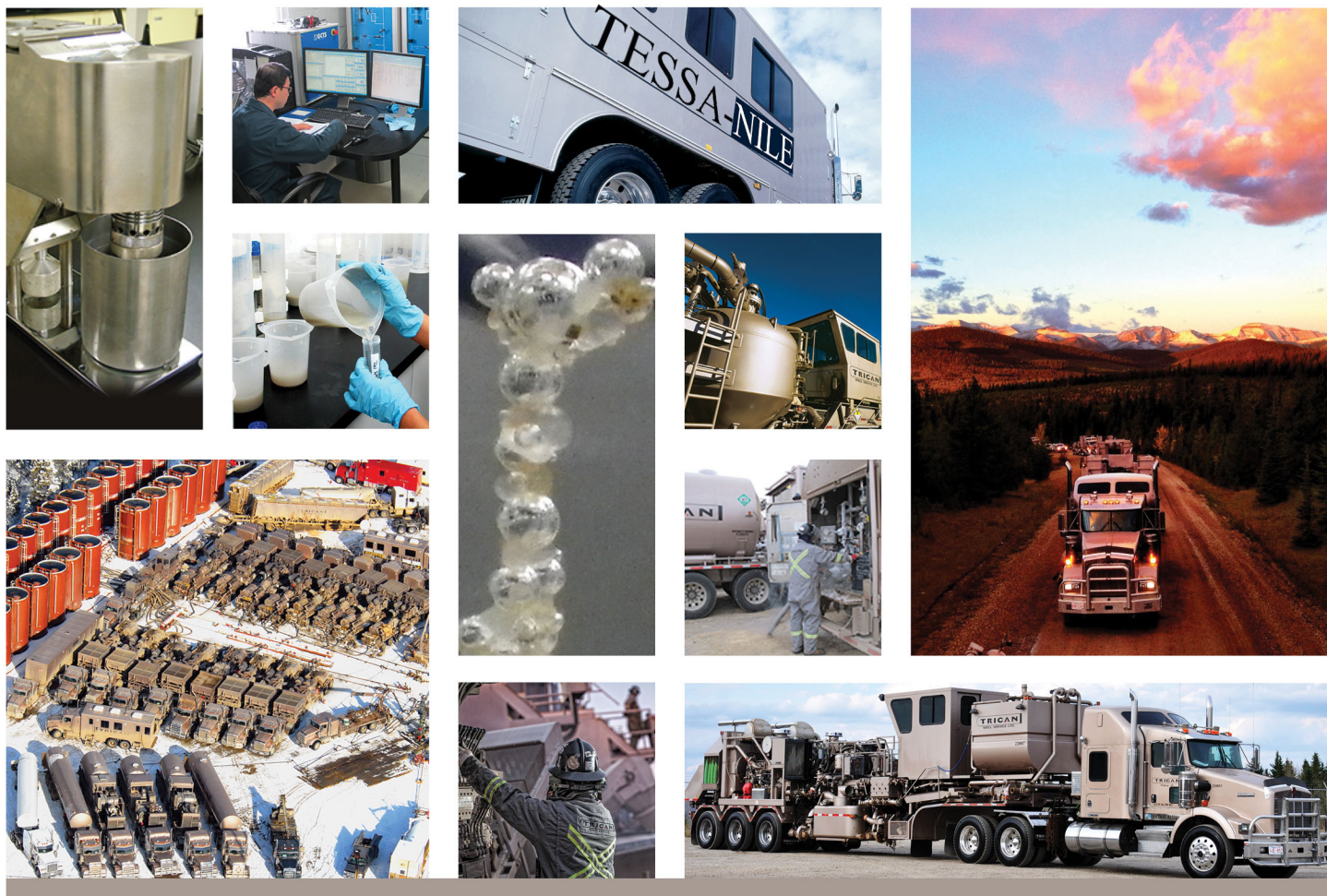




TESSA-NILE WELL SERVICE LTD. Q3 2020 INTERIM REPORT

Management's Discussion & Analysis
Three and Nine Months Ended September 30, 2020

