ENSIGN ENERGY SERVICES INC.

2018 ANNUAL REPORT

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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 partnerships ("**Ensign**" or the "**Company**") should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2018, which are available on SEDAR at www.sedar.com.

This MD&A and the audited consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated and are stated in thousands, except for: per share amounts, number of drilling rigs and operating days. This MD&A is dated March 7, 2019. Additional information, including the Company's Annual Information Form for the year ended December 31, 2017, is available on SEDAR at www.sedar.com. The Company's Annual Information Form for the year ended December 31, 2018 is expected to be filed on SEDAR prior to March 31, 2019.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

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

Disclosure related to expected future energy commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, international operations, operating costs, annualized operating synergies as a result of the Trinidad Acquisition (as defined below), completion of the repayment of the Trinidad Notes (as defined below), capital expenditures and other future guidance provided throughout this MD&A, including, but not limited to, information provided in the "Funds Flow From Operations and Working Capital" section regarding the Company's expectation that funds generated by operations combined with current and future credit facilities will support current operating and capital requirements, information provided in the "New Builds and Major Retrofits" section regarding the new build program, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for 2019, constitute forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks. The reader should not place undue reliance on these forward-looking statements as there can be no assurance that the plans, initiatives or expectations upon which they are based will occur.

The forward-looking statements are based on current expectations, estimates and projections about the Company and the industry 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, and are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such 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 oil and natural gas 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; ability of the Company to implement its business strategy; impact of competition; the Company's defense of lawsuits; availability and cost of labor and other equipment, supplies and services; ability of the Company and its subsidiaries to complete their capital programs; operating hazards and other difficulties inherent in the operation of the Company's oilfield services equipment; availability and cost of financing; 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; and other circumstances that may affect 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 developments and by national, regional and local laws and regulations such as changes in taxes, royalties and other amounts payable to governments or governmental agencies and environmental protection regulations. Should one or more of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results may vary in material respects from those projected in 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 may 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. Readers are cautioned that the foregoing list of important factors is not exhaustive. Unpredictable or unknown factors not discussed in this report could also have material adverse effects on forward-looking statements or results of operations. Although the Company believes that the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. Except as required by law, the Company assumes no obligation to update forward-looking statements should circumstances or the Company's estimates or opinions change.

NON-GAAP MEASURES

This MD&A contains references to Adjusted EBITDA, Adjusted EBITDA per share, Funds flow from operations, Funds flow from operations per share and Revenue net of third party. These measures do not have any standardized meaning prescribed by IFRS and accordingly, may not be comparable to similar measures used by other companies. The non-GAAP measures included in this MD&A should not be considered as an alternative to, or more meaningful than, the IFRS measure from which they are derived or to which they are compared. 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

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

	2018	2017	Change	% change	2016	Change	% change
Revenue	**1,156,357**	1,000,650	155,707	16	859,702	140,948	16
Revenue, net of third party [1]	**1,021,913**	873,864	148,049	17	755,857	118,007	16
Adjusted EBITDA [2]	**255,677**	201,784	53,893	27	185,173	16,611	9
Adjusted EBITDA per share [2]							
Basic	**$ 1.63**	$ 1.29	$ 0.34	26	$ 1.21	$ 0.08	7
Diluted	**$ 1.63**	$ 1.29	$ 0.34	26	$ 1.21	$ 0.08	7
Net income (loss) attributable to shareholders	**58,302**	(37,644)	95,946	nm	(150,522)	112,878	75
Net income (loss) per share							
Basic	**$ 0.37**	$ (0.24)	$ 0.61	nm	$ (0.99)	$ 0.75	76
Diluted	**$ 0.37**	$ (0.24)	$ 0.61	nm	$ (0.98)	$ 0.74	76
Cash provided by operating activities	**152,133**	135,147	16,986	13	165,336	(30,189)	(18)
Funds flow from operations [3]	**225,939**	141,438	84,501	60	170,651	(29,213)	(17)
Funds flow from operations per share [3]							
Basic	**$ 1.44**	$ 0.90	$ 0.54	60	$ 1.12	$ (0.22)	(20)
Diluted	**$ 1.44**	$ 0.90	$ 0.54	60	$ 1.11	$ (0.21)	(19)
Total assets	**3,894,108**	2,958,465	935,643	32	3,214,395	(255,930)	(8)
Long term financial liabilities	**1,726,653**	739,933	986,720	nm	717,459	22,474	3
Dividends per share	**$ 0.48**	$ 0.48	—	—	$ 0.48	—	—

nm - calculation not meaningful

[1] *Revenue, net of third party is defined as "gross revenue less third party reimbursable items". Management believes that, in addition to revenue, Revenue, net of third party is a useful supplemental measure to indicate the Company's operating activity levels.*

[2] *Adjusted EBITDA is defined as "(loss) income before interest, income taxes, depreciation, asset decommissioning and write-downs, share-based compensation and foreign exchange, gain on bargain purchase, restructuring costs and other". Management believes that, in addition to net (loss) income, Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, how the results are impacted by foreign exchange or how the results are impacted by the accounting standards associated with the Company's share-based compensation plans. Adjusted EBITDA also takes into account the Company's portion of the*

principal activities of the joint venture arrangements by removing the loss (gain) from investments in joint ventures and including adjusted EBITDA from investments in joint ventures.

($ thousands)	**2018**	2017	2016
Income (loss) before income taxes	**6,484**	(187,796)	(204,545)
Interest expense	**52,416**	41,210	30,471
Depreciation	**415,036**	325,811	349,947
Gain on bargain purchase	**(200,672)**	—	—
Share-based compensation	**707**	656	10,287
Foreign exchange and other	**(19,001)**	21,903	(987)
Gain from investments in joint ventures	**(874)**	—	—
Restructuring cost	**1,492**	—	—
Adjusted EBITDA from investments in joint ventures	**89**	—	—
Adjusted EBITDA	**255,677**	201,784	185,173

Adjusted EBITDA from investment in joint ventures is calculated below:

($ thousands)	**2018**	2017	2016
Gain from investment in joint ventures	**874**	—	—
TDI fair value adjustment	**—**	—	—
Depreciation and amortization	**1,125**	—	—
Foreign exchange	**(39)**	—	—
Finance cost	**54**	—	—
Loss on sale of assets	**395**	—	—
Income taxes	**14**	—	—
Preferred shares valuation	**(2,334)**	—	—
Adjusted EBITDA	**89**	—	—

[3] *Funds flow from operations are defined as "cash provided by operating activities before the change in non-cash working capital". Management believes that, in addition to net loss, Funds flow from operations constitute a measure that provides additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes this measure to assess the Company's ability to finance operating activities and capital expenditures.*

($ thousands)	**2018**	2017	2016
Net income (loss)	**58,664**	(37,644)	(150,522)
Items not affecting cash			
Depreciation	**415,036**	325,811	349,947
Share-based compensation, net of cash paid	**707**	145	10,287
Gain from joint ventures	**(874)**	—	—
Unrealized foreign exchange and other	**5,571**	(918)	(6,864)
Accretion on long-term debt	**731**	1,843	316
Deferred income tax	**(53,224)**	(147,799)	(32,513)
Gain on bargain purchase	**(200,672)**	—	—
Funds flow from operations	**225,939**	141,438	170,651

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, transportation, wireline services and production testing services.

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

2018 COMPARED WITH 2017

Revenue for the year ended December 31, 2018 was $1,156.4 million, an increase of 16 percent from 2017 revenue of $1,000.7 million. Revenue, net of third party, for the year ended December 31, 2018 was $1,021.9 million, an increase of 17 percent from Revenue, net of third party, for the year ended December 31, 2017 of $873.9 million. Adjusted EBITDA for 2018, totaled $255.7 million which includes $15.1 million from Trinidad Drilling Ltd. for the month of December 2018 ($1.63 per common share), 27 percent higher than Adjusted EBITDA of $201.8 million ($1.29 per common share) for 2017.

Net income attributed to shareholders for the year ended December 31, 2018 was $58.3 million ($0.37 per common share), compared to net loss attributed to shareholders of $37.6 million ($0.24 per common share) for the year ended December 31, 2017. Funds flow from operations increased 60 percent to $225.9 million ($1.44 per common share) in 2018 compared to $141.4 million ($0.90 per common share) in the prior year.

During the fourth quarter of 2018, the Company acquired 89.3 percent of Trinidad Drilling Ltd. (**"Trinidad"**), the largest acquisition in the Company's history (the "**Trinidad Acquisition**"), adding 68 drilling rigs in Canada, 66 in the United States and one internationally. The Trinidad Acquisition also expands the Company's geographic footprint with the addition of three new countries of operation (Bahrain, Kuwait and Mexico) with the joint venture described below, expands the Company's existing customer base, and provides the Company additional exposure to the United States market in particular. Results for the fourth quarter and year ended December 31, 2018 were materially impacted by the Trinidad Acquisition. The acquisition includes a 60 percent interest in Trinidad Drilling International ("**TDI**"), which is a joint venture with a wholly-owned subsidiary of Halliburton Company. For further information on the Trinidad Acquisition, please refer to the "Trinidad Drilling Acquisition" section of this MD&A.

The Company's improved operating and financial results for 2018 resulted from increased demand for oilfield services caused by price recovery of crude oil and natural gas commodity prices during the year as well as the Trinidad Acquisition in the fourth quarter of 2018. Operating and financial results were lower in Canada in 2018 compared to 2017, mainly due to geopolitical factors and the lack of transportation infrastructure to transport oil and natural gas to other markets.

The Company decommissioned three well servicing rigs in Canada and transferred one ADR® drilling rig from Canada to the United States in 2018. The Company also decommissioned one drilling rig and two well servicing rigs in the United States and added three new-build well servicing rigs in the United States in 2018.

The Company declared total dividends of $0.48 per common share in 2018.

The Company exited 2018 with a working capital deficit of $156.2 million, compared to a working capital deficit of $342.2 million as at December 31, 2017. The change in working capital year-over-year was largely due to the financing obtained from a new Credit Facility (as defined below) in the fourth quarter of 2018, which was partially offset by the Ensign Notes (as defined below) that were optionally repaid on January 10, 2019. The Company's bank credit facilities provided unused and available borrowings of $401.5 million at December 31, 2018, compared to $11.2 million at December 31, 2017, up by $390.3 million, primarily due to a higher current principal amount under the Credit Facility and additional available borrowing as a consequence of the Trinidad Acquisition.

2017 COMPARED WITH 2016

The Company's increased operating and financial results for the 2017 fiscal year resulted from increased demand for oilfield services caused by modest price recovery of crude oil and natural gas commodity prices. Volatile energy commodity prices significantly impacted cash flows of the Company's customers and, as a result, the expected levels of future demand for oilfield services, particularly in North America. Financial results from the Company's United States and international operations were adversely impacted by translation to Canadian dollars due to the weakening of the United States dollar relative to the Canadian dollar. For the year ended December 31, 2017, a two percent decrease in the Canadian/United States dollar exchange rate negatively impacted revenues and margins generated outside Canada.

REVENUE AND OILFIELD SERVICES EXPENSE

($ thousands)	**2018**	2017	Change	% change
Revenue				
Canada	**241,034**	262,793	(21,759)	(8)
United States	**641,558**	459,496	182,062	40
International	**273,765**	278,361	(4,596)	(2)
Total revenue	**1,156,357**	1,000,650	155,707	16
Revenue, net of third party	**1,021,913**	873,864	148,049	17
Oilfield services expense	**855,824**	759,700	96,124	13
Gross margin	**300,533**	240,950	59,583	25
Gross margin as a percentage of Revenue, net of third party	**29.4**	27.6		

Revenue for the year ended December 31, 2018 totaled $1,156.4 million, a 16 percent increase from the year ended December 31, 2017 of $1,000.7 million. The increase in revenue largely result from the increased demand for oilfield services in the United States, resulting in higher equipment utilization rates and additions to revenue from the Trinidad Acquisition.

Revenue, net of third party, for the year ended December 31, 2018 totaled $1,021.9 million, an increase of 17 percent from the previous year of $873.9 million. As a percentage of Revenue, net of third party, gross margin for the year ended December 31, 2018 was 29.4 percent (2017 - 27.6 percent) as a result of a recovery in energy prices. Moreover, the Company has increased revenue rates along with maintaining effective cost controls.

CANADIAN OILFIELD SERVICES

	2018	2017	Change	% change
Revenue *($ thousands)*	**$ 241,034**	$ 262,793	$ (21,759)	(8)
Marketed drilling rigs[1,2]				
Opening balance	**58**	57		
Additions	**—**	2		
Acquisition of Trinidad Drilling Ltd.	**68**	—		
Transfers, net	**(1)**	—		
Placed into reserve	**(1)**	—		
Placed into marketed fleet	**1**			
Decommissions/Disposals	**—**	(1)		
Ending balance	**125**	58	67	116
Drilling operating days[1]	**6,002**	6,860	(858)	(13)
Drilling rig utilization (%)[1]	**21.9**	26.8	(4.9)	(18)
Well servicing rigs				
Opening balance	**65**	65		
Decommissions/Disposals	**(3)**	—		
Ending balance	**62**	65	(3)	—
Well servicing operating hours	**57,068**	70,556	(13,488)	(19)
Well servicing utilization (%)	**25.2**	29.7	(4.5)	(15)

[1]*Excludes coring rig fleet.*
[2]*Total rigs: 137, (2017 - 70)*

The Company recorded revenue of $241.0 million in Canada for the year ended December 31, 2018, a decrease of eight percent from $262.8 million recorded for the year ended December 31, 2017. During the year ended December 31, 2018, Canadian total revenues were 21 percent, of the total Company's revenue compared with 26 percent in the prior year.

For the year ended December 31, 2018, the Company recorded 6,002 drilling days in Canada, compared to 6,860 drilling days for the year ended December 31, 2017, a decrease of 13 percent. Well servicing hours decreased by 19 percent to 57,068 operating hours compared with 70,556 operating hours for the year ended December 31, 2017.

