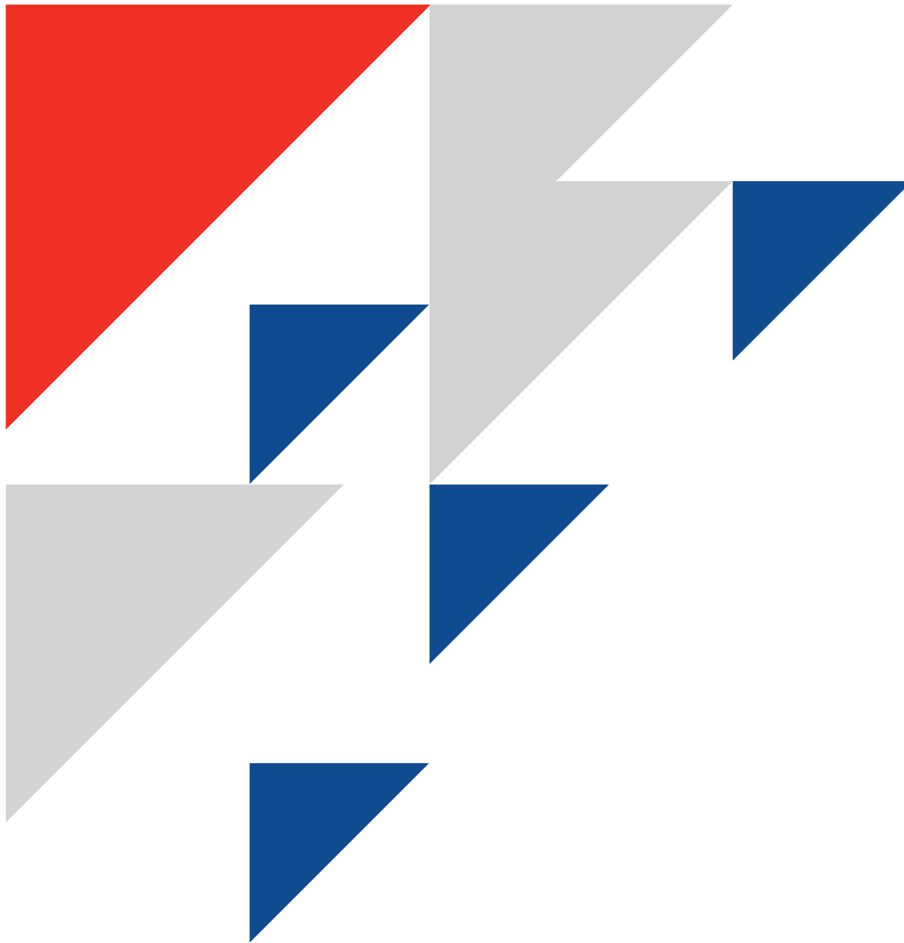

ENSIGN ENERGY SERVICES INC.

2020 ANNUAL REPORT

drilling | directional drilling | well servicing

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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, 2020, which are available on SEDAR at www.sedar.com.

This MD&A and the audited consolidated financial statements and comparative information have been prepared and approved by the Board of Directors 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, well servicing rigs, operating days and well servicing hours. This MD&A is dated March 4, 2021. Additional information, including the Company's Annual Information Form for the year ended December 31, 2020, 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, 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 and foreseen results. The reader should not place undue reliance on forward-looking statements as there can be no assurance that the plans, initiatives, projections, anticipations or expectations upon which they are based will occur.

The forward-looking statements are based on current 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 and other claims; 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; the Company's ability to amend covenants under the Credit Facility with its Credit Facility syndicate, 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; the Company's response to the global COVID-19 pandemic; and the impact thereof upon the business environments in which the Company is or may become engaged; 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, the global COVID-19 pandemic, the potential reinstatement COVID-19 mitigation strategies, such as stay-at-home orders and lockdown related restrictions, and the impact thereof upon the Company, its customers and its business. 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)

	2020	2019	Change	% change	2018	Change	% change
Revenue [1]	**936,818**	1,591,338	(654,520)	(41)	1,156,283	435,055	38
Adjusted EBITDA [1, 2]	**241,525**	412,468	(170,943)	(41)	256,828	155,640	61
Adjusted EBITDA per common share [1, 2]							
Basic	**$ 1.49**	$ 2.58	$ (1.09)	(42)	$ 1.64	$ 0.94	57
Diluted	**$ 1.49**	$ 2.58	$ (1.09)	(42)	$ 1.64	$ 0.94	57
Net (loss) income attributable to common shareholders	**(79,329)**	(162,905)	83,576	(51)	58,302	(221,207)	nm
Net (loss) income per common share							
Basic	**$ (0.49)**	$ (1.02)	$ 0.53	(52)	$ 0.37	$ (1.39)	nm
Diluted	**$ (0.49)**	$ (1.02)	$ 0.53	(52)	$ 0.37	$ (1.39)	nm
Cash provided by operating activities [1]	**246,974**	404,816	(157,842)	(39)	203,818	200,998	99
Funds flow from operations [1]	**210,265**	372,234	(161,969)	(44)	277,624	94,610	34
Funds flow from operations per common share [1]							
Basic	**$ 1.30**	$ 2.33	$ (1.03)	(44)	$ 1.77	$ 0.56	32
Diluted	**$ 1.30**	$ 2.33	$ (1.03)	(44)	$ 1.77	$ 0.56	32
Total assets	**3,054,493**	3,470,601	(416,108)	(12)	3,993,162	(522,561)	(13)
Long-term debt	**1,384,605**	1,581,529	(196,924)	(12)	1,716,964	(135,435)	(8)
Dividends per common share	**$ 0.06**	$ 0.42	$ (0.36)	(86)	$ 0.48	$ (0.06)	(13)

nm - calculation not meaningful

[1] *Comparative revenue, Adjusted EBITDA, Adjusted EBITDA per common share, cash provided by operating activities, funds flow from operations and funds flow from operations per common share have been revised to conform with current year's presentation.*

[2] *Adjusted EBITDA is used by management and investors to analyze the Company's profitability based on the Company's principal business activities prior to how these activities are financed, how assets are depreciated, amortized, and impaired and how the results are taxed in various jurisdictions. Additionally, in order to focus on the core business alone, amounts are removed related to foreign exchange, share-based compensation expense, the sale of assets, restructuring expenses, gain on repurchase of unsecured Senior Notes and fair value adjustments on financial assets and liabilities, as the Company does not deem these to relate to its core drilling and well servicing 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.*

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at ($ thousands)	2020	2019	2018
Working capital [1]	**98,612**	126,987	(156,233)
Cash	**44,198**	28,408	84,823
Long-term debt	**1,384,605**	1,581,529	1,340,352
Long-term debt, net of cash	**1,340,407**	1,553,121	1,255,529
Total long-term financial liabilities	**1,390,647**	1,591,047	1,350,041
Total assets	**3,054,493**	3,470,601	3,993,162
Long-term debt to long term-debt plus shareholder's equity ratio	**0.50**	0.52	0.43

[1] *See non-GAAP Measures section*

($ thousands)	2020	2019	Change	% change	2018	Change	% change
Capital expenditures							
Upgrade/growth	**10,013**	95,778	(85,765)	(90)	25,524	70,254	nm
Maintenance	**40,229**	40,228	1	—	54,520	(14,292)	(26)
Proceeds from disposals of property and equipment	**(31,829)**	(39,997)	8,168	(20)	(6,748)	(33,249)	nm
Net capital expenditures	**18,413**	96,009	(77,596)	(81)	73,296	22,713	31

nm - calculation not meaningful

Adjusted EBITDA is calculated as follows:

($ thousands)	2020	2019	2018
(Loss) income before income taxes [1]	**(120,528)**	(177,895)	7,635
Add-back/(deduct)			
Interest expense	**107,374**	135,245	51,685
Accretion of deferred financing charges	**11,887**	13,914	731
Depreciation	**374,705**	363,144	415,036
Impairment	**11,480**	—	—
Gain on bargain purchase	**—**	—	(200,672)
Share-based compensation	**(2,121)**	4,047	707
Loss (gain) on asset sale	**3,437**	(9,824)	—
Gain on repurchase of unsecured Senior Notes [2]	**(162,849)**	(4,647)	—
Foreign exchange and other (gain) loss	**(5,726)**	25,426	(19,001)
Loss (gain) from investment in joint ventures	**1,349**	39,892	(874)
Restructuring	**16,042**	12,644	1,492
Adjusted EBITDA from investment in joint ventures [3]	**6,475**	10,522	89
Adjusted EBITDA	**241,525**	412,468	256,828

[1] *Comparative (loss) income before income taxes has been revised to conform with current year's presentation.*
[2] *See "Interest Expense" section for definition of Senior Notes.*
[3] *Adjusted EBITDA from investments in joint venture 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 business, amounts related to foreign exchange, dividend expense, dividend re-class, impairment adjustments to property and equipment, as well as preferred share valuation, restructuring and the sale of assets are removed. Lastly, amounts recorded for the revaluation on the investment of the former Trinidad Drilling International joint venture are removed as these are non-cash items and unrelated to the operations of the business. Adjusted EBITDA from investment 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)	2020	2019	2018
(Loss) gain from investment in joint ventures	**(1,349)**	(39,892)	874
Add-back/(deduct)			
TDI fair value adjustment	**—**	625	—
Depreciation	**7,185**	42,709	1,125
Foreign exchange and other loss (gain)	**229**	588	(39)
Restructuring	**65**	—	—
Interest expense	**62**	2,320	54
Loss on asset sale	**—**	—	395
Income tax	**283**	3,549	14
Preferred shares valuation	**—**	623	(2,334)
Adjusted EBITDA from investment in joint ventures	**6,475**	10,522	89

Consolidated EBITDA

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

Working Capital

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

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, 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.

2020 COMPARED WITH 2019

Revenue for the year ended December 31, 2020 was $936.8 million, a decrease of 41 percent from 2019 revenue of $1,591.3 million. Adjusted EBITDA for 2020 totaled $241.5 million ($1.49 per common share), 41 percent lower than Adjusted EBITDA of $412.5 million ($2.58 per common share) for the year ended 2019.

Net loss attributed to common shareholders for the year ended December 31, 2020 was $79.3 million ($0.49 per common share) compared to net loss attributed to common shareholders of $162.9 million ($1.02 per common share) for the year ended December 31, 2019.

During the third quarter of 2020, the Company completed the acquisition of Halliburton's 40 percent ownership interest in the Trinidad Drilling International ("**TDI**") joint venture. The 40 percent ownership interest, inclusive of working capital of $20.2 million in the TDI joint venture, was purchased by the Company with cash on hand for US $33.4 million. With this acquisition, the Company now owns 100 percent of TDI. For further information on the TDI joint venture acquisition, please refer to the "Joint Venture Oilfield Services" section in MD&A.

Results for the year ended December 31, 2020 were modestly impacted by the TDI joint venture acquisition, notably through increased activity levels due to the increase in rig fleet size, an expanded customer base and enhanced international exposure.

During 2020, the Company received a $12.5 million Canada Emergency Wage Subsidy ("**CEWS"**) from the Government of Canada and a $6.9 million wage subsidy from the Government of Australia. The wage subsidies received partially offset the decrease in Adjusted EBITDA and net loss attributable to common shareholders.

On March 11, 2020, the World Health Organization ("**WHO**") declared the novel coronavirus ("**COVID-19**") a global pandemic due to the sustained risk of worldwide spread of the virus. Governments and health authorities around the world implemented a wide variety of measures to combat the spread of the virus, including travel restrictions, business closures, social distancing, public gathering restrictions, stay-at-home orders and event cancellations. The impact of these measures led to a significant slow-down in global economic activity that subsequently reduced the demand for crude oil and natural gas. The significant reduction in demand contributed to the steep and rapid decline in global crude oil and natural gas prices seen earlier in 2020. Furthermore, the demand decline further challenged commodity prices already reeling from a market share and oil price war between certain crude oil producing nations. The full magnitude and duration of the impact of these events on global economies and the oil and natural gas industry remains uncertain.

During the second half of 2020, stay-at-home related restrictions generally were eased globally, increasing the demand for crude oil and natural gas. OPEC+ nations curtailed crude oil supply in addition to producer led production curtailments which resulted in improved supply and demand fundamentals. Improved fundamentals resulted in relatively stabilized crude oil commodity prices over the second half of 2020. As a result, drilling and completions activity stabilized and improved modestly.

