ENSIGN®

2023 Q3

THIRD QUARTER REPORT For the three and nine months ended September 30, 2023

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		
	2023	2022	% change	**2023**	2022	% change
Revenue	**444,405**	432,550	3	**1,361,227**	1,109,349	23
Adjusted EBITDA [1]	**117,295**	105,358	11	**361,235**	243,655	48
Adjusted EBITDA per common share [1]						
Basic	**$0.63**	$0.54	17	**$1.96**	$1.37	43
Diluted	**$0.63**	$0.54	17	**$1.95**	$1.36	43
Net (loss) income attributable to common shareholders	**(5,229)**	17,782	nm	**9,314**	(3,769)	nm
Net (loss) income attributable to common shareholders per common share						
Basic	**$(0.03)**	$0.11	nm	**$0.05**	$(0.02)	nm
Diluted	**$(0.03)**	$0.11	nm	**$0.05**	$(0.02)	nm
Cash provided by operating activities	**105,566**	44,353	nm	**376,911**	198,465	90
Funds flow from operations	**119,596**	103,321	16	**354,651**	261,595	36
Funds flow from operations per common share						
Basic	**$0.65**	$0.53	23	**$1.93**	$1.47	31
Diluted	**$0.65**	$0.52	25	**$1.92**	$1.46	32
Total debt, net of cash	**1,246,041**	1,415,520	(12)	**1,246,041**	1,415,520	(12)
Weighted average common shares - basic *(000s)*	**183,786**	183,713	—	**183,917**	178,246	3
Weighted average common shares - diluted *(000s)*	**184,614**	185,131	—	**185,148**	179,520	3
Drilling	**2023**	2022	% change	**2023**	2022	% change
Number of marketed rigs [2]						
Canada [3]	**115**	123	(7)	**115**	123	(7)
United States	**85**	89	(4)	**85**	89	(4)
International [4]	**32**	34	(6)	**32**	34	(6)
Total	**232**	246	(6)	**232**	246	(6)
Operating days [5]						
Canada [3]	**3,262**	4,009	(19)	**9,193**	10,106	(9)
United States	**3,581**	4,937	(27)	**12,500**	12,902	(3)
International [4]	**1,265**	996	27	**3,616**	2,899	25
Total	**8,108**	9,942	(18)	**25,309**	25,907	(2)
Well Servicing	**2023**	2022	% change	**2023**	2022	% change
Number of rigs						
Canada	**47**	52	(10)	**47**	52	(10)
United States	**47**	48	(2)	**47**	48	(2)
Total	**94**	100	(6)	**94**	100	(6)
Operating hours						
Canada	**10,624**	12,857	(17)	**36,204**	36,216	—
United States	**32,397**	32,877	(1)	**90,961**	93,291	(2)
Total	**43,021**	45,734	(6)	**127,165**	129,507	(2)

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 - 132, United States - 116, International - 43 (2022 total owned rigs: Canada - 137, United States - 126, International - 46)*

[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 2023**	December 31 2022	September 30 2022
Working capital (deficit) [1, 2]	**(1,165,149)**	(707,800)	136,435
Cash	**47,077**	49,880	29,994
Total debt [3]	**1,293,118**	1,439,575	1,445,514
Total debt, net of cash [3]	**1,246,041**	1,389,695	1,415,520
Total debt and other long-term financial liabilities [3]	**1,311,069**	1,445,523	1,458,352
Total assets	**3,073,053**	3,183,904	3,176,408
Total debt to total debt plus equity ratio [3]	**0.50**	0.53	0.53

[1] See non-GAAP Measures section
[2] Change in working capital (deficit) was largely due to the Company's revolving credit facility and unsecured Senior notes being classified as current.
[3] For presentation purposes the Company includes current and long-term debt under total debt and the comparatives have been revised to conform with current year's presentation.

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2023**	2022	% change	**2023**	2022	% change
Capital expenditures						
Upgrade/growth	**1,939**	18,429	(89)	**13,967**	55,015	(75)
Maintenance	**36,020**	28,495	26	**130,316**	78,139	67
Proceeds from disposals of property and equipment	**(8,891)**	—	nm	**(12,345)**	(46,936)	(74)
Net capital expenditures	**29,068**	46,924	(38)	**131,938**	86,218	53

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 and nine months ended September 30, 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.sedarplus.com.

The interim consolidated financial statements and comparative information have been prepared in accordance 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 2, 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", "contemplates" 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 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 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 in the Gaza Strip and 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; artificial intelligence development and implementation; cyber-attacks; 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 future 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 in the Gaza Strip and 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, pandemics, pandemics mitigation strategies and the impact thereof upon the Company, its customers and its business, ongoing hostilities in the Gaza Strip and 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 conflicts, 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.sedarplus.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 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 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 (loss) income as calculated in accordance with IFRS.

ADJUSTED EBITDA	Three months ended September 30		Nine months ended September 30	
($ thousands)	**2023**	2022	**2023**	2022
(Loss) income before income taxes	**(5,072)**	20,376	**16,737**	(22,512)
Add-back/(deduct):				
Interest expense	**31,265**	32,438	**97,223**	85,185
Accretion of deferred financing charges	**2,200**	2,200	**6,599**	6,601
Depreciation	**76,957**	69,433	**229,647**	208,105
Share-based compensation	**12,256**	(5,910)	**7,835**	8,049
Gain on asset sale	**(4,316)**	(502)	**(6,584)**	(31,798)
Foreign exchange and other loss (gain)	**4,005**	(12,677)	**9,778**	(9,975)
Adjusted EBITDA	**117,295**	105,358	**361,235**	243,655

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 2023 was $444.4 million, a three percent increase from $432.6 million in revenue for the third quarter of 2022. Revenue for the nine months ended September 30, 2023, was $1,361.2 million, an increase of 23 percent from revenue for the nine months ended September 30, 2022, of $1,109.3 million.

