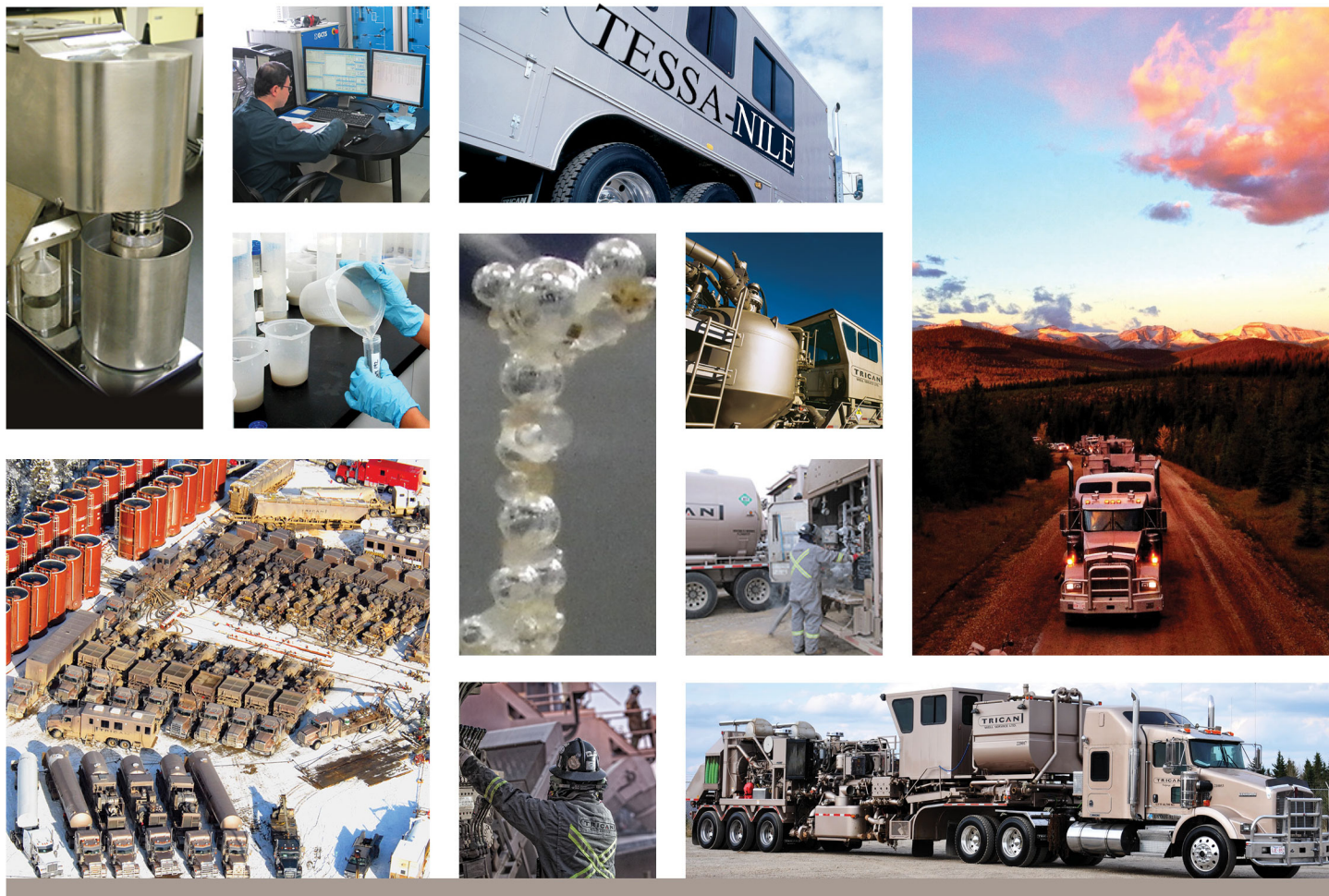




TESSA-NILE WELL SERVICE LTD. Q1 2021 INTERIM REPORT

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Condensed Consolidated Interim Financial Statements
Three months ended March 31, 2021 and 2020
(Unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Stated in thousands; unaudited)		As at March 31, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$22,615	\$22,607
Trade and other receivables		116,817	77,104
Current tax assets		1,953	2,051
Inventory		18,715	21,599
Prepaid expenses		3,382	4,766
Other assets - current		1,845	—
		165,327	128,127
Property and equipment		389,797	405,260
Intangible assets		21,344	23,958
Right-of-use assets (note 4)		8,680	9,435
Other assets - long-term		—	2,104
		\$585,148	\$568,884
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables		\$68,632	\$57,171
Current portion of lease liabilities (note 4)		3,229	3,454
		71,861	60,625
Lease liabilities – non-current portion (note 4)		9,647	10,313
Shareholders' equity			
Share capital (note 6)		925,395	927,994
Contributed surplus		89,794	89,393
Accumulated other comprehensive income		864	804
Deficit		(512,413)	(520,245)
Total equity attributable to equity holders of the Company		503,640	497,946
		\$585,148	\$568,884

