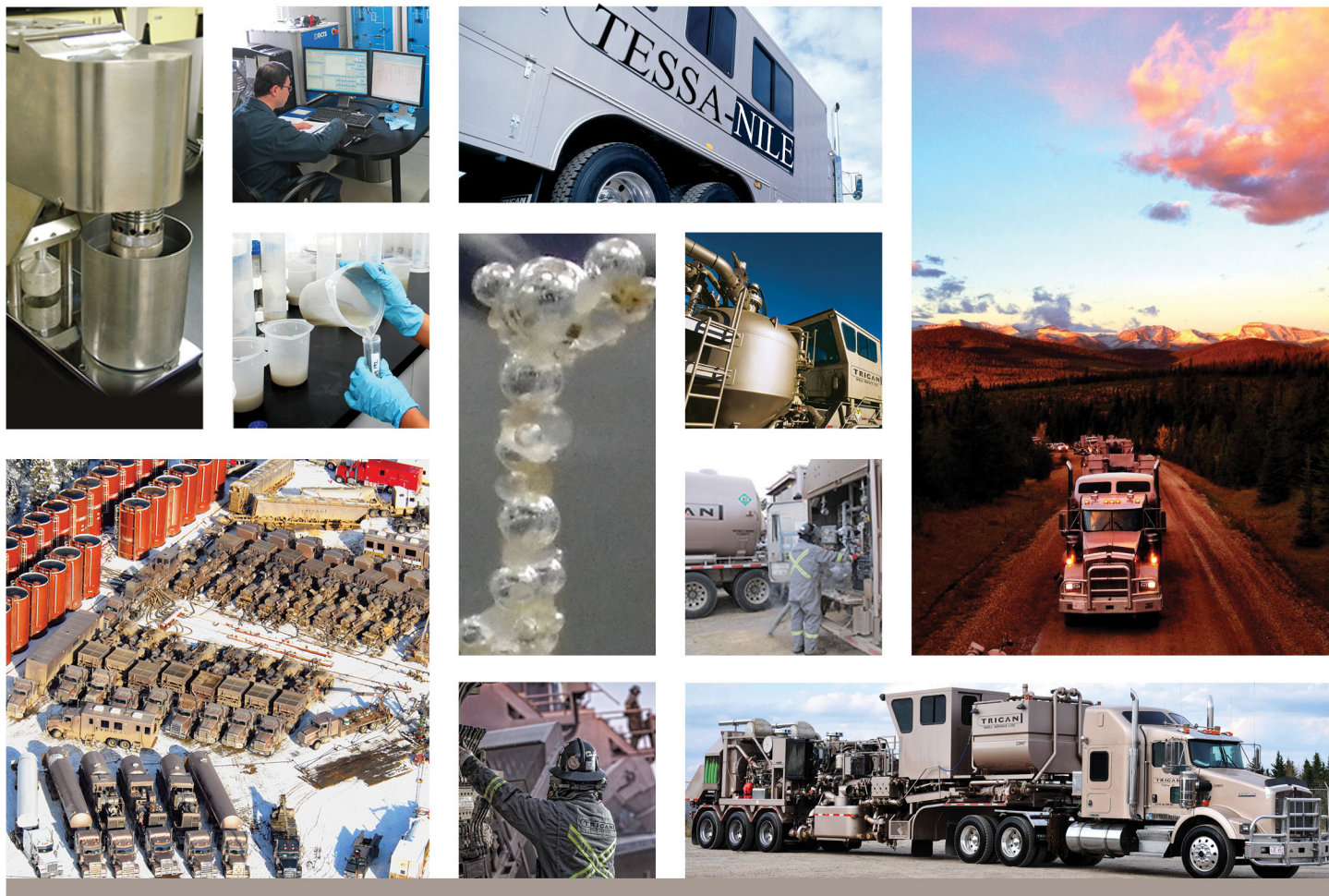




TESSA-NILE WELL SERVICE LTD. Q2 2021 INTERIM REPORT

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Condensed Consolidated Interim Financial Statements
Three and Six Months Ended June 30, 2021 and 2020
(Unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Stated in thousands; unaudited)		As at June 30, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$58,862	\$22,607
Trade and other receivables		76,510	77,104
Current tax assets		1,925	2,051
Inventory		19,416	21,599
Prepaid expenses		4,206	4,766
		160,919	128,127
Property and equipment		378,484	405,260
Intangible assets		18,730	23,958
Right-of-use assets (note 4)		7,956	9,435
Other assets - long-term		—	2,104
		\$566,089	\$568,884
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables		\$57,515	\$57,171
Current portion of lease liabilities (note 4)		2,973	3,454
		60,488	60,625
Lease liabilities – non-current portion (note 4)		8,993	10,313
Shareholders' equity			
Share capital (note 6)		926,537	927,994
Contributed surplus		89,848	89,393
Accumulated other comprehensive income		946	804
Deficit		(520,723)	(520,245)
Total equity attributable to equity holders of the Company		496,608	497,946
		\$566,089	\$568,884

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

	Three months ended June 30,		Six months ended June 30,	
(Stated in thousands, except per share amounts; unaudited)	2021	2020	2021	2020
Continuing operations				
Revenue	\$93,654	\$28,370	\$241,641	\$220,164
Cost of sales (note 9)	72,800	28,611	186,520	188,425
Cost of sales – Depreciation and amortization (note 9)	21,056	27,866	44,146	56,096
Gross (loss) / profit	(202)	(28,107)	10,975	(24,357)
Administrative expenses (note 9)	7,254	6,479	14,918	18,983
Administrative expenses – Depreciation (note 9)	953	1,303	2,016	2,638
Impairment – Non-financial assets	—	—	—	141,065
Impairment – Trade receivables	(138)	(891)	(50)	9,682