Despite, the moderate increase in oil and natural gas commodity prices, demand for the Company's oilfield services was lower compared to prior year mainly due to commodity pricing differentials caused by limited access to other markets for Canadian oil and natural gas, due to a lack of transportation infrastructure in Western Canada.

During 2018, the Company transferred one ADR® drilling rig from Canada to the United States and decommissioned three well servicing rigs. During fourth quarter, 2018 the Company through the Trinidad Acquisition, added 68 drilling rigs to its Canadian fleet.

UNITED STATES OILFIELD SERVICES

	2018	2017	Change	% change
Revenue *($ thousands)*	**$ 641,558**	$ 459,496	$ 182,062	40
Marketed drilling rigs[1]				
Opening balance	**70**	69		
Additions	**—**	1		
Acquisition of Trinidad Drilling Ltd.	**66**	—		
Transfers, net	**1**	—		
Placed into reserve	**(3)**	—		
Decommissions/Disposals	**(1)**	—		
Ending balance	**133**	70	63	90
Drilling operating days	**14,173**	10,944	3,229	30
Drilling rig utilization (%)	**43.4**	35.6	7.8	22
Well servicing rigs				
Opening balance	**45**	44		
Additions	**3**	1		
Decommissions/Disposals	**(2)**	—		
Ending balance	**46**	45	1	2
Well servicing operating hours	**112,224**	90,281	21,943	24
Well servicing utilization (%)	**70.1**	55.6	14.5	26

[1]*Total rigs: 151, (2017 - 85)*

For the year ended December 31, 2018, revenue of $641.6 million was recorded in the United States, an increase of 40 percent from the $459.5 million recorded in the prior year. The Company's United States operations accounted for 55 percent of the Company's revenue in 2018 fiscal year (2017 - 46 percent) and were the largest contributor to the Company's consolidated revenues in 2018, consistent with the prior year.

In the United States, drilling operating days increased by 30 percent from 10,944 operating days in 2017 to 14,173 operating days in 2018. For the year ended December 31, 2018, well servicing activity increased 24 percent to 112,224 operating hours from 90,281 operating hours in 2017.

Overall operating and financial results for the Company’s United States operations were positively impacted by a significant increase in demand for oilfield services, due primarily to renewed optimism regarding oil and natural gas commodity prices, as well as the Trinidad Acquisition during the fourth quarter of 2018. Revenue rates in the United States have modestly rebounded with operating activity.

During 2018, the Company transferred one ADR® drilling rig from Canada to the United States and deployed three new well servicing rigs to the United States fleet. The Company also decommissioned one drilling rig and two well servicing rigs. During fourth quarter, 2018 the Company, through the Trinidad Acquisition, added 66 drilling rigs to the United States fleet and placed three drilling rigs into reserve.

INTERNATIONAL OILFIELD SERVICES

	2018	2017	Change	% change
Revenue *($ thousands)*	**273,765**	278,361	(4,596)	(2)
Marketed drilling and workover rigs [1]				
Opening balance	**44**	46		
Acquisition of Trinidad Drilling Ltd.	**1**	—		
Transfers	**—**	—		
Placed into reserve	**(1)**	(2)		
Ending balance	**44**	44	—	—
Drilling operating days	**6,061**	6,106	(45)	(1)
Drilling rig utilization (%)	**36.1**	36.4	(0.3)	(1)

[1]Total rigs: 47, (2017 - 46)

The Company's international revenues for the year ended December 31, 2018, decreased two percent to $273.8 million from $278.4 million recorded in the year ended December 31, 2017. The Company's international operations contributed 24 percent of the Company's revenue in 2018 (2017 - 28 percent).

International operating days totaled 6,061 compared to 6,106 drilling days for the year ended December 31, 2017, a decrease of 1 percent compared to the year prior.

The Company's international operations expanded in 2018 through the 60 percent TDI joint venture, acquired pursuant to the Trinidad Acquisition and discussed below. One additional international drilling rig was acquired through the Trinidad Acquisition and one of the Company's international drilling rigs was placed into reserve. The possible impact to the Company of the challenges in Venezuela are discussed further in the “Financial Instruments” section of this MD&A under Credit Risk, and also in the “Risks and Uncertainties – Foreign Operations” section of this MD&A.

DEPRECIATION

($ thousands)	2018	2017	Change	% change
Depreciation	**415,036**	325,811	89,225	27

Depreciation expense for the year increased by 27 percent to $415.0 million compared with $325.8 million for the year ended 2017. In the first quarter of 2018, the Company reviewed the useful life estimates for all rigs and related equipment and determined that using a straight-line method (versus unit of production) would more accurately reflect the future economic benefits related to these assets. These adjustments were applied prospectively and, as such, have increased depreciation expenses for the year ended December 31, 2018 when compared to the year ended December 31, 2017. Furthermore, the increase is also partially attributed to the acquisition of Trinidad's fixed asset base.

As a result of certain external impairment indicators existing in the market, the Company completed impairment tests in all of its cash generating units (each a "**CGU**"). The Company did not note any impairments for any CGUs based on the following key assumptions: weighted average pre-tax discount rate of 10 percent to 14 percent based on cost of capital and debt, asset and country risk, together with past experience; annual inflationary growth after five years and limited to the assets' lives; and cash flow projections consistent with market conditions and estimated rig salvage values of 10 percent. A six percent change in the discount rate, a 19 percent change in cash flow projections, or a changing in the terminal growth rate to zero, independent of each other, would not have resulted in any impairments.

GENERAL AND ADMINISTRATIVE EXPENSE

($ thousands)	2018	2017	Change	% change
General and administrative	**46,437**	39,166	7,271	19
% of revenue	**4.0**	3.9		

For the year ended December 31, 2018, general and administrative expense totaled $46.4 million (4.0 percent of revenue) compared to $39.2 million (3.9 percent of revenue) for the year ended December 31, 2017, an increase of 19 percent. The increase was due primarily to the Trinidad Acquisition and includes $1.5 million of non-recurring acquisition and integration costs relating to such acquisition. Management continues to focus on managing costs, but expects further restructuring costs to be incurred into 2019.

JOINT VENTURE OILFIELD SERVICES

	2018	2017	Change	% change
Revenue *($ thousands)*	**3,643**	—	3,643	—
Marketed drilling and workover rigs				
Opening balance	**—**	—		
Acquisition of Trinidad Drilling Ltd.	**5**	—		
Decommissions	**—**	—		
Ending balance	**5**	—	5	nm
Drilling operating days	**47**	—	47	nm
Drilling rig utilization (%)	**30.3%**	—	30.3%	nm

nm - calculation not meaningful

Pursuant to the Trinidad Acquisition, Ensign acquired a 60% ownership in TDI, a joint venture with a wholly-owned subsidiary of Halliburton Company, which operates rigs in Bahrain, Mexico and Kuwait. TDI has five drilling rigs. For the period November 30, 2018 to December 31, 2018, Ensign portion of TDI's income was $1,094.

INTEREST EXPENSE

($ thousands)	**2018**	2017	Change	% change
Interest Expense	**52,416**	41,210	11,206	27

Interest is incurred on the Company's $1.25 billion revolving credit facility (the “**Credit Facility**”), a $200 million existing Trinidad credit facility (the "**Trinidad Facility**") and USD $350 million of Trinidad's senior notes due February 2025 (the "**Trinidad Notes**") assumed through the Trinidad Acquisition, and the USD $200 million in senior guaranteed notes (the “**Ensign Notes”**) due February 2019 and 2022. The amortization of deferred financing costs associated with the issuance of the Ensign Notes is included in interest expense.

Interest expense increased by 26 percent for the year ended December 31, 2018 compared to the same period in 2017 as a result of increased borrowings and interest rates. In January and February 2019, the Company: (i) utilized a portion of the Credit Facility to redeem the Ensign Notes, including the principal, make whole and accrued interest; (ii) entered into USD $700 million senior loan facility (the “**Senior Loan**”); utilized a portion of the proceeds of the Senior Loan to repurchase 99.93% of the Trinidad Notes and pay related consent fees (the remaining 0.07% of which will be repurchased in March 2019) and to repay the Trinidad Facility; and (iii) reduced the outstanding balance of the Credit Facility to below $900 million utilizing a portion of the Senior Loan.

FOREIGN EXCHANGE AND OTHER

($ thousands)	**2018**	2017	Change	% change
Foreign exchange and other	**(19,001)**	21,903	(40,904)	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.

INCOME TAXES

($ thousands)	**2018**	2017	Change	% change
Current income tax	**1,044**	(2,353)	3,397	nm
Deferred income tax	**(53,224)**	(147,799)	94,575	(64)
Total income tax	**(52,180)**	(150,152)	97,972	(65)
Effective income tax rate (%)	**26.9**	80.0		

nm - calculation not meaningful

The effective income tax rate for the year ended December 31, 2018 was 26.9 percent compared with 80.0 percent for the year ended December 31, 2017. The effective tax rate was significantly lower than the effective tax rate of 2017 due mainly to the impact of US Tax Reform and its effect on the US deferred income tax liability in 2017.

TRINIDAD DRILLING ACQUISITION

During the fourth quarter of 2018, Ensign Holdings Inc. ("**Holdings**"), a wholly -owned subsidiary of Ensign, completed the acquisition of 89.3 percent of the issued and outstanding common shares of Trinidad, a publicly traded oilfield service company, through series of transactions for a total consideration $410.2 million. The strategic business combination was completed to increase its presence in the North American and international markets. On February 15, 2019 Holdings acquired the remaining 10.7 percent of the common shares of Trinidad and amalgamated with Trinidad, following which Trinidad was delisted from the Toronto Stock Exchange and ceased to be a reporting issuer (or equivalent) in all jurisdictions in which Trinidad was a reporting issuer.

The acquisition was accounted for as a business combination using the acquisition method whereby the net assets and liabilities assumed are recorded at fair value. The preliminary purchase price allocation is based on management's best estimates of the fair value of Trinidad's assets and liabilities as at the Effective Acquisition Date of November 30, 2018, although future adjustments to estimates may be required.

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

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per share data)	**2018**	2017	Change	% change
Funds flow from operations	**225,939**	141,438	84,501	60
Funds flow from operations per share	**$1.44**	$0.90	0.54	60
Working capital	**(156,223)**	(342,199)	185,976	(54)

For the year ended December 31, 2018, the Company generated Funds flow from operations of $225.9 million ($1.44 per common share) an increase of 60 percent from $141.4 million ($0.90 per common share) for the year ended December 31, 2017. The increase in Funds flow from operations in 2018 compared to 2017 is primarily due to higher operating results and the Trinidad Acquisition. 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 at December 31, 2018, the Company's working capital was a deficit of $156.2 million, compared to a working capital deficit of $342.2 million at December 31, 2017. The change in working capital in 2018 was mainly related to refinancing the Credit Facility, which is due November 2021. The increase was partially offset by the financial statement reclassification of the Ensign Notes ($200 million USD were redeemed in January 2019) maturing within the next 12 months to current liabilities. The Company expects funds generated by operations, combined with current and future credit facilities, to fully support current operating and capital requirements. Existing revolving credit facilities provide for total borrowings of $1.5 billion and, of which $401.5 million was undrawn and available at December 31, 2018.

INVESTING ACTIVITIES

($ thousands)	**2018**	2017	Change	% change
Purchase of property and equipment	**(80,044)**	(123,763)	43,719	(35)
Proceeds from disposals of property and equipment	**6,748**	6,051	697	12
Acquisition of Trinidad Drilling Ltd. (net)	**(294,264)**	—	(294,264)	nm
Contributions to joint venture	**(26,144)**	—	(26,144)	nm
Net change in non-cash working capital	**17,734**	(2,667)	20,401	nm
Cash used in investing activities	**(375,970)**	(120,379)	(255,591)	nm

nm - calculation not meaningful

In the fourth quarter, the Company acquired an 89.3 percent interest in Trinidad for net cash consideration of $320.3 million and made a $26.1 million contribution to TDI. Net purchases of property and equipment during the fiscal year ending 2018 totaled $73.3 million (2017 - $117.7 million). The purchase of property and equipment relates predominantly to expenditures made pursuant to the Company's new build and major retrofit program, and for maintenance capital costs incurred during the year. The Company completed construction of a total of three well servicing rigs for the United States during 2018.

FINANCING ACTIVITIES

($ thousands)	**2018**	2017	Change	% change
Proceeds from long-term debt	**490,886**	171,976	318,910	nm
Repayments of long-term debt	**(182,391)**	(129,787)	(52,604)	41
Purchase of shares held in trust	**(1,047)**	(1,103)	56	(5)
Subordinate convertible debenture	**37,000**	—	37,000	nm
Dividends	**(75,396)**	(52,577)	(22,819)	43
Net change in non-cash working capital	**11,609**	(482)	12,091	nm
Cash used in financing activities	**280,661**	(11,973)	292,634	nm

nm - calculation not meaningful

The Company made a net withdrawal on the Credit Facility of $308.5 million during the year ended December 31, 2018, increasing the outstanding long-term debt balance. As of December 31, 2018, the Credit Facility is primarily being used to fund capital expenditures and the Trinidad Acquisition.

During the first quarter of 2018, the Company issued a non-brokered private placement of unsecured, subordinated convertible debentures (the "**Debentures**") for gross proceeds of $37.0 million. The Debentures bear interest from the date of closing at 7.0% per annum, payable semi-annually in arrears, on April 1 and October 1 each year. The Debentures will mature on January 31, 2022.

If, on and after April 1, 2021, the closing price of the Company's common shares ("**Common Shares**") on the Toronto Stock Exchange exceeds 125% of the Conversion Price for at least 30 consecutive trading days, the 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 Debentures plus accrued and unpaid interest thereon (if any), up to, but excluding, the date of redemption.

The liability component of the Debentures was recognized initially at the fair value and revalued quarterly using a similar liability that does not have an equity conversion option, which was calculated based on an estimated market interest rate of 8.25%.

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

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 credit facilities, senior unsecured notes and facility leases.