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

Three months ended March 31,

(Stated in thousands, except per share amounts; unaudited)

2021

2020

Continuing operations

Revenue	\$147,987	\$191,794
Cost of sales (note 9)	113,720	159,814
Cost of sales – Depreciation and amortization (note 9)	23,090	28,230

Gross Profit

	11,177	3,750
Administrative expenses (note 9)	7,664	12,504
Administrative expenses – Depreciation (note 9)	1,063	1,335
Impairment – Non-financial assets	—	141,065
Impairment – Trade receivables	88	10,573
Other loss / (income)	104	(218)

Results from operating activities

	2,258	(161,509)
Finance cost	537	1,127
Foreign exchange gain	(25)	(184)

Profit / (loss) before income tax

	1,746	(162,452)
Income tax expense / (recovery) (note 10)	74	(7,972)

Profit / (loss) from continuing operations

	\$1,672	(\$154,480)
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Discontinued operations

Profit / (loss) from discontinued operations, net of taxes (note 3)	4,253	(461)
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Profit / (loss) for the period

	\$5,925	(\$154,941)
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Other comprehensive profit

Foreign currency translation gain / (loss)	60	(99)
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Total comprehensive profit / (loss)

	\$5,985	(\$155,040)
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Earnings / (loss) per share - basic and diluted (note 7)

Continuing operations – basic and diluted	\$0.01	(\$0.58)
Discontinued operations – basic and diluted	\$0.01	(\$0.00)
Net profit / (loss) – basic and diluted	\$0.02	(\$0.58)
Weighted average shares outstanding – basic	255,310	268,324
Weighted average shares outstanding – diluted	258,373	268,324

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Stated in thousands)	Share capital	Contributed surplus	Accumulated other comprehensive income / (loss)	Deficit	Total equity
Balance at January 1, 2020	\$989,044	\$87,731	(\$376)	(\$335,289)	\$741,110
Loss for the period	—	—	—	(154,941)	(154,941)
Foreign currency translation loss	—	—	(99)	—	(99)
Share-based compensation expense	—	630	—	—	630
Shares canceled under Normal Course Issuer Bid	(17,402)	—	—	12,434	(4,968)
Balance at March 31, 2020	\$971,642	\$88,361	(\$475)	(\$477,796)	\$581,732
Balance at January 1, 2021	\$927,994	\$89,393	\$804	(\$520,245)	\$497,946
Profit for the period	—	—	—	5,925	5,925
Foreign currency translation gain	—	—	60	—	60
Share-based compensation expense	—	752	—	—	752
Share options exercised	1,029	(351)	—	—	678
Shares canceled under Normal Course Issuer Bid	(3,628)	—	—	1,907	(1,721)
Balance at March 31, 2021	\$925,395	\$89,794	\$864	(\$512,413)	\$503,640

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Three months ended March 31,

(Stated in thousands; unaudited)

2021 2020

Cash (used in) / provided by:

Operations

Profit / (loss) from continuing operations	\$1,672	(\$154,480)
Charges to income not involving cash:		
Depreciation and amortization	24,153	29,565
Share-based compensation	752	630
Loss / (gain) on disposal of property and equipment	80	(412)
Finance costs / amortization of debt issuance costs	537	1,127
Unrealized foreign exchange (gain) / loss	(161)	245
Impairment – Non-financial assets	—	141,065
Impairment – Trade receivables	88	10,573
Tax expense / (recovery)	74	(7,972)
Change in inventory	2,884	2,786
Change in trade and other receivables	(39,932)	(12,256)
Change in prepaid expenses	1,380	3,282
Change in trade and other payables	10,632	(11)
Interest paid	(440)	(794)
Continuing operations	\$1,719	\$13,348
Discontinued operations (note 3)	150	67
Cash flow from operating activities	\$1,869	\$13,415

Investing

Purchase of property and equipment	(6,859)	(5,916)
Proceeds from the sale of property and equipment	934	2,104
Continuing operations	(\$5,925)	(\$3,812)
Proceeds from sale of discontinued operation (net of cash)	5,956	12,359
Cash flow from investing activities	\$31	\$8,547

Financing

Net proceeds from issuance of share capital on exercise of options	678	—
Proceeds from issuance of loans	—	5,504
Payment of lease	(849)	(1,219)
Repurchase and cancellation of shares under NCIB	(1,721)	(4,968)
Continuing operations	(\$1,892)	(\$683)
Discontinued operations (note 3)	—	—
Cash flow from financing activities	(\$1,892)	(\$683)
Effect of exchange rate changes on cash	—	(156)

Increase / (decrease) in cash and cash equivalents

Continuing operations	(6,098)	8,853
Discontinued operations (note 3)	6,106	12,270
Cash and cash equivalents, beginning of period	22,607	7,202
Cash and cash equivalents, end of period	\$22,615	\$28,325

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2021 and 2020

NOTE 1 – NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

TESSA-NILE Well Service Ltd. (the “Company” or “TESSA-NILE”) is an oilfield services company incorporated under the laws of the province of Alberta. These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. The Company provides a comprehensive array of specialized products, equipment, services and technology for use in the drilling, completion, stimulation and reworking of oil and gas wells primarily through its continuing pressure pumping operations in Canada. The Company's head office is Suite 2900, 645 – 7th Avenue S.W., Calgary, Alberta, T2P 4G8.