Over the short term, there is a high degree of uncertainty regarding the macroeconomic conditions that will impact our business that include the pathway of the COVID-19 pandemic, COVID-19 mitigation strategies, such as stay-at-home orders and lockdown related restrictions, vaccination distribution and efficacy, the degree and impact of COVID-19 mitigation strategies and other factors on the demand for crude oil and natural gas, commodity prices and the demand for oilfield services.

Early in March 2020, in response to the COVID-19 pandemic, the Company implemented rigorous measures across its global operations to ensure the safety of its operations, the health of its employees and the continuity of its business. These measures include, but are not limited to, remote work where possible, fitness for work screening for employees, contractors and any third parties on site, restricted travel policies and aggressive hygiene practices and disinfecting protocols in accordance with WHO and local jurisdiction guidelines.

Across the Company's global operations, these proactive measures have facilitated the safe continuity and reliability of its operations in the field and an orderly transition to remote work for our office employees. Furthermore, the Company has implemented regional Emergency Response Groups to respond to any incidents. These measures continue to be in place, and will be adapted as needed, as the Company continues to monitor local government recommendations and public health guidelines, prioritizing the health and safety of its workforce.

Working capital as of December 31, 2020 was a surplus of $98.6 million, compared to a working capital surplus of $127.0 million as of December 31, 2019. The decrease in working capital year-over-year was largely due to the repurchases of some of the unsecured Senior Notes (the "**Senior Notes**") throughout the year, net capital purchases and the acquisition of Haliburton's TDI joint venture interest. The Company's available liquidity consisting of cash and available borrowings under its $900.0 million revolving credit facility (the "**Credit Facility**") totaled $136.5 million as of December 31, 2020, compared to $178.4 million at December 31, 2019. The available liquidity decreased by $41.9 million due to a higher withdrawal to finance the repurchase of Senior Notes and acquire Haliburton's 40 percent interest of TDI joint venture in 2020 compared to 2019.

2019 COMPARED WITH 2018

During the fourth quarter of 2018, the Company acquired 89.3 percent of the common shares of Trinidad Drilling Ltd. (**"Trinidad"**). During the first quarter of 2019, the Company acquired the remaining 10.7 percent of Trinidad's 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. Results for 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.

REVENUE AND OILFIELD SERVICES EXPENSE

($ thousands)	**2020**	2019	Change	% change
Revenue [1]				
Canada	**176,872**	293,333	(116,461)	(40)
United States [1]	**531,030**	1,004,627	(473,597)	(47)
International	**228,916**	293,378	(64,462)	(22)
Total revenue	**936,818**	1,591,338	(654,520)	(41)
Oilfield services expense [1]	**658,201**	1,134,328	(476,127)	(42)

[1.] *Comparative revenue and oilfield services expense have been revised to conform with current year's presentation.*

Revenue for the year ended December 31, 2020 totaled $936.8 million, a 41 percent decrease from the year ended December 31, 2019 of $1,591.3 million. The decrease in total revenue during the year ended December 31, 2020 was due to the oil price and market share war between certain crude oil producing nations followed by the significant and adverse impact of the COVID-19 pandemic on the oil and natural gas industry. The fallout from the pandemic led to a significant drop in demand for crude oil and natural gas, which further challenged an already over-supplied commodity market. The steep declines in demand and continued oversupply have resulted in a significant activity slowdown for oilfield services. 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.

CANADIAN OILFIELD SERVICES

	2020	2019	Change	% change
Revenue *($ thousands)*	**$ 176,872**	$ 293,333	$ (116,461)	(40)
Marketed drilling rigs [1,2]				
Opening balance	**101**	125		
Transfers, net	**—**	(1)		
Placed into reserve	**—**	(5)		
Decommissions	**—**	(18)		
Ending balance	**101**	101	—	—
Drilling operating days [1,3]	**5,599**	8,949	(3,350)	(37)
Drilling rig utilization (%) [1]	**13.0**	18.2	(5.2)	(29)
Well servicing rigs				
Opening balance	**52**	62		
Decommissions	**—**	(10)		
Ending balance	**52**	52	—	—
Well servicing operating hours	**28,338**	46,718	(18,380)	(39)
Well servicing utilization (%)	**14.9**	23.3	(8.4)	(36)

[1] *Excludes coring rig fleet.*
[2] *Total rigs: 118, (2019 - 118).*
[3] *Defined as contract drilling days, between spud to rig release.*

The Company recorded revenue of $176.9 million in Canada for the year ended December 31, 2020, a decrease of 40 percent from $293.3 million recorded for the year ended December 31, 2019. For the year ended December 31, 2020, total revenues generated from the Company's Canadian operations were 19 percent of the Company's total revenue compared with 18 percent in the prior year. During the year-ended December 31, 2020, the Company recognized $3.6 million of idle but contracted rig revenue (2019 - $9.5 million).

For the year ended December 31, 2020, the Company recorded 5,599 drilling operating days in Canada, a decrease of 37 percent as compared to 8,949 drilling operating days for the year ended December 31, 2019. Well servicing hours decreased by 39 percent to 28,338 operating hours compared with 46,718 operating hours for the year ended December 31, 2019.

The operating and financial results for the Company's Canadian operations were significantly and negatively impacted during the 2020 year due to the macroeconomic and industry conditions seen since March of 2020 including but not limited to, the impact of the COVID-19 pandemic and subsequent lockdown related restrictions, resulting in decreased demand for crude oil and increased market supply.

UNITED STATES OILFIELD SERVICES

	2020	2019	Change	% change
Revenue *($ thousands)* [1]	**$ 531,030**	$ 1,004,627	$ (473,597)	(47)
Marketed drilling rigs [2]				
Opening balance	**122**	133		
Transfers, net	**—**	1		
Decommissions	**—**	(12)		
Ending balance	**122**	122	—	—
Drilling operating days [3]	**10,899**	24,802	(13,903)	(56)
Drilling rig utilization (%)	**21.6**	44.7	(23.1)	(52)
Well servicing rigs				
Opening balance	**47**	46		
Additions	**—**	1		
Ending balance	**47**	47	—	—
Well servicing operating hours	**99,016**	115,136	(16,120)	(14)
Well servicing utilization (%)	**57.6**	67.5	(9.9)	(15)

[1]Comparative revenue has been revised to conform with current year's presentation.
[2] Total rigs: 136, (2019 - 138).
[3] Defined as contract drilling days, between spud to rig release.

For the year ended December 31, 2020, revenue of $531.0 million was recorded in the United States, a decrease of 47 percent from the $1,004.6 million recorded in the prior year. The Company's United States operations accounted for 57 percent of the Company's total revenue in the 2020 fiscal year (2019 - 64 percent) and were the largest contributor to the Company's total revenues in 2020, consistent with the prior year. In the United States, the Company recognized US $10.0 million of idle but contracted revenue and US $23.2 million of contract early termination or cancellation fees in 2020 (2019 - US $9.9 million).

In the United States, drilling operating days decreased by 56 percent from 24,802 drilling operating days in 2019 to 10,899 operating days in 2020. For the year ended December 31, 2020, well servicing activity decreased 14 percent to 99,016 operating hours, from 115,136 operating hours in 2019.

The operating and financial results for the Company’s United States operations were also significantly and negatively impacted during the year ended December 31, 2020 due to the macroeconomic and industry conditions seen this year. The strengthening United States dollar year over year versus the Canadian dollar partially offset the declines in operating activity when compared to the same period of 2019.

During the fourth quarter of 2020, the Company decommissioned two drilling rigs in the United States from its non-marketed fleet.

INTERNATIONAL OILFIELD SERVICES

	2020	2019	Change	% change
Revenue *($ thousands)*	**$ 228,916**	$ 293,378	$ (64,462)	(22)
Marketed drilling and workover rigs [1]				
Opening balance	**43**	44		
Acquisition of TDI joint venture	**5**	—		
Additions	**—**	1		
Placed into reserve	**—**	(2)		
Ending balance [2]	**48**	43	5	12
Drilling operating days [3]	**3,829**	5,360	(1,531)	(29)
Drilling rig utilization (%)	**21.2**	31.1	(9.9)	(32)

[1] *Total rigs: 53, (2019 - 48).*
[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, 2020 decreased 22 percent to $228.9 million from $293.4 million recorded in the year ended December 31, 2019. The Company's international operations accounted for 24 percent of the Company's total revenue in 2020 (2019 - 18 percent). The Company's international operations recognized US $7.8 million of idle but contracted revenue in 2020 (2019 - $ nil).

International drilling operating days totaled 3,829 in 2020 compared to 5,360 drilling operating days for the year ended December 31, 2019, a decrease of 29 percent compared to the year prior.

Similar to our North American operations, international operating and financial results were also negatively impacted by industry conditions seen this year. The acquisition of TDI joint venture during the third quarter of 2020 and the strengthening United States dollar year over year versus the Canadian dollar partially offset the declines in operating activity when compared to the similar period of 2019.

DEPRECIATION

($ thousands)	**2020**	2019	Change	% change
Depreciation	**374,705**	363,144	11,561	3

Depreciation expense for the year increased by three percent to $374.7 million compared with $363.1 million for the year ended 2019. The increase to depreciation expense was the result of depreciating newly acquired property and equipment and a higher foreign exchange rate on United States denominated property and equipment values.

IMPAIRMENT

($ thousands)	**2020**	2019	Change	% change
Impairment	**11,480**	—	11,480	nm

nm - calculation not meaningful

The Company reviewed the carrying value of its property and equipment for indications of impairment at the end of each reporting period. At March 31, 2020, the Company tested all its cash-generating units ("CGUs") for impairment and no impairment was identified. As at December 31, 2020, the Company reviewed each CGU and identified indications of impairment within the Latin America CGU. As a result of the review, the Company recorded an impairment of $11.5 million within its Latin American CGU.

GENERAL AND ADMINISTRATIVE

($ thousands)	**2020**	2019	Change	% change
General and administrative	**43,567**	55,064	(11,497)	(21)
% of revenue	**4.7**	3.5		

For the year ended December 31, 2020, general and administrative expense totaled $43.6 million (4.7 percent of revenue) compared to $55.1 million (3.5 percent of revenue) for the year ended December 31, 2019, a decrease of 21 percent. General and administrative expenses decreased as a result of cost saving initiatives, the wage subsidy received from the Government of Canada, reductions in personnel and organizational restructuring. The decrease was partially offset by $3.4 million in accounts receivable write-offs recorded during year ended December 31, 2020 (2019 -$ 0.1 million).

In light of the then-current operating environment, effective April 1, 2020, the Company took steps to reduce overhead costs by reducing the salaries and number of employees. The Company's named executive officers' salaries were reduced by 40 percent for the Chairman, 20 percent for the President and Chief Operating Officer and 12.5 percent for the other named executive officers. In addition, the annual base cash and equity retainers for independent members of the Board of Directors were reduced, also effective April 1, 2020, by 20 and 40 percent respectively. Such reductions reflect the Company's belief in the importance of continued cost control in light of the then-current oilfield services industry outlook and remained in place as the Company entered 2021. The Company has and will continue to consider additional means of reducing overhead and operating costs.

RESTRUCTURING

($ thousands)	**2020**	2019	Change	% change
Restructuring	**16,042**	12,644	3,398	27

For the year ended December 31, 2020, restructuring expense totaled $16.0 million (2019 - $12.6 million). Restructuring expense consists of costs relating to the organizational restructuring of the Company due to the significant decline in activity.

FOREIGN EXCHANGE AND OTHER (GAIN) LOSS

($ thousands)	**2020**	2019	Change	% change
Foreign exchange and other (gain) loss	**(5,726)**	25,426	(31,152)	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

During the third quarter of 2020, the Company completed the acquisition of Halliburton's 40 percent ownership interest in the TDI joint venture. The 40 percent ownership interest, inclusive of working capital of $20.2 million in TDI joint venture, was purchased with the Company's cash on hand for US $33.4 million. With this acquisition, the Company has owned 100 percent of TDI since July 16, 2020. The acquisition was accounted for as a business combination using the acquisition method whereby the net assets and liabilities assumed are recorded at fair value.