Adjusted EBITDA totaled $117.3 million ($0.63 per common share) in the third quarter of 2023, 11 percent higher than Adjusted EBITDA of $105.4 million ($0.54 per common share) in the third quarter of 2022. For the first nine months ended September 30, 2023, Adjusted EBITDA totaled $361.2 million ($1.96 per common share), 48 percent higher than Adjusted EBITDA of $243.7 million ($1.37 per common share) in the first nine months ended September 30, 2022.

Net loss attributable to common shareholders for the third quarter of 2023 was $5.2 million ($0.03 per common share) compared to a net income attributable to common shareholders of $17.8 million ($0.11 per common share) for the third quarter of 2022. Net income attributable to common shareholders for the nine months ended September 30, 2023, was $9.3 million ($0.05 per common share), compared to a net loss attributable to common shareholders of $3.8 million ($0.02 per common share) for the nine months ended September 30, 2022.

Funds flow from operations increased 16 percent to $119.6 million ($0.65 per common share) in the third quarter of 2023 compared to $103.3 million ($0.53 per common share) in the third quarter of the prior year. Funds flow from operations increased 36 percent to $354.7 million ($1.93 per common share) for the nine months ended September 30, 2023, compared to $261.6 million ($1.47 per common share) for the nine months ended September 30, 2022.

The outlook for oilfield services continues to be constructive despite the recent volatility in global crude oil and natural gas commodity prices and uncertain global economic and geopolitical conditions. Global inflationary pressures, recession risk, moderated economic growth, and geopolitical tensions have continued to impact global commodity prices, reinforce producer and contractor capital discipline, and add uncertainty to the macro-economic outlook over the short-term. Furthermore, the recent decline in the US rig count has contributed to activity uncertainty and rig rate fluctuations over the short-term. However, despite these short-term headwinds, global demand for crude oil continues to increase year-over-year and OPEC+ nations continue to maintain moderated supply in response to market conditions.

Over the near term, there remains uncertainty regarding several factors that may impact the future demand for crude oil, natural gas, commodity prices and the demand for oilfield services, including but not limited to, the impacts of ongoing hostilities in Ukraine on the global economy, the impact of recent geopolitical developments in the Middle East on global crude oil markets, overall global economic health and recessionary pressures in certain environments.

The Company's operating days declined in the three months ended September 30, 2023 and in the nine months ended September 30, 2023, when compared with the same periods in 2022. Operating activity was negatively impacted in the third quarter of 2023 due to volatile commodity prices, customer capital discipline, and acquisition and merger activity between oil and natural gas producers in both Canada and the United States operating regions.

The average United States dollar exchange rate was $1.35 for the nine months ended September 30, 2023 (2022 - $1.28) versus the Canadian dollar, an increase of five percent compared to the same period of 2022.

The Company's working capital at September 30, 2023, was a deficit of $1,165.1 million, compared to a deficit of $707.8 million at December 31, 2022. The deficit increase was largely due to the Company's revolving credit facility (the "**Credit Facility**") and unsecured Senior Notes (the "**Senior Notes**") being reclassified as current. Subsequent to September 30, 2023, the Company agreed to a three-year $369.0 million term credit facility (the "**Term Facility**") with its syndicate of lenders. Concurrently, the Company also amended and extended the existing $900.0 million Credit Facility. The maturity date of the Credit Facility has been extended for three years to October 2026.

The Company’s available liquidity, consisting of cash and available borrowings under its $900.0 million the Credit Facility, was $219.3 million at September 30, 2023.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2023**	2022	% change	**2023**	2022	% change
Revenue						
Canada	**108,259**	123,364	(12)	**328,993**	313,314	5
United States	**257,747**	247,432	4	**809,081**	617,762	31
International	**78,399**	61,754	27	**223,153**	178,273	25
Total revenue	**444,405**	432,550	3	**1,361,227**	1,109,349	23
Oilfield services expense	**313,227**	314,433	—	**956,929**	829,836	15

Revenue for the three months ended September 30, 2023, totaled $444.4 million, an increase of three percent from the third quarter 2022 of $432.6 million. Revenue for the nine months ended September 30, 2023, totaled $1,361.2 million, a 23 percent increase from the nine months ended September 30, 2022.

The increase in total revenue during the third quarter of 2023 was primarily due to favourable industry conditions generally supporting revenue rate improvements year-over-year, foreign exchange translation, and relatively supportive oil commodity prices in the first nine months of 2023.

CANADIAN OILFIELD SERVICES

Revenue decreased 12 percent to $108.3 million for the three months ended September 30, 2023, from $123.4 million for the three months ended September 30, 2022. The Company recorded revenue of $329.0 million in Canada for the nine months ended September 30, 2023, an increase of five percent from $313.3 million recorded for the nine months ended September 30, 2022.

Canadian revenue accounted for 24 percent of the Company's total revenue in the third quarter of 2023 (2022 - 29 percent) and 24 percent (2022 - 28 percent) for the first nine months of 2023.

The Company's Canadian drilling operations recorded 3,262 operating days in the third quarter of 2023, compared to 4,009 operating days for the third quarter of 2022, a decrease of 19 percent. For the nine months ended September 30, 2023, the Company recorded 9,193 operating days compared to 10,106 days for the nine months ended September 30, 2022, a decrease of nine percent. Canadian well servicing hours decreased by 17 percent to 10,624 operating hours in the third quarter of 2023 compared to 12,857 operating hours in the corresponding period of 2022. For the nine months ended September 30, 2023, well servicing hours was 36,204 which is consistent compared with 36,216 operating hours for the nine months ended September 30, 2022.

The operating results for the Company's Canadian operations in the third quarter of 2023 were negatively impacted by fluctuating commodity prices and producer capital discipline curtailing certain drilling programs. However, the financial results for the Company's Canadian operations during the first nine months of 2023 were positively impacted by revenue rate increases year-over-year due to market conditions.