The Company's operations are influenced by seasonal weather patterns that affect activity levels in the oilfield industry. Historically, the Company's highest activity is in the first, third and fourth quarters and the lowest activity is during spring break-up in the second quarter when winter's frost comes out of the ground rendering many secondary roads incapable of supporting heavy loads, resulting in road bans prohibiting transportation of these heavy loads in certain areas. These seasonal trends typically lead to quarterly fluctuations in operating results and working capital requirements, which should be considered in any analysis of performance on a sequential basis.

Basis of Presentation

These condensed consolidated interim financial statements for the three month period ended March 31, 2021 and 2020, have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's 2020 consolidated annual financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements follow the same policies as in the Company's 2020 consolidated annual financial statements.

The condensed consolidated interim financial statements are presented in Canadian dollars and have been rounded to the nearest thousands, except where indicated. Certain figures have been reclassified to conform to the current presentation of these financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 12, 2021.

NOTE 2 – CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND NEW POLICIES

The preparation of the condensed consolidated interim financial statements in compliance with IAS 34 requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas where significant judgment and estimates have been made in preparing the financial statements and their effect are disclosed in Note 1 of the Company's 2020 consolidated annual financial statements and have been updated as necessary to address the impacts of COVID-19 as discussed further below.

COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. COVID-19's impact on global markets was significant through the year and as the situation continues to evolve, the magnitude of its effects on the economy, on TESSA-NILE's financial and operational performance and on our personnel is uncertain at this time.

The Company continues to closely monitor the COVID-19 situation and should the duration, spread or intensity of the pandemic continue to develop throughout the remainder of 2021, further negative impacts on supply chain, personnel, market pricing and customer demand can be expected. These factors may impact the Company's operating plan, liquidity and cash flows, and the valuation of long-lived assets.

NOTE 3 – DISPOSITION, ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Disposition

On March 3, 2021, the Company completed the sale of the software business for cash consideration of approximately \$6.5 million.

(Stated in thousands)

Proceeds on sale of software business	\$6,530
Less assets and liabilities sold:	
Working capital	1,269
Property and equipment	477
Net assets sold	1,746
Cash and cash equivalents disposed of	574
Gain on disposition of software business	\$4,210

Results of Discontinued Operations

For the three months ended March 31, 2021, the amounts in the current and prior period are primarily comprised of net profit / (loss) associated with the Company's discontinued international operations, the software, and the fluid management businesses.

The following table represents discontinued operations:

Total discontinued operations (Stated in thousands)	Three months ended March 31,	
	2021	2020
Revenue	\$148	\$892
Cost of sales - Other	8	731
Cost of sales - Depreciation and amortization	—	28
Gross profit	140	133
Administrative expenses - Other	95	204
(Gain) / loss on disposal of discontinued operations	(4,210)	1,239
Results from operating activities	4,255	(1,310)
Finance income	—	(152)
Foreign exchange loss / (gain)	2	(697)
Profit / (loss) before income tax	4,253	(461)
Profit / (loss) from discontinued total operations	\$4,253	(\$461)

NOTE 4 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(Stated in thousands)	Property	Vehicles	Total
Cost			
Balance, January 1, 2020	\$15,339	\$12,035	\$27,374
Additions	646	1,022	1,668
Termination of leases	(3,014)	(4,193)	(7,207)
Reclassification to assets held for sale	(3,295)	(29)	(3,324)
Balance, December 31, 2020	\$9,676	\$8,835	\$18,511
Termination of leases	—	(347)	(347)
Balance at March 31, 2021	\$9,676	\$8,488	\$18,164
Accumulated Depreciation			
Balance, January 1, 2020	\$3,436	\$5,955	\$9,391
Depreciation	3,352	2,193	5,545
Termination of leases	(3,014)	(2,846)	(5,860)
Balance, December 31, 2020	\$3,774	\$5,302	\$9,076
Depreciation	326	383	709
Termination of leases	—	(301)	(301)
Balance at March 31, 2021	\$4,100	\$5,384	\$9,484
Carrying Amounts			
At December 31, 2020	\$5,902	\$3,533	\$9,435
At March 31, 2021	\$5,576	\$3,104	\$8,680

The Company incurs lease payments related to properties and vehicles. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets. The Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments at an incremental borrowing rate of approximately 7%.

