ENSIGN ENERGY SERVICES INC.

2021 ANNUAL REPORT

ENSIGN

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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, 2021, 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, number of well servicing rigs, operating days and well servicing hours. This MD&A is dated March 3, 2022. Additional information, including the Company's Annual Information Form for the year ended December 31, 2021, is available on SEDAR at www.sedar.com.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements generally can be identified by the words "believe", "anticipate", "expect", "plan", "estimate", "target", "continue", "could", "intend", "may", "potential", "predict", "should", "will", "objective", "project", "forecast", "goal", "guidance", "outlook", "effort", "seeks", "schedule" or other expressions of a similar nature suggesting future outcome or statements regarding an outlook.

Disclosure related to expected future commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other prospective guidance provided throughout this MD&A, including, but not limited to, information provided in the "Funds Flow from Operations and Working Capital" section regarding the Company's expectation that funds generated by operations combined with current and future credit facilities will support current operating and capital requirements, information provided in the "New Builds and Major Retrofits" section, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for 2022, are examples of forward-looking statements. These statements are not representations or guarantees of future performance and are subject to certain risks and unforeseen results. The reader should not place undue reliance on forward-looking statements as there can be no assurance that the plans, initiatives, projections, anticipations or expectations upon which they are based will occur.

The forward-looking statements are based on current assumptions, expectations, estimates and projections about the Company and the industries and environments in which the Company operates, which speak only as of the date such statements were made or as of the date of the report or document in which they are contained. These assumptions include, among other things: the fluctuation in oil prices may pressure customers to modify their drilling budgets; the status of current negotiations with the Company's customers and vendors; customer focus on safety performance; existing term contracts that may not be renewed or are terminated prematurely; the Company's ability to provide services on a timely basis; successful integration of acquisitions; the general stability of the economic and political environments in the jurisdictions where we operate, and geopolitical events such as the recent invasion of Ukraine by the Russian Federation.

The forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such risk factors include, among others: general economic and business conditions which will, among other things, impact demand for and market prices of the Company's services and the ability of the Company's customers to pay accounts receivable balances; volatility of and assumptions regarding 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 and industry conditions; determinations by Organization of Petroleum Exporting Countries ("**OPEC**") and other countries (OPEC and various other countries are referred to as "**OPEC +**") regarding production levels; changes to laws and regulations; the Company's defence of lawsuits; availability and cost of labour and other equipment, supplies and services; the Company's ability to complete its capital programs; operating hazards and other difficulties inherent in the operation of the Company's oilfield services equipment; availability and cost of financing and insurance; access to credit facilities and debt capital markets; 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 capital and operating costs); the adequacy of the Company's provision for taxes; the impact of, and the Company's response to, the global COVID-19 pandemic and the success of vaccinations for COVID-19; foreign operations; foreign exchange exposure and interest rate changes; workforce and reliance on key management; technology; seasonality and weather; ability to successfully integrate acquisitions; 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, environmental protection regulations, the global COVID-19 pandemic, the potential reinstatement or removal of 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 from operations may vary in material respects from those expressed or implied by the forward-looking statements. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and the Company's course of action would depend upon its assessment of the future considering all information then available.

For additional information refer to the “Risks 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.

The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by law.

NON-GAAP MEASURES

This MD&A contains references to Adjusted EBITDA, Adjusted EBITDA per common share and Consolidated EBITDA. These measures do not have any standardized meaning prescribed by IFRS and accordingly, may not be comparable to similar measures used by other companies. The non-GAAP measures included in this MD&A should not be considered as an alternative to, or more meaningful than, the IFRS 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)

	2021	2020	Change	% change	2019	Change	% change
Revenue	**995,594**	936,818	58,776	6	1,591,338	(654,520)	(41)
Adjusted EBITDA [1]	**213,173**	241,525	(28,352)	(12)	412,468	(170,943)	(41)
Adjusted EBITDA per common share [1]							
Basic	**$ 1.31**	$ 1.49	$ (0.18)	(12)	$ 2.58	$ (1.09)	(42)
Diluted	**$ 1.31**	$ 1.49	$ (0.18)	(12)	$ 2.58	$ (1.09)	(42)
Net loss attributable to common shareholders	**(159,475)**	(79,329)	(80,146)	nm	(162,905)	83,576	(51)
Net loss attributable to common shareholders per common share							
Basic	**$ (0.98)**	$ (0.49)	$ (0.49)	nm	$ (1.02)	$ 0.53	(52)
Diluted	**$ (0.98)**	$ (0.49)	$ (0.49)	nm	$ (1.02)	$ 0.53	(52)
Cash provided by operating activities	**178,642**	246,974	(68,332)	(28)	404,816	(157,842)	(39)
Funds flow from operations	**190,695**	210,265	(19,570)	(9)	372,234	(161,969)	(44)
Funds flow from operations per common share							
Basic	**$ 1.17**	$ 1.30	$ (0.13)	(10)	$ 2.33	$ (1.03)	(44)
Diluted	**$ 1.17**	$ 1.30	$ (0.13)	(10)	$ 2.33	$ (1.03)	(44)
Total assets	**2,977,054**	3,054,493	(77,439)	(3)	3,470,601	(416,108)	(12)
Long-term debt	**1,453,884**	1,384,605	69,279	5	1,581,529	(196,924)	(12)
Dividends per common share	**$ —**	$ 0.06	$ (0.06)	nm	$ 0.42	$ (0.36)	(86)

nm - calculation not meaningful

[1] Adjusted EBITDA is used by management and investors to analyze the Company's profitability based on the Company's principal business activities prior to how these activities are financed, how assets are depreciated, 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 is not intended to represent net loss as calculated in accordance with IFRS.

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at December 31, ($ thousands)	**2021**	2020	2019
Working capital [1, 2]	**104,228**	103,036	131,107
Cash	**13,305**	44,198	28,408
Long-term debt	**1,453,884**	1,384,605	1,581,529
Long-term debt, net of cash	**1,440,579**	1,340,407	1,553,121
Total long-term financial liabilities	**1,458,211**	1,390,647	1,591,047
Total assets	**2,977,054**	3,054,493	3,470,601
Long-term debt to long term-debt plus shareholder's equity ratio	**0.55**	0.50	0.52

[1] See non-GAAP Measures section
[2] Comparative working capital has been revised to conform with current year's presentation

($ thousands)	**2021**	2020	Change	% change	2019	Change	% change
Capital expenditures							
Upgrade/growth	**20,492**	10,013	10,479	nm	95,778	(85,765)	(90)
Maintenance	**44,760**	40,229	4,531	11	40,228	1	—
Proceeds from disposals of property and equipment	**(7,228)**	(31,829)	24,601	(77)	(39,997)	8,168	(20)
Net capital expenditures before acquisitions	**58,024**	18,413	39,611	nm	96,009	(77,596)	(81)
Acquisition of 35 drilling rigs, related equipment, land and buildings	**117,928**	—	117,928	nm	—	—	—
Net capital expenditures	**175,952**	18,413	157,539	nm	96,009	(77,596)	(81)

nm - calculation not meaningful

Adjusted EBITDA is calculated as follows:

($ thousands)	**2021**	2020	2019
Loss before income taxes	**(194,462)**	(120,528)	(177,895)
Add-back/(deduct)			
Interest expense	**97,596**	107,374	135,245
Accretion of deferred financing charges	**10,819**	11,887	13,914
Depreciation	**288,188**	374,705	363,144
Impairment	**—**	11,480	—
Share-based compensation	**6,377**	(2,121)	4,047
(Gain) loss on asset sale	**(3,596)**	3,437	(9,824)
Gain on repurchase of unsecured Senior Notes [1]	**(7,431)**	(162,849)	(4,647)
Foreign exchange and other loss (gain)	**11,102**	(5,726)	25,426
Loss from investment in joint ventures	**—**	1,349	39,892
Restructuring	**4,580**	16,042	12,644
Adjusted EBITDA from investment in joint ventures	**—**	6,475	10,522
Adjusted EBITDA	**213,173**	241,525	412,468

[1] *See "Gain on Repurchase of Unsecured Senior Notes" section for definition of Senior Notes.*

Consolidated EBITDA

Consolidated EBITDA, as defined in the Company's Credit Facility agreement, is used in determining the Company's compliance with its covenants. The Consolidated EBITDA is substantially similar to Adjusted EBITDA.

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 and South Dakota. Internationally, the Company 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.

2021 COMPARED WITH 2020

Revenue for the year ended December 31, 2021 was $995.6 million, an increase of six percent from 2020 revenue of $936.8 million. Adjusted EBITDA for 2021 totaled $213.2 million ($1.31 per common share), 12 percent lower than Adjusted EBITDA of $241.5 million ($1.49 per common share) for the year ended 2020.

Net loss attributed to common shareholders for the year ended December 31, 2021 was $159.5 million ($0.98 per common share) compared to net loss attributed to common shareholders of $79.3 million ($0.49 per common share) for the year ended December 31, 2020.

During the third quarter of 2021, the Company acquired a fleet of 35 land-based drilling rigs located in Canada, as well as related equipment and certain real property, for $117.9 million. The Company funded the purchase price with cash on hand and available Credit Facilities.

The Company's operating days were higher in 2021, as compared to 2020, as a result of global activity improvements and the Company's acquisition of 35 land-based drilling rigs in Canada.

During 2021, the Company received $16.0 million (2020 - $12.5 million) from the Government of Canada's "Canada Emergency Wage Subsidy" ("**CEWS**") program. The wage subsidies received partially offset the decrease in Adjusted EBITDA and net loss attributable to common shareholders.

The macro-economic conditions impacting the oil and natural gas industry continued to recover over the course of the 2021 year from the impact of the novel coronavirus (“**COVID-19**”) pandemic, which began in early 2020. The wide distribution of COVID-19 vaccines and subsequent rising vaccination rates globally resulted in governments and health authorities easing travel and social distancing restrictions, which increased global economic activity and mobility. The increase in global mobility and economic activity in 2021 as compared to 2020 supported, in part, the recovery of global crude oil demand.

Furthermore, OPEC+ nations, while incrementally adding supply to the market throughout 2021, continued to manage overall crude oil supply. OPEC+ supply cuts, together with moderated production by US-based oil and natural gas producers contributed to an increasingly positive commodity price environment, with the benchmark price of West Texas Intermediate (“**WTI**”) trading above US $60/bbl for the majority of 2021. Recovering demand post Covid-19 along with restricted crude oil supply subsequently resulted in meaningful crude oil inventory draws, further supporting commodity prices. Recent geopolitical events, prompted by the Russian Federation’s invasion of Ukraine, have caused crude oil to increase to above US $90/bbl.

The constructive general industry fundamentals resulted in meaningful activity improvements in 2021 as compared to 2020, in the Company’s North American segments. However, oil and natural gas producers in the Company’s Canadian and US segments continued to be conservative with capital allocation, preferring to prioritize shareholder returns, which contributed to a prolonged recovery in demand for oilfield services to approach pre-COVID-19 pandemic levels.

In addition, the surge of the Omicron COVID-19 variant towards the end of 2021 reinforced the ongoing conservative approach to travel and a cautious outlook to the recovery of crude oil demand. Over the short term, uncertainty remains regarding COVID-19 variants and virus mutation. These and other factors may impact the future demand for and pricing of crude oil and natural gas, and as a result the demand for oilfield services.

Working capital as of December 31, 2021 was a surplus of $104.2 million, compared to a working capital surplus of $103.0 million as of December 31, 2020. Working capital year-over-year was largely unchanged due to increase in operating activity being offset by the negative impact of foreign exchange. The Company’s available liquidity consisting of cash and available borrowings under its $900.0 million revolving credit facility (the "**Credit Facility**") totaled $15.8 million as of December 31, 2021, compared to $136.5 million at December 31, 2020. The available liquidity decreased by $120.7 million primarily due to higher borrowings on the Company's Credit Facility to fund above-noted third quarter acquisition of 35 land-based drilling rigs in Canada.

