ENSIGN®

2022 Q1

FIRST QUARTER REPORT For the three months ended March 31, 2022

FINANCIAL AND OPERATING HIGHLIGHTS

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

Three months ended March 31	**2022**	2021	% change
Revenue	**332,676**	218,544	52
Adjusted EBITDA [1]	**69,965**	49,898	40
Adjusted EBITDA per common share [1]			
Basic	**$0.43**	$0.31	39
Diluted	**$0.38**	$0.31	23
Net income (loss) attributable to common shareholders	**6,587**	(43,550)	nm
Net income (loss) attributable to common shareholders per common share			
Basic	**$0.04**	$(0.27)	nm
Diluted	**$0.04**	$(0.27)	nm
Cash provided by operating activities	**54,556**	26,837	nm
Funds flow from operations	**76,741**	46,527	65
Funds flow from operations per common share			
Basic	**$0.47**	$0.29	62
Diluted	**$0.42**	$0.29	45
Long-term debt, net of cash	**1,378,699**	1,330,316	4
Weighted average common shares - basic *(000s)*	**162,895**	162,295	—
Weighted average common shares - diluted *(000s)*	**184,441**	162,582	13

Drilling	**2022**	2021	% change
Number of marketed rigs [2]			
Canada [3]	**123**	92	34
United States	**90**	93	(3)
International [4]	**34**	42	(19)
Total	**247**	227	9
Operating days [5]			
Canada [3]	**3,728**	1,846	nm
United States	**3,688**	2,581	43
International [4]	**873**	859	2
Total	**8,289**	5,286	57

Well Servicing	**2022**	2021	% change
Number of rigs			
Canada	**52**	52	—
United States	**48**	47	2
Total Operating	**100**	99	1
hours			
Canada	**11,260**	9,090	24
United States	**29,689**	29,965	(1)
Total	**40,949**	39,055	5

nm - calculation not meaningful

[1] *Adjusted EBITDA, 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 - 137, United States - 127, International - 46 (2021 total owned rigs: Canada - 118, United States - 136, 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)	**March 31 2022**	March 31 2021	December 31 2021
Working capital[1]	**114,625**	101,717	104,228
Cash	**29,706**	33,416	13,305
Long-term debt	**1,408,405**	1,363,732	1,453,884
Long-term debt, net of cash	**1,378,699**	1,330,316	1,440,579
Total long-term financial liabilities [2]	**1,418,140**	1,374,355	1,465,858
Total assets	**2,963,853**	2,966,277	2,977,054
Long-term debt to long-term debt plus equity ratio	**0.54**	0.51	0.55

[1] See Non-GAAP Measures section.
[2] Comparative total long-tem financial liabilities has been revised to conform with current year's presentation

	Three months ended March 31		
($ thousands)	**2022**	2021	% change
Capital expenditures			
Upgrade/growth	**8,091**	3,552	nm
Maintenance	**23,860**	7,200	nm
Proceeds from disposals of property and equipment	**(42,747)**	(1,174)	nm
Net capital (proceeds) expenditures	**(10,796)**	9,578	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 and partnerships ("Ensign" or the "Company") should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2022, as well as the audited consolidated financial statements and notes thereto for the year ended December 31, 2021, 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 were approved by the Company's Board of Directors on May 6, 2022, 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 2022, 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 commodity prices may pressure customers to modify their capital programs; 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 and successfully bid on new contracts; successful integration of acquisitions; the general stability of the economic and political environments in the jurisdictions where we operate, and impacts of geopolitical events such as the invasion of Ukraine by the Russian Federation, resulting hostilities and the global community responses thereto.

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 commodity prices; foreign exchange exposure; fluctuations in currency and interest rates; inflation; 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; risks associated with long-term contracts; force majeure events; determinations by Organization of Petroleum Exporting Countries ("**OPEC**") and other countries (OPEC and various other countries are referred to as

"**OPEC** +") regarding production levels; loss of key customers; litigation risks, including the Company's defence of lawsuits; risks associated with contingent liabilities and potential unknown liabilities; availability and cost of labour and other equipment, supplies and services; business interruption and casualty losses; 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; availability of sufficient cash flow to service and repay our debts; impairment of capital assets; the Company's ability to amend or comply with covenants under the credit facility and other debt instruments; actions by governmental authorities; impact of and changes to laws and regulations impacting the Company and the Company's customers, 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); safety performance; environmental contamination; shifting interest to alternative energy sources; environmental activism; the adequacy of the Company's provision for taxes; tax challenges; the impact of, and the Company's response to COVID-19; workforce and reliance on key management; technology; cybersecurity risks; seasonality and weather; risks associated with acquisitions and ability to successfully integrate acquisitions; risks associated with internal controls over financial reporting; the impact of the invasion of Ukraine by the Russian Federation, resulting hostilities and the global community responses thereto and other risks and uncertainties affecting the Company's business, revenues and expenses.

In addition, 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 and the impact thereof upon the Company, its customers and its business. , the invasion of Ukraine by the Russian Federation, resulting hostilities and the impact of global community responses thereto.

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. Unpredictable or unknown factors not discussed in this MD&A could also have material adverse effects on forward-looking statements.

Readers are cautioned that the lists of important factors contained herein are not exhaustive. For additional information on these and other factors that could affect the Company's business, operations or financial condition, refer to the "Risks and Uncertainties" section of this MD&A and the "Risk Factors" section of the Company's Annual Information Form for the year ended December 31, 2021 available 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 principal 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 income (loss) as calculated in accordance with IFRS.

