ENSIGN®

2022 Q3

THIRD QUARTER REPORT For the three and nine months ended September 30, 2022

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended September 30			Nine months ended September 30		
	2022	2021	% change	**2022**	2021	% change
Revenue	**432,550**	268,578	61	**1,109,349**	699,428	59
Adjusted EBITDA [1]	**105,358**	59,769	76	**243,655**	155,312	57
Adjusted EBITDA per common share [1]						
Basic	**$0.54**	$0.37	46	**$1.37**	$0.96	43
Diluted	**$0.54**	$0.36	50	**$1.36**	$0.95	43
Net income (loss) attributable to common shareholders	**17,782**	(34,398)	nm	**(3,769)**	(130,240)	(97)
Net income (loss) attributable to common shareholders per common share						
Basic	**$0.11**	$(0.21)	nm	**$(0.02)**	$(0.80)	(97)
Diluted	**$0.11**	$(0.21)	nm	**$(0.02)**	$(0.80)	(98)
Cash provided by operating activities	**44,353**	59,399	(25)	**198,465**	139,421	42
Funds flow from operations	**103,321**	56,198	84	**261,595**	144,051	82
Funds flow from operations per common share						
Basic	**$0.53**	$0.35	51	**$1.47**	$0.89	65
Diluted	**$0.52**	$0.34	53	**$1.46**	$0.88	66
Long-term debt, net of cash	**1,415,520**	1,418,997	—	**1,415,520**	1,418,997	—
Weighted average common shares - basic *(000s)*	**183,713**	162,481	13	**178,246**	162,385	10
Weighted average common shares - diluted *(000s)*	**185,131**	163,444	13	**179,520**	162,845	10

Drilling	**2022**	2021	% change	**2022**	2021	% change
Number of marketed rigs [2]						
Canada [3]	**123**	127	(3)	**123**	127	(3)
United States	**89**	93	(4)	**89**	93	(4)
International [4]	**34**	42	(19)	**34**	42	(19)
Total	**246**	262	(6)	**246**	262	(6)
Operating days [5]						
Canada [3]	**4,009**	2,846	41	**10,106**	5,750	76
United States	**4,937**	3,074	61	**12,902**	8,554	51
International [4]	**996**	929	7	**2,899**	2,632	10
Total	**9,942**	6,849	45	**25,907**	16,936	53

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	**12,857**	9,316	38	**36,216**	26,433	37
United States	**32,877**	32,452	1	**93,291**	95,497	(2)
Total	**45,734**	41,768	9	**129,507**	121,930	6

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 - 153, 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)	**September 30 2022**	December 31 2021	September 30 2021
Working capital [1, 2]	**136,435**	104,228	79,311
Cash	**29,994**	13,305	24,326
Long-term debt	**1,445,514**	1,453,884	1,443,323
Long-term debt, net of cash	**1,415,520**	1,440,579	1,418,997
Total long-term financial liabilities [2]	**1,458,352**	1,465,858	1,453,404
Total assets	**3,176,408**	2,977,054	3,006,840
Long-term debt to long-term debt plus equity ratio	**0.53**	0.55	0.54

[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 September 30			Nine months ended September 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Capital expenditures						
Upgrade/growth	**18,429**	9,502	94	**55,015**	17,097	nm
Maintenance	**28,495**	8,498	nm	**78,139**	25,242	nm
Proceeds from disposals of property and equipment	**—**	(1,665)	nm	**(46,936)**	(4,647)	nm
Net capital expenditures before acquisitions	**46,924**	16,335	nm	**86,218**	37,692	nm
Acquisition of 35 drilling rigs, related equipment, land and buildings	**—**	117,928	nm	**—**	117,928	nm
Net capital expenditures	**46,924**	134,263	(65)	**86,218**	155,620	(45)

nm - calculation not meaningful

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (**"MD&A"**) for Ensign Energy Services Inc. and all of its subsidiaries ("Ensign" or the "Company") should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 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 November 3, 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 and beyond, 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, pandemics, 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; pandemics; 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 or other pandemics; 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, new pandemics, 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 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 loss as calculated in accordance with IFRS.

ADJUSTED EBITDA	Three months ended September 30		Nine months ended September 30	
($ thousands)	**2022**	2021	**2022**	2021
Income (loss) before income taxes	**20,376**	(40,670)	**(22,512)**	(153,851)
Add-back/(deduct):				
Interest expense	**32,438**	25,536	**85,185**	72,569
Accretion of deferred financing charges	**2,200**	2,702	**6,601**	8,109
Depreciation	**69,433**	73,261	**208,105**	213,994
Restructuring	**—**	697	**—**	4,230
Share-based compensation	**(5,910)**	(440)	**8,049**	6,382
Gain on asset sale	**(502)**	—	**(31,798)**	—
Gain on repurchase of unsecured Senior Notes [1]	**—**	—	**—**	(7,431)
Foreign exchange and other (gain) loss	**(12,677)**	(1,317)	**(9,975)**	11,310
Adjusted EBITDA	**105,358**	59,769	**243,655**	155,312

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

Consolidated EBITDA

Consolidated EBITDA, as defined in the Company's Credit Facility agreement, is used in determining the Company's compliance with its covenants. The Consolidated EBITDA is substantially similar to Adjusted EBITDA. Consolidated EBITDA is calculated on a rolling twelve-month basis.