2020 COMPARED WITH 2019

On March 11, 2020, the World Health Organization ("**WHO**") declared 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.

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.

During the third quarter of 2020, the Company completed the acquisition of 40 percent ownership interest in the Trinidad Drilling International ("**TDI**") joint venture. 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.

REVENUE AND OILFIELD SERVICES EXPENSE

($ thousands)	**2021**	2020	Change	% change
Revenue				
Canada	**249,679**	176,872	72,807	41
United States	**538,896**	531,030	7,866	1
International	**207,019**	228,916	(21,897)	(10)
Total revenue	**995,594**	936,818	58,776	6
Oilfield services expense	**744,195**	658,201	85,994	13

Revenue for the year ended December 31, 2021 totaled $995.6 million, a six percent increase from the year ended December 31, 2020 revenue of $936.8 million. The increase in total revenue during the year ended December 31, 2021 was primarily due to the global economic recovery, improving industry fundamentals, and the Company's acquisition of 35 land-based drilling rigs in Canada. The increase in financial results from the Company's global operations were offset by the negative impact of currency translation, as the United States dollar weakened relative to the Canadian dollar.

CANADIAN OILFIELD SERVICES

	2021	2020	Change	% change
Revenue *($ thousands)*	**$ 249,679**	$ 176,872	$ 72,807	41
Marketed drilling rigs [1,2]				
Opening balance	**101**	101		
Acquisition	**35**	—		
Placed into reserve	**(9)**	—		
Ending balance	**127**	101	26	26
Drilling operating days [1,3]	**8,979**	5,599	3,380	60
Drilling rig utilization (%) [1]	**18.5**	13.0	5.5	42
Well servicing rigs				
Opening balance	**52**	52		
Ending balance	**52**	52	—	—
Well servicing operating hours	**36,254**	28,338	7,916	28
Well servicing utilization (%)	**19.1**	14.9	4.2	28

[1] *Excludes coring rig fleet.*
[2] *Total rigs: 137, (2020 - 118).*
[3] *Defined as contract drilling days, between spud to rig release.*

The Company recorded revenue of $249.7 million in Canada for the year ended December 31, 2021, an increase of 41 percent from $176.9 million recorded for the year ended December 31, 2020. For the year ended December 31, 2021, total revenue generated from the Company's Canadian operations were 25 percent of the Company's total revenue compared with 19 percent in the prior year. During the year-ended December 31, 2021, the Company recognized $3.5 million of standby revenue and $4.8 million of early contract termination fees (2020 - $3.6 million and $nil respectively).

For the year ended December 31, 2021, the Company recorded 8,979 drilling operating days in Canada, an increase of 60 percent as compared to 5,599 drilling operating days for the year ended December 31, 2020. Well servicing hours increased by 28 percent to 36,254 operating hours compared with 28,338 operating hours for the year ended December 31, 2020.

The operating and financial results for the Company's Canadian operations for 2021, were positively impacted by improved industry fundamentals and increasing operational activity that primarily resulted from the Company's acquisition of 35 land-based drilling rigs during the third quarter. In addition, the Company moved nine under-utilized drilling rigs into its Canadian operations reserve fleet in 2021, and decommissioned 16 non-marketed drilling rigs.

UNITED STATES OILFIELD SERVICES

	2021	2020	Change	% change
Revenue *($ thousands)*	**$ 538,896**	$ 531,030	$ 7,866	1
Marketed drilling rigs [1]				
Opening balance	**122**	122		
Placed into reserve	**(29)**	—		
Ending balance	**93**	122	(29)	(24)
Drilling operating days [2]	**12,242**	10,899	1,343	12
Drilling rig utilization (%)	**24.7**	21.6	3.1	14
Well servicing rigs				
Opening balance	**47**	47		
Additions	**1**	—		
Ending balance	**48**	47	1	2
Well servicing operating hours	**124,916**	99,016	25,900	26
Well servicing utilization (%)	**71.7**	57.6	14.1	24

[1] *Total rigs: 127, (2020 - 136).*
[2] *Defined as contract drilling days, between spud to rig release.*

For the year ended December 31, 2021, revenue of $538.9 million was recorded in the United States, an increase of one percent from the $531.0 million recorded in the prior year. The Company's United States operations accounted for 54 percent of the Company's total revenue in the 2021 fiscal year (2020 - 57 percent) and was the largest contributor to the Company's total revenue in 2021, consistent with the prior year. In the United States, the Company recognized US $9.9 million of standby revenue and US $4.5 million of early contract termination fees in 2021 (2020 - US $10.0 million and US $23.2 million respectively).

In the United States, drilling operating days increased by 12 percent from 10,899 drilling operating days in 2020 to 12,242 operating days in 2021. For the year ended December 31, 2021, well servicing activity increased 26 percent to 124,916 operating hours, from 99,016 operating hours in 2020.

Overall operating and financial results for the Company’s United States operations reflect a slow recovery from the negative impacts of the COVID-19 pandemic, as the Company's customers in the United States segment were conservative regarding capital allocation in 2021. Over the course of 2021, the Company's United States operations continued to see quarter-over-quarter increases in activity due to the economic recovery, following what appears to have been a peak in severity of the COVID-19 pandemic. The financial results from the Company's United States operations were negatively impacted on currency translation, as the United States dollar weakened relative to the Canadian dollar in 2021.

During 2021, the Company acquired one well servicing rig, moved 29 under-utilized drilling rigs into its United States reserve fleet, and decommissioned nine non-marketed drilling rigs.

INTERNATIONAL OILFIELD SERVICES

	2021	2020	Change	% change
Revenue *($ thousands)*	**$ 207,019**	$ 228,916	$ (21,897)	(10)
Marketed drilling and workover rigs [1]				
Opening balance	**48**	43		
Acquisition of TDI joint venture	**—**	5		
Placed into reserve	**(6)**	—		
Ending balance	**42**	48	(6)	(13)
Drilling operating days [2]	**3,574**	3,829	(255)	(7)
Drilling rig utilization (%)	**19.3**	21.2	(1.9)	(9)

[1] *Total rigs: 48, (2020 - 53).*
[2] *Defined as contract drilling days, between spud to rig release.*

The Company's international revenues for the year ended December 31, 2021 decreased 10 percent to $207.0 million from $228.9 million recorded in the year ended December 31, 2020. The Company's international operations accounted for 21 percent of the Company's total revenue in 2021 (2020 - 24 percent). The Company's international operations recognized US $0.6 million of standby revenue in 2021 (2020 - US $7.8 million).

International drilling operating days totaled 3,574 in 2021 compared to 3,829 drilling operating days for the prior year, a decrease of seven percent.

As was the case in the Company's United States operations, operating and financial results from the international operations reflect a slow recovery from the negative impacts of the COVID-19 pandemic, in particular due to COVID-19-related disruptions delaying planned new drilling programs. The financial results from the Company's international operations were further negatively impacted on currency translation, as the United States dollar weakened relative to the Canadian dollar in 2021.

During 2021, the Company sold one rig from its discontinued operations in Kurdistan, moved six under-utilized drilling rigs into its international reserve fleet and decommissioned four non-marketed drilling rigs.

DEPRECIATION

($ thousands)	2021	2020	Change	% change
Depreciation	**288,188**	374,705	(86,517)	(23)

Depreciation expense for the year decreased by 23 percent to $288.2 million compared with $374.7 million for the year ended 2020. The decrease in depreciation is primarily due to certain operating assets having become fully depreciated, after which no further depreciation expense is incurred on such assets. Furthermore, the positive translational impact of United States dollar-denominated assets also decreased the depreciation expense. Offsetting the overall decrease was the depreciation incurred on the additional 35 drilling rigs acquired in Canada during the third quarter of 2021.

GENERAL AND ADMINISTRATIVE

($ thousands)	**2021**	2020	Change	% change
General and administrative	**38,226**	43,567	(5,341)	(12)
% of revenue	**3.8**	4.7		

For the year ended December 31, 2021, general and administrative expense totaled $38.2 million (3.8 percent of revenue) compared to $43.6 million (4.7 percent of revenue) for the year ended December 31, 2020, a decrease of 12 percent. General and administrative expense decreased as a result of cost saving initiatives implemented in response to the COVID-19 pandemic, including organizational restructuring, and the CEWS wage subsidy received from the Government of Canada.

RESTRUCTURING

($ thousands)	**2021**	2020	Change	% change
Restructuring	**4,580**	16,042	(11,462)	(71)

For the year ended December 31, 2021, restructuring expense totaled $4.6 million (2020 - $16.0 million). Restructuring expense consists of costs relating to the organizational restructuring of the Company due to the significant decline in activity as a result of the COVID-19 pandemic.

FOREIGN EXCHANGE AND OTHER LOSS (GAIN)

($ thousands)	**2021**	2020	Change	% change
Foreign exchange and other loss (gain)	**11,102**	(5,726)	16,828	nm

nm - calculation not meaningful

Included in this amount is the impact of foreign currency fluctuations in the Company's subsidiaries that have functional currencies other than the Canadian dollar.

GAIN ON REPURCHASE OF UNSECURED SENIOR NOTES

($ thousands)	**2021**	2020	Change	% change
Gain on repurchase of Senior Notes	**(7,431)**	(162,849)	155,418	(95)

For the year ended December 31, 2021, the Company repurchased for cancellation US $25.7 million (2020 - US $198.7 million) face value of unsecured Senior Notes (the "**Senior Notes**"), in the open market, and recorded a gain on repurchase of $7.4 million (US $5.9 million) (2020 - US 120.9 million).

INTEREST EXPENSE

($ thousands)	**2021**	2020	Change	% change
Interest expense	**97,596**	107,374	(9,778)	(9)

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**"), a mortgage (the "**Mortgage**") and capital lease obligations. Included within interest expense for 2021 is $0.5 million of accrued interest relating to the Senior Notes, paid in cash as part of the repurchase in 2021 of US $25.7 million in face value of the Senior Notes (2020 - $5.2 million), as described above.

Interest expense decreased by $9.8 million for the year ended December 31, 2021 compared to the same period in 2020. The decrease is the result of a lower effective interest rate. The positive translational impact on US dollar-denominated debt further decreased interest expense for the year ended December 31, 2021.

INCOME TAX (RECOVERY)

($ thousands)	**2021**	2020	Change	% change
Current income tax	**989**	1,140	(151)	(13)
Deferred income tax (recovery)	**(39,443)**	(54,928)	15,485	(28)
Total income tax (recovery)	**(38,454)**	(53,788)	15,334	(29)
Effective income tax rate (%)	**19.8**	44.6		

The effective income tax rate for the year ended December 31, 2021 was 19.8 percent compared with 44.6 percent for the year ended December 31, 2020. The effective tax rate was impacted by earnings in foreign jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per share data)	**2021**	2020	Change	*% change*
Cash provided by operating activities	**178,642**	246,974	(68,332)	(28)
Funds flow from operations	**190,695**	210,265	(19,570)	(9)
Funds flow from operations per common share	**$1.17**	$1.30	(0.13)	(10)
Working capital [1]	**104,228**	103,036	1,192	1

[1] Comparative working capital has been revised to conform with current year's presentation

For the year ended December 31, 2021, the Company generated funds flow from operations of $190.7 million ($1.17 per common share) a decrease of nine percent from $210.3 million ($1.30 per common share) for the year ended December 31, 2020. The decrease in funds flow from operations in 2021 compared to 2020 is primarily due to the decline in standby and early termination fee revenues. 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, 2021, the Company's working capital was a surplus of $104.2 million, compared to a working capital surplus of $103.0 million as of December 31, 2020. Working capital remained largely consistent with the prior year as the increase in operating activity was offset by the negative impact of the foreign exchange. The Company's Credit Facility provides for total borrowings of $900.0 million of which $2.5 million was undrawn and available at December 31, 2021.