TESSA-NILE

MANAGEMENT'S DISCUSSION AND ANALYSIS – THIRD QUARTER

Overview.....	3
Financial and Operating Highlights.....	4
Outlook.....	5
Comparative Quarterly Income Statements	7
Comparative Year-To-Date Income Statements	11
Liquidity and Capital Resources.....	15
Summary of Quarterly Results.....	19
Business Risks.....	20
Critical Accounting Estimates and Judgements.....	21
Non-GAAP Measures	22
Other Non-Standard Financial Terms.....	23
Common Industry Terms.....	24
Forward-Looking Statements.....	27

This management's discussion and analysis ("**MD&A**") is dated November 5, 2020. It should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes of TESSA-NILE Well Service Ltd.

("TESSA-NILE" or the "**Company**") as at and for the three and nine months ended September 30, 2020 as well as the audited consolidated financial statements and notes as

at and for the years ended December 31, 2019 and 2018. Additional information relating to the Company, including the Company's Annual Information Form ("**AIF**")

for the year ended December 31, 2019, is available online at www.sedar.com.

Basis of Presentation: Unless otherwise noted, all financial information is reported in Canadian dollars and has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). Certain figures have been reclassified to conform to the current year presentation in this MD&A.

Non-GAAP Measures: TESSA-NILE makes reference to adjusted EBITDA and adjusted EBITDA percentage. These measures are not defined terms under IFRS and are considered non-GAAP measures. Management believes that, in addition to net income / (loss), adjusted EBITDA and adjusted EBITDA percentage are useful supplemental measures to our investors as management relies on adjusted EBITDA to better translate historical variability in TESSA-NILE's principal business activities into future financial forecasts.

Non-GAAP financial measures do not have a standardized meaning under IFRS and may not be comparable to similar financial measures presented by other issuers. These financial measures are reconciled to IFRS measures in the *Non-GAAP Measures* section of this MD&A.

Other Non-Standard Financial Terms: TESSA-NILE makes use of other financial terms such as revenue per job. This term and / or calculation of amounts related to this term may not be comparable to other issuers. This term is described in the *Other Non-Standard Financial Terms* section of this MD&A.

Common Industry Terms: For a list of abbreviations and terms that may be used in this MD&A, refer to the *Common Industry Terms* section of this MD&A.

Risks and Forward-Looking Statements: The Company's financial and operational performance is potentially affected by a number of factors, including, but not limited to, the factors described in the *Business Risks* section in this MD&A, the Risk Factors described in the AIF, and the Company's other disclosure documents.

This MD&A includes forward-looking information based on the Company's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that the actual results may differ materially from this forward-looking information. Refer to the *Forward-Looking Statements* section in this MD&A for information on material risk factors and assumptions underlying our forward-looking information.

OVERVIEW

Headquartered in Calgary, Alberta, TESSA-NILE has a highly trained workforce dedicated to safety and operational excellence who provide a comprehensive array of specialized products and services using equipment required for the exploration and development of oil and gas reserves.

