Ensign Energy Services Inc. Reports 2021 First Quarter Results

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FIRST QUARTER HIGHLIGHTS

- Revenue for the first quarter of 2021 was $218.5 million, a 43 percent decrease from the first quarter of 2020 reve $383.9 million.
- Revenue by geographic area:
-
    - Canada - $53.6 million, 24 percent of total;
    - United States - $115.4 million, 53 percent of total; and
    - International - $49.6 million, 23 percent of total.
- Canadian drilling recorded 1,846 operating days in the first quarter of 2021, a 40 percent decrease from 3,102 op in the first quarter of 2020. Canadian well servicing recorded 9,090 operating hours in the first quarter of 2021, a decrease from 12,233 operating hours in the first quarter of 2020.
- United States drilling recorded 2,581 operating days in the first quarter of 2021, a 50 percent decrease from 5,14 days in the first quarter of 2020. United States well servicing recorded 29,965 operating hours in the first quarter four percent decrease from 31,207 operating hours in the first quarter of 2020.
- International drilling recorded 859 operating days in the first quarter of 2021, a 40 percent decrease from 1,438 o recorded in first quarter of 2020.
- Adjusted EBITDA for the first quarter of 2021 was $49.9 million, a 45 percent decrease from Adjusted EBITDA of for the first quarter of 2020.
- Funds flow from operations for the first quarter of 2021 decreased 45 percent to $46.5 million from $84.5 million i of the prior year.
- During the first quarter of 2021, the Company received a $4.7 million (2020 - $ nil) Canada Emergency Wage Su ("CEWS") from the Government of Canada. The wage subsidy received partially offset the decrease in Adjusted net loss attributable to common shareholders.
- Net capital expenditures for the quarter were $9.6 million, consisting of $3.6 million in upgrade capital and $7.2 m maintenance capital, offset by proceeds from dispositions of $1.2 million. Capital expenditures for the 2021 year a to be approximately $50.0 million.
- During the first quarter of 2021, the Company recognized $6.0 million of standby revenue and $1.2 million of con cancellation or early termination fees.
- General and administrative expense decreased 22 percent year over year and quarter over quarter.
- Over the first quarter of 2021, US $16.6 million face value of Senior Notes were repurchased by the Company in market for cancellation, recognizing a gain of $5.3 million.
- Total debt for the first quarter of 2021 decreased by $20.9 million to $1,363.7 million as of March 31, 2021 from $ million as at December 31, 2020.
- On March 29, 2021 the Company amended and extended the existing $37,000 subordinate convertible debentur 2023. The amendments include an increase to the interest rate and a reduction the Conversion ?Price.
- The Company announces that Michael Gray has decided to remain with the Company and will remain with the C Chief Financial Officer.

OVERVIEW

Revenue for the three months ended March 31, 2021 was $218.5 million, a decrease of 43 percent from revenue for th months ended March 31, 2020 of $383.9 million. Adjusted EBITDA totaled $49.9 million ($0.31 per common share) in t quarter of 2021, 45 percent lower than Adjusted EBITDA of $91.2 million ($0.56 per common share) in the first quarter

Net loss attributable to common shareholders for the three months ended March 31, 2021 was $43.6 million ($0.27 pe share), compared to net loss attributable to common shareholders of $29.3 million ($0.18 per common share) for the t ended March 31, 2020.

During the first quarter of 2021, the Company received a $4.7 million (2020 - $ nil) Canada Emergency Wage Subsidy from the Government of Canada. The wage subsidy received partially offset the decrease in Adjusted EBITDA and net attributable to common shareholders.

Funds flow from operations decreased 45 percent to $46.5 million ($0.29 per common share) in the first quarter of 202 to $84.5 million ($0.52 per common share) in the first quarter of the prior year.

In March of 2020, the World Health Organization ("WHO") declared the novel coronavirus ("COVID-19") a global pand the sustained risk of worldwide spread of the virus. Governments and health authorities around the world implemented variety of measures to combat the spread of the virus, including significant travel restrictions, business closures, public restrictions, stay-at-home orders and event cancellations. The impact of these measures led to a significant slow-down economic activity. The reduced economic activity and population mobility decline served to reduce the demand for cruc natural gas over the short-term, significantly impacting global oil and natural gas commodity prices, and subsequently r demand for oilfield services.

Over the course of 2020 and into 2021, nations responded to COVID-19 cases and hospitalizations with varying degree or tightening of COVID-19 restrictions. The commencement of COVID-19 vaccine distribution resulted in easing COVID restrictions among certain nations and aided the recovery of crude oil and natural gas demand. Furthermore, OPEC+ n managed crude oil supply in addition to other producer led production curtailments have contributed to stabilization of c prices.