The preliminary purchase price allocation is based on management's best estimates of the fair value of TDI's assets and liabilities as at the Effective Acquisition Date of July 16, 2020, although future adjustments to estimates may be required. If new information is obtained within one year from the acquisition date about facts and circumstances that existed as at the Effective Acquisition Date and which reasonably requires adjustments to above amounts, or any additions to provisions that existed at the Effective Acquisition Date, then the accounting at acquisition will be revised.

Amounts below are presented at 100 percent of the value included in the statement of operations and comprehensive (loss) income for the former TDI joint venture up to the date of acquisition by the Company. Prior to July 16, 2020, the Company owned 60 percent of the shares of the former TDI joint venture and each of the parties had equal voting rights. The former joint venture had been considered to be a financial asset and fair valued through the consolidated statement of (loss) income.

	2020	2019	Change	% change
Revenue *($ thousands)*	**$ 38,514**	$ 60,714	$ (22,200)	(37)
Drilling operating days [1]	**535**	633	(98)	(15)
Drilling rig utilization (%)	**54.0**	34.0	20.0	59

[1] Defined as contract drilling days, between spud to rig release. Drilling operating days to July 16, 2020.

For the year ended December 31, 2020, up to the date of the acquisition of July 16, 2020, TDI recorded operating revenue of $38.5 million (2019 - $60.7 million) and operating days totaled 535 (2019 - 633).

The decrease in financial and operational results year-over-year is due to the acquisition of the remaining 40 percent interest in TDI joint venture, effective July 16, 2020, is consolidated within the financial and operating results of the Company.

LOSS (GAIN) ON ASSET SALE

($ thousands)	2020	2019	Change	% change
Loss (gain) on asset sale	**3,437**	(9,824)	13,261	nm

nm - calculation not meaningful

During the second quarter of 2020, the Company finalized the sale of the land and building that was classified on its balance sheet as an asset held for sale. The net proceeds received were $15.4 million, resulting in a loss of $3.4 million (2019 - gain of $9.8 million) before taxes.

GAIN ON REPURCHASE OF UNSECURED SENIOR NOTES

($ thousands)	2020	2019	Change	% change
Gain on repurchase of Senior Notes	**(162,849)**	(4,647)	(158,202)	nm

nm - calculation not meaningful

For the year ended December 31, 2020, the Company repurchased US $198.7 million (2019 - US $58.0 million) face value of Senior Notes, in the open market, for cancellation and recorded a gain on repurchase of $162.8 million (US $120.9 million) (2019 - US $3.5 million).

INTEREST EXPENSE

($ thousands)	2020	2019	Change	% change
Interest expense	**107,374**	135,245	(27,871)	(21)

Interest expenses were incurred on the Company's Credit Facility, the United States dollar denominated Senior Notes, $37.0 million of subordinate convertible debentures (the "**Convertible Debentures**") and capital lease obligations. Included within interest expense for 2020 is $5.2 million of accrued interest relating to the Senior Notes, paid in cash as part of the repurchase of the Senior Notes (2019 - $1.4 million).

Interest expense decreased by $27.9 million for the year ended December 31, 2020 compared to the same period in 2019. The decrease is the result of a decrease in overall borrowing level. The negative translation impact on US dollar-denominated debt partially offset the interest expense decrease for the year ended December 31, 2020.

INCOME TAX (RECOVERY)

($ thousands)	**2020**	2019	Change	% change
Current income tax	**1,140**	3,416	(2,276)	(67)
Deferred income tax (recovery)	**(54,928)**	(22,221)	(32,707)	nm
Total income tax (recovery)	**(53,788)**	(18,805)	(34,983)	nm
Effective income tax rate (%)	**44.6**	10.6		

nm - calculation not meaningful

The effective income tax rate for the year ended December 31, 2020 was 44.6 percent compared with 10.6 percent for the year ended December 31, 2019. The effective tax rate was significantly impacted by a rate change in the United States and by increased earnings in foreign jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per share data)	**2020**	2019	Change	*% change*
Cash provided by operating activities [1]	**246,974**	404,816	(157,842)	(39)
Funds flow from operations [1]	**210,265**	372,234	(161,969)	(44)
Funds flow from operations per common share [1]	**$1.30**	$2.33	(1.03)	(44)
Working capital	**98,612**	126,987	(28,375)	(22)

[1] Comparative cash provided by operating activities, funds flow from operations and funds flow from operations per common share have been revised to conform with current year's presentation.

For the year ended December 31, 2020, the Company generated funds flow from operations of $210.3 million ($1.30 per common share) a decrease of 44 percent from $372.2 million ($2.33 per common share) for the year ended December 31, 2019. The decrease in funds flow from operations in 2020 compared to 2019 is due to a decrease in activity as a result of the oil and natural gas industry's current business environment. 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, 2020, the Company’s working capital was a surplus of $98.6 million, compared to a working capital surplus of $127.0 million as of December 31, 2019. The decrease in working capital in 2020 was primarily related to the repurchases of Senior Notes throughout 2020, net capital purchases and the acquisition of Haliburton's TDI joint venture interest. The Company's Credit Facility provides for total borrowings of $900.0 million of which $92.3 million was undrawn and available at December 31, 2020.

INVESTING ACTIVITIES

($ thousands)	**2020**	2019	Change	% change
Purchase of property and equipment	**(50,242)**	(136,006)	85,764	(63)
Proceeds from disposals of property and equipment	**31,829**	39,997	(8,168)	(20)
Acquisition of joint venture and minority interest, net of cash	**(31,885)**	(49,214)	17,329	(35)
Net change in non-cash working capital	**59**	3,139	(3,080)	(98)
Cash used in investing activities	**(50,239)**	(142,084)	91,845	(65)

Net purchases of property and equipment during the fiscal year ending 2020 totaled $18.4 million (2019 - $96.0 million). The purchase of property and equipment relates predominantly to $40.2 million in maintenance capital and $10.0 million in upgrade capital (2019 - $40.2 million and $95.8 respectively).

FINANCING ACTIVITIES

($ thousands)	2020	2019	Change	% change
Proceeds from long-term debt	**121,520**	2,266,408	(2,144,888)	(95)
Repayments of long-term debt	**(164,518)**	(2,375,891)	2,211,373	(93)
Lease obligation principle repayments	**(9,216)**	(10,888)	1,672	(15)
Interest paid	**(107,956)**	(140,308)	32,352	(23)
Purchase of common shares held in trust	**(969)**	(1,398)	429	(31)
Cash dividends	**(19,574)**	(53,076)	33,502	(63)
Net change in non-cash working capital	**—**	(2,981)	2,981	nm
Cash used in financing activities	**(180,713)**	(318,134)	137,421	(43)

nm - calculation not meaningful

As at December 31, 2020 the amount of available borrowings under the Credit Facility was $92.3 million. In addition, the Company has available a US $50.0 million secured letter of credit facility, of which US $12.0 million was available as of December 31, 2020.

On December 31, 2020, the Company amended and extended the existing $900.0 million Credit Facility agreement with its syndicate of lenders. The amendments and one-year extension provide the Company with continued access to revolver capacity and near-term flexibility in a volatile oil price environment.

The maturity date of the Credit Facility is November 25, 2022; provided that if on or before September 30, 2021, the maturity date of the Company's Convertible Debentures is not extended from January 22, 2022, to a date no earlier than February 26, 2023, then the maturity date of the Credit Facility shall automatically be amended to November 29, 2021. No principal payments are due until then.

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 or negotiated transactions. With the above mentioned amended Credit Facility, the Company is limited in the acquisition and cancellation of the Senior Notes up to $25.0 million. Senior Notes may be repurchased for redemption in excess of $25.0 million if certain criteria are met. During the year ended December 31, 2020, the Company purchased US $198.7 million of face value Senior Notes for cancellation, in the open market. The Company purchased a further US $8.6 million of Senior Notes for cancellation subsequent to December 31, 2020.

Covenants

The following is a list of the Company's currently applicable covenants pursuant to the Credit Facility and the covenant calculations as at December 31, 2020:

	Covenant	December 31, 2020
The Credit Facility		
Consolidated EBITDA[1]	≤ $140.0 million	$ 254,957
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 1.75	2.52
Consolidated Senior Debt to Consolidated EBITDA[1,3]	≤ 3.50	2.99

[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 and excluding Senior Notes interest in repurchase.*
[3] *Consolidated Senior Debt is defined as Consolidated Total Debt minus Subordinated Debt.*

As at December 31, 2020 the Company was in compliance with all covenants related to the Credit Facility.

The Credit Facility

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

The Credit Facility also contains certain covenants that place restrictions on the Company's ability to repurchase or redeem Senior Notes and Convertible Debentures, to create, incur or assume additional indebtedness; change the Company's primary business; enter into mergers or amalgamations; and dispose of property. In the most recent amendment to the Credit Facility, dated December 31, 2020, the permitted encumbrances were reduced from $75.0 million to $25.0 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 at December 31, 2020, the Company has not incurred additional indebtedness that would require the Fixed Charge Coverage Ratio to be calculated. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness, including the incurrence of additional debt under credit facilities up to the greater of $900.0 million or 22.5 percent of the Company’s consolidated tangible assets and of additional secured debt subordinated to the credit facilities up to the greater of US $125.0 million or 4.0 percent of the Company's consolidated tangible assets.

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, 2020, is as follows:

($ thousands)	< 1 Year[2]	1-3 Years[2]	4-5 Years	After 5 Years	Total
Credit Facility [1]	44,380	847,481	—	—	891,861
Senior Notes	53,015	685,990	—	—	739,005
Convertible Debentures	2,590	37,866	—	—	40,456
Lease obligations	7,690	8,192	691	—	16,573
	107,675	1,579,529	691	—	1,687,895

[1] Interest on the bank credit facilities is calculated based on the amount drawn at December 31, 2020 and the applicable bankers’ acceptance/LIBOR interest rates outstanding as at December 31, 2020. USD denominated balances are converted using the foreign exchange rate as of December 31, 2020.
[2] Includes interest of $99,985 for the less than one year and $161,315 for the 1-3 year terms respectively.

FINANCIAL INSTRUMENTS

As at December 31, 2020, the Company’s financial instruments include cash, accounts receivables, accounts payable and accruals, operating lines of credit 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 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 Convertible Debentures, 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.

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, 2020.

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.

The Company is monitoring the economic environment in response to the COVID-19 pandemic and is taking actions to limit its exposure to customers that are severely impacted.

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, 2020 or January 1, 2020 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, 2020 and December 31, 2019 was determined as follows for trade receivables:

As at December 31, 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	2.0 %	5.0 %	15.0 %	42.2 %	
Gross carrying amount [1]	71,156	32,243	5,772	30,033	139,204
Loss allowances	1,423	1,612	866	12,665	16,566

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

[1] Gross carrying amount excludes unbilled revenue and other receivables of $41,757 for year ended December 31, 2020 (2019 - $51,599).

As part of the Company's international operations, it provided oilfield services in Venezuela pursuant to contractual arrangements, which contracts expired or were terminated in the second quarter of 2020. As at December 31, 2020, the Company had accounts receivable of approximately $6.8 million for work performed in Venezuela. Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in the country as well as imposed sanctions, there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding.

The loss allowance for trade receivables as at December 31, 2020 reconciles to the opening loss allowances as follows:

($ thousands)	**2020**	2019
Opening balance - January 1	**14,625**	16,183
Increase in loss allowance recognized in profit or loss	**3,437**	100
Receivables written off as uncollectible	**(1,280)**	—
Unused amount reversed	**—**	(1,540)
Effect of movement in exchange rates	**(216)**	(118)
Closing balance - December 31	**16,566**	14,625

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, 2020, the remaining contractual maturities of accounts payable and accruals and cash dividends payable are less than one year.

On December 31, 2020, the Company amended and extended the existing $900.0 million Credit Facility agreement with its syndicate of lenders, subject to extension of Convertible Debentures maturity date to no earlier than February 26, 2023. For details of amendments, refer note 12. The amendments and one-year extension provide the Company with continued access to revolver capacity and near-term flexibility in a volatile oil price environment.

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, 2020, 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 $2.0 million 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 its exposure to foreign exchange risk through the issuance of the USD denominated Senior Note. Translation related risks are therefore not included in the assessment of the Company’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.

The Company's risk management strategy has not changed due to COVID-19 pandemic.

At December 31, 2020, had the Canadian 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 $0.6 million higher or lower.