A summary of the Company’s total contractual obligations as of December 31, 2018, is as follows:

($ thousands)	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Ensign Notes - senior unsecured notes due 2019 and 2022	278,614	—	—	—	278,614
Trinidad Notes - senior notes due 2025	31,638	94,914	63,275	514,570	704,397
Drawings on credit facilities	39,991	1,019,504	—	—	1,059,495
Debentures	2,590	40,445	—	—	43,035
Capital Leases	2,647	6,676	—	—	9,323
Facility leases	9,052	13,326	466	—	22,844
	364,532	1,174,865	63,741	514,570	2,117,708

FINANCIAL INSTRUMENTS

The classification and measurement of financial instruments the Company has recognized is presented below:

Cash and cash equivalents and accounts receivable are classified as financial assets at amortized cost. Accounts payable and accruals, operating lines of credit, dividends payable and long-term debt are classified as financial liabilities at amortized cost.

Credit Risk

The Company is subject to credit risk on accounts receivable balances, which at December 31, 2018 totaled $351.6 million, an increase of $119.4 million from $232.2 million as at December 31, 2017. Varying levels of oil and natural gas commodity prices negatively impact the cash flow of the Company's customers and, consequently, increases the collection risk of accounts receivable balances.

The Company assesses the credit worthiness of its customers on an ongoing basis and establishes credit limits for each customer based on external credit reports and other publicly available information, internal analysis and historical experience with the customer. Credit limits are approved by senior management and are reviewed on a regular basis or when changing economic circumstances dictate. The Company manages credit risk through dedicated credit resources, ongoing monitoring and follow up of balances owing, well liens, and tightening or restriction of credit terms as required. The Company also monitors the amount and age of accounts receivable balances on an ongoing basis. As at December 31, 2018, the Company had trade receivables of $20.2 million (2017 - $25.8 million) with multiple customers that were greater than 90 days old for which an allowance for doubtful accounts of $16.9 million (2017 - $4.2 million) has been recorded to provide for balances which, in management’s best estimate, are deemed uncollectible as at December 31, 2018. The allowance for doubtful accounts is an estimate requiring significant judgment and may differ materially from actual results.

As part of the Company’s international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at December 31, 2018, the Company had net accounts receivable of approximately $12.9 million net of allowance for doubtful accounts for work performed in Venezuela, and in recent months a number of payments have been received by the Company (2017 - $28.6 million). Though the Company has a history of collecting accounts receivable in Venezuela, due to the recent decline in the price of oil, continuing political unrest in the country and expansion of sanctions by the US government, there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding. As a result the Company has provided a further $11.2 million provision onto its already discounted accounts receivable balance.

Liquidity Risk

The Company is subject to liquidity risk on its financial liabilities, which at December 31, 2018 totaled $2,020.7 million, an increase of $760.7 million from $1,259.9 million as at December 31, 2017.

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, 2018, the remaining contractual maturities of accounts payable and accruals and dividends payable are less than one year. Maturity information regarding the Company's bank credit facilities and long-term debt is described in the "Contractual Obligations" section of this MD&A.

As at December 31, 2018, the Company had undrawn and available bank credit facilities of $401.5 million (2017 – $11.2 million).

NEW BUILDS AND MAJOR RETROFITS

During the year ended December 31, 2018, the Company added three new-build well servicing rigs in the United States. The Company decommissioned three well servicing rigs in Canada, one drilling rig and two well servicing rigs in the United States during 2018. One new-build well servicing rig will be added early 2019 in the United States. The Company continues to selectively add new ADR® drilling rigs to meet the increasing technical demands of its customers.

SUMMARY QUARTERLY RESULTS

($ thousands, except per share data)	**Q4-2018**	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017
Revenue	**346,136**	288,700	263,061	258,460	270,013	247,121	232,232	251,284
Revenue, net of third party [1]	**308,651**	254,424	231,871	226,967	241,987	211,299	211,687	208,891
Adjusted EBITDA [1]	**81,678**	68,641	53,064	52,294	54,820	52,600	44,276	50,088
Adjusted EBITDA per share [1]								
Basic	**$0.52**	$0.44	$0.34	$0.33	$0.34	$0.34	$0.29	$0.32
Diluted	**$0.52**	$0.44	$0.34	$0.33	$0.35	$0.33	$0.29	$0.32
Net (loss) income attributable to shareholders	**154,472**	(32,791)	(36,697)	(26,682)	46,488	(36,526)	(33,814)	(13,792)
Net (loss) income per share								
Basic	**$0.98**	$(0.21)	$(0.23)	$(0.17)	$0.30	$(0.23)	$(0.22)	$(0.09)
Diluted	**$0.98**	$(0.21)	$(0.23)	$(0.17)	$0.30	$(0.23)	$(0.22)	$(0.09)
Cash provided by operating activities	**61,037**	51,792	19,306	19,998	38,124	32,791	44,687	19,545
Funds flow from operations [1]	**63,834**	60,390	47,808	53,907	12,244	39,616	44,769	44,809
Funds flow from operations per share [1]								
Basic	**$0.41**	$0.38	$0.31	$0.34	$0.07	$0.25	$0.29	$0.29
Diluted	**$0.41**	$0.38	$0.31	$0.34	$0.07	$0.25	$0.29	$0.29
Total debt, net of cash	**1,641,830**	730,520	748,609	726,636	707,559	700,011	714,357	709,062

[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 resultant demand for the oilfield services provided by the Company.

The quarterly results may also be impacted by the Black-Scholes valuation accounting associated with the Company's share-based compensation and Performance Share Unit plans respectively, which can fluctuate significantly from quarter to quarter as a result of changes in the valuation inputs, as well as changes in foreign currencies against the functional currencies of the Company's operating entities.

In addition to the seasonality noted above, the variability noted in the Company's quarterly results reflect continued varying levels of demand for oilfield services and theTrinidad Acquisition. Such demand for oilfield services was positively influenced by more favorable oil and natural gas commodity prices for 2018 along with the Trinidad Acquisition.

FOURTH QUARTER ANALYSIS

(in thousands of Canadian dollars, except per share data and operating information)	Three months ended December 31			
	2018	2017	Change	% change
Revenue	**346,136**	270,013	76,123	28
Revenue, net of third party [1]	**308,651**	241,987	66,664	28
Adjusted EBITDA [1]	**81,678**	69,252	12,426	18
Adjusted EBITDA per share [1]				
Basic	**$0.52**	$0.34	$0.18	53
Diluted	**$0.52**	$0.35	$0.17	49
Net (loss) income attributable to shareholders	**154,472**	46,488	107,984	nm
Net (loss) income per share				
Basic	**$0.98**	$0.30	$0.68	nm
Diluted	**$0.98**	$0.30	$0.68	nm
Cash provided by operating activities	**61,037**	38,124	22,913	60
Funds flow from operations [1]	**63,834**	12,244	51,590	nm
Funds flow from operations per share [1]				
Basic	**$0.41**	$0.07	$0.34	nm
Diluted	**$0.41**	$0.07	$0.34	nm
Weighted average shares - basic *(000s)*	**156,794**	156,794	—	—
Weighted average shares - diluted *(000s)*	**156,976**	156,976	—	—

Drilling	**2018**	2017	Change	% change
Operating days				
Canada [2]	**1,691**	1,649	42	3
United States	**4,711**	3,066	1,645	54
International [3]	**1,588**	1,547	41	3
Drilling rig utilization (%)				
Canada [2]	**19.7**	25.3	(5.6)	(22)
United States	**47.9**	39.4	8.5	22
International [3]	**37.5**	36.4	1.1	3
Well Servicing	**2018**	2017		% change
Operating hours				
Canada	**12,377**	16,947	(4,570)	(27)
United States	**30,747**	23,644	7,103	30
Well servicing rig utilization rate (%)				
Canada	**21.7**	28.3	(6.6)	(23)
United States	**73.7**	57.1	16.6	29

nm - calculation not meaningful
Comparative amounts do not reflect Trinidad Drilling Ltd.
[1] *See definition of "Non-GAAP Measures" in the "Overview and Selected Annual Information" section of this MD&A. Certain prior period amounts have been restated to reflect current year presentation.*
[2] *Excludes coring rigs.*
[3] *Includes workover rigs.*
[4] *As part of the Trinidad Acquisition, effective November 30, 2018, Ensign acquired 60% ownership of a joint venture operating under the name Trinidad Drilling International.*

REVENUE AND OILFIELD SERVICES EXPENSE

($ thousands)	**2018**	2017	Change	% change
Revenue				
Canada	**65,565**	64,260	1,305	2
United States	**209,890**	129,188	80,702	62
International	**70,681**	76,565	(5,884)	(8)
Total revenue	**346,136**	270,013	76,123	28
Revenue, net of third party	**308,651**	241,987	66,664	28
Oilfield services expense	**251,907**	206,750	45,157	22
Gross margin	**94,229**	63,263	30,966	49
Gross margin as a percentage of Revenue, net of third party	**30.5**	26.1		

The Company recorded revenue of $346.1 million for the three months ended December 31, 2018, a 28 percent increase from the $270.0 million recorded in the three months ended December 31, 2017. Drilling operating days for the fourth quarter of 2018 totaled 7,990 days, a 28 percent increase from the prior year of 6,262 drilling operating days. The recovery of oil and natural gas commodity prices in 2018 and the Trinidad Acquisition during fourth quarter positively impacted the demand for the Company's oilfield services.

As a percentage of revenue, net of third party, gross margin increased for the fourth quarter of 2018 to 30.5 percent from 26.1 percent for the fourth quarter of 2017. The increase in gross margin in the fourth quarter of 2018 compared to the prior year is due to revenue rate increases in reaction to increased levels of demand for oilfield services allowing for pricing increases and in addition the Trinidad Acquisition.

Depreciation expense totaled $113.6 million for the fourth quarter of 2018 compared with $91.7 million for the fourth quarter of 2017. The increase was due to the increase in property, plant and equipment attributed to the Trinidad Acquisition as well as the change in accounting policy in 2018.

General and administrative expense increased 67 percent to $14.1 million (4.1 percent of revenue) for the fourth quarter of 2018 compared with $8.4 million (3.1 percent of revenue) for the fourth quarter of 2017. The increase in general and administrative expense in the fourth quarter of 2018 compared to the prior year is primarily due the Trinidad Acquisition and includes $1.6 million of non-recurring acquisition and integration costs during the fourth quarter. Management continues to focus on costs and will be working to realize synergies from the Trinidad Acquisition.

OUTSTANDING SHARE DATA

The following Common Shares and stock options were outstanding as of March 7, 2019:

	Number		Amount ($)
Common shares	157,000,293	$	207,404

	Outstanding	Exercisable
Stock options	5,911,350	2,820,140

OUTLOOK

Industry Overview

The oilfield services industry continues to experience volatility. The benchmark price of West Texas Intermediate experienced a significant decrease in Q4, 2018 with prices rebounding in the first two months of 2019. The price volatility has caused some oil and gas producers to reduce capital spending or to adopt a cautious tone. The Company has responded with a prudent net capital spending budget of $102 million consisting of maintenance capital only. The Company is continuing to focus on costs and is expecting annualized synergies of $40 million from the Trinidad Acquisition.

Canadian Activity

The Canadian market continues to be volatile, with the differential for light and heavy Canadian oil improving since Q4, 2018. The improvement of pricing has created more cash flow for Canadian producers which could result in increased activity in the summer and fall of 2019. Takeaway capacity is still the largest concern weighing on the Canadian market and, until this issue is resolved, pricing volatility is expected to continue.

Of our 125 marketed Canadian rigs, approximately 53 percent are engaged in contracts, with 41 percent of the contracts having term that is six months or greater.

United States Activity

The drilling rig count in the United States has been relatively flat and is expected to remain steady for the remainder of the year. Day rates have increased modestly year over year, with the expectation that future increases will abate until the drilling rig count begins to increase.

Of our 133 marketed United States drilling rigs, approximately 64 percent are contracted, with 55 percent of the contracts having term that is six months or greater.

International Activity

The Company expects modest growth in Australia with additional drilling rigs being contracted in Q4 2018 that will begin working in 2019. Our Latin American operations are expected to see a decrease in activity due to the January 2019 expansion of sanctions against Venezuela by the United States. Activity in the Middle East is expected to remain consistent with 2018 activity levels during 2019.

Our 50 marketed international rigs, approximately 46 percent are contracted, with 78 percent of the contracts having term that is six months or greater.

2019 Capital Expenditures and Debt Reduction

The Company has budgeted net capital expenditures for 2019 of approximately $102 million for the combined entity. The disciplined capital plan focuses on certifications and preventative maintenance for its combined global high/super spec drilling rig fleet, other service lines, and select upgrade projects. In addition to a disciplined capital plan, The Company will focus on debt reduction throughout 2019 and beyond, with an initial reduction target of $100 million in 2019 (before asset dispositions such as duplicate operating facility locations).

Trinidad Acquisition Update

The acquisition of Trinidad has allowed the Company to substantially increase the size of the Company's global operations and geographic footprint, in particular within active U.S. shale basins such as the Permian, and new international jurisdictions such as Kuwait and Bahrain. The acquisition is expected to be accretive to the Company's cash flow per share on a debt-adjusted basis and is expected to provide approximately $40 million in annual cost saving synergies relating to the elimination of duplicate public company costs, facility overlap and staff efficiencies. This number does not include potential revenue and purchasing efficiencies which could further add to the accretive nature of the acquisition, increase our liquidity and allow the Company to proactively reduce debt on a go-forward basis.

The integration of Trinidad's high/super-spec drilling rig fleet continues to progress as planned and management is very impressed with the equipment and people that they have seen in the field. We continue to focus on ensuring that during this integration that the Company's people are safe and operations and customers are not impacted. Customer feedback has been positive and this acquisition will allow the Company to take a market share leadership position in key markets and drive stronger financial results on a go-forward basis, which in combination with the Company's financial flexibility and agreed-to incremental customer funded upgrades, the Company has a platform for additional growth and financial strength."

Subsequent Events

Subsequent to December 31, 2018, the Company:

- On January 10, 2019 the Company utilized the Credit Facility to redeem in full the USD $200,000 senior guaranteed notes (Tranche B &C) due February 2019 and 2022. The total price for the redemption was USD $205.100, which included the principal, make whole and accrued interest.