INVESTING ACTIVITIES

($ thousands)	**2021**	2020	Change	% change
Acquisition of 35 drilling rigs, related equipment, land and buildings	**(117,928)**	—	(117,928)	nm
Purchase of property and equipment	**(65,252)**	(50,242)	(15,010)	30
Proceeds from disposals of property and equipment	**7,228**	31,829	(24,601)	(77)
Acquisition of joint venture, net of cash	**—**	(31,885)	31,885	nm
Net change in non-cash working capital	**1,366**	59	1,307	nm
Cash used in investing activities	**(174,586)**	(50,239)	(124,347)	nm

nm - calculation not meaningful

Net purchases of property and equipment during the fiscal year ending 2021 totaled $176.0 million (2020 - $18.4 million). During the third quarter of 2021, the Company acquired a fleet of 35 land-based drilling rigs located in Canada, as well as related equipment and certain real property, for $117.9 million. The remaining purchase of property and equipment relates primarily to $44.8 million in maintenance capital and $20.5 million in upgrade capital (2020 - $40.2 million and $10.0 million respectively).

FINANCING ACTIVITIES

($ thousands)	**2021**	2020	Change	% change
Proceeds from long-term debt	**162,269**	121,520	40,749	34
Repayments of long-term debt	**(89,532)**	(164,518)	74,986	(46)
Lease obligation principal repayments	**(6,845)**	(9,216)	2,371	(26)
Interest paid	**(99,751)**	(107,956)	8,205	(8)
Purchase of common shares held in trust	**(1,173)**	(969)	(204)	21
Cash dividends	**—**	(19,574)	19,574	nm
Cash used in financing activities	**(35,032)**	(180,713)	145,681	(81)

nm - calculation not meaningful

As at December 31, 2021, the amount of available borrowings under the Credit Facility was $2.5 million. In addition, the Company has available a US $50.0 million secured letter of credit facility, of which US $8.0 million was available as of December 31, 2021.

On December 17, 2021, the Company amended and restated its existing credit agreement with its syndicate lenders, which provides a revolving Credit Facility of $900.0 million. The amendments include an extension to the maturity date of the Credit Facility to the earlier of: (i) six months prior to maturity date of the Senior Notes due April 15, 2024, and (ii) November 25, 2024. No principal payments are due until then. The amended and restated Credit Facility provides the Company with continued access to revolver capacity in a dynamic industry environment.

On March 18, 2021, the Company amended the terms of the Convertible Debentures to:

i. extend the maturity date from January 31, 2022 to May 1, 2023,
ii. increase the interest rate from 7.00% to 7.75% per annum payable semi-annually in arrears, and
iii. reduce the per share conversion price from $7.00 to $1.75.

During the second quarter of 2019, the Company issued US $700.0 million of Senior Notes due 2024 bearing interest at 9.25% per annum. The net proceeds of the Senior Notes offering and cash on hand were used to repay all outstanding amounts under the Company's US $700.0 million senior loan facility and terminate that facility. The Senior Notes may be redeemed by the Company, in whole or in part, at any time on or after April 15, 2021 at a redemption price of 104.625% of the principal amount, after April 15, 2022 at a redemption price of 102.313% of the principal amount; and after April 15, 2023 at 100% of the principal amount, in all cases plus accrued interest up to but excluding the redemption rate.

The current capital structure of the Company 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 generally may, at any time and from time to time acquire Senior Notes for cancellation by means of open market purchases or negotiated transactions. However, applicable covenants in the Credit Facility limit the Company's ability to make further repurchases of the Senior Notes to $25.0 million, except that additional Senior Notes may be repurchased for redemption in excess of the $25.0 million limit if certain criteria are met. During the year ended December 31, 2021, the Company purchased US $25.7 million of face value Senior Notes in the open market for cancellation, for US $19.8 million.

On December 15, 2021, the Company secured a $10.0 million mortgage. The Mortgage is secured with various real properties. Interest rate varies from 10.00% to 14.00% over the course of the term of Mortgage. The Mortgage maturity date is six months following the Credit Facility maturity date, with the Company option of early redemption.

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, 2021:

	Covenant		December 31, 2021
The Credit Facility			
Consolidated EBITDA[1]	> $140.0 million	$	232,649
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 1.75		2.47
Consolidated Senior Debt to Consolidated EBITDA[1,3]	≤ 4.00		3.80

[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, 2021 the Company was in compliance with all covenants related to the Credit Facility.

The Credit Facility

The amended and restated credit agreement, a copy of which is available on SEDAR, provides the Company with its Credit Facility and includes requirements that the Company comply with certain covenants including a minimum Consolidated EBITDA requirement, 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 and restatement of the credit agreement, dated December 17, 2021, permitted encumbrances are limited to $25.0 million.

Senior Notes

The note indenture governing the Senior Notes, a copy of which is available on SEDAR, contains certain restrictions and limitations on the Company’s ability to pay dividends; purchase and redeem shares and subordinated debt of the Company; and make certain restricted investments. These restrictions and limitations are tempered by the existence of a number of exceptions to the general prohibitions, including baskets allowing for restricted payments.

The note indenture also restricts the Company's ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2.0 to 1.0. As at December 31, 2021, the Company has not incurred additional indebtedness that would require the Fixed Charge Coverage Ratio to be calculated. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness, including the incurrence of additional debt under credit facilities up to the greater of $900.0 million or 22.5 percent of the Company’s consolidated tangible assets and of additional secured debt subordinated to the credit facilities up to the greater of US $125.0 million or four percent of the Company's consolidated tangible assets.

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, 2021, is as follows:

($ thousands)	< 1 Year[2]	1-3 Years[2]	4-5 Years	After 5 Years	Total
Credit Facility [1]	46,720	981,625	—	—	1,028,345
Senior Notes	48,880	590,885	—	—	639,765
Convertible Debentures	2,868	38,666	—	—	41,534
Mortgage	1,141	12,662	—	—	13,803
Lease obligations	5,434	5,623	92	—	11,149
	105,043	1,629,461	92	—	1,734,596

[1] Interest on the bank credit facilities is calculated based on the amount drawn at December 31, 2021 and the applicable bankers' acceptance/LIBOR interest rates outstanding as at December 31, 2021. USD denominated balances are converted using the foreign exchange rate as of December 31, 2021.
[2] Includes interest of $99.6 million for the less than one year and $150.9 million for the 1-3 year terms respectively.

FINANCIAL INSTRUMENTS

As at December 31, 2021, 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 7.5%. 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, 2021.

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 continues to monitor the economic environment in response to the COVID-19 pandemic and continues to take action 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, 2021 or January 1, 2021 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, 2021 and December 31, 2020 was determined as follows for trade receivables:

As at December 31, 2021	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 %	41.0 %	
Gross carrying amount [1]	92,373	60,190	14,414	23,780	190,757
Loss allowances	1,847	3,010	2,162	9,762	16,781

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

[1] *Gross carrying amount excludes unbilled revenue and other receivables of $52.8 million for year ended December 31, 2021 (2020 - $41.8 million).*

As part of the Company's international operations, it provided oilfield services in Venezuela pursuant to contracts that expired or were terminated in or prior to the second quarter of 2020. As at December 31, 2021, the Company had accounts receivable of approximately $5.2 million for work performed pursuant to these contracts in Venezuela. Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in that country as well as government-imposed sanctions that restrict the Company's activities in and related to Venezuela, 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, 2021 reconciles to the opening loss allowances as follows:

($ thousands)	**2021**	2020
Opening balance - January 1	**16,566**	14,625
Increase in loss allowance recognized in profit or loss	**1,379**	3,437
Receivables written off as uncollectible	**(1,120)**	(1,280)
Effect of movement in exchange rates	**(44)**	(216)
Closing balance - December 31	**16,781**	16,566

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a 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, 2021, the remaining contractual maturities of accounts payable and accruals are less than one year.

On December 17, 2021, the Company amended and extended the existing $900.0 million Credit Facility agreement with its syndicate of lenders. For details regarding these amendments, refer to "Financing Activities" section. The Credit Facility provided pursuant to the amended and restated credit agreement provides 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 any changes in market rates and 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, 2021, 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 $2.2 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 largely hedged its exposure to foreign exchange risk through the issuance of the USD denominated Senior Notes. Currency 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 materially changed due to the COVID-19 pandemic.

At December 31, 2021, 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 $0.7 million higher or lower.

NEW BUILDS AND MAJOR RETROFITS

During the year-ended December 31, 2021, the Company:

- acquired a fleet of 35 land-based drilling rigs as well as related equipment and certain real property located in Canada for $117.9 million;
- added one well servicing rig to the United States fleet;
- sold one drilling rig from its discontinued operation in Kurdistan;
- moved nine, 29, and six under-utilized drilling rigs to its Canadian, United States, and international reserve fleets respectively, and;
- decommissioned 16, nine, and four rigs from its non-marketed Canadian, United States and international fleets.

The Company is currently directing capital expenditures primarily to maintenance capital items and selective upgrades.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q4-2021**	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q3-2020	Q2-2020	Q1-2020
Revenue	**296,166**	268,578	212,306	218,544	201,265	156,933	194,759	383,861
Adjusted EBITDA[1]	**57,861**	59,769	45,645	49,898	52,742	39,476	58,060	91,247
Adjusted EBITDA per common share[1]								
Basic	**$0.35**	$0.37	$0.28	$0.31	$0.33	$0.24	$0.36	$0.56
Diluted	**$0.36**	$0.36	$0.28	$0.31	$0.33	$0.24	$0.36	$0.56
Net (loss) income attributable to common shareholders	**(29,235)**	(34,398)	(52,292)	(43,550)	3,092	(36,094)	(17,077)	(29,250)
Net (loss) income attributable to common shareholders per common share								
Basic	**$(0.18)**	$(0.21)	$(0.32)	$(0.27)	$0.02	$(0.23)	$(0.10)	$(0.18)
Diluted	**$(0.18)**	$(0.21)	$(0.32)	$(0.27)	$0.02	$(0.23)	$(0.10)	$(0.18)
Cash provided by operating activities	**39,221**	59,399	53,185	26,837	17,393	39,417	127,432	62,732
Funds flow from operations	**46,644**	56,198	41,326	46,527	69,630	29,802	26,338	84,495
Funds flow from operations per common share								
Basic	**$0.28**	$0.35	$0.25	$0.29	$0.44	$0.18	$0.16	$0.52
Diluted	**$0.29**	$0.34	$0.25	$0.29	$0.44	$0.18	$0.16	$0.52
Total long-term debt, net of cash	**1,440,579**	1,418,997	1,313,837	1,321,452	1,340,407	1,422,515	1,452,619	1,596,727

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

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

FOURTH QUARTER ANALYSIS

($ thousands, except per share data and operating information)	Three months ended December 31			
	2021	2020	Change	% change
Revenue	**296,166**	201,265	94,901	47
Adjusted EBITDA [1]	**57,861**	52,742	5,119	10
Adjusted EBITDA per common share [1]				
Basic	**$0.35**	$0.33	$0.02	6
Diluted	**$0.36**	$0.33	$0.03	9
Net income (loss) attributable to common shareholders	**(29,235)**	3,092	(32,327)	nm
Net income (loss) attributable to common shareholders per common share				
Basic	**$(0.18)**	$0.02	$(0.20)	nm
Diluted	**$(0.18)**	$0.02	$(0.20)	nm
Cash provided by operating activities	**39,221**	17,393	21,828	nm
Funds flow from operations	**46,644**	69,630	(22,986)	(33)
Funds flow from operations per common share				
Basic	**$0.28**	$0.44	$(0.16)	(36)
Diluted	**$0.29**	$0.44	$(0.15)	(34)
Weighted average common shares - basic *(000s)*	**162,385**	162,629	(244)	—
Weighted average common shares - diluted *(000s)*	**163,453**	162,721	732	—
Drilling	**2021**	2020	Change	% change
Operating days [2]				
Canada [3]	**3,229**	1,434	1,795	nm
United States	**3,688**	2,108	1,580	75
International [4]	**942**	907	35	4
Total	**7,859**	4,449	3,410	77
Drilling rig utilization (%)				
Canada [3]	**22.9**	13.2	9.7	73
United States	**29.4**	16.6	12.8	77
International [4]	**20.1**	19.3	0.8	4
Well Servicing	**2021**	2020	Change	% change
Operating hours				
Canada	**9,821**	6,955	2,866	41
United States	**29,419**	26,764	2,655	10
Total	**39,240**	33,719	5,521	16
Well servicing rig utilization rate (%)				
Canada	**20.5**	14.5	6.0	41
United States	**66.6**	61.9	4.7	8

nm - calculation not meaningful

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

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

[3] Excludes coring rigs.

