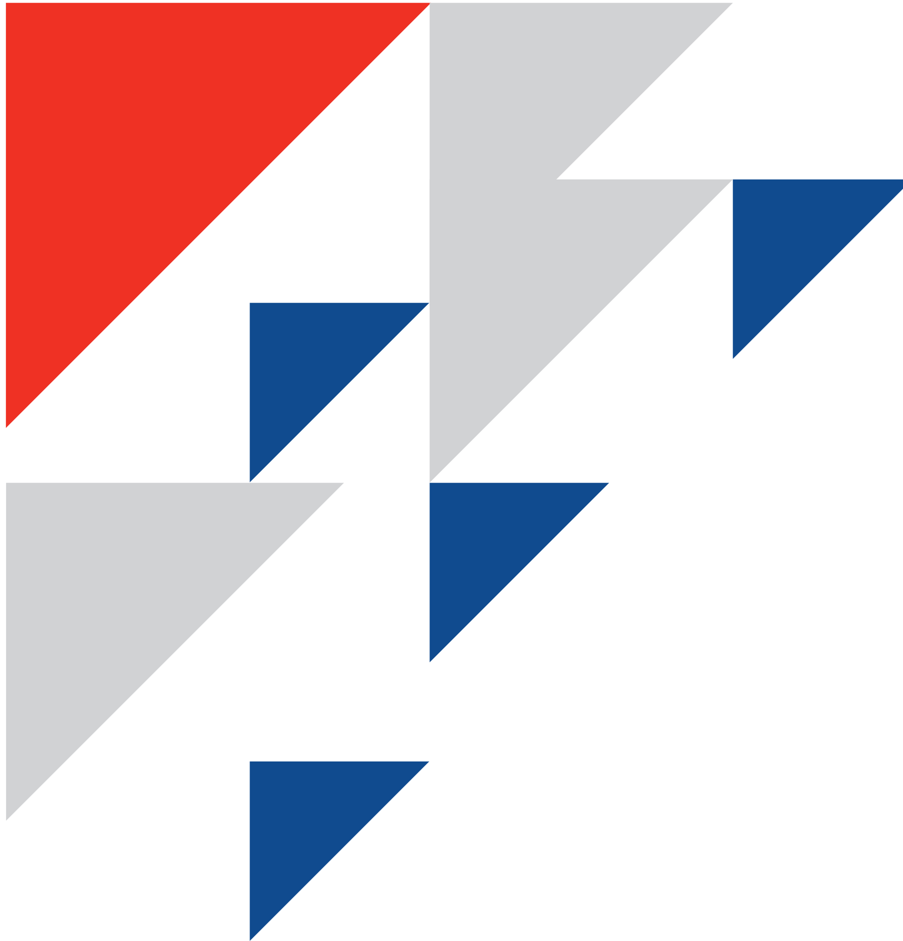

ENSIGN ENERGY SERVICES INC.

2019 ANNUAL REPORT

drilling | directional drilling | testing | well servicing

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS 1
MANAGEMENT'S REPORT 23
INDEPENDENT AUDITOR'S REPORT 24
CONSOLIDATED FINANCIAL STATEMENTS 28
SHARE TRADING SUMMARY 61
10 YEAR FINANCIAL INFORMATION 62
CORPORATE INFORMATION 64

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**") for Ensign Energy Services Inc. and all of its subsidiaries and affiliates ("**Ensign**" or the "**Company**") should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2019, which are available on SEDAR at www.sedar.com.

This MD&A and the audited consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated and are stated in thousands, except for: per share amounts, number of drilling rigs and operating days. This MD&A is dated March 5, 2020. Additional information, including the Company's Annual Information Form for the year ended December 31, 2019, is available on SEDAR at www.sedar.com.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this document constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements 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 regarding the new build program for 2019, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for 2020, constitute forward-looking statements. These statements are not representations or guarantees of future performance and are subject to certain risks. 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. Previous presentations included references to publicly disclosed analyst consensus estimates for 2020 Revenue and EBITDA. The Company has since removed references to the consensus estimates as the Company does not have access and ability to disclose the material factors and assumptions third-party analysts utilize to develop their forward-looking estimates.

The forward-looking statements are based on current expectations, estimates and projections about the Company and the industries 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. They 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 crude oil and natural gas commodity prices; fluctuations in currency and interest rates; 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; the Company's defence of lawsuits; availability and cost of labour and other equipment, supplies and services; 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; timing and success of integrating the business and operations of acquired companies; actions by governmental authorities; government regulations and the expenditures required to comply with them (including safety and environmental laws and regulations and the impact of climate change initiatives on demand, capital and operating costs); the adequacy of the Company's provision for taxes; and other circumstances affecting the Company's business, revenues and expenses.

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 and environmental protection regulations. Should one or more of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results 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.

For additional information refer to the “Risk and Uncertainties” section of this MD&A and the "Risk Factors" section of the Company's Annual Information Form. Readers are cautioned that the lists of important factors contained herein are not exhaustive. Unpredictable or unknown factors not discussed in this MD&A could also have material adverse effects on forward-looking statements.

Although the Company believes the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. Except as required by law, the Company assumes no obligation to update forward-looking statements should circumstances or its projections, anticipations, estimates or opinions change.

NON-GAAP MEASURES

This MD&A contains references to Adjusted EBITDA, Adjusted EBITDA per 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 measures from which they are derived or to which they are compared. The definition and method of calculation of the non-GAAP measures included in this MD&A are included in the "Overview and Selected Annual Information" section.

OVERVIEW AND SELECTED ANNUAL INFORMATION

($ thousands, except per share data and operating information)

	2019	2018	Change	% change	2017	Change	% change
Revenue	**1,592,247**	1,156,357	435,890	38	1,000,650	155,707	16
Adjusted EBITDA [1]	**406,766**	255,677	151,089	59	201,784	53,893	27
Adjusted EBITDA per common share [1]							
Basic	**$ 2.55**	$ 1.63	$ 0.92	56	$ 1.29	$ 0.34	26
Diluted	**$ 2.55**	$ 1.63	$ 0.92	56	$ 1.29	$ 0.34	26
Net (loss) income attributable to shareholders	**(162,905)**	58,302	(221,207)	nm	(37,644)	95,946	nm
Net (loss) income per common share							
Basic	**$ (1.02)**	$ 0.37	$ (1.39)	nm	$ (0.24)	$ 0.61	nm
Diluted	**$ (1.02)**	$ 0.37	$ (1.39)	nm	$ (0.24)	$ 0.61	nm
Cash provided by operating activities	**269,571**	152,133	117,438	77	135,147	16,986	13
Funds flow from operations	**236,989**	225,939	11,050	5	141,438	84,501	60
Funds flow from operations per common share							
Basic	**$ 1.48**	$ 1.44	$ 0.04	3	$ 0.90	$ 0.54	60
Diluted	**$ 1.48**	$ 1.44	$ 0.04	3	$ 0.90	$ 0.54	60
Total assets	**3,470,601**	3,993,162	(522,561)	(13)	2,958,465	1,034,697	35
Long term debt	**1,581,529**	1,716,964	(135,435)	(8)	738,497	978,467	nm
Dividends per share	**$ 0.42**	$ 0.48	$ (0.06)	(13)	$ 0.48	—	—

nm - calculation not meaningful

[1] *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 payment expense, impairment expenses, the sale of assets, restructuring expenses 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 also takes into account the Company’s portion of the principal activities of the joint venture arrangements by removing the loss (gain) from investments in joint ventures and including adjusted EBITDA from investments in joint ventures. Adjusted EBITDA is not intended to represent net loss as calculated in accordance with IFRS.*

Adjusted EBITDA is calculated as follows:

($ thousands)	**2019**	2018	2017
Loss (income) before income taxes	**(183,597)**	6,484	(187,796)
Add-back/(deduct)			
Interest expense	**149,159**	52,416	41,210
Depreciation	**363,144**	415,036	325,811
Gain on bargain purchase	**—**	(200,672)	—
Share-based compensation	**4,047**	707	656
Gain on asset sale	**(9,824)**	—	—
Gain on purchase of unsecured Senior Notes [1]	**(4,647)**	—	—
Foreign exchange and other loss (gain)	**25,426**	(19,001)	21,903
Loss (gain) from investments in joint ventures	**39,892**	(874)	—
Restructuring	**12,644**	1,492	—
Adjusted EBITDA from investments in joint ventures [2]	**10,522**	89	—
Adjusted EBITDA	**406,766**	255,677	201,784

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

[2] *Adjusted EBITDA from investments in joint ventures is used by management and investors to analyze the results generated by the Company's joint venture operations 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 its core drilling and well services business, amounts related to foreign exchange, dividend expense, dividend re-class, impairment adjustments to property and equipment, as well as preferred share valuation and the sale of assets are removed. Lastly, amounts recorded for the revaluation on the investment of the Trinidad Drilling International joint venture are removed as these are non-cash items and unrelated to the operations of the business. Adjusted EBITDA from investments in joint ventures is not intended to represent net loss as calculated in accordance with IFRS.*

Adjusted EBITDA from investment in joint ventures is calculated below:

($ thousands)	**2019**	2018	2017
(Loss) gain from investment in joint ventures	**(39,892)**	874	—
Add-back/(deduct)			
TDI fair value adjustment	**625**	—	—
Depreciation	**42,709**	1,125	—
Foreign exchange and other loss (gain)	**588**	(39)	—
Interest expense	**2,320**	54	—
Loss on sale of assets	**—**	395	—
Income taxes	**3,549**	14	—
Preferred shares valuation	**623**	(2,334)	—
Adjusted EBITDA from investment in joint ventures	**10,522**	89	—

Consolidated EBITDA

Consolidated EBITDA, as defined in the agreement governing the Company's Credit Facility (as defined below), is used in determining the Company's compliance with its covenants. The Consolidated EBITDA differs from Adjusted EBITDA by exclusion of restructuring costs and certain foreign exchange amounts. Consolidated EBITDA is calculated on a rolling twelve-month basis.

NATURE OF OPERATIONS

The Company is in the business of providing oilfield services to the oil and natural gas industry in Canada, the United States and internationally. Oilfield services provided by the Company include drilling and well servicing, oil sands coring, directional drilling, underbalanced and managed pressure drilling, equipment rentals and transportation.

The Company's Canadian operations span the four western provinces of British Columbia, Alberta, Saskatchewan and Manitoba and include the Northwest Territories and the Yukon. In the United States, the Company operates predominantly in the Rocky Mountain and southern regions, as well as the states of California, New Mexico, North Dakota, Pennsylvania and South Dakota. Internationally, the Company currently operates in Australia, Argentina, Bahrain, Kurdistan, Kuwait, Mexico, Oman, United Arab Emirates, and Venezuela. In addition to these international locations, the Company has operated in several other countries in the past and may relocate equipment to other regions in the future depending on bidding opportunities and anticipated levels of future demand.

2019 COMPARED WITH 2018

Revenue for the year ended December 31, 2019 was $1,592.2 million, an increase of 38 percent from 2018 revenue of $1,156.4 million. Adjusted EBITDA for 2019 totaled $406.8 million ($2.55 per common share), 59 percent higher than Adjusted EBITDA of $255.7 million ($1.63 per common share) for the year ended 2018.

Net loss attributed to shareholders for the year ended December 31, 2019 was $162.9 million ($1.02 per common share) compared to net income attributed to shareholders of $58.3 million ($0.37 per common share) for the year ended December 31, 2018.

During the fourth quarter of 2018, the Company acquired 89.3 percent of Trinidad Drilling Ltd. (**"Trinidad"**), common shares. During the first quarter of 2019, the Company acquired the remaining 10.7 percent of Trinidad common shares, completing the largest acquisition in the Company's history (the "**Trinidad Acquisition**"). The Trinidad Acquisition increased the Company's rig fleet by 68 drilling rigs in Canada, 66 in the United States and one internationally.

The Trinidad Acquisition also included a 60 percent interest in Trinidad Drilling International ("**TDI**"), a joint venture with a wholly-owned subsidiary of the Halliburton group of companies. TDI further expanded the Company's geographic footprint with the addition of three new countries of operation (Bahrain, Kuwait and Mexico).

Results for the year ended December 31, 2019 were materially impacted by the Trinidad Acquisition, notably through increased activity levels due to the increase in rig fleet size, an expanded customer base and additional exposure internationally and in key basins in the United States market.

In Canada, the Company moved five under-utilized drilling rigs into its reserve fleet, decommissioned 18 drilling rigs and 10 well servicing rigs, and transferred one ADR® drilling rig to the United States. In the United States, the Company deployed one new well servicing rig and decommissioned 14 drilling rigs. The Company also deployed one new ADR® drilling rig into its international operations, using various components from its spare capital inventory, and placed two international under-utilized drilling rigs into its reserve fleet.

The Company declared total dividends of $0.42 per common share in 2019 (2018 - $0.48 per common share).

Working capital as of December 31, 2019 was a surplus of $127.0 million, compared to a working capital deficit of $156.2 million as of December 31, 2018. The increase in working capital year-over-year was largely due to the repayment of the US $200.0 million Ensign senior unsecured notes (the "**Ensign Notes**") and the repayment of the Trinidad credit facility (the "**Trinidad Facility**") of $98.0 million which had been classified as short term debt as of December 31, 2018. The Company's available liquidity consisting of cash and available borrowings under its $900.0 million revolving credit facility (the "**Credit Facility**") totaled $178.4 million as of December 31, 2019, compared to $486.0 million at December 31, 2018. The available liquidity decreased by $307.6 million due to a reduction in the available credit amount under the Credit Facility in accordance with its terms and debt repayments.

2018 COMPARED WITH 2017

As noted above, during the fourth quarter of 2018, the Company acquired 89.3 percent of Trinidad Drilling Ltd. The Company's improved operating and financial results for 2018 resulted from increased demand for oilfield services caused by price recovery of crude oil and natural gas commodity prices during the year as well as the Trinidad Acquisition.

Operating and financial results were lower in Canada in 2018 compared to 2017, mainly due to geopolitical factors and the lack of transportation infrastructure to transport oil and natural gas to other markets.

REVENUE AND OILFIELD SERVICES EXPENSE

($ thousands)	**2019**	2018	Change	% change
Revenue				
Canada	**293,333**	241,034	52,299	22
United States	**1,005,536**	641,558	363,978	57
International	**293,378**	273,765	19,613	7
Total revenue	**1,592,247**	1,156,357	435,890	38
Oilfield services expense	**1,140,939**	855,824	285,115	33

Revenue for the year ended December 31, 2019 totaled $1,592.2 million, a 38 percent increase from the year ended December 31, 2018 of $1,156.4 million. Despite volatile commodity pricing and oilfield activity in 2019, the Company has achieved increased activity and revenue as a result of the Trinidad Acquisition, while reducing operating costs on a per day basis. The financial results from the Company's United States and international operations were positively impacted on the currency translation, as the United States dollar strengthened relative to the Canadian dollar for year ended December 31, 2019. This positive currency translation was partially offset the impact of revenue day rate decreases experienced in 2019.

CANADIAN OILFIELD SERVICES

	2019	2018	Change	% change
Revenue *($ thousands)*	**$ 293,333**	$ 241,034	$ 52,299	22
Marketed drilling rigs [1,2]				
Opening balance	**125**	58		
Additions	**—**	—		
Acquisition of Trinidad Drilling Ltd.	**—**	68		
Transfers, net	**(1)**	(1)		
Placed into reserve	**(5)**	(1)		
Placed into marketed fleet	**—**	1		
Decommissions	**(18)**	—		
Ending balance	**101**	125	(24)	(19)
Drilling operating days [1,3]	**8,949**	6,002	2,947	49
Drilling rig utilization (%) [1]	**18.2**	21.9	(3.7)	(17)
Well servicing rigs				
Opening balance	**62**	65		
Decommissions	**(10)**	(3)		
Ending balance	**52**	62	(10)	(16)
Well servicing operating hours	**46,718**	57,068	(10,350)	(18)
Well servicing utilization (%)	**23.3**	25.2	(1.9)	(8)

[1] *Excludes coring rig fleet.*
[2] *Total rigs: 118, (2018 - 137).*
[3] *Defined as contract drilling days, between spud to rig release.*

The Company recorded revenue of $293.3 million in Canada for the year ended December 31, 2019, an increase of 22 percent from $241.0 million recorded for the year ended December 31, 2018. For the year ended December 31, 2019, total revenues generated from the Company's Canadian operations were 18 percent of the Company's total revenue compared with 21 percent in the prior year.