- On February 14, 2019 the Company entered into a five year USD $700,000 senior loan facility (the "**Senior Loan**") at prevailing market rates for this type of loan.

- On February 14, 2019 a portion of the proceeds of the Senior Loan was utilized to repurchase 99.93% of the outstanding USD $350,000 of Trinidad Notes due February 2025 and to pay related consent fees. The total cost for the repurchase of the Trinidad Notes was USD $366,500. The Trinidad Notes were tendered, and the consent fees were paid, pursuant to Trinidad's change of control offer to purchase and solicitation of consents announced on December 27, 2018. The Trinidad Notes were repurchased at 101% plus accrued and unpaid interest. Consenting noteholders also received 0.5% as a consent fee for their consent to certain amendments to the indenture governing the Trinidad Notes, among other things eliminating or modifying substantially all of the restrictive covenants. The remaining 0.07% of the Trinidad Notes which were not tendered in the offer will be repurchased prior to the end of March 2019.

- On February 14, 2019 the Company reduced the Credit Facility available amount from $1,250,000 to $900,000 million and a portion of the proceeds of the Senior Loan was utilized to reduce the outstanding balance of the Credit Facility to less than $900,000.

- On February 14, 2019 the Company repaid the existing Trinidad Facility utilizing a portion of the proceeds from the Senior Loan.

- On February 15, 2019 Trinidad and Holdings completed an amalgamation (the "**Amalgamation**") to form an amalgamated corporation named "Trinidad Drilling Ltd." ("**Amalco**"). The amalgamation was approved at a special meeting of Trinidad Shareholders held on January 31, 2019. Pursuant to the terms of an amalgamation agreement (the "**Amalgamation Agreement**") dated January 4, 2019 between Trinidad and Holdings, Trinidad Shareholders (other than Holdings) received one redeemable preferred share of Amalco (each, a "**Redeemable Preferred Share**") for each Trinidad common share upon completion of the Amalgamation. The Redeemable Preferred Shares were immediately redeemed for $1.68 in cash per Redeemable Preferred Share (the "**Redemption Consideration**"). The Redemption Consideration was the same as the consideration that was available to Trinidad Shareholders under Holding's Offer for all the issued and outstanding Trinidad Shares, which expired on December 21, 2018. Effective as of February 15, 2019, Amalco became an indirect wholly-owned subsidiary of Ensign.

- The Trinidad Shares were delisted from trading on the Toronto Stock Exchange effective as of the close of trading on February 19, 2019.

- On February 25, 2019, Trinidad ceased to be a reporting issuer with the applicable securities regulatory authorities in each of the jurisdictions in which Trinidad was a reporting issuer (or equivalent).

- Declared a dividend for the first quarter of 2019 of $0.12 per common share or approximately $18,877, payable on or about April 4, 2019 to the shareholders of record at the close of business on March 25, 2019. The dividend has not been provided for and is pursuant to the quarterly dividend policy adopted by the Company. Pursuant to subsection 89(1) of the Canadian Income Tax Act ("ITA"), the dividend being paid is designated as an eligible dividend, as defined in subsection 89(1) of the ITA.

- The Company has re-implemented its dividend reinvestment plan ("the **DRIP**"). The DRIP has been updated from the prior version operated by Ensign (the "**Original DRIP**") that was suspended in August 2017. The substantive features of the Original DRIP have not been changed except to reflect certain tax changes and to limit a participant's ability to terminate their participation in the plan to once per year.

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.

Joint arrangements

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

Purchase price allocation

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

Property and Equipment

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

Impairment

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

Share-based Compensation

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

Income Taxes

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

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

Allowance for Doubtful Accounts

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

Functional Currency

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

CHANGE IN ACCOUNTING POLICY

The Company adopted the following mandatory new standards effective January 1, 2018. The following is a brief summary of the new standards that are relevant to the Company:

IFRS 9 - Financial Instruments:

The IASB issued the final version of IFRS 9 Financial Instruments, which is effective for annual periods beginning on or after January 1, 2018. IFRS 9, as amended, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a substantially reformed approach to hedge accounting and a new impairment model for financial assets. The Company has adopted the standard retrospectively from January 1, 2018, with the transition provisions permitted under the standard. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in the opening balance as of January 1, 2018. Comparative prior year periods are not restated.

IFRS 15 - Revenue from Contracts with Customers:

Effective January 1, 2018, upon adoption of IFRS 15 Revenue from Contracts with Customers, the Company recognizes revenue for services rendered when the performance obligations have been completed, as control of the services transfer to the customer, when the services performed 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.

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. The adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

RECENT ACCOUNTING PRONOUNCEMENTS

On January 13, 2016 the IASB issued IFRS 16 - Leases ("IFRS 16") which has been adopted by the Company on January 1, 2019 using the modified retrospective method. Under the modified retrospective method, comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. Under the principles of the new standard, the Company will recognize lease liabilities related to its lease commitments. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The associated right of use ("ROU) assets will be measured at the lease liability amount on January 1, 2019 resulting in no adjustment to the opening balance of retained earnings. The Company intends to use the following practical expedients permitted under the new standard:

(i) Lease with a remaining lease term of less than twelve months as at January 1, 2019 as a sort term leases;
(ii) Leases of low dollar value will continue to be expensed as incurred;

(iii) The Company will not apply any grandfathering practical expedients.
The Company is in process of completing its assessment and expects to book a right to use assets and corresponding liability when the standard comes in effect.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As of December 31, 2018, the Company's management evaluated the effectiveness of its disclosure controls and procedures as defined in the rules of the Canadian Securities Administrators. This evaluation is performed under the supervision of, and with the participation of, the President and Chief Operating Officer and the Chief Financial Officer. The President and Chief Operating Officer and the Chief Financial Officer have concluded that the Company's Disclosure Controls and Procedures are effective as of December 31, 2018.

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

As of December 31, 2018, the management of the Company evaluated the Company's effectiveness of internal controls over financial reporting, as defined in the rules of the Canadian Securities Administrators. This evaluation is performed under the supervision of, and with the participation of, the President and Chief Operating Officer and Chief Financial Officer. The President and Chief Operating Officer and Chief Financial Officer concluded that the Company's internal control over financial reporting was effective as of December 31, 2018.

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

Management has limited the scope on the design of disclosure controls and procedures and internal control over financial reporting of the Company to exclude the controls, policies and procedures of Trinidad. Trinidad's balance sheet is included in the December 31, 2018, consolidated financial statements of the Company. The scope limitation is in accordance with Section 3.3 of National Instrument 52-109, which allows an issuer to limit its design of internal control over financial reporting and disclosure controls and procedures to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates. The Company intends to complete the design of disclosure controls and procedures and internal control over financial reporting of Trinidad by September 30, 2019.

RISKS AND UNCERTAINTIES

Oil and Natural Gas Prices

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

Competition and Industry Conditions

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

Access to Credit Facilities and Debt Capital Markets

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

Changes in Laws and Regulations

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

Foreign Operations

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. The Canadian, United States, and Australian regulatory regimes are generally stable and, typically, supportive of energy industry activity. Internationally, the Company's operations are subject to regulations in various jurisdictions and support for the oil and natural gas industry can vary in these jurisdictions. There are risks inherent in foreign operations such as unstable government regimes, civil and/or labor unrest, strikes, terrorist threats, regulatory uncertainty and complex commercial arrangements. Risks to the Company's operations include, but are not limited to, loss of revenue, expropriation and nationalization, restrictions on repatriation of income or capital, currency exchange restrictions, contract deprivation, force majeure events and the potential for trade and economic sanctions or other restrictions to be imposed by the Canadian government or other governments or organizations. To mitigate these risks, the Company seeks to negotiate long-term service contracts for drilling services that ideally include early termination provisions and other clauses for the Company's protection. However, there is, and there can be, no assurance that the Company will be fully effective in mitigating foreign operation risks. Such risks could have material adverse impacts on the Company's financial condition and operating results.

Foreign Exchange Exposure

The Company's consolidated financial statements are presented in Canadian dollars. Operations in countries outside of Canada result in foreign exchange risk to the Company. The principal foreign exchange risk relates to the conversion of United States dollar-denominated activity to Canadian dollars. The United States/Canadian dollar exchange rate at December 31, 2018 was approximately 1.36 compared with 1.26 at December 31, 2017 and 1.34 at December 31, 2016. Fluctuations in the future period's exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

Litigation and Legal Proceedings

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

Operating Risks and Insurance

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

Technology

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

Reliance on Key Management Personnel

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

Workforce

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

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 in the weather across all areas of the Company's operations can create additional risk and unpredictability in equipment utilization rates and operating results.

MANAGEMENT'S REPORT

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

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

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

"Signed"

Robert H. Geddes
President and Chief Operating Officer

"Signed"

Michael Gray
Chief Financial Officer

March 7, 2019

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, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

Other information

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

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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.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 7, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		December 31 2018		December 31 2017
(in thousands of Canadian dollars)				
Assets				
Current Assets				
Cash and cash equivalents *(Note 6)*	**$**	**84,823**	$	32,374
Accounts receivable		**351,596**		232,155
Inventories, investments, prepaid and other		**58,175**		92,424
Asset held for sale *(Note 5)*		**18,806**		—
Income taxes receivable		**1,994**		3,546
Total current assets		**515,394**		360,499
Property and equipment *(Note 7)*		**3,201,704**		2,597,966
Investment in joint ventures *(Note 8)*		**177,010**		—
Total assets	**$**	**3,894,108**	$	2,958,465
Liabilities				
Current Liabilities				
Accounts payable and accruals *(Note 9)*	**$**	**271,374**	$	190,152
Dividends payable		**18,849**		18,849
Share-based compensation *(Note 10)*		**975**		3,021
Income taxes payable		**3,807**		3,419
Current portion of long-term debt *(Note 11)*		**376,612**		487,257
Total current liabilities		**671,617**		702,698
Long-term debt *(Note 11)*		**1,350,041**		252,676
Share-based compensation *(Note 10)*		**3,033**		2,708
Deferred income taxes *(Note 12)*		**72,727**		311,007
Non-controlling interest *(Note 13)*		**6,007**		—
Total liabilities		**2,103,425**		1,269,089
Shareholders' Equity				
Share capital *(Note 14)*		**206,328**		206,042
Contributed surplus		**1,013**		1,126
Equity component of convertible debenture *(Note 11)*		**3,193**		—
Foreign currency translation reserve		**315,095**		237,885
Minority interest		**72,078**		—
Retained earnings		**1,192,976**		1,244,323
Total shareholders' equity		**1,790,683**		1,689,376
Total liabilities and shareholders' equity	**$**	**3,894,108**	$	2,958,465

Contingencies and commitments *(Note 23)*
See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:

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

"Signed"
James B. Howe
Director

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

For the years ended December 31 *(in thousands of Canadian dollars, except per share data)*	2018	2017
Revenue *(Note 17)*	**$ 1,156,357**	$ 1,000,650
Expenses		
Oilfield services	**855,824**	759,700
Depreciation *(Note 7)*	**415,036**	325,811
General and administrative	**46,437**	39,166
Share-based compensation *(Note 10)*	**707**	656
Foreign exchange and other	**(19,001)**	21,903
Total expenses	**1,299,003**	1,147,236
Loss before interest and income taxes and gain on bargain purchase	**(142,646)**	(146,586)
Gain from investment in joint ventures *(Note 8)*	**(874)**	—
Gain on bargain purchase (*Note 5)*	**(200,672)**	—
Interest expense	**52,416**	41,210
Income (loss) before income taxes	**6,484**	(187,796)
Income taxes *(Note 12)*		
Current tax	**1,044**	(2,353)
Deferred tax	**(53,224)**	(147,799)
Total income taxes	**(52,180)**	(150,152)
Net income (loss)	**$ 58,664**	$ (37,644)
Net income (loss) attributable to:		
Shareholders of Ensign	**58,302**	(37,644)
Minority interests	**362**	—
	58,664	(37,644)
Net income (loss) per share *(Note 16)*		
Basic	**$ 0.37**	$ (0.24)
Diluted	**$ 0.37**	$ (0.24)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31		**2018**		2017
(in thousands of Canadian dollars)				
Net income (loss)	**$**	**58,664**	$	(37,644)
Other comprehensive income (loss)				
Item that may be subsequently reclassified to profit or loss				
Foreign currency translation adjustment		**78,240**		(54,662)
Comprehensive income (loss)	**$**	**136,904**	$	(92,306)
Total comprehensive income (loss) attributable to:				
Shareholders of Ensign		**135,512**		(54,662)
Minority interests		**1,392**		—
	$	**136,904**	$	(54,662)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Contributed Surplus	Equity Component of Convertible Debenture	Foreign Currency Translation Reserve	Minority Interest	Retained Earnings	Total Equity
(in thousands of Canadian dollars)							
Balance at December 31, 2017 as originally presented	$ 206,042	$ 1,126	$ —	$ 237,885	$ —	$ 1,244,323	$ 1,689,376
Change in accounting policy *(Note 3)*	—	—	—	—	—	(12,781)	$ (12,781)
Balance, January, 2018	206,042	1,126	—	237,885	—	1,231,542	1,676,595
Net income	—	—	—	—	362	58,302	58,664
Other comprehensive income	—	—	—	77,210	1,030	—	78,240
Total comprehensive income	—	—	—	77,210	1,392	58,302	136,904
Minority interest assumed on acquisition *(Note 5)*	—	—	—	—	49,214	—	49,214
Recognition of net assets attributable to minority interest	—	—	—	—	21,472	(21,472)	—
Dividends	—	—	—	—	—	(75,396)	(75,396)
Convertible Debenture *(Note 11)*	—	—	3,193	—	—	—	3,193
Share-based compensation	—	1,220	—	—	—	—	1,220
Shares vested previously held in trust	1,333	(1,333)	—	—	—	—	—
Purchase of shares held in trust	(1,047)	—	—	—	—	—	(1,047)
Balance December 31, 2018	**$ 206,328**	**$ 1,013**	**$ 3,193**	**$ 315,095**	**$ 72,078**	**$ 1,192,976**	**$ 1,790,683**
Balance January 1, 2017	$ 180,666	$ 1,524	$ —	$ 292,547	$ —	$ 1,357,752	$ 1,832,489
Net loss	—	—	—	—	—	(37,644)	(37,644)
Other comprehensive loss	—	—	—	(54,662)	—	—	(54,662)
Total comprehensive loss	—	—	—	(54,662)	—	(37,644)	(92,306)
Dividends	23,208	—	—	—	—	(75,785)	(52,577)
Share-based compensation	—	2,873	—	—	—	—	2,873
Shares vested previously held in trust	3,271	(3,271)	—	—	—	—	—
Purchase of shares held in trust	(1,103)	—	—	—	—	—	(1,103)
Balance December 31, 2017	$ 206,042	$ 1,126	$ —	$ 237,885	$ —	$ 1,244,323	$ 1,689,376

