

Ensign Announces Extension and Amendment to terms of Outstanding Unsecured, Subordinated Convertible Debentures

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CALGARY, AB, March 29, 2021 /CNW/ - Ensign Energy Services Inc. ("**Ensign**" or the "**Corporation**") (TSX: ESI) announces that effective March 18, 2021, it has amended the terms of the unsecured, subordinated convertible debentures of the Corporation in the principal amount of \$37,000,000 (the "**Convertible Debentures**") which remain outstanding. The Corporation announced the issuance of the Convertible Debentures on March 29, 2018 and April 12, 2018.

Prior to the Amendments described below, the Convertible Debentures matured on January 31, 2022 (the "**Maturity Date**") and bore interest from the date of closing at 7.0% per annum, payable semi-annually in arrears, on April 1 and October 1 of each year. The Convertible Debentures are convertible at the option of the holder into common shares of the Corporation ("**Common Shares**") at any time prior to the close of business on the Maturity Date upon at least 61 days prior notice, at a conversion price, prior to the Amendments, of \$7.00 per Common Share, subject to customary anti-dilution adjustments (the "**Conversion Price**"). Holders converting their Convertible Debentures will receive accrued and unpaid interest thereon (if any), up to, but excluding, the date of conversion.

On December 31, 2020, the Corporation amended and extended its existing \$900 million credit facility by amending or replacing certain financial covenant ratios and extending the maturity date of the credit facility to November 25, 2022. As a condition to the credit facility amendment, if, on or before September 30, 2021, the Maturity Date of the Corporation's existing Convertible Debentures is not extended to a date no earlier than February 26, 2023, then the maturity date of the credit facility shall automatically be amended to November 29, 2021.

Therefore, in order to satisfy the lenders' requirement above and maintain the November 25, 2022 maturity date of the amended credit facility, the Corporation has amended the terms of the Convertible Debentures to: (i) extend the Maturity Date from January 31, 2022 to May 1, 2023; (ii) increase the interest rate from 7.00% to 7.75% per annum; and (iii) reduce the Conversion Price from \$7.00 to \$1.75 (collectively, the "**Amendments**"). The effect of the Amendments is that the Convertible Debentures are convertible into up to 21,142,857 Common Shares, which is equal to 12.96% of the Corporation's 163,118,758 Common Shares currently outstanding.

Early Warning Requirements

Fairfax Financial Holdings Limited ("**Fairfax**"), which currently owns or controls (directly or indirectly) 15,486,600 (9.86%) of the outstanding Common Shares on a non-diluted basis, currently holds Convertible Debentures in the principal amount of \$11.05 million. Prior to the Amendments, assuming conversion of the full amount of the Convertible Debentures held by Fairfax through its subsidiaries, Fairfax would have owned or controlled (directly or indirectly) 17,065,171 Common Shares representing 10.36% of the outstanding Common Shares.

Assuming conversion of the full amount of the Convertible Debentures held by Fairfax through its subsidiaries and after giving effect to the Amendments, Fairfax would own or control (directly or indirectly) 21,800,886 Common Shares, representing 12.87% of the issued and outstanding Common Shares (based on conversion at the amended conversion price of \$1.75 and issued and outstanding Common Shares totaling 169,433,043, being 163,118,758 currently issued and outstanding Common Shares plus 6,314,286 Common Shares issuable to Fairfax (or its subsidiaries)

upon conversion of the Convertible Debentures held (directly or indirectly) by Fairfax). The Convertible Debentures and Common Shares were acquired by Fairfax for investment purposes. Fairfax has no current intention to enter into any of the transactions listed in item 5 of Form F1 of National Instrument 62-103 but in the future, it may discuss such transactions with management and/or the board of directors of the Corporation and it may further purchase, hold, convert, vote, trade, dispose or otherwise deal in the securities of the Corporation, in such manner as it deems advisable to benefit from changes in market prices of the Corporation's securities, publicly disclosed changes in the operations of the Corporation, its business strategy or prospects or from a material transaction of the Corporation, and it will also consider the availability of funds, evaluation of alternative investments and other factors. Fairfax is a corporation continued under the *Canada Business Corporations Act* and is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. An early warning report will be filed by Fairfax in accordance with applicable securities laws and will be available on SEDAR at www.sedar.com or may be obtained directly from Fairfax upon request at 416-367-4941 (Attention: John Varnell) or at Fairfax Financial Holdings Limited, 95 Wellington Street West, Suite 800, Toronto, Ontario M5J 2N7.

Mr. N. Murray Edwards, Chairman of the Corporation, currently owns or controls (directly or indirectly) 31,582,085 (19.36%) of the outstanding Common Shares on a non-diluted basis, and currently holds Convertible Debentures in the principal amount of \$20 million. Prior to the Amendments, assuming conversion of the full amount of the Convertible Debentures held by Mr. Edwards, Mr. Edwards would have owned or controlled 34,439,228 Common Shares, representing 20.75% of the outstanding Common Shares. Assuming conversion of the full amount of the Convertible Debentures currently held by Mr. Edwards and after giving effect to the Amendments, Mr. Edwards would own or control (directly or indirectly) 43,010,656 Common Shares, representing 24.64% of the issued and outstanding Common Shares (based on conversion at the amended conversion price of \$1.75 and issued and outstanding Common Shares totaling 174,547,329, being 163,118,758 currently issued and outstanding Common Shares plus 11,428,571 Common Shares issuable to Mr. Edwards upon conversion of all of the Convertible Debentures held by him). The Convertible Debentures were acquired by Mr. Edwards for investment purposes. Mr. Edwards has no current intention to enter into any of the transactions listed in item 5 of Form F1 of National Instrument 62-103 but in the future may consider such transactions. An early warning report will be filed by Mr. Edwards in accordance with applicable securities laws and will be available on SEDAR at www.sedar.com or may be obtained directly from the Corporation upon request at 403-262-1361 (Attention: Michael Gray) or c/o the Corporation at 400 – 5th Avenue S.W., Suite 1000, Calgary, Alberta T2P 0L6 Canada.

