ENSIGN®

2022 Q2

SECOND QUARTER REPORT For the three and six months ended June 30, 2022

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended June 30			Six months ended June 30		
	2022	2021	% change	**2022**	2021	% change
Revenue	**344,123**	212,306	62	**676,799**	430,850	57
Adjusted EBITDA [1]	**68,332**	45,645	50	**138,297**	95,543	45
Adjusted EBITDA per common share [1]						
Basic	**$0.40**	$0.28	43	**$0.83**	$0.59	41
Diluted	**$0.44**	$0.28	57	**$0.82**	$0.59	39
Net loss attributable to common shareholders	**(28,138)**	(52,292)	46	**(21,551)**	(95,842)	78
Net loss attributable to common shareholders per common share						
Basic	**$(0.17)**	$(0.32)	47	**$(0.13)**	$(0.59)	77
Diluted	**$(0.17)**	$(0.32)	47	**$(0.13)**	$(0.59)	77
Cash provided by operating activities	**99,520**	53,185	87	**154,076**	80,022	93
Funds flow from operations	**81,497**	41,326	97	**158,238**	87,853	80
Funds flow from operations per common share						
Basic	**$0.47**	$0.25	88	**$0.94**	$0.54	74
Diluted	**$0.52**	$0.25	nm	**$0.94**	$0.54	74
Long-term debt, net of cash	**1,357,537**	1,313,837	3	**1,357,537**	1,313,837	3
Weighted average common shares - basic *(000s)*	**171,646**	162,295	6	**167,456**	162,481	3
Weighted average common shares - diluted *(000s)*	**173,157**	162,642	6	**168,325**	162,773	3

Drilling	**2022**	2021	% change	**2022**	2021	% change
Number of marketed rigs [2]						
Canada [3]	**123**	92	34	**123**	92	34
United States	**89**	93	(4)	**89**	93	(4)
International [4]	**34**	42	(19)	**34**	42	(19)
Total	**246**	227	8	**246**	227	8
Operating days [5]						
Canada [3]	**2,369**	1,058	nm	**6,097**	2,904	nm
United States	**4,277**	2,899	48	**7,965**	5,480	45
International [4]	**1,030**	844	22	**1,903**	1,703	12
Total	**7,676**	4,801	60	**15,965**	10,087	58

Well Servicing	**2022**	2021	% change	**2022**	2021	% change
Number of rigs						
Canada	**52**	52	—	**52**	52	—
United States	**48**	48	—	**48**	48	—
Total	**100**	100	—	**100**	100	—
Operating hours						
Canada	**12,099**	8,027	51	**23,359**	17,117	36
United States	**30,725**	33,080	(7)	**60,414**	63,045	(4)
Total	**42,824**	41,107	4	**83,773**	80,162	5

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 - 137, United States - 126, 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)	**June 30 2022**	December 31 2021	June 30 2021
Working capital [1, 2]	**102,830**	104,228	89,919
Cash	**38,994**	13,305	19,532
Long-term debt	**1,396,531**	1,453,884	1,333,369
Long-term debt, net of cash	**1,357,537**	1,440,579	1,313,837
Total long-term financial liabilities [2]	**1,408,706**	1,465,858	1,344,412
Total assets	**3,011,267**	2,977,054	2,857,832
Long-term debt to long-term debt plus equity ratio	**0.53**	0.55	0.52

[1] See non-GAAP Measures section
[2] Comparative working capital and total long-term financial liabilities has been revised to conform with current year's presentation

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Capital expenditures						
Upgrade/growth	**28,495**	4,043	nm	**36,586**	7,595	nm
Maintenance	**25,784**	9,544	nm	**49,644**	16,744	nm
Proceeds from disposals of property and equipment	**(4,189)**	(1,808)	nm	**(46,936)**	(2,982)	nm
Net capital expenditures	**50,090**	11,779	nm	**39,294**	21,357	84

nm - calculation not meaningful

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (**"MD&A"**) for Ensign Energy Services Inc. and all of its subsidiaries ("Ensign" or the "Company") should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended June 30, 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 was approved by the Company's Board of Directors on August 4, 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 hostilities between Ukraine and the Russian Federation 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 ongoing hostilities between Ukraine and the Russian Federation 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, ongoing hostilities between Ukraine and the Russian Federation, related potential future impact on the supply of oil and natural gas to Europe by Russia and the impact of global community responses to the ongoing conflict.

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 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 June 30		Six months ended June 30	
($ thousands)	**2022**	2021	**2022**	2021
Loss before income taxes	**(36,375)**	(60,385)	**(42,888)**	(113,181)
Add-back/(deduct):				
Interest expense	**27,563**	23,576	**52,747**	47,033
Accretion of deferred financing charges	**2,199**	2,704	**4,401**	5,407
Depreciation	**68,692**	69,756	**138,672**	140,733
Restructuring	**—**	—	**—**	3,533
Share-based compensation	**3,560**	5,820	**13,959**	6,822
Gain on asset sale	**(1,354)**	—	**(31,296)**	—
Gain on repurchase of unsecured Senior Notes [1]	**—**	(2,139)	**—**	(7,431)
Foreign exchange and other loss	**4,047**	6,313	**2,702**	12,627
Adjusted EBITDA	**68,332**	45,645	**138,297**	95,543

[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 second quarter of 2022 was $344.1 million, an increase of 62 percent from revenue for the second quarter of 2021 of $212.3 million. Revenue for the six months ended June 30, 2022, was $676.8 million, an increase of 57 percent from revenue for the six months ended June 30, 2021, of $430.9 million.

