,422)**	(1,327)
Net loss	**$ (34,382)**	$ (36,202)	**$ (130,216)**	$ (82,621)
Net loss attributable to:				
Common shareholders	**(34,398)**	(36,094)	**(130,240)**	(82,421)
Non-controlling interests	**16**	(108)	**24**	(200)
	(34,382)	(36,202)	**(130,216)**	(82,621)
Net loss attributable to common shareholders per common share *(Note 9)*				
Basic	**$ (0.21)**	$ (0.23)	**$ (0.80)**	$ (0.51)
Diluted	**$ (0.21)**	$ (0.23)	**$ (0.80)**	$ (0.51)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three months ended		Nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
(Unaudited, in thousands of Canadian dollars)				
Net loss	**$ (34,382)**	$ (36,202)	$ (130,216)	(82,621)
Other comprehensive income (loss)				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**14,621**	(18,062)	**(11,502)**	36,370
Comprehensive loss	**$ (19,761)**	$ (54,264)	**$ (141,718)**	$ (46,251)
Other comprehensive income (loss) attributable to:				
Common shareholders of the Company	**$ 14,621**	$ (18,062)	**$ (11,502)**	$ 36,370
	$ 14,621	$ (18,062)	**$ (11,502)**	$ 36,370

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	Retained Earnings	Total Equity
(Unaudited, in thousands of Canadian dollars)						
Balance, January 1, 2021	$ 230,354	$ 23,324	$ 3,193	$ 235,277	$ 872,876	$ 1,365,024
Net loss attributable to common shareholders	—	—	—	—	(130,240)	(130,240)
Other comprehensive loss	—	—	—	(11,502)	—	(11,502)
Total comprehensive loss	—	—	—	(11,502)	(130,240)	(141,742)
Convertible debenture amendment (*Note 6*)	—	—	(813)	—	—	(813)
Common shares issued under share option plan	11	(6)	—	—	—	5
Share-based compensation	—	682	—	—	—	682
Common shares vested previously held in trust	1,184	(1,184)	—	—	—	—
Purchase of common shares held in trust	(794)	—	—	—	—	(794)
Balance, September 30, 2021	**$ 230,755**	**$ 22,816**	**$ 2,380**	**$ 223,775**	**$ 742,636**	**$ 1,222,362**
Balance, January 1, 2020	$ 230,100	$ 23,966	$ 3,193	$ 243,771	$ 961,992	$ 1,463,022
Net loss attributable to common shareholders	—	—	—	—	(82,421)	(82,421)
Other comprehensive income	—	—	—	36,370	—	36,370
Total comprehensive income (loss)	—	—	—	36,370	(82,421)	(46,051)
Dividends	—	—	—	—	(9,787)	(9,787)
Share-based compensation	—	967	—	—	—	967
Common shares vested previously held in trust	1,223	(1,223)	—	—	—	—
Purchase of common shares held in trust	(725)	—	—	—	—	(725)
Balance, September 30, 2020	$ 230,598	$ 23,710	$ 3,193	$ 280,141	$ 869,784	$ 1,407,426

