ENSIGN®

2023 Q1

FIRST QUARTER REPORT For the three months ended March 31, 2023

FINANCIAL AND OPERATING HIGHLIGHTS

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

Three months ended March 31	**2023**	2022	% change
Revenue	**484,052**	332,676	46
Adjusted EBITDA [1]	**127,324**	69,965	82
Adjusted EBITDA per common share [1]			
Basic	**$0.69**	$0.43	60
Diluted	**$0.69**	$0.38	82
Net income attributable to common shareholders	**4,241**	6,587	(36)
Net income attributable to common shareholders per common share			
Basic	**$0.02**	$0.04	(50)
Diluted	**$0.02**	$0.04	(50)
Cash provided by operating activities	**104,574**	54,556	92
Funds flow from operations	**118,291**	76,741	54
Funds flow from operations per common share			
Basic	**$0.64**	$0.47	36
Diluted	**$0.64**	$0.42	52
Long-term debt, net of cash [2]	**513,685**	1,378,699	(63)
Weighted average common shares - basic *(000s)*	**183,828**	162,895	13
Weighted average common shares - diluted *(000s)*	**185,476**	184,441	1

Drilling	**2023**	2022	% change
Number of marketed rigs [3]			
Canada [4]	**114**	123	(7)
United States	**86**	90	(4)
International [5]	**32**	34	(6)
Total	**232**	247	(6)
Operating days [6]			
Canada [4]	**3,800**	3,728	2
United States	**4,617**	3,688	25
International [5]	**1,104**	873	26
Total	**9,521**	8,289	15

Well Servicing	**2023**	2022	% change
Number of rigs			
Canada	**47**	52	(10)
United States	**47**	48	(2)
Total	**94**	100	(6)
Operating hours			
Canada	**13,776**	11,260	22
United States	**27,917**	29,689	(6)
Total	**41,693**	40,949	2

[1] *Adjusted EBITDA, Adjusted EBITDA per common share are not measures that have any standardized meaning prescribed by International Financial Reporting Standards "IFRS" and accordingly, may not be comparable to similar measures used by other companies. Non-GAAP measures are defined in the Non-GAAP Measures section.*

[2] *Change in long-term debt, net of cash was largely due to the $900.0 million revolving credit facility being classified as current.*

[3] *Total owned rigs: Canada - 131, United States - 117, International - 43 (2022 total owned rigs: Canada - 137, United States - 127, International - 46)*

[4] *Excludes coring rigs.*

[5] *Includes workover rigs.*

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

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at ($ thousands)	**March 31 2023**	March 31 2022	December 31 2022
Working capital (deficit) [1, 2]	**(678,115)**	114,625	(707,800)
Cash	**44,850**	29,706	49,880
Long-term debt	**558,535**	1,408,405	556,889
Long-term debt, net of cash	**513,685**	1,378,699	507,009
Total long-term financial liabilities	**569,373**	1,418,140	562,837
Total assets	**3,144,424**	2,963,853	3,183,904
Long-term debt to long-term debt plus equity ratio	**0.30**	0.54	0.30

[1] See Non-GAAP Measures section.
[2] Change in working capital (deficit), was largely due to the Company's revolving credit facility being classified as current.

		Three months ended March 31	
($ thousands)	**2023**	2022	% change
Capital expenditures			
Upgrade/growth	**8,256**	8,091	2
Maintenance	**41,623**	23,860	74
Proceeds from disposals of property and equipment	**(155)**	(42,747)	nm
Net capital expenditures (proceeds)	**49,724**	(10,796)	nm

nm - calculation not meaningful

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**") for Ensign Energy Services Inc. and all of its subsidiaries and partnerships ("Ensign" or the "Company") should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2023, as well as the audited consolidated financial statements and notes thereto for the year ended December 31, 2022, 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 May 5, 2023, 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 2023, 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 which 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 its 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 invasion of Ukraine by the Russian Federation, resulting hostilities and the global community responses thereto and other risks and uncertainties affecting the Company's business, revenues and expenses.

In addition, the Company's operations and levels of demand for its services have been, and at times in the future may be, affected by political risks and developments, such as expropriation, nationalization, or regime change, and by national, regional and local laws and regulations such as changes in taxes, royalties and other amounts payable to governments or governmental agencies, environmental protection regulations, the global COVID-19 or other pandemics, 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, and governmental energy policies, laws, rules or regulations that limit, restrict or impede exploration, development, production, transportation or consumption of hydrocarbons and/or incentivize development, production, transportation or consumption of alternative fuel or energy sources.

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, 2022 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 and fair value adjustments on financial assets and liabilities, as the Company does not deem these to relate to its core drilling and well services business. Adjusted EBITDA is not intended to represent net income as calculated in accordance with IFRS.

ADJUSTED EBITDA	Three months ended March 31	
($ thousands)	**2023**	2022
Income (loss) before income taxes	**6,228**	(6,513)
Add-back/(deduct):		
Interest expense	**34,398**	25,184
Accretion of deferred financing charges	**2,200**	2,202
Depreciation	**77,855**	69,980
Gain on asset sale	**(108)**	(29,942)
Share-based compensation	**1,725**	10,399
Foreign exchange loss (gain) and other	**5,026**	(1,345)
Adjusted EBITDA	**127,324**	69,965

[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 three months ended March 31, 2023 was $484.1 million, an increase of 46 percent from revenue for the three months ended March 31, 2022 of $332.7 million. Adjusted EBITDA totaled $127.3 million ($0.69 per common share) in the first quarter of 2023, 82 percent higher than Adjusted EBITDA of $70.0 million ($0.43 per common share) in the first quarter of 2022.
Net income attributable to common shareholders for the three months ended March 31, 2023 was $4.2 million ($0.02 per common share), compared with net income attributable to common shareholders of $6.6 million ($0.04 per common share) for the three months ended March 31, 2022.