For the year ended December 31, 2019, the Company recorded 8,949 drilling operating days in Canada, an increase of 49 percent as compared to 6,002 drilling operating days for the year ended December 31, 2018. Well servicing hours

decreased by 18 percent to 46,718 operating hours compared with 57,068 operating hours for the year ended December 31, 2018.

The overall increase in activity levels for year ended December 31, 2019, when compared to 2018 was primarily a result of the Trinidad Acquisition. The increase in overall activity was offset by lower revenue rates realized in 2019, due to continuing challenges to commodity prices for the Canadian market, combined with rig mix in the second half of 2019.

During 2019, the Company transferred one ADR® drilling rig from Canada to the United States, moved five under-utilized drilling rigs into its reserve fleet and decommissioned 18 drilling and 10 well servicing rigs that were fully depreciated.

UNITED STATES OILFIELD SERVICES

	2019	2018	Change	% change
Revenue *($ thousands)*	**$ 1,005,536**	$ 641,558	$ 363,978	57
Marketed drilling rigs [1]				
Opening balance	**133**	70		
Additions	**—**	—		
Acquisition of Trinidad Drilling Ltd.	**—**	66		
Transfers, net	**1**	1		
Placed into reserve	**—**	(3)		
Decommissions [2]	**(12)**	(1)		
Ending balance	**122**	133	(11)	(8)
Drilling operating days [3]	**24,802**	14,173	10,629	75
Drilling rig utilization (%)	**44.7**	43.4	1.3	3
Well servicing rigs				
Opening balance	**46**	45		
Additions	**1**	3		
Decommissions	**—**	(2)		
Ending balance	**47**	46	1	2
Well servicing operating hours	**115,136**	112,224	2,912	3
Well servicing utilization (%)	**67.5**	70.1	(2.6)	(4)

[1] *Total rigs: 138, (2018 - 151).*
[2] *Excludes two decommissioned rigs from reserve fleet.*
[3] *Defined as contract drilling days, between spud to rig release.*

For the year ended December 31, 2019, revenue of $1,005.5 million was recorded in the United States, an increase of 57 percent from the $641.6 million recorded in the prior year. The Company's United States operations accounted for 64 percent of the Company's total revenue in the 2019 fiscal year (2018 - 55 percent) and was the largest contributor to the Company's total revenues in 2019, consistent with the prior year.

In the United States, drilling operating days increased by 75 percent from 14,173 drilling operating days in 2018 to 24,802 operating days in 2019. For the year ended December 31, 2019, well servicing activity increased three percent to 115,136 operating hours, from 112,224 operating hours in 2018.

Activity levels and revenues for the Company's United States operations were positively impacted by the Trinidad Acquisition. Furthermore, revenues were positively impacted by a strengthening of the United States dollar versus the Canadian dollar year-over-year. The increases in activity and revenue were offset somewhat by a decrease in the average revenue rates realized in 2019.

During 2019, the Company transferred one ADR® drilling rig from Canada to the United States and deployed one new well servicing rig to the United States fleet. In addition, the Company decommissioned 14 drilling rigs that were fully depreciated.

INTERNATIONAL OILFIELD SERVICES

	2019	2018	Change	% change
Revenue *($ thousands)*	**293,378**	273,765	19,613	7
Marketed drilling and workover rigs [1]				
Opening balance	**44**	44		
Acquisition of Trinidad Drilling Ltd.	**—**	1		
Additions	**1**	—		
Placed into reserve	**(2)**	(1)		
Ending balance [2]	**43**	44	(1)	(2)
Drilling operating days [3]	**5,360**	6,061	(701)	(12)
Drilling rig utilization (%)	**31.1**	36.1	(5.0)	(14)

[1] *Total rigs: 48, (2018 - 47).*
[2] *Includes workover rigs.*
[3] *Defined as contract drilling days, between spud to rig release.*

The Company's international revenues for the year ended December 31, 2019 increased seven percent to $293.4 million from $273.8 million recorded in the year ended December 31, 2018. The Company's international operations accounted for 18 percent of the Company's total revenue in 2019 (2018 - 24 percent).

International drilling operating days totaled 5,360 in 2019 compared to 6,061 drilling operating days for the year ended December 31, 2018, a decrease of 12 percent compared to the year prior.

Activity levels were lower for the year ended December 31, 2019 in the Company's international operations due to reduced activity in Latin America where the number of operating rigs dropped from six active drilling rigs to four active drilling rigs. The reduction in Latin American operations was offset somewhat by increases in the Australian and Middle East operations and the strengthening United States dollar year-over-year versus the Canadian dollar. Furthermore, the overall decrease in international activity was offset by higher revenue rates, leading to a seven percent increase in revenue for the year ended December 31, 2019 compared to the similar period of 2018.

During 2019, the Company deployed one new ADR® drilling rig to its international operations, using various components from its spare capital inventory. In addition, the Company moved two under-utilized drilling rigs into its reserve fleet.

DEPRECIATION

($ thousands)	2019	2018	Change	% change
Depreciation	**363,144**	415,036	(51,892)	(13)

Depreciation expense for the year decreased by 13 percent to $363.1 million compared with $415.0 million for the year ended 2018. In the first quarter of 2019, the Company reviewed the makeup and the age of its drilling rig fleet and other equipment and, based on age, specification and type of recertifications underway, determined the useful life estimates previously used did not appropriately represent the useful life of the equipment. On this adjusted basis, the Company believes the new useful life estimates for its equipment accurately reflect the future economic benefits related to these assets. These adjustments were applied prospectively and, as such, have caused a decrease in depreciation expense for the year ended December 31, 2019 when compared to the year ended December 31, 2018.

As a result of certain external impairment indicators existing in the market, in 2019 the Company completed impairment tests in all of its cash generating units (each a "**CGU**"). The Company did not note any impairments for any CGUs based on the following key assumptions: weighted average pre-tax discount rate of 12 percent to 14 percent based on cost of capital and debt, asset and country risk, together with past experience; annual inflationary growth after five years and limited to the assets' lives; and cash flow projections consistent with market conditions and estimated rig salvage values of 10 percent. A five percent change in cash flow projections would not have resulted in any impairments. A one percent change in the discount would result in an impairment of $17.0 million in one of the Company's CGU's.

GENERAL AND ADMINISTRATIVE EXPENSE

($ thousands)	**2019**	2018	Change	% change
General and administrative	**55,064**	44,945	10,119	23
% of revenue	**3.5**	3.9		

For the year ended December 31, 2019, general and administrative expense totaled $55.1 million (3.5 percent of revenue) compared to $44.9 million (3.9 percent of revenue) for the year ended December 31, 2018, an increase of 23 percent. The increase was primarily due to the Trinidad Acquisition. However, synergies and cost savings realized following the Trinidad Acquisition have led to a decrease in general and administrative expense as a percentage of revenue. The Company continues to focus on initiatives to manage costs and realize further synergies and cost savings.

RESTRUCTURING EXPENSE

($ thousands)	**2019**	2018	Change	% change
Restructuring	**12,644**	1,492	11,152	nm

nm - calculation not meaningful

For the year ended December 31, 2019, restructuring expense totaled $12.6 million, which includes one-time severance costs of $8.4 million (2018 - $nil). These costs were largely due to the Trinidad Acquisition.

FOREIGN EXCHANGE AND OTHER LOSS (GAIN)

($ thousands)	**2019**	2018	Change	% change
Foreign exchange and other loss (gain)	**25,426**	(19,001)	44,427	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.

JOINT VENTURE OILFIELD SERVICES

Amounts below are presented at 100 percent of the value included in the statement of operations and comprehensive (loss) income for TDI. The Company owns 60 percent of the shares of TDI and each of the parties has equal voting rights. The Company considers the investment to be a financial asset and fair values the investment through profit or loss recognizing changes in fair value of the investment in consolidated statement of loss (income) as a loss/(gain) from investments in joint venture.

	2019	2018	Change	% change
Revenue *($ thousands)*	**60,714**	3,643	57,071	nm
Marketed drilling and workover rigs				
Opening balance	**5**	—		
Acquisition of Trinidad Drilling Ltd.	**—**	5		
Ending balance	**5**	5	—	—
Drilling operating days [2]	**633**	47	586	nm
Drilling rig utilization (%)	**34.0**	30.3	3.7	12

nm - calculation not meaningful
[2] Defined as contract drilling days, between spud to rig release.

For the year ended December 31, 2019, TDI recorded operating revenue of $60.7 million, an increase of $57.1 million from the same period in 2018. The Company acquired TDI as part of the Trinidad Acquisition during the fourth quarter of 2018 with 2019 being a full year of operations.

Operating days increased by 586 to 633 in 2019 from 47 days in 2018. The increase in operating days is a result of 2019 being a full year of operations and the start-up of operations in Kuwait, consisting of two drilling rigs.

During the year, TDI recorded an impairment of $48.1 million on two drilling rigs that are in Mexico. The Company's share of the impairment was $28.9 million.

GAIN ON ASSET SALE

($ thousands)	**2019**	2018	Change	% change
Gain on asset sale	**(9,824)**	—	(9,824)	nm

nm - calculation not meaningful

On April 30, 2019 the Company completed the sale of its testing and wireline assets in Canada and the United States for cash proceeds of $24.0 million. The transaction resulted in a gain of $9.8 million before taxes (2018 - $nil).

INTEREST EXPENSE

($ thousands)	**2019**	2018	Change	% change
Interest expense	**149,159**	52,416	96,743	nm

nm - calculation not meaningful

Interest was incurred on the Company's $900.0 million Credit Facility, US $700 million unsecured Senior Notes (the "**Senior Notes**"), $37.0 million subordinate convertible debentures (the "**Convertible Debentures**"), capital lease obligations, and on certain other prior debt instruments until they were repaid during 2019. Included in interest expense is the amortization of deferred financing costs associated with refinancing the Company's debt resulting from the Trinidad Acquisition, which totaled $13.9 million (2018 - $1.8 million).

Due to payment delays for work performed in Venezuela, the Company recognized a discount on its receivable in the amount of $3.8 million within interest expense. The receivable over 90 days is discounted at 14.5 percent over a five-year period.

Interest expense increased by $96.7 million for the year ended December 31, 2019 compared to the same period in 2018. The increase is the result of the overall increase to the interest rate, additional debt incurred to fund the Trinidad Acquisition and the discount applied on Venezuela receivables. The negative translation impact on US dollar-denominated debt also impacted interest expense for the year ended December 31, 2019.

INCOME TAXES

($ thousands)	**2019**	2018	Change	% change
Current income tax	**3,416**	1,044	2,372	nm
Deferred income tax	**(23,559)**	(53,224)	29,665	(56)
Total income tax	**(20,143)**	(52,180)	32,037	(61)
Effective income tax rate (%)	**11.2**	26.9		

nm - calculation not meaningful

The effective income tax rate for the year ended December 31, 2019 was 11.2 percent compared with 26.9 percent for the year ended December 31, 2018. The effective tax rate was significantly lower than the effective tax rate of 2018 primarily due to the reduction in the provincial Alberta tax rate on the deferred tax asset and the denial of hybrid interest deductions in the United States.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per share data)	**2019**	2018	Change	% change
Funds flow from operations	**236,989**	225,939	11,050	5
Funds flow from operations per share	**$1.48**	$1.44	0.04	3
Working capital	**126,987**	(156,223)	283,210	nm

nm - calculation not meaningful

For the year ended December 31, 2019, the Company generated funds flow from operations of $237.0 million ($1.48 per common share) an increase of five percent from $225.9 million ($1.44 per common share) for the year ended December 31, 2018. The increase in funds flow from operations in 2019 compared to 2018 is primarily due to increased activity resulting from the Trinidad Acquisition, combined with a stronger United States dollar in 2019. This was partially offset by increased interest costs when compared to 2018. The significant factors that may impact the Company's ability

to generate funds flow from operations in future periods are outlined in the "Risks and Uncertainties" section of this MD&A.

As of December 31, 2019, the Company’s working capital was a surplus of $127.0 million, compared to a working capital deficit of $156.2 million as of December 31, 2018. The increase in working capital in 2019 was mainly related to the repayment of US $200.0 million Ensign Notes and the $98.0 million Trinidad Facility in the first quarter of 2019. The Company's Credit Facility provides for total borrowings of $900.0 million of which $150.0 million was undrawn and available at December 31, 2019.

INVESTING ACTIVITIES

($ thousands)	**2019**	2018	Change	% change
Purchase of property and equipment	**(136,006)**	(80,044)	(55,962)	70
Proceeds from disposals of property and equipment	**39,997**	6,748	33,249	nm
Acquisition of Trinidad Drilling Ltd. (net)	**(49,214)**	(294,264)	245,050	(83)
Contributions to joint venture	**—**	(26,144)	26,144	nm
Net change in non-cash working capital	**3,139**	17,734	(14,595)	(82)
Cash used in investing activities	**(142,084)**	(375,970)	233,886	(62)

nm - calculation not meaningful

Net purchases of property and equipment during the fiscal year ending 2019 totaled $96.0 million (2018 - $73.3 million). The purchase of property and equipment relates predominantly to maintenance capital for certain drilling rigs, rig upgrades, the deployment of one drilling rig to international operations and addition of one new well servicing rig in the United States.

FINANCING ACTIVITIES

($ thousands)	**2019**	2018	Change	% change
Proceeds from long-term debt, net if debt issuance cost	**2,266,408**	490,886	1,775,522	nm
Repayments of long-term debt	**(2,375,891)**	(182,391)	(2,193,500)	nm
Lease obligation principle repayments	**(10,888)**	—	(10,888)	nm
Purchase of shares held in trust	**(1,398)**	(1,047)	(351)	34
Convertible Debentures	**—**	37,000	(37,000)	nm
Dividends	**(53,076)**	(75,396)	22,320	(30)
Net change in non-cash working capital	**(8,044)**	11,609	(19,653)	nm
Cash (used in) provided by financing activities	**(182,889)**	280,661	(463,550)	nm

nm - calculation not meaningful

The Company’s available credit facilities consist of a $900.0 million secured Credit Facility, which matures November 26, 2021, of which $150.0 million was available and undrawn as of December 31, 2019. In addition, the Company has available to it a US $50.0 million secured letter of credit facility, of which US $6.9 million was available as of December 31, 2019.

During the second quarter of 2019, the Company issued US $700.0 million of Senior Notes due 2024 bearing interest of 9.25% per annum. The net proceeds of the Senior Notes offering and cash on hand were used to repay all outstanding loans under the Company's US $700.0 million senior loan. The Senior Notes may be redeemed by the Company on or after April 15, 2021 at 104.625%, April 15, 2022 at 102.313% and April 15, 2023 and thereafter at 100%, plus accrued interest. The current capital structure consisting of the Credit Facility and the Senior Notes allows the Company to utilize funds flow generated to reduce debt in the near term with greater flexibility than a more non-callable weighted capital structure.

The Company may at any time and from time to time acquire Senior Notes for cancellation by means of open market purchases, negotiated transactions or otherwise. During the year ended December 31, 2019, the Company purchased US $58.0 million of face value Senior Notes for cancellation, in the open market. The Company purchased a further US $4.0 million of Senior Notes for cancellation subsequent to December 31, 2019. The cumulative purchase price was US

$54.6 million in addition to US $1.1 million of accrued interest. The Company recorded a gain on the purchase of US $3.5 million.

Covenants

The following is a list of the Company's currently applicable covenants pursuant the Credit Facility and the covenant calculations as at December 31, 2019:

	Covenant	December 31, 2019
The Credit Facility		
Consolidated Total Debt to Consolidated EBITDA[1]	≤ 5.00	3.78
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 2.50	3.58
Consolidated Senior Debt to Consolidated EBITDA[1,3]	≤ 2.75	1.78

[1] *Please refer to "Non-GAAP Measures: and "Overview and Select Annual Information" sections for Consolidated EBITDA definition.*
[2] *Consolidated Interest Expense is defined as all interest expense calculated on twelve month rolling consolidated basis excluding amortized finance cost and interest expense associated with the purchase of the Trinidad senior unsecured notes due February 2025 (the "**Trinidad Notes**").*
[3] *Consolidated Senior Debt is defined as Consolidated Total Debt minus Subordinated Debt.*

As at December 31, 2019 the Company was in compliance with all covenants related to the Credit Facility.