[4] Includes workover rigs.

REVENUE AND OILFIELD SERVICES EXPENSE

($ thousands), three months ended December 31	**2021**	2020	Change	*% change*
Revenue				
Canada	**90,243**	40,885	49,358	nm
United States	**152,361**	104,629	47,732	46
International	**53,562**	55,751	(2,189)	(4)
Total revenue	**296,166**	201,265	94,901	47
Oilfield services expense	**228,146**	136,708	91,438	67

nm - calculation not meaningful

The Company recorded revenue of $296.2 million for the three months ended December 31, 2021, a 47 percent increase from the $201.3 million recorded in the three months ended December 31, 2020. Drilling operating days for the fourth quarter of 2021 totaled 7,859 days, a 77 percent increase from the same quarter in the prior year of 4,449 drilling operating days. The increase in total revenue during the three months ended December 31, 2020 was primarily due to the global economic recovery, improving industry fundamentals, and the Company's acquisition of 35 land-based drilling rigs in Canada.

Depreciation expense totaled $74.2 million for the fourth quarter of 2021 compared with $96.3 million for the fourth quarter of 2020.

General and administrative expense decreased 14 percent to $10.2 million (3.4 percent of revenue) for the fourth quarter of 2021 compared with $11.8 million (5.9 percent of revenue) for the fourth quarter of 2020. The decrease in general and administrative expense in the fourth quarter of 2021 compared to the prior year was primarily due to cost saving initiatives implemented in response to the COVID-19 pandemic, and organizational restructuring, and the CEWS wage subsidy received from the Government of Canada.

OUTSTANDING SHARE DATA

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

	Number		Amount ($)
Common shares	162,645,623	$	232,330

	Outstanding	Exercisable
Stock options (exercisable into common shares)	4,380,870	2,127,785

OUTLOOK

Industry Overview

The outlook for oilfield services continues to be rather constructive, as the crude oil and natural gas industry continues its recovery from the adverse impact of the COVID-19 pandemic. Despite the surge of the Omicron COVID-19 variant at the end of 2021 and early in 2022, vaccination rates globally have aided economic growth and mobility, which has continued to support the recovery of crude oil demand to pre-COVID-19 pandemic levels.

Furthermore, the crude oil market has continued to absorb increased supply from OPEC+ nations as they continue to reduce supply cuts, as well as increased production from North American producers. Strengthening oil demand coupled with moderated oil supply resulted in strong global commodity prices over the fourth quarter of 2021 and into the first quarter of 2022, with the benchmark price of West Texas Intermediate ("**WTI**") averaging a low of US $77/bbl in the fourth quarter of 2021 to an average high of US $92/bbl in February 2022. The recent invasion of Ukraine by the Russian Federation has placed upward pressure on crude oil prices.

We expect global economic growth to continue in 2022, albeit at a slower pace in comparison to 2021, as COVID-19 related fiscal stimulus continues to dissipate and inflationary concerns prompt a tightening of monetary policy. However, despite a slower pace in economic growth, we expect oil demand to continue to recover to pre-pandemic levels, and tight crude oil supply under a sustained commodity price environment are expected to drive oilfield

services activity improvements in 2022. We continue to expect oil and natural gas producers to remain committed to prioritizing shareholder returns and moderate production growth with steady activity increases. Higher industry utilization is further expected to drive day-rate pricing improvements year-over-year in the Company's North American segments.

Moreover, short-term uncertainty remains regarding the macroeconomic conditions, including commodity price fluctuations, potential setbacks in COVID-19 vaccine efficacy, demand for hydrocarbons, and OPEC+ production and supply decisions that may impact the short-term demand for oilfield services. The invasion of Ukraine by the Russian Federation also may impact future crude oil prices.

The Company remains committed to strategic capital allocation and debt retirement. The Company has budgeted base capital expenditures for 2022 of approximately $89.0 million, largely related to maintenance expenditures. In addition, the Company has a number of growth projects available to it that will result in additional funds being spent on upgrading certain drilling rigs and bringing other drilling rigs that are currently idle back to work. The estimated spend on this is currently targeted at approximately $20.0 million. As at January 1, 2022, the Company moved four, five, and eight under-utilized drilling rigs to its Canadian, United States, and international reserve fleets respectively.

Canadian Activity

Canadian activity, representing 25 percent of total revenue in 2021, improved over the fourth quarter of 2021 and into the first quarter of 2022 due to improved industry conditions over the winter drilling season and the Company's acquisition of 35 land-based drilling rigs in July 2021. We expect activity to decline exiting the first quarter of 2022, as operations enter seasonal spring break-up in the second quarter of 2022.

As of March 3, 2022, of 123 marketed Canadian drilling rigs, approximately 42 percent are engaged under term contracts of various durations. Approximately 27 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

United States Activity

United States activity, representing 54 percent of total revenue in 2021, improved over the fourth quarter of 2021 and into the first quarter of 2022 due to improved industry conditions. We currently expect the United States activity to remain positive and to continue to steadily improve in the second quarter of 2022.

As of March 3, 2022, of 88 marketed United States drilling rigs, approximately 55 percent are engaged under term contracts of various durations. Approximately 25 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

International Activity

International activity, representing 21 percent of total revenue in 2021, remained steady over the fourth quarter of 2021 and into the first quarter of 2022. Operations in Argentina are expected to improve in 2022, with two drilling rigs currently active. In the Middle East, operations in Bahrain (two rigs) and Kuwait (two rigs) are expected to remain steady. Operations in Australia, which currently has seven active drilling rigs, are expected to remain steady or to modestly improve over 2022.

As of March 3, 2022, of 34 marketed international drilling rigs, approximately 41 percent are engaged under term contracts of various durations. Approximately 50 percent of our contracted 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.

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 an asset or cash generating unit ("**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

Management is responsible for the preparation of the Company's Consolidated Financial Statements, as well as the general reasonableness of the Company's financial reporting. The Board of Directors is responsible for overseeing management's performance of its financial reporting and internal control responsibilities. The Board of Directors exercises this responsibility with the assistance of the Audit Committee of the Board of Directors.

MANAGEMENT’S REPORT AND DISCLOSURE CONTROLS AND PROCEDURES (DC&P)

The Company's disclosure controls and procedures (DC&P) have been designed to provide reasonable assurance that all relevant information is identified and communicated to the President & Chief Operating Officer (COO), Chief Financial Officer (CFO), and Board of Directors in order for appropriate and timely decisions regarding public disclosure to be made.

For the year ended December 31, 2021, management conducted an evaluation of the Company's Disclosure Controls and Procedures under the supervision of the President & COO and the CFO. Based on this evaluation, the President & COO and CFO concluded that our DC&P, as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), was effective in ensuring that the information required by Canadian Securities regulatory authorities was recorded, processed, and reported within the prescribed timelines.

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Management, under the supervision and participation of the Company’s President & COO and CFO, is responsible for establishing and maintaining a system of internal controls over financial reporting to provide reasonable assurance that assets are safeguarded, and that reliable financial information is produced for preparation of financial statements in accordance with International Financial Reporting Standards. The assessment has been based on criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Internal control over financial reporting may not prevent or detect misstatements on a timely manner due to inherent limitations. Furthermore, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become ineffective due to changes in conditions, or that compliance with the policies or procedures may deteriorate.

Management evaluated the Company's ICFR under the supervision of the President & COO and the CFO. Based on this evaluation, the President & COO and CFO concluded that our ICFR, as defined in NI 52-109, was effective as of December 31, 2021. There were no changes in our ICFR during the year ended December 31, 2021, that have materially affected, or are reasonably likely to affect, our ICFR.

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 applicable to the Company is contained in the Company’s Annual Information Form for the year ended December 31, 2021 ("AIF") as filed and available on SEDAR at www.sedar.com. Additional risks and uncertainties not presently known by the Company, or that the Company does not currently anticipate or deem material, may also impair the Company's business operations. If any of the events described in the following risks actually occur, overall business, operating results and the financial condition of the Company could be materially adversely affected.

The Impacts of COVID-19 on the Company's Business

The ongoing COVID-19 pandemic, and measures taken in response by governments and health authorities around the world, have resulted in economic uncertainty. The ongoing uncertainty surrounding the COVID-19 pandemic,

including the emergence of new variants of the COVID-19 virus, has resulted in and could result in further restrictions on movement and businesses being re-imposed or imposed on a stricter basis, which could negatively impact demand for commodities and commodity prices and negatively impact the Company's business, results of operations and financial condition. It remains impossible at this point to predict precisely the duration or extent of the impacts of the COVID-19 pandemic on the Company's employees, customers, partners and business or when economic activity will completely normalize.

The COVID-19 pandemic has and may continue to increase the Company's exposure to, and magnitude of, each of the risks identified in the "Risk Factors" section of the Company's most recent AIF. The Company's 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;
- The delay or suspension of work due to government or health authority shelter in place orders, isolation and quarantine orders, mandated restrictions on travel by workers, or closure of facilities, workforce camps or worksites;
- Suppliers and third-party vendors experiencing workforce disruption, labour shortages, or being ordered to suspend operations;
- The efficacy of COVID-19 vaccination programs;
- Labour shortages and workforce disruptions that may result from vaccine requirements, such as the implementation of “vaccine passports”, a tightening labour market, and other economic factors;
- Reduced cash flows resulting in less funds from operations being available to fund the Company's capital expenditures;
- Counterparties being unable to fulfill their contractual obligations on a timely basis or at all;
- Potential non-payment of accounts receivable and customer defaults;
- The capabilities of the Company's information technology systems and the heightened threat of a potential cyber-security breach arising from the increased number of employees working remotely;
- The Company's 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;
- Global supply chain delays and disruptions; and
- Increased uncertainty in the global economy, political and economic instability, and civil unrest.

Given the dynamic nature of the events related to the COVID-19 pandemic and the dependence upon the ability of the governments to successfully provide vaccination to sufficient numbers of their citizens, the Company 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 the Company's business, financial condition, results of operations or cash flows or the pace or extent of any subsequent recovery. To the extent that the Company's customers reduce their capital budgets and expenditures, this may result in continued 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 led to an unprecedented reduction in demand for oil and natural gas. Market events and conditions, including global excess crude oil, natural gas and petroleum product supply, as a result of actions taken by OPEC and non-OPEC oil and natural gas exporting countries to set and maintain increased production levels and influence crude oil prices alongside decreased global demand due to the COVID-19 pandemic, have, until recently, caused significant weakness and volatility in commodity and petroleum product prices and corresponding reductions in industry capital and operating budgets. Recently, while oil prices have risen based on

speculation of potential oil supply disruptions and receding market concern regarding the COVID-19 continued pressure on oil consumption, it is expected that prices will remain highly volatile and may experience continued downward pressure throughout the year. 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 expenditure 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. These market conditions have 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 the Company operates. 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 in the demand for oilfield services provided by the Company, which could adversely impact the Company's 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.