Funds flow from operations increased 54 percent to $118.3 million ($0.64 per common share) in the first quarter of 2023 compared with $76.7 million ($0.47 per common share) in the first quarter of the prior year.

The outlook for oilfield services continues to be constructive reflecting increased demand for oilfield services year-over-year resulting in steady activity levels. Global inflationary concerns have prompted central banks to tighten monetary policies. Increasing interest rates, largely resulting from efforts to quell rising inflation, have subsequently engendered uncertainty for global economies regarding recession risk and contracting economic growth. Furthermore, recent stress in the financial sector has contributed to overall economic concerns. These factors continue to impact global energy commodity prices and add uncertainty to the macro-economic outlook over the short-term. However, despite these short-term headwinds, demand for crude oil continues to improve year-over-year. Furthermore, OPEC+ nations continue to moderate supply and respond to market conditions with their most recent production cut announced in April of 2023. Moderated crude oil supply has supported commodity prices over the short-term.

Over the near term, there remains uncertainty regarding the impacts of ongoing hostilities in Ukraine on the global economy, overall global economic health and recessionary pressures in certain operating environments. Furthermore, there are several other factors that may impact the future demand for crude oil and natural gas, commodity prices, and the demand for oilfield services.

The Company's operating days were higher in the first quarter of 2023 when compared with the first quarter of 2022 as operations were positively impacted by improving industry conditions, driving activity improvements year-over-year.

The average United States dollar exchange rate was $1.35 for the first three months of 2023 (2022 - $1.27) versus the Canadian dollar, an increase of six percent, compared with the same period of 2022.

Working capital at March 31, 2023 was a deficit of $678.1 million compared to a deficit of $707.8 million at December 31, 2022. The deficit was largely due to its revolving credit facility (the "**Credit Facility**") being classified as current. The Company has a history with successfully negotiating contractual terms and extending the maturity of the Credit Facility. At the end of the first quarter 2023, the Company's available liquidity, consisting of cash and available borrowings under its $900.0 million revolving credit facility (the "**Credit Facility**"), totaled $97.9 million compared with $67.2 million at December 31, 2022.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended March 31			
($ thousands)	**2023**	2022	Change	% change
Revenue				
Canada	**140,116**	111,266	28,850	26
United States	**274,553**	166,823	107,730	65
International	**69,383**	54,587	14,796	27
Total revenue	**484,052**	332,676	151,376	46
Oilfield services expense	**342,199**	251,821	90,378	36

Revenue for the three months ended March 31, 2023 totaled $484.1 million, an increase of 46 percent from the first quarter of 2022 of $332.7 million.

The increase in total revenue during the first quarter of 2023 was primarily due to favourable industry conditions, rig rate improvements, foreign exchange translation, and supportive oil commodity prices.

CANADIAN OILFIELD SERVICES

The Company recorded revenue of $140.1 million in Canada for the three months ended March 31, 2023, an increase of 26 percent from $111.3 million recorded for the three months ended March 31, 2022. Canadian revenues accounted for 29 percent of the Company's total revenue in the first quarter of 2023 (2022 - 34 percent).

The financial results for the Company's Canadian operations for the first quarter 2023 were positively impacted by revenue rate increases from improved industry conditions.

For the three months ended March 31, 2023, the Company recorded 3,800 drilling days compared to 3,728 drilling days for the three months ended March 31, 2022, an increase of two percent. Well servicing hours increased by 22 percent to 13,776 operating hours in the first quarter of 2023 compared with 11,260 operating hours in the corresponding period of 2022.

During the first quarter of 2023, the Company transferred nine under-utilized drilling rigs into its Canadian operations reserve fleet.

UNITED STATES OILFIELD SERVICES

During the three months ended March 31, 2023, revenue of $274.6 million was recorded by the Company's United States operations, an increase of 65 percent from the $166.8 million recorded in the corresponding period of the prior year. The United States operations accounted for 57 percent of the Company's revenue in the first quarter of 2023 (2022 - 50 percent).

Drilling days increased by 25 percent to 4,617 drilling days in the first quarter of 2023 from 3,688 drilling days in the first quarter of 2022. Well servicing hours decreased by six percent in the first quarter of 2023 to 27,917 operating hours from 29,689 operating hours in the first quarter of 2022.

Overall operating and financial results for the Company’s United States operations reflect supportive industry conditions, increasing drilling activity and rig revenue rates and 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 in the first quarter of 2023.

During the first quarter of 2023, the Company transferred four under-utilized drilling rigs into its United States reserve fleet and transferred one drilling rig from the reserve fleet to the marketed fleet.

INTERNATIONAL OILFIELD SERVICES

The Company’s international operations recorded revenue of $69.4 million in the first quarter of 2023, a 27 percent increase from the $54.6 million recorded in the corresponding period of the prior year. The Company's international operations contributed 14 percent of the Company's total revenue in the first quarter of 2023 (2022 - 16 percent).