Adjusted EBITDA totaled $68.3 million ($0.40 per common share) in the second quarter of 2022, 50 percent higher than Adjusted EBITDA of $45.6 million ($0.28 per common share) in the second quarter of 2021. For the first six months ended June 30, 2022, Adjusted EBITDA totaled $138.3 million ($0.83 per common share), 45 percent higher than Adjusted EBITDA of $95.5 million ($0.59 per common share) in the first six months ended June 30, 2021.

Net loss attributable to common shareholders for the second quarter of 2022 was $28.1 million ($0.17 per common share) compared to a net loss attributable to common shareholders of $52.3 million ($0.32 per common share) for the second quarter of 2021. Net loss attributable to common shareholders for the six months ended June 30, 2022, was $21.6 million ($0.13 per common share), compared to a net loss attributable to common shareholders of $95.8 million ($0.59 per common share) for the six months ended June 30, 2021.

Funds flow from operations increased 97 percent to $81.5 million ($0.47 per common share) in the second quarter of 2022 compared to $41.3 million ($0.25 per common share) in the second quarter of the prior year. Funds flow from operations increased 80 percent to $158.2 million ($0.94 per common share) for the six months ended June 30, 2022, compared to $87.9 million ($0.54 per common share) for the six months ended June 30, 2021.

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 continue to incrementally add supply to the market and are expected to eliminate coordinated production cuts in the coming months. 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 drilling rig rates in the Company's North American segments year-over-year.

Over the near term, there is considerable uncertainty regarding the impacts of the Russian invasion of Ukraine and the resulting ongoing hostilities on the global economy, recession risk in certain operating environments, 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 six months ended June 30, 2022, when compared to the same period in 2021. 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 six months ended June 30, 2022 (2021 - $1.25) versus the Canadian dollar, an increase of two percent, compared to the same period of 2021.

Working capital at June 30, 2022, was a surplus of $102.8 million, compared to a surplus of $104.2 million at December 31, 2021. The Company's available liquidity, consisting of cash and available borrowings under its $900.0 million revolving credit facility (the "**Credit Facility**"), was $67.0 million at June 30, 2022.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Revenue						
Canada	**78,684**	31,411	150	**189,950**	84,967	124
United States	**203,507**	130,815	56	**370,330**	246,226	50
International	**61,932**	50,080	24	**116,519**	99,657	17
Total revenue	**344,123**	212,306	62	**676,799**	430,850	57
Oilfield services expense	**263,582**	157,793	67	**515,403**	317,236	62

Revenue for the three months ended June 30, 2022, totaled $344.1 million, an increase of 62 percent from the second quarter of 2021 $212.3 million. Revenue for the six months ended June 30, 2022, totaled $676.8 million, a 57 percent increase from the six months ended June 30, 2021.

The increase in total revenue during the second quarter of 2022 was primarily due to the global economic recovery and more favourable industry conditions due to increasing oil and natural gas commodity prices. Increased demand for oilfield services and the acquisition of 35 land-based drilling rigs in Canada during the third quarter of 2021, also contributed to the increase in revenue. The positive foreign exchange translation impact further contributed to the increase in revenue reported in Canadian currency.

CANADIAN OILFIELD SERVICES

Revenue increased by $47.3 million to $78.7 million for the three months ended June 30, 2022, from $31.4 million for the three months ended June 30, 2021. The Company recorded revenue of $190.0 million in Canada for the six months ended June 30, 2021, an increase of $105.0 million from $85.0 million recorded for the six months ended June 30, 2021.

Canadian revenue accounted for 23 percent of the Company's total revenue in the second quarter of 2022 (2021 - 15 percent) and 28 percent (2021 - 20 percent) for the first half of 2022.

The Company's Canadian drilling operations recorded 2,369 operating days in the second quarter of 2022, compared to 1,058 operating days for the second quarter of 2021, an increase of 1,311 operating days. For the six months ended June 30, 2022, the Company recorded 6,097 operating days compared to 2,904 drilling days for the six

months ended June 30, 2021, an increase of 3,193 operating days. Canadian well servicing hours increased by 51 percent to 12,099 operating hours in the second quarter of 2022 compared to 8,027 operating hours in the corresponding period of 2021. For the six months ended June 30, 2022, well servicing hours increased by 36 percent to 23,359 operating hours compared with 17,117 operating hours for the six months ended June 30, 2021.

The operating and financial results for the Company's Canadian operations in the first half year of 2022 were positively impacted by improved industry conditions that increased both drilling and well servicing activity. In addition, operational activity increased as a result of 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 $5.1 million and $9.8 million were received by the Company in the second quarter and the first half of 2021 respectively.

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

UNITED STATES OILFIELD SERVICES

The Company’s United States operations recorded revenue of $203.5 million in the second quarter of 2022, an increase of 56 percent from the $130.8 million recorded in the corresponding period of the prior year. During the six months ended June 30, 2022, revenue of $370.3 million was recorded, an increase of 50 percent from the $246.2 million recorded in the corresponding period of the prior year.