Financial Review

(\$ millions, except per share amounts; total proppant pumped ¹ (thousands); internally sourced proppant pumped ¹ (thousands); total job count ¹ ; and HHP ¹ (thousands))					
	Three months ended			Nine months ended	
(\$ millions, unaudited)	September 30, 2020	September 30, 2019	June 30, 2020	September 30, 2020	September 30, 2019
Revenue	\$74.1	\$129.9	\$28.4	\$294.3	\$472.8
Gross loss	(10.9)	(10.7)	(29.4)	(36.5)	(37.4)
Adjusted EBITDA ¹	(2.6)	3.5	(6.8)	0.1	14.9
Net loss	(25.7)	(16.8)	(28.4)	(209.2)	(52.1)
Net loss per share - basic	(\$0.10)	(\$0.06)	(\$0.11)	(\$0.79)	(\$0.18)
Net loss per share - diluted	(\$0.10)	(\$0.06)	(\$0.11)	(\$0.79)	(\$0.18)
Personnel expenses - Severance ²	11.7	6.5	—	16.5	8.9
Canadian Emergency Wage Subsidy ²	4.2	—	5.0	9.2	—
Total proppant pumped (tonnes) ¹	127	166	50	462	636
Internally sourced proppant pumped (tonnes) ¹	127	166	33	445	636
Total job count ¹	765	1,150	293	3,723	5,822
Hydraulic Pumping Capacity ¹	572	583	569	572	583
Active crewed HHP ¹	200	297	166	200	297
Active, maintenance/not crewed HHP ¹	114	86	172	114	86
Parked HHP ¹	258	200	231	258	200

² See Note 9 in the Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2020 and 2019

(\$ millions)	As at September 30, 2020	As at December 31, 2019
Cash and cash equivalents	\$5.1	\$7.2
Current assets - other	\$109.7	\$225.5
Current portion of lease liabilities	\$3.9	\$4.5
Current liabilities - other	\$57.2	\$88.4
Lease liabilities - non-current portion	\$12.9	\$15.0
Long-term loans and borrowings	\$1.1	\$46.2
Total assets	\$604.3	\$926.5

¹ See *Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms* described in this MD&A.

FINANCIAL AND OPERATING HIGHLIGHTS

Summary of Key Items

The negative impact of the COVID-19 health pandemic and volatility of commodity prices (collectively "Market Events") continue to significantly affect the energy industry and the Company. TESSA-NILE has adapted quickly to the changing market conditions, and we are confident that our resilient culture and strong financial position will ensure the Company remains well positioned through these unprecedented times.

- Financial position and liquidity:
 - Cash and cash equivalents of \$5.1 million (December 31, 2019 - \$7.2 million);
 - Positive non-cash working capital of \$49.0 million (December 31, 2019 - \$132.6 million which includes \$38.1 million of assets held for sale);
 - Long-term loans and borrowings of \$1.5 million (December 31, 2019 - \$46.2 million);
 - At September 30, 2020, the Company is in compliance with all terms of the revolving credit facility. The Company expects to maintain compliance with bank covenants and will have sufficient available liquidity during the next year to support its ongoing operations.
- In the third quarter, \$4.2 million was recognized in relation to the Canada Emergency Wage Subsidy ("CEWS") as part of the federal government of Canada's response to the COVID-19 health pandemic. Had the CEWS program not been available, the Company would have had to make incremental significant personnel reductions to mitigate negative financial results;
- TESSA-NILE is forecasting a \$45 million reduction in fixed overhead and administrative expenditures

relative to

2019 levels, excluding the effect of severance costs. The savings are primarily a result of permanent structural changes to drive efficiencies across the Company, as well as temporary cost reductions resulting from the Market Events.

- Planned capital expenditures have been and will continue to be limited to only necessary sustaining expenditures or projects that provide an immediate return, estimated at less than 4% of revenue;
- At September 30, 2020 the outstanding share balance was 258,894,937 which includes the repurchase and cancellation of 13,583,500 shares in 2020 at a weighted average price per share of \$1.03 for the nine months ended September 30, 2020, pursuant to the Company's Normal Course Issuer Bid ("NCIB"). Subsequent to September 30, 2020 the Company repurchased an additional 2,461,038 shares at a weighted average price per share of \$1.21.

Third Quarter 2020 vs Third Quarter 2019

- Consolidated revenue from continuing operations for Q3 2020 was \$74.1 million, a \$55.8 million decrease compared to Q3 2019.
- ~~Adjusted EBITDA¹ for Q3 2020 was \$25.2 million (Q3 2019 \$2.6 million loss, of \$16.8 includes)~~ recognition of \$4.2 million from the CEWS program and incurred severance expense of \$11.7 million. Q3 2019 adjusted EBITDA¹ was positive \$3.5 million, which included \$6.5 million of severance costs.
- The sale of surplus assets in Q3 2020 generated \$4.9 million (Q3 2019 - \$4.9 million) in proceeds which provided additional liquidity and allowed for continued investment in our core business and NCIB program.