Additionally, the availability and pricing of alternative sources of energy, a potential shift to lower carbon intensive energy sources or a shift to a lower carbon economy, and technological advances may also depress the overall level of oil and natural gas exploration and production activity, similarly impacting the demand for the Company's services.

Although recent geopolitical events, prompted by the Russian Federation's invasion of Ukraine, have caused crude oil prices to increase to above US $90/bbl, it remains unclear what, if any, impact this conflict will have on commodity prices in the medium to longer term.

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 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. Both the Company and its customers may be exposed to interest rate risk as rising inflation rates in North America provide incentive to implement monetary policy raising interest rates, potentially decreasing access to credit. At this time, the Company continues to believe it has adequate bank credit facilities to provide liquidity for its operations.

Laws and Regulations

The Company and its customers are subject to numerous laws and regulations governing their operations and the exploration and development of oil and natural gas, including environmental regulations. Recent oil and natural gas price volatility has had a negative impact on the valuation of oil and natural gas companies and caused a general

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. In particular, pipeline constraints continue to limit the ability of producers to operate more profitably in Canada, with key pipeline permits being cancelled or jeopardized by the US presidential administration, and other pipeline projects facing governmental and societal resistance. 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.

Existing and future environmental and climate change concerns and impacts, including physical impacts to infrastructure, and related laws, regulations, treaties, protocols, policies and other actions, including by investors and activists, could shift demand to lower carbon intensity fossil fuels and energy sources, reduce demand for hydrocarbons and hydrocarbon-based products, increase costs for compliance and maintenance, and have a material impact on the nature of oil and natural gas operations of the Company's customers, which may in turn impact the Company, its operations and financial condition. It could also have an adverse effect on the Company's financing costs, access to liquidity and capital, and insurance coverage, and may result in supply chain disruptions. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels.

Foreign Operations

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. As a result of the COVID-19 pandemic, certain of the Company's international customers reduced capital spending during 2020 and 2021, deferring exploration and appraisal activity and looking to reduce costs on major ongoing projects, which has had and is expected to continue to have a substantial negative impact on the demand for the Company's products and services. In certain countries internationally, operational disruptions due to COVID-19 continued through 2021 and continue to date in 2022, and as a result, the Company continues to experience restricted movements of personnel within and between certain countries, quarantining requirements for rotational staff, logistics delays due to third-party personnel reductions, and some country closures, all of which are and may continue to be disruptive to the Company's operations.

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 acts or 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, negotiation and/or renegotiation of contracts with government entities, 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.

If there is a dispute relating to the Company's international operations, it may be subject to the exclusive jurisdiction of foreign courts. In addition, the Company may not be able to file suits against foreign persons or subject them to the jurisdiction of a court in Canada or the U.S. or be able to enforce judgement or arbitrated awards.

The Company is subject to compliance with certain corrupt practices legislation, which generally prohibit companies from making improper payments to foreign government officials for the purpose of obtaining business. While the Company has developed policies and procedures designed to achieve compliance with such legislation, it could be exposed to potential claims, economic sanctions or other restrictions for alleged or actual violations of international laws related to the Company's international operations, including anti-corruption and anti-bribery legislation, trade laws and trade sanctions. Governmental authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for such violations, including injunctive relief, disgorgement, fines, penalties and modifications to business practices and compliance programs, among other things. While the Company cannot accurately predict the impact of any of these factors, if any of those risks materialize, it could have a material adverse effect on the Company's reputation, business, financial condition, results of operations and cash flow.

Foreign Exchange Exposure

Continued actions taken by governmental authorities in response to the COVID-19 pandemic have 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 principle 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, 2021 was approximately 1.27, as compared with 1.28 at December 31, 2020 and 1.29 at December 31, 2019. Fluctuations in future period exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

Reliance on Key Management and Workforce

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. While the Company strives to retain employees by providing a high quality working environment, no assurance can be provided that the Company will be able to retain or attract key management members. The unexpected loss of key personnel or the inability to retain or recruit skilled personnel could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. No assurance can be provided that the Company will be able to retain or attract key management members.

The Company’s operations are also dependent on attracting, developing and maintaining a skilled workforce. During periods of peak activity levels, or as a result of other economic factors, 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.

The Company is subject to risks relating to the health and safety of its personnel (including key management personnel), as well as the potential for a slowdown or temporary suspension of the Company's operations in locations impacted by an outbreak of COVID-19. A workforce slowdown or suspension could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Operating Risks and Insurance

The Company’s operations are subject to risks inherent in the oilfield services industry. These risks include equipment defects, malfunction and failures, vehicle accidents, equipment shortages, human error, bodily harm, suspension of operations, natural disasters and other catastrophic events, damage to facilities, damage to or destruction of property, equipment and the environment, among others. These risks could expose the Company to substantial legal liability. The frequency and severity of such incidents will affect the Company's operating costs, insurability and relationships with investors, customers, employees, government regulators and the general public. 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 and Cybersecurity

As a result of growing technical demands of resource-related operations, 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. The successful operation of the Company’s business relies on a wide variety of hardware, software, information systems and network services to function at greater levels of efficiency. As such, there are risks that loss of these services, whether due to cybersecurity attacks or failure of the underlying infrastructure, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. In the event of a cybersecurity incident, the Company's information technology systems could be compromised and, in such event, it could experience disruption of operations, a compromise of safety procedures and business processes, loss or damage to information, and/or unauthorized disclosure of personal information, any of which could have a material adverse effect on the Company's reputation and financial condition, diminish the Company's competitive position and result in legal or regulatory action against the Company.

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. The Company's operations and its customer's operations in all jurisdictions may be negatively affected by unpredictable and uncontrollable weather patterns and natural disasters, which could result in increased operating costs (such as insurance), delays or cancellation of operations, any of which could have a material adverse effect on the Company's business and operating results.

Cost Escalation/Suppliers

The Company sources certain key rig components, raw materials, equipment and component parts from a variety of suppliers in Canada, the U.S. and internationally. The Company’s operating costs could increase and become uncompetitive due to inflationary pressures, equipment limitations or other input cost escalations. In addition, supply chain restrictions and disruptions could have a negative impact on the Company's ability to conduct operations and/or increase the cost of its inputs. The Company's inability to control these costs and inputs may impact its operations and profitability and could have an adverse effect the Company’s operating results and cash flows.

Impacts of Industry Merger and Acquisition Activity

Merger and acquisition activity in the oil and natural gas exploration and production sector may impact demand for the Company's services as customers focus on reorganizing their business prior to committing funds to exploration and development projects. Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than the Company. The Company itself may engage in merger and acquisition activity which may impact its relationships with its customers, employees and vendors. The actions of a customer following a merger or acquisition of or by that customer, and the Company's inability to retain existing customers or employees of an entity acquired by it, could have a material adverse impact on the Corporation's business, financial condition, results of operations and cash flows.

Litigation, Contingent Liabilities and Potential Unknown Liabilities

From time to time, the Company is subject to the costs and other effects of legal and administrative proceedings, settlements, reviews, claims and actions. The Company may in the future be involved in disputes with other parties which could result in litigation or other actions, proceedings or related matters. Further, there may be unknown liabilities assumed by the Company in relation to prior or future acquisitions or dispositions as well as environmental or tax exposures. The discovery of any material liabilities could have an adverse effect on the Company's financial condition.

The results of litigation or any other proceedings or related matters are difficult to predict. The Company's assessment of the likely outcome of these matters is based on its judgment of a number of factors including past history, precedents, relevant financial and other evidence and facts specific to the matter as known at the time of the assessment. If the results of any material litigation or other proceedings prove to be negative for the Company, they could have an adverse effect on the Company's reputation, operations and financial condition.

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 3, 2022

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, 2021 and 2020, 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, 2021 and 2020;
- 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, 2021. 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.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators on property and equipment *Refer to note 3 – Significant accounting policies and note 6 – Property and equipment to the consolidated financial statements.* The Company's property and equipment as at December 31, 2021 amounted to $2.5 billion. Property and equipment is reviewed for impairment indicators when events or changes in circumstances indicate that its carrying value may not be recoverable. Management makes judgments to determine if an event has occurred that indicates possible impairment which incorporates an assessment of internal and external factors for each of the Company's CGUs. Those internal and external factors include earnings before interest, taxes, depreciation and amortization (EBITDA) forecasts, commodity prices, expected industry activity levels and changes in market capitalization. As of December 31, 2021, no indicators of impairment were identified. We considered this a key audit matter due to (i) the significance of the property and equipment balance and (ii) the judgment by management in assessing any indicator of impairment, which led to a high degree of auditor's judgment and subjectivity in performing procedures to evaluate management's assessment.	Our approach to addressing the matter included the following procedures, among others: • Evaluated management's assessment of indicators of impairment, which included the following: – Assessed changes in the market capitalization from the prior year, which may indicate a decline in value of the Company's property and equipment. – Assessed management's EBITDA forecasts, commodity prices, expected industry activity levels by considering current and past performance of the Company, external market data and evidence obtained in other areas of the audit, as applicable. – Assessed the completeness of external and internal factors that could be considered as indicators of impairment of the Company's property and equipment, by considering evidence obtained in other areas of the audit.

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 3, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		**December 31 2021**		December 31 2020
(in thousands of Canadian dollars)				
Assets				
Current Assets				
Cash	**$**	**13,305**	$	44,198
Accounts receivable *(Note 20)*		**226,807**		164,395
Inventories, prepaid and other		**49,172**		52,679
Income taxes receivable *(Note 11)*		**580**		290
Total current assets		**289,864**		261,562
Property and equipment *(Note 6)*		**2,512,953**		2,649,702
Deferred income taxes *(Note 11)*		**174,237**		143,229
Total assets	**$**	**2,977,054**	$	3,054,493
Liabilities				
Current Liabilities				
Accounts payable and accruals *(Note 7)*	**$**	**177,932**	$	146,011
Share-based compensation *(Note 8)*		**1,055**		251
Income taxes payable *(Note 11)*		**1,389**		4,005
Current portion of lease obligations *(Note 10)*		**5,260**		8,259
Total current liabilities		**185,636**		158,526
Lease obligations *(Note 9)*		**4,327**		6,042
Long-term debt *(Note 10)*		**1,453,884**		1,384,605
Share-based compensation *(Note 8)*		**7,966**		2,743
Income tax payable *(Note 11)*		**7,647**		4,424
Deferred income taxes *(Note 11)*		**120,100**		128,276
Non-controlling interest		**4,832**		4,853
Total liabilities		**1,784,392**		1,689,469
Shareholders' Equity				
Shareholders' capital *(Note 12)*		**230,376**		230,354
Contributed surplus		**23,197**		23,324
Equity component of subordinate convertible debentures		**2,380**		3,193
Accumulated other comprehensive income		**223,308**		235,277
Retained earnings		**713,401**		872,876
Total shareholders' equity		**1,192,662**		1,365,024
Total liabilities and shareholders' equity	**$**	**2,977,054**	$	3,054,493