For the three months ended March 31, 2023, international operating days totaled 1,104 operating days compared with 873 days for the three months ended March 31, 2022, an increase of 26 percent.

Operating and financial results from international operations reflect improving industry conditions, increasing drilling activity and rig revenue rates. In addition, operational activity increased year-over-year as a result of two drilling rigs in Oman commencing drilling programs in the fourth quarter of 2022. The financial results from the Company's international operations were further positively impacted on the currency translation, as the United States dollar strengthened relative to the Canadian dollar for the first quarter of 2023, as international operations paid in United States dollars were positively impacted on the conversion.

During the first quarter of 2023, the Company transferred two under-utilized drilling rigs into its international operations reserve fleet.

DEPRECIATION

		Three months ended March 31		
($ thousands)	**2023**	2022	Change	% change
Depreciation	**77,855**	69,980	7,875	11

Depreciation totaled $77.9 million for the first quarter of 2023 compared to $70.0 million for the first quarter of 2022. The increase in depreciation is the result of depreciating recently upgraded property and equipment and a higher foreign exchange rate on United States dollar denominated property and equipment values.

GENERAL AND ADMINISTRATIVE

		Three months ended March 31		
($ thousands)	**2023**	2022	Change	% change
General and administrative	**14,529**	10,890	3,639	33
% of revenue	**3.0**	3.3		

General and administrative expenses increased 33 percent to $14.5 million (3.0 percent of revenue) for the first quarter of 2023 compared to $10.9 million (3.3 percent of revenue) for the first quarter of 2022. General and administrative expenses increased due to support of increased operational activity, annual wage increases and higher foreign exchange rate on United State dollar translation.

FOREIGN EXCHANGE LOSS (GAIN) AND OTHER

		Three months ended March 31		
($ thousands)	**2023**	2022	Change	% change
Foreign exchange loss (gain) and other	**5,026**	(1,345)	6,371	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.

INTEREST EXPENSE

		Three months ended March 31		
($ thousands)	**2023**	2022	Change	% change
Interest expense	**34,398**	25,184	9,214	37

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

Interest expense increased by $9.2 million in the first quarter of 2023 compared to the same period in 2022 as a result of higher interest rates and higher foreign exchange rate on United State dollar translation. As the Company's financial position improves the interest rate on the Company's Credit Facility will decrease.

INCOME TAX (RECOVERY)

		Three months ended March 31		
($ thousands)	**2023**	2022	Change	% change
Current income tax (recovery)	**401**	(1,670)	2,071	nm
Deferred income tax (recovery)	**1,360**	(11,532)	12,892	nm
Total income tax (recovery)	**1,761**	(13,202)	14,963	nm
Effective income tax rate (%)	**28.3**	202.7		

nm - calculation not meaningful

The effective income tax rate for the three months ended March 31, 2023 was 28.3 percent compared with 202.7 percent for the three months ended March 31, 2022. The effective income tax rate in the first quarter of the current year was lower than the effective income tax rate in the first quarter of 2022 as the prior year was significantly impacted by gains on the sale of capital assets in foreign jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

		Three months ended March 31		
($ thousands, except per common share data)	**2023**	2022	Change	% change
Cash provided by operating activities	**104,574**	54,556	50,018	92
Funds flow from operations	**118,291**	76,741	41,550	54
Funds flow from operations per common share	**$0.64**	$0.47	0.17	36
Working capital [1]	**(678,115)**	(707,800)	29,685	4

[1] Comparative figure as of December 31, 2022

For the three months ended March 31, 2023, the Company generated funds flow from operations of $118.3 million ($0.64 per common share) an increase of 54 percent from $76.7 million ($0.47 per common share) for the three months ended March 31, 2022. The increase in funds flow from operations in 2023 compared to 2022 is largely due to the increase in activity compared to the prior period.

As at March 31, 2023, the Company's working capital was a deficit of $678.1 million, compared to a deficit of $707.8 million at December 31, 2022. The deficit was largely due to its the Credit Facility being classified as current. The Company has a history with successfully negotiating contractual terms and extending the maturity of the Credit Facility. The Company expects funds generated by operations, combined with current and future credit facilities, to fully support its current operating and capital requirements. The existing bank facility provides for total borrowings of $900.0 million of which $53.0 million was undrawn and available at March 31, 2023 (December 31, 2022 - $17.3 million).

INVESTING ACTIVITIES

		Three months ended March 31		
($ thousands)	**2023**	2022	Change	% change
Purchase of property and equipment	**(49,879)**	(31,951)	(17,928)	56
Proceeds from disposals of property and equipment	**155**	42,747	(42,592)	nm
Net change in non-cash working capital	**7,538**	5,697	1,841	32
Cash (used in) provided by investing activities	**(42,186)**	16,493	(58,679)	nm

nm - calculation not meaningful

Net purchases of property and equipment for the first quarter of 2023 totaled $49.7 million (2022 - net proceeds of $10.8 million). The purchase of property and equipment for the first three months of 2023 consists of $41.6 million in maintenance capital and $8.3 million in upgrade capital.