While industry fundamentals have improved, macro-economic conditions and industry operating conditions are expecte continue to recover from the significant fall-out of the COVID-19 pandemic. As a result, the Company's operating and fi results continue to be impacted by and are recovering from the events of 2020.

Over the short term, there remains a degree of uncertainty regarding the macro-economic conditions that will impact ou including the pathway of the COVID-19 pandemic, the degree and severity of COVID-19 restrictions, setbacks to COVI vaccine distribution and efficacy, virus mutations and other factors that may impact the demand for crude oil and natura commodity prices, and the demand for oilfield services.

The Company implemented rigorous measures across its global operations to protect the safety of its operations, the h employees and the continuity of its business. Across the Company's global operations, these proactive measures have the safe continuity and reliability of its operations. Many of these measures continue to be in place, and will be adapted as needed, as the Company continues to monitor local government recommendations and public health guidelines, pric health and safety of its workforce.

The Company's operating days were lower in the first quarter of 2021 when compared to the first quarter of 2020 as op were significantly and negatively impacted by the macroeconomic and industry conditions seen since March of 2020 inc not limited to, the impact of the COVID-19 pandemic and subsequent lockdown related restrictions, resulting in decreas for crude oil and increased market supply. The weakening year-over-year of the United States dollar against the Canad further negatively impacted the United States and international financial results on translation to Canadian dollars. The United States dollar exchange rate was 1.27 for the first three months of 2021 (first three months of 2020 - 1.34) versus Canadian dollar, a decrease of five percent, compared to the first three months of 2020.

Working capital at March 31, 2021 was a surplus of $101.7 million compared to a surplus of $98.6 million at December the end of the first quarter 2021, the Company's available liquidity, consisting of cash and available borrowings under it million revolving credit facility (the "Credit Facility"), totaled $117.8 million compared to $136.5 million at December 31,

This news release contains "forward-looking information and statements" within the meaning of applicable securities leg For a full disclosure of the forward-looking information and statements and the risks to which they are subject, see the " Regarding Forward-Looking Statements" later in this news release. This news release contains references to Adjusted and Adjusted EBITDA per common share. These measures do not have any standardized meaning prescribed by IFRS accordingly, may not be comparable to similar measures used by other companies. The non-GAAP measures included release should not be considered as an alternative to, or more meaningful than, the IFRS measure from which they are to which they are compared. See "Non-GAAP Measures" later in this news release.

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended March 31				
	2021		2020		% change
Revenue [1]	218,544		383,861		(43)
Adjusted EBITDA [1, 2]	49,898		91,247		(45)
Adjusted EBITDA per common share [1, 2]					
Basic	$	0.31	$	0.56	(45)
Diluted	$	0.31	$	0.56	(45)
Net loss attributable to common shareholders	(43,550)		(29,250)		(49)
Net loss attributable to common shareholders per common share					
Basic	$	(0.27)	$	(0.18)	(50)
Diluted	$	(0.27)	$	(0.18)	(50)
Cash provided by operating activities	57,430		62,732		(8)
Funds flow from operations	84,495		120,420		(45)
Funds flow from operations per common share					
Basic	$	0.52	$	0.77	(44)
Diluted	$	0.52	$	0.77	(44)
Total long term debt	1,363,732		1,643,595		(17)
Weighted average common shares - basic (000s)	162,295		162,843		-
Weighted average common shares - diluted (000s)	162,582		162,981		-
Drilling	2021		2020		% change
Number of marketed rigs [3]					
Canada [4]	92		101		(9)
United States	93		122		(24)
International [5]	42		43		(2)
Total	227		266		(15)
Operating days [6]					
Canada [4]	1,846		3,102		(40)
United States	2,581		5,141		(50)
International [5]	859		1,438		(40)

Total	5,286	9,681	(45)
Well Servicing	2021	2020	% change
Number of rigs			
Canada	52	52	-
United States	47	47	-
Total	99	99	-
Operating hours			
Canada	9,090	12,233	(26)
United States	29,965	31,207	(4)
Total	39,055	43,440	(10)

1. Comparative revenue, Adjusted EBITDA and Adjusted EBITDA per common share have been revised to conform with current year's presentation.
2. Please refer to Adjusted EBITDA calculation in Non-GAAP Measures.
3. Total owned rigs: Canada - 118, United States - 136, International - 53 (2020 total owned rigs - Canada - 118, United States - 138, International - 48)
4. Excludes coring rigs.
5. Includes workover rigs.
6. Defined as contract drilling days, between spud to rig release.