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net loss	**$ (34,382)**	$ (36,202)	**$ (130,216)**	$ (82,621)
Items not affecting cash				
Depreciation	**73,261**	96,417	**213,994**	278,367
(Gain) loss from investment in joint ventures	**—**	(436)	**—**	1,349
Loss on asset sale	**—**	—	**—**	3,437
Gain on repurchase of unsecured Senior Notes *(Note 6)*	**—**	(40,072)	**(7,431)**	(103,589)
Share-based compensation	**(440)**	(1,272)	**6,382**	(2,893)
Unrealized foreign exchange and other	**(3,501)**	(5,885)	**8,394**	(24,601)
Accretion of deferred financing charges	**2,702**	2,972	**8,109**	8,915
Interest expense	**25,536**	24,292	**72,569**	83,138
Deferred income taxes recovery	**(6,978)**	(10,012)	**(27,750)**	(20,867)
Funds flow from operations	**56,198**	29,802	**144,051**	140,635
Net change in non-cash working capital *(Note 10)*	**3,201**	9,615	**(4,630)**	88,946
Cash provided by operating activities	**59,399**	39,417	**139,421**	229,581
Investing activities				
Acquisition of 35 drilling rigs, related equipment, land and buildings	**(117,928)**	—	**(117,928)**	—
Purchase of property and equipment	**(18,000)**	(5,539)	**(42,339)**	(45,210)
Proceeds from disposals of property and equipment	**1,665**	2,308	**4,647**	23,458
Acquisition of joint venture, net of cash	**—**	(31,885)	**—**	(31,885)
Net change in non-cash working capital *(Note 10)*	**1,118**	(3,666)	**2,121**	583
Cash used in investing activities	**(133,145)**	(38,782)	**(153,499)**	(53,054)
Financing activities				
Proceeds from long-term debt *(Note 6)*	**110,595**	14,280	**149,126**	108,569
Repayments of long-term debt *(Note 6)*	**(18,180)**	(43,309)	**(84,743)**	(148,786)
Lease obligation principal repayments	**(1,905)**	(1,777)	**(5,132)**	(7,404)
Interest paid	**(11,306)**	(14,360)	**(61,157)**	(75,504)
Purchase of common shares held in trust *(Note 7)*	**(310)**	(169)	**(794)**	(725)
Cash dividends	**—**	—	**—**	(19,574)
Cash provided by (used in) financing activities	**78,894**	(45,335)	**(2,700)**	(143,424)
Net increase (decrease) in cash	**5,148**	(44,700)	**(16,778)**	33,103
Effects of foreign exchange on cash	**(354)**	(983)	**(3,094)**	(4,538)
Cash				
Beginning of period	**19,532**	102,656	**44,198**	28,408
End of period	**$ 24,326**	$ 56,973	**$ 24,326**	$ 56,973

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.

In 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. 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, 2020. The calculation of depreciation includes assumptions related to useful lives and residual values that are regularly reviewed by management. The disclosures provided below do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the same accounting policies throughout all periods presented.

These interim consolidated financial statements were approved by the Company's Board of Directors on November 4, 2021, after review by the Company's Audit Committee.

3. SEASONALITY OF OPERATIONS

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

4. FOREIGN OPERATIONS

The Company provides oilfield services throughout much of North America and internationally in several onshore drilling areas. The Company'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.

5. SHARE-BASED COMPENSATION

A summary of the Company's share option plan as of September 30, 2021 and the changes during the nine month period ended, is presented below:

	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1, 2021	4,028,330	$ 4.73
Granted	1,353,950	1.56
Exercised for common shares	(6,600)	0.68
Exercised for cash	(17,715)	0.63
Forfeited	(191,205)	4.52
Outstanding - September 30, 2021	**5,166,760**	**$ 3.92**
Exercisable - September 30, 2021	**2,886,925**	**$ 5.14**

The following table lists the options outstanding at September 30, 2021:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$0.54 to $5.65	3,210,060	3.13	$ 2.32	1,356,055	$ 3.31
$5.66 to $6.66	1,283,650	1.93	5.80	857,820	5.82
$6.67 to $7.98	673,050	0.25	7.98	673,050	7.98
	5,166,760	2.46	$ 3.92	2,886,925	$ 5.14

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

	September 30 2021
Remaining expected life (years)	2.2
Volatility (percent)	40.0
Forfeiture rate (percent)	7.6
Risk-free interest rate (percent)	0.6
Expected dividend (percent)	—

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of September 30, 2021 and the changes during the nine month period ended, is presented below:

	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1, 2021	491,480	$ 4.83
Granted	188,700	1.56
Exercised	(3,230)	0.54
Expired	(38,975)	4.52
Outstanding - September 30, 2021	**637,975**	**$ 3.90**
Exercisable - September 30, 2021	**356,390**	**$ 5.14**

The following table lists the SARs outstanding at September 30, 2021:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$0.54 to $5.65	387,035	3.25	$ 2.23	157,206	$ 3.20
$5.66 to $6.65	175,440	1.82	5.83	123,674	5.86
$6.66 to $7.98	75,500	0.25	7.98	75,500	7.98
	637,975	2.50	$ 3.90	356,380	$ 5.14

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, 2021	3,884,634
Granted	3,757,701
Vested and paid	(710,034)
Forfeited	(186,718)
Outstanding - September 30, 2021	**6,745,583**

Included in net earnings for the three months ended September 30, 2021 is an expense of $241 (2020 - a recovery of $966), and for the nine months ended September 30, 2021 is an expense of $3,628 (2020 - a recovery of $4,148). 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.