ADJUSTED EBITDA	Three months ended March 31	
($ thousands)	**2022**	2021
Loss before income taxes	**(6,513)**	(52,796)
Add-back/(deduct):		
Interest expense	**25,184**	23,457
Accretion of deferred financing charges	**2,202**	2,703
Depreciation	**69,980**	70,977
Gain on asset sale	**(29,942)**	—
Gain on repurchase of unsecured Senior Notes [1]	**—**	(5,292)
Restructuring	**—**	3,533
Share-based compensation	**10,399**	1,002
Foreign exchange (gain) loss and other	**(1,345)**	6,314
Adjusted EBITDA	**69,965**	49,898

[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 defined as current assets less current liabilities as reported on the consolidated statements of financial position.

OVERVIEW

Revenue for the three months ended March 31, 2022 was $332.7 million, an increase of 52 percent from revenue for the three months ended March 31, 2021 of $218.5 million. Adjusted EBITDA totaled $70.0 million ($0.43 per common share) in the first quarter of 2022, 40 percent higher than Adjusted EBITDA of $49.9 million ($0.31 per common share) in the first quarter of 2021.

Net income attributable to common shareholders for the three months ended March 31, 2022 was $6.6 million ($0.04 per common share), compared to net loss attributable to common shareholders of $43.6 million ($0.27 per common share) for the three months ended March 31, 2021.

Funds flow from operations increased 65 percent to $76.7 million ($0.47 per common share) in the first quarter of 2022 compared to $46.5 million ($0.29 per common share) in the first quarter of the prior year.

The macro-economic conditions impacting the crude oil and natural gas industry continued to be positive for oilfield services. Strong global commodity prices continued to be supported by strengthening global crude oil demand and structural tightness in crude oil supply. OPEC+ nations, while incrementally adding supply to the market, remain committed to moderated oil supply increases. In addition, US-based producers remain committed to moderate increases in production. The invasion of Ukraine by the Russian Federation and the resulting hostilities have further challenged global oil and natural gas markets with uncertainty regarding Russian oil and natural gas supply to the global market, putting further upward pressure on commodity prices. These factors and constructive industry fundamentals have resulted in increased demand for oilfield services, driving improved activity and rig rate in the Company’s North American segments year-over-year.

Over the short term, uncertainty remains regarding the impacts of the Russian invasion of Ukraine on the global economy, COVID-19 variants and virus mutation, commodity price fluctuations, 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 first quarter of 2022 when compared to the first quarter of 2021 as operations were positively impacted by improving industry conditions, driving activity improvements year-over-year.

Furthermore, the acquisition of 35 land-based drilling rigs in Canada during the third quarter of 2021 helped further improve the Company's financial and operating results.

The average United States dollar exchange rate was 1.27 for the first three months of 2022,consistent with the same period in 2021.

Working capital at March 31, 2022 was a surplus of $114.6 million compared to a surplus of $104.2 million at December 31, 2021. At the end of the first quarter 2022, the Company's available liquidity, consisting of cash and available borrowings under its $900.0 million revolving credit facility (the "**Credit Facility**"), totaled $63.0 million compared to $15.8 million at December 31, 2021.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended March 31			
($ thousands)	**2022**	2021	Change	% change
Revenue				
Canada	**111,266**	53,556	57,710	108
United States	**166,823**	115,411	51,412	45
International	**54,587**	49,577	5,010	10
Total revenue	**332,676**	218,544	114,132	52
Oilfield services expense	**251,821**	159,443	92,378	58

nm - calculation not meaningful

Revenue for the three months ended March 31, 2022 totaled $332.7 million, an increase of 52 percent from the first quarter of 2021 of $218.5 million.

The increase in total revenue during the first quarter of 2022 was primarily due to the global economic recovery, more favourable industry conditions, rig rate improvements, increased oil and natural gas commodity prices and the acquisition of 35 land-based drilling rigs in Canada during the third quarter of 2021.

CANADIAN OILFIELD SERVICES

The Company recorded revenue of $111.3 million in Canada for the three months ended March 31, 2022, an increase of $57.7 million from $53.6 million recorded for the three months ended March 31, 2021. Canadian revenues accounted for 34 percent of the Company's total revenue in the first quarter of 2022 (2021 - 24 percent).

The operating and financial results for the Company's Canadian operations for the first quarter 2022 were positively impacted by improved industry conditions increasing both drilling and well servicing activity. In addition, operational activity increased as a result from the Company's acquisition of 35 land-based drilling rigs during the third quarter of 2021. Offsetting the increase was the elimination of the Canada Emergency Wage Subsidy ("**CEWS**") program in 2021 by the Government of Canada, of which $4.7 million was received in the first quarter of 2021.

For the three months ended March 31, 2022, the Company recorded 3,728 drilling days compared to 1,846 drilling days for the three months ended March 31, 2021, an increase of 1,882 drilling days. Well servicing hours increased by 24 percent to 11,260 operating hours in the first quarter of 2022 compared to 9,090 operating hours in the corresponding period of 2021.

During the first quarter of 2022, the Company transferred four under-utilized drilling rigs into its Canadian operations reserve fleet.

UNITED STATES OILFIELD SERVICES

During the three months ended March 31, 2022, revenue of $166.8 million was recorded by the Company's United States operations, an increase of 45 percent from the $115.4 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 50 percent of the Company's revenue in the first quarter of 2022 (2021 - 53 percent).

Drilling days increased by 43 percent to 3,688 drilling days in the first quarter of 2022 from 2,581 drilling days in the first quarter of 2021. Well servicing hours decreased by one percent in the first quarter of 2022 to 29,689 operating hours from 29,965 operating hours in the first quarter of 2021.