Working Capital

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

OVERVIEW

Revenue for the third quarter of 2022 was $432.6 million, a 61 percent increase from $268.6 million in revenue for the third quarter of 2021. Revenue for the nine months ended September 30, 2022, was $1,109.3 million, an increase of 59 percent from revenue for the nine months ended September 30, 2021, of $699.4 million.

Adjusted EBITDA totaled $105.4 million ($0.54 per common share) in the third quarter of 2022, 76 percent higher than Adjusted EBITDA of $59.8 million ($0.37 per common share) in the third quarter of 2021. For the first nine months ended September 30, 2022, Adjusted EBITDA totaled $243.7 million ($1.37 per common share), 57 percent higher than Adjusted EBITDA of $155.3 million ($0.96 per common share) in the first nine months ended September 30, 2021.

Net income attributable to common shareholders for the third quarter of 2022 was $17.8 million ($0.11 per common share) compared to a net loss attributable to common shareholders of $34.4 million ($0.21 per common share) for the third quarter of 2021. Net loss attributable to common shareholders for the nine months ended September 30, 2022, was $3.8 million ($0.02 per common share), compared to a net loss attributable to common shareholders of $130.2 million ($0.80 per common share) for the nine months ended September 30, 2021.

Funds flow from operations increased 84 percent to $103.3 million ($0.53 per common share) in the third quarter of 2022 compared to $56.2 million ($0.35 per common share) in the third quarter of the prior year. Funds flow from operations increased 82 percent to $261.6 million ($1.47 per common share) for the nine months ended September 30, 2022, compared to $144.1 million ($0.89 per common share) for the nine months ended September 30, 2021.

While the macro-economic conditions impacting the crude oil and natural gas industry continue to fluctuate, the general outlook for oilfield services continues to be positive reflecting year-over-year increases in oilfield services demand and activity. Global inflationary concerns have continued to prompt central banks to tighten monetary policies. Increasing interest rates, largely resulting from efforts to quell rising inflation, have subsequently led to

uncertainty for global economies regarding recession risk and contracting economic growth. These factors continue to impact global energy commodity prices and add uncertainty to the macro-outlook over the short-term.

However, despite the recent pull back in global crude oil commodity prices, demand for crude oil continues to improve year-over-year. Furthermore, OPEC+ nations continue to moderate supply and most recently announced supply cuts to current output, further tightening supply. Tight supply, coupled with positive commodity prices, have resulted in increased demand for oilfield services, driving both 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 ongoing hostilities in Ukraine on the global economy, overall economic health and recession risk in certain of our operating environments. Furthermore, there are a myriad of other factors that may impact the demand for crude oil and natural gas, commodity prices, and the demand for oilfield services.

The Company's operating days were higher in the three and nine months ended September 30, 2022, when compared to the same periods in 2021. Operations were positively impacted by supportive industry conditions, driving activity improvements year-over-year.

The average United States dollar exchange rate was $1.28 for the nine months ended September 30, 2022 (2021 - $1.25) versus the Canadian dollar, an increase of two percent, compared to the same period of 2021.

The Company's working capital at September 30, 2022, was a surplus of $136.4 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 $48.0 million at September 30, 2022.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Revenue						
Canada	**123,364**	74,469	66	**313,314**	159,436	97
United States	**247,432**	140,309	76	**617,762**	386,535	60
International	**61,754**	53,800	15	**178,273**	153,457	16
Total revenue	**432,550**	268,578	61	**1,109,349**	699,428	59
Oilfield services expense	**314,433**	198,813	58	**829,836**	516,049	61

Revenue for the three months ended September 30, 2022, totaled $432.6 million, an increase of 61 percent from the third quarter 2021 of $268.6 million. Revenue for the nine months ended September 30, 2022, totaled $1,109.3 million, a 59 percent increase from the nine months ended September 30, 2021.

The increase in total revenue during the third quarter of 2022 was primarily due to favourable industry conditions and supportive oil and natural gas commodity prices, increasing demand for oilfield service. A positive foreign exchange translation impact further contributed to the increase in revenue reported in Canadian currency.

CANADIAN OILFIELD SERVICES

Revenue increased 66 percent to $123.4 million for the three months ended September 30, 2022, from $74.5 million for the three months ended September 30, 2021. The Company recorded revenue of $313.3 million in Canada for the nine months ended September 30, 2021, an increase of 97 percent from $159.4 million recorded for the nine months ended September 30, 2021.

Canadian revenue accounted for 29 percent of the Company's total revenue in the third quarter of 2022 (2021 - 28 percent) and 28 percent (2021 - 23 percent) for the first nine months of 2022.

The Company's Canadian drilling operations recorded 4,009 operating days in the third quarter of 2022, compared to 2,846 operating days for the third quarter of 2021, an increase of 41 percent. For the nine months ended September 30, 2022, the Company recorded 10,106 operating days compared to 5,750 days for the nine months ended September 30, 2021, an increase of 76 percent. Canadian well servicing hours increased by 38 percent to

12,857 operating hours in the third quarter of 2022 compared to 9,316 operating hours in the corresponding period of 2021. For the nine months ended September 30, 2022, well servicing hours increased by 37 percent to 36,216 operating hours compared with 26,433 operating hours for the nine months ended September 30, 2021.