During the first nine months of 2023, the Company transferred one drilling rig from the United States to Canada and transferred nine under-utilized drilling rigs into its Canadian operations reserve fleet.

UNITED STATES OILFIELD SERVICES

The Company’s United States operations recorded revenue of $257.7 million in the third quarter of 2023, an increase of four percent from the $247.4 million recorded in the corresponding period of the prior year. During the nine months ended September 30, 2023, revenue of $809.1 million was recorded, an increase of 31 percent from the $617.8 million recorded in the corresponding period of the prior year.

The Company's United States operations accounted for 58 percent of the Company's revenue in the third quarter of 2023 (2022 - 57 percent) and 60 percent of the Company’s revenue in the first nine months of 2023 (2022 - 56 percent).

Drilling rig operating days decreased by 27 percent to 3,581 operating days in the third quarter of 2023 from 4,937 operating days in the third quarter of 2022 and decreased by three percent to 12,500 operating days in the first nine

months ended September 30, 2023 from 12,902 operating days in the first nine months ended September 30, 2022. United States well servicing recorded 32,397 operating hours in the third quarter of 2023 which remained consistent with 32,877 operating hours recorded in the third quarter of 2022. For the first nine months of 2023, well servicing activity decreased by two percent to 90,961 operating hours from 93,291 operating hours for the first nine months of 2022.

Overall operating and financial results for the Company's United States operations reflect generally constructive industry conditions supporting year-over-year revenue rate improvements and steady well servicing rig utilization. The financial results from the Company's United States operations were further positively impacted by the currency translation, as the United States dollar strengthened relative to the Canadian dollar during the first nine months of 2023.

During the first nine months of 2023, the Company transferred one drilling rig from the United States to Canada. In addition, 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 $78.4 million in the third quarter of 2023, a 27 percent increase from the $61.8 million recorded in the corresponding period of the prior year. International revenues for the nine months ended September 30, 2023, increased 25 percent to $223.2 million from $178.3 million recorded for the nine months ended September 30, 2022.

The Company's international operations contributed 18 percent of the total revenue in the third quarter of 2023 (2022 - 14 percent) and 16 percent of the Company's revenue in the first nine months of 2023 (2022 - 16 percent).

International operating days for the three months ended September 30, 2023, totaled 1,265 operating days compared to 996 operating days in the same period of 2022, an increase of 27 percent. For the nine months ended September 30, 2023, international operating days totaled 3,616 operating days compared to 2,899 operating days for the nine months ended September 30, 2022, an increase of 25 percent.

Operating and financial results from international operations reflect generally supportive industry conditions and increasing drilling activity. In particular, the Company's operational activity increased year-over-year as a result of two Oman drilling rigs commencing new drilling programs in the fourth quarter of 2022 and a third rig commencing operations in the second quarter of 2023.

The financial results from the Company's international operations paid in the United States dollar 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 2023.

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

DEPRECIATION

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2023**	2022	% change	**2023**	2022	% change
Depreciation	**76,957**	69,433	11	**229,647**	208,105	10

Depreciation expense totaled $77.0 million for the third quarter of 2023 compared with $69.4 million for the third quarter of 2022, an increase of 11 percent. Depreciation expense for the first nine months ended September 30, 2023 increased by 10 percent, to $229.6 million compared with $208.1 million for the first nine months ended September 30, 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 September 30			Nine months ended September 30		
($ thousands)	**2023**	2022	% change	**2023**	2022	% change
General and administrative	**13,883**	12,759	9	**43,063**	35,858	20
% of revenue	**3.1**	2.9		**3.2**	3.2	

General and administrative expense increased nine percent to $13.9 million (3.1 percent of revenue) for the third quarter of 2023 compared to $12.8 million (2.9 percent of revenue) for the third quarter of 2022. For the nine months ended September 30, 2023, general and administrative expense totaled $43.1 million (3.2 percent of revenue) compared to $35.9 million (3.2 percent of revenue) for the nine months ended September 30, 2022. General and administrative expenses increased due to annual wage increases and higher foreign exchange rate on the United States dollar translation.

FOREIGN EXCHANGE AND OTHER LOSS (GAIN)

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2023**	2022	% change	**2023**	2022	% change
Foreign exchange and other loss (gain)	**4,005**	(12,677)	nm	**9,778**	(9,975)	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 September 30			Nine months ended September 30		
($ thousands)	**2023**	2022	% change	**2023**	2022	% change
Interest expense	**31,265**	32,438	(4)	**97,223**	85,185	14

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

Interest expense decreased by four percent for the third quarter of 2023 compared to the third quarter of 2022. Interest expense increased by 14 percent for the first nine months ended September 30, 2023, compared to the same period of 2022. The decrease for the three months ended September 30, 2023 is the result of lower interest rates, which are determined by the Company's financial position and lower total borrowing levels. For the nine months of 2023, the increase in expense compared to 2022 is the result higher interest rates incurred in the first half of the year and the foreign exchange rate impact on the United States dollar translation. As the Company's financial position and debt metrics improve, as anticipated under current market conditions, the interest rate under the Company's Credit Facility are expected to further decrease.