Overall operating and financial results for the Company's United States operations reflect improving industry conditions, increasing drilling activity and rig rate in addition to steady well servicing rig utilization.

During the first quarter of 2022, the Company transferred three under-utilized drilling rigs into its United States reserve fleet.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $54.6 million in the first quarter of 2022, a 10 percent increase from the $49.6 million recorded in the corresponding period of the prior year. The Company's international operations contributed 16 percent of the Company's total revenue in the first quarter of 2022 (2021 - 23 percent).

For the three months ended March 31, 2022, international operating days totaled 873 operating days compared to 859 drilling days for the three months ended March 31, 2021, an increase of two percent.

Operating and financial results from the international operations reflect a steady operating environment as COVID-19-related disruptions delayed some planned new drilling programs in the region.

During the first quarter of 2022, the Company sold two cold-stacked drilling rigs located in Mexico for US $34.0 million and transferred six under-utilized drilling rigs into its international operations reserve fleet.

DEPRECIATION

	Three months ended March 31			
($ thousands)	**2022**	2021	Change	% change
Depreciation	**69,980**	70,977	(997)	(1)

Depreciation totaled $70.0 million for the first quarter of 2022 compared with $71.0 million for the first quarter of 2021. The decrease in depreciation is due to certain operating assets having become fully depreciated in which case no further depreciation expense will be incurred on such assets.

GENERAL AND ADMINISTRATIVE

	Three months ended March 31			
($ thousands)	**2022**	2021	Change	% change
General and administrative	**10,890**	9,203	1,687	18
% of revenue	**3.3**	4.2		

General and administrative expenses increased 18 percent to $10.9 million (3.3 percent of revenue) for the first quarter of 2022 compared to $9.2 million (4.2 percent of revenue) for the first quarter of 2021. General and administrative expenses increased in support of increased operational activity, the end of the Canadian Emergency Wage Subsidy program ($0.6 million in 2021), the full reinstatement of salary roll-backs and annual wage increases.

FOREIGN EXCHANGE (GAIN) LOSS AND OTHER

	Three months ended March 31			
($ thousands)	**2022**	2021	Change	% change
Foreign exchange (gain) loss and other	**(1,345)**	6,314	(7,659)	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 ASSET SALE

	Three months ended March 31			
($ thousands)	**2022**	2021	Change	% change
Gain on asset sale	**(29,942)**	—	(29,942)	nm

nm - calculation not meaningful

During the first quarter of 2022 the Company finalized the sale of two drilling rigs that were cold-stacked in Mexico. The net cash proceeds received were US $33.1 million, resulting in a gain of US $23.9 million or Canadian $29.9 million.

INTEREST EXPENSE

	Three months ended March 31			
($ thousands)	**2022**	2021	Change	% change
Interest expense	**25,184**	23,457	1,727	7

Interest expense was incurred on the Company's $900.0 million Credit Facility, US $417.5 million unsecured Senior Notes ("**Senior Notes**"), $37.0 million subordinate convertible debentures (the "**Convertible Debentures**") and capital lease obligations.

Interest expense increased by $1.7 million in the first quarter of 2022 compared to the same period in 2021 as a result of an increase in overall borrowing levels and higher interest rates.

The Company's blended interest rate on its outstanding debt for the 2022 year will be approximately seven percent. The current capital structure consisting of the Credit Facility and the Senior Notes allows the Company to utilize funds flow generated to reduce debt in the near term with greater flexibility than a more non-callable weighted capital structure.

INCOME TAX (RECOVERY)

	Three months ended March 31			
($ thousands)	**2022**	2021	Change	% change
Current income tax (recovery)	**(1,670)**	50	(1,720)	nm
Deferred income tax recovery	**(11,532)**	(9,344)	(2,188)	23
Total income tax recovery	**(13,202)**	(9,294)	(3,908)	42
Effective income tax rate (%)	**202.7**	17.6		

nm - calculation not meaningful

The effective income tax rate for the three months ended March 31, 2022 was 202.7 percent compared with 17.6 percent for the three months ended March 31, 2021. The effective income tax rate in the first quarter of the current year was higher than the effective income tax rate in the first quarter of 2021 due activity levels, gains on disposal of assets and tax recoveries in foreign tax jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

		Three months ended March 31		
($ thousands, except per common share data)	**2022**	2021	Change	% change
Cash provided by operating activities	**54,556**	26,837	27,719	nm
Funds flow from operations	**76,741**	46,527	30,214	65
Funds flow from operations per common share	**$0.47**	$0.29	0.18	62
Working capital [1]	**114,625**	104,228	10,397	10

nm - calculation not meaningful
[1] Comparative figure as of December 31, 2021

For the three months ended March 31, 2022, the Company generated funds flow from operations of $76.7 million ($0.47 per common share) an increase of 65 percent from $46.5 million ($0.29 per common share) for the three months ended March 31, 2021. The increase in funds flow from operations in 2022 compared to 2021 is largely due to the increase in activity compared to the prior period as a result of the oil and natural gas industry's improving operating environment.

As at March 31, 2022, the Company's working capital was a surplus of $114.6 million, compared to a surplus of $104.2 million at December 31, 2021. The Company expects funds generated by operations, combined with current and future credit facilities, to fully support the Company's current operating and capital requirements. The existing bank facility provides for total borrowings of $900.0 million of which $33.3 million was undrawn and available at March 31, 2022 (December 31, 2021 - $2.5 million).