The Credit Facility

The Credit Facility agreement, which is available on SEDAR requires that the Company comply with certain covenants including Consolidated Debt to Consolidated EBITDA, Consolidated Senior Debt to Consolidated EBITDA and Consolidated EBITDA to Consolidated Interest Expense.

The Credit Facility also contains certain covenants that place restrictions on the Company's ability to create, incur or assume additional indebtedness; change the Company's primary business; enter into mergers or amalgamations; dispose of property; and for the aggregate amount of cash on a consolidated basis or available borrowings to be at least $50 million.

Senior Notes

The indenture governing the Senior Notes, which is 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. These restrictions are tempered by the existence of a number of exceptions to the general prohibitions, including baskets allowing for restricted payments.

The 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 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. As at December 31, 2019, the Company has not incurred additional indebtedness that would require the Fixed Charge Coverage Ratio to be calculated.

Dividends

The Board of Directors of the Company has declared a first quarter cash dividend of $0.06 per common share to be payable on April 3, 2020 to all common shareholders of record as of March 20, 2020. The dividend is being paid pursuant to subsection 89(1) of the Canadian Income Tax Act ("**ITA**") and is designated as an "eligible dividend" as defined in subsection 89(1) therein. During 2019, the Company had re-implemented its Dividend Reinvestment Plan ("**DRIP**"). The DRIP was in place for the settlement of the first, second and third quarter declared dividends. The DRIP was discontinued in the fourth quarter.

Subsequent to December 31, 2019, the Company declared a dividend for the first quarter of 2020 of $0.06 per common share or approximately $9,787, payable on or about April 3, 2020 to the shareholders of record at the close of business on March 20, 2020. The dividend has not been provided for and is pursuant to the quarterly dividend policy adopted by the Company. Pursuant to subsection 89(1) of the Canadian Income Tax Act (“ITA”), the dividend being paid is designated as an eligible dividend, as defined in subsection 89(1) of the ITA.

CONTRACTUAL OBLIGATIONS

In the normal course of business, the Company enters into various commitments that will have an impact on future operations. These commitments relate primarily to the Credit Facility, the Senior Notes, Convertible Debentures and lease obligations.

A summary of the Company's total contractual obligations including interest as of December 31, 2019, is as follows:

($ thousands)	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Credit Facility	34,064	780,704	—	—	814,768
Senior Notes	78,252	234,115	853,696	—	1,166,063
Convertible Debentures	2,597	40,456	—	—	43,053
Lease obligations	10,352	13,202	—	—	23,554
	125,265	1,068,477	853,696	—	2,047,438

FINANCIAL INSTRUMENTS

As at December 31, 2019, the Company's financial instruments include cash, accounts receivables, accounts payable and accruals, operating lines of credit, dividends payable and long-term debt. The Company classifies and measures cash and accounts receivable as financial assets at amortized cost, and classifies and measures accounts payable and accruals, operating lines of credit, dividends payable and long-term debt as financial liabilities at amortized cost. The fair values of these financial instruments (other than long-term debt) approximate their carrying amount due to the short-term maturity of these instruments. Long-term debt approximate their fair values due to the variable interest rates applied, which approximate market interest rates.

In regards to the Company's outstanding Debentures, the liability component of the Debentures was recognized initially at the fair value and revalued quarterly using a similar liability that does not have an equity conversion option, which was calculated based on an estimated market interest rate of 7.0%. The difference between the principal amount of the Debentures and the fair value of the liability component was recognized in shareholders' equity.

The Company's financial instruments are associated with various risks, some of which are described below.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's accounts receivable balances owing from customers operating primarily in the oil and natural gas industry in Canada, the United States and internationally. The carrying amount of accounts receivable represents the maximum credit exposure as at December 31, 2019.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2019 or January 1, 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customer to settle the receivables.

On that basis, the loss allowance as at December 31, 2019 and December 31, 2018 was determined as follows for trade receivables:

As at December 31, 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.5%	2.0%	8.2%	34.6%	
Gross carrying amount [1]	128,168	56,150	18,069	32,893	235,280
Loss allowances	**641**	**1,123**	**1,482**	**11,379**	**14,625**

As at December 31, 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.5%	2.0%	8.2%	43.2%	
Gross carrying amount [1]	167,105	104,662	26,207	25,682	323,656
Loss allowances	836	2,093	2,149	11,105	16,183

[1] Gross carrying amount excludes unbilled revenue and other receivables of $51,599 for year ended December 31, 2019 (2018 - $44,123).

As part of the Company's international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at December 31, 2019, the Company had accounts receivable of approximately $24.3 million for work performed in Venezuela, of which receivables over 90 days were discounted at 14.5 percent over a five year period (2018 - $nil). Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in the country there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding.

The loss allowance for trade receivables as at December 31, 2019 reconcile to the opening loss allowances as follows:

($ thousands)	**2019**	2018
Opening balance - January 1	**$ 16,183**	$ 4,165
Increase in loss allowance recognized in profit or loss	**100**	12,781
Unused amount reversed	**(1,540)**	(633)
Effect of movement in exchange rates	**(118)**	(130)
Closing balance - December 31	**$ 14,625**	$ 16,183

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of debtor to engage in a repayment plan with the Company, and failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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 December 31, 2019, the remaining contractual maturities of accounts payable and accruals and cash dividends payable are less than one year.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's net income or the value of its financial instruments.

Interest rate risk

The Company is exposed to interest rate risk with respect to its bank credit facilities which bear interest at floating market rates. For the year ended December 31, 2019, if interest rates applicable to its bank credit facilities had been 0.25

percent higher or lower, with all other variables held constant, income before income taxes would have been $1,875 lower or higher.

Foreign currency exchange rate risk

Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company has hedged it's exposure to foreign exchange risk through the issuance of a USD denominated Senior Note. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks.

Translation exposures arise from financial and non-financial items held by an entity (for example, a subsidiary) with a functional currency different from the Company's presentation currency. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation under IAS 21 is not fully eliminated.

At December 31, 2019, had the Company dollar weakened or strengthened by $0.01 against the United States dollar, with all other variables held constant, the Company's income loss before income taxes would have been $6,420 higher or lower.

NEW BUILDS AND MAJOR RETROFITS

The Company continues to focus on innovative strategies and selective additions of new ADR® drilling rigs and servicing rigs to meet the increasing technical demands of its customers.

During year ended December 31, 2019, the Company:

- assembled and deployed one ADR® drilling rig to the Company's international operations, using various components from its spare capital inventory,
- transferred one ADR® drilling rig from Canada to the United States,
- deployed one new well servicing rig in the United States,
- moved seven under-utilized drilling rigs into its reserve fleet, and
- decommissioned 18 drilling and 10 well servicing rigs in Canada and 14 drilling rigs in United States.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q4-2019**	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018
Revenue	**375,767**	393,530	377,692	445,258	346,136	288,700	263,061	258,460
Adjusted EBITDA [1]	**93,864**	97,012	100,359	115,531	81,678	68,641	53,064	52,294
Adjusted EBITDA per common share [1]								
Basic	**$0.58**	$0.60	$0.63	$0.74	$0.52	$0.44	$0.34	$0.33
Diluted	**$0.58**	$0.60	$0.63	$0.74	$0.52	$0.44	$0.34	$0.33
Net (loss) income attributable to shareholders	**(71,615)**	(37,770)	(31,173)	(22,347)	154,472	(32,791)	(36,697)	(26,682)
Net (loss) income per common share								
Basic	**$(0.44)**	$(0.24)	$(0.20)	$(0.14)	$0.98	$(0.21)	$(0.23)	$(0.17)
Diluted	**$(0.44)**	$(0.24)	$(0.20)	$(0.14)	$0.98	$(0.21)	$(0.23)	$(0.17)
Cash provided by operating activities	**93,079**	77,363	47,258	51,871	61,037	51,792	19,306	19,998
Funds flow from operations	**54,795**	53,465	42,417	86,312	63,834	60,390	47,808	53,907
Funds flow from operations per common share								
Basic	**$0.33**	$0.33	$0.27	$0.55	$0.41	$0.38	$0.31	$0.34
Diluted	**$0.33**	$0.33	$0.27	$0.55	$0.41	$0.38	$0.31	$0.34
Total debt, net of cash	**1,553,121**	1,597,196	1,622,923	1,688,087	1,641,830	730,520	748,609	726,636

[1] *See definition of "Non-GAAP Measures" in the "Overview and Selected Annual Information" section of this MD&A.*

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

In addition to the seasonality noted above, the variability noted in the Company's quarterly results reflect continued varying levels of demand for oilfield services and the Trinidad Acquisition.

FOURTH QUARTER ANALYSIS

($thousands, except per share data and operating information)	Three months ended December 31			
	2019	2018	Change	% change
Revenue	**375,767**	346,136	29,631	9
Adjusted EBITDA [1]	**93,864**	81,678	12,186	15
Adjusted EBITDA per common share [1]				
Basic	**$0.58**	$0.52	$0.06	12
Diluted	**$0.58**	$0.52	$0.06	12
Net (loss) income attributable to shareholders	**(71,615)**	154,472	(226,087)	nm
Net (loss) income per common share				
Basic	**$(0.44)**	$0.98	$(1.42)	nm
Diluted	**$(0.44)**	$0.98	$(1.42)	nm
Cash provided by operating activities	**93,079**	61,037	32,042	52
Funds flow from operations	**54,795**	63,834	(9,039)	(14)
Funds flow from operations per common share				
Basic	**$0.33**	$0.41	$(0.08)	(20)
Diluted	**$0.33**	$0.41	$(0.08)	(20)
Weighted average common shares - basic *(000s)*	**165,547**	156,794	8,753	6
Weighted average common shares - diluted *(000s)*	**165,593**	156,976	8,617	5
Drilling	**2019**	2018	Change	% change
Operating days [2]				
Canada [3]	**2,217**	1,691	526	31
United States	**5,313**	4,711	602	13
International [4]	**1,432**	1,588	(156)	(10)
Drilling rig utilization (%)				
Canada [3]	**17.9**	19.7	(1.8)	(9)
United States	**37.9**	47.9	(10.0)	(21)
International [4]	**32.4**	37.5	(5.1)	(14)
Well Servicing	**2019**	2018	Change	% change
Operating hours				
Canada	**11,646**	12,377	(731)	(6)
United States	**28,395**	30,747	(2,352)	(8)
Well servicing rig utilization rate (%)				
Canada	**23.0**	21.7	1.3	6
United States	**65.7**	73.7	(8.0)	(11)

nm - calculation not meaningful

[1] *See definition of "Non-GAAP Measures" in the "Overview and Selected Annual Information" section of this MD&A.*

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

[3] *Excludes coring rigs.*

[4] *Includes workover rigs.*

REVENUE AND OILFIELD SERVICES EXPENSE

($ thousands), three months ended December 31	**2019**	2018	Change	% change
Revenue				
Canada	**71,155**	65,565	5,590	9
United States	**217,757**	209,890	7,867	4
International	**86,855**	70,681	16,174	23
Total revenue	**375,767**	346,136	29,631	9
Oilfield services expense	**268,357**	251,907	16,450	7

The Company recorded revenue of $375.8 million for the three months ended December 31, 2019, a nine percent increase from the $346.1 million recorded in the three months ended December 31, 2018. Drilling operating days for the fourth quarter of 2019 totaled 8,962 days, a 12 percent increase from the same quarter in the prior year of 7,990 drilling operating days. The Company has shown increased activity and revenue as a result of the Trinidad Acquisition and relatively stable ongoing operations despite volatile commodity pricing in 2019. Furthermore, the financial results from the Company's United States and international operations were positively impacted on currency translation, as the United States dollar strengthened relative to the Canadian dollar in 2019. The increase in revenue was partially offset by the impact of the revenue rate decreases experienced throughout 2019.

Depreciation expense totaled $93.5 million for the fourth quarter of 2019 compared with $113.6 million for the fourth quarter of 2018. In the first quarter of 2019, the Company reviewed the makeup of and the age of its drilling rig fleet and other equipment and, based on age, specification and type of recertifications that were underway, determined that the useful life estimates previously used did not appropriately represent the useful life of this equipment. On this adjusted basis the Company believes the new useful life estimates for its equipment accurately reflect the future economic benefits related to these assets. These adjustments were applied prospectively and, as such, have caused a decrease in depreciation expense for the three months ended December 31, 2019, compared to similar period in the previous year.

General and administrative expense increased seven percent to $13.5 million (3.6 percent of revenue) for the fourth quarter of 2019 compared with $12.6 million (3.7 percent of revenue) for the fourth quarter of 2018. The increase in general and administrative expense in the fourth quarter of 2019 compared to the prior year is primarily due to the Trinidad Acquisition. Despite the increase in overall general and administrative expenses, cost synergies and savings realized from the Trinidad Acquisition have led to a decrease in general and administrative expense as a percentage of revenue. Management continues to focus on costs and will be working to realize ongoing synergies from the Trinidad Acquisition.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of March 5, 2020:

	Number		Amount ($)
Common shares	163,118,758	$	207,404

	Outstanding	Exercisable
Stock options (exercisable into common shares)	5,313,900	2,627,980

OUTLOOK

Industry Overview

The oil and natural gas industry continues to face commodity price volatility driving conservatism and caution in capital allocation and oilfield activity. The industry continues to see spending limited to generated cash flow and budgets directed towards maintaining production, resulting in a flat but steady outlook for oilfield services. The Company has responded by reinforcing commitments to debt retirement, disciplined capital expenditures and driving cost efficiencies.

Canadian Activity

Canadian operations improved at the end of the fourth quarter with takeaway capacity modestly increasing as a result of crude-by-rail expansion. Although, activity is expected to increase in the first quarter of 2020, we expect Canadian operations to be flat year over year for 2020 as customer budget expenditures are expected to be front-loaded to the first half of the year. Day rates continue to remain firm in the high/super-spec rig market.

Of the Company's101 marketed Canadian drilling rigs, approximately 44 percent are engaged under term contracts. Approximately 20 percent of the contracted rigs have a remaining contract term of six months or longer.

United States Activity

United States activity and day rates settled over the fourth quarter and are expected to remain flat into 2020. It is anticipated that day rates in the high/super-spec rig market may begin to be driven upward by high utilization and equipment shortages.

Of the Company's122 marketed United States drilling rigs, approximately 55 percent are contracted. Approximately 43 percent of the contracted rigs have a remaining contract term of six months or longer.

International Activity

International operations continue to be a steady operating segment for the Company, with long-term high margin contracts throughout the Middle East and Australia. Australian activity has been firm and is expected to be flat in 2020. Latin American operations remained steady through the fourth quarter and are expected to be flat to down slightly in 2020. The Company's activity in the Middle East improved in the fourth quarter as the Company's wholly owned Bahrain drilling rig commenced operations. Middle East operations are expected to remain steady for 2020.

Of the Company's 48 marketed international drilling rigs (including the five joint venture drilling rigs), approximately 46 percent are contracted. Approximately 62 percent of the contracted rigs have a remaining contract term of six months or longer.

2020 Capital Expenditures and Debt Reduction

The Company has budgeted net capital expenditures of approximately $100 million for 2020. The capital plan focuses on certifications and preventative maintenance for its global high/super spec drilling rig fleet, other services lines, and select equipment upgrade projects. In addition to a disciplined capital plan, the Company will continue to focus on net debt reduction throughout 2020 and beyond. The Company also expects to recognize the full year impact of $50 million of synergies, cost savings and economies of scale resulting from the Trinidad Acquisition. In addition, the proceeds of any asset dispositions, such as duplicate operating facilities, are expected to be directed to debt retirement. As a result, the Company expects to reduce net debt between $90 and $115 million in 2020.

CRITICAL ACCOUNTING ESTIMATES

Management is required to make judgments, assumptions and estimates in applying its accounting policies and practices, which have a significant impact on the financial results of the Company. These significant accounting policies involve critical accounting estimates due to complex judgments and assumptions. These estimates, judgments and assumptions are based on the circumstances that exist at the reporting date and may affect the reported amounts of income and expenses during the reporting periods and the carrying amounts of assets, liabilities, accruals, provisions, contingent liabilities, other financial obligations, as well as the determination of fair values.