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at ($ thousands)	March 31 2021	March 31 2020	December 31 2020
Working capital[1]	101,717	147,353	98,612
Cash	33,416	48,560	44,198
Long-term debt	1,363,732	1,643,595	1,384,605
Total long-term financial liabilities	1,369,612	1,651,477	1,390,647
Total assets	2,966,277	3,640,761	3,054,493
Long-term debt to long-term debt plus equity ratio	0.51	0.52	0.50

[1] See Non-GAAP Measures section.

	Three months ended March 31		
($ thousands)	2021	2020	% change
Capital expenditures			
Upgrade/growth	3,552	9,965	(64)
Maintenance	7,200	16,467	(56)
Proceeds from disposals of property and equipment	(1,174)	(4,165)	(72)
Net capital expenditures	9,578	22,267	(57)

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended March 31		
($ thousands)	2021	2020	% change
Revenue			
Canada	53,556	97,137	(45)
United States [1]	115,411	214,547	(46)
International	49,577	72,177	(31)
Total revenue [1]	218,544	383,861	(43)
Oilfield services expense [1]	159,443	282,822	(44)

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

Revenue for the three months ended March 31, 2021 totaled $218.5 million, a decrease of 43 percent from the first quarter of 2020 of $383.9 million.

The decrease in total revenue during the first quarter of 2021, was primarily due to the significant impact of the COVID-19 pandemic on the oil and natural gas industry. The fallout from the pandemic led to a drop in demand, further challenging an already over-supplied commodity market. The steep declines in demand and continued oversupply resulted in an activity slowdown for oilfield services. The financial results from the Company's United States and international operations were further negatively impacted on the currency translation, as the United States dollar weakened relative to the Canadian dollar for three months ended March 31, 2021.

CANADIAN OILFIELD SERVICES

The Company recorded revenue of $53.6 million in Canada for the three months ended March 31, 2021, a decrease of 45 percent from $97.1 million recorded for the three months ended March 31, 2020. Canadian revenues accounted for 24 percent of the Company's total revenue in the first quarter of 2021, consistent with the first quarter of 2020. During the first quarter of 2021 the Company recognized $1.3 million of standby revenue (2020 - $0.1 million).

The operating and financial results for the Company's Canadian operations were significantly and negatively impacted during the first quarter of 2021 due to decreased demand for crude oil and increased market supply.

For the three months ended March 31, 2021, the Company recorded 1,846 drilling days compared to 3,102 drilling days for the three months ended March 31, 2020, a decrease of 40 percent. Well servicing hours decreased by 26 percent to 9,090 operating hours in the first quarter of 2021 compared to 12,233 operating hours in the corresponding period of 2020.

During the first quarter of 2021, the Company moved nine under-utilized drilling rigs into its Canadian operations reserve fleet.

UNITED STATES OILFIELD SERVICES

During the three months ended March 31, 2021, revenue of $115.4 million was recorded by the Company's United States operations, a decrease of 46 percent from the $214.5 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 53 percent of the Company's revenue in the first quarter of 2021 (2020 - 56 percent). In the United States, the Company recognized US $3.2 million of standby revenue and US $0.9 million of contract early termination or cancellation fees in the first quarter of 2021 (2020 - US $0.7 million and US $0.1 million respectively).

Drilling days decreased by 50 percent to 2,581 drilling days in the first quarter of 2020 from 5,141 drilling days in the first quarter of 2020. Well servicing hours decreased by four percent in the first quarter of 2021 to 29,965 operating hours from 31,207 operating hours in the first quarter of 2020.

Overall operating and financial results for the Company's United States operations were also negatively impacted by the significant effects of the global COVID-19 pandemic, resulting in a decrease in global oil demand and oversupply of oil and natural gas. The financial results from the Company's United States were further negatively impacted on the currency translation, as the United States dollar weakened relative to the Canadian dollar for three months ended March 31, 2021.

During the first quarter of 2021, the Company moved 29 under-utilized drilling rigs into its the United Stated reserve fleet.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $49.6 million in the first quarter of 2021, a 31 percent decrease from the $72.2 million recorded in the corresponding period of the prior year. The Company's international operations contributed 23 percent of the Company's total revenue in the first quarter of 2021 (2020 - 19 percent). The Company's International operations recognized US $0.6 million of standby revenue in the first quarter of 2021 (2020 - $ nil).

For the three months ended March 31, 2021, international operating days totaled 859 operating days compared to 1,438 drilling days for the three months ended March 31, 2020, a decrease of 40 percent.

Similar to our North American operations, international operating and financial results were also negatively impacted by industry operating conditions. The financial results from the Company's international operations were further negatively impacted on the currency translation, as the United States dollar weakened relative to the Canadian dollar for three months ended March 31, 2021. The acquisition of the prior non-owned interest in the TDI joint venture during the third quarter of 2020 partially offset the declines in operating activity when compared to the similar period of 2020.