The operating and financial results for the Company's Canadian operations during the first nine months 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 timing of the acquisition of 35 land-based drilling rigs in the third quarter of 2021. Offsetting the increase in results was the elimination of the Canada Emergency Wage Subsidy ("**CEWS**") program in 2021 by the Government of Canada, from which $5.3 million and $15.1 million were received by the Company during the third quarter and the first nine months of 2021 respectively.

During the first nine months 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 $247.4 million in the third quarter of 2022, an increase of 76 percent from the $140.3 million recorded in the corresponding period of the prior year. During the nine months ended September 30, 2022, revenue of $617.8 million was recorded, an increase of 60 percent from the $386.5 million recorded in the corresponding period of the prior year.

The Company's United States operations accounted for 57 percent of the Company's revenue in the third quarter of 2022 (2021 - 52 percent) and 56 percent of the Company's revenue in the first nine months of 2022 (2021 - 55 percent).

Drilling rig operating days increased by 61 percent to 4,937 operating days in the third quarter of 2022 from 3,074 operating days in the third quarter of 2021, and increased by 51 percent to 12,902 operating days in the first nine months of 2022 from 8,554 operating days in the first nine months of 2021. United States well servicing hours increased by one percent in the third quarter of 2022, to 32,877 operating hours from 32,452 operating hours in the third quarter of 2021. For the first nine months of 2022, well servicing activity decreased by two percent to 93,291 operating hours from 95,497 operating hours for the first nine months 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 nine months of 2022.

During the first nine 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 $61.8 million in the third quarter of 2022, a 15 percent increase from the $53.8 million recorded in the corresponding period of the prior year. International revenues for the nine months ended September 30, 2022, increased 16 percent to $178.3 million from $153.5 million recorded for the nine months ended September 30, 2021.

The Company's international operations contributed 14 percent of the total revenue in the third quarter of 2022 (2021 - 20 percent) and 16 percent of the Company's revenue in the first nine months of 2022 (2021 - 22 percent).

International operating days for the three months ended September 30, 2022, totaled 996 operating days compared to 929 operating days in the same period of 2021, an increase of seven percent. For the nine months ended September 30, 2022, international operating days totaled 2,899 operating days compared to 2,632 operating days for the nine months ended September 30, 2021, an increase of 10 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 nine 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 September 30			Nine months ended September 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Depreciation	**69,433**	73,261	(5)	**208,105**	213,994	(3)

Depreciation expense totaled $69.4 million for the third quarter of 2022 compared with $73.3 million for the third quarter of 2021, a decrease of five percent. Depreciation expense for the first nine months of 2022 decreased by three percent, to $208.1 million compared with $214.0 million for the first nine 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 are additional capital expenditures and the negative impact of the foreign exchange translation on converting USD denominated depreciation expense.

GENERAL AND ADMINISTRATIVE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
General and administrative	**12,759**	9,996	28	**35,858**	28,067	28
% of revenue	**2.9**	3.7		**3.2**	4.0	

General and administrative expense increased 28 percent to $12.8 million (2.9 percent of revenue) for the third quarter of 2022 compared to $10.0 million (3.7 percent of revenue) for the third quarter of 2021. For the nine months ended September 30, 2022, general and administrative expense totaled $35.9 million (3.2 percent of revenue) compared to $28.1 million (4.0 percent of revenue) for the nine months ended September 30, 2021. General and administrative expense on a per operating day basis decreased by eight and 11 percent, respectively for the three and nine months ended September 30, 2022, compared to the prior periods. On an overall basis, the general and administrative expense increased in support of increased operational activity, the end of funding from the CEWS program ($0.5 million and $2.0 million were received during the third quarter and the first nine months of 2021 respectively), the full reinstatement of salary rollbacks and annual wage increases. Further increasing the general and administrative expense was the negative foreign exchange translation on converting USD denominated general and administrative expense.

FOREIGN EXCHANGE AND OTHER (GAIN) LOSS

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Foreign exchange and other (gain) loss	**(12,677)**	(1,317)	nm	**(9,975)**	11,310	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 September 30			Nine months ended September 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Gain on asset sale	**(502)**	—	nm	**(31,798)**	—	nm

nm - calculation not meaningful

During the first nine months ended September 30, 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 September 30			Nine months ended September 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Interest expense	**32,438**	25,536	27	**85,185**	72,569	17

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, capital lease and other obligations.