The Company's United States operations accounted for 59 percent of the Company's revenue in the second quarter of 2022 (2021 - 62 percent) and 55 percent of the Company’s revenue in the first six months of 2022 (2021 - 57 percent).

Drilling rig operating days increased by 48 percent to 4,277 operating days in the second quarter of 2022 from 2,899 operating days in the second quarter of 2021, and increased by 45 percent to 7,965 operating days in the first six months of 2022 from 5,480 operating days in the first six months of 2021. United States well servicing hours decreased by seven percent in the second quarter of 2022, to 30,725 operating hours from 33,080 operating hours in the second quarter of 2021. For the first half of 2022, well servicing activity decreased four percent to 60,414 operating hours from 63,045 operating hours in the first half of 2021.

Overall operating and financial results for the Company’s United States operations reflect improving industry conditions, increasing drilling activity and rig revenue rates in addition to steady well servicing rig utilization. The financial results from the Company's United States operations were further positively impacted on the currency translation, as the United States dollar strengthened relative to the Canadian dollar for the first six months of 2022.

During the first six months of 2022, the Company sold one cold stacked drilling rig from its United States operations and transferred three under-utilized drilling rigs into its United States reserve fleet.

INTERNATIONAL OILFIELD SERVICES

The Company’s international operations recorded revenue of $61.9 million in the second quarter of 2022, a 24 percent increase from the $50.1 million recorded in the corresponding period of the prior year. International revenues for the six months ended June 30, 2022, increased 17 percent to $116.5 million from $99.7 million recorded in the six months ended June 30, 2021.

The Company's international operations contributed 18 percent of the total revenue in the second quarter of 2022 (2021 - 23 percent) and 17 percent of the Company's revenue in the first six months of 2022 (2021 - 23 percent).

International operating days for the three months ended June 30, 2022 totaled 1,030 operating days compared to 844 operating days in the same period of 2021, an increase of 22 percent. For the six months ended June 30, 2022, international operating days totaled 1,903 operating days compared to 1,703 operating days for the six months ended June 30, 2021, an increase of 12 percent.

Operating and financial results from the international operations reflect a steady and incrementally positive operating environment as COVID-19 related disruptions continued to dissipate.

During the first six months 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 June 30			Six months ended June 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Depreciation	**68,692**	69,756	(2)	**138,672**	140,733	(1)

Depreciation expense totaled $68.7 million for the second quarter of 2022 compared with $69.8 million for the second quarter of 2021, a decrease of two percent. Depreciation expense for the first six months of 2022 decreased by one percent, to $138.7 million compared with $140.7 million in the first six months 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. Offsetting the decrease to the depreciation expense is the negative foreign exchange translation on converting USD denominated depreciation expense.

GENERAL AND ADMINISTRATIVE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
General and administrative	**12,209**	8,868	38	**23,099**	18,071	28
% of revenue	**3.5**	4.2		**3.4**	4.2	

General and administrative expense increased 38 percent to $12.2 million (3.5 percent of revenue) for the second quarter of 2022 compared to $8.9 million (4.2 percent of revenue) for the second quarter of 2021. For the six months ended June 30, 2022, general and administrative expense totaled $23.1 million (3.4 percent of revenue) compared to $18.1 million (4.2 percent of revenue) for the six months ended June 30, 2021. General and administrative expenses increased in support of increased operational activity, the end of the CEWS program ($0.9 million and $1.5 million received during the second quarter and the first half of 2021 respectively), and the full reinstatement of salary roll-backs and annual wage increases. Further increasing the general and administrative expense is the negative foreign exchange translation on converting USD denominated general and administrative expense.

FOREIGN EXCHANGE AND OTHER LOSS

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Foreign exchange and other loss	**4,047**	6,313	(36)	**2,702**	12,627	(79)

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 June 30			Six months ended June 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Gain on asset sale	**(1,354)**	—	nm	**(31,296)**	—	nm

nm - calculation not meaningful

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

INTEREST EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Interest expense	**27,563**	23,576	17	**52,747**	47,033	12

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**") prior to conversion, and capital lease obligations.

Interest expense increased by 17 percent for the second quarter of 2022 compared to the second quarter of 2021. Interest expense increased by 12 percent for the first six months of 2022 compared to the same period of 2021. The increase for the three and six months of 2022 is the result of higher overall borrowing and higher interest rates. The negative translational impact on United States dollar-denominated debt further increased interest expense for the quarter.