NEW BUILDS AND MAJOR RETROFITS

Through the Company's acquisition of the 40 percent interest in the TDI joint venture previously owned by Haliburton, the Company added five drilling rigs, of which it had a 60 percent ownership interest prior to the acquisition. The Company is currently directing capital expenditures primarily to maintenance capital items.

During the fourth quarter of 2020, the Company decommissioned two drilling rigs in the United States from its non-marketed fleet.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q4-2020**	Q3-2020	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019
Revenue [1]	**201,265**	156,933	194,759	383,861	375,410	393,412	377,496	445,020
Adjusted EBITDA [1,2]	**52,742**	39,476	58,060	91,247	95,404	97,943	101,827	117,294
Adjusted EBITDA per common share [1,2]								
Basic	**$0.33**	$0.24	$0.36	$0.56	$0.58	$0.62	$0.64	$0.74
Diluted	**$0.33**	$0.24	$0.36	$0.56	$0.58	$0.62	$0.64	$0.74
Net income (loss) attributable to common shareholders	**3,092**	(36,094)	(17,077)	(29,250)	(71,615)	(37,770)	(31,173)	(22,347)
Net income (loss) per common share								
Basic	**$0.02**	$(0.23)	$(0.10)	$(0.18)	$(0.44)	$(0.24)	$(0.20)	$(0.14)
Diluted	**$0.02**	$(0.23)	$(0.10)	$(0.18)	$(0.44)	$(0.24)	$(0.20)	$(0.14)
Cash provided by operating activities [1]	**17,393**	39,417	127,432	62,732	127,796	109,421	81,620	85,979
Funds flow from operations [1]	**69,630**	29,802	26,338	84,495	89,512	85,523	76,779	120,420
Funds flow from operations per common share [1]								
Basic	**$0.44**	$0.18	$0.16	$0.52	$0.54	$0.53	$0.49	$0.77
Diluted	**$0.44**	$0.18	$0.16	$0.52	$0.54	$0.53	$0.49	$0.77
Total long-term debt, net of cash	**1,340,407**	1,422,515	1,452,619	1,596,727	1,553,121	1,597,196	1,622,923	1,688,087

[1] Comparative revenue, Adjusted EBITDA, Adjusted EBITDA per common share, cash provided by operating activities, funds flow from operations and funds flow from operations per common share have been revised to conform with current year's presentation.

[2] 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.

FOURTH QUARTER ANALYSIS

($ thousands, except per share data and operating information)	Three months ended December 31			
	2020	2019	Change	% change
Revenue [1]	**201,265**	375,410	(174,145)	(46)
Adjusted EBITDA [1,2]	**52,742**	95,404	(42,662)	(45)
Adjusted EBITDA per common share [1,2]				
Basic	**$0.33**	$0.58	$(0.25)	(43)
Diluted	**$0.33**	$0.58	$(0.25)	(43)
Net income (loss) attributable to common shareholders	**3,092**	(71,615)	74,707	nm
Net income (loss) per common share				
Basic	**$0.02**	$(0.44)	$0.46	nm
Diluted	**$0.02**	$(0.44)	$0.46	nm
Cash provided by operating activities [1]	**17,393**	127,796	(110,403)	(86)
Funds flow from operations [1]	**69,630**	89,512	(19,882)	(22)
Funds flow from operations per common share [1]				
Basic	**$0.44**	$0.54	$(0.10)	(19)
Diluted	**$0.44**	$0.54	$(0.10)	(19)
Weighted average common shares - basic *(000s)*	**162,629**	165,547	(2,918)	(2)
Weighted average common shares - diluted *(000s)*	**162,721**	165,593	(2,872)	(2)

Drilling	**2020**	2019	Change	% change
Operating days [3]				
Canada [4]	**1,434**	2,217	(783)	(35)
United States	**2,108**	5,313	(3,205)	(60)
International [5]	**907**	1,432	(525)	(37)
Total	**4,449**	8,962	(4,513)	(50)
Drilling rig utilization (%)				
Canada [4]	**13.2**	17.9	(4.7)	(26)
United States	**16.6**	37.9	(21.3)	(56)
International [5]	**19.3**	32.4	(13.1)	(40)

Well Servicing	**2020**	2019	Change	% change
Operating hours				
Canada	**6,955**	11,646	(4,691)	(40)
United States	**26,764**	28,395	(1,631)	(6)
Total	**33,719**	40,041	(6,322)	(16)
Well servicing rig utilization rate (%)				
Canada	**14.5**	23.0	(8.5)	(37)
United States	**61.9**	65.7	(3.8)	(6)

nm - calculation not meaningful

[1] *Comparative revenue, Adjusted EBITDA, Adjusted EBITDA per common share, cash provided by operating activities, funds flow from operations and funds flow from operations per common share have been revised to conform with current year's presentation.*

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

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

[4] *Excludes coring rigs.*

[5] *Includes workover rigs.*

REVENUE AND OILFIELD SERVICES EXPENSE

($ thousands), three months ended December 31	**2020**	2019	Change	*% change*
Revenue [1]				
Canada	**40,885**	71,155	(30,270)	(43)
United States [1]	**104,629**	217,400	(112,771)	(52)
International	**55,751**	86,855	(31,104)	(36)
Total revenue	**201,265**	375,410	(174,145)	(46)
Oilfield services expense [1]	**136,708**	266,460	(129,752)	(49)

1. Comparative revenue and oilfield services expense have been revised to conform with current year's presentation.

The Company recorded revenue of $201.3 million for the three months ended December 31, 2020, a 46 percent decrease from the $375.4 million recorded in the three months ended December 31, 2019. Drilling operating days for the fourth quarter of 2020 totaled 4,449 days, a 50 percent decrease from the same quarter in the prior year of 8,962 drilling operating days. The decrease in total revenue during the three months ended December 31, 2020 was a result of the macroeconomic and industry conditions seen this year.

Depreciation expense totaled $96.3 million for the fourth quarter of 2020 compared with $93.5 million for the fourth quarter of 2019.

General and administrative expense decreased 12 percent to $11.8 million (5.9 of revenue) for the fourth quarter of 2020 compared with $13.5 million (3.6 percent of revenue) for the fourth quarter of 2019. The decrease in general and administrative expense in the fourth quarter of 2020 compared to the prior year was primarily due the cost saving initiatives introduced in the second quarter of 2020 which was partially offset by the wage subsidy received from the Government of Canada and organizational restructuring. The decrease was partially offset by $2.9 million in accounts receivable write-offs.

OUTSTANDING SHARE DATA

The following common shares and stock options were outstanding as of March 4, 2021:

	Number	Amount ($)
Common shares	162,480,534	$ 231,124

	Outstanding	Exercisable
Stock options (exercisable into common shares)	4,011,005	1,948,740

OUTLOOK

Industry Overview

The outlook for oilfield services has recently and meaningfully improved as oil and natural gas industry fundamentals continue to recover. Supported by OPEC+ moderating supply, global oil commodity prices improved over the fourth quarter of 2020 into the first quarter of 2021, with the benchmark price of West Texas Intermediate ("**WTI**") averaging a low of US $40/bbl in October 2020 to an average high of US $59/bbl in February 2021. In addition, the roll-out of COVID-19 vaccines globally in combination with economic stimulus actions have driven oil demand improvements.

We expect vaccine progress and oil demand recovery coupled with an improved and a sustained commodity price environment will drive meaningful activity improvements year-over-year. However, despite the recent momentum in commodity prices, oil and natural gas producers will moderate capital spending as they remain committed to cash conservation and maintaining current production levels. We expect producers to modestly revisit drilling programs through 2021 as legacy wells decline in production, anticipated demand recovery continues to stabilize, and global crude oil inventories destock.

We expect a multi-year recovery cycle for our industry activity levels and operating conditions, as global economies recover from the fallout of the COVID-19 pandemic. Furthermore, continuing short-term uncertainty regarding the macroeconomic conditions, including commodity price fluctuations, set-backs in COVID-19 mitigation efforts and vaccine deployment, the pace of oil demand recovery, and OPEC+ production and supply decisions, may impact the demand for oil field services.

In light of the current environment, the Company has continued to adapt with conservative capital allocation, balance sheet preservation, and a continued commitment to debt retirement. The Company has budgeted capital expenditures for 2021 of approximately $50.0 million. The capital plan focuses on recertifications and preventative maintenance for its global high-spec drilling rig fleet and other service lines.

On December 31, 2020, the Company amended and extended the existing $900.0 million revolving Credit Facility agreement with its syndicate of lenders. The amendments and one-year extension provide the Company with continued access to revolver capacity and near-term flexibility in a fluid oil price environment.

Canadian Activity

Canadian activity, representing 19 percent of our business, improved through the fourth quarter of 2020 and into the first quarter of 2021 to date, due to improved commodity prices over the winter drilling season. We expect activity to decline as we exit the first quarter of 2021, as operations enter seasonal spring break-up.

As of December 31, 2020, of 92 marketed drilling rigs in Canada, approximately 34 percent are engaged under term contracts of various durations. Approximately 39 percent of our contracted drilling rigs in Canada have a remaining term of six months or longer, although they may be subject to early termination.

United States Activity

United States activity, representing 57 percent of our business, improved modestly over the fourth quarter of 2020 into the first quarter of 2021. We expect US activity to remain steady and continue to modestly improve throughout 2021. In January of 2021, the US government temporarily halted the approval of new drilling permits and leases on US federal lands. The Company expects minimal resulting impact to its activity given our current customer mix and areas of current operation.

As of December 31, 2020, of 91 marketed drilling rigs in the United States, approximately 37 percent are engaged under term contracts of various durations. Approximately 41 percent of our contracted drilling rigs in the United States have a remaining term of six months or longer, although they may be subject to early termination.

International Activity

International activity, representing 24 percent of our business, remained stable over the fourth quarter of 2020 and is expected to remain steady through 2021. Operations in Argentina are expected to remain flat at current levels with 1 drilling rig active. In the Middle East, our operations in Bahrain (2 rigs) and Kuwait (2 rigs) are expected to remain steady through 2021 due to long-term contracts. Our Australian operations remained steady over the fourth quarter of 2020 and are expected to modestly improve over 2021.

As of December 31, 2020, of 40 marketed drilling rigs in our international operations, approximately 30 percent are engaged under term contracts of various durations. Approximately 67 percent of our contracted drilling rigs have a remaining term of six months or longer, although they may be subject to early termination.

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.

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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As of December 31, 2020, 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, 2020.

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, 2020, 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, 2020.

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, 2020 as filed on SEDAR and hereby incorporated by reference.

Pandemic Risk

The outbreak of epidemics, pandemics and other public health crises in geographic areas in which we have operations, suppliers, customers or employees, including the global outbreak of the novel coronavirus ("**COVID-19**") pandemic, may increase our exposure to, and magnitude of, each of the risks identified in the Risk Management and Risk Factors section of our 2020 annual MD&A that result from a reduction in demand for crude oil and natural gas consumption and/or lower commodity prices. Our business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, ability to fund dividend payments and/or business plans may, in particular, without limitation, be adversely impacted as a result of the pandemic and/or decline in commodity prices as a result of:

- The delay or suspension of work due to workforce disruption or labour shortages caused by workers becoming infected with COVID-19, or government or health authority, shelter in place orders, quarantine orders, mandated restrictions on travel by workers or closure of facilities, workforce camps or worksites;
- Suppliers and third-party vendors experiencing similar workforce disruption or being ordered to suspend operations;
- Reduced cash flows resulting in less funds from operations being available to fund our capital expenditure;
- Counterparties being unable to fulfill their contractual obligations to us on a timely basis or at all;
- The capabilities of our information technology systems and the potential heightened threat of a cyber-security breach arising from the increased number of employees working remotely;

- Our ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, foreign currency exchange rates, commodity prices and/or a change in market fundamentals; and

- An overall slowdown in the global economy, political and economic instability, and civil unrest.

Given the dynamic nature of the events related to the COVID-19 pandemic, we cannot reasonably estimate the period of time that the pandemic and related market conditions will persist, the full extent of the impact they will have on our business, financial condition, results of operations or cash flows or the pace or extent of any subsequent recovery. We anticipate that 2021 will continue to be a challenging year for us, as our customers operate with reduced capital budgets or continue to reduce their capital expenditures. Therefore, we expect a substantial decline in activity from levels we experienced in the first half of 2020, coupled with downward pressure on the price of the oilfield services provided by the Company, and corresponding reductions in revenue and operating margins.