The Company has the following future commitments associated with its lease obligations:

(Stated in thousands)	As at March 31, 2021	As at December 31, 2020
Opening Balance	\$13,767	\$19,526
Interest expense	198	1,192
Additions	—	1,668
Lease payments	(1,047)	(5,738)
Termination of leases	(42)	(2,881)
Ending Balance	\$12,876	\$13,767
Current portion of lease liabilities	3,229	3,454
Non-current portion of lease liabilities	\$9,647	\$10,313

	As at March 31, 2021	As at December 31, 2020
(Stated in thousands)		
Less than 1 year	\$4,026	\$4,313
1-3 years	5,111	5,481
4-5 years	3,926	3,933
After 5 years	2,448	2,924
Total lease payments	15,511	16,651
Amounts representing interest over the term of the lease	(2,635)	(2,884)
Present value of net lease payments	12,876	13,767
Current portion of lease liabilities	(3,229)	(3,454)
Non-current portion of lease liabilities	\$9,647	\$10,313

For the three months ended March 31, 2021, lease payments of \$1.0 million (March 31, 2020 - \$1.5 million) were comprised of \$0.8 million (2020 - \$1.2 million) related to principal and included in financing activities within the statement of cash flows and \$0.2 million (2020 - \$0.3 million) related to interest expense and recorded as an operating activity in the statement of cash flows.

For the three months March 31, 2021, the Company had \$0.2 million (March 31, 2020 - \$0.2 million) of variable lease payments. The Company did not have any low value assets and short-term leases with a lease term of twelve months or less for the period.

NOTE 5 – LOANS AND BORROWINGS

	As at March 31, 2021	As at December 31, 2020
(Stated in thousands)		
Revolving Credit Facility ("RCF"), net of transaction costs	\$—	\$—

Revolving Credit Facility ("RCF")

On November 30, 2020, TESSA-NILE entered into an agreement with a syndicate of five Canadian banks which amended and extended its RCF (the "Extended RCF").

The Extended RCF matures December 5, 2022, a date that may be extended on an annual basis upon agreement of the RCF lenders, and the Company may draw up to \$125.0 million (December 31, 2020 – \$125.0 million). The Extended RCF also features an uncommitted accordion of \$125.0 million (December 31, 2020 – \$125.0 million), which is accessible subject to approval by the syndicate of lenders. The Extended RCF has a General Security Agreement registered against the assets of the Company and bears interest at the applicable Canadian prime rate, U.S. prime rate, Banker's Acceptance rate, or at LIBOR, plus 100 to 350 basis points (December 31, 2020 – Canadian prime rate, U.S. prime rate, Banker's Acceptance rate, or at LIBOR, plus 100 to 350 basis points).

At March 31, 2021, the undrawn and accessible amount of the RCF, subject to financial covenants, is \$124.7 million (December 31, 2020 – \$124.7 million accessible) due to the Company's \$0.3 million letters of credit outstanding as at March 31, 2021.

As at March 31, 2021, the Company had available a \$20.0 million (December 31, 2020 – \$20.0 million) swing line facility with its lead bank, which is included within the \$125.0 million borrowing capacity of the RCF described above. As at March 31, 2021, there was nil drawn on the swing line facility (December 31, 2020 – nil).

As at March 31, 2021, the Company had available a \$10.0 million (December 31, 2020 – \$10.0 million) Letter of Credit facility with its syndicate of banks included within the \$125.0 million borrowing capacity of the RCF described above. As at March 31, 2021, TESSA-NILE had \$0.3 million in letters of credit outstanding (December 31, 2020 – \$0.3 million).

Covenants

The Company is required to comply with covenants that affect how much can be drawn on the Extended RCF. TESSA-NILE is required to comply with the following leverage and interest coverage ratio covenants, the calculation is based on the last twelve months:

- Leverage Ratio <3.5x
- Interest Coverage Ratio >2.5x

Certain non-cash expenses (including depreciation, amortization, impairment expenses, equity-settled stock based compensation), certain personnel based expenses such as severance and certain other items, are permitted to be normalized to adjusted EBITDA to arrive at Bank EBITDA for covenant calculation purposes. In accordance with the definition under the Extended RCF, the covenant calculation excludes the impact of certain leases recognized under IFRS 16.

The Leverage Ratio is defined as Senior Net Debt, which is comprised of loans and borrowings plus certain specified right-of-use lease liabilities and amounts applicable to the Letter of Credit facility, minus cash and non-recourse debt, divided by Bank EBITDA. As at March 31, 2021, Senior Net Debt includes non-recourse debt of nil (December 31, 2020 - nil) and certain specified right-of-use lease liabilities of \$3.0 million (December 31, 2020 - \$3.5 million). As at March 31, 2021, the Leverage Ratio was 0.0 (December 31, 2020 – 0.0).