INCOME TAXES (RECOVERY)

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2023**	2022	% change	**2023**	2022	% change
Current income taxes (recovery)	**789**	318	nm	**1,957**	(1,444)	nm
Deferred income taxes (recovery)	**(858)**	2,082	nm	**4,998**	(17,574)	nm
Total income taxes (recovery)	**(69)**	2,400	nm	**6,955**	(19,018)	nm
Effective income tax rate (%)	**1.4**	11.8	(88)	**41.6**	84.5	(51)

nm - calculation not meaningful

The effective income tax rate for the three months ended September 30, 2023, was 1.4 percent compared to 11.8 percent for the three months ended September 30, 2022. The effective income tax rate for the nine months ended September 30, 2023, was 41.6 percent compared to 84.5 percent for the nine months ended September 30, 2022. The effective income tax rate in the first nine months of the current year was lower than the effective income tax rate

in the same period of 2022 as the prior year was significantly impacted by gains on the sale of certain capital assets in foreign jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

	Three months ended September 30			Nine months ended September 30		
($ thousands, except per common share data)	**2023**	2022	% change	**2023**	2022	% change
Cash provided by operating activities	**105,566**	44,353	nm	**376,911**	198,465	90
Funds flow from operations	**119,596**	103,321	16	**354,651**	261,595	36
Funds flow from operations per common share	**$0.65**	$0.53	23	**$1.93**	$1.47	31
Working capital [1]	**(1,165,149)**	(707,800)	65	**(1,165,149)**	(707,800)	65

nm - calculation not meaningful
[1] Comparative figure as at December 31, 2022

During the three months ended September 30, 2023, the Company generated funds flow from operations of $119.6 million ($0.65 per common share) compared to funds flow from operations of $103.3 million ($0.53 per common share) for the three months ended September 30, 2022, an increase of 16 percent. For the nine months ended September 30, 2023, the Company generated funds flow from operations of $354.7 million ($1.93 per common share) an increase of 36 percent from $261.6 million ($1.47 per common share) for the nine months ended September 30, 2022. The increase in funds flow from operations for the nine months ended September 30, 2023, compared to the same period of 2022 is largely due to the increase in revenue rates compared to the prior period as a result of the oil and natural gas industry's generally positive operating environment.

At September 30, 2023 the Company's working capital was a deficit of $1,165.1 million, compared to a working capital deficit of $707.8 million at December 31, 2022. The deficit was largely due to the Credit Facility and the Senior Notes being classified as current. Following September 30, 2023, the Company agreed on a three-year $369.0 million Term Facility with its syndicate of lenders. Concurrently with the new Term Facility agreement, the Company has also amended and extended the existing $900.0 million Credit Facility. The maturity date of the Credit Facility has been extended for three years to October 2026.

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 $172.2 million was undrawn and available at September 30, 2023.

INVESTING ACTIVITIES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2023**	2022	% change	**2023**	2022	% change
Purchase of property and equipment	**(37,959)**	(46,924)	(19)	**(144,283)**	(133,154)	8
Proceeds from disposals of property and equipment	**8,891**	—	nm	**12,345**	46,936	(74)
Distribution to non-controlling interest	**—**	—	nm	**—**	(1,852)	nm
Net change in non-cash working capital	**(2,052)**	7,059	nm	**1,717**	15,961	(89)
Cash used in investing activities	**(31,120)**	(39,865)	(22)	**(130,221)**	(72,109)	81

nm - calculation not meaningful

Net purchases of property and equipment for the third quarter of 2023 totaled $29.1 million (2022 - $46.9 million). Net purchases of property and equipment during the first nine months of 2023 totaled $131.9 million (2022 - $86.2 million). The purchase of property and equipment for the first nine months of 2023 consists of $14.0 million in upgrade and growth capital and $130.3 million in maintenance capital.

FINANCING ACTIVITIES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2023**	2022	% change	**2023**	2022	% change
Proceeds from long-term debt	**5,273**	22,585	(77)	**41,820**	51,190	(18)
Repayments of long-term debt	**(59,307)**	(17,618)	nm	**(197,036)**	(83,012)	nm
Lease obligation principal repayments	**(1,912)**	(1,884)	1	**(12,299)**	(6,073)	nm
Interest paid	**(17,000)**	(16,449)	3	**(81,422)**	(70,336)	16
Purchase of common shares held in trust	**(496)**	(347)	43	**(1,443)**	(1,127)	28
Cash used in financing activities	**(73,442)**	(13,713)	nm	**(250,380)**	(109,358)	nm

nm - calculation not meaningful

The Company's available bank facilities consist of a $900.0 million Credit Facility, of which $172.2 million was available and undrawn as of September 30, 2023. In addition, the Company has US $50.0 million secured letter of credit facility, of which US $5.4 million was available as of September 30, 2023.

In the fourth quarter of 2022, the Company classified its Credit Facility as current. Furthermore, during the second quarter of 2023, the Company classified the Senior Notes as current. Following September 30, 2023, the Company agreed on a three-year $369.0 million Term Facility with its syndicate of lenders. Concurrently therewith, the Company has also amended and extended the existing $900.0 million Credit Facility. The maturity date of the Credit Facility has been extended for three years to October 2026.

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 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, 2023.

Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at September 30, 2023:

	Covenant	September 30 2023
The Credit Facility		
Consolidated Total Debt to Consolidated EBITDA [1]	≤ 5.00	2.57
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 2.50	3.81
Consolidated Senior Debt to Consolidated EBITDA[1,3]	≤ 2.50	1.39

[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.*
[3] *Consolidated Senior Debt is defined as Consolidated Total Debt minus Subordinated Debt.*

As at September 30, 2023, 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 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 amendment and restatement of the Credit Facility 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 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 of September 30, 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 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, 2023 totaled $319.8 million, a decrease of $40.1 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, 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, 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

During the first nine months ended September 30, 2023, the Company:

- transferred nine, four, and two under-utilized drilling rigs to its Canadian, United States, and international operations reserve fleet, respectively;
- transferred one drilling rig from the United States to Canada;
- transferred one drilling rig 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)	**Q3-2023**	Q2-2023	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021
Revenue	**444,405**	432,770	484,052	467,980	432,550	344,123	332,676	296,166
Adjusted EBITDA [1]	**117,295**	116,616	127,324	129,963	105,358	68,332	69,965	57,861
Adjusted EBITDA per common share [1]								
Basic	**$0.63**	$0.64	$0.69	$0.76	$0.54	$0.40	$0.43	$0.35
Diluted	**$0.63**	$0.63	$0.69	$0.76	$0.54	$0.44	$0.38	$0.36
Net (loss) income attributable to common shareholders	**(5,229)**	10,302	4,241	11,897	17,782	(28,138)	6,587	(29,235)
Net (loss) income attributable to common shareholders per common share								
Basic	**$(0.03)**	$0.06	$0.02	$0.07	$0.11	$(0.17)	$0.04	$(0.18)
Diluted	**$(0.03)**	$0.06	$0.02	$0.07	$0.11	$(0.17)	$0.04	$(0.18)
Cash provided by operating activities	**105,566**	166,771	104,574	121,497	44,353	99,520	54,556	39,221
Funds flow from operations	**119,596**	116,764	118,291	110,361	103,321	81,497	76,741	46,644
Funds flow from operations per common share								
Basic	**$0.65**	$0.64	$0.64	$0.65	$0.53	$0.47	$0.47	$0.28
Diluted	**$0.65**	$0.63	$0.64	$0.65	$0.52	$0.52	$0.42	$0.29
Total debt, net of cash [2]	**1,246,041**	1,277,197	1,360,639	1,389,695	1,415,520	1,357,537	1,378,699	1,440,579

[1] See definition of "Non-GAAP Measures" section of this MD&A.
[2] For presentation purposes the Company includes current and long-term debt under total debt and comparative have been revised to conform with current year's presentation.

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 2, 2023:

	Number		Amount ($)
Common shares	183,549,652	$	267,808
	Outstanding		**Exercisable**
Stock options	5,536,385		2,797,190

OUTLOOK

Industry Overview

The outlook for oilfield services continues to be relatively constructive despite volatile commodity prices and macro-economic headwinds. Recessionary pressures, strict fiscal policies, and the potential for slowing economies in addition to geopolitical tensions and hostilities in areas such as the Gaza Strip and the ongoing Russia-Ukraine conflict continue to impact global commodity prices. In addition, these factors continue to add uncertainty to the outlook for crude oil demand and commodity prices over the short-term.

Constructively, global demand for crude oil continues to improve year-over-year. Furthermore, OPEC+ nations continue to monitor the oil markets and continue to maintain moderated supply. Global crude prices increased into the third quarter of 2023 and have recently increased over the fourth quarter of 2023 due in part to tensions and hostilities

in the Middle East, with the benchmark price of West Texas Intermediate ("**WTI**") averaging US $81/bbl in August, $89/bbl in September, and $85/bbl in October.

Over the short-term, volatile commodity prices have impacted the industry rig count in North America and reinforced customer discipline with capital programs for the 2023 year. Furthermore, there have been several recent oil and gas sector mergers and acquisitions ("**M&A**") in both the Canadian and the US operating regions that have impacted drilling programs over the short-term. Over the long-term, the Company expects customer consolidation to be positive for oilfield services activity and facilitate relatively consistent drilling programs. Into 2024, the Company expects positive oil prices to support anticipated relatively steady oilfield services activity in order to maintain or potentially grow production, especially so in consideration of well productivity declines and low drilled but uncompleted ("**DUC**") well inventory in certain producing areas.

Over the short-term, there remains uncertainty regarding macroeconomic conditions that may impact the demand, supply and pricing of crude oil and natural gas, along with the demand for oilfield services. These factors include but are not limited to, recession risk, global economic health, the impact of ongoing Russia-Ukraine hostilities and recent developments in the Middle East.

The Company remains committed to disciplined capital allocation and debt repayment. The Company has targeted approximately $200.0 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 $600.0 million. If industry conditions change, these targets may be increased or decreased.

Capital expenditures for the 2023 year are targeted to be in line with prior guidance of approximately $157.0 million primarily related to maintenance expenditures. In addition to the maintenance expenditures, capital is expended on selective rig enhancement or relocation projects for certain of the Company's customers of which $18.3 million has been funded by them during the first nine months of 2023. The Company may continue to consider additional rig relocation, upgrade or growth projects in response to customer demand under appropriate contract terms.

Canadian Activity

Canadian activity, representing 24 percent of total revenue in the first nine months of 2023, increased in the third quarter of 2023 compared to the second quarter of 2023 as operations exited seasonal spring break up and drilling programs recommenced after forest fires and flooding temporarily halted activity in certain areas. Activity in Canada is expected to remain steady in the fourth quarter of 2023 and improve into the first quarter of 2024 as operations enter the winter drilling season. In the Canadian market, egress solutions, additional pipeline capacity and general market conditions are expected to support activity in 2024.

As of November 3, 2023, of our 115 marketed Canadian drilling rigs, approximately 42 percent are engaged under term contracts of various durations. Approximately 40 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 60 percent of total revenue in the first nine months of 2023, declined modestly in the third quarter of 2023 compared to the second quarter of 2023 largely as a result of customer M&A activity and depressed activity in the Company's California region. Operations in California continue to be challenged as producers are currently working through drilling permit challenges that have impacted drilling programs over the short-term. The remaining areas the Company's United States operations are expected to modestly decline in the fourth quarter of 2023 as customers consolidate and remain disciplined with their 2023 capital programs.

As of November 3, 2023, of our 85 marketed United States drilling rigs, approximately 54 percent are engaged under term contracts of various durations. Approximately 11 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 16 percent of total revenue in the first nine months of 2023, remained steady in the third quarter of 2023. Currently, the Company has three rigs active in Oman, two rigs active in Bahrain and two rigs active in Kuwait. Financial and operational performance of all seven active rigs in the Company's Middle East segment are expected to remain steady in the fourth quarter of 2023.

Activity in Australia remained steady in the third quarter of 2023 and is expected to remain steady at seven rigs active in the fourth quarter of 2023 with an additional rig going to work in 2024. Operations in Argentina, with two rigs active, are expected remain steady in the fourth quarter of 2023. Furthermore, the Company is well-positioned for prospects in Venezuela subject to requisite licenses and permits.