During the first quarter of 2021, the Company moved six under-utilized drilling rigs into its international operations reserve fleet.

DEPRECIATION

	Three months ended March 31		
($ thousands)	2021	2020	% change
Depreciation	70,977	89,785	(21)

Depreciation totaled $71.0 million for the first quarter of 2021 compared with $89.8 million for the first quarter of 2020. The decrease in depreciation is due to certain operating assets having become fully depreciated in which case, no further depreciation expense is incurred on such assets.

GENERAL AND ADMINISTRATIVE

	Three months ended March 31		
($ thousands)	2021	2020	% change
General and administrative	9,203	11,804	(22)
% of revenue	4.2	3.1	

General and administrative expenses decreased 22 percent to $9.2 million (4.2 percent of revenue) for the first quarter of 2021 compared to $11.8 million (3.1 percent of revenue) for the first quarter of 2020. General and administrative expenses decreased as a result of cost saving initiatives implemented in March of 2020, the wage subsidy received from the Government of Canada, reductions in personnel and organizational restructuring.

RESTRUCTURING

	Three months ended March 31		
($ thousands)	2021	2020	% change
Restructuring	3,533	877	nm

nm - calculation not meaningful

Restructuring expense totaled $3.5 million for the first quarter of 2021 (2020 - $0.9 million), which consists of costs relating to the restructuring of the Company due to the decline in activity. Additional costs may be incurred in the subsequent quarters as the Company continues to adjust the business.

FOREIGN EXCHANGE LOSS AND OTHER

	Three months ended March 31		
($ thousands)	2021	2020	% change
Foreign exchange loss and other	6,314	9,086	(31)

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

GAIN ON REPURCHASE OF UNSECURED SENIOR NOTES

	Three months ended March 31				
($ thousands)	2021		2020		% change
Gain on repurchase of Senior Notes	(5,292)		(11,494)		(54)

For the three months ended March 31, 2021, the Company repurchased US $16.6 million (2020 - US $17.8 million) of face value Senior Notes, in the open market, for cancellation and recorded a gain on repurchase of $5.3 million (US $4.2 million) (2020 - $11.5 million).

Subsequent to March 31, 2021, the Company repurchased US $9.1 million face value of Senior Notes, in the open market, for cancellation. A gain on repurchase of $2.1 million (US $1.7 million) will be recognized in the second quarter of 2021.

INTEREST EXPENSE

	Three months ended March 31		
($ thousands)	2021	2020	% change
Interest expense	23,457	31,870	(26)

Interest expense was incurred on the Company's $900.0 million Credit Facility, US $426.6 million unsecured Senior Notes ("Senior Notes"), $37.0 million subordinate convertible debentures (the "Convertible Debentures") and capital lease obligations. Included in interest expense for the first quarter of 2021 is $0.7 million of accrued interest relating to the Senior Notes, paid in cash as part of repurchase of the Senior Notes (2020 - $3.1 million).

Interest expense decreased by $8.4 million for the first quarter of 2021 compared to the same period in 2020 as a result of a decrease in overall borrowing levels. The positive translational impact on United States dollar-denominated debt further decreased interest expense for the quarter.

The Company's blended interest rate on its outstanding debt for the 2021 year will be approximately 7.4 percent. The current capital structure consisting of the Credit Facility and the Senior Notes allows the Company to utilize funds flow generated to reduce debt in the near term with greater flexibility than a more non-callable weighted capital structure.

INCOME TAXES (RECOVERY)

	Three months ended March 31		
($ thousands)	2021	2020	% change
Current income tax	50	460	(89)
Deferred income tax recovery	(9,344)	(3,424)	nm
Total income tax recovery	(9,294)	(2,964)	nm
Effective income tax rate (%)	17.6	9.2	

nm - calculation not meaningful

The effective income tax rate for the three months ended March 31, 2021 was 17.6 percent compared with 9.2 percent for the three months ended March 31, 2020. The effective income tax rate in the first quarter of the current year was higher than the effective income tax rate in the first quarter of 2020 due to activity levels in foreign tax jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per common share amounts)	Three months ended March 31		
	2021	2020	% change
Cash provided by operating activities	57,430	62,732	(8)
Funds flow from operations	46,527	84,495	(45)
Funds flow from operations per common share	$ 0.29	$ 0.52	(44)
Working capital [1]	101,717	98,612	3

[1] Comparative figure as of December 31, 2020

For the three months ended March 31, 2021, the Company generated funds flow from operations of $46.5 million ($0.29 per common share) a decrease of $38.0 million from $84.5 million ($0.52 per common share) for the three months ended March 31, 2020. The decrease in funds flow from operations in 2021 compared to 2020 is largely due to the decrease in activity compared to the prior period as a result of the oil and natural gas industry's current operating environment.