The critical accounting estimates identified and used by the Company are set out below. Each of the below estimates may have an impact on all of the Company's segments and on various line items in the Company's financial statements. Such estimates can have flow through effects on the Company's financial position and performance as set out in the Company's financial statements. Readers are cautioned that the following list of critical accounting estimates is not exhaustive and other items may also be affected by estimates and judgments.

Joint Arrangements

The Company assesses the values of these instruments by using a discounted cash flow model. This calculation requires the use of estimates, including: future drilling activity and utilization of the drilling rigs, future equipment deployment milestones, prices, operating costs, discount rates, timing of new property and equipment and other assumptions.

Purchase Price Allocation

The measurement of each business combination requires management estimation in determining the fair values of assets and liabilities acquired as well as the fair value of any intangible assets identified. Management is required to estimate future cash flows, discount rates and market conditions at the effective acquisition date of the Trinidad Acquisition, in order to determine the fair value of certain assets.

Property and Equipment

The estimated useful life, residual value and depreciation methods selected are the Company's best estimate of such and are based on industry practice, historical experience and other applicable factors. These assumptions and estimates are subject to change as more experience is obtained or as general market conditions change, both of which could impact the operations of the Company's property and equipment.

Impairment

For impairment testing, the assessment of facts and circumstances is a subjective process that often involves a number of estimates and is subject to interpretation. An impairment is recognized if the carrying value exceeds the recoverable amount for a CGU. Property and equipment are aggregated into CGUs based on their ability to generate separately identifiable and largely independent cash flows. The testing of assets or CGUs for impairment, as well as the assessment of potential impairment reversals, requires that the Company estimate an asset's or CGU's recoverable amount. The estimate of a recoverable amount requires a number of assumptions and estimates, including expected market prices, market supply and demand, margins and discount rates. These assumptions and estimates are subject to change as new information becomes available and changes in any of the assumptions could result in an impairment of an asset's or CGU's carrying value.

Share-based Compensation

Measurement inputs include share price on measurement date, exercise price, expected volatility, expected life, expected dividends and the risk-free interest rate. Significant estimates and assumptions are used in determining the expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life and expected forfeitures, based on historical experience and general option holder behavior. Changes to the input assumptions could have a significant impact on the share-based compensation liability and expense.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability, using the substantively enacted income tax rates. Current income taxes for the current and prior periods are measured at the amount expected to be recoverable from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period. The deferred income tax assets and liabilities are adjusted to reflect changes in enacted or substantively enacted income tax rates that are expected to apply, with the corresponding adjustment recognized in net income or in shareholders' equity depending on the item to which the adjustment relates.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty and the interpretations can impact net income through the income tax expense arising from the changes in deferred income tax assets or liabilities.

Allowance for Doubtful Accounts

The Company is subject to credit risk on accounts receivable balances and assesses the recoverability of accounts receivable balances on an ongoing basis. The Company establishes an allowance for estimated losses for uncollectible accounts as circumstances warrant. The allowance is determined based on customer credit risk characteristics and the days past due. Assessing accounts receivable balances for recoverability involves significant judgment and uncertainty, including estimates of future events. Changes in circumstances underlying these estimates may result in adjustments to the allowance for doubtful accounts in future periods.

Functional Currency

The Company determines functional currency based on the primary economic environment in which the entity operates. This includes a number of factors that must be considered by the Company in using its judgment to determine the appropriate functional currency for each entity.

CHANGE IN ACCOUNTING POLICY

Effective January 1, 2019 the Company adopted IFRS 16 - *Leases* ("**IFRS 16**"). IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company elected to use the modified retrospective transition method with cumulative effect of adopting this standard as an adjustment to the opening retained earnings. The Company did not adjust the opening balances of retained earnings as at January 1, 2019 given that adoption of IFRS 16 did not result in any changes in measurements.

Upon transition, the Company recognized the right-of-use assets and corresponding liabilities of $13.8 million. For the year ended December 31, 2019, Adjusted EBITDA was positively impacted by $5.7 million. The adoption of IFRS 16 had no material impact on the cash flows.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As of December 31, 2019, the Company's management evaluated the effectiveness of its disclosure controls and procedures as defined in the rules of the Canadian Securities Administrators. This evaluation is performed under the supervision of, and with the participation of, the President and Chief Operating Officer and the Chief Financial Officer. The President and Chief Operating Officer and the Chief Financial Officer have concluded that the Company's Disclosure Controls and Procedures are effective as of December 31, 2019.

The President and Chief Operating Officer and Chief Financial Officer do not expect that the Company's disclosure controls and procedures will prevent or detect all errors, misstatements and fraud but they are designed to provide reasonable assurance of achieving these objectives. A control system, no matter how well designed or operated, can only provide reasonable, not absolute, assurance that the corresponding objectives are met.

As of December 31, 2019, the management of the Company evaluated the Company's effectiveness of internal controls over financial reporting, as defined in the rules of the Canadian Securities Administrators. This evaluation is performed under the supervision of, and with the participation of, the President and Chief Operating Officer and Chief Financial Officer. The President and Chief Operating Officer and Chief Financial Officer concluded that the Company's internal control over financial reporting was effective as of December 31, 2019.

Internal control over financial reporting, no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

RISKS AND UNCERTAINTIES

The Company is subject to several risk factors including, but not limited to, those discussed below. A more comprehensive discussion of risks and uncertainties is contained in the Company's Annual Information Form for the year ended December 31, 2019 as filed on SEDAR and hereby incorporated by reference.

Oil and Natural Gas Prices

The most significant factors affecting the overall business of the Company are oil and natural gas commodity prices. Commodity price levels affect the capital programs of energy exploration and production companies, as the price they receive for the oil and natural gas they produce has a direct impact on the cash flow available to them and the subsequent demand for oilfield services provided by the Company. Oil and natural gas prices have been volatile in recent years and may continue to be so, as supply/demand fundamentals, weather conditions, government regulations, political and economic environments, pipeline capacity, storage levels and other factors outside of the Company's control continue to influence commodity prices. Demand for the Company's services in the future will continue to be influenced by oil and natural gas commodity prices and the resultant impact on the cash flow of its customers, and may not be reflective of historical activity levels.

Competition and Industry Conditions

The oilfield services industry is, and will continue to be, highly competitive. Contract drilling companies compete primarily on a regional basis and competition may vary significantly from region to region at any particular time. Most drilling and workover contracts are awarded on the basis of competitive bids, which results in price competition. Many drilling, workover and well servicing rigs can be moved from one region to another in response to changes in levels of activity, which can result in an oversupply of rigs in an area. In many markets in which the Company operates, the supply of rigs exceeds the demand for rigs, resulting in further price competition. Certain competitors are present in more than one of the regions in which the Company operates, although no one competitor operates in all of these areas. In Canada, the Company competes with several firms of varying size. In the United States there are many competitors with national, regional or local rig operations. Internationally, there are several competitors in each country where the Company operates and some of those international competitors may be better positioned in certain markets, allowing them to compete more effectively. There is no assurance that the Company will be able to continue to compete successfully or that the level of competition and pressure on pricing will not affect the Company's margins.

Access to Credit Facilities and Debt Capital Markets

The Company and its customers require reasonable access to credit facilities and debt capital markets as an important source of liquidity. Global economic events, outside the control of the Company or its customers, may restrict or reduce the access to credit facilities and debt capital markets. Tightening credit markets may reduce the funds available to the Company's customers for paying accounts receivable balances and may also result in reduced levels of demand for the Company's services. Additionally, the Company relies on access to credit facilities, along with its reserves of cash and cash flow from operating activities, to meet its obligations and finance operating activities. The Company believes it has adequate bank credit facilities to provide liquidity.

Changes in Laws and Regulations

The Company and its customers are subject to numerous laws and regulations governing its operations and the exploration and development of oil and natural gas, including environmental regulations. Existing and expected environmental legislation and regulations may increase the costs associated with providing oilfield services, as the Company may be required to incur additional operating costs or capital expenditures in order to comply with any new regulations. The costs of complying with increased environmental and other regulatory changes in the future, such as royalty regime changes, changes to taxation regimes and changes to international trade agreements, may also have an adverse effect on the cash flows of the Company's customers and may dampen demand for oilfield services provided by the Company.

Foreign Operations

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. The Canadian, United States, and Australian regulatory regimes are generally stable and, typically, supportive of energy industry activity. Internationally, the Company's operations are subject to regulations in various jurisdictions and support for the oil and natural gas industry can vary in these jurisdictions. There are risks inherent in foreign operations such as unstable government regimes, civil and/or labor unrest, strikes, terrorist threats, regulatory uncertainty and complex commercial arrangements. Risks to the Company's operations include, but are not limited to, loss of revenue, expropriation and nationalization, restrictions on repatriation of income or capital, currency exchange restrictions, contract deprivation, force majeure events and the potential for trade and economic sanctions or other restrictions to be imposed by the Canadian government or other governments or organizations. To mitigate these risks, the Company seeks to negotiate long-term service contracts for drilling services that ideally include early termination

provisions and other clauses for the Company's protection. However, there is, and there can be, no assurance that the Company will be fully effective in mitigating foreign operation risks. Such risks could have material adverse impacts on the Company's financial condition and operating results.

Foreign Exchange Exposure

The Company’s consolidated financial statements are presented in Canadian dollars. Operations in countries outside of Canada result in foreign exchange risk to the Company. The principal foreign exchange risk relates to the conversion of United States dollar-denominated activity to Canadian dollars. The United States/Canadian dollar exchange rate at December 31, 2019 was approximately 1.29 compared with 1.36 at December 31, 2018 and 1.26 at December 31, 2017. Fluctuations in the future period's exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

Workforce

The Company’s operations are dependent on attracting, developing and maintaining a skilled workforce. During periods of peak activity levels, the Company may be faced with a lack of personnel to operate its equipment. The Company is also faced with the challenge of retaining its most experienced employees during periods of low utilization, while maintaining a cost structure that varies with activity levels. To mitigate these risks, the Company has developed an employee recruitment and training program, and continues to focus on creating a work environment that is safe for its employees.

Litigation and Legal Proceedings

From time to time, the Company is subject to litigation and legal proceedings that may include employment, tort, commercial and class action suits. Amounts claimed in such suits or actions may be material and accordingly decisions against the Company could have an adverse effect on the Company’s financial condition or results of operations.

Operating Risks and Insurance

The Company’s operations are subject to risks inherent in the oilfield services industry. Where available and cost-effective, the Company carries insurance to cover the risk to its equipment and people, and each year the Company reviews the level of insurance for adequacy. Although the Company believes its level of insurance coverage to be adequate, there can be no assurance that the level of insurance carried by the Company will be sufficient to cover all potential liabilities.

Technology

As a result of growing technical demands of resource plays, the Company’s ability to meet customer demands is dependent on continuous improvement to the performance and efficiency of existing oilfield services equipment. There can be no assurance that competitors will not achieve technological advantages over the Company.

Reliance on Key Management Personnel

The success and growth of the Company is dependent upon its key management personnel. The loss of services of such persons could have a material adverse effect on the business and operations of the Company. No assurance can be provided that the Company will be able to retain or attract key management members.

Seasonality and Weather

The Company’s Canadian oilfield services operations are impacted by weather conditions that hinder the Company’s ability to move heavy equipment. The timing and duration of “spring break-up”, during which time the Company is prohibited from moving heavy equipment on secondary roads, restricts movement of equipment in and out of certain areas, thereby negatively impacting equipment utilization levels. Further, the Company’s activities in certain areas in northern Canada are restricted to winter months when the ground is frozen solid enough to support the Company’s equipment. This seasonality is reflected in the Company’s operating results, as rig utilization is normally at its lowest during the second and third quarters of the year. The Company continues to mitigate the impact of Canadian weather conditions through expansion into markets not subject to the same seasonality and by working with customers in planning the timing of their drilling programs. In addition, volatility and unpredictability in the weather across all areas of the Company’s operations can create additional risk and unpredictability in equipment utilization rates and operating results.

MANAGEMENT'S REPORT

The consolidated financial statements and other information contained in the annual report are the responsibility of the management of the Company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards consistently applied, using management's best estimates and judgments, where appropriate.

Preparation of financial statements is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains a system of internal accounting controls to ensure that properly approved transactions are accurately recorded on a timely basis and result in reliable financial statements. The Company's external auditors are appointed by the shareholders. They independently perform the necessary tests of the Company's accounting records and procedures to enable them to express an opinion as to the fairness of the consolidated financial statements, in conformity with International Financial Reporting Standards.

The Audit Committee, which is comprised of independent directors, meets with management and the Company's external auditors to review the consolidated financial statements and reports on them to the Board of Directors. The consolidated financial statements have been approved by the Board of Directors.

"Signed"

Robert H. Geddes
President and Chief Operating Officer

"Signed"

Michael Gray
Chief Financial Officer

March 5, 2020

Independent auditor's report

To the Shareholders of Ensign Energy Services Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Ensign Energy Services Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information,

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

other than the consolidated financial statements and our auditor’s report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor’s report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Reynold Tetzlaff.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Calgary, Alberta
March 5, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		**December 31 2019**		December 31 2018
(in thousands of Canadian dollars)				
Assets				
Current Assets				
Cash *(Note 6)*	**$**	**28,408**	$	84,823
Accounts receivable *(Note 22)*		**272,254**		351,596
Inventories, investments, prepaid and other		**47,292**		58,175
Asset held for sale *(Note 7)*		**18,806**		18,806
Income taxes receivable *(Note 14)*		**1,515**		1,994
Total current assets		**368,275**		515,394
Property and equipment *(Note 8)*		**2,855,223**		3,201,704
Investment in joint ventures *(Note 9)*		**125,355**		177,010
Deferred income taxes *(Note 14)*		**121,748**		99,054
Total assets	**$**	**3,470,601**	$	3,993,162
Liabilities				
Current Liabilities				
Accounts payable and accruals *(Note 10)*	**$**	**216,719**	$	271,374
Cash dividends payable		**9,787**		18,849
Share-based compensation *(Note 11)*		**297**		975
Income taxes payable *(Note 14)*		**4,489**		3,807
Current portion of long-term debt *(Note 12)*		**—**		376,612
Current portion of lease obligations *(Note 13)*		**9,996**		—
Total current liabilities		**241,288**		671,617
Long-term debt *(Note 12)*		**1,581,529**		1,340,352
Lease obligations (Note 13)		**9,518**		9,689
Share-based compensation *(Note 11)*		**6,325**		3,033
Deferred income taxes *(Note 14)*		**163,781**		171,781
Non-controlling interest		**5,138**		6,007
Total liabilities		**2,007,579**		2,202,479
Shareholders' Equity				
Share capital *(Note 15)*		**230,100**		206,328
Contributed surplus		**23,966**		1,013
Equity component of subordinate convertible debentures		**3,193**		3,193
Accumulated other comprehensive income		**243,771**		315,095
Minority interest		**—**		72,078
Retained earnings		**961,992**		1,192,976
Total shareholders' equity		**1,463,022**		1,790,683
Total liabilities and shareholders' equity	**$**	**3,470,601**	$	3,993,162

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:

"Signed"
John Schroeder
Chairman of the Audit Committee and Director

"Signed"
James B. Howe
Director

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

For the years ended December 31 *(in thousands of Canadian dollars, except per share data)*		**2019**		2018
Revenue *(Note 17)*	**$**	**1,592,247**	$	1,156,357
Expenses				
Oilfield services		**1,140,939**		855,824
Depreciation *(Note 8)*		**363,144**		415,036
General and administrative		**55,064**		44,945
Restructuring		**12,644**		1,492
Share-based compensation *(Note 11)*		**4,047**		707
Foreign exchange and other loss (gain)		**25,426**		(19,001)
Total expenses		**1,601,264**		1,299,003
Loss before interest, other (gains) losses and income taxes		**(9,017)**		(142,646)
Loss (gain) from investment in joint ventures *(Note 9)*		**39,892**		(874)
Gain on bargain purchase *(Note 5)*		**—**		(200,672)
Gain on asset sale *(Note 7)*		**(9,824)**		—
Gain on purchase of unsecured Senior Notes *(Note 12)*		**(4,647)**		—
Interest expense		**149,159**		52,416
(Loss) income before income taxes		**(183,597)**		6,484
Income tax (recovery) *(Note 14)*				
Current tax		**3,416**		1,044
Deferred tax recovery		**(23,559)**		(53,224)
Total income tax recovery		**(20,143)**		(52,180)
Net (loss) income	**$**	**(163,454)**	$	58,664
Net (loss) income attributable to:				
Shareholders		**(162,905)**		58,302
Non-controlling interests		**(549)**		362
		(163,454)		58,664
Net (loss) income per common share *(Note 16)*				
Basic	**$**	**(1.02)**	$	0.37
Diluted	**$**	**(1.02)**	$	0.37