Oil and Natural Gas Prices

The most significant factors affecting the overall business of the Company continue to be oil and natural gas commodity prices. The COVID-19 pandemic, in particular, has led to an unprecedented reduction in demand for oil and natural gas. Recent market events and conditions, including global excess crude oil, natural gas and petroleum product supply as a result of actions taken by the Organization of Petroleum Exporting Countries ("**OPEC**") and non-OPEC oil and gas exporting countries to set and maintain increased production levels and influence crude oil prices and decreased global demand due to the COVID-19 pandemic, have caused significant weakness and volatility in commodity and petroleum product prices and corresponding reductions in industry capital and operating budgets. With the rapid and continuing spread of the COVID-19 virus and resulting global pandemic and additional crude oil supply expected to come on-stream over the near term, the price of crude oil and other petroleum products has deteriorated significantly and is expected to remain under pressure and be volatile. The overall result of these recent events and conditions could lead to a prolonged period of depressed prices for crude oil and other petroleum products. 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. The COVID-19 pandemic has resulted in, and may continue to result in, a reduction in the demand for, and prices of, oil and natural gas, and also increases the risk that storage for crude oil and refined petroleum products could reach capacity in certain geographic locations in which we operate. A prolonged period of decreased demand for, and prices of, oil and natural gas, and any applicable storage constraints, could also result in a decrease the demand for oilfield services provided by the Company, which could adversely impact our business, financial condition and results of operations. Further, 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. The disruption and volatility in global capital markets that has resulted, and may continue

to result, from the COVID-19 pandemic, as well as other 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.

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. The events and conditions outlined above under "*Oil and Natural Gas Prices*" have caused a significant decrease in the valuation of oil and natural gas companies and a decrease in confidence in the oil and natural gas industry. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax, royalty changes and environmental regulation. 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. In addition, the difficulties encountered by midstream proponents to obtain the necessary approvals on a timely basis to build pipelines, liquefied natural gas plants and other facilities to provide better access to markets for the oil and natural gas industry in western Canada has led to additional downward price pressure on oil and natural gas produced in western Canada. The overall impact of these current market conditions and the lack of confidence in the Canadian oil and natural gas industry could materially and adversely affect the Company's business, prospects, financial condition, results of operations and cash flows.

Foreign Operations

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. While COVID-19 had minimal impact on our foreign operations in the first quarter of 2020, certain international customers quickly reduced capital spending, deferring exploration and appraisal activity and looking to reduce costs on major ongoing projects, which have had and we expect will continue to have a substantial negative impact on the demand for our products and services. Furthermore, significant operational disruptions are expected to continue at least throughout the 2021 year, due to the pandemic. In 2020, we experienced restricted movements of personnel within and between countries, quarantining requirements for rotational staff, logistics delays due to third-party personnel reductions, and some country closures, all of which have to date, and are expected to continue to some degree, throughout 2021.

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, risks of pandemics or other outbreaks of illness, disease or virus, such as COVID-19, 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 recent COVID-19 pandemic, and actions taken and that may continue to be taken by governmental authorities in response thereto, has resulted, and may continue to result in, increased volatility in financial markets and foreign currency exchange rates. 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, 2020 was approximately 1.28, as compared with 1.29 at

December 31, 2019 and 1.36 at December 31, 2018. Fluctuations in future period 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.

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. In addition to the impacts described above related to COVID-19, other current and potential impacts include, but are not limited to, litigation risk and possible loss contingencies related to COVID-19 and its impact, including with respect to commercial contracts, employee matters and insurance arrangements.

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

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. The Company is also subject to risks relating to the health and safety of our personnel (including key management personnel), as well as the potential for a slowdown or temporary suspension of our operations in locations impacted by an outbreak of COVID-19.

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 4, 2021

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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss for the years then ended;
- the consolidated statements of comprehensive 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 significant accounting policies and other explanatory information.

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.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Recoverable amount of property and equipment

Refer to note 3 – Significant accounting policies and note 8 – Property and equipment of the consolidated financial statements.

The Company's property and equipment balance was $2,649.7 million as at December 31, 2020. 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 on the Company's property and equipment. 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. In addition, external appraisals for certain assets were also completed.

As at March 31, 2020, the Company identified the global economic slowdown, significant commodity price reductions and reduction in market capitalization as indicators of impairment for each of its CGUs. As a result of the impairment indicators identified, the Company completed impairment tests for each of its CGUs, using five-year cash flow projections with a terminal value and concluded that no impairment charges were required.

As at December 31, 2020, the Company reviewed each of its CGUs for impairment indicators and identified new indicators within the Latin American

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Our approach to addressing the matter involved the following procedures, among others:

- Tested how management determined the recoverable amounts of the CGUs, which included the following:
  - Tested the appropriateness of the methodology and the cash flow projections prepared by management.
  - Tested the underlying data used in the cash flow projections.
  - Evaluated whether management's estimates of projected cash flows and assumptions on growth rates were reasonable, considering (i) the current and past performance of each CGU and (ii) the comparability with external market and industry data.
  - Professionals with specialized skill and knowledge in the field of valuation assisted in:
    - assessing the reasonability of the impairment calculations methodology;
    - testing the reasonableness of the weighted average pre-tax discount rate and terminal value growth rate applied by management; and
    - evaluating the reasonableness of the appraised value of certain assets, obtained by management, in determining the recoverable amount of the relevant CGU.

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Key audit matter	How our audit addressed the key audit matter
CGU only. The Company completed an impairment test for the Latin American CGU, using five-year cash flow projections with a terminal value and recorded an impairment charge of $11.48 million. Estimates of future cash flows used in the evaluation of the recoverable amounts for both the March 31, 2020 and December 31, 2020 impairment tests required a number of key assumptions including a weighted average pre-tax discount rate, growth rates and a terminal growth rate. We considered this a key audit matter due to (i) the significant judgments made by management when determining the recoverable amounts of the CGUs, and (ii) the high degree of subjectivity and significant audit effort involved in performing procedures to test the key assumptions made by management. We were also assisted by professionals with specialized skill and knowledge in the field of valuation.	• Evaluated the related disclosures in the notes to the consolidated financial statements, including the sensitivity analysis of the assumptions used by management.

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, 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 Khurram Asghar.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 4, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at *(in thousands of Canadian dollars)*		**December 31 2020**		December 31 2019
Assets				
Current Assets				
Cash	**$**	**44,198**	$	28,408
Accounts receivable *(Note 22)*		**164,395**		272,254
Inventories, prepaid and other		**52,679**		47,292
Asset held for sale *(Note 6)*		**—**		18,806
Income taxes receivable *(Note 14)*		**290**		1,515
Total current assets		**261,562**		368,275
Property and equipment *(Note 8)*		**2,649,702**		2,855,223
Investment in joint ventures *(Note 5, 9)*		**—**		125,355
Deferred income taxes *(Note 14)*		**143,229**		121,748
Total assets	**$**	**3,054,493**	$	3,470,601
Liabilities				
Current Liabilities				
Accounts payable and accruals *(Note 10)*	**$**	**146,011**	$	216,719
Cash dividends payable		**—**		9,787
Share-based compensation *(Note 11)*		**251**		297
Income taxes payable *(Note 14)*		**8,429**		4,489
Current portion of lease obligations *(Note 13)*		**8,259**		9,996
Total current liabilities		**162,950**		241,288
Long-term debt *(Note 12)*		**1,384,605**		1,581,529
Lease obligations *(Note 13)*		**6,042**		9,518
Share-based compensation *(Note 11)*		**2,743**		6,325
Deferred income taxes *(Note 14)*		**128,276**		163,781
Non-controlling interest		**4,853**		5,138
Total liabilities		**1,689,469**		2,007,579
Shareholders' Equity				
Shareholders' capital *(Note 15)*		**230,354**		230,100
Contributed surplus		**23,324**		23,966
Equity component of subordinate convertible debentures		**3,193**		3,193
Accumulated other comprehensive income		**235,277**		243,771
Retained earnings		**872,876**		961,992
Total shareholders' equity		**1,365,024**		1,463,022
Total liabilities and shareholders' equity	**$**	**3,054,493**	$	3,470,601

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

For the years ended December 31 *(in thousands of Canadian dollars, except per share data)*		**2020**		2019
Revenue *(Note 6, 17)*	**$**	**936,818**	$	1,591,338
Expenses				
Oilfield services *(Note 6)*		**658,201**		1,134,328
Depreciation *(Note 8)*		**374,705**		363,144
General and administrative		**43,567**		55,064
Impairment *(Note 8)*		**11,480**		—
Restructuring		**16,042**		12,644
Share-based compensation *(Note 11)*		**(2,121)**		4,047
Foreign exchange and other (gain) loss		**(5,726)**		25,426
Total expenses		**1,096,148**		1,594,653
Loss before interest expense, accretion of deferred financing charges, other losses (gains) and income taxes		**(159,330)**		(3,315)
Loss from investment in joint ventures *(Note 9)*		**1,349**		39,892
Loss (gain) on asset sale *(Note 6)*		**3,437**		(9,824)
Gain on repurchase of unsecured Senior Notes *(Note 12)*		**(162,849)**		(4,647)
Interest expense		**107,374**		135,245
Accretion of deferred financing charges		**11,887**		13,914
Loss before income taxes		**(120,528)**		(177,895)
Income tax (recovery) *(Note 6, 14)*				
Current income tax		**1,140**		3,416
Deferred income tax recovery		**(54,928)**		(22,221)
Total income tax recovery		**(53,788)**		(18,805)
Net loss from continuing operations		**(66,740)**		(159,090)
Loss from discontinued operations *(Note 6)*		**(12,799)**		(4,364)
Net loss		**(79,539)**		(163,454)
Net loss attributable to:				
Common shareholders		**(79,329)**		(162,905)
Non-controlling interests		**(210)**		(549)
		(79,539)		(163,454)
Net loss attributed to common shareholders per common share *(Note 16)*				
Basic	**$**	**(0.49)**	$	(1.02)
Diluted	**$**	**(0.49)**	$	(1.02)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the years ended December 31		**2020**		2019
(in thousands of Canadian dollars)				
Net loss	**$**	**(79,539)**	$	(163,454)
Other comprehensive loss				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment		**(8,494)**		(71,350)
Comprehensive loss	**$**	**(88,033)**	$	(234,804)
Other comprehensive loss attributable to:				
Common shareholders	**$**	**(8,494)**	$	(71,324)
Non-controlling interests		**—**		(26)
	$	**(8,494)**	$	(71,350)

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, 2020	$ 230,100	$ 23,966	$ 3,193	$ 243,771	$ —	$ 961,992	$ 1,463,022
Net loss attributed to common shareholders	—	—	—	—	—	(79,329)	(79,329)
Other comprehensive loss	—	—	—	(8,494)	—	—	(8,494)
Total comprehensive loss	—	—	—	(8,494)	—	(79,329)	(87,823)
Dividends *(Note 15)*	—	—	—	—	—	(9,787)	(9,787)
Share-based compensation *(Note 11)*	—	581	—	—	—	—	581
Common shares vested previously held in trust *(Note 15)*	1,223	(1,223)	—	—	—	—	—
Purchase of common shares held in trust *(Note 15)*	(969)	—	—	—	—	—	(969)
Balance, December 31, 2020	**$ 230,354**	**$ 23,324**	**$ 3,193**	**$ 235,277**	**$ —**	**$ 872,876**	**$ 1,365,024**
Balance, January 1, 2019	206,328	1,013	3,193	315,095	72,078	1,192,976	1,790,683
Net loss attributed to common shareholders	—	—	—	—	—	(162,905)	(162,905)
Other comprehensive loss	—	—	—	(71,324)	—	—	(71,324)
Total comprehensive loss	—	—	—	(71,324)	—	(162,905)	(234,229)
Dividends *(Note 15)*	24,094	—	—	—	—	(68,079)	(43,985)
Acquisition of minority interest	—	—	—	—	(49,214)	—	(49,214)
Derecognition of net assets attributable to minority interest	—	22,864	—	—	(22,864)	—	—
Share-based compensation *(Note 11)*	—	1,165	—	—	—	—	1,165
Common shares vested previously held in trust *(Note 15)*	1,076	(1,076)	—	—	—	—	—
Purchase of common 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