INVESTING ACTIVITIES

		Three months ended March 31		
($ thousands)	**2022**	2021	Change	% change
Purchase of property and equipment	**(31,951)**	(10,752)	(21,199)	nm
Proceeds from disposals of property and equipment	**42,747**	1,174	41,573	nm
Net change in non-cash working capital	**5,697**	(3,038)	8,735	nm
Cash provided by (used in) investing activities	**16,493**	(12,616)	29,109	nm

nm - calculation not meaningful

Net proceeds of property and equipment for the first quarter of 2022 totaled $10.8 million (2021 - net purchases of $9.6 million). The purchase of property and equipment for the first three months of 2022 consists of $23.9 million in maintenance capital and $8.1 million in upgrade capital.

FINANCING ACTIVITIES

		Three months ended March 31		
($ thousands)	**2022**	2021	Change	% change
Proceeds from long-term debt	**1,900**	8,596	(6,696)	(78)
Repayments of long-term debt	**(41,934)**	(15,764)	(26,170)	nm
Lease obligations principal repayments	**(1,898)**	(1,481)	(417)	28
Purchase of common shares held in trust	**(375)**	(260)	(115)	44
Issuance of common shares under the share option plan	**36**	—	36	nm
Interest paid	**(12,453)**	(15,533)	3,080	(20)
Cash used in financing activities	**(54,724)**	(24,442)	(30,282)	nm

nm - calculation not meaningful

The Company's available bank facilities consist of a $900.0 million Credit Facility, of which $33.3 million was available and undrawn as of March 31, 2022. In addition, the Company has available US $50.0 million secured letter of credit facility, of which US $0.2 million was available as of March 31, 2022.

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. No such repurchases occurred during the first quarter of 2022.

Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at March 31, 2022:

	Covenant	March 31, 2022
The Credit Facility		
Consolidated EBITDA[1]	> 140.0 million	241,525
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 2.00	2.52
Consolidated Senior Debt to Consolidated EBITDA[1,3]	≤ 3.50	3.47

[1] *Please refer to Non-GAAP Measures for Consolidated EBITDA definition.*
[2] *Consolidated Interest Expense is defined as all interest expense calculated on a 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 March 31, 2022 the Company was in compliance with all covenants related to the Credit Facility.

The Credit Facility

The Credit Facility agreement, available including amendments on SEDAR, 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 and restatement of the credit agreement, dated December 17, 2021, permitted encumbrances are limited to $25.0 million.

The Senior Notes

The note indenture governing the Senior Notes, available on SEDAR, contains certain restrictions and limitations on the Company’s ability to pay dividends; purchase and redeem shares and subordinated debt of the Company; and make certain restricted investments. These restrictions and limitations are tempered by the existence of a number of exceptions to the general prohibitions, including baskets allowing for restricted payments.

The note indenture also restricts the Company's ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2.0 to 1.0. As at March 31, 2022, 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 additional indebtedness, including the incurrence of additional debt under credit facilities up to the greater of $900.0 million or 22.5 percent of the Company’s consolidated tangible assets and of additional secured debt subordinated to the credit facilities up to the greater of US $125.0 million or four 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 March 31, 2022 totaled $257.1 million, an increase of $30.3 million from $226.8 million as at December 31, 2021. The varying levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increased 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, which contracts expired or were terminated in the second quarter of 2020. As at March 31, 2022, the Company had a net accounts receivable balance of approximately $5.1 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.

NEW BUILDS AND MAJOR RETROFITS

As at March 31, 2022, the Company transferred four, three and six under-utilized drilling rigs to its Canadian, United States and international operations reserve fleet respectively. In addition, the Company sold two cold-stacked drilling rigs from its international operations.

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

SUMMARY QUARTERLY RESULTS

($ thousands, except per common share data)	**Q1-2022**	Q4-2021	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q3-2020	Q2-2020
Revenue	**332,676**	296,166	268,578	212,306	218,544	201,265	156,933	194,759
Adjusted EBITDA [1]	**69,965**	57,861	59,769	45,645	49,898	52,742	39,476	58,060
Adjusted EBITDA per common share [1]								
Basic	**$0.43**	$0.35	$0.37	$0.28	$0.31	$0.33	$0.24	$0.36
Diluted	**$0.38**	$0.36	$0.37	$0.28	$0.31	$0.33	$0.24	$0.36
Net income (loss) attributable to common shareholders	**6,587**	(29,235)	(34,398)	(52,292)	(43,550)	3,092	(36,094)	(17,077)
Net income (loss) attributable to common shareholders per common share								
Basic	**$0.04**	$(0.18)	$(0.21)	$(0.32)	$(0.27)	$0.02	$(0.23)	$(0.10)
Diluted	**$0.04**	$(0.18)	$(0.21)	$(0.32)	$(0.27)	$0.02	$(0.23)	$(0.10)
Cash provided by operating activities	**54,556**	39,221	59,399	53,185	26,837	17,393	39,417	127,432
Funds flow from operations	**76,741**	46,644	56,198	41,326	46,527	69,630	29,802	26,338
Funds flow from operations per common share								
Basic	**$0.47**	$0.28	$0.35	$0.25	$0.29	$0.44	$0.18	$0.16
Diluted	**$0.42**	$0.29	$0.34	$0.25	$0.29	$0.44	$0.18	$0.16
Long-term debt, net of cash	**1,378,699**	1,440,579	1,418,997	1,313,837	1,330,316	1,340,407	1,422,515	1,452,619

[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 global 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 May 6, 2022:

	Number		Amount ($)
Common shares	162,608,684	$	230,990

	Outstanding	Exercisable
Stock options	7,747,200	2,011,665

OUTLOOK

Industry Overview

The outlook for oilfield services continues to be positive with strong industry market fundamentals. Steady oil and natural gas demand and structural tightness in supply continue to support a floor to improved commodity prices, strengthening demand for oilfield services.