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31	2018	2017
(in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net income (loss)	**$ 58,664**	$ (37,644)
Items not affecting cash		
Depreciation	**415,036**	325,811
Share-based compensation, net of cash paid	**707**	145
Gain from joint ventures	**(874)**	—
Unrealized foreign exchange and other	**5,571**	(918)
Accretion on long-term debt	**731**	1,843
Deferred income tax	**(53,224)**	(147,799)
Gain on bargain purchase *(Note 5)*	**(200,672)**	—
Funds flow from operations	**225,939**	141,438
Net change in non-cash working capital *(Note 6)*	**(73,806)**	(6,291)
Cash provided by operating activities	**152,133**	135,147
Investing activities		
Purchase of property and equipment	**(80,044)**	(123,763)
Proceeds from disposals of property and equipment	**6,748**	6,051
Acquisition of Trinidad Drilling Ltd. (net of cash)	**(294,264)**	—
Contributions to joint venture *(Note 8)*	**(26,144)**	—
Net change in non-cash working capital *(Note 6)*	**17,734**	(2,667)
Cash used in investing activities	**(375,970)**	(120,379)
Financing activities		
Proceeds from long-term debt	**490,886**	171,976
Repayments of long-term debt	**(182,391)**	(129,787)
Purchase of shares held in trust *(Note 14)*	**(1,047)**	(1,103)
Subordinate convertible debenture	**37,000**	—
Dividends *(Note 14)*	**(75,396)**	(52,577)
Net change in non-cash working capital *(Note 6)*	**11,609**	(482)
Cash provided by (used in) financing activities	**280,661**	(11,973)
Net increase in cash and cash equivalents	**56,824**	2,795
Effects of foreign exchange on cash and cash equivalents	**(4,375)**	(258)
Cash and cash equivalents		
Beginning of year	**32,374**	29,837
End of year	**$ 84,823**	$ 32,374
Supplemental information		
Interest paid	**$ 39,784**	$ 37,161
Income taxes paid (recovered)	**$ 896**	$ (19,688)

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 office is 400 – 5th Avenue S.W., Suite 1000, Calgary, Alberta, Canada, T2P 0L6. Ensign Energy Services Inc. and its subsidiaries and partnerships (the "Company") provide oilfield services to the oil and natural gas industry in Canada, the United States and internationally.

2. BASIS OF PRESENTATION

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

These consolidated financial statements were approved by the Company's Board of Directors on March 7, 2019, after review by the Company's Audit Committee.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

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

(b) New and amended standards

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018:

(i) IFRS 9 *Financial Instruments*

(ii) IFRS 15 *Revenue from Contracts with Customers*

The Company had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9. As discussed in this note below.

(c) Basis of consolidation

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

(d) Non-controlling interest

(i) Minority interest

Minority interests arises from business combinations in which the acquisition of less than a 100 percent interests are initially measured at fair value or at the minority interest's proportionate share of the acquiree's identifiable assets. With respect to Trinidad Drilling Ltd. ("**Trinidad**") and the acquisition of Trinidad by the Company ("**Trinidad Acquisition**"), all minority interests were valued using the fair value method.

Subsequent to the Trinidad Acquisition, the carrying amount of minority interests is increased or decreased by the minority interest's share of subsequent changes in net (loss) income and comprehensive (loss) income, as well as dividends or cash disbursements made to the minority interest. Total comprehensive income is distributed to minority interests even if the result is the minority interest becoming a debit balance.

For non-wholly owned subsidiaries, interests held by external parties that the Company consolidates are shown as minority interest. Minority interests in the net (loss) income of the Company's non-wholly owned subsidiaries are included in total net (loss) income. Minority interests in other comprehensive (loss) income of the Company's non-wholly owned subsidiaries are included in total other comprehensive (loss) income. An exception to this occurs where the non-wholly owned subsidiary's shares are required to be redeemed on conditions outside the control of the Company, in which case minority interest in the subsidiary is removed from net (loss) income and comprehensive (loss) income and is presented as a liability. The minority interest related to Trinidad's minority interests are presented as equity.

(i) Non-controlling interest

Midland C Ranch, LLC ("**Midland**"), CanElson 120601 Drilling Limited Partnership #1 ("**LP1**") and CanElson 120601 Drilling Limited Partnership #2 ("**LP2**") were acquired as part of the Trinidad Acquisition. The Company controls the relevant activities of these entities through services performed by virtue of contractual arrangements. Consequently, the Company consolidates its investments in these entities. Non-controlling interest represents the interest of non-controlling units held by third parties. The non-controlling interests in Midland, LP1 and LP2 are presented as a liability because their shares are required to be redeemed for cash on a fixed or determinable date.

(e) Joint arrangements

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

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

Effective November 30, 2018 and pursuant to the Trinidad Acquisition, the Company acquired a joint venture arrangement with a wholly-owned subsidiary of Halliburton Company. The joint venture entity conducts business under the name Trinidad Drilling International ("**TDI**") through separately incorporated companies. Trinidad owns 60 percent of the shares of TDI and each of the joint parties have equal voting rights. The Company considers the investment in TDI to be a financial asset at fair value through profit or loss, and recognizes changes in fair value of the investment in the statements of operations and comprehensive income (loss) as gain (loss) from joint ventures.

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

(f) Cash and cash equivalents

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

(g) Inventories

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

(h) Asset held for sale

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

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

(i) Property and equipment

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

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

Asset Class	Expected Life	Method	Residual
Oilfield services equipment			
Power	5 years	Straight-line	10%
Drill pipe	6 years	Straight-line	10%
Top drives	10 years	Straight-line	10%
Mud pumps	10 years	Straight-line	10%
Blow out preventer	10 years	Straight-line	10%
Dynamic	10 years	Straight-line	10%
Structure	20 years	Straight-line	10%
Service rig equipment	20 years	Straight-line	10%
Heavy oilfield service equipment	3- 15 years	Straight-line	10%
Drilling rig spare equipment	1- 10 years	Straight-line	—%
Buildings	20 years	Straight-line	—%
Automotive equipment	3 years	Straight-line	10%
Office furniture	5- 10 years	Straight-line	—%

The calculation of depreciation includes assumptions related to useful lives and residual values. The assumptions are based on experience with similar assets and are subject to change as new information becomes available. During the first quarter of 2018, Ensign undertook a review of its depreciation methodology for all rigs and related equipment. As a result, as of January 1, 2018, the Company determined that using a straight-line method (versus unit of production) and a lower salvage value would more accurately reflect the future economic benefits related to these assets. These adjustments were applied prospectively and caused an increase in depreciation for year ended December 31, 2018 of $78,938.

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

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

(j) Business combinations

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

(k) Revenue recognition

Effective January 1, 2018, the Company adopted IFRS 15 - Revenue from Contracts with Customers using the modified retrospective method with the cumulative effect of adopting this standard as an adjustment to the opening balances of retained earnings. The Company did not adjust the opening balances of retained earnings as at January 1, 2018, given that the adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

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. The adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

Accounting policy applied until December 31 2017

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 only when collectability is reasonably assured. Customer contract terms do not include provisions for significant post-service delivery obligations.

The Company also provides services under turnkey contracts whereby oilfield services are performed for a fixed price, regardless of the time required or the problems encountered performing the service. Revenue from such contracts is recognized using the percentage-of-completion method based upon costs incurred to date and estimated total contract costs. Anticipated losses, if any, on uncompleted contracts are recorded at the time the estimated costs exceed the contract revenue.

For contracts that are terminated prior to the specified term, early termination payments received by the Company are recognized as revenue when all contractual requirements are met.

(l) Foreign currency translation

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

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

(m) Borrowing costs

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

(n) Income taxes

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

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

(o) 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 ("**Common Shares**") or a direct cash payment in exchange for the options exercised. These options are accounted for as a compound financial instrument, which requires the fair value of the liability component to be determined first and the residual value, if any, allocated to the equity component. The fair value of the settlement option under cash and shares is the same; therefore these options are accounted for as cash-settled awards.

The Company has other cash-settled share-based compensation plans. Cash-settled share-based compensation plans are recognized as compensation expense over the vesting period using fair values with a corresponding increase or decrease in liabilities. The liability is remeasured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as share-based compensation expense in the statement of income. The fair value is determined using the Black-Scholes option pricing model.

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

The Company has share savings and share bonus plans for 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.

(p) Financial instruments

The IASB issued the final version of IFRS 9 *Financial Instruments*, which is effective for annual periods beginning on or after January 1, 2018. IFRS 9, as amended, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a substantially reformed approach to hedge accounting and a new impairment model for financial assets. The Company has adopted the standard retrospectively from January 1, 2018, with the transition provisions permitted under the standard. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in the opening balance as of January 1, 2018. Comparative prior year periods are not restated.

The allowances for doubtful accounts as at December 31, 2017 reconciles to the opening allowances for doubtful accounts on January 1, 2018 as follows:

		Allowance for doubtful accounts
Closing allowance for doubtful accounts as at December 31, 2017	$	4,165
Loss related to Venezuela		11,234
Loss related to other receivables		1,547
Total amounts restated through opening retained earnings		12,781
Opening allowance for doubtful accounts as at January 1, 2018 - calculated under IFRS 9	**$**	**16,946**

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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 a customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 120 days past due.

As a result of the above noted adoption of accounting policies, the Company's residual undiscounted accounts receivable related to the Company's operations in Venezuela was provisioned for.

(i) Classification

Beginning January 1, 2018, 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) 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.

Accounting policy applied until December 31 2017

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as a “financial asset or financial liability at fair value through profit or loss”, “available-for-sale financial assets”, “held-to-maturity investments”, “loans and receivables”, or “other financial liabilities”. The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the balance sheet when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

(i) Financial assets at fair value through profit or loss:

Cash and cash equivalents are held for trading within the fair value through profit or loss category. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income.

(ii) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company’s trade and other receivables are categorized as loans and receivables.

(iii) Available for sale:

From time to time, the Company may have certain equity investments in certain entities and the fair value is determined using Level 1 of the three-level hierarchy. Investments that have a quoted price in an active market are measured at fair value with changes in fair value recognized in other comprehensive income. When the investment is ultimately sold, any gains or losses are recognized in net income and any unrealized gains or losses previously recognized in other comprehensive income are reversed.

The Company has the following non-derivative financial liabilities:

(i) Other financial liabilities:

Trade and other payables, finance lease obligations, senior unsecured notes and bank credit facilities are classified as “other financial liabilities”. Other financial liabilities are recognized initially at fair value, net of any directly attributable transaction costs. Other financial liabilities, including the Ensign Notes (as defined below) and the Trinidad Notes (as defined below), are subsequently measured at amortized cost using the effective interest method. Transaction costs incurred with respect to the credit facilities are deferred and amortized using the straight-line method over the term of the facility. The asset is recognized in other assets on the balance sheet while the amortization is included in finance costs within net income.

(ii) Equity instruments:

Common Shares are classified as equity. Incremental costs directly attributable to the issue of Common Shares are recognized as a deduction from equity, net of any tax effects.

(q) Critical judgments and accounting estimates

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

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

Allowance for doubtful accounts

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

Property and equipment

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

Assets are grouped into CGUs based on separately identifiable and largely independent cash inflows and are used for impairment testing. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of market prices, market supply and demand, margins, and discount rates. Information regarding property and equipment is included in Note 7.

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 10.

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 12.

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

Functional currency

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

Impairments

Assessing for indicators of possible impairment requires judgment in the assessment of facts and circumstances and is a subjective process that often involves a number of estimates and is subject to interpretation. Information regarding impairment is included in Note 7.

Deferred income tax assets

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

Joint arrangements

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

Purchase price allocation

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

(r) Recent accounting pronouncements

On January 13, 2016 the IASB issued IFRS 16 - Leases ("IFRS 16") which has been adopted by the Company on January 1, 2019 using the modified retrospective method. Under the modified retrospective method, comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. Under the principles of the new standard, the Company will recognize lease liabilities related to its lease commitments. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The associated right of use ("ROU) assets will be measured at the lease liability amount on January 1, 2019 resulting in no adjustment to the opening balance of retained earnings. The Company intends to use the following practical expedients permitted under the new standard:

(i) Lease with a remaining lease term of less than twelve months as at January 1, 2019 as a sort term leases;
(ii) Leases of low dollar value will continue to be expensed as incurred;
(iii) The Company will not apply any grandfathering practical expedients.

The Company is in process of completing its assessment and expects to book a right to use assets and corresponding liability when the standard comes in effect.

4. FOREIGN OPERATIONS

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. The Company expanded its foreign operations to Bahrain, Mexico, the United Arab Emirates and Kuwait through the Trinidad Acquisition. 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 significant foreign exchange risks.

5. BUSINESS COMBINATIONS

Effective November 30, 2018 (the "**Effective Date**") the Company completed the acquisition of 56.4 percent of the issued and outstanding common shares of Trinidad Drilling Ltd. (Trinidad), a publicly traded oilfield service company. Following the acquisition of 56.4 percent of Trinidad, the Company extended the period for the tender of additional Trinidad shares and acquired 89.3 percent through a series of transactions for total consideration of $410,197. The strategic business combination was completed to increase the Company's presence in the North American drilling market and certain international markets.