Other income	(409)	(821)	(305)	(1,039)
Results from operating activities	(7,862)	(34,177)	(5,604)	(195,686)
Finance cost	486	775	1,023	1,902
Foreign exchange loss / (gain)	67	98	42	(86)
Loss before income tax	(8,415)	(35,050)	(6,669)	(197,502)
Income tax expense / (recovery) (note 10)	3	(7,592)	77	(15,564)
Loss from continuing operations	(\$8,418)	(\$27,458)	(\$6,746)	(\$181,938)
Discontinued operations				
Profit / (loss) from discontinued operations, net of taxes (note 3)	108	(140)	4,361	(601)
Loss for the period	(\$8,310)	(\$27,598)	(\$2,385)	(\$182,539)
Other comprehensive profit				
Foreign currency translation gain	82	297	142	198
Total comprehensive loss	(\$8,228)	(\$27,301)	(\$2,243)	(\$182,341)
Loss per share - basic and diluted (note 7)				
Continuing operations – basic and diluted	(\$0.03)	(\$0.10)	(\$0.03)	(\$0.68)
Discontinued operations – basic and diluted	\$0.00	(\$0.00)	\$0.02	(\$0.00)
Net loss – basic and diluted	(\$0.03)	(\$0.10)	(\$0.01)	(\$0.68)
Weighted average shares outstanding – basic and diluted	255,422	266,410	255,366	267,367

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Stated in thousands; unaudited)	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	—	—	—	(182,539)	(182,539)
Foreign currency translation gain	—	—	198	—	198
Share-based compensation expense	—	1,122	—	—	1,122
Shares cancelled under Normal Course Issuer Bid	(24,714)	—	—	18,072	(6,642)
Balance at June 30, 2020	\$964,330	\$88,853	(\$178)	(\$499,756)	\$553,249
Balance at January 1, 2021	\$927,994	\$89,393	\$804	(\$520,245)	\$497,946
Loss for the period	—	—	—	(2,385)	(2,385)
Foreign currency translation gain	—	—	142	—	142
Share-based compensation expense	—	1,196	—	—	1,196
Share options exercised	2,171	(741)	—	—	1,430
Shares cancelled under Normal Course Issuer Bid	(3,628)	—	—	1,907	(1,721)
Balance at June 30, 2021	\$926,537	\$89,848	\$946	(\$520,723)	\$496,608