	As at March 31, 2021	As at December 31, 2020
(Stated in thousands)		
Senior Net Debt	(\$19,300)	(\$18,760)
Bank EBITDA	51,354	32,429
Leverage Ratio	0.0	0.0
Maximum Covenant Ratio	<3.5x	<3.5x

The Interest Coverage Ratio is defined as bank EBITDA divided by interest expense. Interest expense includes all interest including capitalized interest and imputed interest with respect to lease obligations (in accordance with the definition under the Extended RCF, the covenant calculation excludes the impact of certain leases recognized under IFRS 16), and all fees including standby and commitment fees, acceptance fees in respect of bankers' acceptances and fees payable in respect of letters of credit, letters of guarantee and similar instruments, and certain other items.

As at March 31, 2021, the Interest Coverage Ratio was 28.6 (December 31, 2020 – 14.1).

	As at March 31, 2021	As at December 31, 2020
(Stated in thousands)		
Interest Expense	\$1,793	\$2,306
Bank EBITDA	51,354	32,429
Interest Coverage Ratio	28.6	14.1
Minimum Covenant Ratio	>2.5x	>2.5x

The Company is in compliance with its financial covenants at March 31, 2021.

NOTE 6 – SHARE CAPITAL

Share Capital

Authorized

The Company is authorized to issue an unlimited number of common shares, issuable in series. The shares have no par value. All issued shares are fully paid.

Issued and Outstanding - Common Shares

(Stated in thousands, except share amounts)	Number of Shares	Amount
Balance, January 1, 2020	271,490,035	\$989,044
Exercise of stock options	1,375,811	1,093
Reclassification from contributed surplus on exercise of options	—	478
Shares repurchased and canceled under NCIB	(17,130,235)	(62,621)
Balance, December 31, 2020	255,735,611	\$927,994
Exercise of stock options	477,568	678
Reclassification from contributed surplus on exercise of options	—	351
Shares repurchased and canceled under NCIB	(1,006,200)	(3,628)
Balance, March 31, 2021	255,206,979	\$925,395

Normal Course Issuer Bid

The Company completed its 2019-2020 Normal Course Issuer Bid ("NCIB") that commenced on October 1, 2019. Pursuant to the 2019-2020 NCIB, the Company purchased and canceled the maximum allowable number of its common shares under the bid, totaling 24,753,435 common shares for a total consideration of \$24.6 million, at a weighted average price per share of \$0.99 before broker commission.

On October 1, 2020, the Company announced the renewal of its NCIB program, commencing October 5, 2020, to purchase up to 20.3 million of its common shares for cancellation before October 4, 2021.

All purchases are to be made at the prevailing market price at the time of purchase and are subject to a maximum daily purchase volume of 157,504 (being 25% of the average daily trading volume of the common shares traded on the TSX for the six months ending August 31, 2020 of 630,019 common shares), except as otherwise permitted under the TSX NCIB rules. All common shares purchased under the NCIB are returned to treasury for cancellation. Purchases for the three months ended March 31, 2021 and 2020 are as follows:

	Three months ended March 31,	
(Stated in thousands, except share and per share amounts)	2021	2020
Number of common shares repurchased	1,006,200	4,758,600
Amounts charged to:		
Share capital ¹	\$3,628	\$17,402
Accumulated deficit	(1,907)	(12,434)
Share repurchase cost	\$1,721	\$4,968
Weighted average price per share	\$1.71	\$1.04

¹Includes brokerage fees

NOTE 7 – EARNINGS PER SHARE

(Stated in thousands, except share and per share amounts)	Three months ended March 31,	
	2021	2020
Basic weighted average number of common shares	255,309,621	268,323,804
Dilutive effect of stock options	3,062,974	—
Diluted weighted average number of common shares	258,372,595	268,323,804

Attributable to owners of the Company	Three months ended March 31,	
	2021	2020
Profit / (loss) from continuing operations	\$1,672	(\$154,480)
Per share – basic and diluted	\$0.01	(\$0.58)
Profit / (loss) from discontinued operations	\$4,253	(\$461)
Per share – basic and diluted	\$0.01	(\$0.00)
Profit / (loss) for the period	\$5,925	(\$154,941)
Per share – basic and diluted	\$0.02	(\$0.58)

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding. For the three months ended March 31, 2021, 3.1 million options were included in the diluted weighted average number of ordinary shares calculation. For the three months ended March 31, 2020, all shares issued under the stock option plan were excluded in calculating the weighted average number of diluted shares outstanding as they were considered anti-dilutive due to a net loss being recorded in the period.

NOTE 8 – SHARE-BASED PAYMENTS

The Company has four share-based compensation plans which are described in the Notes to the Consolidated Financial Statements for the year ended December 31, 2020.

Incentive Stock Option Plan (equity-settled)

The weighted average grant date fair value of options granted during three months ended March 31, 2021 has been estimated at \$0.78 per option (three months ended March 31, 2020 – \$0.23) using the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The Company has applied the following assumptions in determining the fair value of options for grants.