FINANCING ACTIVITIES

		Three months ended March 31		
($ thousands)	**2023**	2022	Change	% change
Proceeds from long-term debt	**8,262**	1,900	6,362	nm
Repayments of long-term debt	**(43,905)**	(41,934)	(1,971)	5
Lease obligations principal repayments	**(8,944)**	(1,898)	(7,046)	nm
Purchase of common shares held in trust	**(535)**	(375)	(160)	43
Issuance of common shares under the share option plan	**—**	36	(36)	nm
Interest paid	**(22,769)**	(12,453)	(10,316)	83
Cash used in financing activities	**(67,891)**	(54,724)	(13,167)	24

nm - calculation not meaningful

The Company's available bank facilities consist of a $900.0 million Credit Facility, of which $53.0 million was available and undrawn as of March 31, 2023. In addition, the Company has available a US $50.0 million secured letter of credit facility, of which US $5.4 million was available as of March 31, 2023.

In the fourth quarter of 2022, the Company classified its Credit Facility as current. The Company has a history with successfully negotiating contractual terms and extending the maturity of the Credit Facility.

The Company may at any time and from time to time acquire Senior Notes for cancellation by means of open market repurchases or negotiated transactions. The Company is limited in the acquisition and cancellation of the Senior Notes up to $25.0 million under applicable covenants. Senior Notes may be repurchased for redemption in excess of $25.0 million if certain criteria are met. No such repurchases occurred during the first quarter of 2023.

Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at March 31, 2023:

	Covenant	March 31, 2023
The Credit Facility		
Consolidated Total Debt to Consolidated EBITDA [1]	≤ 5.00	3.18
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 2.50	3.43
Consolidated Senior Debt to Consolidated EBITDA[1,3]	≤ 2.50	1.86

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

As at March 31, 2023 the Company was in compliance with all covenants related to the Credit Facility.

The Credit Facility

The Credit Facility agreement, available including amendments on SEDAR, requires that the Company comply with certain covenants including Consolidated Total Debt to Consolidated EBITDA ratio, 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; to create, incur or assume additional indebtedness; change the Company's primary business; enter into mergers or amalgamations; and dispose of property. In the most recent amendment and restatement of the credit agreement, dated December 17, 2021, permitted encumbrances are limited to $25.0 million.

The Senior Notes

The note indenture governing the Senior Notes, available on SEDAR, contains certain restrictions and limitations on the Company's ability to pay dividends; purchase and redeem shares and subordinated debt of the Company; and

make certain restricted investments. These restrictions and limitations are tempered by the existence of a number of exceptions to the general prohibitions, including baskets allowing for restricted payments.

The note indenture also restricts the Company's ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2.0 to 1.0. As at March 31, 2023, the Company has not incurred additional indebtedness that would require the Fixed Charge Coverage Ratio to be calculated. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness, including the incurrence of additional debt under credit facilities up to the greater of $900.0 million or 22.5 percent of the Company’s consolidated tangible assets and of additional secured debt subordinated to the credit facilities up to the greater of US $125.0 million or four percent of the Company's consolidated tangible assets.

FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at March 31, 2023 totaled $356.3 million, a decrease of $3.6 million from $359.9 million as at December 31, 2022. The varying levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increased the collection risk of accounts receivable balances.

As part of the Company’s international operations, it provided oilfield services in Venezuela pursuant to contractual arrangements, which the contracts have expired or were terminated in the second quarter of 2020. As at March 31, 2023, the Company had a net accounts receivable balance of approximately $5.5 million for work performed in Venezuela. Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in the country as well as imposed sanctions there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding.

NEW BUILDS AND MAJOR RETROFITS

As at March 31, 2023, the Company transferred nine, four and two under-utilized drilling rigs to its Canadian, United States and international operations reserve fleet respectively. Furthermore, one drilling rig was transferred from the reserve fleet to the marketed fleet in the United States. The Company is currently directing capital expenditures primarily to maintenance capital items and selective rig or fleet upgrades.

SUMMARY QUARTERLY RESULTS

($ thousands, except per common share data)	**Q1-2023**	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021
Revenue	**484,052**	467,980	432,550	344,123	332,676	296,166	268,578	212,306
Adjusted EBITDA [1]	**127,324**	129,963	105,358	68,332	69,965	57,861	59,769	45,645
Adjusted EBITDA per common share [1]								
Basic	**$0.69**	$0.76	$0.54	$0.40	$0.43	$0.35	$0.37	$0.28
Diluted	**$0.69**	$0.76	$0.54	$0.44	$0.38	$0.36	$0.37	$0.28
Net income (loss) attributable to common shareholders	**4,241**	11,897	17,782	(28,138)	6,587	(29,235)	(34,398)	(52,292)
Net income (loss) attributable to common shareholders per common share								
Basic	**$0.02**	$0.07	$0.11	$(0.17)	$0.04	$(0.18)	$(0.21)	$(0.32)
Diluted	**$0.02**	$0.07	$0.11	$(0.17)	$0.04	$(0.18)	$(0.21)	$(0.32)
Cash provided by operating activities	**104,574**	121,497	44,353	99,520	54,556	39,221	59,399	53,185
Funds flow from operations	**118,291**	110,361	103,321	81,497	76,741	46,644	56,198	41,326
Funds flow from operations per common share								
Basic	**$0.64**	$0.65	$0.53	$0.47	$0.47	$0.28	$0.35	$0.25
Diluted	**$0.64**	$0.65	$0.52	$0.52	$0.42	$0.29	$0.34	$0.25
Long-term debt, net of cash	**513,685**	507,009	1,415,520	1,357,537	1,378,699	1,440,579	1,418,997	1,313,837