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Three months ended June 30,		Six months ended June 30,	
(Stated in thousands; unaudited)	2021	2020	2021	2020
Cash provided by / (used in):				
Operations				
Loss from continuing operations	(\$8,418)	(\$27,458)	(\$6,746)	(\$181,938)
Charges to income not involving cash:				
Depreciation and amortization	22,009	29,169	46,162	58,734
Share-based compensation	444	492	1,196	1,122
Loss / (gain) on disposal of property and equipment	134	(814)	214	(1,226)
Finance costs / amortization of debt issuance costs	486	775	1,023	1,902
Unrealized foreign exchange (gain) / loss	(230)	55	(391)	300
Impairment – Non-financial assets	—	—	—	141,065
Impairment – Trade receivables	(138)	(891)	(50)	9,682
Tax expense / (recovery)	3	(7,592)	77	(15,564)
Change in inventory	(701)	1,994	2,183	4,780
Change in trade and other receivables	40,187	117,477	255	105,221
Change in prepaid expenses	(819)	(1,128)	561	2,154
Change in trade and other payables	(9,547)	(56,157)	1,085	(56,168)
Interest paid	(366)	(477)	(806)	(1,271)
Continuing operations	\$43,044	\$55,445	\$44,763	\$68,793
Discontinued operations (note 3)	(87)	154	63	221
Cash flow from operating activities	\$42,957	\$55,599	\$44,826	\$69,014
Investing				
Purchase of property and equipment	(10,153)	(1,600)	(17,012)	(7,516)
Proceeds from the sale of property and equipment	2,573	2,137	3,507	4,241
Net change in non-cash working capital	(855)	(2,583)	(855)	(2,583)
Continuing operations	(\$8,435)	(\$2,046)	(\$14,360)	(\$5,858)
Proceeds from sale of discontinued operation (net of cash)	1,800	—	7,756	12,359
Cash flow (used in) / from investing activities	(\$6,635)	(\$2,046)	(\$6,604)	\$6,501
Financing				
Net proceeds from issuance of share capital on exercise of options	752	—	1,430	—
Repayment of loans	—	(52,488)	—	(46,984)
Payment of lease	(827)	(1,222)	(1,676)	(2,441)
Repurchase and cancellation of shares under NCIB	—	(1,674)	(1,721)	(6,642)
Continuing operations	(\$75)	(\$55,384)	(\$1,967)	(\$56,067)
Discontinued operations (note 3)	—	—	—	—
Cash flow used in financing activities	(\$75)	(\$55,384)	(\$1,967)	(\$56,067)
Effect of exchange rate changes on cash	—	(67)	—	(223)
Increase / (decrease) in cash and cash equivalents				
Continuing operations	34,534	(1,985)	28,436	6,868
Discontinued operations (note 3)	1,713	87	7,819	12,357
Cash and cash equivalents, beginning of period	22,615	28,325	22,607	7,202
Cash and cash equivalents, end of period	\$58,862	\$26,427	\$58,862	\$26,427

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 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 and six months periods ended June 30, 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 July 27, 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 if it deteriorates 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 shares of the software business for cash consideration of approximately \$6.5 million. The following table outlines the proceeds and net assets disposed of:

(Stated in thousands)

Proceeds on sale of software business	\$6,530
Less assets and liabilities sold:	
Working capital (including cash \$574)	1,577
Property and equipment	477
Gain on disposition of software business	\$4,476

Results of Discontinued Operations

For the three and six months ended June 30, 2021, the amounts in the current and prior periods are primarily comprised of net profit / (loss) associated with the Company's discontinued international operations, software, and fluid management businesses.

The following table represents discontinued operations:

Total discontinued operations (Stated in thousands)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	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	154	107	249	311
(Gain) / loss on disposal of discontinued operations	(266)	(65)	(4,476)	1,174
Results from operating activities	112	(42)	4,367	(1,352)
Finance cost / (income)	2	—	2	(152)
Foreign exchange loss / (gain)	2	98	4	(599)
Profit / (loss) from discontinued total operations	\$108	(\$140)	\$4,361	(\$601)

The Company collected the vendor take back loan of \$1.8 million shown as other assets at December 31, 2020 that was related to the disposal of the Fluid management business in 2020.