Interest expense increased by 27 percent for the third quarter of 2022 compared to the third quarter of 2021. Interest expense increased by 17 percent for the first nine months ended September 30, 2022, compared to the same period of 2021. The increases for the three and nine months of 2022 are 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 September 30			Nine months ended September 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Current income taxes (recovery)	**318**	167	90	**(1,444)**	693	nm
Deferred income taxes (recovery)	**2,082**	(6,978)	nm	**(17,574)**	(27,750)	(37)
Total income taxes (recovery)	**2,400**	(6,811)	nm	**(19,018)**	(27,057)	(30)
Effective income tax rate (%)	**11.8**	16.7	(29)	**84.5**	17.6	nm

nm - calculation not meaningful

The effective income tax rate for the three months ended September 30, 2022, was 11.8 percent compared to 16.7 percent for the three months ended September 30, 2021. The effective income tax rate for the nine months ended September 30, 2022, was 84.5 percent compared to 17.6 percent for the nine months ended September 30, 2021. The effective income tax rate in the first nine months of the current year was higher than the effective income tax rate in the same period of 2021 due to increased activity levels, gains on disposal of assets and lower tax recoveries in foreign tax jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

	Three months ended September 30			Nine months ended September 30		
($ thousands, except per common share data)	**2022**	2021	% change	**2022**	2021	% change
Cash provided by operating activities	**44,353**	59,399	(25)	**198,465**	139,421	42
Funds flow from operations	**103,321**	56,198	84	**261,595**	144,051	82
Funds flow from operations per common share	**$0.53**	$0.35	51	**$1.47**	$0.89	65
Working capital [1]	**136,435**	104,228	31	**136,435**	104,228	31

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

During the three months ended September 30, 2022, the Company generated funds flow from operations of $103.3 million ($0.53 per common share) compared to funds flow from operations of $56.2 million ($0.35 per common share) for the three months ended September 30, 2021, an increase of 84 percent. For the nine months ended September 30, 2022, the Company generated funds flow from operations of $261.6 million ($1.47 per common share) an increase of 82 percent from $144.1 million ($0.89 per common share) for the nine months ended September 30, 2021. The increase in funds flow from operations for the nine months ended September 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 September 30, 2022 the Company's working capital was a surplus of $136.4 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 $18.0 million was undrawn and available at September 30, 2022.

INVESTING ACTIVITIES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Acquisition of 35 drilling rigs, related equipment, land and buildings	**—**	(117,928)	nm	**—**	(117,928)	nm
Purchase of property and equipment	**(46,924)**	(18,000)	nm	**(133,154)**	(42,339)	nm
Proceeds from disposals of property and equipment	**—**	1,665	nm	**46,936**	4,647	nm
Distribution to non-controlling interest	**—**	—	nm	**(1,852)**	—	nm
Net change in non-cash working capital	**7,059**	1,118	nm	**15,961**	2,121	nm
Cash used in investing activities	**(39,865)**	(133,145)	(70)	**(72,109)**	(153,499)	(53)

nm - calculation not meaningful

Net purchases of property and equipment for the third quarter of 2022 totaled $46.9 million (2021 - $134.3 million). Net purchases of property and equipment during the first nine months of 2022 totaled $86.2 million (2021 - $155.6 million). The purchase of property and equipment for the first nine months of 2022 consists of $55.0 million in upgrade and growth capital and $78.2 million in maintenance capital.

FINANCING ACTIVITIES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2022**	2021	% change	**2022**	2021	% change
Proceeds from long-term debt	**22,585**	110,595	(80)	**51,190**	149,126	(66)
Repayments of long-term debt	**(17,618)**	(18,180)	(3)	**(83,012)**	(84,743)	(2)
Lease obligation principal repayments	**(1,884)**	(1,905)	(1)	**(6,073)**	(5,132)	18
Interest paid	**(16,449)**	(11,306)	45	**(70,336)**	(61,157)	15
Purchase of common shares held in trust	**(347)**	(310)	12	**(1,127)**	(794)	42
Cash (used in) provided by financing activities	**(13,713)**	78,894	nm	**(109,358)**	(2,700)	nm

nm - calculation not meaningful

The Company's available bank facilities consist of a $900.0 million Credit Facility, of which $18.0 million was available and undrawn as of September 30, 2022. In addition, the Company has available US $50.0 million secured letter of credit facility, of which US $3.6 million was available as of September 30, 2022.

On June 7, 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.

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 nine months ended September 30, 2022.

Covenants

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

	Covenant	September 30 2022
The Credit Facility		
Consolidated EBITDA[1]	> 140.0 million	301,516
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 2.25	2.83
Consolidated Senior Debt to Consolidated EBITDA[1,3]	≤ 3.25	2.83

[1] *Please refer to Non-GAAP Measures for Consolidated EBITDA definition.*
[2] *Consolidated Interest Expense is defined as all interest expense calculated on twelve month rolling consolidated basis and excluding Senior Notes interest in repurchase.*
[3] *Consolidated Senior Debt is defined as Consolidated Total Debt minus Subordinated Debt.*

As at September 30, 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 September 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 September 30, 2022 totaled $339.5 million, an increase of $112.7 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 September 30, 2022, the Company had a net accounts receivable balance of approximately $5.6 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 nine months ended September 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 $60.0 million relates to upgrade and growth capital. Within the upgrade and growth capital, two drilling rigs will be reactivated in Oman in the fourth quarter of 2022, as well as a third in the first half of 2023. In addition, as at September 30, 2022, 31 drilling rigs have been reactivated and upgraded during 2022.