As of November 3, 2023, of our 32 marketed international drilling rigs, approximately 53 percent, were engaged under term contracts of various durations. Approximately 94 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, 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.

RECENT ACCOUNTING PRONOUNCEMENTS

IAS 12 Income Taxes

On May 23, 2023, the International Accounting Standards Board (IASB) issued an amendment to IAS 12 Income Taxes in response to International Tax Reform and specifically the Pillar Two Global Anti-Base Erosion Rules ("Pillar Two Rules") published by the Organization for Economic Co-operation and Development ("OECD").

The amendments introduce:

- A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The Company adopted the mandatory temporary exception immediately. The remaining disclosure requirements have no effect on the Company's interim consolidated financial statements.

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures

On May 25, 2023, the International Accounting Standards Board (IASB) published Supplier Finance Arrangements with amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures. The amendments are effective for annual periods beginning on or after 1 January 2024. The Company is in the process of assessing the impact that the amendments will have on its financial statements.

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, 2022, which are available under the Company's SEDAR+ profile at www.sedarplus.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 *(Unaudited, in thousands of Canadian dollars)*	**September 30 2023**	December 31 2022
Assets		
Current Assets		
Cash	**$ 47,077**	$ 49,880
Accounts receivable	**319,807**	359,933
Inventories, prepaid, investments and other	**58,812**	60,758
Income taxes receivable	**—**	40
Total current assets	**425,696**	470,611
Property and equipment	**2,437,605**	2,516,923
Deferred income taxes	**209,752**	196,370
Total assets	**$ 3,073,053**	$ 3,183,904
Liabilities		
Current Liabilities		
Accounts payable and accruals	**$ 269,057**	$ 268,243
Share-based compensation *(Note 6)*	**14,538**	11,735
Income taxes payable	**4,944**	4,423
Current portion of lease obligation	**9,188**	11,324
Current portion of long-term debt *(Note 7, 14)*	**1,293,118**	882,686
Total current liabilities	**1,590,845**	1,178,411
Share-based compensation *(Note 6)*	**9,518**	13,635
Long-term debt *(Note 7, 14)*	**—**	556,889
Lease obligations	**12,678**	5,948
Income tax payable	**5,273**	5,394
Deferred income taxes	**154,677**	134,857
Total liabilities	**1,772,991**	1,895,134
Shareholders' Equity		
Shareholders' capital *(Note 8)*	**267,970**	267,790
Contributed surplus	**23,120**	23,398
Accumulated other comprehensive income	**278,129**	276,053
Retained earnings	**730,843**	721,529
Total shareholders' equity	**1,300,062**	1,288,770
Total liabilities and shareholders' equity	**$ 3,073,053**	$ 3,183,904

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

	Three months ended		Nine months ended	
	September 30 2023	September 30 2022	**September 30 2023**	September 30 2022
(Unaudited, in thousands of Canadian dollars, except per common share data)				
Revenue	**$ 444,405**	$ 432,550	**$ 1,361,227**	$ 1,109,349
Expenses				
Oilfield services	**313,227**	314,433	**956,929**	829,836
Depreciation	**76,957**	69,433	**229,647**	208,105
General and administrative	**13,883**	12,759	**43,063**	35,858
Share-based compensation	**12,256**	(5,910)	**7,835**	8,049
Foreign exchange and other loss (gain)	**4,005**	(12,677)	**9,778**	(9,975)
Total expenses	**420,328**	378,038	**1,247,252**	1,071,873
Income before interest expense, accretion of deferred financing charges and other gains and income taxes	**24,077**	54,512	**113,975**	37,476
Gain on asset sale	**(4,316)**	(502)	**(6,584)**	(31,798)
Interest expense	**31,265**	32,438	**97,223**	85,185
Accretion of deferred financing charges	**2,200**	2,200	**6,599**	6,601
(Loss) income before income taxes	**(5,072)**	20,376	**16,737**	(22,512)
Income taxes (recovery)				
Current income taxes (recovery)	**789**	318	**1,957**	(1,444)
Deferred income taxes (recovery)	**(858)**	2,082	**4,998**	(17,574)
Total income taxes (recovery)	**(69)**	2,400	**6,955**	(19,018)
Net (loss) income	**$ (5,003)**	$ 17,976	**$ 9,782**	$ (3,494)
Net (loss) income attributable to:				
Common shareholders	**(5,229)**	17,782	**9,314**	(3,769)
Non-controlling interests	**226**	194	**468**	275
	$ (5,003)	$ 17,976	**$ 9,782**	$ (3,494)
Net (loss) income attributable to common shareholders per common share *(Note 9)*				
Basic	**$ (0.03)**	$ 0.11	**$ 0.05**	$ (0.02)
Diluted	**$ (0.03)**	$ 0.11	**$ 0.05**	$ (0.02)

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended		Nine months ended	
	September 30 2023	September 30 2022	**September 30 2023**	September 30 2022
(Unaudited, in thousands of Canadian dollars)				
Net (loss) income	**$ (5,003)**	$ 17,976	$ 9,782	(3,494)
Other comprehensive income				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment	**23,220**	51,959	**2,076**	63,227
Comprehensive income	**$ 18,217**	$ 69,935	**$ 11,858**	$ 59,733
Other comprehensive income attributable to:				
Common shareholders of the Company	**$ 23,220**	$ 51,959	**$ 2,076**	$ 63,227
	$ 23,220	$ 51,959	**$ 2,076**	$ 63,227