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31	2020	2019
(in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net loss	**$ (79,539)**	$ (163,454)
Items not affecting cash		
Depreciation *(Note 8)*	**374,705**	363,144
Loss from discontinued operations, net of cash (*Note 6)*	**9,468**	(1,338)
Impairment	**11,480**	—
Share-based compensation	**(2,121)**	4,047
Loss from investments in joint ventures *(Note 9)*	**1,349**	39,892
Loss (gain) on asset sale *(Note 6)*	**3,437**	(9,824)
Gain on repurchase of unsecured Senior Notes *(Note 12)*	**(162,849)**	(4,647)
Unrealized foreign exchange and other (gain) loss	**(9,998)**	17,476
Accretion of deferred financing charges *(Note 12)*	**11,887**	13,914
Interest expense *(Note 3b)*	**107,374**	135,245
Deferred income tax recovery (*Note 6)*	**(54,928)**	(22,221)
Funds flow from operations	**210,265**	372,234
Net change in non-cash working capital *(Note 7)*	**36,709**	32,582
Cash provided by operating activities	**246,974**	404,816
Investing activities		
Purchase of property and equipment *(Note 8)*	**(50,242)**	(136,006)
Proceeds from disposals of property and equipment	**31,829**	39,997
Acquisition of joint venture and minority interest, net of cash *(Note 5)*	**(31,885)**	(49,214)
Net change in non-cash working capital *(Note 7)*	**59**	3,139
Cash used in investing activities	**(50,239)**	(142,084)
Financing activities		
Proceeds from long-term debt *(Note 12)*	**121,520**	2,266,408
Repayments of long-term debt *(Note 12)*	**(164,518)**	(2,375,891)
Lease obligation principal repayments *(Note 13)*	**(9,216)**	(10,888)
Interest paid *(Note 3)*	**(107,956)**	(140,308)
Purchase of common shares held in trust *(Note 15)*	**(969)**	(1,398)
Cash dividends *(Note 15)*	**(19,574)**	(53,076)
Net change in non-cash working capital *(Note 7)*	**—**	(2,981)
Cash used in financing activities	**(180,713)**	(318,134)
Net increase (decrease) in cash	**16,022**	(55,402)
Effects of foreign exchange on cash	**(232)**	(1,013)
Cash		
Beginning of year	**28,408**	84,823
End of year	**$ 44,198**	$ 28,408

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(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.

In early March 2020, the World Health Organization declared coronavirus outbreak ("COVID-19") to be a pandemic. Responses to the spread of COVID-19 have resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile commodity prices, currency exchange rates, and a marked decline in long-term interest rates. These events are resulting in a challenging economic climate in which it is difficult to reliably estimate the length or severity of these developments and their financial impact. A significant adverse impact to the Company includes, but is not limited to, substantial reductions in revenues and cash flows, increased risk of non-payment from customers and future impairments of property and equipment. Estimates and judgments made in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

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 4, 2021, 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) Changes in accounting policies

Consolidated Statements of Cash Flows

During the first quarter of 2020, the Company began presenting the interest paid as a financing activity (previously considered to be an operating activity) on the consolidated statements of cash flow. The change in presentation better aligns with the fact that the long-term debt is principally the result of financing past acquisitions and capital expenditures.

The impact to the comparative consolidated statements of cash flows is as follows:

		2019
Operating activity as previously presented	$	269,571
Add: interest expense		135,245
Operating activity (as currently presented)		**404,816**
Financing activities as previously presented		(182,889)
Interest paid		(140,308)
Net change in non-cash working capital		5,063
Financing activity (as currently presented)	**$**	**(318,134)**

Government Subsidies

During the second quarter of 2020, the Company adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy ("**CEWS**") program as enacted on April 11, 2020, by the federal Government of Canada and the Government of Australia.

Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and that the Company will comply with relevant conditions. Government subsidies related to current expenses are recorded as a reductions of the related expenses.

During the year ended December 31, 2020, the Company qualified for the CEWS program and recognized a $19,440 reduction to wage expense with $17,096 and $2,344 allocated to direct expenses and general and administrative expenses respectively.

(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.

During the third quarter of 2020, the Company completed the acquisition of Haliburton's 40 percent ownership interest in Trinidad Drilling International ("**TDI**") joint venture. With this acquisition, the Company now owns 100 percent of TDI. Prior to July 16, 2020, TDI joint venture had been considered to be a financial asset at fair value through profit or loss, and recognized 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.

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.

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.

(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 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

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.

At inception, the Company assesses whether a contract contains a lease. This assessment involves the exercise of judgement about whether it depends on a specific asset, whether the Company obtains substantially all the economic benefits from the use of 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.

(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 a 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. Due to the high level of uncertainty in 2020, it became challenging to predict the full extent and duration of the COVID-19 pandemic's impact on the Company's operations. 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.

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 date of the acquisition in order to determine the fair value of certain assets.

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.

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

Effective July 16, 2020 (the "**Effective Date**"), the Company completed the acquisition of Halliburton’s 40 percent ownership interest of the TDI joint venture. TDI joint venture operates rigs in Bahrain and Kuwait and has two idle rigs in Mexico. The 40 percent ownership interest, inclusive of working capital in TDI joint venture, was purchased by the Company with cash on hand for US $33,400. With this acquisition, the Company now owns 100 percent of the TDI joint venture and was fully consolidated from the Effective Date. The strategic business combination was completed to enhance the Company's international presence with three long-term contracts in the Middle East.

The allocation of the purchase price for the TDI joint venture is determined as follows:

Net assets acquired	
Working capital:	
Cash	13,328
Account receivable	15,593
Inventory and prepaid	6,318
Accounts payable	(11,257)
Income tax	(3,826)
Net working capital	20,156
Property and equipment	154,216
Net assets acquired	174,372

The purchase price consideration as at the Effective Acquisition Date is as follows:

60 percent investment in TDI joint venture	129,159
Cash consideration	45,213
Total consideration	174,372

The investment in joint venture was carried at fair value and; therefore, no gain or loss was recognized at the time of the acquisition of remaining 40 percent interest and obtaining control.

The TDI joint venture acquisition was accounted for as a business combination using the acquisition method whereby the net assets and liabilities assumed are recorded at fair value. The preliminary purchase price allocation is based on management's best estimates of fair values of TDI joint venture's assets and liabilities as at the Effective Acquisition Date, although future adjustments to estimates may be required.

TDI joint venture contributed $36,194 in revenue and $11,826 in net income to the consolidated statement of loss for the period July 16 to December 31, 2020. If acquisition had occurred on January 1, 2020, it is estimated that the consolidated pro-forma revenue and loss for year ended December 31, 2020 would be $76,125 and $9,579 respectively.

If new information obtained within one year from the Effective Acquisition Date regarding facts and circumstances that existed at the Effective Acquisition Date that identify adjustments to the above amounts, or any additions to provisions that existed at the Effective Acquisition Date, then the accounting at acquisition will be revised.

6. ASSET DISPOSAL AND DISCONTINUED OPERATIONS

During the second quarter of 2020 the Company finalized the sale of the land and building, that was on the balance sheet as asset held for sale. The net cash proceeds received was $15,369, resulting in a loss of $3,437.

Effective June 30, 2020, the Company discontinued the operations of its subsidiary that was acquired through the Trinidad acquisition.

Effective December 3, 2020, the Company discontinued the operations of its Kurdistan subsidiary.

Financial performance and cash flow information

The financial performance and cash flow presented reflects the operations for the year ended December 31, 2020 and the impact to the comparative consolidated statements of cash flows is as follows:

	2020	2019
Revenue	$ 37	$ 909
Oilfield services	4,836	6,611
Asset write-down	7,956	—
Loss before income taxes	(12,755)	(5,702)
Current income tax	44	—
Deferred income tax (recovery)	—	(1,338)
Loss from discontinued operations	$ (12,799)	$ (4,364)
Net loss per common share from discontinued operations		
Basic	(0.08)	(0.03)
Diluted	(0.08)	(0.03)
Funds flow from operations	$ (3,331)	$ (5,702)
Net decrease in cash generated by discontinued operations	$ (3,331)	$ (5,702)

Prior year amounts in the consolidated statements of loss related to discontinued operations have been reclassified to conform to current's year's presentation. The revised financial statement line items for 2019 periods as follows:

	2019 (Revised)	2019
Revenue	$ 1,591,338	$ 1,592,247
Oilfield services expense	1,134,328	1,140,939
Deferred tax income recovery	(22,221)	(23,559)
Loss from discontinued operations	(4,364)	—
	$ 474,867	$ 474,867

7. CASH

Non-cash working capital

	December 31 2020	December 31 2019
Net change in non-cash working capital		
Accounts receivable	**$ 125,407**	$ 79,342
Inventories, prepaid and other	**1,580**	10,885
Accounts payable and accruals	**(83,100)**	(49,592)
Income taxes receivable/payable	**2,668**	1,167
Cash dividends payable	**(9,787)**	(9,062)
	$ 36,768	$ 32,740
Relating to:		
Operating activities	**$ 36,709**	$ 32,582
Investing activities	**59**	3,139
Financing activities	**—**	(2,981)
	$ 36,768	$ 32,740

8. PROPERTY AND EQUIPMENT

		Rig and related equipment		Automotive and other equipment		Land and buildings		Total
Cost:								
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
Acquisition		154,145		71		—		154,216
Additions		48,660		490		1,092		50,242
Additions of leased assets		—		5,349		—		5,349
Disposals		(38,590)		(9,489)		(7,629)		(55,708)
Asset decommissioning		(32,573)		—		—		(32,573)
Effects of foreign exchange		(30,137)		2,765		(248)		(27,620)
Balance at December 31, 2020	**$**	**5,828,719**	**$**	**126,449**	**$**	**93,064**	**$**	**6,048,232**
Accumulated depreciation and write-downs								
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)
Depreciation		(355,313)		(16,096)		(3,296)		(374,705)
Impairment		(11,480)		—		—		(11,480)
Disposals		34,694		9,578		1,790		46,062
Asset decommissioning		32,573		—		—		32,573
Discontinued operations		(7,956)		—		—		(7,956)
Effects of foreign exchange		17,327		(1,316)		68		16,079
Balance at December 31, 2020	**$**	**(3,240,549)**	**$**	**(126,160)**	**$**	**(31,821)**	**$**	**(3,398,530)**
Net book value:								
At December 31, 2019	$	2,776,820	$	8,937	$	69,466	$	2,855,223
At December 31, 2020	**$**	**2,588,170**	**$**	**289**	**$**	**61,243**	**$**	**2,649,702**

Property and equipment includes equipment under construction of $27,579 (2019 - $32,107) that has not yet been subject to depreciation. During the year, the Company added five drilling rigs through the acquisition of the former TDI joint venture and decommissioned two rigs from its non-marketed United States fleet.

For year ended December 31, 2020 leased asset depreciation was $10,074 (2019 - $11,723) which is included with total depreciation of $374,705 (2019 - $363,144).

At each reporting period, the Company reviews the carrying value of its property and equipment for indicators of impairment. Due to the global economic slowdown and significant commodity price reductions in the first quarter of 2020, the Company identified indications of impairment in each of its cash-generating units CGU's at March 31, 2020 and completed impairment test 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. The impairment test 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 and with adjustments reflecting an expectation of changes in the general economy, forecasted changes in drilling activity and the CGU's respective markets, representing management's best estimate of the set of economic conditions that are expected to exist over the forecast period;
- A terminal growth rate of 2% to 3%.

The primary source of the cash flow information was the Company's budget and strategic plan, developed based on benchmark commodity prices and industry supply-demand fundamentals. There is a risk that impairment charges may be required in future periods due to the volatility and uncertainty of the economy and commodity price environment. External appraisals for certain assets were also completed.

The Company performed a sensitivity analysis and noted there would be impairment in one of the Company's CGUs in the amount of $13,460 to $15,080 if cash flows were to be 5% lower or the discount rate increased by 0.5%.

At December 31, 2020, the Company reviewed each of its CGU's and identify new indications of impairment within its Latin America CGU. The Company completed an impairment tests within the Latin America CGU using five year cash flow projection with a terminal value and concluded that an impairment charge of $11,480 were required for the Latin America CGU as at December 31, 2020. The impairment tests were based on the following key assumptions:

- a weighted average pre-tax discount rate of 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 15% growth rate,
- a terminal growth rate of 3%.