The Company's blended interest rate on its outstanding debt for the 2022 year will be approximately eight 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 June 30			Six months ended June 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Current income taxes (recovery)	**(92)**	476	nm	**(1,762)**	526	nm
Deferred income taxes recovery	**(8,124)**	(11,428)	(29)	**(19,656)**	(20,772)	(5)
Total income taxes recovery	**(8,216)**	(10,952)	(25)	**(21,418)**	(20,246)	6
Effective income tax rate (%)	**22.6**	18.1	25	**49.9**	17.9	nm

nm - calculation not meaningful

The effective income tax rate for the three months ended June 30, 2022, was 22.6 percent compared to 18.1 percent for the three months ended June 30, 2021. The effective income tax rate for the six months ended June 30, 2022, was 49.9 percent compared to 17.9 percent for the six months ended June 30, 2021. The effective income tax rate in the first six months of the current year was higher than the effective income tax rate in the same period of 2021 due to activity levels, gains on disposal of assets and tax recoveries in foreign tax jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

	Three months ended June 30			Six months ended June 30		
($ thousands, except per common share data)	**2022**	2021	% change	**2022**	2021	% change
Cash provided by operating activities	**99,520**	53,185	87	**154,076**	80,022	93
Funds flow from operations	**81,497**	41,326	97	**158,238**	87,853	80
Funds flow from operations per common share	**$0.47**	$0.25	88	**$0.94**	$0.54	74
Working capital [1]	**102,830**	104,228	(1)	**102,830**	104,228	(1)

[1] *Comparative figure as at December 31, 2021*

During the three months ended June 30, 2022, the Company generated funds flow from operations of $81.5 million ($0.47 per common share) compared to funds flow from operations of $41.3 million ($0.25 per common share) for the three months ended June 30, 2021, an increase of 97 percent. For the six months ended June 30, 2022, the Company generated funds flow from operations of $158.2 million ($0.94 per common share) an increase of 80 percent from $87.9 million ($0.54 per common share) for the six months ended June 30, 2021. The increase in funds flow from operations for six months ended June 30, 2022, compared to the same period of 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.

At June 30, 2022 the Company's working capital was a surplus of $102.8 million, compared to a working capital surplus of $104.2 million at December 31, 2021. 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 $28.1 million was undrawn and available at June 30, 2022.

INVESTING ACTIVITIES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Purchase of property and equipment	**(54,279)**	(13,587)	nm	**(86,230)**	(24,339)	nm
Proceeds from disposals of property and equipment	**4,189**	1,808	nm	**46,936**	2,982	nm
Distribution to non-controlling interest	**(1,852)**	—	nm	**(1,852)**	—	nm
Net change in non-cash working capital	**3,205**	4,041	(21)	**8,902**	1,003	nm
Cash used in investing activities	**(48,737)**	(7,738)	nm	**(32,244)**	(20,354)	58

nm - calculation not meaningful

Net purchases of property and equipment for the second quarter of 2022 totaled $50.1 million (2021 - $11.8 million). Net purchases of property and equipment during the first six months of 2022 totaled $39.3 million (2021 - $21.4 million). The purchase of property and equipment for the first six months of 2022 consists of $36.6 million in upgrade capital and $49.6 million in maintenance capital.

FINANCING ACTIVITIES

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Proceeds from long-term debt	**26,705**	29,935	(11)	**28,605**	38,531	(26)
Repayments of long-term debt	**(23,460)**	(50,799)	(54)	**(65,394)**	(66,563)	(2)
Lease obligation principal repayments	**(2,291)**	(1,746)	31	**(4,189)**	(3,227)	30
Interest paid	**(41,434)**	(34,318)	21	**(53,887)**	(49,851)	8
Issuance of common shares under share option plan	**—**	—	nm	**36**	—	nm
Purchase of common shares held in trust	**(405)**	(224)	81	**(780)**	(484)	61
Cash used in financing activities	**(40,885)**	(57,152)	(28)	**(95,609)**	(81,594)	17

nm - calculation not meaningful

The Company's available bank facilities consist of a $900.0 million Credit Facility, of which $28.1 million was available and undrawn as of June 30, 2022. In addition, the Company has available US $50.0 million secured letter of credit facility, of which US $1.2 million was available as of June 30, 2022.

On May 31, 2022, the Company settled its Convertible Debentures of $37.0 million through the issuance of 21,142,857 common shares of the Company at conversion price of $1.75. The holders' elections to convert the Convertible Debentures were made following the issue of notice by the Company, on April 8, 2022, of its intention to redeem all issued and outstanding Convertible Debentures on June 7, 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 half of 2022.

Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at June 30, 2022:

	Covenant	June 30 2022
The Credit Facility		
Consolidated EBITDA[1]	> 140.0 million	258,414
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 2.25	2.57
Consolidated Senior Debt to Consolidated EBITDA[1,3]	≤ 3.25	3.22

[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 June 30, 2022, 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 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 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 note 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 June 30, 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 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 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 June 30, 2022 totaled $263.0 million, an increase of $36.2 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, 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 June 30, 2022, the Company had a net accounts receivable balance of approximately $5.3 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

During the first six months ended June 30, 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 one cold stacked drilling rig from its United States operations and two cold-stacked drilling rigs from its international operations. The Company's projected capital expenditures in 2022 are expected to be approximately $165.0 million of which $40.0 million relates to growth capital. As at June 30, 2022, 24 drilling rigs have be reactivated and upgraded.