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

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

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of May 5, 2023:

	Number	Amount ($)
Common shares	183,896,893	268,746
	Outstanding	**Exercisable**
Stock options	5,799,630	1,734,590

OUTLOOK

Industry Overview

The outlook for oilfield services continues to be constructive despite volatile commodity prices and macro-economic headwinds. Recessionary pressures, inflationary concerns, financial sector stress, and the potential for slowing economies continue to weigh on commodity prices. In addition, these factors continue to add uncertainty to the outlook for crude oil demand. However, demand for crude oil is generally expected to improve year-over-year. Furthermore, OPEC+ nations continue to monitor the oil markets and implement cuts to production to moderate supply. As a result, global crude oil prices have recently improved, with the benchmark price of West Texas Intermediate ("**WTI**") averaging US $77/bbl in February, $73/bbl in March and increasing to average $79/bbl in April.

We expect crude oil demand to remain relatively steady and anticipate that moderated oil supply in a positive oil price environment will continue to support steady oilfield services activity and revenue rates over the course of the 2023.

The Company continues to expect North American oil and natural gas producers to remain committed to prioritizing shareholder returns. However, the Company also anticipates that producers will keep relatively steady drilling programs to maintain or grow production in consideration of well productivity declines and low drilled but uncompleted ("**DUC**") well inventory.

Over the short-term, there remains 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, financial sector stress, the impact of ongoing hostilities in Ukraine, and the future supply of Russian oil and natural gas.

The Company remains committed to disciplined capital allocation and debt retirement. The Company has targeted approximately $200 million in debt reduction for the 2023 year. In addition, from the period beginning 2023 to the end of 2025, the Company has targeted debt reduction of approximately $600 million. If industry conditions change, this target could be increased or decreased.

The Company has budgeted base capital expenditures for 2023 of approximately $157.0 million, related to maintenance expenditures and selective growth projects. The Company may consider additional upgrade or growth projects in response to customer demand and appropriate contract terms.

Canadian Activity

Canadian activity, representing 29 percent of total revenue in the first quarter of 2023, improved in the first quarter due to supportive industry conditions and winter drilling conditions. We expect activity to decrease in the second quarter as operations enter seasonal spring break-up and then improve in the third quarter of the year. The Canadian market remains constructive as Canadian producers, familiar with capital and egress constrained environments, balanced capital programs in the current commodity price environment.

As of May 5, 2023, of our 114 marketed Canadian drilling rigs, approximately 38 percent are engaged under term contracts of various durations. Approximately 43 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

United States Activity

United States activity, representing 57 percent of total revenue in the first quarter of 2023, declined modestly in the first quarter of 2023 compared to the fourth quarter of 2022 as a result of suspended drilling programs in California. Producers operating in California are currently working through drilling permit challenges that have impacted drilling programs over the short-term.

The remaining areas the Company is active in continue to remain steady and are expected to remain stable throughout the second quarter of 2023. Furthermore, the Company currently has limited exposure to natural gas directed drilling programs with no active rigs working in the Haynesville or Marcellus basins.

As of May 5, 2023, of our 86 marketed United States drilling rigs, approximately 73 percent are engaged under term contracts of various durations. Approximately 30 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

International Activity

International activity, representing 14 percent of total revenue in the first quarter of 2023, remained steady for the first quarter of 2023. International activity is expected to improve in the second quarter of 2023 when a third Company rig in Oman is scheduled to commence drilling, joining the two rigs which are currently active in Oman. The Company expects the two rigs active in Bahrain and the two rigs active in Kuwait to remain steady.

In the second quarter of 2023, the Company expects seven of the eight Company marketed rigs in the Middle East will be active and operating on long-term contracts. Operations in Australia are expected to improve in the second quarter of 2023 and over the course of the 2023 year. Operations in Argentina, with two Company rigs active, are also expected remain steady in the second quarter of 2023.

As of May 5, 2023, of our 32 marketed international drilling rigs, approximately 53 percent, were engaged under term contracts of various durations. Approximately 76 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company is required to comply with National Instrument 52-109 *"Certification of Disclosure in Issuer's Annual and Interim Filings"*. This instrument requires that the Company disclose in the interim MD&A any changes in the Company's internal control over financial reporting that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company confirms that no such changes occurred during the three months ended March 31, 2023.

CHANGE IN ACCOUNTING POLICY

The following new standards and amendments are effective for the period beginning January 1, 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8 - Accounting policies, Changes in Accounting Estimates and Errors); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 -Income Taxes).

The Company carried out an assessment of these amendments and concluded that they have no effect on its interim consolidated financial statements.