The Company performed a sensitivity analysis and noted there would be additional impairment of $2,300 if cash flows were to be 5% lower of if the discount rate increased by 0.5%.

9. INVESTMENT IN JOINT VENTURES

Joint venture loss reconciliation

	December 31 2020	December 31 2019
Trinidad Drilling International loss from investment	**$ 1,349**	$ 40,008
Other joint arrangements net gain from investments	—	(116)
Loss from investment in joint ventures	**$ 1,349**	$ 39,892

Joint venture investment reconciliation

	December 31 2020	December 31 2019
Trinidad Drilling International investment balance	**$ —**	$ 125,376
Other joint arrangements net loss from investments	—	(21)
Investment in joint ventures	**$ —**	$ 125,355

Effective July 16, 2020, the Company completed the acquisition of Halliburton's 40 percent ownership interest of the TDI joint venture. The 40 percent ownership interest, inclusive of working capital in TDI joint venture, was purchased by the Company with cash on hand for US $33,400. With this acquisition, the Company now owns 100 percent of the TDI joint venture.

Continuity of investment in TDI

		December 31 2020		December 31 2019
Opening balance - January 1	**$**	**125,376**	$	177,223
Loss from investment in joint venture		**(1,349)**		(40,008)
Change in loan in joint venture		**—**		(4,592)
Elimination of downstream transactions		**391**		(136)
Fair value adjustment		**—**		(625)
Effect of foreign exchange		**4,741**		(6,486)
Acquisition of 40 percent interest		**(129,159)**		—
Closing balance - December 31	**$**	**—**	**$**	**125,376**

10. ACCOUNTS PAYABLE AND ACCRUALS

		December 31 2020		December 31 2019
Trade payables	**$**	**35,470**	$	67,520
Accrued liabilities		**36,881**		80,103
Accrued payroll		**38,499**		42,748
Interest payable		**14,169**		16,094
Deferred revenue		**9,092**		8,718
Other liabilities		**11,900**		1,536
	$	**146,011**	$	216,719

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 Common Shares consistent with 2019. 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, 2020 was $952 (2019 - 1,249).

A summary of the Company's share option plan as of December 31, 2020 and 2019 and the changes during the years then ended, is presented below:

	2020			2019		
	Number of Share Options		Weighted Average Exercise Price	Number of Share Options		Weighted Average Exercise Price
Outstanding – January 1	5,408,900	$	6.53	6,038,200	$	7.56
Granted	1,362,525		0.54	1,337,600		5.69
Exercised	(1,900)		0.54	(3,300)		5.60
Forfeited	(1,629,270)		5.46	(710,600)		6.99
Expired	(1,111,925)		7.28	(1,253,000)		10.37
December 31	**4,028,330**	**$**	**4.73**	**5,408,900**	**$**	**6.53**
Exercisable - December 31	**1,961,555**	**$**	**5.80**	**2,693,980**	**$**	**6.86**

The weighted average share price at the date of exercise of options in 2020 was $0.54 per common share (2019 - $5.60).

The following table lists the options outstanding at December 31, 2020:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$0.54 to $5.65	1,976,735	3.09	$ 2.84	761,915	$ 4.16
$5.65 to $6.66	1,352,145	2.67	5.80	636,640	5.83
$6.67 to $7.98	699,450	1.00	7.98	563,000	7.98
	4,028,330	2.59	$ 4.73	1,961,555	$ 5.80

The assumptions used to estimate the fair value of employee share options as at December 31, 2020 were:

	December 31 2020	December 31 2019
Remaining expected life (years)	**1.8**	2.4
Volatility (percent)	**40.0**	40.0
Forfeiture rate (percent)	**7.7**	6.9
Risk-free interest rate (percent)	**0.2**	1.7
Expected dividend (percent)	**—**	8.4

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, 2020 and 2019 and the changes during the years ended, is presented below:

	2020			2019		
	Number of SARs		Weighted Average Exercise Price	Number of SARs		Weighted Average Exercise Price
Outstanding – January 1	631,955	$	6.42	616,800	$	7.28
Granted	161,690		0.54	179,930		5.69
Forfeited	(181,065)		4.90	(70,275)		6.77
Expired	(121,100)		7.30	(94,500)		10.37
Outstanding - December 31, 2020	**491,480**	**$**	**4.83**	631,955	$	6.42
Exercisable - 44196	**245,634**	**$**	**5.82**	295,223	$	6.76

The following table lists the SARs outstanding at December 31, 2020:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)		Weighted Average Exercise Price	SARs Exercisable		Weighted Average Exercise Price
$0.54 to $5.65	220,890	3.10	$	2.81	85,458	$	4.11
$5.66 to $6.65	189,590	2.56		5.83	94,776		5.87
$6.66 to $7.98	81,000	1.00		7.98	65,400		7.98
	491,480	2.55	$	4.83	245,634	$	5.82

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:

	2020	2019
Outstanding – January 1	**2,564,170**	1,273,115
Granted	**2,199,084**	1,079,730
Granted through dividend payment	**602,149**	254,682
Exercised	**(735,420)**	—
Forfeited	**(745,349)**	(43,357)
Outstanding - December 31	**3,884,634**	2,564,170

Included in net earnings for the year ended December 31, 2020 is a recovery of $3,303 (2019 - an expense of $3,463). 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 2020	December 31 2019
Drawings on the Credit Facility	**$ 807,732**	$ 750,000
Unsecured Senior Notes, due April 2024, 9.25%	**565,294**	832,108
Subordinate convertible debentures, January 22, 2022, 7.00%	**36,818**	33,846
Unamortized deferred financing costs	**(25,239)**	(34,425)
Total long-term debt	**$ 1,384,605**	$ 1,581,529

The Credit Facility

As at December 31, 2020, the Company's Credit Facility (the "**Credit Facility**") consists of a revolving secured facility. The Credit Facility may be drawn in Canadian or United States dollars, up to the equivalent value of $900,000 Canadian dollars (2019 - $900,000).

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 1.25% to 3.75%
- The US base or US prime rate plus 1.25% to 3.75%
- The commitment rate of 0.56% to 1.19%
- The BA rate plus 2.25% to 4.75%
- The LIBOR and letters of credit rate plus 2.25% to 4.75%.

On December 31, 2020, the Company amended and extended the existing $900,000 Credit Facility agreement with its syndicate of lenders. The amendments and one-year extension provide the Company with continued access to revolver capacity and near-term flexibility in a volatile oil price environment.

The maturity date of the Credit Facility is November 25, 2022; provided that if on or before September 30, 2021, the maturity date of the Company's existing subordinated convertible debentures (the **"Convertible Debentures**") is not extended from January 22, 2022, to a date no earlier than February 26, 2023, then the maturity date of the Credit Facility shall automatically be amended to November 29, 2021. No principal payments are due until then.

The Credit Facility has the following covenant requirements:

- The elimination of the Consolidated Total Debt to Consolidated EBITDA ratio and replacement with a minimum Consolidated EBITDA requirement of $140,000.
- The Consolidated EBITDA to Consolidated Interest Expense ratio shall not be less than: (i) 1.75:1.00 for the Fiscal Quarter ending December 31, 2020, (ii) 1.50:1.00 for the Fiscal Quarters ending March 31, 2021, June 30, 2021, and September 30, 2021, (iii) 1.75:1.00 for the Fiscal Quarter ending December 31, 2021, (iv) 2.00:1.00 for the Fiscal Quarter ending March 31, 2022, (v) 2.25:1.00 for the Fiscal Quarters ending June 30, 2022, and September 30, 2022, and (vi) 2.50:1.00 at any time thereafter.
- The Consolidated Senior Debt to Consolidated EBITDA ratio shall not exceed: (i) 3.50:1.00 for the Fiscal Quarter ending December 31, 2020 , (ii) 4.00:1.00 for the Fiscal Quarters ending March 31, 2021, June 30, 2021, September 30, 2021, and December 31, 2021, (iii) 3.50:1.00 for the Fiscal Quarter ending March 31, 2022, (iv) 3.25:1.00 for the Fiscal Quarters ending June 30, 2022, and September 30, 2022, (v) 3.00:1.00 at any time thereafter.

In addition, the permitted encumbrances have been reduced from $75,000 to $25,000.

Further, the repurchase or redemption of Senior Notes and Convertible Debentures may only be completed on the following basis:

- Senior Notes and Convertible Debentures may be repurchased or redeemed for a redemption or purchase price up to the aggregate amount of $25,000.
- Senior Notes and Convertible Debentures may be repurchased or redeemed for a redemption or purchase price in excess of $25,000 if:

a. On a pro forma basis the Borrower demonstrates to the satisfaction of the Lenders that the aggregate amount of the cash held by the Company on a consolidated basis and the credit available to be advanced to the Company under the Credit Facilities is at least $175,000 after completing such repurchase or redemption, and
b. The aggregate redemption or repurchase price of all such Senior Notes and Convertible Debentures repurchased or redeemed does not exceed:
    i. One-third of the net proceeds received by the Company from Permitted Dispositions completed after January 1, 2021; plus
    i. One-third of the net proceeds received from permitted dispositions completed between December 10, 2020, and January 1, 2021, to the extent that such net proceeds received by the Company have not directly or indirectly been used to repurchase or redeem Senior Notes between the same period.

- Senior Notes may be repurchased or redeemed for a redemption or purchase price up to the aggregate amount of the net proceeds received from the issuance of Subordinated Debt.

As at December 31, 2020, the Company was in compliance with all covenants related to the Credit Facility.

Unsecured senior notes

During the second quarter of 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%. During 2020, the Company purchased US $198,730 (2019 - US $58,045) of the Senior Notes and recorded gain on purchase of $162,849 (2019 - $4,647).

Interest accrued on the Senior Notes at December 31, 2020 was $11,184 (2019 - $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, 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, 2020, the available amount was US $11,994.

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:

		2020
Opening balance	**$**	**1,581,529**
Proceeds from long-term debt, net of debt issuance costs		**121,520**
Long-term debt repayments		**(164,518)**
Gain on repurchase of Senior Notes		**(162,849)**
Convertible Debentures fair value adjustment		**2,972**
Amortization of debt issuance costs		**11,887**
Foreign exchange adjustments		**(5,936)**
Ending balance	**$**	**1,384,605**

13. LEASE OBLIGATIONS

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

		December 31 2020		December 31 2019
Right-of-use assets				
Properties	**$**	**4,725**	$	6,637
Vehicles		**7,250**		10,516
	$	**11,975**	$	17,153
Lease liabilities				
Current	**$**	**8,259**	$	9,996
Non-current (expire from time to time up to 2025)		**6,042**		9,518
	$	**14,301**	$	19,514

14. INCOME TAXES

Analysis of deferred tax asset (liability):

	December 31 2020	December 31 2019
Property and equipment	$ (440,774)	$ (479,109)
Share-based compensation	575	128
Non-capital losses (expire from time to time up to 2038)	432,636	422,974
Other	22,516	13,974
Net deferred tax asset	$ 14,953	$ (42,033)

Movement of deferred tax liability:

	December 31 2020	December 31 2019
Opening deferred tax liability	$ (42,033)	$ (72,727)
Deferred tax recovery	54,928	23,559
Foreign exchange impact	2,058	7,135
Net deferred tax asset (liability)	$ 14,953	$ (42,033)

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 2020	December 31 2019
Loss before income taxes [1]	$ (120,528)	$ (177,895)
Income tax rate	24.9 %	26.7 %
Expected income tax expense	(30,084)	(47,498)
Increase (decrease) from:		
Effective tax rate on foreign operations [1]	(6,605)	441
Non-deductible expenses	1,306	9,737
Withholding taxes and other	2,119	8,648
Functional currency translation adjustment and true up	(1,072)	(6,965)
Rate change impact on deferred taxes	(19,452)	16,832
Income tax recovery	$ (53,788)	$ (18,805)

[1] *Comparative loss before income tax and higher effective tax rate on foreign operations have been revised to conform with current year's presentation.*

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

	2020		2019	
	Number of Common Shares	Amount	Number of Common Shares	Amount
Opening balance – January 1	162,665,576	$ 230,100	156,861,056	$ 206,328
Shares issue as part of the dividend reinvestment plan	—	—	6,044,142	24,094
Changes in unvested shares held in trust	(831,820)	254	(239,622)	(322)
Closing balance - December 31	**161,833,756**	**$ 230,354**	**162,665,576**	**$ 230,100**

The total number of unvested shares held in trust for share-based compensation plans as at December 31, 2020 was 1,284,867 (December 31, 2019 – 453,047).