SUMMARY QUARTERLY RESULTS

($ thousands, except per common share data)	**Q2-2022**	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q3-2020
Revenue	**344,123**	332,676	296,166	268,578	212,306	218,544	201,265	156,933
Adjusted EBITDA [1]	**68,332**	69,965	57,861	59,769	45,645	49,898	52,742	39,476
Adjusted EBITDA per common share [1]								
Basic	**$0.40**	$0.43	$0.35	$0.37	$0.28	$0.31	$0.33	$0.24
Diluted	**$0.44**	$0.38	$0.36	$0.37	$0.28	$0.31	$0.33	$0.24
Net (loss) income attributable to common shareholders	**(28,138)**	6,587	(29,235)	(34,398)	(52,292)	(43,550)	3,092	(36,094)
Net (loss) income per common share								
Basic	**$(0.17)**	$0.04	$(0.18)	$(0.21)	$(0.32)	$(0.27)	$0.02	$(0.23)
Diluted	**$(0.17)**	$0.04	$(0.18)	$(0.21)	$(0.32)	$(0.27)	$0.02	$(0.23)
Cash provided by operating activities	**99,520**	54,556	39,221	59,399	53,185	26,837	17,393	39,417
Funds flow from operations	**81,497**	76,741	46,644	56,198	41,326	46,527	69,630	29,802
Funds flow from operations per common share								
Basic	**$0.47**	$0.47	$0.28	$0.35	$0.25	$0.29	$0.44	$0.18
Diluted	**$0.52**	$0.42	$0.29	$0.34	$0.25	$0.29	$0.44	$0.18
Total debt, net of cash	**1,357,537**	1,378,699	1,440,579	1,418,997	1,313,837	1,330,316	1,340,407	1,422,515

[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 August 4, 2022:

	Number		Amount ($)
Common shares	187,673,350	$	268,616

	Outstanding	Exercisable
Stock options	5,706,335	3,152,460

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 improved commodity prices, strengthening demand for oilfield services year-over-year.

OPEC+ nations continue to add moderated supply to the market in addition to United States based producers' modest 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. Despite strong supply and demand fundamentals in oil markets, inflationary concerns generally continue to prompt a tightening of monetary policy and a rise in interest rates. Rising interest rates largely resulting from efforts to quell rising high inflation have subsequently led to uncertainty in financial markets regarding recession risk. These factors continue to impact global commodity prices and have led to a recent pullback in commodity prices. The average benchmark price of West Texas Intermediate ("**WTI**") was US $110/bbl in May 2022 and decreased to US $102/bbl in July 2022.

However, we expect strong crude oil and natural gas demand is likely to continue and tight supply in a robust commodity price environment may 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, there is considerable uncertainty regarding macroeconomic conditions. The impact of the ongoing hostilities in Ukraine on the global economy in general, and the future supply of Russian oil and natural gas to Europe in particular, as well as international sanctions on the Russian Federation, inflationary pressures and recession risk along with a myriad of other factors may impact near term supply and demand for, and pricing of crude oil and natural gas and related oilfield services.

Canadian Activity

Canadian activity, currently representing 28 percent of total revenue for the first half of 2022, improved in the second quarter of 2022 as operations exited seasonal spring break-up. We expect activity to continue to improve over the third quarter and into the fourth quarter of 2022.

As of August 4, 2022, of our 123 marketed Canadian drilling rigs, approximately 41 percent are engaged under term contracts of various durations. Approximately 41 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 55 percent of total revenue for the first half of 2022, improved during the second quarter of 2022 and is expected to continue to steadily improve in the third quarter of 2022. Dwindling drilled but uncompleted (**"DUC"**) well inventory in the US is expected to positively impact activity as producers are expected to drill new wells to maintain or grow current production levels through the remainder of the year.

As of August 4, 2022, of our 89 marketed United States drilling rigs, approximately 61 percent are engaged under term contracts of various durations. Approximately 24 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 17 percent of total revenue in the first half of 2022, improved over the second quarter, with increased activity in Latin America and Australia. Operations in Australia are expected to remain steady to modestly improve in the third quarter of 2022. Operations in Argentina, with two rigs active, are also expected remain steady in the third quarter of 2022. In the Middle East, operations are expected to remain steady in the third quarter of 2022 with four rigs active and are anticipated to improve in the fourth quarter of 2022 with increased activity in Oman.

As of August 4, 2022, of our 34 marketed international drilling rigs, approximately 38 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 June 30, 2022.

RISK 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	June 30 2022	December 31 2021
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	**$ 38,994**	$ 13,305
Accounts receivable	**263,020**	226,807
Inventories, prepaid and other	**47,152**	49,172
Income taxes receivable	**137**	580
Total current assets	**349,303**	289,864
Property and equipment	**2,470,465**	2,512,953
Deferred income taxes	**191,499**	174,237
Total assets	**$ 3,011,267**	$ 2,977,054
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 237,118**	$ 177,932
Share-based compensation *(Note 5)*	**3,389**	1,055
Income taxes payable	**912**	1,389
Current portion of lease obligation	**5,054**	5,260
Total current liabilities	**246,473**	185,636
Share-based compensation *(Note 5)*	**18,008**	7,966
Long-term debt *(Note 6)*	**1,396,531**	1,453,884
Lease obligations	**5,764**	4,327
Income tax payable	**6,411**	7,647
Deferred income taxes	**120,279**	120,100
Non-controlling interest	**—**	4,832
Total liabilities	**1,793,466**	1,784,392
Shareholders' Equity		
Shareholders' capital *(Note 7)*	**268,748**	230,376
Contributed surplus	**22,627**	23,197
Equity component of convertible debenture *(Note 6)*	**—**	2,380
Accumulated other comprehensive income	**234,576**	223,308
Retained earnings	**691,850**	713,401
Total shareholders' equity	**1,217,801**	1,192,662
Total liabilities and shareholders' equity	**$ 3,011,267**	$ 2,977,054