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	—	—	—	—	9,314	9,314
Other comprehensive income	—	—	—	2,076	—	2,076
Total comprehensive income	—	—	—	2,076	9,314	11,390
Common shares issued under share option plan	162	(95)	—	—	—	67
Share-based compensation	—	1,278	—	—	—	1,278
Common shares vested previously held in trust	1,461	(1,461)	—	—	—	—
Purchase of common shares held in trust	(1,443)	—	—	—	—	(1,443)
Balance, September 30, 2023	**$ 267,970**	**$ 23,120**	**$ —**	**$ 278,129**	**$ 730,843**	**$ 1,300,062**
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	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

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Nine months ended	
	September 30 2023	September 30 2022	**September 30 2023**	September 30 2022
(Unaudited, in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net (loss) income	**$ (5,003)**	$ 17,976	**$ 9,782**	$ (3,494)
Items not affecting cash				
Depreciation	**76,957**	69,433	**229,647**	208,105
Gain on asset sale	**(4,316)**	(502)	**(6,584)**	(31,798)
Share-based compensation, net cash settlements	**5,935**	(5,945)	**43**	6,313
Unrealized foreign exchange and other	**13,416**	(14,361)	**12,943**	8,257
Accretion of deferred financing charges	**2,200**	2,200	**6,599**	6,601
Interest expense	**31,265**	32,438	**97,223**	85,185
Deferred income taxes (recovery)	**(858)**	2,082	**4,998**	(17,574)
Funds flow from operations	**119,596**	103,321	**354,651**	261,595
Net change in non-cash working capital *(Note 10)*	**(14,030)**	(58,968)	**22,260**	(63,130)
Cash provided by operating activities	**105,566**	44,353	**376,911**	198,465
Investing activities				
Purchase of property and equipment	**(37,959)**	(46,924)	**(144,283)**	(133,154)
Proceeds from disposals of property and equipment	**8,891**	—	**12,345**	46,936
Distribution to non-controlling interest	**—**	—	**—**	(1,852)
Net change in non-cash working capital *(Note 10)*	**(2,052)**	7,059	**1,717**	15,961
Cash used in investing activities	**(31,120)**	(39,865)	**(130,221)**	(72,109)
Financing activities				
Proceeds from long-term debt *(Note 7)*	**5,273**	22,585	**41,820**	51,190
Repayments of long-term debt *(Note 7)*	**(59,307)**	(17,618)	**(197,036)**	(83,012)
Lease obligation principal repayments	**(1,912)**	(1,884)	**(12,299)**	(6,073)
Interest paid	**(17,000)**	(16,449)	**(81,422)**	(70,336)
Purchase of common shares held in trust *(Note 8)*	**(496)**	(347)	**(1,443)**	(1,127)
Cash used in financing activities	**(73,442)**	(13,713)	**(250,380)**	(109,358)
Net increase (decrease) in cash	**1,004**	(9,225)	**(3,690)**	16,998
Effects of foreign exchange on cash	**2,002**	225	**887**	(309)
Cash				
Beginning of period	**44,071**	38,994	**49,880**	13,305
End of period	**$ 47,077**	$ 29,994	**$ 47,077**	$ 29,994

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 November 2, 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 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. 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.

RECENT ACCOUNTING PRONOUNCEMENTS

IAS 12 Income Taxes

On May 23, 2023, the International Accounting Standards Board (IASB) issued an amendment to IAS 12 Income Taxes in response to International Tax Reform and specifically the Pillar Two Global Anti-Base Erosion Rules ("Pillar Two Rules") published by the Organization for Economic Co-operation and Development ("OECD").

The Amendments introduce:

- A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The Company adopted the mandatory temporary exception immediately. The remaining disclosure requirements have no effect on the Company's interim consolidated financial statements.

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures

On May 25, 2023, the International Accounting Standards Board (IASB) published Supplier Finance Arrangements with amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures. The amendments are effective for annual periods beginning on or after 1 January 2024. The Company is in the process of assessing the impact that the amendments will have on its financial statements.

6. SHARE-BASED COMPENSATION

A summary of the Company's share option plan as of September 30, 2023 and the changes during the nine 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 for common shares	(52,600)	1.28
Exercised for cash	(83,700)	1.19
Forfeited	(224,165)	3.28
Outstanding - September 30, 2023	**5,552,945**	**$ 2.97**
Exercisable - September 30, 2023	**2,813,750**	**$ 2.99**

The following table lists the options outstanding at September 30, 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	758,235	1.25	$ 0.54	577,355	$ 0.54
$1.51 to $3.00	2,452,085	2.81	2.25	1,147,770	2.15
$3.01 to $5.69	2,342,625	2.94	4.52	1,088,625	5.18
	5,552,945	2.65	$ 2.97	2,813,750	$ 2.99

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

	September 30 2023
Remaining expected life (years)	2.4
Volatility (percent)	40.0
Forfeiture rate (percent)	7.3
Risk-free interest rate (percent)	4.6
Expected dividend (percent)	—

Share Appreciation Rights (SARs)

A summary of the Company's SARs plan as of September 30, 2023 and the changes during the nine 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	(22,405)	1.38
Forfeited	(500)	2.80
Outstanding - September 30, 2023	**578,310**	**$ 2.90**
Exercisable - September 30, 2023	**298,492**	**$ 2.95**

The following table lists the SARs outstanding at September 30, 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	83,215	1.25	$ 0.54	62,657	$ 0.54
$1.51 to $3.00	256,880	2.70	2.11	120,020	2.00
$3.01 to $5.69	238,215	2.82	4.57	115,815	5.23
	578,310	2.54	$ 2.90	298,492	$ 2.95

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
Granted	1,530,738
Vested and paid	(1,949,940)
Outstanding - September 30, 2023	**6,837,703**

Included in net earnings for the three months ended September 30, 2023 is an expense of $6,117 (2022 - a recovery of $2,586), and for the nine months ended September 30, 2023 is an expense of $5,552 (2022 - $4,076). 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, 2023	1,308,327
Granted	125,240
Outstanding - September 30, 2023	**1,433,567**

7. LONG-TERM DEBT

	September 30 2023	December 31 2022
Drawings on the Credit Facility	**$ 727,763**	$ 882,686
Unsecured Senior Notes, due April 2024, 9.25%	**567,211**	565,344
Unamortized deferred financing costs	**(1,856)**	(8,455)
Total debt	**$ 1,293,118**	$ 1,439,575
Less: current portion	**(1,293,118)**	(882,686)
Total long-term debt	**$ —**	$ 556,889

As at September 30, 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 dynamic industry environment. On October 13, 2023 the Company amended and extended the existing Credit Facility with its syndicate of lenders. For more details please refer to Note 14.