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

For the years ended December 31		**2019**		2018
(in thousands of Canadian dollars)				
Net (loss) income	**$**	**(163,454)**	$	58,664
Other comprehensive (loss) income				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment		**(71,350)**		78,240
Comprehensive (loss) income	**$**	**(234,804)**	$	136,904
Other comprehensive income (loss) attributable to:				
Shareholders	**$**	**(71,324)**	$	76,848
Non-controlling interests		**(26)**		1,392
	$	**(71,350)**	$	78,240

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Income	Minority Interest	Retained Earnings	Total Equity
Balance, January 1, 2019	$ 206,328	$ 1,013	$ 3,193	$ 315,095	$ 72,078	$ 1,192,976	$ 1,790,683
Net income	—	—	—	—	—	(162,905)	(162,905)
Other comprehensive income	—	—	—	(71,324)	—	—	(71,324)
Total comprehensive income	—	—	—	(71,324)	—	(162,905)	(234,229)
Dividends *(Note 15)*	24,094	—	—	—	—	(68,079)	(43,985)
Acquisition of minority interest *(Note 5)*	—	—	—	—	(49,214)	—	(49,214)
Derecognition of net assets attributable to minority interest *(Note 5)*	—	22,864	—	—	(22,864)	—	—
Share-based compensation *(Note 11)*	—	1,165	—	—	—	—	1,165
Shares vested previously held in trust *(Note 15)*	1,076	(1,076)	—	—	—	—	—
Purchase of shares held in trust *(Note 15)*	(1,398)	—	—	—	—	—	(1,398)
Balance, December 31, 2019	**$ 230,100**	**$ 23,966**	**$ 3,193**	**$ 243,771**	**$ —**	**$ 961,992**	**$ 1,463,022**
Balance at December 31, 2017 as originally presented	$ 206,042	$ 1,126	$ —	$ 237,885	$ —	$ 1,244,323	$ 1,689,376
Change in accounting policy	—	—	—	—	—	(12,781)	(12,781)
Balance, January 1, 2018	206,042	1,126	—	237,885	—	1,231,542	1,676,595
Net loss	—	—	—	—	362	58,302	58,664
Other comprehensive loss	—	—	—	77,210	1,030	—	78,240
Total comprehensive loss	—	—	—	77,210	1,392	58,302	136,904
Dividends *(Note 15)*	—	—	—	—	—	(75,396)	(75,396)
Minority interest assumed on acquisition *(Note 5)*	—	—	—	—	49,214	—	49,214
Recognition of net assets attributable to minority interest *(Note 5)*	—	—	—	—	21,472	(21,472)	—
Subordinate convertible debentures *(Note 12)*	—	—	3,193	—	—	—	3,193
Share-based compensation *(Note 11)*	—	1,220	—	—	—	—	1,220
Shares vested previously held in trust *(Note 15)*	1,333	(1,333)	—	—	—	—	—
Purchase of shares held in trust *(Note 15)*	(1,047)	—	—	—	—	—	(1,047)
Balance, December 31, 2018	$ 206,328	$ 1,013	$ 3,193	$ 315,095	$ 72,078	$ 1,192,976	$ 1,790,683

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31	2019	2018
(in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net (loss) income	**$ (163,454)**	$ 58,664
Items not affecting cash		
Depreciation *(Note 8)*	**363,144**	415,036
Share-based compensation	**4,047**	707
Loss (gain) from investments in joint ventures *(Note 9)*	**39,892**	(874)
Gain on asset sale *(Note 7)*	**(9,824)**	—
Gain on purchase of unsecured Senior Notes *(Note 12)*	**(4,647)**	—
Unrealized foreign exchange and other losses	**17,476**	5,571
Accretion on long-term debt *(Note 12)*	**13,914**	731
Deferred income tax recovery	**(23,559)**	(53,224)
Gain on bargain purchase *(Note 5)*	**—**	(200,672)
Funds flow from operations	**236,989**	225,939
Net change in non-cash working capital *(Note 6)*	**32,582**	(73,806)
Cash provided by operating activities	**269,571**	152,133
Investing activities		
Purchase of property and equipment *(Note 8)*	**(136,006)**	(80,044)
Proceeds from disposals of property and equipment	**39,997**	6,748
Acquisition of Trinidad Drilling Ltd. (net of cash) *(Note 5)*	**(49,214)**	(294,264)
Contributions to joint venture *(Note 9)*	**—**	(26,144)
Net change in non-cash working capital *(Note 6)*	**3,139**	17,734
Cash used in investing activities	**(142,084)**	(375,970)
Financing activities		
Proceeds from long-term debt *(Note 12)*	**2,266,408**	490,886
Repayments of long-term debt *(Note 12)*	**(2,375,891)**	(182,391)
Lease obligation principal repayments *(Note 13)*	**(10,888)**	—
Purchase of shares held in trust *(Note 15)*	**(1,398)**	(1,047)
Issuance of subordinate convertible debentures *(Note 12)*	**—**	37,000
Cash dividends *(Note 15)*	**(53,076)**	(75,396)
Net change in non-cash working capital *(Note 6)*	**(8,044)**	11,609
Cash (used in) provided by financing activities	**(182,889)**	280,661
Net (decrease) increase in cash	**(55,402)**	56,824
Effects of foreign exchange on cash	**(1,013)**	(4,375)
Cash		
Beginning of year	**84,823**	32,374
End of year	**$ 28,408**	$ 84,823
Supplemental information		
Interest paid	**$ 140,308**	$ 39,784
Income taxes paid (recovered)	**$ (2,255)**	$ 896

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018
(in thousands of Canadian dollars, except share and per share data)

1. NATURE OF BUSINESS

Ensign Energy Services Inc. is incorporated under the laws of the Province of Alberta, Canada. The address of its registered and head office is 400 – 5th Avenue S.W., Suite 1000, 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

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

These consolidated financial statements were approved by the Company's Board of Directors on March 5, 2020, after review by the Company's Audit Committee.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

These consolidated financial statements have been prepared on an historical cost basis, except as discussed in the significant accounting policies below.

(b) New and amended standards

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019:

(i) IFRS 16 *Leases*

(ii) *Long term interests in Associates and Joint Ventures - Amendments to IAS 28*

The Company had to change its accounting policies as a result of adopting IFRS 16 - *Leases* using the modified retrospective method with cumulative effect of adopting this standard as an adjustment to the opening retained earnings as discussed in this note below.

(c) Basis of consolidation

These consolidated financial statements include the accounts of Ensign Energy Services Inc. and its subsidiaries and partnerships, substantially all of which are wholly owned and controlled. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intercompany balances and transactions, including unrealized gains or losses between subsidiaries and partnerships are eliminated on consolidation.

(d) Non-controlling interest

Non-controlling interests are investments in which the Company holds less than a 100 percent interest. These investments are initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable assets. The investment is increased or decreased by the non-controlling interest's share of subsequent changes in net (loss) and comprehensive (loss), as well as dividends or cash disbursements paid to the investors. A change in the ownership interests that does not result in a loss of control is accounted for as an adjustment to equity, unless the investment is required to be classified as a liability.

For non-wholly owned subsidiaries, interests held by external parties that the Company consolidates are shown as non-controlling interest and are included in total net (loss) and total other comprehensive (loss). These interests are classified as a liability on the statement of financial position as the non-wholly owned subsidiary's shares are required to be redeemed for cash on a fixed or determinable date.

(e) Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control and must act together to direct the activities that significantly affect the returns of the arrangement. Under IFRS 11 - Joint arrangements, the Company classifies its interest in joint arrangements as either joint operations or joint venture. When making this assessment, the Company considers structure and contractual terms of the arrangement, as well as the legal form of any separate vehicles, in addition to all other relevant facts and circumstances.

Joint operations are recognized on proportionate consolidation basis by including the Company's share of assets, liabilities, revenues and expenses and other comprehensive income in each of the respective consolidated accounts. Joint ventures are recognized using equity method of accounting. The Company's share of individual assets and liabilities are recognized as investments in the joint ventures account on the consolidated statements of financial position, and revenue and expenses are recognized with net earnings as a (gain) loss from investment in joint ventures account on the consolidated statements of operations and comprehensive income.

The Company has a joint venture arrangement with a wholly-owned subsidiary of Halliburton Company. The joint venture entity conducts business under the name Trinidad Drilling International ("**TDI**") through separately incorporated companies. The Company owns 60 percent of the shares of TDI and each of the joint parties have equal voting rights. The Company considers the investment in TDI to be a financial asset at fair value through profit or loss, and recognizes changes in fair value of the investment in the statements of operations and comprehensive income (loss) as gain (loss) from joint ventures.

The Company participates in other joint ventures that are considered immaterial for reporting purposes. In all cases, the joint venture partners have joint control over the relevant activities of the joint venture, and such are accounted for in these consolidated financial statements using the equity method of accounting.

(f) Cash and cash equivalents

Cash and cash equivalents consists of cash and cash equivalents with maturities of three months or less or convertible to cash on demand without penalty.

(g) Inventories

Inventories, comprised of spare equipment parts and consumables, are recorded at the lower of cost and net realizable value. Cost is determined on a specific item basis.

(h) Asset held for sale

Non-current assets, and disposal groups, are classified as assets held for sale when the carrying amount is to be recovered principally through a sales transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale and it should be expected to be completed within one year from the date of classification. Non-current assets and disposal groups classified as held for sale are measured at the lower of the carrying value amount and fair value less cost to sell. Assets held for sale are not depreciated.

If an asset classified as an asset held for sale no longer meets the criteria required, whereby the completion of the sale within one year from the classification date is no longer relevant, or the Company has changed their plans of selling the asset, the asset is re-classified back to property and equipment. The value of the asset is then adjusted to the lower of either the carrying amount before the asset was classified as an asset held for sale, adjusted for depreciation and any other adjustments that would have taken place, or its recoverable amount at the date of the subsequent decision not to sell.

(i) Property and equipment

Property and equipment is initially recorded at cost. Costs associated with equipment upgrades that result in increased capabilities or performance enhancements of property and equipment are capitalized. Costs incurred to repair or maintain property and equipment are expensed as incurred. Property and equipment is subsequently carried at cost less accumulated depreciation and write-downs and is derecognized on disposal or when there is no future economic benefit expected from its use or disposal. Gains or losses on derecognition of property and equipment are recognized in net income.

Depreciation is based on the estimated useful lives of the assets as follows:

Asset Class	Expected Life	Method	Residual
Oilfield services equipment			
Drawworks, mast and substructure	up to 25 years	Straight-line	10%
Building and electrical	up to 15 years	Straight-line	10%
Mud pumps and mud systems	up to 15 years	Straight-line	10%
Blow out preventer and boilers	up to 15 years	Straight-line	10%
Top drives	up to 15 years	Straight-line	10%
Drill pipe	up to 6 years	Straight-line	10%
Recertification	up to 5 years	Straight-line	—%
Service rig equipment	up to 25 years	Straight-line	10%
Heavy oilfield service equipment	3- 15 years	Straight-line	10%
Drilling rig spare equipment	up to 10 years	Straight-line	—%
Buildings	up to 20 years	Straight-line	—%
Automotive equipment	up to 3 years	Straight-line	10%
Office furniture	5- 10 years	Straight-line	—%

The calculation of depreciation includes assumptions related to useful lives and residual values. The assumptions are based on experience with similar assets and are subject to change as new information becomes available. During the first quarter on 2019, the Company reviewed the makeup of and the age of the drilling rig fleet and equipment and determined that based on age, specification and type of recertifications that were taking place, that the useful life estimates previously used did not appropriately represent the useful life of this equipment. On this basis the Company believes the new useful life estimates for its equipment accurately reflect the future economic benefits related to these assets. These adjustments were applied prospectively and caused a decrease in depreciation for year ended December 31, 2019 of $109,849.

Property and equipment is reviewed for impairment when events or changes in circumstances indicate that its carrying value may not be recoverable. The Company's operations and business environment are routinely monitored, and judgment and assessments are made to determine if an event has occurred that indicates possible impairment.

If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit ("CGU") is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down to its recoverable amount. The recoverable amount of an asset or CGU is the greater of its fair value less costs to dispose and value-in-use. Value-in-use is determined as the amount of estimated risk-adjusted discounted future cash flows.

(j) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Company at the date control of the business is obtained. The cost of the business combination is measured as the aggregate of the fair value at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at their fair values at the acquisition date.

(k) Revenue recognition

Revenue from oilfield services is generally earned based upon service orders or contracts with a customer that include fixed or determinable prices based upon daily, hourly or job rates. Revenue is recognized when services are performed and have been accepted by the customer, and collectability is reasonably assured. The consideration for services rendered is measured at the fair value of the consideration received and allocated based on their standalone selling prices. The standalone selling prices are determined based on the agreed upon list prices at which the Company sells its services in separate transactions. Payment terms with customers

vary by country and contract. Standard payment terms are 30 days from invoice date. Customer contract terms do not include provisions for significant post-service delivery obligations.

The Company does not expect to have any revenue contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. The Company does not incur material costs to obtain contracts with customers and consequently, does not recognize any contract assets. The Company does not have any contract liabilities associated with its customer contracts.

(l) Foreign currency translation

The consolidated financial statements are presented in Canadian dollars which is the Company's functional currency. Financial statements of the Company's United States and international subsidiaries have a functional currency different from Canadian dollars and are translated to Canadian dollars using the exchange rate in effect at the year-end date for all assets and liabilities, and at average rates of exchange during the year for revenues and expenses. All changes resulting from these translation adjustments are recognized in other comprehensive (loss) income.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statement of (loss) income.

(m) Borrowing costs

Interest and borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets. Qualifying assets are those which take a substantial period of time to prepare for their intended use. Capitalization ceases when substantially all activities necessary to prepare the qualifying asset for its intended use are complete. All other interest is recognized in the consolidated statement of (loss) income in the period in which it is incurred.

(n) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using enacted or substantively enacted income tax rates. The effect of a change in income tax rates on deferred income tax liabilities and assets is recognized in income in the period in which the change is substantively enacted.

Deferred tax assets are recognized to the extent that future taxable income will be available against which temporary differences can be utilized.

(o) Leases

Effective January 1, 2019 the Company adopted IFRS 16 - *Leases* using the modified retrospective method with cumulative effect of adopting this standard as an adjustment to the opening retained earnings. The company did not adjust the opening balances of retained earnings as at January 1, 2019 given that adoption of IFRS 16 did not result in any changes in measurements.

On adoption of IFRS 16, the Company recognized lease obligation in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These obligations were measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate applied to the lease obligations on January 1, 2019 of 7.1 percent.

For leases previously classified as finance the entity recognized the carrying amount of the lease asset and lease obligations immediately before transition as the carrying amount of the right of use asset and the lease obligations at the date of initial application. The finance lease obligations was estimated using the rate of 2.85 percent at initial recognition and not revised with IFRS 16. The measurement principles of IFRS 16 are only applied after that date. This did not result in material adjustments.

		January 1 2019
Operating lease commitments disclosed as at December 31, 2018	$	22,844
Adjustment to lease commitments as at December 31, 2018		(5,968)
Undiscounted commitments as at December 31, 2018		16,876
Discounted using the incremental borrowing rate at the date of initial application		13,792
Add: finance lease obligations recognized as at December 31, 2018		9,689
(Less): short term leases recognized on a straight-line basis as expense		(760)
Lease obligations recognized as at January 1, 2019	$	22,721

The associated right-of-use assets were measured at the amount equal to the lease obligations, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

i. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
ii. Reliance on previous assessment on whether lease is onerous;
iii. The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
iv. The exclusion of initial costs for the measurement of the right-of-use asset at the end of initial application;
v. The accounting for each lease component as a single lease component.