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS

	Three months ended		Six months ended	
	June 30 2022	June 30 2021	**June 30 2022**	June 30 2021
(Unaudited, in thousands of Canadian dollars, except per common share data)				
Revenue	**$ 344,123**	$ 212,306	**$ 676,799**	$ 430,850
Expenses				
Oilfield services	**263,582**	157,793	**515,403**	317,236
Depreciation	**68,692**	69,756	**138,672**	140,733
General and administrative	**12,209**	8,868	**23,099**	18,071
Restructuring	**—**	—	**—**	3,533
Share-based compensation	**3,560**	5,820	**13,959**	6,822
Foreign exchange and other loss	**4,047**	6,313	**2,702**	12,627
Total expenses	**352,090**	248,550	**693,835**	499,022
Loss before interest expense, accretion of deferred financing charges and other gains and income taxes	**(7,967)**	(36,244)	**(17,036)**	(68,172)
Gain on repurchase of unsecured Senior Notes	**—**	(2,139)	**—**	(7,431)
Gain on asset sale	**(1,354)**	—	**(31,296)**	—
Interest expense	**27,563**	23,576	**52,747**	47,033
Accretion of deferred financing charges	**2,199**	2,704	**4,401**	5,407
Loss before income taxes	**(36,375)**	(60,385)	**(42,888)**	(113,181)
Income taxes (recovery)				
Current income taxes (recovery)	**(92)**	476	**(1,762)**	526
Deferred income taxes recovery	**(8,124)**	(11,428)	**(19,656)**	(20,772)
Total income tax recovery	**(8,216)**	(10,952)	**(21,418)**	(20,246)
Net loss from continuing operations	**(28,159)**	(49,433)	**(21,470)**	(92,935)
Loss from discontinued operations	**—**	(2,899)	**—**	(2,899)
Net loss	**$ (28,159)**	$ (52,332)	**$ (21,470)**	$ (95,834)
Net (loss) income attributable to:				
Common shareholders	**(28,138)**	(52,292)	**(21,551)**	(95,842)
Non-controlling interests	**(21)**	(40)	**81**	8
	(28,159)	(52,332)	**(21,470)**	(95,834)
Net loss attributable to common shareholders per common share *(Note 8)*				
Basic	**$ (0.17)**	$ (0.32)	**$ (0.13)**	$ (0.59)
Diluted	**$ (0.17)**	$ (0.32)	**$ (0.13)**	$ (0.59)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three months ended		Six months ended	
	June 30 2022	June 30 2021	**June 30 2022**	June 30 2021
(Unaudited, in thousands of Canadian dollars)				
Net loss	**$ (28,159)**	$ (52,332)	$ (21,470)	(95,834)
Other comprehensive income (loss)				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**21,312**	(12,683)	**11,268**	(26,123)
Comprehensive loss	**$ (6,847)**	$ (65,015)	**$ (10,202)**	$ (121,957)
Other comprehensive income (loss) attributable to:				
Common shareholders of the Company	**$ 21,312**	$ (12,683)	**$ 11,268**	$ (26,123)
	$ 21,312	$ (12,683)	**$ 11,268**	$ (26,123)

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 loss attributable to common shareholders	—	—	—	—	(21,551)	(21,551)
Other comprehensive income	—	—	—	11,268	—	11,268
Total comprehensive income (loss)	—	—	—	11,268	(21,551)	(10,283)
Convertible debenture conversion (*Note 6*)	37,961	—	(2,380)	—	—	35,581
Common shares issued under share option plan	119	(82)	—	—	—	37
Share-based compensation	—	584	—	—	—	584
Common shares vested previously held in trust	1,072	(1,072)	—	—	—	—
Purchase of common shares held in trust	(780)	—	—	—	—	(780)
Balance, June 30, 2022	**$ 268,748**	**$ 22,627**	**$ —**	**$ 234,576**	**$ 691,850**	**$ 1,217,801**
Balance, January 1, 2021	$ 230,354	$ 23,324	$ 3,193	$ 235,277	$ 872,876	$ 1,365,024
Net loss attributable to common shareholders	—	—	—	—	(95,842)	(95,842)
Other comprehensive loss	—	—	—	(26,123)	—	(26,123)
Total comprehensive loss	—	—	—	(26,123)	(95,842)	(121,965)
Convertible debenture amendment	—	—	(813)	—		(813)
Share-based compensation	—	445	—	—	—	445
Common shares vested previously held in trust	1,184	(1,184)	—	—	—	—
Purchase of common shares held in trust	(484)	—	—	—	—	(484)
Balance, June 30, 2021	$ 231,054	$ 22,585	$ 2,380	$ 209,154	$ 777,034	$ 1,242,207