At the Corporation's annual general and special shareholder meeting to be held on May 7, 2021 (the "**Meeting**"), the disinterested shareholders of the Corporation will be asked to consider and, if deemed advisable, to approve an ordinary resolution (the "**MAC Resolution**") authorizing and approving the issuance of Common Shares that may be required to be issued to Mr. Edwards upon conversion of all or some of the Corporation's Convertible Debentures that may be held by Mr. Edwards at the time of such conversion and where such conversion would "materially affect control" (as that term is defined in the Toronto Stock Exchange Company Manual) of the Corporation through the creation of a new "Control Person" (as such term is defined in the *Securities Act* (Alberta)).

In the event the MAC Resolution is not passed at the Meeting, the Convertible Debentures held by Mr. Edwards will be amended to: (i) include a cap on conversion of the Convertible Debenture into Common Shares, so that as long as Mr. Edwards or his affiliates own all or some of the Convertible Debenture, he will not be able to convert that portion of the Convertible Debenture into Common Shares that would result in him holding greater than 19.99% of the Corporation's issued and outstanding Common Shares at the relevant time; (ii) include a provision that, so long as the Convertible Debenture is owned by Mr. Edwards, allows for the principal amount of the Convertible Debenture remaining after the conversion described in (i) (limited to the cap at 19.99%) to be, at the

Corporation's discretion, (A) repaid by the Corporation at their stated principal amount, plus an amount equal to the trading value of the Common Shares at the time of repayment, less the \$1.75 amended Conversion Price, multiplied by the number of Common Shares that the Debenture would be convertible into (such amount being the "**Make Whole Amount**"), or (B) repaid through the issuance of a junior non-convertible secured instrument, with a 7.75% per annum interest rate, in an amount equal to the stated principal amount of the Convertible Debenture plus the Make Whole Amount, which would mature the same date as the Corporation's senior notes, in April 2024. The foregoing amendments will aim to treat Mr. Edwards in the same manner as other Convertible Debenture holders, without the creation of a "Control Person". The Make Whole Amount payable to Mr. Edwards, so long as he continues to own all or some of the Convertible Debentures currently owned by him, may, if required by the Toronto Stock Exchange ("**TSX**") in accordance with s.604(a)(ii) of the TSX Company Manual, be limited to an amount that together with the Common Shares payable to insiders on conversion of the Convertible Debenture, does not exceed 10% of the market capitalization of the Corporation.

Nothing shall prevent Mr. Edwards from selling all or some of his Convertible Debentures at any time to an arms' length party, who would be entitled to convert all or some of such purchased Convertible Debentures into Common Shares, in accordance with the terms of the Convertible Debentures, so long as that arms' length party's shareholdings in the Corporation would not then exceed 20% of the Corporation's issued and outstanding Common Shares.

U.S. Securities Laws

The Debentures and the Common Shares issuable on conversion thereof have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), or any state securities laws and may not be offered or sold in the United States to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the 1933 Act), except pursuant to an exemption from the registration requirements of those laws. This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States, or for the account or benefit of U.S. persons.

Resignation of Chief Financial Officer

Ensign also today announces that Mr. Michael Gray has tendered his resignation as Chief Financial Officer of Ensign, to pursue other opportunities. Mr. Gray plans to remain with the Corporation until May 7, 2021, in order to provide for an orderly transition period.

"We thank Mike very much for his contributions to Ensign and wish him the very best in his new venture," said Robert H. Geddes, Ensign's President and Chief Operating Officer.

Ensign has initiated a search for a new Chief Financial Officer and expects to fill the position in the near term.

Cautionary Statements on Forward-looking Information

Certain statements in this news release 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 expressions of a similar nature suggesting future outcome or statements regarding an outlook. In particular, this news release contains forward-looking statements pertaining to the issuance of Common Shares upon conversion of the Convertible Debentures, the MAC Resolution to be put forward to shareholders at the Meeting, and further amendments to the Convertible Debentures in the event the MAC Resolution is not approved at the Meeting.

These forward-looking statements are subject to, and may be affected by, numerous risks and uncertainties, some of which are beyond Ensign's control. Risks that could cause or contribute to these differences include the factors described in Ensign's public reports and filings, which are available under Ensign's profile at www.sedar.com. The forward-looking information contained herein is provided as at the date hereof and Ensign does not undertake update, correct or revise any forward-looking statements as a result of any new information, future events or otherwise, except as may be required by applicable law.

About Ensign

Ensign is a global leader in oilfield services, headquartered out of Calgary, Alberta, operating in Canada, the United States and internationally. We are one of the world's top land-based drilling and well servicing contractors serving crude oil, natural gas, and geothermal operators. Our premium services include contract drilling, directional drilling, underbalanced and managed pressure drilling, rental equipment, well servicing and production services. Please visit our website at ensignenergy.com.

Ensign's Common Shares are publicly traded through the facilities of the Toronto Stock Exchange under the trading symbol ESI. For further information, contact:

Ensign Energy Services Inc.
400 – 5th Avenue S.W., Suite 1000
Calgary, Alberta T2P 0L6 Canada
Mr. Michael Gray, Chief Financial Officer
Telephone: 403.262.1361

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