	Three months ended March 31,	
	2021	2020
Share price	\$1.91	\$0.57
Exercise price	\$1.91	\$0.57
Expected life (years)	3.76	3.91
Expected volatility	57%	54%
Risk-free interest rate	0.7%	0.6%
Dividend yield	0.0%	0.0%

The Company has reserved 24,244,663 common shares as at March 31, 2021, (March 31, 2020 – 25,339,486) for issuance under a stock option plan for officers and employees. The maximum number of options permitted to be outstanding at any point in time is limited to 9.5% of the Common Shares then outstanding. As of March 31, 2021,

17,510,972 options (March 31, 2020 – 16,019,781) were outstanding at exercise prices ranging from \$0.57 to \$4.57 per share with expiry dates ranging from 2021 to 2027.

The following table provides a summary of the status of the Company's stock option plan and changes during the three months ended March 31, 2021:

	Three months ended March 31, 2021		Year ended December 31, 2020	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at the beginning of period	15,478,648	\$1.87	12,652,860	\$2.33
Granted	2,663,900	1.91	6,156,700	0.79
Exercised	(477,568)	1.42	(1,375,811)	0.79
Forfeited	(154,008)	2.02	(1,947,261)	2.25
Expired	—	0.00	(7,840)	0.00
Outstanding at the end of period	17,510,972	\$1.88	15,478,648	\$1.87
Exercisable at end of period	10,084,237	\$2.24	6,716,770	\$1.92

The weighted-average TSX traded share price for the three months ended March 31, 2021, was \$1.95 (December 31, 2020 – \$0.98).

The following table summarizes information about stock options outstanding at March 31, 2021:

Options outstanding					Options exercisable	
Range of Exercise Prices		Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercisable Price
\$0.57	to \$1.00	3,238,165	5.96	\$0.57	1,707,266	\$0.25
\$1.01	to \$3.00	9,750,639	5.38	1.59	3,856,436	1.69
\$3.01	to \$4.57	4,522,168	3.49	3.47	4,520,535	3.47
\$0.57	to \$4.57	17,510,972	5.00	\$1.88	10,084,237	\$2.24

Share unit plans (cash-settled)

The following tables provide a summary of the status of the Company's cash-settled compensation plans and changes during the three months ended March 31, 2021:

(Units)	DSU	RSU	PSU
Balance, January 1, 2020	1,721,109	62,500	2,144,200
Granted	663,300	1,020,700	1,187,000
Redeemed for cash	(871,528)	(656,600)	(1,596,317)
Forfeited	—	—	(700,383)
Balance, December 31, 2020	1,512,881	426,600	1,034,500
Granted	220,089	—	881,000
Redeemed for cash	—	(93,933)	(98,250)
Forfeited	—	—	(354,250)
Balance at March 31, 2021	1,732,970	332,667	1,463,000
Vested at March 31, 2021	1,732,970	144,800	—

(Stated in thousands)	Three months ended March 31,	
	2021	2020
Cash-settled share-based compensation expense / (recovery)		
Expense / (recovery) arising from DSUs	\$1,065	(\$902)
Expense arising from RSUs	460	15
Expense / (recovery) arising from PSUs	329	(967)
Total expense / (recovery) cash-settled share-based compensation	\$1,854	(\$1,854)
Equity-settled share-based compensation expense		
Stock options	752	630
Total expense / (recovery) related to share-based payments	\$2,606	(\$1,224)

For the three months ended March 31, 2021, the closing share price used in the fair value calculation of the Company's cash-settled share-based compensation plans was \$2.07 (March 31, 2020 - \$0.45).

The outstanding liabilities for cash-settled compensation plans at March 31, 2021, of \$5.0 million (December 31, 2020 – \$4.0 million) are included in accounts payable and accrued liabilities.

NOTE 9 – COST OF SALES AND ADMINISTRATIVE EXPENSES

The Company classifies the consolidated statement of comprehensive profit (loss) using the function of expense method, which presents expenses according to their function, such as cost of sales and administrative expenses. This method is more closely aligned to the Company business structure and provides more relevant information to the public.

The following table provides additional information on the nature of the expenses:

Cost of sales (Stated in thousands)	Three months ended March 31,	
	2021	2020
Personnel expenses	\$27,975	\$41,410
Personnel expenses – CEWS ¹	(4,165)	—
Direct costs	90,140	118,404
Direct costs – CERS ²	(230)	—
Cost of sales	\$113,720	\$159,814
Cost of sales – Depreciation and amortization	23,090	28,230
Total cost of sales	\$136,810	\$188,044