As at March 31, 2021 the Company's working capital was a surplus of $101.7 million, compared to a surplus of $98.6 million at December 31, 2020. The Company expects funds generated by operations, combined with current and future credit facilities, to fully support the Company's current operating and capital requirements. The existing bank facility provides for total borrowings of $900.0 million of which $84.4 million was undrawn and available at March 31, 2021 (December 31, 2020 - $92.3 million).

INVESTING ACTIVITIES

	Three months ended March 31		
($ thousands)	2021	2020	% change
Purchase of property and equipment	(10,752)	(26,432)	(59)
Proceeds from disposals of property and equipment	1,174	4,165	(72)
Net change in non-cash working capital	(33,631)	7,753	nm
Cash used in investing activities	(43,209)	(14,514)	nm

nm - calculation not meaningful

Net purchases of property and equipment for the first quarter of 2021 totaled $9.6 million (2020 - $22.3 million). The purchase of property and equipment for the first three months of 2021 consists of $7.2 million in maintenance capital and $3.6 million in upgrade capital.

FINANCING ACTIVITIES

	Three months ended March 31		
($ thousands)	2021	2020	% change
Proceeds from long-term debt	8,596	53,126	(84)
Repayments of long-term debt	(15,764)	(55,472)	(72)
Lease obligation principle repayments	(1,481)	(2,670)	(45)
Purchase of common shares held in trust	(260)	(1,223)	(79)
Interest paid	(15,533)	(11,967)	30
Cash dividends	-	(9,787)	nm
Cash used in financing activities	(24,442)	(27,993)	(13)

nm - calculation not meaningful

The Company's available bank facilities consist of a $900.0 million Credit Facility, of which $84.4 million was available and undrawn as of March 31, 2021. In addition, the Company has available US $50.0 million secured letter of credit facility, of which US $12.0 million was available as of March 31, 2021.

On March 29, 2021 the Company has amended the terms of the Convertible Debentures to:

1. extend the Maturity Date from January 31, ??2022 to May 1, 2023;
2. increase the interest rate from 7.00% to 7.75% per annum; and
3. reduce the Conversion ?Price from $7.00 to $1.75.

The Company may at any time and from time to time acquire Senior Notes for cancellation by means of open market repurchases or negotiated transactions. The Company is limited in the acquisition and cancellation of the Senior Notes up to $25.0 million under applicable covenants. Senior Notes may be repurchased for redemption in excess of $25.0 million if certain criteria are met. During the three months ended March 31, 2021, the Company purchased US $16.6 million of face value Senior Notes for cancellation, in the open market. The Company repurchased a further US $9.1 million face value of Senior Notes, in the open market, for cancellation subsequent to March 31, 2021.

Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at March 31, 2021:

	Covenant	March 31, 2021
The Credit Facility		
Consolidated EBITDA[1]	? 140.0 million	215,620
Consolidated EBITDA to Consolidated Interest Expense[1,2]	? 1.50	2.32
Consolidated Senior Debt to Consolidated EBITDA[1,3]	? 4.00	3.63

[1] Please refer to Non-GAAP Measures for Consolidated EBITDA definition.

[2] Consolidated Interest Expense is defined as all interest expense calculated on twelve month rolling consolidated basis and excluding Senior Notes interest in repurchase.

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

As at March 31, 2021 the Company was in compliance with all covenants related to the Credit Facility.

The Credit Facility

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

The Credit Facility also contains certain covenants that place restrictions on the Company's ability to repurchase or redeem Senior Notes and Convertible Debentures, to create, incur or assume additional indebtedness; change the Company's primary business; enter into mergers or amalgamations; and dispose of property. In the most recent amendment to the Credit Facility, dated December 31, 2020, the permitted encumbrances were reduced from $75.0 million to $25.0 million.

The Senior Notes

The indenture governing the Senior Notes, available on SEDAR, contains certain restrictions and exemptions on the Company's ability to pay dividends, purchase and redeem shares and subordinated debt of the Company, and make certain restricted investments. Limitations on these restrictions are tempered by the existence of a number of exceptions to the general prohibition, including baskets allowing for restricted payments.

The indenture also restricts the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2.0 to 1.0. As at March 31, 2021, the Company has not incurred additional indebtedness that would require the Fixed Charge Coverage Ratio to be calculated. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of indebtedness, including the incurrence of debt under credit facilities up to the greater of $900.0 million or 22.5 percent of the Company's consolidated tangible assets and of additional secured debt subordinated to the credit facilities up to the greater of US $125.0 million or 4.0% of the Company's consolidated tangible assets.