OPEC+ nations appear to support moderate oil production increases and United States based producers seemingly are committed to limited increases in production. The invasion of Ukraine by the Russian Federation and the ongoing hostilities coupled with international community responses and sanctions, have further impacted global oil and natural gas markets while creating uncertainty regarding Russian oil and natural gas exports. These factors have contributed to the recent increase in global commodity prices. The average benchmark price of West Texas Intermediate ("**WTI**") was US $83/bbl in January 2022 and increased to US $102/bbl in April 2022.

We expect global economic growth to continue in 2022, perhaps at a slower pace in comparison to 2021 as COVID-19 related fiscal stimulus continue to dissipate and inflationary concerns prompt a tightening of monetary policy. We believe strong crude oil and natural gas demand is likely to continue and tight supply in a robust commodity price environment will further drive oilfield services industry activity and rate improvements during the remainder of 2022. While we continue to expect oil and natural gas producers to remain committed to prioritizing shareholder returns, higher oilfield service industry utilization is expected to drive day-rate pricing improvements year-over-year in the Company's North American segments.

Over the short-term, uncertainty remains regarding the macroeconomic conditions. The impacts of the ongoing hostilities in Ukraine and international community responses, commodity price fluctuations, potential setbacks in COVID-19 vaccine efficacy, demand for hydrocarbons, inflationary pressures and OPEC+ production and supply decisions are among the many factors that may impact the short-term demand for oilfield services.

The Company remains committed to strategic capital allocation and debt retirement. The Company's projected base capital expenditures in 2022 remain at approximately $115.0 million, largely related to maintenance expenditures. In addition, the Company has a number of prospective growth projects that would result in additional funds being spent on upgrading or reactivating certain of its drilling rigs.

Canadian Activity

Canadian activity, currently representing 34 percent of total revenue, improved in the first quarter of 2022 from the fourth quarter of 2021, due to improved industry conditions over the winter drilling season and the Company's acquisition of 35 land-based drilling rigs in July 2021. Due to the seasonal spring break-up, we expect activity to decline in the second quarter and improve in the third quarter of 2022.

As of May 6, 2022, of our 123 marketed Canadian drilling rigs, approximately 32 percent are engaged under term contracts of various durations. Approximately 15 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, currently representing 50 percent of total revenue, remained steady over the first quarter in comparison to the fourth quarter of 2021, and is expected to continue to steadily improve in the second quarter of 2022. Dwindling drilled but uncompleted (**"DUC"**) well inventory in the US is expected to drive activity improvements as producers are expected to drill new wells to maintain or grow current production levels.

As of May 6, 2022, of our 88 marketed United States drilling rigs, approximately 55 percent are engaged under term contracts of various durations. Approximately 33 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, currently representing 16 percent of total revenue, declined modestly in the first quarter, compared to the fourth quarter of 2022, due primarily to wet weather conditions in Australia - temporarily delaying activity in certain regions. Operations in Australia are expected to improve in the second quarter. Operations in Argentina also are expected to improve in the second quarter with the activation of a second rig. In the Middle East, operations are expected to remain steady, with four rigs active, in the second quarter.

As of May 6, 2022, of our 34 marketed international drilling rigs, approximately 38 percent are engaged under term contracts of various durations. Approximately 31 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 March 31, 2022.

RISKS AND UNCERTAINTIES

The Company is subject to several risks and uncertainties. A discussion of certain risks faced by the Company may be found under the "Risk Factors" section of the Company's Annual Information Form ("**AIF**") and the "Risks and Uncertainties" section of the Company's MD&A for the year ended December 31, 2021, which are available under the Company's SEDAR profile at www.sedar.com [sedar.com]. Other than as described within this MD&A, the Company's risk factors and management of those risks have not changed substantially from as disclosed in the AIF. Additional risks and uncertainties not presently known by the Company, or that the Company does not currently anticipate or deem material, may also impair the Company's business operations or financial condition. If any of the events described in the risk factors in this MD&A or the Company's AIF actually occur, overall business, operating results and the financial condition of the Company could be materially adversely affected.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	March 31 2022	December 31 2021
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	**$ 29,706**	$ 13,305
Accounts receivable	**257,065**	226,807
Inventories, prepaid and other	**48,752**	49,172
Income taxes receivable	**572**	580
Total current assets	**336,095**	289,864
Property and equipment	**2,444,621**	2,512,953
Deferred income taxes	**183,137**	174,237
Total assets	**$ 2,963,853**	$ 2,977,054
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 212,227**	$ 177,932
Share-based compensation *(Note 5)*	**3,158**	1,055
Income taxes payable	**1,367**	1,389
Current portion of lease obligations	**4,718**	5,260
Total current liabilities	**221,470**	185,636
Share-based compensation *(Note 5)*	**14,722**	7,966
Long-term debt *(Note 6)*	**1,408,405**	1,453,884
Lease obligations	**3,835**	4,327
Income taxes payable	**5,900**	7,647
Deferred income taxes	**115,585**	120,100
Non-controlling interest	**4,627**	4,832
Total liabilities	**1,774,544**	1,784,392
Shareholders' Equity		
Shareholders' capital *(Note 7)*	**231,181**	230,376
Contributed surplus	**22,496**	23,197
Equity component of subordinate convertible debenture	**2,380**	2,380
Accumulated other comprehensive income	**213,264**	223,308
Retained earnings	**719,988**	713,401
Total shareholders' equity	**1,189,309**	1,192,662
Total liabilities and shareholders' equity	**$ 2,963,853**	$ 2,977,054