RISKS AND UNCERTAINTIES

The Company is subject to several risks and uncertainties. A discussion of certain risks faced by the Company may be found under the "Risk Factors" section of the Company's Annual Information Form ("**AIF**") and the "Risks and Uncertainties" section of the Company's MD&A for the year ended December 31, 2022, which are available under the Company's SEDAR profile at www.sedar.com. Other than as described within this MD&A, the Company's risk factors and management of those risks have not changed substantially from as disclosed in the AIF. Additional risks and uncertainties not presently known by the Company, or that the Company does not currently anticipate or deem material, may also impair the Company's business operations or financial condition. If any of the events described in the risk factors in this MD&A or the Company's AIF actually occur, overall business, operating results and the financial condition of the Company could be materially adversely affected.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	March 31 2023	December 31 2022
(Unaudited, in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	**$ 44,850**	$ 49,880
Accounts receivable	**356,343**	359,933
Inventories, prepaid, investments and other	**56,839**	60,758
Income taxes receivable	**42**	40
Total current assets	**458,074**	470,611
Property and equipment	**2,486,337**	2,516,923
Deferred income taxes	**200,013**	196,370
Total assets	**$ 3,144,424**	$ 3,183,904
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 266,659**	$ 268,243
Share-based compensation *(Note 6)*	**11,748**	11,735
Income taxes payable	**4,815**	4,423
Current portion of lease obligation	**6,013**	11,324
Current portion of long-term debt *(Note 7)*	**846,954**	882,686
Total current liabilities	**1,136,189**	1,178,411
Share-based compensation *(Note 6)*	**7,040**	13,635
Long-term debt *(Note 7)*	**558,535**	556,889
Lease obligations	**5,449**	5,948
Income taxes payable	**5,389**	5,394
Deferred income taxes	**140,010**	134,857
Total liabilities	**1,852,612**	1,895,134
Shareholders' Equity		
Shareholders' capital *(Note 8)*	**268,748**	267,790
Contributed surplus	**22,521**	23,398
Accumulated other comprehensive income	**274,773**	276,053
Retained earnings	**725,770**	721,529
Total shareholders' equity	**1,291,812**	1,288,770
Total liabilities and shareholders' equity	**$ 3,144,424**	$ 3,183,904

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

For the three months ended	March 31 2023	March 31 2022
(Unaudited, in thousands of Canadian dollars, except per common share data)		
Revenue	**$ 484,052**	$ 332,676
Expenses		
Oilfield services	**342,199**	251,821
Depreciation	**77,855**	69,980
General and administrative	**14,529**	10,890
Share-based compensation	**1,725**	10,399
Foreign exchange loss (gain) and other	**5,026**	(1,345)
Total expenses	**441,334**	341,745
Income (loss) before interest expense, accretion of deferred financing charges and other (gains) and income taxes	**42,718**	(9,069)
Gain on asset sale	**(108)**	(29,942)
Interest expense	**34,398**	25,184
Accretion of deferred financing charges	**2,200**	2,202
Income (loss) before income taxes	**6,228**	(6,513)
Income tax (recovery)		
Current income tax (recovery)	**401**	(1,670)
Deferred income tax (recovery)	**1,360**	(11,532)
Total income tax (recovery)	**1,761**	(13,202)
Net income	**4,467**	6,689
Net income attributable to:		
Common shareholders	**4,241**	6,587
Non-controlling interests	**226**	102
	4,467	6,689
Net income attributable to common shareholders per common share *(Note 9)*		
Basic	**$ 0.02**	$ 0.04
Diluted	**$ 0.02**	$ 0.04

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three months ended		**March 31 2023**		March 31 2022
(Unaudited, in thousands of Canadian dollars)				
Net income	**$**	**4,467**	$	6,689
Other comprehensive loss				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment		**(1,280)**		(10,044)
Comprehensive income (loss)	**$**	**3,187**	$	(3,355)
Other Comprehensive loss attributable to:				
Common shareholders	**$**	**(1,280)**	$	(10,044)
	$	**(1,280)**	$	(10,044)

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, 2023	$ 267,790	$ 23,398	$ —	$ 276,053	$ 721,529	$ 1,288,770
Net income attributable to common shareholders	—	—	—	—	4,241	4,241
Other comprehensive loss	—	—	—	(1,280)	—	(1,280)
Total comprehensive (loss) income	—	—	—	(1,280)	4,241	2,961
Common shares issued under share option plan	32	(18)	—	—	—	14
Share-based compensation	—	602	—	—	—	602
Common shares vested previously held in trust	1,461	(1,461)	—	—	—	—
Purchase of common shares held in trust	(535)	—	—	—	—	(535)
Balance, March 31, 2023	**$ 268,748**	**$ 22,521**	**$ —**	**$ 274,773**	**$ 725,770**	**$ 1,291,812**
Balance, January 1, 2022	$ 230,376	$ 23,197	$ 2,380	$ 223,308	$ 713,401	$ 1,192,662
Net income attributable to common shareholders	—	—	—	—	6,587	6,587
Other comprehensive loss	—	—	—	(10,044)	—	(10,044)
Total comprehensive (loss) income	—	—	—	(10,044)	6,587	(3,457)
Common shares issued under share option plan	108	(72)	—	—	—	36
Share-based compensation	—	443	—	—	—	443
Common shares vested previously held in trust	1,072	(1,072)	—	—	—	—
Purchase of common shares held in trust	(375)	—	—	—	—	(375)
Balance, March 31, 2022	$ 231,181	$ 22,496	$ 2,380	$ 213,264	$ 719,988	$ 1,189,309