The Trinidad Acquisition was funded from the Company's cash resources and new Credit Facility as described in Note 12.

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

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

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

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

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

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

The fair value of acquired trade receivables is $132,317. The gross contractual amount for trade receivables due is $135,043 of which $2,726 is expected to be uncollectible.

During the fourth quarter of 2018, the Company acquired control of certain Trinidad assets including land, buildings and other under-utilized equipment which continue to be held for sale. The Company's management is committed to the sale and assesses that all criteria are met in order to continue to classify the assets as held for sale.

The Company recognizes minority interests in an acquired entity either at fair value or at the minority interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For minority interests in Trinidad, the Company elected to recognize the minority interest at its proportionate share of the acquired net identifiable assets.

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

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

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

6. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	December 31 2018	December 31 2017
Cash	**$ 75,709**	$ 32,374
Restricted cash	**9,114**	—
Total cash and cash equivalents	**$ 84,823**	$ 32,374

(b) Non-cash working capital

	December 31 2018	December 31 2017
Net change in non-cash working capital		
Accounts receivable	**$ 19,535**	$ (21,623)
Inventories, investments and other	**39,373**	(43,900)
Accounts payable and accruals	**(45,186)**	39,483
Income taxes receivable	**(58,185)**	17,042
Dividends payable	**—**	(442)
	$ (44,463)	$ (9,440)
Relating to:		
Operating activities	**$ (73,806)**	$ (6,291)
Investing activities	**17,734**	(2,667)
Financing activities	**11,609**	(482)
	$ (44,463)	$ (9,440)

7. PROPERTY AND EQUIPMENT

	Rig and related equipment	Automotive and other equipment	Land and buildings	Total
Cost:				
Balance at December 31, 2016	$ 4,971,813	$ 122,703	$ 72,045	$ 5,166,561
Additions	112,790	10,031	942	123,763
Disposals	(50,268)	443	(823)	(50,648)
Effects of foreign exchange	(131,816)	(4,319)	(2,697)	(138,832)
Balance at December 31, 2017	4,902,519	128,858	69,467	5,100,844
Acquisition	768,464	—	26,000	794,464
Additions	77,318	11,937	596	89,851
Disposals	(10,201)	(6,024)	(1,571)	(17,796)
Asset decommissioning	(8,016)	—	—	(8,016)
Effects of foreign exchange	246,779	5,383	3,029	255,191
Balance at December 31, 2018	**$ 5,976,863**	**$ 140,154**	**$ 97,521**	**$ 6,214,538**
Accumulated depreciation and write-downs				
Balance at December 31, 2016	$ (2,137,169)	$ (94,078)	$ (22,161)	$ (2,253,408)
Depreciation	(308,869)	(13,559)	(3,994)	(326,422)
Disposals	39,286	(1,934)	231	37,583
Effects of foreign exchange	34,720	3,970	679	39,369
Balance at December 31, 2017	(2,372,032)	(105,601)	(25,245)	(2,502,878)
Depreciation	(399,086)	(13,618)	(2,505)	(415,209)
Disposals	7,920	4,910	606	13,436
Asset decommissioning	7,299	—	—	7,299
Effects of foreign exchange	(108,655)	(4,312)	(2,515)	(115,482)
Balance at December 31, 2018	**$ (2,864,554)**	**$ (118,621)**	**$ (29,659)**	**$ (3,012,834)**
Net book value:				
At December 31, 2017	$ 2,530,487	$ 23,257	$ 44,222	$ 2,597,966
At December 31, 2018	**$ 3,112,309**	**$ 21,533**	**$ 67,862**	**$ 3,201,704**

Property and equipment includes equipment under construction of $32,277 (2017 - $34,980) that has not yet been subject to depreciation. During the year, the Company added three well servicing rigs and decommissioned one drilling rig that had been fully depreciated. The Company also had $9,808 of capital leases additions during the year (2017 - $nil).

The adverse economic effects arising from the sustained low oil and natural gas prices are considered indicators of possible impairment of the Company's assets, and accordingly an asset impairment test was performed by Management. The Company completed impairment tests in each of its CGU's using five year cash flow projections with a terminal value and concluded that no impairment charges were required for any CGU's as at December 31, 2018. The impairment tests were based on the following key assumptions:

- a weighted average pre-tax discount rate of 10% 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% growth rate,
- a terminal growth rate of 2%.

The Company performed a sensitivity analysis and noted no material impact in any CGU under any of the following situations:

- discount rates 1.8% higher or lower;
- cash flows 19% higher or lower; and
- a terminal growth rate 0%,

8. INVESTMENT IN JOINT VENTURES

Joint venture loss (gain) reconciliation

		December 31, 2018
Trinidad Drilling International gain from investment	$	(1,096)
Trinidad Drilling International fair value adjustment		—
Other joint arrangements net loss from investments		222
Gain from investment in joint ventures		(874)

Joint venture investment reconciliation

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

Effective November 30, 2018, through the Trinidad Acquisition, the Company acquired the TDI joint venture arrangement with a wholly-owned subsidiary of Halliburton Company, to operate rigs in Bahrain, Kuwait, Saudi Arabia, United Arab Emirates and Mexico. The joint venture conducts business under the name Trinidad Drilling International through separately incorporated companies. Trinidad owns 60% of the shares of TDI and each of the joint parties have equal voting rights. The investment is held through common shares and mandatory redeemable preferred shares ("MRPS") classified as liabilities. The investment is treated as a financial asset and is fair valued through profit or loss and recognizes changes in fair value of the investment in the consolidated statements of income (loss) and comprehensive income (loss) as gain from investment in joint venture.

Continuity of investment in TDI

		December 31, 2018
Acquisition of Trinidad Drilling Ltd.	$	144,776
Contributions to joint venture		26,144
Gain from investment in joint venture		1,096
Change in loan in joint venture		528
Elimination of downstream transactions		(48)
Effect of foreign exchange		4,727
Ending balance	$	177,223

(a) Summarized financial information for TDI

Summarized statements of operations for TDI:

(in thousands of Canadian dollars)		December 31, 2018 TDI		Ensign 60% Share
Revenue				
Oilfield service revenue		3,281		**1,969**
Other revenue		244		**146**
		3,525		**2,115**
Expenses				
Operating expenses		2,002		**1,201**
Third party costs		244		**146**
General and administrative		762		**457**
Depreciation and amortization		1,875		**1,125**
Foreign Exchange		(65)		**(39)**
Finance cost		90		**54**
Loss on sale of assets		658		**395**
Preferred share valuation		(3,890)		**(2,334)**
Income before income tax		1,849		**1,110**
Current income taxes		23		**14**
Deferred income taxes		—		
Net income	$	1,826	**$**	**1,096**

Summarized statement of financial position for TDI:

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

As at		December 31 2018
(in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash and cash equivalents	$	**54,380**
Accounts receivable		**16,146**
Inventories and other		**6,309**
Total current assets		**76,835**
Property and equipment		**268,010**
Deferred income taxes		**5,915**
Total assets	$	**350,760**
Liabilities		
Current Liabilities		
Accounts payable and accruals	$	**14,052**
Total current liabilities		**14,052**
Preferred shares		**274,534**
Notes payables to joint venture partners		**27,053**
Total liabilities		**315,639**
Shareholders' Equity		
Common Shares		**23,508**
Contributed surplus		**102,500**
Foreign currency translation reserve		**6,437**
Retained earnings		**(97,324)**
Total shareholders' equity		**35,121**
Total liabilities and shareholders' equity	$	**350,760**

Related party transactions

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

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

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

The joint shareholders of TDI have loaned funds, via promissory notes, to fund the importation of drilling rigs into Saudi Arabia. The funds are recoverable through operations in TDI within five years from date of advance and earn interest at 4.25% and mature in December 2020. As at December 31, 2018, the loan payable to the joint venture shareholders is $27,053, of which $16,232 is payable to the Company.

Fair value of investment in TDI joint venture

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

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

2. Five year forecasted cash flows, taking into consideration current industry conditions, actual 2018 operating results and past experience.

3. A terminal value was used for each of the 2018 fair value assessments assuming 1.5% annual growth rate and a 1.5% terminal growth rate for cash flows through the remainder of the segment's life.

9. ACCOUNTS PAYABLE AND ACCRUALS

	December 31 2018	December 31 2017
Trade payables	**$ 117,783**	$ 110,789
Accrued liabilities	**60,025**	8,302
Accrued payroll	**45,800**	47,582
Interest payable	**24,383**	892
Deferred revenue	**16,859**	14,579
Other liabilities	**6,524**	8,008
	$ 271,374	$ 190,152

10. SHARE-BASED COMPENSATION

Share option plan

The Company has an employee share option plan that provides all option holders the right to elect to receive either Common Shares or a direct cash payment in exchange for the options exercised. The Company may grant options to its employees for up to 14,886,400 (2017 - 14,886,400) Common Shares. The options' exercise price equals the market price of the Common Shares on the date of grant. Share options granted vest evenly over a period of five years.

The total intrinsic value of the liability for vested benefits at December 31, 2018 was $1,320 (2017 - $2,278).

A summary of the Company's share option plan as of December 31, 2018 and 2017 and the changes during the years then ended, is presented below:

	2018		2017	
	Number of Share Options	Weighted Average Exercise Price	Number of Share Options	Weighted Average Exercise Price
Outstanding – January 1	6,724,900	$ 9.67	5,037,700	$ 10.74
Granted	1,358,700	5.60	2,064,750	7.18
Exercised	(4,200)	5.80	(2,100)	7.30
Forfeited	(946,400)	9.81	(342,850)	9.88
Expired	(1,094,800)	16.13	(32,600)	15.51
Outstanding - December 31	**6,038,200**	**$ 7.56**	**6,724,900**	**$ 9.67**
Exercisable - December 31	**2,861,040**	**$ 8.33**	**3,032,400**	**$ 11.35**

The weighted average share price at the date of exercise of options in 2018 was $5.80 per Common Share (2017 - $7.30).

The following table lists the options outstanding at December 31, 2018:

Exercise Price	Outstanding Options	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$5.60 to $6.66	2,113,400	4.00	$ 5.76	428,440	$ 5.76
$6.67 to $7.64	1,563,500	2.00	7.30	940,300	7.30
$7.65 to $10.37	2,361,300	1.85	9.36	1,492,300	9.72
	6,038,200	2.64	$ 7.56	2,861,040	$ 8.33

The assumptions used to estimate the fair value of employee share options as at December 31, 2018 were:

	December 31 2018	December 31 2017
Remaining expected life (years)	**2.4**	2.6
Volatility (percent)	**40.0**	40.0
Forfeiture rate (percent)	**6.7**	6.6
Risk-free interest rate (percent)	**1.9**	1.7
Expected dividend (percent)	**10.0**	7.4

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

Share Appreciation Rights (SARs)

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

A summary of the Company's SARs plan as of December 31, 2018 and 2017 and the changes during the years ended, is presented below:

	2018		2017	
	Number of SARs	Weighted Average Exercise Price	Number of SARs	Weighted Average Exercise Price
Outstanding – January 1	612,700	$ 9.39	477,100	$ 10.97
Granted	150,000	5.60	241,000	6.97
Exercised	(800)	5.60	—	—
Forfeited	(40,600)	10.18	(101,400)	10.83
Expired	(104,500)	16.13	(4,000)	15.51
Outstanding - December 31, 2018	**616,800**	**$ 7.28**	612,700	$ 9.39
Exercisable - December 31, 2018	**263,600**	**$ 8.07**	242,600	$ 11.58

The weighted average share price at the date of exercise of SARs in 2018 was $5.60 per common share. No SARs were exercised in 2017.

The following table lists the SARs outstanding at December 31, 2018:

Exercise Price	SARs Outstanding	Average Vesting Remaining (in years)		Weighted Average Exercise Price	SARs Exercisable		Weighted Average Exercise Price
$5.60 to $7.00	265,200	4.00	$	5.79	52,400	$	5.80
$7.01 to $9.00	248,100	2.40		7.58	128,400		7.51
$9.01 to $10.37	103,500	1.00		10.37	82,800		10.37
	616,800	2.85	$	7.28	263,600	$	8.07

Performance Share Units (PSUs)

The Company grants Performance Share Units (PSUs) to certain officers and employees of the Company to participate in the growth and development of the Company and to promote further alignment of interests between employees and the shareholders. PSUs are subject to the Company's performance metrics assessed by management with a three year performance period. Each PSU granted permits the holder to receive a cash payment equal to the fair market value of a share as of the maturity date, adjusted for a performance multiplier.

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

	Outstanding
Outstanding – January 1, 2018	694,983
Granted	771,917
Granted through dividend payment	98,703
Forfeited	(292,488)
Outstanding - December 31, 2018	**1,273,115**

11. BANK CREDIT FACILITIES AND LONG-TERM DEBT

		December 31 2018		December 31 2017
Drawings on the Bank Facilities	**$**	**946,531**	$	488,677
Ensign Notes - Senior unsecured notes				
Tranche B, due February 22, 2019, 3.97%		**136,444**		125,730
Tranche C, due February 22, 2022, 4.54%		**136,444**		125,730
Trinidad Notes - Senior unsecured notes, February 2025, 6.63%		**477,554**		—
Subordinate Convertible Debenture, January 22, 2022, 7.00%		**34,538**		—
Capital Lease Commitments		**9,689**		1,436
Unamortized deferred financing costs		**(14,547)**		(1,640)
Total	**$**	**1,726,653**	$	739,933
Less: current portion		**(376,612)**		(487,257)
Total long-term debt	**$**	**1,350,041**	$	252,676

Bank credit facilities:

As at December 31, 2018, the Company's available bank credit facilities consists of a $1,250,000 (2017 - $500,000) global revolving credit facility (the "**Credit Facility**") and the Trinidad's existing credit facility (the "**Trinidad Facility**"). The Credit Facility is available to the Company and certain of its wholly-owned subsidiaries, and may be drawn in Canadian or United States dollars, up to the equivalent value of $1,250,000 Canadian dollars.