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	(227)	(725)	(952)
Balance at June 30, 2021	\$9,449	\$8,110	\$17,559
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	626	737	1,363
Termination of leases	(181)	(655)	(836)
Balance at June 30, 2021	\$4,219	\$5,384	\$9,603
Carrying Amounts			
At December 31, 2020	\$5,902	\$3,533	\$9,435
At June 30, 2021	\$5,230	\$2,726	\$7,956

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 June 30, 2021	As at December 31, 2020
Opening Balance	\$13,767	\$19,526
Interest expense	402	1,192
Additions	—	1,668
Lease payments	(2,078)	(5,738)
Termination of leases	(125)	(2,881)
Ending Balance	\$11,966	\$13,767
Current portion of lease liabilities	2,973	3,454
Non-current portion of lease liabilities	\$8,993	\$10,313

	As at June 30, 2021	As at December 31, 2020
(Stated in thousands)		
Less than 1 year	\$3,719	\$4,313
1-3 years	4,773	5,481
4-5 years	3,919	3,933
After 5 years	1,972	2,924
Total lease payments	14,383	16,651
Amounts representing interest over the term of the lease	(2,417)	(2,884)
Present value of net lease payments	11,966	13,767
Current portion of lease liabilities	(2,973)	(3,454)
Non-current portion of lease liabilities	\$8,993	\$10,313

For the three months ended June 30, 2021, lease payments of \$1.0 million (June 30, 2020 - \$1.5 million) were comprised of \$0.8 million (June 30, 2020 - \$1.2 million) related to principal and included in financing activities within the statement of cash flows and \$0.2 million (June 30, 2020 - \$0.3 million) related to interest expense and recorded as an operating activity in the statement of cash flows.

For the six months ended June 30, 2021, lease payments of \$2.1 million (June 30, 2020 - \$3.0 million) were comprised of \$1.7 million (June 30, 2020 - \$2.4 million) related to principal and included in financing activities within the statement of cash flows and \$0.4 million (June 30, 2020 - \$0.6 million) related to interest expense and recorded as an operating activity in the statement of cash flows.

For the six months June 30, 2021, the Company had \$0.2 million (June 30, 2020 - \$0.4 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 June 30, 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 "RCF").

The 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 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 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 June 30, 2021, the undrawn and accessible amount of the RCF, subject to financial covenants, was \$124.8 million (December 31, 2020 – \$124.7 million accessible) due to the Company's \$0.2 million letters of credit outstanding as at June 30, 2021.

As at June 30, 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 June 30, 2021, there was nil drawn on the swing line facility (December 31, 2020 – nil).

As at June 30, 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 June 30, 2021, TESSA-NILE had \$0.2 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 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 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 June 30, 2021, Senior Net Debt includes non-recourse debt of nil (December 31, 2020 - nil) and certain specified right-of-use lease liabilities of \$2.5 million (December 31, 2020 - \$3.5 million). As at June 30, 2021, the Leverage Ratio was 0.0x (December 31, 2020 – 0.0x).

	As at June 30, 2021	As at December 31, 2020
(Stated in thousands)		
Senior Net Debt	(\$56,122)	(\$18,760)
Bank EBITDA	71,573	32,429
Leverage Ratio	0.0x	0.0x
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 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 June 30, 2021, the Interest Coverage Ratio was 48.7x (December 31, 2020 – 14.1x).

	As at June 30, 2021	As at December 31, 2020
(Stated in thousands)		
Interest Expense	\$1,471	\$2,306
Bank EBITDA	71,573	32,429
Interest Coverage Ratio	48.7x	14.1x
Minimum Covenant Ratio	>2.5x	>2.5x

The Company is in compliance with its financial covenants at June 30, 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 cancelled under NCIB	(17,130,235)	(62,621)
Balance, December 31, 2020	255,735,611	\$927,994
Exercise of stock options	1,013,551	1,430
Reclassification from contributed surplus on exercise of options	—	741
Shares repurchased and cancelled under NCIB	(1,006,200)	(3,628)
Balance, June 30, 2021	255,742,962	\$926,537

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 and six months ended June 30, 2021 and 2020 are as follows:

	Three months ended June 30,		Six months ended June 30,	
(Stated in thousands, except share and per share amounts)	2021	2020	2021	2020
Number of common shares repurchased and cancelled	—	2,005,000	1,006,200	6,763,600
Amounts charged to:				
Share capital ¹	\$—	\$7,312	\$3,628	\$24,714
Accumulated deficit	—	(5,638)	(1,907)	(18,072)
Share repurchase cost	\$—	\$1,674	\$1,721	\$6,642
Weighted average price per share	\$—	\$0.83	\$1.71	\$0.98

¹Includes brokerage fees

As of June 30, 2021, the Company repurchased 43,500 common shares at a weighted average price per share of \$2.60 pursuant to its NCIB. Subsequent to June 30, 2021, the shares were returned to treasury and cancelled.

NOTE 7 – LOSS PER SHARE

(Stated in thousands, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Basic and diluted weighted average number of common shares	255,421,612	266,410,402	255,365,926	267,367,103
Attributable to owners of the Company				
	2021	2020	2021	2020
Loss from continuing operations	(\$8,418)	(\$27,458)	(\$6,746)	(\$181,938)
Per share – basic and diluted	(\$0.03)	(\$0.10)	(\$0.03)	(\$0.68)
Profit / (loss) from discontinued operations	\$108	(\$140)	\$4,361	(\$601)
Per share – basic and diluted	\$0.00	(\$0.00)	\$0.02	(\$0.00)
(Loss) / profit for the period	(\$8,310)	(\$27,598)	(\$2,385)	\$182,539
Per share – basic and diluted	(\$0.03)	(\$0.10)	(\$0.01)	(\$0.68)

For the three and six months ended June 30, 2021 and 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 as there was a net loss during the periods.

NOTE 8 – SHARE-BASED PAYMENTS

The Company has four shared-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 six months ended June 30, 2021 has been estimated at \$0.80 per option (six months ended June 30, 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.

	Six months ended June 30,	
	2021	2020
Share price	\$1.95	\$0.57
Exercise price	\$1.95	\$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 24,295,581 common shares as at June 30, 2021, (June 30, 2020 – 25,149,011) 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 June 30, 2021,

16,414,548 options (June 30, 2020 – 15,466,585) 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 six months ended June 30, 2021:

	Six months ended June 30, 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	2,823,900	1.95	6,156,700	0.79
Exercised	(1,013,551)	1.41	(1,375,811)	0.79
Forfeited	(874,449)	2.11	(1,947,261)	2.25
Expired	—	—	(7,840)	0.82
Outstanding at the end of period	16,414,548	\$1.90	15,478,648	\$1.87
Exercisable at end of period	9,176,372	\$2.32	6,716,770	\$1.92

The weighted-average TSX traded share price for the six months ended June 30, 2021, was \$2.04 (December 31, 2020 – \$0.98).

The following table summarizes information about stock options outstanding at June 30, 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	2,889,496	5.71	\$0.57	1,551,660	\$0.57
\$1.01	to	\$3.00	9,311,152	5.25	1.60	3,410,812	1.68
\$3.01	to	\$4.57	4,213,900	3.24	3.47	4,213,900	3.47
\$0.57	to	\$4.57	16,414,548	3.98	\$1.90	9,176,372	\$2.32

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 six months ended June 30, 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	254,077	—	941,000
Redeemed for cash	—	(238,733)	(98,250)
Forfeited	(19,331)	—	(354,250)
Balance at June 30, 2021	1,747,627	187,867	1,523,000
Vested at June 30, 2021	1,747,627	—	—

(Stated in thousands)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Cash-settled share-based compensation expense / (recovery)				
Expense arising from DSUs	\$1,105	\$916	\$2,170	\$14
Expense arising from RSUs	99	140	559	155
Expense / (recovery) arising from PSUs	782	744	1,111	(223)
Total expense / (recovery) cash-settled share-based compensation	\$1,986	\$1,800	\$3,840	(\$54)
Equity-settled share-based compensation expense				
Stock options	444	492	1,196	1,122
Total expense related to share-based payments	\$2,430	\$2,292	\$5,036	\$1,068

For the three and six months ended June 30, 2021, the closing share price used in the fair value calculation of the Company's cash-settled share-based compensation plans was \$2.67 (June 30, 2020 - \$0.82).