¹ See Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms described in this MD&A.

Third Quarter 2020 vs Second Quarter 2020 Sequential Overview

Revenue in the third quarter of 2020 increased 161%, or \$45.7 million, from the generational lows in second quarter revenue levels. The second quarter is typically lower due to the seasonal spring breakup but the decline was exacerbated by the impact of the Market Events experienced in the quarter. Although activity levels increased compared to the previous quarter, Q3 2020 activity levels continued to be negatively affected by the ongoing COVID-19 pandemic which continues to limit demand for oil and gas products. Oil prices rebounded moderately from the historical lows seen in Q2 2020, with average pricing for WTI¹ and WCS¹ up 46% and 62%, respectively, from the second quarter. Natural gas prices were up a modest 13% in the third quarter against the second quarter. Natural gas prices have remained resilient through most of 2020, aided in part by improvements in infrastructure and egress capacity made in the last 12 months.

Demand for pressure pumping services bottomed in Q2 2020, but started to improve in Q3 2020, leading to sequential increases of 161% and 154% in job count and proppant pumped, respectively, for the third quarter. The Company was able to reactivate an additional Fracturing crew in the third quarter to accommodate increased customer demand. This increased customer demand resulted in increased utilization levels of 53% relative to 25% in the second quarter. TESSA-NILE exited the third quarter with three Fracturing crews and 200,000 active HHP, up from two crews and 166,000 active HHP at the end of the second quarter.

The sequential increase in commodity prices drove an increase in the WCSB¹ industry drilling rig count, rising from 18 at the start of the third quarter to 73 drilling rigs at the close. The average number of active drilling rigs increased from 22 during Q2 to 52 during Q3, a 136% sequential increase. Corresponding with the increase in the drilling rig count, Coiled Tubing and Cementing activity realized sequentially increased activity levels. Cementing job count increased by approximately 189%, allowing for the reactivation of an additional crew at the end of the third quarter. Coiled Tubing operating days increased from 96 days in the second quarter to 196 days in the third quarter.

Gross loss and negative adjusted EBITDA¹ for the third quarter of 2020 were \$10.9 million and \$2.6 million, respectively, an improvement over the Q2 2020 gross loss of \$29.4 million and negative adjusted EBITDA¹ of \$6.8 million. TESSA-NILE was able to significantly reduce expenditures across the organization but incurred approximately \$11.7 million in severance expenditures in the quarter, due in part to the conversion of temporary layoffs initiated in the first half of the year to permanent terminations as well as the departure of certain of the Company's executive leaders, as a result of a senior executive reorganisation during the third quarter. The Company's Q3 2020 results include \$4.2 million from the CEWS program, funds that helped avoid further personnel reductions.

OUTLOOK

Despite the market uncertainty resulting from the ongoing COVID-19 pandemic, we have a more constructive outlook for the remainder of 2020, relative to the Outlook described in our MD&A dated July 31, 2020. Oil prices have experienced relative stability and natural gas pricing has remained strong through much of the third quarter and the start of the fourth quarter. The sequential recovery in commodity prices, combined with significant overall industry cost reductions, has led to improved cash flows for our customers relative to Q2 2020.

These improving market conditions should result in Q4 2020 activity and revenue to at least achieve Q3 levels, with the potential for sequential improvement. We will continue to remain prudent in the management of our business, ensuring that we remain disciplined on the pricing for our services, keep our costs in line with market conditions and manage our capital spending prudently, preserving our balance sheet strength and liquidity.

¹ See *Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms* described in this MD&A.