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

For the three months ended	March 31 2022	March 31 2021
(Unaudited, in thousands of Canadian dollars, except per common share data)		
Revenue	**$ 332,676**	$ 218,544
Expenses		
Oilfield services	**251,821**	159,443
Depreciation	**69,980**	70,977
General and administrative	**10,890**	9,203
Restructuring	**—**	3,533
Share-based compensation	**10,399**	1,002
Foreign exchange (gain) loss and other	**(1,345)**	6,314
Total expenses	**341,745**	250,472
Loss before interest expense, accretion of deferred financing charges and other (gains) and income taxes	**(9,069)**	(31,928)
Gain on asset sale	**(29,942)**	—
Gain on repurchase of unsecured Senior Notes	**—**	(5,292)
Interest expense	**25,184**	23,457
Accretion of deferred financing charges	**2,202**	2,703
Loss before income taxes	**(6,513)**	(52,796)
Income tax (recovery)		
Current income tax (recovery)	**(1,670)**	50
Deferred income tax recovery	**(11,532)**	(9,344)
Total income tax recovery	**(13,202)**	(9,294)
Net income (loss)	**6,689**	(43,502)
Net income (loss) attributable to:		
Common shareholders	**6,587**	(43,550)
Non-controlling interests	**102**	48
	6,689	(43,502)
Net income (loss) attributable to common shareholders per common share *(Note 8)*		
Basic	**$ 0.04**	$ (0.27)
Diluted	**$ 0.04**	$ (0.27)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three months ended	**March 31 2022**	March 31 2021
(Unaudited, in thousands of Canadian dollars)		
Net income (loss)	**$ 6,689**	$ (43,502)
Other comprehensive loss		
Item that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustment	**(10,044)**	(13,440)
Comprehensive loss	**$ (3,355)**	$ (56,942)
Other Comprehensive loss attributable to:		
Common shareholders of the Company	**$ (10,044)**	$ (13,440)
	$ (10,044)	$ (13,440)

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, 2022	$ 230,376	$ 23,197	$ 2,380	$ 223,308	$ 713,401	$ 1,192,662
Net income attributable to common shareholders	—	—	—	—	6,587	6,587
Other comprehensive loss	—	—	—	(10,044)	—	(10,044)
Total comprehensive (loss) income	—	—	—	(10,044)	6,587	(3,457)
Common shares issued under share option plan	108	(72)	—	—	—	36
Share-based compensation	—	443	—	—	—	443
Common shares vested previously held in trust	1,072	(1,072)	—	—	—	—
Purchase of common shares held in trust	(375)	—	—	—	—	(375)
Balance, March 31, 2022	**$ 231,181**	**$ 22,496**	**$ 2,380**	**$ 213,264**	**$ 719,988**	**$ 1,189,309**
Balance, January 1, 2021	$ 230,354	$ 23,324	$ 3,193	$ 235,277	$ 872,876	$ 1,365,024
Net loss attributable to common shareholders	—	—	—	—	(43,550)	(43,550)
Other comprehensive loss	—	—	—	(13,440)	—	(13,440)
Total comprehensive loss	—	—	—	(13,440)	(43,550)	(56,990)
Convertible debenture amendment	—	—	(813)	—	—	(813)
Share-based compensation	—	653	—	—	—	653
Common shares vested previously held in trust	1,184	(1,184)	—	—	—	—
Purchase of common shares held in trust	(260)	—	—	—	—	(260)
Balance, March 31, 2021	$ 231,278	$ 22,793	$ 2,380	$ 221,837	$ 829,326	$ 1,307,614

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended	March 31 2022	March 31 2021
(Unaudited, in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net income (loss)	**$ 6,689**	$ (43,502)
Items not affecting cash		
Depreciation	**69,980**	70,977
Gain on asset sale	**(29,942)**	—
Gain on repurchase of unsecured Senior Notes	**—**	(5,292)
Share-based compensation	**10,399**	1,002
Unrealized foreign exchange and other loss	**3,761**	6,526
Accretion of deferred financing charges *(Note 6)*	**2,202**	2,703
Interest expense	**25,184**	23,457
Deferred income tax recovery	**(11,532)**	(9,344)
Funds flow from operations	**76,741**	46,527
Net change in non-cash working capital *(Note 9)*	**(22,185)**	(19,690)
Cash provided by operating activities	**54,556**	26,837
Investing activities		
Purchase of property and equipment	**(31,951)**	(10,752)
Proceeds from disposals of property and equipment	**42,747**	1,174
Net change in non-cash working capital *(Note 9)*	**5,697**	(3,038)
Cash provided by (used in) investing activities	**16,493**	(12,616)
Financing activities		
Proceeds from long-term debt *(Note 6)*	**1,900**	8,596
Repayments of long-term debt *(Note 6)*	**(41,934)**	(15,764)
Lease obligations principal repayments	**(1,898)**	(1,481)
Purchase of common shares held in trust *(Note 7)*	**(375)**	(260)
Issuance of common share under the share option plan	**36**	—
Interest paid	**(12,453)**	(15,533)
Cash used in financing activities	**(54,724)**	(24,442)
Net increase (decrease) in cash	**16,325**	(10,221)
Effects of foreign exchange on cash	**76**	(561)
Cash		
Beginning of period	**13,305**	44,198
End of period	**$ 29,706**	$ 33,416

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 ("IAS 34"). The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2021. 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, 2021, 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 May 6, 2022, after review by the Company's Audit Committee.