SUMMARY QUARTERLY RESULTS

($ thousands, except per common share data)	**Q3-2022**	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021	Q4-2020
Revenue	**432,550**	344,123	332,676	296,166	268,578	212,306	218,544	201,265
Adjusted EBITDA [1]	**105,358**	68,332	69,965	57,861	59,769	45,645	49,898	52,742
Adjusted EBITDA per common share [1]								
Basic	**$0.54**	$0.40	$0.43	$0.35	$0.37	$0.28	$0.31	$0.33
Diluted	**$0.54**	$0.44	$0.38	$0.36	$0.37	$0.28	$0.31	$0.33
Net income (loss) attributable to common shareholders	**17,782**	(28,138)	6,587	(29,235)	(34,398)	(52,292)	(43,550)	3,092
Net income (loss) attributable to common shareholders per common share								
Basic	**$0.11**	$(0.17)	$0.04	$(0.18)	$(0.21)	$(0.32)	$(0.27)	$0.02
Diluted	**$0.11**	$(0.17)	$0.04	$(0.18)	$(0.21)	$(0.32)	$(0.27)	$0.02
Cash provided by operating activities	**44,353**	99,520	54,556	39,221	59,399	53,185	26,837	17,393
Funds flow from operations	**103,321**	81,497	76,741	46,644	56,198	41,326	46,527	69,630
Funds flow from operations per common share								
Basic	**$0.53**	$0.47	$0.47	$0.28	$0.35	$0.25	$0.29	$0.44
Diluted	**$0.52**	$0.52	$0.42	$0.29	$0.34	$0.25	$0.29	$0.44
Total debt, net of cash	**1,415,520**	1,357,537	1,378,699	1,440,579	1,418,997	1,313,837	1,330,316	1,340,407

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

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

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of November 3, 2022:

	Number		Amount ($)
Common shares	183,522,548	$	268,227

	Outstanding	Exercisable
Stock options	5,635,855	3,130,460

OUTLOOK

Industry Overview

The outlook for oilfield services continues to be positive with steady demand for services and tightening rig supply, particularly in the Company's North American operating segments. Despite the recent pullback in global crude oil commodity prices, demand for crude oil continues to improve year-over-year. Furthermore, OPEC+ nations continue to moderate supply and most recently announced supply cuts to current output, likely further tightening future supply.

Inflationary concerns have continued to prompt central banks to tighten monetary policy. Rising interest rates largely resulting from efforts to quell high inflation have subsequently led to uncertainty for global economies regarding recession risk and contracting economic growth. These factors continue to impact global commodity prices and have led to a recent pullback in commodity prices and increased price volatility. The average benchmark price of West Texas Intermediate ("**WTI**") was US $94/bbl in August 2022 and decreased to US $88/bbl in October 2022.

We expect crude oil and natural gas demand to remain relatively steady and anticipate that tight supply in a positive commodity price environment may support steady oilfield services activity and drive rate improvements during the remainder of 2022 and into 2023. 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 that may impact supply and demand for, and pricing of crude oil and natural gas and related oilfield services. These factors include but are not limited to, recession risk and global economic health, the impact of ongoing hostilities in Ukraine, and the future supply of Russian oil and natural gas to Europe.

Canadian Activity

Canadian activity, currently representing 28 percent of total Company revenue year to date, improved in the third quarter due to supportive industry conditions. We expect activity to continue to improve over the fourth quarter and into the first quarter of 2023 as operations enter the winter drilling season.

As of November 3, 2022, of our 123 marketed Canadian drilling rigs, approximately 45 percent are engaged under term contracts of various durations. Approximately 42 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 56 percent of total Company revenue year to date, improved during the third quarter of 2022, due to supportive industry conditions, and is expected to remain steady to modestly improve in the fourth quarter and into the first quarter of 2023.

As of November 3, 2022, of our 89 marketed United States drilling rigs, approximately 70 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.

International Activity

International activity, currently representing 16 percent of total Company revenue year to date, remained steady over the third quarter. International activity is expected to strongly improve in the fourth quarter of 2022 and into 2023 as a

total of five rigs have been contracted or re-contracted in the Company's Middle East division in the nine-months ended September 30, 2022. By mid-2023, the Company expects seven of the eight marketed rigs in the Middle East will be active and operating on long-term contracts. The Company expects two rigs active in Bahrain, two rigs active in Kuwait to remain steady, and two rigs in Oman are expected to commence drilling programs in the fourth quarter of 2022 with a third Oman rig expected to activate in the first half of 2023. Operations in Australia are expected to remain steady over the fourth quarter and incrementally improve in 2023. Operations in Argentina, with two rigs active, are also expected remain steady in the fourth quarter of 2022.

As of November 3, 2022, of our 34 marketed international drilling rigs, approximately 53 percent are engaged under term contracts of various durations. Approximately 67 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company is required to comply with National Instrument 52-109 *"Certification of Disclosure in Issuer's Annual and Interim Filings"*. This instrument requires that the Company disclose in the interim MD&A any changes in the Company's internal control over financial reporting that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company confirms that no such changes occurred during the three months ended September 30, 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	September 30 2022	December 31 2021
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	**$ 29,994**	$ 13,305
Accounts receivable	**339,451**	226,807
Inventories, prepaid and other	**50,212**	49,172
Income taxes receivable	**146**	580
Total current assets	**419,803**	289,864
Property and equipment	**2,562,613**	2,512,953
Deferred income taxes	**193,992**	174,237
Total assets	**$ 3,176,408**	$ 2,977,054
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 274,991**	$ 177,932
Share-based compensation *(Note 5)*	**2,352**	1,055
Income taxes payable	**971**	1,389
Current portion of lease obligation	**5,054**	5,260
Total current liabilities	**283,368**	185,636
Share-based compensation *(Note 5)*	**13,139**	7,966
Long-term debt *(Note 6)*	**1,445,514**	1,453,884
Lease obligations	**5,631**	4,327
Income tax payable	**7,207**	7,647
Deferred income taxes	**134,043**	120,100
Non-controlling interest	**—**	4,832
Total liabilities	**1,888,902**	1,784,392
Shareholders' Equity		
Shareholders' capital *(Note 7)*	**268,410**	230,376
Contributed surplus	**22,929**	23,197
Equity component of convertible debenture *(Note 6)*	**—**	2,380
Accumulated other comprehensive income	**286,535**	223,308
Retained earnings	**709,632**	713,401
Total shareholders' equity	**1,287,506**	1,192,662
Total liabilities and shareholders' equity	**$ 3,176,408**	$ 2,977,054