Interest is incurred on the utilized balance of the Credit Facility based on the election of one of the following options when funds are drawn:

a. The bank's Canadian prime lending rate plus 0.50% to 3.00%
b. The US base or US prime rate
c. The commitment rate of 0.375% to 1.00%
d. The BA rate plus 1.50% to 4.00%
e. The LIBOR and letters of credit

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

The Credit Facility has the following covenant requirements:

- The Consolidated Debt to Consolidated EBITDA Ratio shall not exceed 5.50:1.00 as at the end of the Fiscal Quarters ending on December 31, 2018 and March 31, 2019, 5:25:1.00 at the end of the Fiscal Quarters ending June 30, 2019 and September 30, 2019, and 5.00:1.00 at any time thereafter;

- The Consolidated EBITDA to Consolidated Interest Expense as at the end of any Fiscal Quarter shall not be less than 2.50:1.00; and

- The Consolidated Senior Debt (being the Company's bank debt and outstanding Ensign Notes which were redeemed and paid in full on January 10, 2019) to Consolidated EBITDA Ratio shall not exceed 3.00:1.00 as at the end of the Fiscal Quarters ending December 31, 2018 and March 31, 2019, 2.75:1.00 at the end of the Fiscal Quarters ending June 30, 2019 and September 30, 2019, and 2.50:1.00 at any time thereafter.

As at December 31, 2018 the Company was in compliance with all covenants related to the Credit Facility.

Consolidated EBITDA is defined under the Credit Facility as net income from continuing operations for the 12 month period then ended determined in accordance with IFRS before interest expense, depreciation, amortization and accretion expenses, all provisions for taxes, all non-cash expenses and non-cash income, the amount of any stock-based compensation; and extraordinary gains and losses.

As at December 31, 2018, the Company had $55,977 (2017 - $10,530) outstanding collateralized letters of credit, used in the normal course of business.

Senior unsecured notes:

On February 22, 2012, the Company completed the private placement of USD $200,000 of senior unsecured notes (the "Ensign Notes") with the terms noted above. Interest on the Ensign Notes is payable semi-annually on May 31st and November 30th of each year, with final interest payments due on expiry. The Ensign Notes are unsecured, ranked equally with the Credit Facility and guaranteed by Ensign Energy Services Inc. and certain of the Company’s subsidiaries located in Canada, the United States and Australia.

Interest accrued on the Ensign Notes at December 31, 2018 was $1,000 (2017 - $892) and has been included in accounts payable and accruals on the consolidated statement of financial position. The Company incurred financing costs associated with the Ensign Notes that are being deferred and amortized using the effective interest method.

On December 6, 2018, Ensign provided a notice of redemption to all holders of its Ensign Notes, with a redemption effective date of January 10, 2019. Due to this redemption, Ensign did not calculate the financial covenants and classified the senior unsecured notes to current liabilities.

Subordinate convertible debenture:

During the first quarter of 2018, the Company issued a non-brokered private placement of unsecured, subordinated convertible debentures (the "**Debentures**") for gross proceeds of $37,000. The Debentures bear interest from the date of closing at 7.0% per annum, payable semi-annually in arrears, on April 1 and October 1 each year. The Debentures will mature on January 31, 2022.

If, on and after April 1, 2021, the closing price of the Company's Common Shares on the Toronto Stock Exchange exceeds 125% of the Conversion Price for at least 30 consecutive trading days, the 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 Debentures plus accrued and unpaid interest thereon (if any), up to, but excluding, the date of redemption.

The liability component of the Debentures was recognized initially at the fair value and revalued quarterly using a similar liability that does not have an equity conversion option, which was calculated based on an estimated market interest rate of 8.25%.

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

Acquisition

In the fourth quarter of 2018, the Company acquired control of Trinidad pursuant to the Trinidad Acquisition. As part of the acquisition, the Company assumed $591,818 of long term debt, the particulars of which are as follows:

(i) The Trinidad Facility

$127,109 drawn on the Trinidad's existing credit facility (the "**Trinidad Facility**"). On November 27, 2018, Trinidad notified the lenders that the acquisition of Trinidad by Ensign constitutes the occurrence of a change of control under the credit agreement and therefore the Trinidad Facility was classified as a current liability and additional borrowings was not permitted. Subsequent to year end on January 8, 2019, Ensign received consent from the lenders to keep the Trinidad Facility outstanding and the size of the facility was reduced to an aggregate of $125,000 from the original $100,000 Canadian revolving facility and $100,000 US revolving facility, including $10,000 Canadian dollar overdraft and a $10,000 US dollar bank overdraft. The Trinidad Facility requires quarterly interest payments based on Bankers Acceptance and LIBOR rates and a maturity of December 12, 2020. Subsequent year end the Trinidad Facility was repaid in full on February 14, 2019. Due to this repayment, Ensign did not calculate the financial covenants and classified the senior unsecured notes to current liabilities.

(ii) The Trinidad Notes

USD $350,000 (CAD $464,709) million of senior unsecured notes ("**Trinidad Notes**"). The Trinidad Notes mature in February 2025, bear interest at 6.625% per annum, which is payable semi-annually in February and August. The Company has the option to redeem all or part of the Trinidad Notes at a redemption price equal to the principal plus accrued interest.

On December 6, 2018, Ensign provided a notice of redemption to all holders of its outstanding Trinidad Notes, with a redemption effective date of January 10, 2019. Due to this redemption, Ensign did not calculate the financial covenants and classified the senior unsecured notes to current liabilities.

12. INCOME TAXES

Analysis of deferred tax liability:

	December 31 2018	December 31 2017
Property and equipment	$ 501,508	$ 427,893
Share-based compensation	(963)	(803)
Non-capital losses	(370,439)	(109,808)
Other	(57,379)	(6,275)
Net deferred tax liability	$ 72,727	$ 311,007

Deferred Tax:		
Deferred tax asset recovered within 12 months	$ (19,618)	$ (11,291)
Deferred tax asset recovered after 12 months	(411,632)	(109,808)
Deferred tax liability recovered within 12 months	2,470	4,213
Deferred tax liability recovered after 12 months	501,507	427,893
Net deferred tax liability	$ 72,727	$ 311,007

Movement of deferred tax liability:

	December 31, 2018	December 31, 2017
Opening deferred tax liability	$ 311,007	$ 483,703
Deferred tax recovery	(53,224)	(147,799)
Acquisition of Trinidad Drilling Ltd.	(200,672)	—
Foreign exchange impact	15,616	(24,897)
Net deferred tax liability	$ 72,727	$ 311,007

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 2018	December 31 2017
Income (loss) before income taxes	$ 6,484	$ (187,796)
Gain on bargain purchase	(200,672)	—
	(194,188)	—
Income tax rate	27.0%	26.9%
Expected income tax expense	(52,431)	(50,517)
Increase (decrease) from:		
Higher effective tax rate on foreign operations	(1,818)	(9,848)
Non-deductible expenses	(1,083)	3,624
Adjustments from prior years	—	7,442
Functional currency translation adjustment and true up	2,139	7,107
Rate change impact on deferred taxes	1,013	(107,960)
Income tax expense	$ (52,180)	$ (150,152)

The statutory rate for 2018 increased slightly over that of 2017 due to the increase in the British Columbia and Saskatchewan tax rates, effective January 1, 2018 for both provinces.

13. NON-CONTROLLING INTERESTS

The non-controlling interests relate to Midland C Ranch Holdings, LLC (Midland), CanElson 120601 Drilling Limited Partnership #1 (LP1), and CanElson 120601 Drilling Limited Partnership #2 (LP2) which were acquired as part of Trinidad Acquisition. The following table summarizes the information relating to the non-controlling interest:

As at December 31, 2018		Total NCI
Acquired interest at November 30, 2018	$	5,661
Total comprehensive income attributable to non-controlling interest		180
Change in fair value of liability		—
Foreign currency translation adjustment		166
Balance as at December 31, 2018	**$**	**6,007**

Summarized statements of financial position for non-controlling interests

As at December 31, 2018	LP1	LP2	Midland	Total
Non-controlling interests ownership percentage	**50%**	**45.6%**	**50%**	
Current assets	2,078	1,099	5,995	9,172
Non-current assets	2,787	1,925	5,523	10,235
Current liabilities	1,250	3,100	2,601	6,951

Summarized statement of operations and comprehensive income (loss) for non-controlling interests

For the year ended December 31, 2018	LP1	LP2	Midland	Total
Non-controlling interests ownership percentage	**50%**	**45.6%**	**50%**	
Revenue	—	—	1,249	1,249
Net (loss)	(111)	(161)	(18)	(290)
Net (loss) attributable to non-controlling interests	(55)	(75)	(9)	(139)
Total comprehensive income (loss) attributable to non-controlling interests	(55)	(75)	310	180

Fair value of non-controlling interest

The Company completed a valuation assessment of the non-controlling interest liability as part of business combination. See Note 5 for more details.

14. SHARE CAPITAL

(a) Authorized

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

(b) Issued, fully paid and outstanding

	2018			2017		
	Number of Common Shares		Amount	Number of Common Shares		Amount
Opening balance – January 1	156,753,209	$	206,042	153,594,857	$	180,666
Shares issue as part of the dividend reinvestment plan	—		—	2,933,708		23,208
Changes in unvested shares held in trust	107,847		286	224,644		2,168
Closing balance - December 31	**156,861,056**	**$**	**206,328**	**156,753,209**	**$**	**206,042**

The total number of unvested shares held in trust for share-based compensation plans as at December 31, 2018 was 213,425 (December 31, 2017 – 321,272).

(c) Dividends

During the year ended December 31, 2018, the Company declared dividends of $75,396 (2017 - $75,785), being $0.48 per common share (2017 - $0.48 per common share).

15. MINORITY INTERESTS

Set out below is summarized financial information for the Company's minority interest.

As at December 31, 2018		**Trinidad Drilling Ltd.**
Minority interests ownership percentage		**10.7%**
Current assets	$	176,587
Non-current assets		986,030
Current liabilities	$	101,610

Summarized statement of operations and comprehensive (loss) for minority interests:

For the year ended December 31, 2018		**Trinidad Drilling Ltd.**
Minority interests ownership percentage		**10.7%**
Revenue	$	49,766
Net income		3,386
Net income attributable to minority interest		362
Total comprehensive income attributable to minority interest	$	1,392

16. NET INCOME (LOSS) PER SHARE

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

Diluted net income (loss) per share is calculated by dividing net income (loss) by the weighted average number of Common Shares outstanding during the period adjusted for conversion of all potentially dilutive Common Shares. Diluted net income (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 2018	December 31 2017
Net income (loss) attributable to common shareholders:		
Basic and diluted	**$ 58,302**	$ (37,644)
Weighted average number of Common Shares outstanding:		
Basic	**156,862,920**	156,545,624
Potentially dilutive share-based compensation plans	**178,800**	182,153
Diluted	**157,041,720**	156,727,777

Share options of 3,923,750 (2017 – 4,890,600) were excluded from the calculation of diluted weighted average number of Common Shares outstanding as they were anti-dilutive.

17. SEGMENTED INFORMATION

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

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

As at and for the year ended December 31, 2017	Canada	United States	International	Total
Revenue	262,793	459,496	278,361	1,000,650
Depreciation and amortization	110,808	158,157	56,846	325,811
Loss before interest and income taxes	(78,377)	(61,818)	(6,391)	(146,586)
Total assets	980,476	1,326,988	651,001	2,958,465
Total liabilities	561,809	486,653	220,627	1,269,089
Purchase of property & equipment, net	21,459	83,158	13,095	117,712

For the years ended December 31	2018	2017
Rig rental revenue	**$ 682,716**	$ 560,364
Service revenue	**473,641**	440,286
Total revenue	**$ 1,156,357**	$ 1,000,650

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

During the year ended December 31, 2018 the Company had no customers that represented 10 percent or more of the Company's revenue. During the year ended December 31, 2017, the Company had one customer that represented more than 10 percent of the Company's revenue.

18. EXPENSES BY NATURE

		December 31 2018		December 31 2017
Salaries, wages and benefits	**$**	**588,563**	$	524,291
Share-based compensation		**707**		656
Total employee costs		**589,270**		524,947
Depreciation		**415,036**		325,811
Purchased materials, supplies and services		**313,698**		274,575
Foreign exchange and other		**(19,001)**		21,903
Total expenses before interest and income taxes	**$**	**1,299,003**	$	1,147,236

19. KEY MANAGEMENT COMPENSATION AND RELATED PARTY TRANSACTIONS

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

		December 31 2018		December 31 2017
Short-term compensation	$	2,744	$	2,349
Share-based compensation		717		1,407
Total management compensation	$	3,461	$	3,756

20. SIGNIFICANT SUBSIDIARIES AND PARTNERSHIPS

The following table lists the Company's principal operating partnerships and 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, 2018:

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	
			2018	2017
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 Energy Services Pty Limited	USD	Australia	100	100
Ensign Australia Pty Limited	AUD	Australia	100	100
Ensign International Energy Services LLC	USD	Oman	100	100
Tristate (Barbados) Holdings Inc.	USD	Barbados	100	100
Ensign Testing Services (U.S.A.) Inc.	USD	United States	100	100
Ensign United States Drilling Inc.	USD	United States	100	100
Ensign United States Drilling (California) Inc.	USD	United States	100	100
Ensign US Financial (Delaware) LP	USD	United States	100	100
Ensign US Southern Drilling LLC	USD	United States	100	100
OFS Canada Inc.	CAD	Canada	100	100
OFS Global Inc.	USD	Canada	100	100
Ensign Well Servicing Inc.	CAD	Canada	—	100
Ensign Testing Services Inc.	CAD	Canada	—	100
Trinidad Drilling Ltd.	CAD	Canada	89	—
Trinidad Drilling USA Ltd.	USD	United States	89	—
Trinidad Drilling LP	USD	United States	89	—

21. CAPITAL MANAGEMENT STRATEGY

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

The Company considers its capital structure to include shareholders' equity, bank credit facilities, convertible debentures and senior unsecured 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, 2018, the bank credit facilities' drawings totaled $946,531 (2017 - $488,677), senior unsecured notes totaled $750,442 (2017 - $249,820) and shareholders' equity totaled $1,790,683 (2017 - $1,689,376).