NEW BUILDS AND MAJOR RETROFITS

As at March 31, 2021, the Company moved nine, 29 and six under-utilized drilling rigs to its Canadian, the United States and international operations reserve fleets respectively.

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

OUTLOOK

Industry Overview

The outlook for oilfield services continues to improve as industry fundamentals continue to recover from the fall out of the COVID-19 pandemic. While easing supply curtailments, OPEC+ nations continue to moderate oil supply supporting global commodity prices through the first quarter of 2021. The benchmark price of West

Texas Intermediate ("WTI") averaged US $52 in January, US $59 in February, US $62 in March, and US $62 in April. Furthermore, global COVID-19 vaccine distribution appears to have continued to support and improve the recovery of global oil demand in 2021.

We expect vaccine distribution to progress and oil demand recovery, coupled with an improved and a sustained commodity price environment, will likely drive activity improvements year-over-year. We expect steady increases to activity, as oil and natural gas producers moderate capital spending, remaining committed to cash generation, and maintaining current production levels. We expect producers to modestly revisit drilling programs through 2021 as legacy wells decline in production, demand recovery continues to stabilize, and global crude oil inventories continue to decline.

We expect a multi-year recovery cycle for our industry to pre-COVID-19 activity levels and operating conditions, as global economies continue to recover from the fall out of the pandemic. Furthermore, there remains a degree of short-term uncertainty regarding macroeconomic conditions, including commodity price fluctuations, severity of COVID-19 mitigation efforts, setbacks to vaccine deployment and efficacy, virus mutations, the pace of oil demand recovery, and OPEC+ production and supply decisions that may impact the short-term demand for oil field services.

The Company remains committed to conservative capital allocation, balance sheet preservation, and debt retirement. The Company has budgeted capital expenditures for 2021 of approximately $50.0 million.

Canadian Activity

Canadian activity, currently representing 24 percent of our business, ramped up through the first quarter of 2021 over the winter drilling season. Exiting the first quarter, Canadian activity has predictably slowed as operations entered the seasonal spring break-up. We expect activity over the second quarter of 2021 to improve year-over-year and activity to further increase as we exit spring break-up and enter the third quarter of 2021.

As of March 31, 2021, of our 92 marketed Canadian drilling rigs, approximately 21 percent are engaged under term contracts of various terms. Approximately 68 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

United States Activity

United States activity, representing 53 percent of our business, incrementally improved over the first quarter of 2021. We expect US activity to remain steady and continue to modestly improve throughout the second quarter of 2021. Assuming sustained commodity prices, we expect activity to pick up more meaningfully in the back half of the year.

As of March 31, 2021, of our 93 marketed United States drilling rigs, approximately 43 percent are engaged under term contracts of various terms. Approximately 40 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

International Activity

International activity, currently representing 23 percent of our business, remained steady throughout the first quarter of 2021. We expect international activity to remain steady through the second quarter and improve through the latter half of 2021. Operations in Argentina are expected to remain flat at current levels with 1 rig running through the second quarter of 2021. In the Middle East, our operations in Bahrain, 2 rigs, and Kuwait, 2 rigs, remain steady under long-term contracts. Australian operations declined modestly over the first quarter and are expected to improve through the second quarter of 2021.

As of March 31, 2021, of our 42 marketed international drilling rigs, approximately 26 percent are engaged under term contracts of various terms. Approximately 73 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

RISKS AND UNCERTAINTIES

This document contains forward-looking statements based upon current expectations that involve a number of business risks and uncertainties. The factors that could cause results to differ materially include, but are not limited to, the impact of the COVID-19 virus, the potential reinstatement COVID-19 mitigation strategies, such as stay-at-home orders and lockdown related restrictions, virus mutations, economic and market conditions, crude oil and natural gas prices, political events, foreign currency fluctuations, weather conditions, the Company's defense of lawsuits and other claims, and the ability of oil and gas companies to pay accounts receivable balances and raise capital or other unforeseen conditions which could ongoing impact on the use of the services supplied by the Company. For a more detailed description of the risk factors and uncertainties that face the Company and the industry in which it operates, refer to the "Risks and Uncertainties" section of our current Management's Discussion & Analysis and the section titled "Risk Factors" in our current Annual Information Form.