The outstanding liabilities for cash-settled compensation plans at June 30, 2021, of \$6.7 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 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's 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 June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Personnel expenses	\$19,911	\$11,899	\$47,886	\$53,309
Personnel expenses – CEWS ¹	(5,020)	(5,601)	(9,185)	(5,601)
Direct costs	58,241	22,313	148,381	140,717
Direct costs – CERS ²	(332)	—	(562)	—
Cost of sales	\$72,800	\$28,611	\$186,520	\$188,425
Cost of sales – Depreciation and amortization	21,056	27,866	44,146	56,096
Total cost of sales	\$93,856	\$56,477	\$230,666	\$244,521

¹Canadian Emergency Wage Subsidy

²Canadian Emergency Rent Subsidy

Administrative expenses (Stated in thousands)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Personnel expenses	\$3,232	\$3,006	\$7,369	\$8,711
Personnel expenses – CEWS ¹	(641)	(898)	(1,680)	(898)
Personnel expenses – Severance	246	38	246	4,742
Personnel expenses – Cash-settled Share-based compensation	1,986	1,800	3,840	(54)
Personnel expenses – Equity-settled Share-based compensation	444	492	1,196	1,122
General organizational expenses	2,116	2,041	4,135	5,360
General organizational expenses – CERS ²	(129)	—	(188)	—
Administrative expenses	\$7,254	\$6,479	\$14,918	\$18,983
Administrative expenses – Depreciation	953	1,303	2,016	2,638
Total administrative expenses	\$8,207	\$7,782	\$16,934	\$21,621

¹Canadian Emergency Wage Subsidy

²Canadian Emergency Rent Subsidy

NOTE 10 – INCOME TAXES

(Stated in thousands)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Current income tax expense / (recovery)	\$3	(\$190)	\$77	(\$190)
Deferred income tax recovery	—	(\$7,402)	—	(15,374)
Total tax expense / (recovery) from continuing operations	\$3	(\$7,592)	\$77	(\$15,564)

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).

		Fair value		
June 30, 2021	Carrying amount	Level 1	Level 2	Level 3
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 and six months ended June 30, 2021, two major customers accounted for 31.7% and 37.2%, respectively, of the Company's revenue (June 30, 2020 – two major customers accounted for 47.6% and 24.5%). As at June 30, 2021, one major customer accounted for 23.0% 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 and six months ended June 30, 2021, the Company recognized a \$0.1 million recovery of impairment taken in 2020 (three and six months ended June 30, 2020 - \$0.9 million recovery and \$9.7 million impairment, respectively).

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 RCF agreement. As at June 30, 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.

A deterioration in the economic climate may lead to reduced capital programs by our customers, increased risk of non-performance by the Company's customers and suppliers, and interruptions in operations as we adjust to the dynamic environment. This would result in adverse changes in cash flows, working capital levels and/or bank indebtedness balances. Estimates and judgments made by management in the preparation of the financial statements are subject to a higher degree of measurement uncertainty during periods of higher volatility.

NOTE 12 – OTHER COMMITMENTS AND CONTINGENCIES

As at June 30, 2021, the Company has committed to capital expenditures of \$14.7 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.

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.

NOTE 14 – SUBSEQUENT EVENTS

Normal Course Issuer Bid

For the period from July 1, 2021 to July 27, 2021, the Company repurchased an additional 1,261,300 common shares at a weighted average price per share of \$2.54 pursuant to its NCIB.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Thomas M. Alford ^(1, 2, 3)

Chairperson of the Board

President, Well Servicing, Precision Drilling Corp.

Bradley P.D. Fedora

President & Chief Executive Officer

TESSA-NILE Well Service Ltd.

Trudy M. Curran ^(2, 3)

Independent Businesswoman

Michael J. McNulty ^(1, 3)

Managing Partner

PillarFour Capital

Deborah S. Stein ^(1, 2)

Independent Businesswoman

OFFICERS

Bradley P.D. Fedora

President & Chief Executive Officer

Scott Matson

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.

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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

Scott Matson

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