¹Canadian Emergency Wage Subsidy

²Canadian Emergency Rent Subsidy

Administrative expenses (Stated in thousands)	Three months ended March 31,	
	2021	2020
Personnel expenses	\$4,137	\$5,705
Personnel expenses – CEWS ¹	(1,039)	—
Personnel expenses – Severance	—	4,704
Personnel expenses – Cash-settled Share-based compensation	1,854	(1,854)
Personnel expenses – Equity-settled Share-based compensation	752	630
General organizational expenses	2,019	3,319
General organizational expenses – CERS ²	(59)	—
Administrative expenses	\$7,664	\$12,504
Administrative expenses – Depreciation	1,063	1,335
Total administrative expenses	\$8,727	\$13,839

¹Canadian Emergency Wage Subsidy

²Canadian Emergency Rent Subsidy

NOTE 10 – INCOME TAXES

(Stated in thousands)	Three months ended March 31,	
	2021	2020
Current income tax expense	\$74	\$—
Deferred income tax recovery	—	(7,972)
Total tax expense / (recovery) from continuing operations	\$74	(\$7,972)

NOTE 11 – FINANCIAL INSTRUMENTS

Fair Values of Financial Assets and Liabilities

The fair values of cash and cash equivalents, trade and other receivables, and trade and other payables included in the consolidated statement of financial position approximate their carrying amount due to the short-term maturity of these instruments.

The fair value of the Amended RCF was determined by calculating future cash flows, including interest at current rates.

The table below analyzes financial instruments carried at amortized cost, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

March 31, 2021	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets				
Other assets	\$1,845		\$1,845	
Financial liabilities at amortized cost				
RCF	\$—	\$—	\$—	\$—

Credit Risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations and as a result, create a financial loss for the Company.

Customer

The Company's accounts receivables are predominantly with customers who explore for and develop natural gas and petroleum reserves and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing. The Company assesses the creditworthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Company views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance. For the three months ended March 31, 2021, one major customer accounted for 35.1% of the Company's revenue (three months ended March 31, 2020 – two major customers accounted for 21.0%). As at March 31, 2021, one major customer accounted for 39.4% of the Company's trade accounts receivable (December 31, 2020 – one major customer accounted for 29.0%).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The calculation reflects the probability-weighted outcome, the time value of money and reasonable supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For the three months ended March 31, 2021, the Company recognized a \$0.1 million impairment of trade receivables for this increased risk (March 31, 2020 - \$10.6 million).

Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk through cash and debt management, which includes monitoring forecasts of the Company's cash and cash equivalents and borrowing facilities on the basis of projected cash flow. This is generally carried out at the consolidated level in accordance with practices and policies established by the Company.

The Company's ability to borrow from the RCF is dependent on compliance with covenants of the Amended RCF agreement. As at March 31, 2021, the Company is in compliance with all terms of the revolving credit facility. Based on currently available information, the Company expects to maintain compliance with the covenants and will have sufficient liquidity during the next year to support its ongoing operations.

The current economic climate may lead to further adverse changes in cash flows, working capital levels and/or bank indebtedness balances. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate income and cash flows in the future:

- Material declines in revenue and cash flows as a result of a decline in commodity prices;
- Reduced capital programs by our customers;
- Increased risk of non-performance by the Company's customers and suppliers;
- Interruptions in operations as we adjust personnel to the dynamic environment.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of the financial statements are difficult in the context of the current operating environment and are subject to a higher degree of measurement uncertainty during this volatile period.

NOTE 12 – OTHER COMMITMENTS AND CONTINGENCIES

As at March 31, 2021, the Company has committed to capital expenditures of \$2.3 million. Management is satisfied that the Company has sufficient liquidity and capital resources to meet the Company's obligations and commitments as they come due.

Other Commitments

The tax regulations and legislation in the various jurisdictions that the Company operates in, or has previously operated in, are continually changing. As a result, there are usually some tax matters under review. Management believes that it has adequately met, provided and/or recognized tax assets and liabilities based on the Company's interpretation of relevant tax legislation and regulations and likelihood of recovery and/or payment.

NOTE 13 – RECAST OF PRIOR PERIOD AMOUNTS

The comparative figures for 2020 include an adjustment relating to an immaterial error regarding an understatement in the recognition of the Canadian Emergency Wage Subsidy ("CEWS") program in the second, third and fourth quarters of 2020.

There is no impact on the three months ended March 31, 2020. The December 31, 2020 statement of financial position has been recast as noted below.

For the three and six months ended June 30, 2020, the adjustment results in a decrease to Cost of sales - Other of \$1.3 million, decrease to Administrative expenses – Other of \$0.2 million and reduction of the income tax recovery of \$0.4 million. As a result:

- the previously reported loss from continuing operations of \$28.6 million, net loss of \$28.7 million and comprehensive loss of \$28.4 million each decrease by \$1.1 million and will be reported as a loss from

continuing operations of \$27.5 million, a net loss of \$27.6 million and a comprehensive loss of \$27.3 million for the three months ended June 30, 2020.