The Company leases various offices and vehicles. Rental contracts are typically made for fixed periods of 12 months to 3 years, but may have extension options as described below.

Contracts for leases or real estate may contain both lease and non-lease components. For such leases the Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The Company does not have leases that contain variable payment terms.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see Note 3(o) for details. From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

At inception, the Company assessed whether a contract contains a lease. This assessment involved the exercise of judgment about whether it depends on a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the group under residual value guarantees,
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined the Company's incremental borrowing rate is used which is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The recognized right-of-use assets relate to the following types of assets and is included in the property and equipment amount. Information regarding the right-of-use assets is included in Note 13.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment.

Extension and termination options are included in some property leases across the Company.

Accounting policy applied until December 31, 2018

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(p) Share-based compensation

The Company has an employee share option plan or equivalent that provides all option holders the right to elect to receive either common shares or a direct cash payment in exchange for the options exercised. These options are accounted for as a compound financial instrument, which requires the fair value of the liability component to be determined first and the residual value, if any, allocated to the equity component. The fair value of the settlement option under cash and shares is the same; therefore, these options are accounted for as cash-settled awards.
The Company has other cash-settled share-based compensation plans. Cash-settled share-based compensation plans are recognized as compensation expense over the vesting period using fair values with a corresponding increase or decrease in liabilities. The liability is remeasured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as share-based compensation expense in the statement of income. The fair value is determined using the Black-Scholes option pricing model.

The Company has established a Performance Share Units (PSU) incentive plan measured at the fair value when granted using the volume weighted average of the Company's stock price for the ten day period preceding the reporting date, as well as certain performance factors assessed by management and subject to a two percent cap based on certain financial performance metrics. The fair value is re-measured at each reporting date.

The Company has share savings plan for certain Canadian based employees, as well as a program whereby a portion of the retainer paid to Directors is in the form of Common Shares of the Company. In all cases, any

Common Shares acquired for such plans are purchased in the open market and administered through trusts until the shares are vested. The share purchase price is considered the fair value.

(q) Financial instruments

(i) Classification

The Company classifies its financial assets in the following measurement categories:

i. Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
ii. Those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. The Company reclassifies financial assets when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Company classifies its financial assets:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains and losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in profit or loss.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or less. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains or losses in the period in which it arises.

(r) Critical judgments and accounting estimates

Preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the most critical estimates and assumptions used in determining the value of assets and liabilities:

Allowance for doubtful accounts

The Company establishes an allowance for estimated losses for uncollectible accounts. The allowance is determined based on customer credit-worthiness, current economic trends and past experience. Information regarding the allowance for doubtful accounts is included in Note 22.

Property and equipment

The calculation of depreciation includes assumptions related to useful lives and residual values. Assumptions are based on experience with similar assets and is subject to change as new information becomes available. In addition, assessing for impairment requires estimates and assumptions.

Assets are grouped into CGUs based on separately identifiable and largely independent cash inflows and are used for impairment testing. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of market prices, market supply and demand, margins, and discount rates. Information regarding property and equipment is included in Note 8.

Share-based compensation

Measurement inputs include share price on measurement date, exercise price, expected volatility, weighted average expected life, expected dividends, and risk-free interest rate. Significant estimates and assumptions are used in determining the expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life and expected forfeitures, based on historical experience and general option-holder behavior. Changes to input assumptions will impact share-based compensation liability and expense. Information regarding share-based compensation is included in Note 11.

Income taxes

The Company is subject to income taxes in a number of tax jurisdictions. The amount expected to be settled and the actual outcome and tax rates can change over time, depending on the facts and circumstances. Changes to these assumptions will impact income tax and the deferred tax provision. Information regarding income taxes is included in Note 14.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Functional currency

The Company determines functional currency based on the primary economic environment in which the entity operates. This includes a number of factors that must be considered by the Company in using its judgment to determine the appropriate functional currency for each entity. These factors include currency of revenue contracts and currency that mainly influences operating, financing and investing activities. Information regarding the specific functional currencies by Subsidiaries and Partnerships is included in Note 22.

Impairments

Assessing for indicators of possible impairment requires judgment in the assessment of facts and circumstances and is a subjective process that often involves a number of estimates and is subject to interpretation. Information regarding impairment is included in Note 8.

Deferred income tax assets

The recognition of deferred tax assets is based on judgments about future taxable profits.

Joint arrangements

The Company assesses the values of these instruments by using a discounted cash flow model. This calculation requires the use of estimates, including: future drilling activity and utilization of the drilling rigs, future equipment deployment milestones, prices, operating costs, discount rates, timing of new property and equipment and other assumptions.

(s) Recent accounting pronouncements

Certain new accounting standards and interpretations have been published that are mandatory for December 31, 2019 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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. BUSINESS COMBINATIONS

During the fourth quarter of 2018 (the "**Effective Date**") the Company initially completed the acquisition of 56.4 percent of the issued and outstanding common shares of Trinidad Drilling Ltd. ("**Trinidad**"), a publicly traded oilfield service company. Following the initial acquisition of control, the Company extended the period for the tender of additional Trinidad shares, and subsequently acquired 89.3 percent through a series of transactions for total consideration of $410,197. During the first quarter of 2019, the Company acquired the remaining 10.7 percent of Trinidad common shares, resulting in a total acquisition price of $459,411. The strategic business combination was completed to increase the Company's presence in the North American drilling market and certain international markets.

The Trinidad acquisition was funded from the Company's cash resources and available debt facilities as described in Note 12.

The allocation of the purchase price for the Trinidad Acquisition is determined as follows:

Net assets acquired	
Accounts receivable	132,317
Prepaid expenses	4,789
Assets held for sale	18,806
Property and equipment	794,464
Investment in joint ventures	144,776
Future income tax	199,374
Accounts payable	(124,911)
Deferred revenue	(1,909)
Long term debt	(591,818)
Non-controlling interests liability	(5,661)
Gain on bargain purchase	(200,672)
Net assets acquired	369,555
Minority interest	49,214
Consideration net of cash received[1]	320,341

[1] *Cash of $89,856 was acquired as part of Trinidad Acquisition*

The purchase price consideration as at the effective acquisition date of the Trinidad Acquisition is as follows:

Cash consideration paid in 2017	24,302
Cash consideration paid in 2018	384,120
Fair value adjustment	1,775
Total consideration	410,197

The Company recognized the gain of $200,672 on bargain purchase in Consolidated Statements of Comprehensive Income (Loss), which is largely related to the recording of the deferred tax assets at an undiscounted amount versus fair value in the acquisition.

The Company recognizes minority interests in an acquired entity either at fair value or at the minority interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For minority interests in Trinidad, the Company elected to recognize the minority interest at its proportionate share of the acquired net identifiable assets. In the first quarter of 2019, the Company acquired the remaining 10.7 percent of Trinidad shares and as a result Trinidad shares were delisted from trading on the Toronto Stock Exchange.

The acquired Trinidad business contributed revenues of $49,766 and net profit of $3,386 to the Company for the period December 1 to December 31, 2018. If acquisition had occurred on January 1, 2018, it is estimated that the consolidated pro-forma revenue and loss for the year ended December 31, 2018 would be $1,724,648 and $563,787 respectively. Included in the loss was an impairment of property and equipment and goodwill and intangibles of $564,874 recorded by Trinidad during Q3, 2018.

The Trinidad Acquisition was accounted for as a business combination using the acquisition method whereby the net assets and liabilities assumed are recorded at fair value.

6. CASH

(a) Cash

		December 31 2019		December 31 2018
Cash	**$**	**28,408**	$	75,709
Restricted cash		**—**		9,114
Total cash	**$**	**28,408**	$	84,823

(b) Non-cash working capital

		December 31 2019		December 31 2018
Net change in non-cash working capital				
Accounts receivable	**$**	**79,342**	$	19,535
Inventories, investments, prepaid and other		**10,885**		39,373
Accounts payable and accruals		**(54,655)**		(45,186)
Income taxes receivable/payable		**1,167**		(58,185)
Dividends payable		**(9,062)**		—
	$	**27,677**	$	(44,463)
Relating to:				
Operating activities	**$**	**32,582**	$	(73,806)
Investing activities		**3,139**		17,734
Financing activities		**(8,044)**		11,609
	$	**27,677**	$	(44,463)

7. ASSET HELD FOR SALE AND DISPOSED

On April 30, 2019 the Company completed the sale of its testing and wireline assets in Canada and the United States for cash proceeds of $24,000. The transaction resulted in a gain before tax of $9,824.

As at December 31, 2019 building and land classified as held for sale had not been sold. As such, they were still classified as assets held for sale as at December 31, 2019.

8. PROPERTY AND EQUIPMENT

	Rig and related equipment	Automotive and other equipment	Land and buildings	Total
Cost:				
Balance at December 31, 2017	$ 4,902,519	$ 128,858	$ 69,467	$ 5,100,844
Acquisition of Trinidad Drilling Ltd.	768,464	—	26,000	794,464
Additions	77,318	2,130	596	80,044
Additions of leased assets	—	9,807	—	9,807
Disposals	(10,201)	(6,024)	(1,571)	(17,796)
Asset decommissioning	(8,016)	—	—	(8,016)
Effects of foreign exchange	246,779	5,383	3,029	255,191
Balance at December 31, 2018	5,976,863	140,154	97,521	6,214,538
Additions	134,794	548	664	136,006
Additions of leased assets	—	8,147	13,683	21,830
Disposals	(128,999)	(14,486)	(9,075)	(152,560)
Asset decommissioning	(47,086)	—	—	(47,086)
Effects of foreign exchange	(208,358)	(7,100)	(2,944)	(218,402)
Balance at December 31, 2019	**$ 5,727,214**	**$ 127,263**	**$ 99,849**	**$ 5,954,326**
Accumulated depreciation and write-downs				
Balance at December 31, 2017	$ (2,372,032)	$ (105,601)	$ (25,245)	$ (2,502,878)
Depreciation	(399,086)	(13,618)	(2,505)	(415,209)
Disposals	7,920	4,910	606	13,436
Asset decommissioning	7,299	—	—	7,299
Effects of foreign exchange	(108,655)	(4,312)	(2,515)	(115,482)
Balance at December 31, 2018	(2,864,554)	(118,621)	(29,659)	(3,012,834)
Depreciation	(342,318)	(17,514)	(3,312)	(363,144)
Disposals	114,362	13,070	1,856	129,288
Asset decommissioning	47,086	—	—	47,086
Effects of foreign exchange	95,030	4,739	732	100,501
Balance at December 31, 2019	**$ (2,950,394)**	**$ (118,326)**	**$ (30,383)**	**$ (3,099,103)**
Net book value:				
At December 31, 2018	$ 3,112,309	$ 21,533	$ 67,862	$ 3,201,704
At December 31, 2019	**$ 2,776,820**	**$ 8,937**	**$ 69,466**	**$ 2,855,223**

Property and equipment includes equipment under construction of $32,107 (2018 - $32,277) that has not yet been subject to depreciation. During the year, the Company added one drilling rig and one well servicing rig. Also during the year, the Company decommissioned 32 drilling rigs and 10 well servicing rigs that had been fully depreciated.

For year ended December 31, 2019 leased asset depreciation was $11,723 which is included with total depreciation of $363,144.

The adverse economic effects arising from the sustained low oil and natural gas prices are considered indicators of possible impairment of the Company's assets, and accordingly an asset impairment test was performed by Management. The Company completed impairment tests in each of its CGU's using five year cash flow projections with a terminal value and concluded that no impairment charges were required for any CGU's as at December 31, 2019. The impairment tests were based on the following key assumptions:

- a weighted average pre-tax discount rate of 12% to 14% based on the cost of the Company's capital and debt, asset and country risk, together with past experience;
- cash flow projections based on a 5% to 15% growth rate,
- a terminal growth rate of 2%.

The Company performed a sensitivity analysis and noted there would be no impairment if cash flows were to be 5.0% higher or lower. An impairment in one of the Company's CGU's in the amount of $17,026 would result should the discount rate increase by 1.0%.

9. INVESTMENT IN JOINT VENTURES

Joint venture loss (gain) reconciliation

	December 31 2019	December 31 2018
Trinidad Drilling International loss (gain) from investment	**$ 40,008**	$ (1,096)
Other joint arrangements net (gain) loss from investments	**(116)**	222
Loss (gain) from investment in joint ventures	**$ 39,892**	$ (874)

Joint venture investment reconciliation

	December 31 2019	December 31 2018
Trinidad Drilling International investment balance	**$ 125,376**	$ 177,223
Other joint arrangements net loss from investments	**(21)**	(213)
Investment in joint ventures	**$ 125,355**	$ 177,010

The Company owns an interest in a joint venture arrangement with a wholly-owned subsidiary of Halliburton company, that operates rigs in Bahrain and Kuwait. The joint venture conducts business under the name Trinidad Drilling International ("**TDI**") through separately incorporated companies. The Company owns 60% of the shares of TDI and each of the joint parties have equal voting rights. The investment is held through common shares and mandatory redeemable preferred shares ("MRPS") classified as liabilities. The investment is treated as a financial asset and is fair valued through profit or loss and recognizes changes in fair value of the investment in the consolidated statements of income (loss) and comprehensive income (loss) as gain from investment in joint venture.

Continuity of investment in TDI

	December 31 2019	December 31 2018
Opening balance - January 1	**$ 177,223**	$ —
Acquisition of Trinidad Drilling Ltd.	**—**	144,776
Contributions to the joint venture	**—**	26,144
(Loss) gain from investment in joint venture	**(40,008)**	1,096
Change in loan in joint venture	**(4,592)**	528
Elimination of downstream transactions	**(136)**	(48)
Fair value adjustment	**(625)**	—
Effect of foreign exchange	**(6,486)**	4,727
Closing balance - December 31	**$ 125,376**	**$ 177,223**

(a) Summarized financial information for TDI

Summarized statements of operations for TDI:

(in thousands of Canadian dollars)	**December 31 2019** TDI	**Ensign 60% Share**	December 31 2018 TDI	Ensign 60% Share
Revenue				
Oilfield service revenue	$ 60,714	**$ 36,428**	$ 3,525	$ 2,115
	60,714	**36,428**	3,525	2,115
Expenses				
Oilfield services	34,378	**20,627**	2,246	1,347
General and administrative	11,390	**6,834**	762	457
Depreciation [1]	71,181	**42,709**	1,875	1,125
Foreign exchange and other loss (gain)	980	**588**	(65)	(39)
Interest expense	3,867	**2,320**	90	54
Loss on asset sale	—	**—**	658	395
Preferred share valuation	1,038	**623**	(3,890)	(2,334)
(Loss) income before income taxes	(62,120)	**(37,273)**	1,849	1,110
Current income tax	(1,357)	**(814)**	23	14
Deferred income tax	5,915	**3,549**	—	—
Net (loss) income	$ (66,678)	**$ (40,008)**	$ 1,826	$ 1,096

[1] Includes impairment of $48,097 of which Ensign share is $28,858 (2018 - $nil)

Summarized statement of financial position for TDI:

Amounts are presented at 100% of the value included in the statements of financial position for TDI.

As at		**December 31 2019**		December 31 2018
(in thousands of Canadian dollars)				
Assets				
Current Assets				
Cash and cash equivalents	**$**	**11,023**	$	54,380
Accounts receivable		**23,180**		16,146
Inventories, prepaid and other		**9,066**		6,309
Total current assets		**43,269**		76,835
Property and equipment		**255,847**		268,010
Deferred income taxes		**—**		5,915
Total assets	**$**	**299,116**	$	350,760
Liabilities				
Current Liabilities				
Accounts payable and accruals	**$**	**25,173**	$	14,052
Income taxes payable		**2,397**		—
Total current liabilities		**27,570**		14,052
Preferred shares		**281,208**		274,534
Notes payables to joint venture partners		**18,653**		27,053
Total liabilities		**327,431**		315,639
Shareholders' Equity				
Common shares		**23,508**		23,508
Contributed surplus		**102,500**		102,500
Accumulated other comprehensive income		**9,679**		6,437
Retained earnings		**(164,002)**		(97,324)
Total shareholders' equity		**(28,315)**		35,121
Total liabilities and shareholders' equity	**$**	**299,116**	$	350,760

Related party transactions

The related party transaction exchange amounts are determined depending on the nature of the transaction, and negotiations by both parties. They generally fall into two categories: shared services and sale of existing equipment.