6. LONG-TERM DEBT

	September 30 2021	December 31 2020
Drawings on the Credit Facility	**$ 896,597**	$ 807,732
Unsecured Senior Notes, due April 2024, 9.25%	**529,151**	565,294
Subordinated Convertible Debenture, May, 2023, 7.75%	**34,973**	36,818
Unamortized deferred financing costs	**(17,398)**	(25,239)
Total long-term debt	**$ 1,443,323**	$ 1,384,605

As at September 30, 2021, the Company's Credit facility (the "**Credit Facility**") consists of a $900,000 revolving secured facility. On December 31, 2020, the Company amended and extended the existing Credit Facility agreement with its syndicate of lenders. The amendments and one-year extension provide the Company with continued access to revolver capacity and near-term flexibility in a volatile oil price environment. The maturity date of the Credit Facility is November 25, 2022. No principal payments are due until then.

The Credit Facility has the following covenant requirements:

- Consolidated EBITDA requirement of $140,000.
- The Consolidated EBITDA to Consolidated Interest Expense ratio shall not be less than: (i) 1.50:1.00 for the Fiscal Quarters ending September 30, 2021, (ii) 1.75:1.00 for the Fiscal Quarter ending December 31, 2021, (iii) 2.00:1.00 for the Fiscal Quarter ending March 31, 2022, (iv) 2.25:1.00 for the Fiscal Quarters ending June 30, 2022, and September 30, 2022, and (v) 2.50:1.00 at any time thereafter.
- The Consolidated Senior Debt to Consolidated EBITDA ratio shall not exceed: (i) 4.00:1.00 for the Fiscal Quarters ending September 30, 2021, and December 31, 2021, (ii) 3.50:1.00 for the Fiscal Quarter ending March 31, 2022, (iii) 3.25:1.00 for the Fiscal Quarters ending June 30, 2022, and September 30, 2022, (iv) 3.00:1.00 at any time thereafter.

As at September 30, 2021, the Company was in compliance with all covenants related to the Credit Facility.

On March 29, 2021 the Company amended the terms of the $37,000 subordinate convertible debentures (the "**Convertible Debentures**") to:

i. extend the maturity date from January 31, 2022 to May 1, 2023;
ii. increase the interest rate from 7.00% to 7.75% per annum; and
iii. reduce the Conversion Price from $7.00 to $1.75.

The Company accounted for these amendments as an extinguishment of debt, which resulted in the Company derecognizing the liability and equity associated with the existing debt, and recognizing the liability and equity based on the calculation of the fair value of the amended debt. The difference between the fair value of the existing and the amended debt was recorded as a gain in the current period.

During the second quarter of 2019 the Company issued US $700,000 of Senior Notes (the "**Senior Notes**") due 2024 and bearing interest of 9.25%. Interest is payable semi-annually in arrears on April 15 and October 15. The Senior Notes mature April 15, 2024. During the first nine months of 2021, the Company repurchased US $25,684 of face value Senior Notes and recorded gain on repurchase of $7,431.

In addition, the Company has a US $50,000 secured Letter of Credit Facility. As of September 30, 2021, the available amount was US $8,035.

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

		2021
Opening balance	$	**1,384,605**
Proceeds from long-term debt, net of debt issuance costs		**149,126**
Long-term debt repayments		**(84,743)**
Gain on repurchase of Senior Notes		**(7,431)**
Convertible debenture fair value adjustment		**(1,845)**
Amortization of debt issuance costs		**8,109**
Foreign exchange adjustments		**(4,498)**
Ending balance	$	**1,443,323**

7. 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, 2021	161,833,756	$ 230,354
Shares issued under employee stock option plan	6,600	11
Changes in unvested common shares held in trust	318,194	390
Closing balance - September 30, 2021	**162,158,550**	**$ 230,755**

The total number of unvested common shares held in trust for share-based compensation plans as at September 30, 2021 was 966,673 (December 31, 2020 – 1,284,867).

8. DISCONTINUED OPERATIONS

During 2020, the Company discontinued the operations of a subsidiary that was acquired through the Trinidad Drilling Ltd. acquisition and its Kurdistan branch.