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

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

The classification and measurement of financial instruments is presented below:

Cash and cash equivalents and accounts receivable are classified as financial assets at amortized cost.

Accounts payable and accruals, dividends payable and long-term debt are classified as financial liabilities at amortized cost.

Fair values

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

The estimated fair value of the senior unsecured notes has been determined based on available market information and appropriate valuation methods, including the use of discounted future cash flows using current rates for similar instruments with similar risks and maturities. The estimated fair value of the senior unsecured notes approximates its carrying value.

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statement of financial position are categorized using a three-level hierarchy that reflects the level of judgment associated with the inputs used to measure their fair value. The fair values of financial assets and liabilities included in Level 1 are determined by reference to unadjusted quoted prices in active markets for identical assets and liabilities. Fair values of financial assets and liabilities in Level 2 are based on inputs other than Level 1 quoted prices that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). The fair values in Level 3 financial assets and liabilities are not based on observable market data.

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

The estimated fair value of the investment in joint ventures is a Level 3 in the value of hierarchy. Inputs to the change in the fail value of the investment in joint venture are disclosed in Note 8.

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, 2018**		December 31, 2017	
(in thousands of Canadian dollars)	**Fair value**	**Carrying value**	Fair Value	Carrying value
Financial assets at fair value for profit or loss:				
Investment in TDI joint venture	**177,010**	**177,010**	—	—
Financial liabilities at fair value through profit or loss:				
Ensign Notes - senior unsecured notes due 2019 and 2022	**278,614**	**278,614**	251,460	251,460
Trinidad Notes - senior notes dues 2025	**482,682**	**482,682**	—	—
Debenture	**34,538**	**34,538**	—	—
Non-controlling interests liability	**6,007**	**6,007**	—	—

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's accounts receivable balances owing from customers operating primarily in the oil and natural gas industry in Canada, the United States and internationally. The carrying amount of accounts receivable represents the maximum credit exposure as at December 31, 2018.

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2018 or January 1, 2018 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, 2018 and January 1, 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

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

January 1, 2018	Current	More that 30 days past due	More that 60 days past due	More that 90 days past due	Total
Expected loss rate	2.0%	5.0%	12.5%	55.3%	
Gross carrying amount	107,308	67,904	8,641	18,671	202,524
Loss allowances	**2,146**	**3,395**	**1,080**	**10,325**	**16,946**

As part of the Company's international operations, it provides oilfield services in Venezuela pursuant to contractual arrangements. As at December 31, 2018, the Company had accounts receivable of approximately $21,478 million for work performed in Venezuela, and in recent months a number of payments have been received by the Company.

Though the Company has a history of collecting accounts receivable in Venezuela, due to the continuing political unrest in the country there can be no assurance that the Company will be successful in collecting all of such accounts receivable outstanding. As a result the Company has provided a further $11,234 million provision onto its already discounted accounts receivable balance.

The opening loss allowance for trade receivables as at December 31, 2018 reconciled in Note 3 (p).

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.

Previous accounting policy for impairment for trade receivables

The Company assesses the credit worthiness of its customers on an ongoing basis and establishes credit limits for each customer based on external credit reports and other publicly available information, internal analysis and historical experience with the customer. Credit limits are approved by senior management and are reviewed on a regular basis or when changing economic circumstances dictate. The Company manages credit risk through dedicated credit resources, ongoing monitoring and follow up of balances owing, well liens, and tightening or restriction of credit terms as required. The Company also monitors the amount and age of accounts receivable balances on an ongoing basis.

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, 2018, the remaining contractual maturities of accounts payable and accruals and dividends payable are less than one year.

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

As at December 31	Less than 1 Year	1-3 Years	4-5 Years	Total
Ensign Notes - senior unsecured notes due 2019 and 2022	$ 278,614	$ —	$ —	$ 278,614
Trinidad Notes - senior unsecured notes due 2025	31,638	94,914	63,275	$ 189,827
Bank facilities[1]	39,991	1,019,504	—	$ 1,059,495
Debenture	2,590	40,445	—	$ 43,035
Total	$ 352,833	$ 1,154,863	$ 63,275	$ 1,570,971

1 Interest on the bank credit facilities is calculated based on the amount drawn at December 31, 2018 and the applicable bankers' acceptance/ LIBOR interest rates outstanding as at December 31, 2018. USD denominated balances are converted using the foreign exchange rate as of December 31, 2018.

Market risk

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

Interest rate risk

The Company is exposed to interest rate risk with respect to its bank credit facilities which bear interest at floating market rates. For the year ended December 31, 2018, 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 $3,966 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 is not exposed to foreign exchange risk as the Company does not have financial instruments that are not denominated in its functional currency. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks.

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

23. CONTINGENCIES AND COMMITMENTS

The Company has provided insurance bonds to certain government agencies in respect of the temporary importation of equipment into that country. It is not anticipated that any material liabilities will arise from these insurance bonds. The Company has commitments for facility leases, with future minimum payments as follows:

Not later than 1 year	$	9,052
Later than 1 year and not later than 5 years		13,792
Later than 5 years		—

The Company leases a number of facilities under operating leases. The leases typically run for a period of two to ten years, with an option to renew the lease after that date. Lease payments are increased throughout the lease term to reflect market rates.

For the year ended December 31, 2018, lease payments of $3,783 (2017 - $4,888) were recognized as an expense.

The Company is a party to various disputes and lawsuits in the normal course of its business and believes the ultimate liability arising from these matters will have no material impact on its consolidated financial statements.

24. SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the Company:

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

- On February 14, 2019 the Company entered into a five year USD $700,000 senior loan facility (the "**Senior Loan**") at prevailing market rates for this type loan.

- On February 14, 2019 a portion of the proceeds of the Senior Loan was utilized to repurchase 99.93% of the outstanding USD $350,000 of Trinidad Notes due February 2025 and to pay related consent fees. The total cost for the repurchase of the Trinidad Notes was USD $366,500. The Trinidad Notes were tendered, and the consent fees were paid, pursuant to Trinidad's change of control offer to purchase and solicitation of consents announced on December 27, 2018. The Trinidad Notes were repurchased at 101% plus accrued and unpaid interest. Consenting noteholders also received 0.5% as a consent fee for their consent to certain amendments to the indenture governing the Trinidad Notes, among other things eliminating or modifying substantially all of the restrictive covenants. The remaining 0.07% of the Trinidad Notes which were not tendered in the offer will be repurchased prior to the end of March 2019.

- On February 14, 2019 the Company reduced the Credit Facility available amount from $1,250,000 to $900,000 million and a portion of the proceeds of the Senior Loan was utilized to reduce the outstanding balance of the Credit Facility to less than $900,000.

- On February 14, 2019 the Company repaid the existing Trinidad Facility utilizing a portion of the proceeds from the Senior Loan.

- On February 15, 2019 Trinidad and Holdings completed an amalgamation (the "**Amalgamation**") to form an amalgamated corporation named "Trinidad Drilling Ltd." ("**Amalco**"). The amalgamation was approved at a special meeting of Trinidad Shareholders held on January 31, 2019. Pursuant to the terms of an amalgamation agreement (the "**Amalgamation Agreement**") dated January 4, 2019 between Trinidad and Holdings, Trinidad Shareholders (other than Holdings) received one redeemable preferred share of Amalco (each, a "**Redeemable Preferred Share**") for each Trinidad common share upon completion of the Amalgamation. The Redeemable Preferred Shares were immediately redeemed for $1.68 in cash per Redeemable Preferred Share (the "**Redemption Consideration**"). The Redemption Consideration was the same as the consideration that was available to Trinidad Shareholders under Holding's Offer for all the issued and outstanding Trinidad Shares, which expired on December 21, 2018. Effective as of February 15, 2019, Amalco became an indirect wholly-owned subsidiary of Ensign.

- The Trinidad Shares were delisted from trading on the Toronto Stock Exchange effective as of the close of trading on February 19, 2019.

- On February 25, 2019, Trinidad ceased to be a reporting issuer with the applicable securities regulatory authorities in each of the jurisdictions in which Trinidad was a reporting issuer (or equivalent).

- Declared a dividend for the first quarter of 2019 of $0.12 per common share or approximately $18,877, payable on or about April 4, 2019 to the shareholders of record at the close of business on March 25, 2019. The dividend has not been provided for and is pursuant to the quarterly dividend policy adopted by the Company. Pursuant to subsection 89(1) of the Canadian Income Tax Act ("ITA"), the dividend being paid is designated as an eligible dividend, as defined in subsection 89(1) of the ITA.

- The Company has re-implemented its dividend reinvestment plan ("the **DRIP**"). The DRIP has been updated from the prior version operated by Ensign (the "**Original DRIP**") that was suspended in August 2017. The substantive features of the Original DRIP have not been changed except to reflect certain tax changes and to limit a participant's ability to terminate their participation in the plan to once per year.

Share Trading Summary

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

For the three months ended (Unaudited)	High ($)	Low ($)	Close ($)	Volume	Value ($)
2017					
March 31	9.81	7.43	7.97	24,600,100	216,304,588
June 30	8.26	6.27	6.93	22,972,300	165,293,284
September 30	7.56	6.09	7.05	11,395,900	75,766,121
December 31	6.98	5.95	6.47	11,341,600	71,825,426
Total				70,309,900	529,189,419

10 Year Financial information

(Unaudited - $ thousands, except per share data)	2018	2017	2016	2015	2014
Revenue	1,156,357	1,000,650	859,702	1,390,978	2,321,765
Gross margin	300,533	240,950	237,676	395,953	635,370
Gross margin % of revenue	26.0%	24.1 %	27.6 %	28.5 %	27.4%
Adjusted EBITDA	255,677	201,784	185,173	329,010	542,262
Depreciation	415,036	325,811	349,947	335,513	298,854
Net income (loss)	58,664	(37,644)	(150,522)	(104,049)	71,120
Net income (loss) per share					
Basic	$0.37	$(0.24)	$(0.99)	$(0.68)	$0.47
Diluted	$0.37	$(0.24)	$(0.98)	$(0.68)	$0.46
Funds from operations	225,939	141,438	170,651	296,273	491,886
Funds from operations per share					
Basic	$1.44	$0.90	$1.12	$1.94	$3.22
Diluted	$1.44	$0.90	$1.11	$1.94	$3.21
Net capital expenditures, excluding acquisitions	73,296	117,712	29,120	159,033	582,999
Acquisitions[1]	320.341	—	—	—	—
Working capital (deficit)	(156,223)	(342,199)	(11,153)	144,239	189,698
Long-term debt, net of current portion	1,350,041	252,676	583,269	794,109	786,327
Shareholders' equity	1,790,683	1,689,376	1,832,489	2,086,596	2,045,237
Return on average shareholders' equity	3.3%	(2.2)%	(8.2)%	(5.0)%	3.5%
Long-term debt to equity	0.75:1	0.15:1	0.32:1	0.38:1	0.38:1
Weighted avg. common shares outstanding - basic	156,862,920	156,545,624	152,759,973	152,476,615	152,710,636
Closing share price - December 31	$4.79	$6.47	$9.38	$7.38	$10.20

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

*Restated under IFRS

**Not restated for IFRS

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

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

10 Year Financial information

(Unaudited - $ thousands, except per share data)	2013	2012	2011	2010*	2009**
Revenue	2,098,011	2,197,321	1,890,372	1,355,683	1,137,575
Gross margin	573,838	641,812	567,446	370,860	356,554
Gross margin % of revenue	27.4%	29.2%	30.0%	27.4%	31.3%
Adjusted EBITDA	485,712	560,975	497,188	310,011	305,670
Depreciation	248,026	220,227	177,927	132,980	111,015
Net income (loss)	128,865	217,522	212,393	119,308	125,436
Net income (loss) per share					
Basic	$0.84	$1.42	$1.39	$0.78	$0.82
Diluted	$0.84	$1.42	$1.39	$0.78	$0.82
Funds from operations	435,611	506,355	473,099	288,513	259,239
Funds from operations per share					
Basic	$2.85	$3.32	$3.09	$1.89	$1.69
Diluted	$2.84	$3.31	$3.09	$1.88	$1.69
Net capital expenditures, excluding acquisitions	342,225	306,689	386,833	255,463	132,573
Acquisitions	76,408	—	497,352	—	52,573
Working capital (deficit)	(71,146)	13,861	(10,233)	84,516	107,894
Long-term debt, net of current portion	317,407	296,589	405,953	—	—
Shareholders' equity	1,962,569	1,857,958	1,723,422	1,548,155	1,530,797
Return on average shareholders' equity	6.7%	12.1%	13.0%	7.7%	8.1%
Long-term debt to equity	0.16:1	0.16:1	0.24:1	NA	NA
Weighted avg. common shares outstanding - basic	152,693,280	152,664,447	152,865,133	152,834,798	153,154,557
Closing share price - December 31	$16.73	$15.37	$16.25	$15.03	$15.00

*Restated under IFRS

**Not restated for IFRS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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Corporate Director and Investor

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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)
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President,
CAM OilServ Advisors LLC

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Independent Businessman

GAIL SURKAN (2,3)
Independent Businesswoman

BARTH WHITHAM (1,4)
President and CEO,
Enduring Resources LLC

CORPORATE MANAGEMENT

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Chairman

ROBERT H. GEDDES
President and Chief Operating Officer

MICHAEL GRAY
Chief Financial Officer

TOM CONNORS
Executive Vice President - Canada/

MICHAEL NUSS
Executive Vice President, U.S.

BRENT CONWAY
Executive Vice President,
International

TREVOR RUSSELL
Vice President, Finance

AHMED IQBAL
Corporate Controller

ROBERT RAIMONDO
Vice President, Health, Safety and Environment

CATHY ROBINSON
Vice President, Global Human Resources

SUZANNE DAVIES
Vice President Legal and Corporate Secretary

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STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: ESI

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Trust Company of Canada

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[3] Compensation
[4] Health, Safety and Environment

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