(c) Dividends

During the second quarter of 2020, the Company suspended its quarterly dividend. During the year ended December 31, 2020, the Company declared dividends of $9,787 (2019 - $68,079), being $0.06 per common share (2019 - $0.42 per common share).

16. NET LOSS PER COMMON SHARE

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

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

	December 31 2020	December 31 2019
Net loss attributable to common shareholders:		
Basic and diluted	**$ (79,329)**	$ (162,905)
Weighted average number of common shares outstanding:		
Basic	**161,667,010**	159,598,788
Potentially dilutive share-based compensation plans	**260,241**	87,404
Diluted	**161,927,251**	159,686,192

Share options of 2,951,395 (2019 – 5,408,900) 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, 2020	Canada	United States	International	Total
Revenue	176,872	531,030	228,916	936,818
Depreciation	115,467	185,199	74,039	374,705
Loss before interest expense, accretion of deferred financing charges, other gains (losses) and income taxes	(83,903)	(50,690)	(24,737)	(159,330)
Total assets	806,934	1,588,663	658,896	3,054,493
Total liabilities	1,425,165	206,848	57,456	1,689,469
Purchase of property & equipment, net	(9,535)	14,527	13,421	18,413

As at and for the year ended December 31, 2019	Canada	United States	International	Total
Revenue [1]	293,333	1,004,627	293,378	1,591,338
Depreciation	125,160	197,273	40,711	363,144
(Loss) income before financing charges, other gains (losses) and income taxes [1]	(64,643)	58,275	3,053	(3,315)
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

[1] *Comparative revenue and (loss) income before interest expense, accretion of deferred financing charges and other gains (losses) and income taxes have been revised to conform with current year's presentation.*

For the years ended December 31	2020	2019
Rig rental revenue [1]	**$ 583,191**	$ 1,014,500
Service revenue [1]	**353,627**	576,838
Total revenue [1]	**$ 936,818**	$ 1,591,338

[1] *Comparative revenue have been revised to conform with current year's presentation.*

There are no material differences in the basis of accounting or the measurement of loss in, 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, 2020 and 2019 the Company had no customers that represented 10 percent or more of the Company's revenue.

18. EXPENSES BY NATURE

	December 31 2020	December 31 2019
Salaries, wages and benefits [1]	**$ 549,942**	$ 887,168
Share-based compensation	**(2,121)**	4,047
Total employee costs	**547,821**	891,215
Depreciation	**374,705**	363,144
Impairment	**11,480**	—
Purchased materials, supplies and services [1]	**167,868**	314,868
Foreign exchange and other	**(5,726)**	25,426
Total expenses before interest expense, accretion of deferred financing charges and income taxes [1]	**$ 1,096,148**	$ 1,594,653

[1] *Comparative salaries, wages and benefits have been revised, total employee costs, purchased materials, supplies and services and total expenses before financing charges and income taxes have been revised to conform with current year's presentation.*

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 2020	December 31 2019
Short-term compensation	$ 2,959	$ 2,972
Share-based compensation	448	610
Total management compensation	$ 3,407	$ 3,582

Of the Convertible Debenture, $25,950 of the total $37,000 outstanding is owned by certain directors and named executive officers.

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, 2020:

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**	
			2020	**2019**
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 Southern Drilling LLC	USD	United States	100	100
Ensign Bahrain Drilling SPC	USD	Bahrain	100	—
TDL Bahrain SPC	USD	Bahrain	100	—
TDL Kuwait For Oil Rigs and Natural Gas	USD	Kuwait	100	—
OFS Global Inc.	USD	United States	100	100

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, 2020, the Credit Facility's drawings totaled $807,732 (2019 - $750,000), Senior Notes totaled $565,294 (2019 - $832,108), Convertible Debentures totaled $37,000 (2019 - $37,000) and shareholders' equity totaled $1,365,024 (2019 - $1,463,022).

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, 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 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, 2020.

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 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 2020**		December 31 2019	
(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
Financial liabilities at fair value through profit or loss:				
Senior Notes, due 2024	**339,176**	**565,294**	785,344	832,108
Convertible Debentures	**36,818**	**36,818**	34,538	34,538
Lease obligations	**14,301**	**14,301**	19,514	19,514
Non-controlling interests liability	**4,853**	**4,853**	5,138	5,138

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, 2020.

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.

The Company is monitoring the economic environment in response to the COVID-19 pandemic and is taking actions to limit its exposure to customers that are severely impacted.

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, 2020 or January 1, 2020 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, 2020 and December 31, 2019 was determined as follows for trade receivables:

As at December 31, 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	2.0 %	5.0 %	15.0 %	42.2 %	
Gross carrying amount [1]	71,156	32,243	5,772	30,033	139,204
Loss allowances	1,423	1,612	866	12,665	16,566

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

[1] Gross carrying amount excludes unbilled revenue and other receivables of $41,757 for year ended December 31, 2020 (2019 - $51,599)

As part of the Company's international operations, it provided oilfield services in Venezuela pursuant to contractual arrangements, which contracts expired or were terminated in the second quarter of 2020. As at December 31, 2020, the Company had accounts receivable of approximately $6,755 for work performed in Venezuela. Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in the country as well as imposed sanctions, there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding.

The loss allowance for trade receivables as at December 31, 2020 reconcile to the opening loss allowances as follows:

	2020	2019
Opening balance - January 1	**$ 14,625**	$ 16,183
Increase in loss allowance recognized in profit or loss	**3,437**	100
Receivables written off as uncollectible	**(1,280)**	—
Unused amount reversed	**—**	(1,540)
Effect of movement in exchange rates	**(216)**	(118)
Closing balance - December 31	**$ 16,566**	$ 14,625

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, 2020, the remaining contractual maturities of accounts payable and accruals and cash dividends payable are less than one year.

On December 31, 2020, the Company amended and extended the existing $900,000 Credit Facility agreement with its syndicate of lenders, subject to extension of Convertible Debentures maturity date no earlier than February 26, 2023. For details of amendments, refer note 12. The amendments and one-year extension provide the Company with continued access to revolver capacity and near-term flexibility in a volatile oil price environment.

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

As at December 31	< 1 Year [2]	1-3 Years [2]	4-5 Years	Total
Senior Notes	$ 53,015	$ 685,990	$ —	$ 739,005
Credit Facility[1]	44,380	847,481	—	891,861
Convertible Debentures	2,590	37,866	—	40,456
Total	$ 99,985	$ 1,571,337	$ —	$ 1,671,322

[1] *Interest on the bank credit facilities is calculated based on the amount drawn at December 31, 2020 and the applicable bankers' acceptance/ LIBOR interest rates outstanding as at December 31, 2020. USD denominated balances are converted using the foreign exchange rate as of December 31, 2020.*
[2] *Includes interest of $99,985 for the less than one year and $161,315 for the 1-3 year terms respectively.*

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, 2020, 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 $2,035 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 the USD denominated Senior Note. Translation related risks are therefore not included in the assessment of the Company'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.

The Company's risk management strategy has not changed due to COVID-19 pandemic.

At December 31, 2020, 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 $631 higher or lower.

23. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Company repurchased US $8,629 face value of Senior Notes, in the open market, for cancellation. A gain on repurchase of $3,419 (US $2,671) will be recognized in the first quarter of 2021.

Share Trading Summary

For the three months ended (Unaudited)	High ($)	Low ($)	Close ($)	Volume	Value ($)
2020					
March 31	**3.08**	**0.22**	**0.52**	**64,292,500**	**65,796,591**
June 30	**1.59**	**0.42**	**1.04**	**103,920,500**	**86,954,713**
September 30	**1.12**	**0.55**	**0.58**	**36,717,100**	**27,042,149**
December 31	**1.08**	**0.45**	**0.91**	**35,083,500**	**27,854,288**
Total				**240,013,600**	**207,647,741**

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

10 Year Financial information

(Unaudited - $ thousands, except per share data)	2020	2019	2018	2017	2016
Revenue	936,818	1,591,338	1,156,283	1,000,650	859,702
Gross margin	278,617	457,010	301,007	240,950	237,676
Gross margin % of revenue	29.7 %	28.7 %	26.0 %	24.1 %	27.6 %
Adjusted EBITDA	241,525	412,468	256,828	201,784	185,173
Depreciation	374,705	363,144	415,036	325,811	349,947
Net (loss) income attributable to common shareholders	(79,329)	(162,905)	58,302	(37,644)	(150,522)
Net (loss) income per common share					
Basic	$(0.49)	$(1.02)	$0.37	$(0.24)	$(0.99)
Diluted	$(0.49)	$(1.02)	$0.37	$(0.24)	$(0.98)
Funds from operations	210,265	372,234	277,624	141,438	170,651
Funds from operations per common share					
Basic	$1.30	$2.33	$1.77	$0.90	$1.12
Diluted	$1.30	$2.33	$1.77	$0.90	$1.11
Net capital expenditures, excluding acquisitions	18,413	96,009	73,296	117,712	29,120
Acquisitions[1]	31,885	—	320,341	—	—
Working capital (deficit)	98,612	126,987	(156,223)	(342,199)	(11,153)
Long-term debt, net of current portion	1,384,605	1,581,529	1,340,352	252,676	583,269
Shareholders' equity	$1,365,024	1,462,022	1,790,683	1,689,376	1,832,489
Return on average shareholders' equity	(5.8)%	(11.1)%	3.3 %	(2.2)%	(8.2)%
Long-term debt to equity	1.01:1	1.08:1	0.75:1	0.15:1	0.32:1
Weighted avg. common shares outstanding - basic	161,667,010	159,598,788	156,862,920	156,545,624	152,759,973
Closing share price - December 31	$0.91	$2.85	$4.79	$6.47	$9.38

[1] Consideration paid net of cash was $31,885 in 2020 for the 40 percent interest of Trinidad Drilling International joint venture.

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

10 Year Financial information

(Unaudited - $ thousands, except per share data)	2015	2014	2013	2012	2011
Revenue	1,390,978	2,321,765	2,098,011	2,197,321	1,890,372
Gross margin	395,953	635,370	573,838	641,812	567,446
Gross margin % of revenue	28.5 %	27.4 %	27.4 %	29.2 %	30.0 %
Adjusted EBITDA	329,010	542,262	485,712	560,975	497,188
Depreciation	335,513	298,854	248,026	220,227	177,927
Net (loss) income attributed to common shareholders	(104,049)	71,120	128,865	217,522	212,393
Net (loss) income per common share					
Basic	$(0.68)	$0.47	$0.84	$1.42	$1.39
Diluted	$(0.68)	$0.46	$0.84	$1.42	$1.39
Funds from operations	296,273	491,886	435,611	506,355	473,099
Funds from operations per common share					
Basic	$1.94	$3.22	$2.85	$3.32	$3.09
Diluted	$1.94	$3.21	$2.84	$3.31	$3.09
Net capital expenditures, excluding acquisitions	159,033	582,999	342,225	306,689	386,833
Acquisitions	—	—	76,408	—	497,352
Working capital (deficit)	144,239	189,698	(71,146)	13,861	(10,233)
Long-term debt, net of current portion	794,109	786,327	317,407	296,589	405,953
Shareholders' equity	2,086,596	2,045,237	1,962,569	1,857,958	1,723,422
Return on average shareholders' equity	(5.0)%	3.5 %	6.7 %	12.1 %	13.0 %
Long-term debt to equity	0.38:1	0.38:1	0.16:1	0.16:1	0.24:1
Weighted avg. common shares outstanding - basic	152,476,615	152,710,636	152,693,280	152,664,447	152,865,133
Closing share price - December 31	$7.38	$10.20	$16.73	$15.37	$16.25

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

MICHAEL NUSS
Executive Vice President,

BRENT CONWAY
Executive Vice President

TREVOR RUSSELL
Vice President, Finance

AHMED IQBAL
Vice President, Corporate Controller

JONATHAN BASKEYFIELD
Vice President, Tax

PATRICK KEARLEY
Vice President, Global
HSE & Field Training

CATHY ROBINSON
Vice President, Global Human

SUZANNE DAVIES
Vice President Legal and Corporate Secretary

RICK PINGEL
Vice President, Global Supply Chain

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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