9. 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		Nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
Net loss attributable to common shareholders:				
Basic and diluted	**$ (34,398)**	$ (36,094)	**$ (130,240)**	$ (82,421)
Weighted average number of common shares outstanding:				
Basic	**162,481,291**	162,728,160	**162,385,426**	162,628,622
Potentially dilutive share-based compensation plans	**962,479**	228,610	**459,429**	272,292
Diluted	**163,443,770**	162,956,770	**162,844,855**	162,900,914

During the three months ended September 30, 2021, share options of 4,151,300 (2020 – 4,520,535) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

During the nine months ended September 30, 2021, share options of 4,151,300 (2020 – 4,984,927) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

10. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

(a) Non-cash working capital

	Three months ended		Nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
Net change in non-cash working capital				
Accounts receivable	**$ (40,456)**	$ 861	**$ (41,782)**	$ 146,809
Inventories, prepaid and other	**(241)**	11,282	**2,985**	7,206
Accounts payable and accruals	**44,979**	(16,224)	**36,053**	(74,373)
Income taxes receivable	**37**	10,030	**235**	9,887
	$ 4,319	$ 5,949	**$ (2,509)**	$ 89,529
Relating to:				
Operating activities	**$ 3,201**	$ 9,615	**$ (4,630)**	$ 88,946
Investing activities	**1,118**	(3,666)	**2,121**	583
	$ 4,319	$ 5,949	**$ (2,509)**	$ 89,529

11. 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:

	2021				**2020**			
As at and for the three month period ended September 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**74,469**	**140,309**	**53,800**	**268,578**	21,838	83,263	51,832	156,933
(Loss) income before interest expense, accretion of deferred financing charges and other gains (losses) and income taxes	**4,850**	**(9,125)**	**(8,157)**	**(12,432)**	(22,842)	(25,659)	(10,244)	(58,745)

	2021				**2020**			
As at and for the nine month period ended September 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**159,436**	**386,535**	**153,457**	**699,428**	135,987	426,401	173,165	735,553
Loss before interest expense, accretion of deferred financing charges and other gains (losses) and income taxes	**(15,176)**	**(31,618)**	**(33,810)**	**(80,604)**	(70,103)	(24,194)	(13,525)	(107,822)
Property and equipment, net	**681,365**	**1,412,313**	**473,506**	**2,567,184**	630,103	1,632,160	578,916	2,841,179

	Three months ended		Nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
Rig rental revenue	**$ 170,507**	$ 67,146	**$ 420,942**	$ 457,591
Service revenue	**98,071**	89,787	**278,486**	277,962
Total revenue	**$ 268,578**	$ 156,933	**$ 699,428**	$ 735,553

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.

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

13. FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at September 30, 2021 totaled $206,085, an increase of $42,144 from $164,395 as at December 31, 2020. 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 September 30, 2021, the Company had a net accounts receivable balance of approximately $5,202 for work performed in Venezuela. Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in the country as well as imposed sanctions 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 a regular basis and secures sufficient credit facilities to meet financing requirements that exceed anticipated internally generated funds. As at September 30, 2021, the remaining contractual maturities of accounts payable and accruals are less than one year.

On December 31, 2020, the Company amended and extended the existing $900,000 Credit Facility agreement with its syndicate of lenders. On March 29, 2021 the Company extended Convertible Debentures maturity date to May 2023. For details of amendments, refer to note 6. The amendments and one-year extension provide the Company with continued access to revolver capacity and near-term flexibility in a volatile oil price environment.

CORPORATE INFORMATION

BOARD OF DIRECTORS

N. MURRAY EDWARDS
Corporate Director and Investor

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Ensign Energy Services Inc.

GARY CASSWELL [2,4]
Independent Businessman

JAMES B. HOWE [1,3]
President, Bragg Creek Financial Consultants Ltd.

LEN KANGAS [2,4]
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CAM OilServ Advisors LLC

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Independent Businessman

GAIL SURKAN [2,3]
Independent Businesswoman

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

CORPORATE MANAGEMENT

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Chairman

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President and Chief Operating Officer

MICHAEL GRAY
Chief Financial Officer

MICHAEL NUSS
Executive Vice President,

BRENT CONWAY
Executive Vice President

TREVOR RUSSELL
Vice President, Finance

AHMED IQBAL
Vice President, Corporate Controller

JONATHAN BASKEYFIELD
Vice President, Tax

PATRICK KEARLEY
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HSE & Field Training

CATHY ROBINSON
Vice President, Global Human Resources

SUZANNE DAVIES
Vice President Legal and Corporate Secretary

RICK PINGEL
Vice President, Global Supply Chain

JAKE HAMDAN
Vice President, Engineering

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Bank of Montreal

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: ESI

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Trust Company of Canada

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[1] Audit

[2] Corporate Governance, Nominations and Risk

[3] Compensation

[4] Health, Safety and Environment

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