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Six months ended	
	June 30 2022	June 30 2021	**June 30 2022**	June 30 2021
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net loss	**$ (28,159)**	$ (52,332)	**$ (21,470)**	$ (95,834)
Items not affecting cash				
Depreciation	**68,692**	69,756	**138,672**	140,733
Gain on asset sale	**(1,354)**	—	**(31,296)**	—
Gain on repurchase of unsecured Senior Notes	**—**	(2,139)	**—**	(7,431)
Share-based compensation, net cash settlements	**1,823**	5,820	**12,222**	6,822
Unrealized foreign exchange and other	**18,857**	5,369	**22,618**	11,895
Accretion of deferred financing charges	**2,199**	2,704	**4,401**	5,407
Interest expense	**27,563**	23,576	**52,747**	47,033
Deferred income taxes recovery	**(8,124)**	(11,428)	**(19,656)**	(20,772)
Funds flow from operations	**81,497**	41,326	**158,238**	87,853
Net change in non-cash working capital *(Note 9)*	**18,023**	11,859	**(4,162)**	(7,831)
Cash provided by operating activities	**99,520**	53,185	**154,076**	80,022
Investing activities				
Purchase of property and equipment	**(54,279)**	(13,587)	**(86,230)**	(24,339)
Proceeds from disposals of property and equipment	**4,189**	1,808	**46,936**	2,982
Distribution to non-controlling interest	**(1,852)**	—	**(1,852)**	—
Net change in non-cash working capital *(Note 9)*	**3,205**	4,041	**8,902**	1,003
Cash used in investing activities	**(48,737)**	(7,738)	**(32,244)**	(20,354)
Financing activities				
Proceeds from long-term debt *(Note 6)*	**26,705**	29,935	**28,605**	38,531
Repayments of long-term debt *(Note 6)*	**(23,460)**	(50,799)	**(65,394)**	(66,563)
Lease obligation principal repayments	**(2,291)**	(1,746)	**(4,189)**	(3,227)
Interest paid	**(41,434)**	(34,318)	**(53,887)**	(49,851)
Issuance of common shares under share option plan	**—**	—	**36**	—
Purchase of common shares held in trust *(Note 7)*	**(405)**	(224)	**(780)**	(484)
Cash used in financing activities	**(40,885)**	(57,152)	**(95,609)**	(81,594)
Net increase (decrease) in cash	**9,898**	(11,705)	**26,223**	(21,926)
Effects of foreign exchange on cash	**(610)**	(2,179)	**(534)**	(2,740)
Cash				
Beginning of period	**29,706**	33,416	**13,305**	44,198
End of period	**$ 38,994**	$ 19,532	**$ 38,994**	$ 19,532

See accompanying notes to the interim consolidated financial statements.

1. NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting. 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 August 4, 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 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 June 30, 2022 and the changes during the six 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 for common shares	(41,850)	0.90
Exercised for cash	(86,410)	0.92
Forfeited	(87,345)	4.51
Outstanding - June 30, 2022	**5,713,405**	**$ 3.21**
Exercisable - June 30, 2022	**1,988,960**	**$ 4.46**

The following table lists the options outstanding at June 30, 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	909,085	2.51	$ 0.54	308,875	$ 0.54
$1.51 to $3.00	2,763,895	4.04	2.23	216,510	1.56
$3.01 to $6.02	2,040,425	0.92	5.71	1,463,575	5.72
	5,713,405	2.68	$ 3.21	1,988,960	$ 4.46

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

	June 30 2022
Remaining expected life (years)	2.3
Volatility (percent)	40.0
Forfeiture rate (percent)	7.5
Risk-free interest rate (percent)	3.1
Expected dividend (percent)	—

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of June 30, 2022 and the changes during the six 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	(6,525)	1.00
Expired	(24,685)	2.99
Outstanding - June 30, 2022	**621,075**	**$ 3.27**
Exercisable - June 30, 2022	**242,215**	**$ 4.46**

The following table lists the SARs outstanding at June 30, 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	97,280	2.51	$ 0.54	35,606	$ 0.54
$1.51 to $3.00	282,485	3.94	2.10	30,365	1.56
$3.01 to $6.02	241,310	0.86	5.75	176,244	5.76
	621,075	2.52	$ 3.27	242,215	$ 4.46

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
Granted	1,686,148
Vested and paid	(988,552)
Outstanding - June 30, 2022	**7,443,179**

Included in net earnings for the three months ended June 30, 2022 is an expense of $2,913 (2021 - $3,388), and for the six months ended June 30, 2022 is an expense of $6,662 (2021 - $3,073). 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	64,605
Outstanding - June 30, 2022	**1,222,139**

6. LONG-TERM DEBT

	June 30 2022	December 31 2021
Drawings on the Credit Facility	**$ 871,947**	$ 897,482
Unsecured Senior Notes, due April 2024, 9.25%	**537,438**	528,428
Subordinated Convertible Debenture, May, 2023, 7.75%	**—**	35,229
Mortgage	**—**	10,000
Unamortized deferred financing costs	**(12,854)**	(17,255)
Total long-term debt	**$ 1,396,531**	$ 1,453,884

As at June 30, 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 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) 2.25:1.00 for the Fiscal Quarters ending June 30, 2022, and September 30, 2022, and (ii) 2.50:1.00 thereafter.
- The Consolidated Senior Debt to Consolidated EBITDA ratio shall not exceed: (i) 3.25:1.00 for the Fiscal Quarters ending June 30, 2022, and September 30, 2022, (ii) 3.00:1.00 for the Fiscal Quarter ending December 31, 2022, and (iii) 2.50:1.00 thereafter.