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 September 30, 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 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. The Company repurchased and cancelled US $282,459 during 2019, 2020 and 2021.

In addition, the Company has a US $50,000 secured Letter of Credit Facility. As of September 30, 2023, the available amount was US $5,371.

The following table sets out an analysis of total 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		**41,820**
Long-term debt repayments		**(197,036)**
Amortization of debt issuance costs		**6,599**
Foreign exchange adjustments		**2,160**
Total debt	$	**1,293,118**
Less: current portion		**(1,293,118)**
Closing balance - September 30	$	**—**

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	52,600		162
Changes in unvested common shares held in trust	100,487		18
Closing balance - September 30, 2023	**183,612,210**	**$**	**267,970**

The total number of unvested common shares held in trust for share-based compensation plans as at September 30, 2023 was 754,520 (December 31, 2022 – 855,007).

9. NET (LOSS) INCOME PER COMMON SHARE

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

Diluted net (loss) income per common share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the period adjusted for conversion of all potentially dilutive common shares. Diluted net (loss) income 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 2023	September 30 2022	**September 30 2023**	September 30 2022
Net (loss) income attributable to common shareholders:				
Basic and diluted	**$ (5,229)**	$ 17,782	**$ 9,314**	$ (3,769)
Weighted average number of common shares outstanding:				
Basic	**183,786,495**	183,713,162	**183,917,098**	178,245,614
Potentially dilutive share-based compensation plans	**827,069**	1,418,243	**1,231,287**	1,274,296
Diluted	**184,613,564**	185,131,405	**185,148,385**	179,519,910

During the three months ended September 30, 2023, share options of 3,712,050 (2022 – 2,040,425) 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, 2023, share options of 3,711,250 (2022 –3,531,850) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

10. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

(a) Non-cash working capital

	Three months ended		Nine months ended	
	September 30 2023	September 30 2022	**September 30 2023**	September 30 2022
Net change in non-cash working capital				
Accounts receivable	**$ (22,319)**	$ (61,730)	**$ 39,815**	$ (103,037)
Inventories, prepaid, investments and other	**224**	(656)	**609**	(4,354)
Accounts payable and accruals	**1,503**	11,302	**(14,825)**	63,574
Income taxes	**4,510**	(825)	**(1,622)**	(3,352)
	$ (16,082)	$ (51,909)	**$ 23,977**	$ (47,169)
Relating to:				
Operating activities	**$ (14,030)**	$ (58,968)	**$ 22,260**	$ (63,130)
Investing activities	**(2,052)**	7,059	**1,717**	15,961
	$ (16,082)	$ (51,909)	**$ 23,977**	$ (47,169)

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 September 30	**Canada**	**United States**	**International**	**Total**	Canada	United States	International	Total
Revenue	**108,259**	**257,747**	**78,399**	**444,405**	123,364	247,432	61,754	432,550
(Loss) income before interest expense, accretion of deferred financing charges and other gains and income taxes	**(6,197)**	**24,237**	**6,037**	**24,077**	35,181	20,745	(1,414)	54,512

As at and for the nine month period ended September 30	2023 Canada	2023 United States	2023 International	2023 Total	2022 Canada	2022 United States	2022 International	2022 Total
Revenue	**328,993**	**809,081**	**223,153**	**1,361,227**	313,314	617,762	178,273	1,109,349
Income (loss) before interest expense, accretion of deferred financing charges and other gains and income taxes	**19,600**	**88,401**	**5,974**	**113,975**	30,417	19,526	(12,467)	37,476
Property and equipment, net	**610,490**	**1,367,466**	**459,649**	**2,437,605**	625,293	1,465,669	471,651	2,562,613

	Three months ended		Nine months ended	
	September 30 2023	September 30 2022	**September 30 2023**	September 30 2022
Rig rental revenue	**$ 334,113**	$ 280,479	**$ 1,049,850**	$ 727,464
Service revenue	**110,292**	152,071	**311,377**	381,885
Total revenue	**$ 444,405**	$ 432,550	**$ 1,361,227**	$ 1,109,349

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.

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 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 currency forward exchange contracts is based on Level 2 inputs.

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

13. FINANCIAL INSTRUMENTS

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at September 30, 2023 totaled $319,807, a decrease of $40,126 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, 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, 2023, the Company had a net accounts receivable balance of approximately $5,502 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, 2023, the remaining contractual maturities of accounts payable and accruals are less than one year.

On October 13, 2023 the Company amended and extended the existing Credit Facility with its syndicate of lenders. For more details please refer to Note 14.

14. SUBSEQUENT EVENTS

On October 13, 2023 the Company agreed with its syndicate of lenders on a three-year $369,000 term credit facility (the "**Term Facility**"). Concurrently, the Company has amended and extended the existing $900,000 Credit Facility with its syndicate of lenders. The maturity date of the Credit Facility has been extended for three years to October 2026.

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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

KARL RUUD [2,4]
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
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

RICK PINGEL
Vice President, Global Supply Chain

JAKE HAMDAN
Vice President, Engineering

RON TOLTON
Vice President, IT

JUSTIN LOUIE
Corporate Secretary and General Counsel

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Bank of Montreal

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: ESI

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Trust Company of Canada

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