CONFERENCE CALL

A conference call will be held to discuss the Company's first quarter 2021 results at 10:00 a.m. MDT (12:00 p.m. EDT) on Monday, May 10, 2021. The conference call number is 1-647-427-7450 (in Toronto) or 1-888-231-8191 (outside Toronto). A taped recording will be available until May 17, 2020 by dialing 1-416-849-0833 (in Toronto) or 1-855-859-2056 (outside Toronto) and entering the reservation number 3088057. A live webcast may be accessed through the Company's web site at www.ensignenergy.com/presentations.

Ensign Energy Services Inc. is an international oilfield services contractor and is listed on the Toronto Stock Exchange under the trading symbol ESI.

Ensign Energy Services Inc.
Consolidated Statements of Financial Position

As at	March 31 2021		December 31 2020	
(Unaudited - in thousands of Canadian dollars)				
Assets				
Current Assets				
Cash	$	33,416	$	44,198
Accounts receivable	176,819		164,395	
Inventories, prepaid and other	50,935		52,679	
Income taxes receivable	286		290	
Total current assets	261,456		261,562	
Property and equipment	2,557,939		2,649,702	
Deferred income taxes	$	146,882	$	143,229
Total assets	$	2,966,277	$	3,054,493
Liabilities				

Current Liabilities		
Accounts payable and accruals	$ 143,464	$ 146,011
Share-based compensation	366	251
Income taxes payable	8,616	8,429
Current portion of lease obligations	7,293	8,259
Total current liabilities	159,739	162,950
Share-based compensation	2,982	2,743
Long-term debt	1,363,732	1,384,605
Lease obligations	5,880	6,042
Deferred income taxes	121,495	128,276
Non-controlling interest	4,835	4,853
Total liabilities	$ 1,658,663	$ 1,689,469
Shareholders' Equity		
Shareholders' capital	$ 231,278	$ 230,354
Contributed surplus	22,793	23,324
Equity component of subordinate convertible debenture	2,380	3,193
Accumulated other comprehensive income	221,837	235,277
Retained earnings	829,326	872,876
Total shareholders' equity	1,307,614	1,365,024
Total liabilities and shareholders' equity	$ 2,966,277	$ 3,054,493

Ensign Energy Services Inc.
Consolidated Statements of Loss

	Three mor
	March 31 2021
(Unaudited - in thousands of Canadian dollars, except per common share data)	
Revenue [1]	$ 218,544
Expenses	
Oilfield services [1]	159,443
Depreciation	70,977
General and administrative	9,203
Restructuring	3,533
Share-based compensation	1,002

Foreign exchange loss and other		6,314
Total expenses		250,472
Loss before interest expense, accretion of deferred financing charges and other (gains) losses and income taxes		(31,928)
Loss from investment in joint ventures		-
Gain on repurchase of unsecured Senior Notes		(5,292)
Interest expense		23,457
Accretion of deferred financing charges		2,703
Loss before income taxes		(52,796)
Income tax (recovery)		
Current income tax		50
Deferred income tax recovery		(9,344)
Total income tax recovery		(9,294)
Net loss from continuing operations	$	(43,502)
Loss from discontinued operations		-
Net loss		(43,502)
Net (loss) income attributable to:		
Common shareholders		(43,550)
Non-controlling interests		48
		(43,502)
Net loss attributable to common shareholders per common share		
Basic	$	(0.27)
Diluted	$	(0.27)

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

Ensign Energy Services Inc.

Consolidated Statements of Cash Flows

	Three months ended	
	March 31 2021	March 31 2020
(Unaudited - in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net loss	$ (43,502)	$ (29,182)
Items not affecting cash		
Depreciation	70,977	89,785
Loss from investment in joint ventures	-	1,658
Gain on repurchase of unsecured Senior Notes	(5,292)	11,494
Share-based compensation	1,002	(4,500)
Unrealized foreign exchange and other loss	6,526	6,810
Accretion of deferred financing charges	2,703	2,972
Interest expense	23,457	31,870
Deferred income tax recovery	(9,344)	(3,424)
Funds flow from operations	46,527	84,495
Net change in non-cash working capital	10,903	(21,763)
Cash provided by operating activities	57,430	62,732
Investing activities		
Purchase of property and equipment	(10,752)	(26,432)
Proceeds from disposals of property and equipment	1,174	4,165
Net change in non-cash working capital	(33,631)	7,753
Cash used in investing activities	(43,209)	(14,514)
Financing activities		
Proceeds from long-term debt	8,596	53,126
Repayments of long-term debt	(15,764)	(55,472)
Lease obligations principal repayments		

(1,481)

	(2,670)

Purchase of common shares held in trust	(260)	(1,223)
Interest paid	(15,533)	(11,967)
Cash dividends	-	(9,787)
Cash used in financing activities	(24,442)	(27,993)
Net (decrease) increase in cash	(10,221)	20,225
Effects of foreign exchange on cash	(561)	(73)
Cash		
Beginning of period	44,198	28,408
End of period	$ 33,416	$ 48,560

Ensign Energy Services Inc.