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended	March 31 2023	March 31 2022
(Unaudited, in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net income	**$ 4,467**	$ 6,689
Items not affecting cash		
Depreciation	**77,855**	69,980
Gain on asset sale	**(108)**	(29,942)
Share-based compensation, net of cash paid	**(5,963)**	10,399
Unrealized foreign exchange and other loss	**4,082**	3,761
Accretion of deferred financing charges *(Note 7)*	**2,200**	2,202
Interest expense	**34,398**	25,184
Deferred income tax expense (recovery)	**1,360**	(11,532)
Funds flow from operations	**118,291**	76,741
Net change in non-cash working capital *(Note 10)*	**(13,717)**	(22,185)
Cash provided by operating activities	**104,574**	54,556
Investing activities		
Purchase of property and equipment	**(49,879)**	(31,951)
Proceeds from disposals of property and equipment	**155**	42,747
Net change in non-cash working capital *(Note 10)*	**7,538**	5,697
Cash (used in) provided by investing activities	**(42,186)**	16,493
Financing activities		
Proceeds from long-term debt *(Note 7)*	**8,262**	1,900
Repayments of long-term debt *(Note 7)*	**(43,905)**	(41,934)
Lease obligations principal repayments	**(8,944)**	(1,898)
Purchase of common shares held in trust *(Note 8)*	**(535)**	(375)
Issuance of common share under the share option plan	**—**	36
Interest paid	**(22,769)**	(12,453)
Cash used in financing activities	**(67,891)**	(54,724)
Net (decrease) increase in cash	**(5,503)**	16,325
Effects of foreign exchange on cash	**473**	76
Cash		
Beginning of period	**49,880**	13,305
End of period	**$ 44,850**	$ 29,706

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 ("IAS 34"). The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2022. 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, 2022, which have been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the same accounting policies throughout all periods presented.

These interim consolidated financial statements were approved by the Company's Board of Directors on May 5, 2023, after review by the Company's Audit Committee.

3. SEASONALITY OF OPERATIONS

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

4. FOREIGN OPERATIONS

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

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

5. CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments are effective for the period beginning January 1, 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8 - Accounting policies, Changes in Accounting Estimates and Errors); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 -Income Taxes).

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting periods beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed.

Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers.

The Company carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on the interim consolidated financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, providing guidance to help entities meet the accounting policy disclosure requirements. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose significant accounting policies with material accounting policy information. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the Company's interim consolidated financial statements as they relate to disclosures of accounting policies in year-end financial statements. The amendments are expected to be applicable for the accounting policy disclosures in the Company’s annual consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)

The amendment to IAS 8, which added the definition of accounting estimates, clarifies that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

These amendments have no effect on the Company’s interim consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 - Income Taxes)

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognized simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments have no effect on the Company’s interim consolidated financial statements.

6. SHARE-BASED COMPENSATION

A summary of the Company's share option plan as of March 31, 2023 and the changes during the three month period ended, is presented below:

	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1, 2023	4,287,410	$ 2.57
Granted	1,626,000	3.94
Exercised	(42,530)	1.30
Forfeited	(28,550)	5.02
Outstanding - March 31, 2023	**5,842,330**	**$ 2.95**
Exercisable - March 31, 2023	**1,777,290**	**$ 2.99**

The following table lists the options outstanding at March 31, 2023:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$0.54 to $1.50	825,085	1.75	$ 0.54	442,235	$ 0.54
$1.51 to $3.00	2,591,345	3.30	2.24	695,135	2.06
$3.01 to $5.69	2,425,900	3.43	4.52	639,920	5.69
	5,842,330	3.14	$ 2.95	1,777,290	$ 2.99

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

	March 31, 2023
Remaining expected life (years)	2.9
Volatility (percent)	40.0
Forfeiture rate (percent)	7.5
Risk-free interest rate (percent)	3.4
Expected dividend (percent)	—

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of March 31, 2023 and the changes during the three month period ended, is presented below:

	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1, 2023	448,215	$ 2.47
Granted	153,000	3.94
Exercised	(16,700)	1.43
Forfeited	(500)	2.80
Outstanding - March 31, 2023	**584,015**	**$ 2.88**
Exercisable - March 31, 2023	**179,616**	**$ 3.00**

The following table lists the SARs outstanding at March 31, 2023:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$0.54 to $1.50	85,215	1.75	$ 0.54	44,099	$ 0.54
$1.51 to $3.00	260,585	3.19	2.11	67,345	1.90
$3.01 to $5.69	238,215	3.32	4.57	68,172	5.69
	584,015	3.03	$ 2.88	179,616	$ 3.00

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, 2023	7,256,905
Vested and paid	(1,949,940)
Outstanding - March 31, 2023	**5,306,965**

Included in net earnings for the three months ended March 31, 2023 is an expense of $2,075 (2022 - $3,749). 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 to take or accept 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, 2023	1,308,327
Granted	38,127
Outstanding - March 31, 2023	**1,346,454**

7. LONG-TERM DEBT

	March 31 2023	December 31 2022
Drawings on the Credit Facility	**$ 846,954**	$ 882,686
Unsecured Senior Notes, due April 2024, 9.25%	**564,789**	565,344
Unamortized deferred financing costs	**(6,254)**	(8,455)
Total debt	**$ 1,405,489**	$ 1,439,575
Less: current portion	**(846,954)**	(882,686)
Total long-term debt	**$ 558,535**	$ 556,889

As at March 31, 2023, 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 (2022 - $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 a dynamic industry environment.