As at June 30, 2022, the Company was in compliance with all covenants related to the Credit Facility.

On June 7, 2022, the Company settled its Convertible Debentures of $37,000 through the issuance of 21,142,857 common shares of the Company at conversion price of $1.75. The holders' election to convert the Convertible Debentures were made following the issue of notice by the Company, on April 8, 2022, of its intention to redeem all issued and outstanding Convertible Debentures on June 7, 2022.

During the second quarter of 2019 the Company issued US $700,000 of 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.

In addition, the Company has a US $50,000 secured Letter of Credit Facility. As of June 30, 2022, the available amount was US $1,163.

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	$	**1,453,884**
Proceeds from long-term debt		**28,605**
Long-term debt repayments		**(65,394)**
Convertible debenture conversion		**(35,581)**
Convertible debenture fair value adjustment		**352**
Amortization of debt issuance costs		**4,401**
Foreign exchange adjustments		**10,264**
Ending balance	$	**1,396,531**

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
Convertible debenture conversion	21,142,857		37,961
Shares issued under employee stock option plan	41,985		119
Changes in unvested common shares held in trust	558,842		292
Closing balance - June 30, 2022	**183,713,162**	**$**	**268,748**

On June 7, 2022, the Company settled its Convertible Debentures of $37,000 through the issuance of 21,142,857 common shares of the Company at conversion price of $1.75. Please refer to note 6 for more details.

The total number of unvested common shares held in trust for share-based compensation plans as at June 30, 2022 was 596,903 (December 31, 2021 – 1,155,745).

8. NET LOSS PER COMMON SHARE

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

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

	Three months ended		Six months ended	
	June 30 2022	June 30 2021	**June 30 2022**	June 30 2021
Net loss attributable to common shareholders:				
Basic and diluted	**$ (28,138)**	$ (52,292)	**$ (21,551)**	$ (95,842)
Weighted average number of common shares outstanding:				
Basic	**171,645,914**	162,294,821	**167,456,256**	162,481,291
Potentially dilutive share-based compensation plans	**1,511,046**	346,979	**869,083**	291,985
Diluted	**173,156,960**	162,641,800	**168,325,339**	162,773,276

During the three months ended June 30, 2022, share options of 2,040,425 (2021 – 5,222,915) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

During the six months ended June 30, 2022, share options of 3,531,850 (2021 – 5,223,406) 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

(a) Non-cash working capital

	Three months ended		Six months ended	
	June 30 2022	June 30 2021	**June 30 2022**	June 30 2021
Net change in non-cash working capital				
Accounts receivable	**$ (7,465)**	$ 12,949	**$ (41,307)**	$ (1,326)
Inventories, prepaid and other	**(2,091)**	3,235	**(3,698)**	3,226
Accounts payable and accruals	**31,111**	(330)	**52,272**	(8,926)
Income taxes	**(327)**	46	**(2,527)**	198
	$ 21,228	$ 15,900	**$ 4,740**	$ (6,828)
Relating to:				
Operating activities	**$ 18,023**	$ 11,859	**$ (4,162)**	$ (7,831)
Investing activities	**3,205**	4,041	**8,902**	1,003
	$ 21,228	$ 15,900	**$ 4,740**	$ (6,828)

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 June 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**78,684**	**203,507**	**61,932**	**344,123**	31,411	130,815	50,080	212,306
(Loss) income before interest expense, accretion of deferred financing charges and other gains and income taxes	**(431)**	**7,499**	**(15,035)**	**(7,967)**	(15,235)	(6,848)	(14,161)	(36,244)

As at and for the six month period ended June 30	2022 Canada	2022 United States	2022 International	2022 Total	2021 Canada	2021 United States	2021 International	2021 Total
Revenue	**189,950**	**370,330**	**116,519**	**676,799**	84,967	246,226	99,657	430,850
Loss before interest expense, accretion of deferred financing charges and other gain and income taxes	**(4,764)**	**(1,219)**	**(11,053)**	**(17,036)**	(20,026)	(22,493)	(25,653)	(68,172)
Property and equipment, net	**635,059**	**1,386,239**	**449,167**	**2,470,465**	575,550	1,412,106	484,029	2,471,685

	Three months ended		Six months ended	
	June 30 2022	June 30 2021	**June 30 2022**	June 30 2021
Rig rental revenue	**$ 208,275**	$ 109,293	**$ 446,985**	$ 250,435
Service revenue	**135,848**	103,013	**229,814**	180,415
Total revenue	**$ 344,123**	$ 212,306	**$ 676,799**	$ 430,850

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.

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

12. FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at June 30, 2022 totaled $263,020, an increase of $36,213 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, increases the collection risk of accounts receivable balances.

As part of the Company’s international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at June 30, 2022, the Company had a net accounts receivable balance of

approximately $5,277 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 June 30, 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.

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 [1,4]
Independent Businessperson

COMMITTEE MEMBERS

[1] Audit

[2] Corporate Governance, Nominations and Risk

[3] Compensation

[4] Health, Safety and Environment

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

ELDON CULSHAW
Vice President, Canada

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

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