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"
Barth Whitham
Director

CONSOLIDATED STATEMENTS OF LOSS

For the years ended December 31 *(in thousands of Canadian dollars, except per share data)*	**2021**	2020
Revenue *(Note 14)*	**$ 995,594**	$ 936,818
Expenses		
Oilfield services	**744,195**	658,201
Depreciation *(Note 6)*	**288,188**	374,705
General and administrative	**38,226**	43,567
Impairment *(Note 6)*	**—**	11,480
Restructuring	**4,580**	16,042
Share-based compensation *(Note 8)*	**6,377**	(2,121)
Foreign exchange and other loss (gain)	**11,102**	(5,726)
Total expenses	**1,092,668**	1,096,148
Loss before interest expense, accretion of deferred financing charges, other losses (gains) and income taxes	**(97,074)**	(159,330)
Loss from investment in joint ventures	**—**	1,349
(Gain) loss on asset sale	**(3,596)**	3,437
Gain on repurchase of unsecured Senior Notes *(Note 10)*	**(7,431)**	(162,849)
Interest expense	**97,596**	107,374
Accretion of deferred financing charges	**10,819**	11,887
Loss before income taxes	**(194,462)**	(120,528)
Income tax (recovery) *(Note 11)*		
Current income tax	**989**	1,140
Deferred income tax recovery	**(39,443)**	(54,928)
Total income tax recovery	**(38,454)**	(53,788)
Net loss from continuing operations	**(156,008)**	(66,740)
Loss from discontinued operations *(Note 5)*	**(3,452)**	(12,799)
Net loss	**$ (159,460)**	$ (79,539)
Net (loss) income attributable to:		
Common shareholders	**(159,475)**	(79,329)
Non-controlling interests	**15**	(210)
	$ (159,460)	$ (79,539)
Net loss attributed to common shareholders per common share *(Note 13)*		
Basic	**$ (0.98)**	$ (0.49)
Diluted	**$ (0.98)**	$ (0.49)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the years ended December 31		**2021**		2020
(in thousands of Canadian dollars)				
Net loss	**$**	**(159,460)**	$	(79,539)
Other comprehensive loss				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment		**(11,969)**		(8,494)
Comprehensive loss	**$**	**(171,429)**	$	(88,033)
Other comprehensive loss attributable to:				
Common shareholders	**$**	**(11,969)**	$	(8,494)
	$	**(11,969)**	$	(8,494)

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	Retained Earnings	Total Equity
Balance, January 1, 2021	$ 230,354	$ 23,324	$ 3,193	$ 235,277	$ 872,876	$ 1,365,024
Net loss attributed to common shareholders	—	—	—	—	(159,475)	(159,475)
Other comprehensive loss	—	—	—	(11,969)	—	(11,969)
Total comprehensive loss	—	—	—	(11,969)	(159,475)	(171,444)
Convertible debenture amendment *(Note 10)*	—	—	(813)	—	—	(813)
Common shares issued under share option plan	11	(6)	—	—	—	5
Share-based compensation *(Note 8)*	—	1,063	—	—	—	1,063
Common shares vested previously held in trust *(Note 12)*	1,184	(1,184)	—	—	—	—
Purchase of common shares held in trust *(Note 12)*	(1,173)	—	—	—	—	(1,173)
Balance, December 31, 2021	**$ 230,376**	**$ 23,197**	**$ 2,380**	**$ 223,308**	**$ 713,401**	**$ 1,192,662**
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	—	—	—	—	(9,787)	(9,787)
Share-based compensation *(Note 8)*	—	581	—	—	—	581
Common shares vested previously held in trust *(Note 12)*	1,223	(1,223)	—	—	—	—
Purchase of common shares held in trust *(Note 12)*	(969)	—	—	—	—	(969)
Balance, December 31, 2020	$ 230,354	$ 23,324	$ 3,193	$ 235,277	$ 872,876	$ 1,365,024

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31	**2021**	2020
(in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net loss	**$ (159,460)**	$ (79,539)
Items not affecting cash		
Depreciation *(Note 6)*	**288,188**	374,705
Loss from discontinued operations, net of cash *(Note 5)*	**—**	9,468
Impairment *(Note 6)*	**—**	11,480
Share-based compensation	**6,377**	(2,121)
Loss from investments in joint ventures	**—**	1,349
(Gain) loss on asset sale	**(3,596)**	3,437
Gain on repurchase of unsecured Senior Notes *(Note 10)*	**(7,431)**	(162,849)
Unrealized foreign exchange and other gain	**(2,355)**	(9,998)
Accretion of deferred financing charges *(Note 10)*	**10,819**	11,887
Interest expense	**97,596**	107,374
Deferred income tax recovery *(Note 11)*	**(39,443)**	(54,928)
Funds flow from operations	**190,695**	210,265
Net change in non-cash working capital *(Note 18)*	**(12,053)**	36,709
Cash provided by operating activities	**178,642**	246,974
Investing activities		
Acquisition of 35 drilling rigs, related equipment, land and buildings *(Note 6)*	**(117,928)**	—
Purchase of property and equipment *(Note 6)*	**(65,252)**	(50,242)
Proceeds from disposals of property and equipment	**7,228**	31,829
Acquisition of joint venture, net of cash	**—**	(31,885)
Net change in non-cash working capital *(Note 18)*	**1,366**	59
Cash used in investing activities	**(174,586)**	(50,239)
Financing activities		
Proceeds from long-term debt *(Note 10)*	**162,269**	121,520
Repayments of long-term debt *(Note 10)*	**(89,532)**	(164,518)
Lease obligation principal repayments	**(6,845)**	(9,216)
Interest paid	**(99,751)**	(107,956)
Purchase of common shares held in trust *(Note 12)*	**(1,173)**	(969)
Cash dividends	**—**	(19,574)
Cash used in financing activities	**(35,032)**	(180,713)
Net (decrease) increase in cash	**(30,976)**	16,022
Effects of foreign exchange on cash	**83**	(232)
Cash		
Beginning of year	**44,198**	28,408
End of year	**$ 13,305**	$ 44,198

See accompanying notes to the consolidated financial statements.

1. NATURE OF BUSINESS

Ensign Energy Services Inc. is incorporated under the laws of the Province of Alberta, Canada. The address of its registered 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 3, 2022, 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) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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 indicators 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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 statements of loss in the period in which it is incurred.

(k) 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.

(l) 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 9.

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 is comprised of IT equipment.

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

(m) 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.

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.

(n) 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.

(o) Government subsidies

When the Company receives or is eligible for government subsidies, including those introduced in response to the impact of COVID-19. Government subsidies are recognized when there is reasonable assurance that the Company will comply with the conditions attached to the subsidy and the subsidy will be received. Government subsidies related to current expenses are recorded as a reduction of the related expenses.

(p) 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 20.

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 6.

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 8.

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 11.

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 20.

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. Consideration is given to internal and external factors, such as, earnings before interest, taxes depreciation and amortization forecasts, commodity prices, expected industry activity levels and changes in market capitalization. Information regarding management's impairment indicator assessment is included in Note 6.

Deferred income tax assets

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

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. DISCONTINUED OPERATIONS

During 2020, the Company discontinued the operations of a subsidiary that was acquired through the Trinidad Drilling Ltd. acquisition and discontinued its Kurdistan branch.

Financial performance and cash flow information

The financial performance and cash flow presented reflects the operations for the year ended December 31, 2021 and the impact to the comparative consolidated statements of cash flows is as follows:

		2021		2020
Revenue	**$**	**—**	$	37
Oilfield services		**3,452**		4,836
Asset write-down		**—**		7,956
Loss before income taxes		**(3,452)**		(12,755)
Current income tax		**—**		44
Loss from discontinued operations	**$**	**(3,452)**	$	(12,799)
Net loss per common share from discontinued operations				
Basic		**(0.02)**		(0.08)
Diluted		**(0.02)**		(0.08)
Funds flow from operations	**$**	**(3,452)**	$	(3,331)
Net decrease in cash generated by discontinued operations	**$**	**(3,452)**	$	(3,331)

6. PROPERTY AND EQUIPMENT

	Rig and related equipment	Automotive and other equipment	Land and buildings	Total
Cost:				
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 [1]	(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
Acquisition of 35 drilling rigs, related equipment, land and buildings	107,928	—	10,000	117,928
Additions	63,777	1,126	349	65,252
Additions of leased assets	—	2,880	—	2,880
Disposals [1]	(92,099)	(636)	(712)	(93,447)
Asset decommissioning	(257,758)	—	—	(257,758)
Effects of foreign exchange	(55,275)	(4,117)	(534)	(59,926)
Balance at December 31, 2021	**$ 5,595,292**	**$ 125,702**	**$ 102,167**	**$ 5,823,161**
Accumulated depreciation and write-downs				
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 [1]	34,694	9,578	1,790	46,062
Asset decommissioning	32,573	—	—	32,573
Effects of foreign exchange	17,327	(1,316)	68	16,079
Discontinued operations	(7,956)	—	—	(7,956)
Balance at December 31, 2020	(3,240,549)	(126,160)	(31,821)	(3,398,530)
Depreciation	(283,956)	(1,336)	(2,896)	(288,188)
Disposals [1]	89,371	566	44	89,981
Asset decommissioning	257,758	—	—	257,758
Effects of foreign exchange	25,867	2,699	205	28,771
Balance at December 31, 2021	**$ (3,151,509)**	**$ (124,231)**	**$ (34,468)**	**$ (3,310,208)**
Net book value:				
At December 31, 2020	$ 2,588,170	$ 289	$ 61,243	$ 2,649,702
At December 31, 2021	**$ 2,443,783**	**$ 1,471**	**$ 67,699**	**$ 2,512,953**

1 Relates to end of life equipment that has been fully depreciated.

Property and equipment includes equipment under construction of $28,431 (2020 - $27,579) that has not yet been subject to depreciation. During the year, the Company acquired a fleet of 35 land-based drilling rigs located in Canada as well as related equipment and certain real property for $117,928. Furthermore, the Company disposed of $93,447 worth of property & equipment that was depreciated to its salvage value (2020 - $55,708).

For year ended December 31, 2021, leased asset depreciation was $5,895 (2020 - $10,074) which is included with total depreciation of $288,188 (2020 - $374,705).

Asset decommissioning

In the Company's Canadian operations, in 2021, nine under-utilized drilling rigs were moved into reserve fleet and 16 non-marketed drilling rigs were decommissioned. In the Company's United States operations, in 2021, one well servicing rig was added to the fleet, 29 under-utilized drilling rigs were moved into reserve fleet, and nine non-marketed drilling rigs were decommissioned. In the international operations, in 2021, one drilling rig was sold from the Company's discontinued operations in Kurdistan, six under-utilized drilling rigs were moved into reserve fleet and four non-marketed drilling rigs were decommissioned. The decommissioned drilling rigs were fully depreciated.

Impairment

As at December 31, 2021, management performed an impairment indicator analysis, incorporating an assessment of internal and external factors for each of the Company's CGUs. From the assessment performed, management did not identify any indicators of impairment.

As at December 31, 2020, the Company reviewed 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 was 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%.

As 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 an additional impairment of $2,300 if cash flows were to be 5% lower or if the discount rate increased by 0.5%.

7. ACCOUNTS PAYABLE AND ACCRUALS

	December 31 2021	December 31 2020
Trade payables	**$ 76,929**	$ 35,470
Accrued liabilities	**36,869**	36,881
Accrued payroll	**46,092**	38,499
Interest payable	**11,453**	14,169
Deferred revenue	**5,380**	9,092
Other liabilities	**1,209**	11,900
	$ 177,932	$ 146,011

8. 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 exercisable for up to 14,879,300 Common Shares (2020 - 14,885,900). The options' exercise price equals the market price of the Common Shares on the date of grant. Share options that are granted vest evenly over a period of five years.

The total intrinsic value of the liability for vested benefits at December 31, 2021 was $2,009 (2020 - $952).