• Shared services **-** TDI, and the shareholders of TDI, signed a shared-services agreement that outlines the costs that will be reimbursed, and the rates based on an employee time allocation assessment.

• Sale of pre-existing equipment **-**This equipment is sold at a gain/loss on sale to the Company based on third-party valuations.

The joint shareholders of TDI have loaned funds, via promissory notes, to fund the importation of drilling rigs into Saudi Arabia. The funds are recoverable through operations in TDI within five years from date of advance and earn interest at 4.25% and mature in December 2020. As at December 31, 2019, the loan payable to the joint venture shareholders is $18,653, of which $11,351 is payable to the Company.

Fair value of investment in TDI joint venture

The Company assesses the fair value of the investment using a discounted future cash flow model that compares the estimated future cash flows to the net book value of the asset at the period end date. The model incorporates the following assumptions:

1. A weighted average pre-tax discount rate of 14.0%, which considered industry average cost of capital, past experience, asset specific risk and anticipated debt to equity levels.

2. Five year forecasted cash flows, taking into consideration current industry conditions, actual 2019 operating results and past experience.

3. A terminal value was used for each of the 2019 fair value assessments assuming 1.5% annual growth rate and a 1.5% terminal growth rate for cash flows through the remainder of the segment's life.

10. ACCOUNTS PAYABLE AND ACCRUALS

	December 31 2019	December 31 2018
Trade payables	**$ 67,520**	$ 117,783
Accrued liabilities	**80,103**	60,025
Accrued payroll	**42,748**	45,800
Interest payable	**16,094**	24,383
Deferred revenue	**8,718**	16,859
Other liabilities	**1,536**	6,524
	$ 216,719	$ 271,374

11. SHARE-BASED COMPENSATION

Share option plan

The Company has an employee share option plan that provides all option holders the right to elect to receive either common shares or a direct cash payment in exchange for the options exercised. The Company may grant options to its employees for up to 14,885,900 (2018 - 14,886,400) Common Shares. The options' exercise price equals the market price of the Common Shares on the date of grant. Share options granted vest evenly over a period of five years.

The total intrinsic value of the liability for vested benefits at December 31, 2019 was $1,249 (2018 - 1,320).

A summary of the Company's share option plan as of December 31, 2019 and 2018 and the changes during the years then ended, is presented below:

	2019		2018	
	Number of Share Options	Weighted Average Exercise Price	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1	6,038,200	$ 7.56	6,724,900	$ 9.67
Granted	1,337,600	5.69	1,358,700	5.60
Exercised	(3,300)	5.60	(4,200)	5.80
Forfeited	(710,600)	6.99	(946,400)	9.81
Expired	(1,253,000)	10.37	(1,094,800)	16.13
Outstanding - December 31	**5,408,900**	**$ 6.53**	**6,038,200**	**$ 7.56**
Exercisable - December 31	**2,693,980**	**$ 6.86**	**2,861,040**	**$ 8.33**

The weighted average share price at the date of exercise of options in 2019 was $5.60 per common share (2018 - $5.80).

The following table lists the options outstanding at December 31, 2019:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$5.60 to $5.86	2,407,850	3.51	$ 5.64	726,030	$ 5.63
$5.87 to $7.64	2,087,300	1.62	6.91	1,417,900	7.06
$7.65 to $7.98	913,750	2.00	7.98	550,050	7.98
	5,408,900	2.52	$ 6.53	2,693,980	$ 6.86

The assumptions used to estimate the fair value of employee share options as at December 31, 2019 were:

	December 31 2019	December 31 2018
Remaining expected life (years)	**2.4**	2.4
Volatility (percent)	**40.0**	40.0
Forfeiture rate (percent)	**6.9**	6.7
Risk-free interest rate (percent)	**1.7**	1.9
Expected dividend (percent)	**8.4**	10.0

The expected volatility is determined based on weighted average historic prices for the Company's common shares. The forfeiture rate is estimated based on historical experience and general option holder behavior.

Share Appreciation Rights (SARs)

The Company has granted share appreciation rights ("**SARs**") to certain employees that entitle the employees to a cash payment. The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and exercise date. Grants under the plan vest evenly over a period of five years.

A summary of the Company's SARs plan as of December 31, 2019 and 2018 and the changes during the years ended, is presented below:

		2019		2018
	Number of SARs	Weighted Average Exercise Price	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1	616,800	$ 7.28	612,700	$ 9.39
Granted	179,930	5.69	150,000	5.60
Exercised	—	—	(800)	5.60
Forfeited	(70,275)	6.77	(40,600)	10.18
Expired	(94,500)	10.37	(104,500)	16.13
Outstanding - December 31, 2019	**631,955**	**$ 6.42**	616,800	$ 7.28
Exercisable - December 31, 2019	**295,223**	**$ 6.76**	263,600	$ 8.07

The following table lists the SARs outstanding at December 31, 2019:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$5.60 to $5.65	132,000	3.00	$ 5.60	52,320	$ 5.60
$5.66 to $6.66	268,105	3.59	5.83	76,253	5.88
$6.67 to $7.98	231,850	1.40	7.57	166,650	7.53
	631,955	2.66	$ 6.42	295,223	$ 6.76

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 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 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:

	2019	2018
Outstanding – January 1	**1,273,115**	694,983
Granted	**1,079,730**	771,917
Granted through dividend payment	**254,682**	98,703
Forfeited	**(43,357)**	(292,488)
Outstanding - December 31	**2,564,170**	1,273,115

Included in net earnings for the year ended December 31, 2019 is an expense of $3,463 (2018 - $544). This was calculated using the trailing ten day volume weighted average 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 of Adjusted EBITDA based on certain financial performance metrics.

12. LONG-TERM DEBT

	December 31 2019	December 31 2018
Drawings on the Credit Facility	**$ 750,000**	$ 946,531
Unsecured Senior Notes, due April 2024, 9.25%	**832,108**	—
Ensign notes - Senior unsecured notes		
Tranche B, due February 22, 2019, 3.97%	**—**	136,444
Tranche C, due February 22, 2022, 4.54%	**—**	136,444
Trinidad notes - Senior unsecured notes, February 2025, 6.63%	**—**	477,554
Subordinate convertible debentures, January 22, 2022, 7.00%	**33,846**	34,538
Unamortized deferred financing costs	**(34,425)**	(14,547)
Total	**$ 1,581,529**	$ 1,716,964
Less: current portion	**—**	(376,612)
Total long-term debt	**$ 1,581,529**	$ 1,340,352

The Credit Facility

As at December 31, 2019, the Company's Credit Facility (the "**Credit Facility**") consists of a $900,000 (2018 - $1,250,000) 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.

Interest is incurred on the utilized balance of the Credit Facility based on the election of one of the following options when funds are drawn:
- The bank's Canadian prime lending rate plus 0.50% to 3.00%
- The US base or US prime rate
- The commitment rate of 0.375% to 1.00%
- The BA rate plus 1.50% to 4.00%
- The LIBOR and letters of credit

The Credit Facility matures November 26, 2021, unless extended. No principal payments are due until then.

The Credit Facility has the following covenant requirements:

- The Consolidated Total Debt to Consolidated EBITDA Ratio at the end of the Fiscal Quarter shall not exceed 5.00:1.00;
- The Consolidated EBITDA to Consolidated Interest Expense as at the end of any Fiscal Quarter shall not be less than 2.50:1.00; and
- The Consolidated Senior Debt to Consolidated EBITDA Ratio at the end of the Fiscal Quarter shall not exceed 2.75:1.00.

As at December 31, 2019 the Company was in compliance with all covenants related to the Credit Facility.

Unsecured senior notes

On January 10, 2019 the Company utilized the Credit Facility to redeem in full its US $200,000 senior guaranteed notes (Tranches B & C) due February 2019 and 2022. The total price for the redemption was US $205,100, which included the principal, make whole amount and accrued interest.

In the first quarter 2019, the Company repurchased 99.93% of the outstanding US $350,000 of Trinidad Notes due February 2025 and included related consent fees. The total cost for the repurchase of the Trinidad Notes was US $350,000. The Trinidad Notes were tendered, and the consent fees were paid, pursuant to Trinidad's change of control offer to purchase and solicitation of consents announced on December 27, 2018. The Trinidad Notes were repurchased at 101% plus accrued and unpaid interest. Consenting noteholders also received 0.5% as a consent fee for their consent to certain amendments to the indenture governing the Trinidad Notes, among other things eliminating or modifying substantially all of the restrictive covenants.

On April 10, 2019, the Company issued US $700,000 of unsecured Senior Notes (the "**Senior Notes**") due 2024 and bearing interest of 9.25%. Interest is payable semi-annually in arrears on April 15 and October 15 and have maturing of April 15, 2024. The Senior Notes are callable on or after April 15, 2021 at 104.625%, April 15, 2022 at 102.313% and April 15, 2023 and thereafter at 100%. The Company incurred debt issue costs of $34,490 related to the Senior Notes which will be amortized over the life of the Senior Notes using the effective interest method. The net proceeds of the offering and cash on hand were used to repay all outstanding loans under the US $700,000 Senior Loan. In 2019, since issuance the Company purchased US $58,045 of the Senior Notes and recorded gain on purchase of $4,647.

Interest accrued on the Senior Notes at December 31, 2019 was $16,677 and has been included in accounts payable and accruals on the consolidated statement of financial position.

Subordinate convertible debentures

The Company has a non-brokered private placement of unsecured, subordinated convertible debentures (the **"Convertible Debentures**") for aggregate gross proceeds of $37,000. The Convertible Debentures bear interest from the date of closing at 7.0% per annum, payable semi-annually in arrears, on April 1 and October 1 each year. The Convertible Debentures will mature on January 31, 2022.

If, on and after April 1, 2021, the closing price of the Company's Common Shares on the Toronto Stock Exchange exceeds 125% of the Conversion Price for at least 30 consecutive trading days, the Convertible Debentures may be redeemed by the Company for cash, in whole or in part from time to time, on not more than 90 days and not less than 60 days prior notice, at a redemption price equal to the outstanding principal amount of the Convertible Debentures plus accrued and unpaid interest thereon (if any), up to, but excluding, the date of redemption.

The liability component of the Convertible Debentures was recognized initially at the fair value and revalued quarterly using a similar liability that does not have an equity conversion option, which was calculated based on an estimated market interest rate of 7.0%.

The difference between the principal amount of the Convertible Debentures and the fair value of the liability component was recognized in shareholders' equity.

Letter of Credit Facility

In addition, the Company has a US $50,000 secured Letters of Credit Facility. As of December 31, 2019, the available amount was US $6,872.

Long term debt continuity

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

		2019
Opening balance	**$**	**1,716,964**
Proceeds from long-term debt, net of debt issuance costs		**2,266,408**
Long-term debt repayments		**(2,375,891)**
Convertible Debentures fair value adjustment		**(692)**
Amortization of debt issuance costs		**13,914**
Foreign exchange adjustments		**(39,174)**
Ending balance	**$**	**1,581,529**

13. LEASE OBLIGATIONS

The Consolidated Statement of Financial Position shows the following amounts relating to leases:

		December 31 2019		December 31 2018
Right-of-use assets [1]				
Properties	**$**	**6,637**	$	13,792
Vehicles		**10,516**		6,952
	$	**17,153**	$	20,744
Lease liabilities				
Current	**$**	**9,996**	$	—
Non-current		**9,518**		9,689
	$	**19,514**	$	9,689

[1] *In previous year, the Company only recognized lease assets and liabilities in relation to leases that were classified as "finance leases" under IAS17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Company's long term debt. For adjustments recognizes on adoption of IFRS 16 on January 1, 2019 please refer to Note 5.*

14. INCOME TAXES

Analysis of deferred tax liability:

	December 31 2019	December 31 2018
Property and equipment	**$ 479,109**	$ 501,508
Share-based compensation	**(128)**	(963)
Non-capital losses	**(422,974)**	(370,439)
Other	**(13,974)**	(57,379)
Net deferred tax liability	**$ 42,033**	$ 72,727

Deferred Tax:		
Deferred tax asset recovered within 12 months	**$ (8,504)**	$ (19,618)
Deferred tax asset recovered after 12 months	**(489,196)**	(411,632)
Deferred tax liability recovered within 12 months	**4,593**	2,470
Deferred tax liability recovered after 12 months	**535,140**	501,507
Net deferred tax liability	**$ 42,033**	$ 72,727

Movement of deferred tax liability:

	December 31 2019	December 31 2018
Opening deferred tax liability	**$ 72,727**	$ 311,007
Deferred tax recovery	**(23,559)**	(53,224)
Acquisition of Trinidad Drilling Ltd.	**—**	(200,672)
Foreign exchange impact	**(7,135)**	15,616
Net deferred tax liability	**$ 42,033**	$ 72,727

The provision for income taxes is different from the expected provision for income taxes using combined Canadian federal and provincial income tax rates for the following reasons:

For the years ended	**December 31 2019**	December 31 2018
(Loss) income before income taxes	**$ (183,597)**	$ 6,484
Gain on bargain purchase	**—**	(200,672)
	(183,597)	(194,188)
Income tax rate	**26.7%**	27.0%
Expected income tax expense	**(49,020)**	(52,431)
Increase (decrease) from:		
Higher effective tax rate on foreign operations	**625**	(1,818)
Non-deductible expenses	**9,737**	(1,083)
Withholding taxes and other	**8,648**	—
Functional currency translation adjustment and true up	**(6,965)**	2,139
Rate change impact on deferred taxes	**16,832**	1,013
Income tax expense	**$ (20,143)**	$ (52,180)

The statutory rate for 2019 decreased due to the reduction in Alberta provincial tax rates from July 1, 2019.

15. SHARE CAPITAL

(a) Authorized

Unlimited common shares, no par value
Unlimited preferred shares, no par value, issuable in series

(b) Issued, fully paid and outstanding

	2019			2018		
	Number of Common Shares		Amount	Number of Common Shares		Amount
Opening balance – January 1	156,861,056	$	206,328	156,753,209	$	206,042
Shares issue as part of the dividend reinvestment plan	6,044,142		24,094	—		—
Changes in unvested shares held in trust	(239,622)		(322)	107,847		286
Closing balance - December 31	**162,665,576**	**$**	**230,100**	**156,861,056**	**$**	**206,328**

The total number of unvested shares held in trust for share-based compensation plans as at December 31, 2019 was 453,047 (December 31, 2018 – 213,425).

(c) Dividends

During the year ended December 31, 2019, the Company declared dividends of $68,079 (2018 - $75,396), being $0.42 per common share (2018 - $0.48 per common share).

16. NET (LOSS) INCOME PER SHARE

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

Diluted net (loss) income per 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 common shares at the average market price during the period.

	December 31 2019	December 31 2018
Net (loss) income attributable to common shareholders:		
Basic and diluted	**$ (162,905)**	$ 58,302
Weighted average number of common shares outstanding:		
Basic	**159,598,788**	156,862,920
Potentially dilutive share-based compensation plans	**87,404**	178,800
Diluted	**159,686,192**	157,041,720

Share options of 5,408,900 (2018 – 3,923,750) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

17. 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:

As at and for the year ended December 31, 2019	Canada	United States	International	Total
Revenue	293,333	1,005,536	293,378	1,592,247
Depreciation	125,160	197,273	40,711	363,144
(Loss) income before interest, other gains (losses) and income taxes	(64,643)	52,573	3,053	(9,017)
Total assets	947,715	1,824,340	698,546	3,470,601
Total liabilities	1,672,963	267,436	67,180	2,007,579
Purchase of property & equipment, net	(21,164)	75,052	42,121	96,009

As at and for the year ended December 31, 2018	Canada	United States	International	Total
Revenue	241,034	641,558	273,765	1,156,357
Depreciation	118,521	204,412	92,103	415,036
(Loss) income before interest, other gains (losses) and income taxes	123,781	(47,323)	(17,558)	58,900
Total assets	907,011	2,161,721	825,376	3,894,108
Total liabilities	1,404,756	582,818	115,851	2,103,425
Purchase of property & equipment, net	14,355	49,082	9,859	73,296

For the years ended December 31	**2019**	2018
Rig rental revenue	**$ 1,014,500**	$ 682,716
Service revenue	**577,747**	473,641
Total revenue	**$ 1,592,247**	$ 1,156,357

There are no material differences in the basis of accounting or the measurement of (loss) income, assets and liabilities between the Company 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.