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
(Unaudited, in thousands of Canadian dollars, except per common share data)				
Revenue	**$ 432,550**	$ 268,578	**$ 1,109,349**	$ 699,428
Expenses				
Oilfield services	**314,433**	198,813	**829,836**	516,049
Depreciation	**69,433**	73,261	**208,105**	213,994
General and administrative	**12,759**	9,996	**35,858**	28,067
Restructuring	**—**	697	**—**	4,230
Share-based compensation	**(5,910)**	(440)	**8,049**	6,382
Foreign exchange and other (gain) loss	**(12,677)**	(1,317)	**(9,975)**	11,310
Total expenses	**378,038**	281,010	**1,071,873**	780,032
Income (loss) before interest expense, accretion of deferred financing charges and other gains and income taxes	**54,512**	(12,432)	**37,476**	(80,604)
Gain on repurchase of unsecured Senior Notes	**—**	—	**—**	(7,431)
Gain on asset sale	**(502)**	—	**(31,798)**	—
Interest expense	**32,438**	25,536	**85,185**	72,569
Accretion of deferred financing charges	**2,200**	2,702	**6,601**	8,109
Income (loss) before income taxes	**20,376**	(40,670)	**(22,512)**	(153,851)
Income taxes (recovery)				
Current income taxes (recovery)	**318**	167	**(1,444)**	693
Deferred income taxes (recovery)	**2,082**	(6,978)	**(17,574)**	(27,750)
Total income taxes (recovery)	**2,400**	(6,811)	**(19,018)**	(27,057)
Net income (loss) from continuing operations	**17,976**	(33,859)	**(3,494)**	(126,794)
Loss from discontinued operations	**—**	(523)	**—**	(3,422)
Net income (loss)	**$ 17,976**	$ (34,382)	**$ (3,494)**	$ (130,216)
Net income (loss) attributable to:				
Common shareholders	**17,782**	(34,398)	**(3,769)**	(130,240)
Non-controlling interests	**194**	16	**275**	24
	$ 17,976	$ (34,382)	**$ (3,494)**	$ (130,216)
Net income (loss) attributable to common shareholders per common share *(Note 8)*				
Basic	**$ 0.11**	$ (0.21)	**$ (0.02)**	$ (0.80)
Diluted	**$ 0.11**	$ (0.21)	**$ (0.02)**	$ (0.80)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
(Unaudited, in thousands of Canadian dollars)				
Net income (loss)	**$ 17,976**	$ (34,382)	$ (3,494)	(130,216)
Other comprehensive income (loss)				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**51,959**	14,621	**63,227**	(11,502)
Comprehensive income (loss)	**$ 69,935**	$ (19,761)	**$ 59,733**	$ (141,718)
Other comprehensive income (loss) attributable to:				
Common shareholders of the Company	**$ 51,959**	$ 14,621	**$ 63,227**	$ (11,502)
	$ 51,959	$ 14,621	**$ 63,227**	$ (11,502)

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	—	—	—	—	(3,769)	(3,769)
Other comprehensive income	—	—	—	63,227	—	63,227
Total comprehensive income (loss)	—	—	—	63,227	(3,769)	59,458
Convertible debenture conversion (*Note 6*)	37,961	—	(2,380)	—	—	35,581
Common shares issued under share option plan	128	(88)	—	—	—	40
Share-based compensation	—	892	—	—	—	892
Common shares vested previously held in trust	1,072	(1,072)	—	—	—	—
Purchase of common shares held in trust	(1,127)	—	—	—	—	(1,127)
Balance, September 30, 2022	**$ 268,410**	**$ 22,929**	**$ —**	**$ 286,535**	**$ 709,632**	**$ 1,287,506**
Balance, January 1, 2021	$ 230,354	$ 23,324	$ 3,193	$ 235,277	$ 872,876	$ 1,365,024
Net loss attributable to common shareholders	—	—	—	—	(130,240)	(130,240)
Other comprehensive loss	—	—	—	(11,502)	—	(11,502)
Total comprehensive loss	—	—	—	(11,502)	(130,240)	(141,742)
Convertible debenture amendment	—	—	(813)	—	—	(813)
Common shares issued under share option plan	11	(6)	—	—	—	5
Share-based compensation	—	682	—	—	—	682
Common shares vested previously held in trust	1,184	(1,184)	—	—	—	—
Purchase of common shares held in trust	(794)	—	—	—	—	(794)
Balance, September 30, 2021	$ 230,755	$ 22,816	$ 2,380	$ 223,775	$ 742,636	$ 1,222,362