A summary of the Company's share option plan as of December 31, 2021 and 2020 and the changes during the years then ended, is presented below:

	2021		2020	
	Number of Share Options	Weighted Average Exercise Price	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1	4,028,330	$ 4.73	5,408,900	$ 6.53
Granted	1,353,950	1.56	1,362,525	0.54
Exercised	(30,015)	0.68	(1,900)	0.54
Forfeited	(246,880)	4.36	(1,629,270)	5.46
Expired	(667,800)	7.98	(1,111,925)	7.28
December 31	**4,437,585**	**$ 3.30**	**4,028,330**	**$ 4.73**
Exercisable - December 31	**2,176,025**	**$ 4.28**	**1,961,555**	**$ 5.80**

The weighted average share price at the date of exercise of options in 2021 was $0.68 per common share (2020 - $0.54).

The following table lists the options outstanding at December 31, 2021:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$0.54 to $1.60	2,332,685	3.57	$ 1.12	657,685	$ 0.95
$1.61 to $5.60	844,800	1.00	5.60	678,100	5.60
$5.61 to $6.02	1,260,100	1.68	5.80	840,240	5.82
	4,437,585	2.54	$ 3.30	2,176,025	$ 4.28

The assumptions used to estimate the fair value of employee share options as at December 31, 2021 were:

	December 31 2021	December 31 2020
Remaining expected life (years)	**1.9**	1.8
Volatility (percent)	**40.0**	40.0
Forfeiture rate (percent)	**7.6**	7.7
Risk-free interest rate (percent)	**1.0**	0.2
Expected dividend (percent)	**—**	—

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 employee 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, 2021 and 2020 and the changes during the years ended, is presented below:

		2021		2020
	Number of SARs	Weighted Average Exercise Price	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1	491,480	$ 4.83	631,955	$ 6.42
Granted	188,700	1.56	161,690	0.54
Exercised	(6,080)	0.54	—	—
Forfeited	(79,315)	4.53	(181,065)	4.90
Expired	(68,000)	7.98	(121,100)	7.30
Outstanding - December 31, 2021	**526,785**	**$ 3.34**	491,480	$ 4.83
Exercisable - 44561	**255,810**	**$ 4.36**	245,634	$ 5.82

The following table lists the SARs outstanding at December 31, 2021:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
$0.54 to $1.60	277,020	3.62	$ 1.18	75,291	$ 1.02
$1.60 to $5.60	86,600	1.00	5.60	69,120	5.60
$5.61 to $6.02	163,165	1.59	5.83	111,399	5.85
	526,785	2.56	$ 3.34	255,810	$ 4.36

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 by a certain performance factor.

A summary of the activity under this incentive plan is presented below:

	2021	2020
Outstanding – January 1	**3,884,634**	2,564,170
Granted	**3,757,701**	2,199,084
Granted through dividend payment	**—**	602,149
Vested and paid	**(710,034)**	(735,420)
Forfeited	**(186,718)**	(745,349)
Outstanding - December 31	**6,745,583**	3,884,634

Included in net earnings for the year ended December 31, 2021, is an expense of $3,921 (2020 - a recovery of $3,303). 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. Any aggregate payout amounts with respect to PSUs following maturity is subject to a cap of two percent of the Adjusted EBITDA in the final year of the term of applicable PSU award.

Deferred Share Units (DSUs)

The Company awards annually members of the Board of Directors to those who elect DSUs and represent cash settled rights to common shares. The valuation on the DSUs is based on the volume weighted average trading price of the Common Share for the five business days immediately prior to the date the DSUs are credited. DSUs vest and are paid upon the retirement of the Director.

A summary of the activity under this incentive plan is presented below:

	2021	2020
Outstanding – January 1	**979,974**	399,611
Granted	**177,560**	526,461
Granted through dividend payment	**—**	53,902
Outstanding - December 31	**1,157,534**	979,974

9. LEASE OBLIGATIONS

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

	December 31 2021	December 31 2020
Right-of-use assets		
Properties	**$ 3,129**	$ 4,725
Vehicles	**5,794**	7,250
	$ 8,923	$ 11,975
Lease liabilities		
Current	**$ 5,260**	$ 8,259
Non-current (expire from time to time up to 2026)	**4,327**	6,042
	$ 9,587	$ 14,301

10. LONG-TERM DEBT

	December 31 2021	December 31 2020
Drawings on the Credit Facility	$ 897,482	$ 807,732
Unsecured Senior Notes, due April 2024, 9.25%	528,428	565,294
Subordinate convertible debentures, due May, 2023, 7.75%	35,229	36,818
Mortgage	10,000	—
Unamortized deferred financing costs	(17,255)	(25,239)
Total long-term debt	$ 1,453,884	$ 1,384,605

The Credit Facility

As at December 31, 2021, 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 (2020 - $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 17, 2021, the Company amended and restated its existing credit agreement with its syndicate of lenders, which provides a revolving Credit Facility. The amendments include an extension to the maturity date of the Credit Facility to the earlier of: (i) six months prior to maturity date of the unsecured Senior Notes (the "**Senior Notes**") due April 15, 2024, and (ii) November 25, 2024. No principal payments are due until then. The amended and restated Credit Facility provides the Company with continued access to revolver capacity in dynamic industry environment.

The Credit Facility has the following financial covenant requirements:

- A Consolidated EBITDA requirement of not less than $140,000 for Fiscal Quarters ending December 31, 2021, March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022.
- The replacement of the minimum Consolidated EBITDA requirement of $140,000 with a Consolidated Total Debt to Consolidated EBITDA ratio of 5.00:1.00 beginning for the Fiscal Quarter ending March 31, 2023.
- The Consolidated EBITDA to Consolidated Interest Expense ratio shall not be less than: (i) 1.75:1.00 for the Fiscal Quarter ending December 31, 2021, (ii) 2.00:1.00 for the Fiscal Quarter ending March 31, 2022, (iii) 2.25:1.00 for the Fiscal Quarters ending June 30, 2022, and September 30, 2022, and (iv) 2.50:1.00 thereafter.
- The Consolidated Senior Debt to Consolidated EBITDA ratio shall not exceed: (i) 4.00:1.00 for the Fiscal Quarter ending December 31, 2021, (ii) 3.50:1.00 for the Fiscal Quarter ending March 31, 2022, (iii) 3.25:1.00 for the Fiscal Quarters ending June 30, 2022, and September 30, 2022, (iv) 3.00:1.00 for the Fiscal Quarter ending December 31, 2022, and (v) 2.50:1.00 thereafter.

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

- if 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 the combined aggregate repayment, redemption or repurchase price of all such Senior Notes and Convertible Debentures repaid, repurchased or redeemed does not exceed one-third of the net proceeds received by the Company from Permitted Dispositions completed after January 1, 2021; and

- 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.

The Company accounted for these amendments as a modification to its existing agreement.

As at December 31, 2021, 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 the Senior Notes due 2024 and bearing interest of 9.25%. Interest is payable semi-annually in arrears on April 15 and October 15. The maturity date of Senior Notes is April 15, 2024. The Senior Notes are callable on or after April 15, 2021 at 104.625%, April 15, 2022 at 102.313% and at 100% on or after April 15, 2023. During 2021, the Company purchased US $25,684 (2020 - US $198,730) of the Senior Notes and recorded a gain on purchase of $7,431 (2020 - $162,849).

Interest accrued on the Senior Notes at December 31, 2021 was $10,455 (2020 - $11,184) and has been included in accounts payable and accruals on the Consolidated Statements of Financial Position.

Subordinate Convertible Debentures

The Company has a non-brokered private placement of subordinate convertible debentures (the "**Convertible Debentures**") for aggregate gross proceeds of $37,000. On March 29, 2021 the Company amended the terms of the Convertible Debentures to:

i. extend the maturity date from January 31, 2022 to May 1, 2023;
ii. increase the interest rate from 7.00% to 7.75% per annum payable semi-annually in arrears, on April 1 and October1; and
iii. reduce the Conversion Price from $7.00 to $1.75.

The Company accounted for these amendments as an extinguishment of debt, which resulted in the Company derecognizing the liability and equity associated with the existing debt, and recognizing the liability and equity based on the calculation of the fair value of the amended debt. The difference between the fair value of the existing and the amended debt was recorded as a gain in the current period.

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.

Letter of Credit Facility

In addition, the Company has a US $50,000 secured Letters of Credit Facility. As of December 31, 2021, the available amount was US $8,070 (2020 - US $11,994).

Mortgage

In December 2021, the Company secured a $10,000 mortgage (the "**Mortgage**"). The Mortgage is secured with various real properties. The interest rate varies from 10.00% to 14.00% over the course of the agreement. The Mortgage maturity date is six months following the Credit Facility maturity date, with the Company option of early redemption.

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:

		2021
Opening balance	$	**1,384,605**
Proceeds from long-term debt, net of debt issuance costs		**162,269**
Long-term debt repayments		**(89,532)**
Gain on repurchase of Senior Notes		**(7,431)**
Convertible Debentures fair value adjustment		**(1,588)**
Amortization of debt issuance costs		**10,819**
Foreign exchange adjustments		**(5,258)**
Ending balance	$	**1,453,884**

11. INCOME TAXES

Analysis of deferred tax asset (liability):

		December 31 2021		December 31 2020
Property and equipment	$	**(383,886)**	$	(440,774)
Share-based compensation		**2,081**		575
Non-capital losses (expire from time to time up to 2038)		**416,318**		432,636
Other		**19,624**		22,516
Net deferred tax asset	$	**54,137**	$	14,953

Movement of deferred tax asset:

		December 31 2021		December 31 2020
Opening deferred tax asset (liability)	$	**14,953**	$	(42,033)
Deferred tax recovery		**39,443**		54,928
Foreign exchange impact		**(259)**		2,058
Net deferred tax asset	$	**54,137**	$	14,953

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 2021**		December 31 2020
Loss before income taxes	$	**(194,462)**	$	(120,528)
Income tax rate		**24.3 %**		24.9 %
Expected income tax expense		**(47,215)**		(30,084)
Increase (decrease) from:				
Effective tax rate on foreign operations		**6,485**		(6,605)
Non-deductible expenses		**(1,617)**		1,306
Withholding taxes and other		**(1,366)**		2,119
Functional currency translation adjustment and true up		**5,259**		(1,072)
Rate change impact on deferred taxes		**—**		(19,452)
Income tax recovery	$	**(38,454)**	$	(53,788)

12. SHAREHOLDERS' CAPITAL

(a) Authorized

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

(b) Issued, fully paid and outstanding

	2021		2020	
	Number of Common Shares	Amount	Number of Common Shares	Amount
Opening balance – January 1	161,833,756	$ 230,354	162,665,576	$ 230,100
Shares issued under employee stock option plan	6,600	11	—	—
Changes in unvested shares held in trust	129,122	11	(831,820)	254
Closing balance - December 31	**161,969,478**	**$ 230,376**	**161,833,756**	**$ 230,354**

The total number of unvested shares held in trust for share-based compensation plans as at December 31, 2021 was 1,155,745 (December 31, 2020 – 1,284,867).

13. 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 2021	December 31 2020
Net loss attributable to common shareholders:		
Basic and diluted	**$ (159,475)**	$ (79,329)
Weighted average number of common shares outstanding:		
Basic	**162,541,464**	161,667,010
Potentially dilutive share-based compensation plans [1]	**653,860**	260,241
Diluted	**163,195,324**	161,927,251

[1] *There is no dilution effect as the Company is in loss position.*

Share options of 3,433,150 (2020 – 2,951,395) were excluded from the calculation of diluted weighted average number of common shares outstanding as they were anti-dilutive.