3. SEASONALITY OF OPERATIONS

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

4. FOREIGN OPERATIONS

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

The Company's operations in Venezuela 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 March 31, 2022 and the changes during the three month period ended, is presented below:

	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1, 2022	4,437,585	$ 3.30
Granted	1,491,425	2.80
Exercised	(60,580)	0.92
Forfeited	(58,240)	2.88
Outstanding - March 31, 2022	**5,810,190**	**$ 3.19**
Exercisable - March 31, 2022	**2,085,745**	**$ 4.35**

The following table lists the options outstanding at March 31, 2022:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$0.54 to $1.50	955,325	2.75	$ 0.54	355,115	$ 0.54
$1.51 to $3.00	2,789,375	4.29	2.22	241,990	1.56
$3.01 to $6.02	2,065,490	1.16	5.72	1,488,640	5.72
	5,810,190	2.93	$ 3.19	2,085,745	$ 4.35

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

	March 31, 2022
Remaining expected life (years)	2.6
Volatility (percent)	40.0
Forfeiture rate (percent)	7.6
Risk-free interest rate (percent)	2.3
Expected dividend (percent)	—

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of March 31, 2022 and the changes during the three month period ended, is presented below:

	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1, 2022	526,785	$ 3.34
Granted	125,500	2.80
Exercised	(1,520)	0.54
Expired	(9,350)	2.74
Outstanding - March 31, 2022	**641,415**	**$ 3.25**
Exercisable - March 31, 2022	**252,730**	**$ 4.40**

The following table lists the SARs outstanding at March 31, 2022:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$0.54 to $1.50	101,365	2.75	$ 0.54	37,696	$ 0.54
$1.51 to $3.00	293,135	4.18	2.09	34,515	1.56
$3.01 to $6.02	246,915	1.12	5.75	180,519	5.75
	641,415	2.78	$ 3.25	252,730	$ 4.40

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, 2022	6,745,583
Vested and paid	(988,552)
Forfeited	—
Outstanding - March 31, 2022	**5,757,031**

Included in net earnings for the three months ended March 31, 2022 is an expense of $3,749 (2021 - $315). 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.

Deferred Share Units (DSUs)

The Company awards annually members of the Board of Directors, to those who elect DSUs. DSUs represent cash settled rights to common shares. The valuation on the DSUs is based on the volume weighted average trading price of the Common Share for the five business days immediately prior to the date the DSUs are credited. DSUs vest and are paid upon the retirement of the Director.

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

	Outstanding
Outstanding – January 1, 2022	1,157,534
Granted	30,745
Outstanding - March 31, 2022	**1,188,279**

6. LONG-TERM DEBT

		March 31 2022		December 31 2021
Drawings on the Credit Facility	**$**	**866,672**	$	897,482
Unsecured Senior Notes, due April 2024, 9.25%		**521,205**		528,428
Subordinated Convertible Debenture, May 2023, 7.75%		**35,581**		35,229
Mortgage		**—**		10,000
Unamortized deferred financing costs		**(15,053)**		(17,255)
Total long-term debt	**$**	**1,408,405**	$	1,453,884

As at March 31, 2022, the Company's Credit Facility (the "**Credit Facility**") consists of a revolving secured facility. The Credit Facility may be drawn in Canadian or United States dollars, up to the equivalent value of $900,000 Canadian dollars (2021 - $900,000).

On December 17, 2021, the Company amended and restated its existing credit agreement with its syndicate of lenders, which provides a revolving Credit Facility. The amendments include an extension to the maturity date of the Credit Facility to the earlier of: (i) six months prior to maturity date of the unsecured Senior Notes (the "**Senior Notes**") due April 15, 2024, and (ii) November 25, 2024. No principal payments are due until then. The amended and restated Credit Facility provides the Company with continued access to revolver capacity in dynamic industry environment.

The Credit Facility has the following covenant requirements:

- A Consolidated EBITDA requirement of not less than $140,000 for Fiscal Quarters ending March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022.
- The replacement of the minimum Consolidated EBITDA requirement of $140,000 with a Consolidated Total Debt to Consolidated EBITDA ratio of 5.00:1.00 beginning for the Fiscal Quarter ending March 31, 2023.
- The Consolidated EBITDA to Consolidated Interest Expense ratio shall not be less than: (i) 2.00:1.00 for the Fiscal Quarter ending March 31, 2022, (ii) 2.25:1.00 for the Fiscal Quarters ending June 30, 2022, and September 30, 2022, and (iii) 2.50:1.00 thereafter.
- The Consolidated Senior Debt to Consolidated EBITDA ratio shall not exceed: (i) 3.50:1.00 for the Fiscal Quarter ending March 31, 2022, (ii) 3.25:1.00 for the Fiscal Quarters ending June 30, 2022, and September 30, 2022, (iii) 3.00:1.00 for the Fiscal Quarter ending December 31, 2022, and (iv) 2.50:1.00 thereafter.

As at March 31, 2022 the Company was in compliance with all covenants related to the Credit Facility.

During the second quarter of 2019 the Company issued US $700,000 of Senior Notes due 2024 bearing interest of 9.25%. Interest is payable semi-annually in arrears on April 15 and October 15 and the Senior Notes mature April 15, 2024.

In addition, the Company has a US $50,000 secured Letter of Credit Facility. As of March 31, 2022, the available amount was US $183.