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net income (loss)	**$ 17,976**	$ (34,382)	**$ (3,494)**	$ (130,216)
Items not affecting cash				
Depreciation	**69,433**	73,261	**208,105**	213,994
Gain on asset sale	**(502)**	—	**(31,798)**	—
Gain on repurchase of unsecured Senior Notes	**—**	—	**—**	(7,431)
Share-based compensation, net cash settlements	**(5,945)**	(440)	**6,313**	6,382
Unrealized foreign exchange and other	**(14,361)**	(3,501)	**8,257**	8,394
Accretion of deferred financing charges	**2,200**	2,702	**6,601**	8,109
Interest expense	**32,438**	25,536	**85,185**	72,569
Deferred income taxes (recovery)	**2,082**	(6,978)	**(17,574)**	(27,750)
Funds flow from operations	**103,321**	56,198	**261,595**	144,051
Net change in non-cash working capital *(Note 9)*	**(58,968)**	3,201	**(63,130)**	(4,630)
Cash provided by operating activities	**44,353**	59,399	**198,465**	139,421
Investing activities				
Acquisition of 35 drilling rigs, related equipment, land and buildings	**—**	(117,928)	**—**	(117,928)
Purchase of property and equipment	**(46,924)**	(18,000)	**(133,154)**	(42,339)
Proceeds from disposals of property and equipment	**—**	1,665	**46,936**	4,647
Distribution to non-controlling interest	**—**	—	**(1,852)**	—
Net change in non-cash working capital *(Note 9)*	**7,059**	1,118	**15,961**	2,121
Cash used in investing activities	**(39,865)**	(133,145)	**(72,109)**	(153,499)
Financing activities				
Proceeds from long-term debt *(Note 6)*	**22,585**	110,595	**51,190**	149,126
Repayments of long-term debt *(Note 6)*	**(17,618)**	(18,180)	**(83,012)**	(84,743)
Lease obligation principal repayments	**(1,884)**	(1,905)	**(6,073)**	(5,132)
Interest paid	**(16,449)**	(11,306)	**(70,336)**	(61,157)
Purchase of common shares held in trust *(Note 7)*	**(347)**	(310)	**(1,127)**	(794)
Cash (used in) provided by financing activities	**(13,713)**	78,894	**(109,358)**	(2,700)
Net (decrease) increase in cash	**(9,225)**	5,148	**16,998**	(16,778)
Effects of foreign exchange on cash	**225**	(354)	**(309)**	(3,094)
Cash				
Beginning of period	**38,994**	19,532	**13,305**	44,198
End of period	**$ 29,994**	$ 24,326	**$ 29,994**	$ 24,326

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 November 3, 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 September 30, 2022 and the changes during the nine 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	(44,975)	0.89
Exercised for cash	(98,685)	0.92
Forfeited	(135,825)	3.72
Outstanding - September 30, 2022	**5,649,525**	**$ 3.22**
Exercisable - September 30, 2022	**3,144,130**	**$ 3.99**

The following table lists the options outstanding at September 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	894,265	2.25	$ 0.54	499,445	$ 0.54
$1.51 to $3.00	2,717,495	3.79	2.23	772,885	2.04
$3.01 to $6.02	2,037,765	0.66	5.71	1,871,800	5.72
	5,649,525	2.42	$ 3.22	3,144,130	$ 3.99

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

	September 30 2022
Remaining expected life (years)	2.1
Volatility (percent)	40.0
Forfeiture rate (percent)	7.5
Risk-free interest rate (percent)	3.7
Expected dividend (percent)	—

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of September 30, 2022 and the changes during the nine 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	(10,985)	1.03
Expired	(29,010)	3.01
Outstanding - September 30, 2022	**612,290**	**$ 3.29**
Exercisable - September 30, 2022	**358,891**	**$ 4.09**

The following table lists the SARs outstanding at September 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	92,990	2.25	$ 0.54	51,874	$ 0.54
$1.51 to $3.00	279,985	3.69	2.10	84,745	1.91
$3.01 to $6.02	239,315	0.61	5.75	222,272	5.76
	612,290	2.26	$ 3.29	358,891	$ 4.09

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)
Forfeited	(186,274)
Outstanding - September 30, 2022	**7,256,905**

Included in net earnings for the three months ended September 30, 2022 is a recovery of $2,586 (2021 - an expense of $241), and for the nine months ended September 30, 2022 is an expense of $4,076 (2021 - $3,628). 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 units annually to members of the Board of Directors 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	116,039
Outstanding - September 30, 2022	**1,273,573**

6. LONG-TERM DEBT

	September 30 2022	December 31 2021
Drawings on the Credit Facility	**$ 882,006**	$ 897,482
Unsecured Senior Notes, due April 2024, 9.25%	**574,162**	528,428
Subordinated Convertible Debenture, May, 2023, 7.75%	**—**	35,229
Mortgage	**—**	10,000
Unamortized deferred financing costs	**(10,654)**	(17,255)
Total long-term debt	**$ 1,445,514**	$ 1,453,884

As at September 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 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 Quarter ending 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 Quarter ending 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 September 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.