Q4 2020 Activity

Improving industry demand resulted in the addition of a fourth Fracturing crew in early October. Steady utilization and stable pricing were key factors in the decision to add a fourth crew. This increased utilization is primarily driven by our natural gas focused customers, who are expecting to keep activity steady until the typical December seasonal slowdown occurs. Despite the overall slow industry conditions, the Company has maintained third quarter pricing levels and expects these pricing levels will be sustained through the fourth quarter. Pricing discipline is critical for us to generate positive operating cash flows, but the industry continues to struggle with undisciplined pricing practices by certain of our competitors.

We anticipate that the current industry drilling rig count will remain at these levels until mid-December, which will result in a sequential activity increase for Cementing operations. We have added Cementing capacity to reflect the higher drilling rig count, maintaining our market share. Coiled Tubing has similarly seen an increase in activity and we have subsequently added crews to accommodate the increased demand for Coiled Tubing services relative to the third quarter.

Q1 2021 Activity

We have minimal visibility for the full year 2021 but have some visibility into the first quarter of 2021. If current market conditions hold, we expect a sequential improvement in activity relative to our current fourth quarter expectations. We expect the Q1 2021 drilling rig count to increase from Q4 2020, leading to a tightening in crewed pressure pumping capacity. We have strong indications for Q1 2021 activity from our core customers that should contribute to stable utilization for our current complement of crewed equipment. We are receiving inquiries for additional equipment capacity from customers, but will only bring on additional capacity at prices that provide a fair return and allow continued investment into our business.

Capital Expenditures

Capital expenditures for the nine months ended September 30, 2020, of \$8.6 million (Q3 2020 - \$1.0 million) were focused primarily on sustaining and infrastructure projects, along with certain projects that brought immediate efficiencies and cost reductions. These capital expenditures were fully funded with \$21.5 million of proceeds from the sale of surplus or obsolete assets as well as the Q1 sale of our Fluid Management business.

The focus for the remainder 2020 will be to complete projects already underway and limit additional expenditures to sustaining capital items. We continue to seek opportunities to sell redundant real estate and surplus equipment, although the pace of disposals will remain slow in 2021 given the amount of surplus assets that have come into the market since March 2020.

¹ See *Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms* described in this MD&A.

COMPARATIVE QUARTERLY INCOME STATEMENTS

Continuing Operations

(\$ thousands, except total job count, and revenue per job¹, unaudited)

Three months ended	September 30, 2020	Percentage of revenue	September 30, 2019	Percentage of revenue	June 30, 2020	Percentage of revenue
Revenue	\$74,088	100 %	\$129,932	100 %	\$28,370	100 %
Cost of sales						
Cost of sales – Other	58,999	80 %	112,075	86 %	29,901	105 %
Cost of sales – Depreciation and amortization	25,978	35 %	28,544	22 %	27,866	98 %
Gross loss	(10,889)	(15)%	(10,687)	(8)%	(29,397)	(104)%
Administrative expenses – Other	18,105	24 %	15,042	12 %	6,686	24 %
Administrative expenses – Depreciation	1,206	2 %	1,347	1 %	1,303	5 %
Impairment / (recovery) – Trade receivables	—	— %	19	— %	(891)	(3)%
Other loss / (income)	630	1 %	(4,779)	(4)%	(821)	(3)%
Results from operating activities	(30,830)	(42)%	(22,316)	(17)%	(35,674)	(126)%
Finance costs	673	1 %	995	1 %	775	3 %
Foreign exchange loss / (gain)	860	1 %	(285)	— %	98	— %
Loss before income tax	(32,363)	(44)%	(23,026)	(18)%	(36,547)	(129)%
Income tax recovery	(6,652)	(9)%	(7,045)	(5)%	(7,959)	(28)%
Loss from continuing operations	(\$25,711)	(35)%	(\$15,981)	(12)%	(\$28,588)	(101)%
Adjusted EBITDA ¹	(\$2,556)	(3)%	\$3,541	3 %	(\$6,834)	(24)%
Total job count ¹	765		1,988		293	
Revenue per job ¹	96,823		63,266		96,823	
Total proppant pumped (tonnes) ¹	127,000		166,000		50,000	