Non-GAAP Measures

Adjusted EBITDA, Adjusted EBITDA per common share and Consolidated EBITDA. These measures do not have any standardized meaning prescribed by IFRS and accordingly, may not be comparable to similar measures used by other companies.

Adjusted EBITDA is used by management and investors to analyze the Company's profitability based on the Company's principal business activities prior to how these activities are financed, how assets are depreciated, amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on the core business alone, amounts are removed related to foreign exchange, share-based payment expense, the sale of assets, restructuring costs, gain on repurchase of unsecured Senior Notes and fair value adjustments on financial assets and liabilities, as the Company does not deem these to relate to its core drilling and well services business. Adjusted EBITDA is not intended to represent net loss as calculated in accordance with IFRS.

ADJUSTED EBITDA	Three months ended March 31	
($ thousands)	2021	2020
Loss before income taxes [1]	$ (52,796)	$ (31,019)
Add-back/(deduct):		
Interest expense	23,457	31,870
Accretion of deferred financing charges	2,703	$ 2,972
Depreciation	70,977	89,785
Restructuring costs	3,533	877
Share-based compensation	1,002	(4,500)
Gain on repurchase of unsecured Senior Notes	(5,292)	(11,494)
Loss from investment in joint ventures	-	1,658
Foreign exchange loss and other	6,314	9,086
Adjusted EBITDA from investment in joint ventures	-	2,012
Adjusted EBITDA	$ 49,898	$ 91,247

[1] Comparative loss before income taxes have been revised to conform with current year's presentation.

Working Capital

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

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 generally can be identified by the words "believe", "anticipate", "expect", "plan", "estimate", "target", "continue", "could", "intend", "may", "potential", "predict", "should", "will", "objective", "project", "forecast", "goal", "guidance", "outlook", "effort", "seeks", "schedule" or other expressions of a similar nature suggesting future outcome or statements regarding an outlook.

Disclosure related to expected future commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other prospective guidance provided throughout this document, including, but not limited to, information provided in the "Funds Flow from Operations and Working Capital" section regarding the Company's expectation that funds generated by operations combined with current and future credit facilities will support current operating and capital requirements, information provided in the "New Builds and Major Retrofits" section, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for the remainder of 2021, are examples of forward-looking statements. These statements are not representations or guarantees of future performance and are subject to certain risks and unforeseen results. The reader should not place undue reliance on forward-looking statements as there can be no assurance that the plans, initiatives, projections, anticipations or expectations upon which they are based will occur.

The forward-looking statements are based on current expectations, estimates and projections about the Company and the industries and environments in which the Company operates, which speak only as of the date such statements were made or as of the date of the report or document in which they are contained. They are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such risk factors include, among others: general economic and business conditions which will, among other things, impact demand for and market prices of the Company's services and the ability of the Company's customers to pay accounts receivable balances; volatility of and assumptions regarding crude oil and natural gas commodity prices; fluctuations in currency and interest rates; economic conditions in the countries and regions in which the Company conducts business; political uncertainty and civil unrest; the Company's ability to implement its business strategy; impact of competition; the Company's defence of lawsuits and other claims; availability and cost of labour and other equipment, supplies and services; the Company's ability to complete its capital programs; operating hazards and other difficulties inherent in the operation of the Company's oilfield services equipment; availability and cost of financing and insurance; the Company's ability to amend covenants under the Credit Facility with its Credit Facility syndicate; timing and success of integrating the business and operations of acquired companies; actions by governmental authorities; government regulations and the expenditures required to comply with them (including safety and environmental laws and regulations and the impact of climate change initiatives on capital and operating costs); the adequacy of the Company's provision for taxes; the Company's response to the global COVID-19 pandemic and the impact thereof upon the business environments in which the Company is or may become engaged; and other circumstances affecting the Company's business, revenues and expenses.

The Company's operations and levels of demand for its services have been, and at times in the future may be, affected by political risks and developments, such as expropriation, nationalization, or regime change, and by national, regional and local laws and regulations such as changes in taxes, royalties and other amounts payable to governments or governmental agencies, environmental protection regulations, the global COVID-19 pandemic, the potential reinstatement COVID-19 mitigation strategies, such as stay-at-home orders and lockdown related restrictions, and the impact thereof upon the Company, its customers and its business. Should one or more of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results may vary in material respects from those expressed or implied by the forward-looking statements. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and the Company's course of action would depend upon its assessment of the future considering all information then available.

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

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

SOURCE Ensign Energy Services Inc.

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