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 September 30, 2022, the available amount was US $3,646.

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	**$**	**1,453,884**
Proceeds from long-term debt		**51,190**
Long-term debt repayments		**(83,012)**
Convertible debenture conversion		**(35,581)**
Convertible debenture fair value adjustment		**352**
Amortization of debt issuance costs		**6,601**
Foreign exchange adjustments		**52,080**
Ending balance	**$**	**1,445,514**

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	44,975		128
Changes in unvested common shares held in trust	416,389		(55)
Closing balance - September 30, 2022	**183,573,699**	**$**	**268,410**

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 September 30, 2022 was 739,356 (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 income (loss) by the weighted average number of common shares outstanding during the period.

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

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
Net income (loss) attributable to common shareholders:				
Basic and diluted	**$ 17,782**	$ (34,398)	**$ (3,769)**	$ (130,240)
Weighted average number of common shares outstanding:				
Basic	**183,713,162**	162,481,291	**178,245,614**	162,385,426
Potentially dilutive share-based compensation plans	**1,418,243**	962,479	**1,274,296**	459,429
Diluted	**185,131,405**	163,443,770	**179,519,910**	162,844,855

During the three months ended September 30, 2022, share options of 1,466,225 (2021 – 4,151,300) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

During the nine months ended September 30, 2022, share options of 3,499,406 (2021 – 4,151,300) 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		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
Net change in non-cash working capital				
Accounts receivable	**$ (61,730)**	$ (40,456)	**$ (103,037)**	$ (41,782)
Inventories, prepaid and other	**(656)**	(241)	**(4,354)**	2,985
Accounts payable and accruals	**11,302**	44,979	**63,574**	36,053
Income taxes	**(825)**	37	**(3,352)**	235
	$ (51,909)	$ 4,319	**$ (47,169)**	$ (2,509)
Relating to:				
Operating activities	**$ (58,968)**	$ 3,201	**$ (63,130)**	$ (4,630)
Investing activities	**7,059**	1,118	**15,961**	2,121
	$ (51,909)	$ 4,319	**$ (47,169)**	$ (2,509)

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 September 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**123,364**	**247,432**	**61,754**	**432,550**	74,469	140,309	53,800	268,578
Income (loss) before interest expense, accretion of deferred financing charges and other gains and income taxes	**35,181**	**20,745**	**(1,414)**	**54,512**	4,850	(9,125)	(8,157)	(12,432)

As at and for the nine month period ended September 30	2022 Canada	2022 United States	2022 International	2022 Total	2021 Canada	2021 United States	2021 International	2021 Total
Revenue	**313,314**	**617,762**	**178,273**	**1,109,349**	159,436	386,535	153,457	699,428
Income (loss) before interest expense, accretion of deferred financing charges and other gains and income taxes	**30,417**	**19,526**	**(12,467)**	**37,476**	(15,176)	(31,618)	(33,810)	(80,604)
Property and equipment, net	**625,293**	**1,465,669**	**471,651**	**2,562,613**	681,365	1,412,313	473,506	2,567,184

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
Rig rental revenue	**$ 280,479**	$ 170,507	**$ 727,464**	$ 420,942
Service revenue	**152,071**	98,071	**381,885**	278,486
Total revenue	**$ 432,550**	$ 268,578	**$ 1,109,349**	$ 699,428

There are no material differences in the basis of accounting or the measurement of income (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 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 September 30, 2022 totaled $339,451, an increase of $112,644 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 September 30, 2022, the Company had a net accounts receivable balance of

approximately $5,632 for work performed in Venezuela. Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in the country as well as imposed sanctions there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages liquidity by forecasting cash flows on a regular basis and secures sufficient credit facilities to meet financing requirements that exceed anticipated internally generated funds. As at September 30, 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 September 30, 2022, the Company announced the sale of its Canadian directional drilling business, including all operating assets and personnel for a purchase price of $5.0 million to Cathedral Energy Services Ltd. ("**Cathedral**"). As part of the Transaction, Cathedral and the Company have entered into a Marketing and Technology Alliance which will further help support and expand the customer base of both companies in the Canadian market. The purchase price will be satisfied through the issuance of 7,017,988 common shares of Cathedral. In addition to a 4-month statutory hold period on the Consideration Shares, the parties have agreed to customary contractual restrictions on resale. Prior to the transaction, the Company did not own any securities of Cathedral. Post-closing, the Company owns approximately 3.17% of Cathedral's issued and outstanding common shares on a non-diluted basis.

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CORPORATE INFORMATION

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Corporate Director and Investor

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Ensign Energy Services Inc.

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Independent Businessperson

JAMES B. HOWE [1,3]
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Enduring Resources LLC

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Independent Businessperson

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

CORPORATE MANAGEMENT

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Chairman

ROBERT H. GEDDES
President and Chief Operating Officer

MICHAEL GRAY
Chief Financial Officer

MICHAEL NUSS
Executive Vice President, US

ELDON CULSHAW
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BRENT CONWAY
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RICK PINGEL
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Vice President, IT

JUSTIN LOUIE
Corporate Secretary and General Counsel

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STOCK EXCHANGE LISTING

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Symbol: ESI

AUDITORS

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