During the year ended December 31, 2019 the Company had no customers that represented 10 percent or more of the Company's revenue consistently with 2018.

18. EXPENSES BY NATURE

	December 31 2019	December 31 2018
Salaries, wages and benefits	**$ 891,073**	$ 588,563
Share-based compensation	**4,047**	707
Total employee costs	**895,120**	589,270
Depreciation	**363,144**	415,036
Purchased materials, supplies and services	**317,574**	313,698
Foreign exchange and other	**25,426**	(19,001)
Total expenses before interest and income taxes	**$ 1,601,264**	$ 1,299,003

19. KEY MANAGEMENT COMPENSATION AND RELATED PARTY TRANSACTIONS

Key management personnel comprises of the Company's directors and named executive officers. Compensation for key management personnel consists of the following:

	December 31 2019	December 31 2018
Short-term compensation	$ 2,972	$ 2,744
Share-based compensation	610	717
Total management compensation	$ 3,582	$ 3,461

20. SIGNIFICANT SUBSIDIARIES

The following table lists the Company's principal operating subsidiaries, the functional currency, the jurisdiction of formation, incorporation or continuance of such partnerships and subsidiaries and the percentage of shares owned, directly or indirectly, by the Company as of December 31, 2019:

Name of Subsidiary	Functional Currency	Jurisdiction of Formation Incorporation or Continuance	Percentage Ownership of Shares Beneficially Owned or Controlled Directly or Indirectly by the Company	
			2019	2018
Ensign Drilling Inc.	CAD	Canada	100	100
Ensign Argentina S.A.	USD	Argentina	100	100
Ensign de Venezuela C.A.	USD	Venezuela	100	100
Ensign International Energy Services Pty Limited	USD	Australia	100	100
Ensign Australia Pty Limited	AUD	Australia	100	100
Ensign International Energy Services LLC	USD	Oman	70	70
Tristate (Barbados) Holdings Inc.	USD	Barbados	100	100
Ensign United States Drilling Inc.	USD	United States	100	100
Ensign United States Drilling (California) Inc.	USD	United States	100	100
Ensign US Financial (Delaware) LP	USD	United States	—	100
Ensign US Southern Drilling LLC	USD	United States	100	100
OFS Global Inc.	USD	Canada	100	100
Trinidad Drilling Ltd.	CAD	Canada	—	89
Trinidad Drilling USA Ltd.	USD	United States	—	89
Trinidad Drilling LP	USD	United States	—	89

21. CAPITAL MANAGEMENT STRATEGY

The Company's objectives when managing capital are to exercise financial discipline, and to deliver positive returns and stable dividend streams to its shareholders. The Company continues to be cognizant of the challenges associated with operating in a cyclical, commodity-based industry and may make future adjustments to its capital management strategy in light of changing economic conditions.

The Company considers its capital structure to include shareholders' equity, Credit Facility, Convertible Debentures and Senior Notes. In order to maintain or adjust its capital structure, the Company may from time to time adjust its capital spending or dividend policy to manage the level of its borrowings, or may revise the terms of its bank credit facilities to support future growth initiatives. The Company may consider additional long-term borrowings or equity financing if deemed necessary. As at December 31, 2019, the Credit Facility's drawings totaled $750,000 (2018 - $946,531), Senior Notes totaled $832,108 (2018 - $750,442), Convertible Debentures totaled $37,000 (2018 - $37,000) and shareholders' equity totaled $1,463,022 (2018 - $1,790,683).

The Company is subject to externally imposed capital requirements associated with its Credit Facility and Senior Notes, including financial covenants that incorporate shareholders' equity, earnings, consolidated interest expense and level of indebtedness. The Company monitors its compliance with these requirements on an ongoing basis and projects future operating cash flows, capital expenditure levels and dividend payments to assess how these activities may impact compliance in future periods.

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

The classification and measurement of financial instruments is presented below:

Cash, accounts receivable and income tax receivable are classified as financial assets at amortized cost.

Accounts payable and accruals, cash dividends payable, income tax payable, lease obligation and long-term debt are classified as financial liabilities at amortized cost.

Fair values

The fair value of cash, accounts receivable, income tax receivable and payable, accounts payable and accruals and cash dividends payable 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 and lease obligations approximates its carrying value.

The fair value of the Senior Notes are based on the closing market price at December 31, 2019.

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 Notes was based on the closing market price on the date of valuation. The Senior Notes are a level 1 in the fair value hierarchy.

The estimated fair value of the investment in joint ventures is a Level 3 in the value of hierarchy. Inputs to the change in the fail value of the investment in joint venture are disclosed in Note 9.

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

The following table summarizes the carrying value of the certain Company's financial assets and liabilities as compared to their respective fair values:

As at	December 31 2019		December 31 2018	
(in thousands of Canadian dollars)	**Fair value**	**Carrying value**	Fair Value	Carrying value
Financial assets at fair value for profit or loss:				
Investment in TDI joint venture	**125,355**	**125,355**	177,010	177,010
Financial liabilities at fair value through profit or loss:				
Senior Notes, due 2024	**785,344**	**832,108**	—	—
Ensign notes - senior unsecured notes due 2019 and 2022	**—**	**—**	278,614	278,614
Trinidad notes - senior notes due 2025	**—**	**—**	482,682	482,682
Convertible Debentures	**34,538**	**34,538**	34,538	34,538
Lease obligations	**19,514**	**19,514**	9,689	9,689
Non-controlling interests liability	**5,138**	**5,138**	6,007	6,007

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's accounts receivable balances owing from customers operating primarily in the oil and natural gas industry in Canada, the United States and internationally. The carrying amount of accounts receivable represents the maximum credit exposure as at December 31, 2019.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowances for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2019 or January 1, 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customer to settle the receivables.

On that basis, the loss allowance as at December 31, 2019 and December 31, 2018 was determined as follows for trade receivables:

As at December 31, 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.5%	2.0%	8.2%	34.6%	
Gross carrying amount [1]	128,168	56,150	18,069	32,893	235,280
Loss allowances	**641**	**1,123**	**1,482**	**11,379**	**14,625**

As at December 31, 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.5%	2.0%	8.2%	43.2%	
Gross carrying amount [1]	167,105	104,662	26,207	25,682	323,656
Loss allowances	836	2,093	2,149	11,105	16,183

[1] Gross carrying amount excludes unbilled revenue and other receivables of $51,599 for year ended December 31, 2019 (2018 - $44,123)

As part of the Company's international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at December 31, 2019, the Company had accounts receivable of approximately $24,302 for work performed in Venezuela, of which over 90 days receivable were discounted at 14.5 percent over a five year period (2018 - $nil). 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.

The loss allowance for trade receivables as at December 31, 2019 reconcile to the opening loss allowances as follows:

		2019		2018
Opening balance - January 1	$	**16,183**	$	4,165
Increase in loss allowance recognized in profit or loss		**100**		12,781
Unused amount reversed		**(1,540)**		(633)
Effect of movement in exchange rates		**(118)**		(130)
Closing balance - December 31	$	**14,625**	$	16,183

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of debtor to engage in a repayment plan with the Company, and failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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 December 31, 2019, the remaining contractual maturities of accounts payable and accruals and cash dividends payable are less than one year.

Maturity information regarding the principal and interest on the Company's long-term debt are as follows:

As at December 31		Less than 1 Year		1-3 Years		4-5 Years		Total
Senior Notes	$	78,252	$	234,115	$	853,696	$	1,166,063
Credit Facility[1]		34,064		780,704		—	$	814,768
Convertible Debentures		2,597		40,456		—	$	43,053
Total	$	114,913	$	1,055,275	$	853,696	$	2,023,884

1 Interest on the bank credit facilities is calculated based on the amount drawn at December 31, 2019 and the applicable bankers' acceptance/ LIBOR interest rates outstanding as at December 31, 2019. USD denominated balances are converted using the foreign exchange rate as of December 31, 2019.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's net income or the value of its financial instruments.

Interest rate risk

The Company is exposed to interest rate risk with respect to its bank credit facilities which bear interest at floating market rates. For the year ended December 31, 2019, if interest rates applicable to its bank credit facilities had been 0.25 percent higher or lower, with all other variables held constant, income before income taxes would have been $1,875 lower or higher.

Foreign currency exchange rate risk

Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company has hedged it's exposure to foreign exchange risk through the issuance of a USD denominated Senior Note. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks.

Translation exposures arise from financial and non-financial items held by an entity (for example, a subsidiary) with a functional currency different from the Company's presentation currency. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation under IAS 21 is not fully eliminated.

At December 31, 2019, had the the Company dollar weakened or strengthened by $0.01 against the United States dollar, with all other variables held constant, the Company's income loss before income taxes would have been $6,420 higher or lower.

23. PRIOR YEAR AMOUNTS

Prior year amounts in the consolidated statements of financial position related to deferred income tax asset and deferred income tax liability have been reclassified to conform to current year's presentation. The revised financial statement line items for 2018 period as follows:

Consolidated statements of financial position (extract)	2018 (Revised)	2018
Deferred income tax asset	99,054	—
Deferred income tax liability	(171,781)	(72,727)
Net deferred income tax	(72,727)	(72,727)

Prior year amounts in the consolidated statements of comprehensive (loss) income related to restructuring cost have been reclassified to conform to current year's presentation. The revised financial statement line items for 2018 period as follows:

Consolidated statement of (loss) income (extract)	2018 (Revised)	2018
General and administrative	44,945	46,347
Restructuring	1,492	—
	46,437	46,347

24. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the Company declared a dividend for the first quarter of 2020 of $0.06 per common share or approximately $9,787, payable on or about April 3, 2020 to the shareholders of record at the close of business on March 20, 2020. The dividend has not been provided for and is pursuant to the quarterly dividend policy adopted by the Company. Pursuant to subsection 89(1) of the Canadian Income Tax Act ("ITA"), the dividend being paid is designated as an eligible dividend, as defined in subsection 89(1) of the ITA.

Share Trading Summary

For the three months ended (Unaudited)	High ($)	Low ($)	Close ($)	Volume	Value ($)
2019					
March 31	**5.99**	**4.43**	**5.35**	**16,542,700**	**87,104,816**
June 30	**6.35**	**4.29**	**4.29**	**13,516,900**	**71,779,047**
September 30	**4.56**	**2.73**	**3.06**	**39,755,200**	**138,084,860**
December 31	**2.97**	**2.26**	**2.85**	**28,495,000**	**75,243,994**
Total				**98,309,800**	**372,212,717**

For the three months ended (Unaudited)	High ($)	Low ($)	Close ($)	Volume	Value ($)
2018					
March 31	7.83	5.61	6.04	23,422,300	157,503,889
June 30	6.55	5.56	5.87	15,172,200	91,109,848
September 30	7.20	5.29	6.23	8,356,300	51,778,506
December 31	6.51	4.14	4.79	14,162,900	72,049,229
Total				61,113,700	372,441,472

10 Year Financial information

(Unaudited - $ thousands, except per share data)	2019	2018	2017	2016	2015
Revenue	1,592,247	1,156,357	1,000,650	859,702	1,390,978
Gross margin	451,308	300,533	240,950	237,676	395,953
Gross margin % of revenue	28.3 %	26.0%	24.1 %	27.6 %	28.5 %
Adjusted EBITDA	406,766	255,677	201,784	185,173	329,010
Depreciation	363,144	415,036	325,811	349,947	335,513
Net (loss) income attributable to shareholders	(162,905)	58,302	(37,644)	(150,522)	(104,049)
Net (loss) income per share					
Basic	$(1.02)	$0.37	$(0.24)	$(0.99)	$(0.68)
Diluted	$(1.02)	$0.37	$(0.24)	$(0.98)	$(0.68)
Funds from operations	236,989	225,939	141,438	170,651	296,273
Funds from operations per share					
Basic	$1.48	$1.44	$0.90	$1.12	$1.94
Diluted	$1.48	$1.44	$0.90	$1.11	$1.94
Net capital expenditures, excluding acquisitions	96,009	73,296	117,712	29,120	159,033
Acquisitions[1]	—	320,341	—	—	—
Working capital (deficit)	126,987	(156,223)	(342,199)	(11,153)	144,239
Long-term debt, net of current portion	1,581,529	1,340,352	252,676	583,269	794,109
Shareholders' equity	1,463,022	1,790,683	1,689,376	1,832,489	2,086,596
Return on average shareholders' equity	(11.1)%	3.3%	(2.2)%	(8.2)%	(5.0)%
Long-term debt to equity	1.08:1	0.75:1	0.15:1	0.32:1	0.38:1
Weighted avg. common shares outstanding - basic	159,598,788	156,862,920	156,545,624	152,759,973	152,476,615
Closing share price - December 31	$2.85	$4.79	$6.47	$9.38	$7.38

[1] Consideration paid net of cash was $294,264 in 2018 and $24,302 in 2017. Fair value adjustment of $1,775 was recorded in 2018.

* Restated under IFRS

All per share data and the weighted average common shares outstanding have been restated to reflect the 3-for-1 stock split effective May 2001 and the 2-for-1 stock split effective May 2006.

Certain prior year amounts have been restated to reflect current year presentation.

10 Year Financial information

(Unaudited - $ thousands, except per share data)	2014	2013	2012	2011	2010*
Revenue	2,321,765	2,098,011	2,197,321	1,890,372	1,355,683
Gross margin	635,370	573,838	641,812	567,446	370,860
Gross margin % of revenue	27.4%	27.4%	29.2%	30.0%	27.4%
Adjusted EBITDA	542,262	485,712	560,975	497,188	310,011
Depreciation	298,854	248,026	220,227	177,927	132,980
Net income (loss)	71,120	128,865	217,522	212,393	119,308
Net income (loss) per share					
Basic	$0.47	$0.84	$1.42	$1.39	$0.78
Diluted	$0.46	$0.84	$1.42	$1.39	$0.78
Funds from operations	491,886	435,611	506,355	473,099	288,513
Funds from operations per share					
Basic	$3.22	$2.85	$3.32	$3.09	$1.89
Diluted	$3.21	$2.84	$3.31	$3.09	$1.88
Net capital expenditures, excluding acquisitions	582,999	342,225	306,689	386,833	255,463
Acquisitions	—	76,408	—	497,352	—
Working capital (deficit)	189,698	(71,146)	13,861	(10,233)	84,516
Long-term debt, net of current portion	786,327	317,407	296,589	405,953	—
Shareholders' equity	2,045,237	1,962,569	1,857,958	1,723,422	1,548,155
Return on average shareholders' equity	3.5%	6.7%	12.1%	13.0%	7.7%
Long-term debt to equity	0.38:1	0.16:1	0.16:1	0.24:1	NA
Weighted avg. common shares outstanding - basic	152,710,636	152,693,280	152,664,447	152,865,133	152,834,798
Closing share price - December 31	$10.20	$16.73	$15.37	$16.25	$15.03

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 Businessman

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

LEN KANGAS [2,4]
Independent Businessman

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

JOHN SCHROEDER [1,3]
Independent Businessman

GAIL SURKAN [2,3]
Independent Businesswoman

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

CORPORATE MANAGEMENT

N. MURRAY EDWARDS
Chairman

ROBERT H. GEDDES
President and Chief Operating Officer

MICHAEL GRAY
Chief Financial Officer

TOM CONNORS
Executive Vice President, Canada

MICHAEL NUSS
Executive Vice President, US

BRENT CONWAY
Executive Vice President, International

TREVOR RUSSELL
Vice President, Finance

AHMED IQBAL
Vice President, Corporate Controller

JONATHAN BASKEYFIELD
Vice President, Tax

ROBERT RAIMONDO
Vice President, Health, Safety and Environment

CATHY ROBINSON
Vice President, Global Human Resources

SUZANNE DAVIES
Vice President Legal and Corporate Secretary

HEAD OFFICE

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

BANKERS

HSBC Bank Canada
Bank of Montreal

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: ESI

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Trust Company of Canada

COMMITTEE MEMBERS

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

www.ensignenergy.com