14. 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, 2021	Canada	United States	International	Total
Revenue	249,679	538,896	207,019	995,594
Depreciation	76,457	152,870	58,861	288,188
Loss before interest expense, accretion of deferred financing charges, other gains (losses) and income taxes	(16,281)	(48,064)	(32,729)	(97,074)
Total assets	900,037	1,487,276	589,741	2,977,054
Total liabilities	1,514,758	218,253	51,381	1,784,392
Purchase of property & equipment, net	131,721	33,806	10,425	175,952

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) income before financing charges, other (losses) gains 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

For the years ended December 31	**2021**	2020
Rig rental revenue	**$ 657,848**	$ 583,191
Service revenue	**337,746**	353,627
Total revenue	**$ 995,594**	$ 936,818

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, 2021 and 2020 the Company had no customers that represented 10 percent or more of the Company's revenue.

15. EXPENSES BY NATURE

	December 31 2021	December 31 2020
Salaries, wages and benefits [1]	**$ 598,046**	$ 569,382
Wage subsidy [1]	**(16,029)**	(19,440)
Share-based compensation	**6,377**	(2,121)
Total employee costs	**588,394**	547,821
Depreciation	**288,188**	374,705
Impairment	**—**	11,480
Purchased materials, supplies and services	**204,984**	167,868
Foreign exchange and other	**11,102**	(5,726)
Total expenses before interest expense, accretion of deferred financing charges, other gains (losses) and income taxes	**$ 1,092,668**	$ 1,096,148

[1] *Comparative salaries, wages, and benefits, and wage subsidy have been revised to conform with current year's presentation.*

16. 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 2021	December 31 2020
Short-term compensation	**$ 2,310**	$ 2,959
Share-based compensation	**354**	448
Total management compensation	**$ 2,664**	$ 3,407

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

17. 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, 2021:

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	
			2021	2020
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
Ensign (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 WLL	USD	Bahrain	100	100
TDL Bahrain WLL	USD	Bahrain	100	100
TDL Kuwait For Oil Rigs and Natural Gas	USD	Kuwait	100	100
OFS Global Inc.	USD	United States	100	100

18. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash working capital

	December 31 2021	December 31 2020
Net change in non-cash working capital		
Accounts receivable	**$ (58,848)**	$ 125,407
Inventories, prepaid and other	**6,251**	1,580
Accounts payable and accruals	**40,761**	(83,100)
Income taxes receivable/payable	**1,149**	2,668
Cash dividends payable	**—**	(9,787)
	$ (10,687)	$ 36,768
Relating to:		
Operating activities	**$ (12,053)**	$ 36,709
Investing activities	**1,366**	59
	$ (10,687)	$ 36,768

19. CAPITAL MANAGEMENT STRATEGY

The Company's objectives when managing capital are to exercise financial discipline, and to deliver positive returns 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, Mortgage 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, 2021, the Credit Facility's drawings totaled $897,482 (2020 - $807,732), Senior Notes totaled $528,428 (2020 - $565,294), Convertible Debentures totaled $37,000 (2020 - $37,000), the Mortgage totaled $10,000 (2020 - $nil) and shareholders' equity totaled $1,192,662 (2020 - $1,365,024).

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.

20. 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, 2021.

Financial assets and liabilities recorded or disclosed at fair value in the Consolidated Statements 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 2021**		December 31 2020	
(in thousands of Canadian dollars)	**Fair value**	**Carrying value**	Fair Value	Carrying value
Financial liabilities at fair value through profit or loss:				
Senior Notes, due 2024	**507,291**	**528,428**	339,176	565,294
Convertible Debentures	**35,229**	**35,229**	36,818	36,818
Mortgage	**10,000**	**10,000**	—	—
Lease obligations	**9,587**	**9,587**	14,301	14,301
Non-controlling interests liability	**4,832**	**4,832**	4,853	4,853

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, 2021.

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, 2021 or January 1, 2021 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, 2021 and December 31, 2020 was determined as follows for trade receivables:

As at December 31, 2021	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 %	41.0 %	
Gross carrying amount [1]	92,373	60,190	14,414	23,780	190,757
Loss allowances	1,847	3,010	2,162	9,762	16,781

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

[1] Gross carrying amount excludes unbilled revenue and other receivables of $52,832 for year ended December 31, 2021 (2020 - $41,757)

As part of the Company's international operations, it provided oilfield services in Venezuela pursuant to contracts that expired or were terminated in or prior to the second quarter of 2020. As at December 31, 2021, the Company had accounts receivable of approximately $5,192 for work performed pursuant to these contracts in Venezuela. Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in that country as well as government-imposed sanctions that restrict the Company's activities in and related to Venezuela, 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, 2021 reconcile to the opening loss allowances as follows:

	2021	2020
Opening balance - January 1	**$ 16,566**	$ 14,625
Increase in loss allowance recognized in profit or loss	**1,379**	3,437
Receivables written off as uncollectible	**(1,120)**	(1,280)
Effect of movement in exchange rates	**(44)**	(216)
Closing balance - December 31	16,781	$ 16,566

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, 2021, the remaining contractual maturities of accounts payable and accruals and cash dividends payable are less than one year.

On December 17, 2021, the Company amended and extended the existing $900,000 Credit Facility agreement with its syndicate of lenders. For details of amendments, refer note 10. The amendments and 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, 2021		< 1 Year [2]		1-3 Years [2]		4-5 Years		Total
Senior Notes	$	48,880	$	590,885	$	—	$	639,765
Credit Facility[1]		46,720		981,625		—		1,028,345
Convertible Debentures		2,868		38,666		—		41,534
Mortgage		1,141		12,662		—		13,803
Lease obligations		5,434		5,623		92		11,149
Total	$	105,043	$	1,629,461	$	92	$	1,734,596

As at December 31, 2020		< 1 Year [2]		1-3 Years [2]		4-5 Years		Total
Senior Notes	$	53,015	$	685,990	$	—	$	739,005
Credit Facility		44,380		847,481		—		891,861
Convertible Debentures		2,590		37,866		—		40,456
Lease obligations		7,690		8,192		691		16,573
Total	$	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, 2021 and the applicable bankers' acceptance/ LIBOR interest rates outstanding as at December 31, 2021. USD denominated balances are converted using the foreign exchange rate as of December 31, 2021.*

[2] *Includes interest of $99,609 for the less than one year and $150,928 for the 1-3 year terms respectively (2020 - $99,985 and $161,315 respectively).*

Market risk

Market risk is the risk that changes in market rates and 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, 2021, 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 $2,244 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 largely 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 materially changed due to the COVID-19 pandemic.

At December 31, 2021, 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 $691 higher or lower.

21. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, the Company completed the sale of two 3,000 HP AC drilling rigs that were cold-stacked in Mexico for cash proceeds of US $34,000. Proceeds from the rig sale were used to retire the $10,000 mortgage and $22,000 of the outstanding Credit Facility. The transaction resulted in a gain of US $23,900 before taxes.

Share Trading Summary

For the three months ended (Unaudited)	High ($)	Low ($)	Close ($)	Volume	Value ($)
2021					
March 31	**1.60**	**0.90**	**1.12**	**39,317,867**	**47,810,697**
June 30	**2.50**	**1.00**	**2.24**	**42,636,155**	**71,846,808**
September 30	**2.31**	**1.45**	**1.88**	**28,500,195**	**50,879,322**
December 31	**2.30**	**1.40**	**1.67**	**23,086,421**	**44,196,675**
Total				**133,540,638**	**214,733,502**

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

10 Year Financial information

(Unaudited - $ thousands, except per share data)	2021	2020	2019	2018	2017
Revenue	995,594	936,818	1,591,338	1,156,283	1,000,650
Gross margin	251,399	278,617	457,010	301,007	240,950
Gross margin % of revenue	25.3 %	29.7 %	28.7 %	26.0 %	24.1 %
Adjusted EBITDA	213,173	241,525	412,468	256,828	201,784
Depreciation	288,188	374,705	363,144	415,036	325,811
Net (loss) income attributable to common shareholders	(159,475)	(79,329)	(162,905)	58,302	(37,644)
Net (loss) income per common share					
Basic	$(0.98)	$(0.49)	$(1.02)	$0.37	$(0.24)
Diluted	$(0.98)	$(0.49)	$(1.02)	$0.37	$(0.24)
Funds from operations	190,695	210,265	372,234	277,624	141,438
Funds from operations per common share					
Basic	$1.17	$1.30	$2.33	$1.77	$0.90
Diluted	$1.17	$1.30	$2.33	$1.77	$0.90
Net capital expenditures, excluding acquisitions	175,952	18,413	96,009	73,296	117,712
Acquisitions	—	31,885	—	320,341	—
Working capital (deficit)	104,228	103,036	131,107	(156,223)	(342,199)
Long-term debt, net of current portion	1,453,884	1,384,605	1,581,529	1,340,352	252,676
Shareholders' equity	$1,192,662	1,365,024	1,462,022	1,790,683	1,689,376
Return on average shareholders' equity	(13.4)%	(5.8)%	(11.1)%	3.3 %	(2.2)%
Long-term debt to equity	1.23:1	1.01:1	1.08:1	0.75:1	0.15:1
Weighted avg. common shares outstanding - basic	162,541,464	161,667,010	159,598,788	156,862,920	156,545,624
Closing share price - December 31	$1.67	$0.91	$2.85	$4.79	$6.47

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

10 Year Financial information

(Unaudited - $ thousands, except per share data)	2016	2015	2014	2013	2012
Revenue	859,702	1,390,978	2,321,765	2,098,011	2,197,321
Gross margin	237,676	395,953	635,370	573,838	641,812
Gross margin % of revenue	27.6 %	28.5 %	27.4 %	27.4 %	29.2 %
Adjusted EBITDA	185,173	329,010	542,262	485,712	560,975
Depreciation	349,947	335,513	298,854	248,026	220,227
Net (loss) income attributed to common shareholders	(150,522)	(104,049)	71,120	128,865	217,522
Net (loss) income per common share					
Basic	$(0.99)	$(0.68)	$0.47	$0.84	$1.42
Diluted	$(0.98)	$(0.68)	$0.46	$0.84	$1.42
Funds from operations	170,651	296,273	491,886	435,611	506,355
Funds from operations per common share					
Basic	$1.12	$1.94	$3.22	$2.85	$3.32
Diluted	$1.11	$1.94	$3.21	$2.84	$3.31
Net capital expenditures, excluding acquisitions	29,120	159,033	582,999	342,225	306,689
Acquisitions	—	—	—	76,408	—
Working capital (deficit)	(11,153)	144,239	189,698	(71,146)	13,861
Long-term debt, net of current portion	583,269	794,109	786,327	317,407	296,589
Shareholders' equity	1,832,489	2,086,596	2,045,237	1,962,569	1,857,958
Return on average shareholders' equity	(8.2)%	(5.0)%	3.5 %	6.7 %	12.1 %
Long-term debt to equity	0.32:1	0.38:1	0.38:1	0.16:1	0.16:1
Weighted avg. common shares outstanding - basic	152,759,973	152,476,615	152,710,636	152,693,280	152,664,447
Closing share price - December 31	$9.38	$7.38	$10.20	$16.73	$15.37

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, US

ELDON CULSHAW
Vice President, Canada

BRENT CONWAY
Executive Vice President, International

TREVOR RUSSELL
Vice President, Finance

AHMED IQBAL
Vice President, Corporate Controller

JONATHAN BASKEYFIELD
Vice President, Tax

PATRICK KEARLEY
Vice President, Global HSE & Field Training

CATHY ROBINSON
Vice President, Global Human

SUZANNE DAVIES
Vice President Legal and Corporate Secretary

RICK PINGEL
Vice President, Global Supply Chain

JAKE HAMDAN
Vice President, Engineering

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HSBC Bank Canada
Bank of Montreal

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: ESI

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Trust Company of Canada

COMMITTEE MEMBERS

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

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drilling | directional drilling | well servicing