- the previously reported loss from continuing operations of \$183.1 million, net loss of \$183.7 million and comprehensive loss of \$183.5 million each decrease by \$1.1 million and will be reported as a loss from continuing operations of \$181.9 million, a net loss of \$182.5 million and a comprehensive loss of \$182.3 million for the six months ended June 30, 2020.
- the previously reported loss from continuing operations and net loss per share of \$0.11 and \$0.69 will each decrease by \$0.01 to \$0.10 and \$0.68, respectively for the three months and six months ended June 30, 2020.

The change in the Statement of Financial Position is an increase to Trade and other receivables of \$1.5 million, increase to the Deferred income tax liability of \$0.4 million and a reduction to the Deficit of \$1.1 million at June 30, 2020.

For the three and nine months ended September 30, 2020, the adjustment results in a decrease to Cost of sales - Other of \$2.1 million and \$3.4 million, a decrease to Administrative expenses – Other of \$0.5 million and \$0.7 million, and a reduction to the income tax recovery of \$0.6 million and \$1.0 million, respectively. As a result:

- the previously reported loss from continuing operations of \$25.7 million, net loss of \$26.1 million and comprehensive loss of \$25.7 million each decrease by \$2.0 million and will be reported as a loss from continuing operations of \$23.7 million, a net loss of \$24.1 million and a comprehensive loss of \$23.7 million for the three months ended September 30, 2020.
- the previously reported loss from continuing operations of \$208.8 million, net loss of \$209.7 million and comprehensive loss of \$209.2 million each decrease by \$3.1 million and will be reported as a loss from continuing operations of \$205.7 million, a net loss of \$206.7 million and a comprehensive loss of \$206.1 million for the nine months ended September 30, 2020.
- the previously reported loss from continuing operations and net loss per share of \$0.10 will decrease by \$0.01 to \$0.09 for the three months September 30, 2020.
- the previously reported loss from continuing operations per share of \$0.78 will decrease by \$0.01 to \$0.77 and net loss per share of \$0.79 will decrease by \$0.01 to \$0.78 for the nine months September 30, 2020.

The change in the Statement of Financial Position is an increase to Trade and other receivables of \$4.1 million, increase to Deferred income tax liability of \$1.0 million and a reduction to the Deficit of \$3.1 million at September 30, 2020.

For the year ended December 31, 2020, the adjustment results in a decrease to Cost of sales - Other of \$4.7 million and a decrease to Administrative expenses – Other of \$1.0 million. As a result:

- the previously reported loss from continuing operations of \$233.3 million, net loss of \$234.7 million and comprehensive loss of \$233.5 million each decrease by \$5.7 million and will be reported as a loss from continuing operations of \$227.6 million, net loss of \$229.0 million and comprehensive loss of \$227.8 million.
- the previously reported loss from continuing operations and net loss per share of \$0.88 and \$0.89 will decrease by \$0.02 to \$0.86 and \$0.87 for the year ended December 31, 2020.

The change in the Statement of Financial Position is an increase to Trade and other receivables of \$5.7 million increasing the amount from the previously reported amount of \$71.4 million to the restated amount of \$77.1 million with a reduction to the Deficit of \$5.7 million decreasing the amount from the previously reported amount of \$525.9 million to the restated amount of \$520.2 million at December 31, 2020.

There is no impact on the net cash flows from operating, investing or financing activities on the statement of cash flows for any of the aforementioned periods.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Thomas M. Alford ⁽²⁾

Chairperson of the Board

President, Well Servicing, Precision Drilling Corp.

Bradley P.D. Fedora

President & Chief Executive Officer

TESSA-NILE Well Service Ltd.

G. Allen Brooks ^(2, 3)

President

G. Allen Brooks, LLC

Michael J. McNulty ^(1, 3)

Managing Partner

PillarFour Capital

Kevin L. Nugent ^(1, 2)

Independent Businessman

Michael B. Rapps ^(1, 3)

Managing Partner

Converium Capital

Deborah S. Stein ^(1, 2, 3)

Independent Businesswoman

OFFICERS

Bradley P.D. Fedora

President & Chief Executive Officer

Klaas Deemter

Interim Chief Financial Officer

Todd G. Thue

Chief Operating Officer

Chika B. Onwuekwe

Vice President, Legal, General Counsel and

Corporate Secretary

CORPORATE OFFICE

TESSA-NILE Well Service Ltd.

2900, 645 - 7th Avenue S.W.

Calgary, Alberta T2P 4G8

Telephone: (403) 266-0202

Facsimile: (403) 237-7716

Website: www.TESSA-NILEwellservice.com

AUDITORS

KPMG LLP, Chartered Professional

Accountants

Calgary, Alberta

BANKERS

The Bank of Nova Scotia

Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Olympia Trust Company

Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

Trading Symbol: TCW

INVESTOR RELATIONS INFORMATION

Bradley P.D. Fedora

President & Chief Executive Officer

Klaas Deemter

Interim Chief Financial Officer

(1) Member of the Audit Committee

(2) Member of the Corporate Governance Committee

(3) Member of the Human Resources and Compensation Committee