The Credit Facility has the following covenant requirements:

- The Consolidated Total Debt to Consolidated EBITDA ratio shall not exceed 5.00:1.00.
- The Consolidated EBITDA to Consolidated Interest Expense ratio shall not be less than 2.50:1.00.
- The Consolidated Senior Debt to Consolidated EBITDA ratio shall not exceed 2.50:1.00.

As at March 31, 2023 the Company was in compliance with all covenants related to the Credit Facility.

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

In addition, the Company has a US $50,000 secured Letter of Credit Facility. As of March 31, 2023, the available amount was US $5,371.

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

	2023
Opening balance - January 1	**$ 1,439,575**
Proceeds from long-term debt, net of debt issuance costs	**8,262**
Long-term debt repayments	**(43,905)**
Amortization of debt issuance costs	**2,200**
Foreign exchange adjustments	**(643)**
Total debt	**$ 1,405,489**
Less: current portion	**(846,954)**
Closing balance - March 31	**$ 558,535**

8. 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, 2023	183,459,123	$ 267,790
Shares issued under employee stock option plan	9,900	32
Changes in unvested common shares held in trust	436,705	926
Closing balance - March 31, 2023	**183,905,728**	**$ 268,748**

The total number of unvested common shares held in trust for share-based compensation plans as at March 31, 2023 was 418,302 (December 31, 2022 – 855,007).

9. NET INCOME PER COMMON SHARE

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

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

	Three months ended	
	March 31 2023	March 31 2022
Net income attributable to common shareholders:		
Basic and diluted	**$ 4,241**	$ 6,587
Weighted average number of common shares outstanding:		
Basic	**183,828,048**	162,895,478
Potentially dilutive share-based compensation plans	**1,648,417**	402,526
Potentially dilutive share-convertible debenture	**—**	21,142,857
Diluted	**185,476,465**	184,440,861

Share options of 2,425,900 (2022 – 4,860,565) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

10. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	March 31 2023	March 31 2022
Net change in non-cash working capital		
Accounts receivable	**$ 3,914**	$ (34,091)
Inventories, prepaid investments and other	**1,766**	(1,607)
Accounts payable and accruals	**(12,252)**	21,161
Income taxes payable (receivable)	**393**	(1,951)
	$ (6,179)	$ (16,488)
Relating to:		
Operating activities	**$ (13,717)**	$ (22,185)
Investing activities	**7,538**	5,697
	$ (6,179)	$ (16,488)

11. SEGMENTED INFORMATION

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

	2023				2022			
As at and for the three month period ended March 31	Canada	United States	International	Total	Canada	United States	International	Total
Revenue	$ 140,116	$ 274,553	$ 69,383	$ 484,052	$ 111,266	$ 166,823	$ 54,587	$ 332,676
Income (loss) before interest expense, accretion of deferred financing charges and other (gains) and income taxes	16,952	25,235	531	42,718	(4,333)	(8,718)	3,982	(9,069)
Property and equipment, net	$ 598,075	$1,409,612	$ 478,650	$2,486,337	$ 645,147	$1,344,579	$ 454,895	$2,444,621

	March 31 2023	March 31 2022
Rig rental revenue	**$ 381,809**	$ 238,710
Service revenue	**102,243**	93,966
Total revenue	**$ 484,052**	$ 332,676

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

12. FAIR VALUE MEASUREMENTS

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

The estimated fair value of the unsecured senior 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 unsecured senior notes approximates its carrying value.

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statement of financial position are categorized using a three-level hierarchy that reflects the level of judgment associated with the

inputs used to measure their fair value. The fair values of financial assets and liabilities included in Level 1 are determined by reference to unadjusted quoted prices in active markets for identical assets and liabilities. Fair values of financial assets and liabilities in Level 2 are based on inputs other than Level 1 quoted prices that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). The fair values in Level 3 financial assets and liabilities are not based on observable market data.

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

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

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

13. FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at March 31, 2023 totaled $356,343, a decrease of $3,590 from $359,933 as at December 31, 2022. The varying levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increased the collection risk of accounts receivable balances.

As part of the Company’s international operations, it provided oilfield services in Venezuela pursuant to contractual arrangements, which the contracts have expired or were terminated in the second quarter of 2020. As at March 31, 2023, the Company had a net accounts receivable balance of approximately $5,521 for work performed in Venezuela. Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in the country as well as imposed sanctions there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages liquidity by forecasting cash flows on an annual basis and secures sufficient credit facilities to meet financing requirements that exceed anticipated internally generated funds. As at March 31, 2023, 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 7. The amendments and extension provide the Company with continued access to revolver capacity and near-term flexibility in a volatile oil price environment. As at March 31, 2023, the remaining contractual maturity Credit Facility is 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 and as such has been classified as current. The Company has a history with successfully negotiating contractual terms and extending the maturity of the Credit Facility. As at the date of the consolidated financial statements, the Company has not entered into formal discussions about the renewal and extension of its existing Credit Facility with the Credit Facility syndicate.

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

DARLENE HASLAM [1,4]
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

GAIL SURKAN [2,3]
Independent Businessperson

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

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
Senior 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 Resources

RON TOLTON
Vice President, IT

RICK PINGEL
Vice President, Global Supply Chain

JAKE HAMDAN
Vice President, Engineering

JUSTIN LOUIE
Corporate Secretary and General Counsel

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HSBC Bank Canada
Bank of Montreal

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: ESI

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Trust Company of Canada

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