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

		2022
Opening balance - January 1	**$**	**1,453,884**
Proceeds from long-term debt, net of debt issuance costs		**1,900**
Long-term debt repayments		**(41,934)**
Convertible Debentures fair value adjustment		**352**
Amortization of debt issuance costs		**2,202**
Foreign exchange adjustments		**(7,999)**
Closing balance - March 31	**$**	**1,408,405**

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, 2022	161,969,478	$ 230,376
Shares issued under employee stock option plan	39,755	108
Changes in unvested common shares held in trust	644,822	697
Closing balance - March 31, 2022	**162,654,055**	**$ 231,181**

The total number of unvested common shares held in trust for share-based compensation plans as at March 31, 2022 was 510,923 (December 31, 2021 – 1,155,745).

8. NET INCOME (LOSS) PER COMMON SHARE

Basic net income (loss) per common share is calculated by dividing net loss attributed to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted net income (loss) per common share is calculated by dividing net loss attributed to common shareholders by the weighted average number of common shares outstanding during the period adjusted for conversion of all potentially dilutive common shares. Diluted net income (loss) attributed to common shareholders 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	
	March 31 2022	March 31 2021
Net income (loss) attributable to common shareholders:		
Basic and diluted	**$ 6,587**	$ (43,550)
Weighted average number of common shares outstanding:		
Basic	**162,895,478**	162,294,821
Potentially dilutive share-based compensation plans	**402,526**	287,089
Potentially dilutive share-convertible debenture	**21,142,857**	—
Diluted	**184,440,861**	162,581,910

Share options of 4,860,565 (2021 – 4,231,365) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

9. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	March 31 2022	March 31 2021
Net change in non-cash working capital		
Accounts receivable	**$ (34,091)**	$ (14,275)
Inventories, prepaid and other	**(1,607)**	(9)
Accounts payable and accruals	**21,161**	(8,596)
Income taxes payable (receivable)	**(1,951)**	152
	$ (16,488)	$ (22,728)
Relating to:		
Operating activities	**$ (22,185)**	$ (19,690)
Investing activities	**5,697**	(3,038)
	$ (16,488)	$ (22,728)

10. 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:

	2022				2021			
As at and for the three month period ended March 31	Canada	United States	International	Total	Canada	United States	International	Total
Revenue	$ 111,266	$ 166,823	$ 54,587	$ 332,676	$ 53,556	$ 115,411	$ 49,577	$ 218,544
(Loss) income before interest expense, accretion of deferred financing charges and other gains and income taxes	(4,333)	(8,718)	3,982	(9,069)	(4,791)	(15,645)	(11,492)	(31,928)
Property and equipment, net	$ 645,147	$1,344,579	$ 454,895	$2,444,621	$ 587,716	$1,460,758	$ 509,465	$2,557,939

	March 31 2022	March 31 2021
Rig rental revenue	**$ 238,710**	$ 141,142
Service revenue	**93,966**	77,402
Total revenue	**$ 332,676**	$ 218,544

There are no material differences in the basis of accounting or the measurement of loss, 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.

11. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

12. FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at March 31, 2022 totaled $257,065, an increase of $30,258 from $226,807 as at December 31, 2021. The varying levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increased 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, which contracts expired or were terminated in the second quarter of 2020. As at March 31, 2022, the Company had a net accounts receivable balance of approximately $5,122 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 an annual basis and secures sufficient credit facilities to meet financing requirements that exceed anticipated internally generated funds. As at March 31, 2022, the remaining contractual maturities of accounts payable and accruals are less than one year.

On December 17, 2021, the Company amended and extended the existing $900,000 Credit Facility agreement with its syndicate of lenders. For details of amendments, refer to note 6. The amendments and extension provide the Company with continued access to revolver capacity and near-term flexibility in a volatile oil price environment.

13. SUBSEQUENT EVENTS

Subsequent to March 31, 2022, the Company issued a notice to redeem early, subject to pre-existing conversion rights, all of its outstanding $37,000 aggregate principal amount of unsecured subordinate debentures on June 7, 2022. The convertible debentures provide the holders the right to convert the principal sum into common shares of the Company at a conversion price of $1.75 per common share. As of May 6, 2022, $16,200 has been converted.

CORPORATE INFORMATION

BOARD OF DIRECTORS

N. MURRAY EDWARDS
Corporate Director and Investor

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

GARY CASSWELL [2,4]
Independent Businessperson

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

LEN KANGAS [2,4]
Independent Businessperson

CARY A. MOOMJIAN, JR [2,3]
President,
CAM OilServ Advisors LLC

JOHN SCHROEDER [1,3]
Independent Businessperson

GAIL SURKAN [2,3]
Independent Businessperson

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

DARLENE HASLAM
Independent Businessperson

CORPORATE MANAGEMENT

N. MURRAY EDWARDS
Chairman

ROBERT H. GEDDES
President and Chief Operating Officer

MICHAEL GRAY
Chief Financial Officer

MICHAEL NUSS
Executive Vice President - US

BRENT CONWAY
Executive Vice President, International

TREVOR RUSSELL
Vice President, Finance

AHMED IQBAL
Vice President, Corporate Controller

JONATHAN BASKEYFIELD
Vice President,Tax

PATRICK KEARLEY
Vice president, Global 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

HEAD OFFICE

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

BANKERS

HSBC Bank Canada
Bank of Montreal

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: ESI

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Trust Company of Canada

COMMITTEE MEMBERS

[1] Audit
[2] Corporate Governance, Nominations and Risk
[3] Compensation
[4] Health, Safety and Environment

ENSIGN®
www.ensignenergy.com