Sales Mix

Three months ended (unaudited)	September 30, 2020	September 30, 2019	June 30, 2020
% of Total Revenue			
Fracturing	77 %	68 %	62 %
Cementing	14 %	19 %	19 %
Coiled Tubing	8 %	10 %	14 %
Industrial Services	— %	1 %	3 %
Other	1 %	2 %	2 %
Total	100 %	100 %	100 %

¹ See *Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms* described in this MD&A.

Third Quarter 2020 Overview (Compared to Prior Year)

Revenue

Industry activity in the WCSB continued to be impacted by the ongoing effects of the COVID-19 pandemic in Q3 2020, leading to sharply lower revenue when compared to the prior year results, which were already negatively impacted by ongoing concerns about weak commodity prices and ongoing pipeline egress challenges.

The activity reductions brought on by the COVID-19 pandemic resulted in deeper reductions to our Fracturing fleet, and we exited Q3 2020 with three Fracturing crews and 200,000 active HHP, down from the eight Fracturing crews and 297,000 active HHP in Q3 2019. The job mix changed in favour of more pad work in Q3 2020, resulting in fewer, higher volume proppant jobs, as the job mix was weighted to customers with capital available to complete larger scale projects.

The WCSB¹ drilling rig count¹ for Q3 2020 averaged 52 rigs, down 60% from Q3 2019. Cementing activity tracks the rig count¹ closely, and saw a drop in job count of 64% compared to Q3 2019. The Company reduced its active unit count from 18 in Q3 2019 to 10 in Q3 2020 in response to the drilling rig count¹ decline. TESSA-NILE is carefully monitoring utilization on the remaining active trucks in order to ensure costs are aligned with activity. The number of Coiled Tubing operating days¹ dropped from 351 in Q3 2019 to 196 in Q3 2020, and the Company reduced the number of active Coiled Tubing crews from nine in Q3 2019 to three in Q3 2020 to match active crewed equipment with the Company's activity levels.

Overall, despite activity being weighted to higher revenue generating Fracturing jobs, resulting in a higher Q3 2020 revenue per job relative to Q3 2019, the Company's revenue declined significantly due to the significant industry and therefore Company activity declines.

Cost of Sales

Cost of sales includes materials, products, transportation, repair costs, unit and base costs, personnel benefits expense and depreciation of equipment. The following table provides a summary of cost of sales:

Three months ended, (\$ thousands, unaudited)	September 30, 2020	Percentage of revenue	September 30, 2019	Percentage of revenue
Personnel expenses - Other	\$16,513	22 %	\$37,668	29 %
Personnel expenses - CEWS	(3,582)	(4)%	—	— %
Direct costs	46,068	62 %	74,407	57 %
Cost of sales - Other	58,999	80 %	112,075	86 %
Cost of sales - Depreciation and amortization	25,978	35 %	28,544	22 %
	\$84,977	115 %	\$140,619	108 %

Total cost of sales for Q3 2020 decreased 40% when compared to Q3 2019, primarily due to the decline in the Company's overall activity levels. Costs were further reduced through significant internal cost reduction efforts, including significant reductions to the number of fixed and support personnel.

- Personnel expenses primarily relate to field operational employee day rates and job bonuses, operational support personnel costs (i.e. mechanics), senior operational personnel salaries, performance job bonuses, and all operational benefits and employer portions of withholdings. The decrease in personnel expenses was primarily a result of:
 - The decrease in active equipment due to lower operating activity resulting in lower direct operational field labour;
 - The Company aligned support personnel levels with the reduced equipment and activity levels reducing support personnel levels by 48%; and

¹ See Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms described in this MD&A.

- The Company's Cost of Sales benefited by \$3.6 million from the CEWS program, which was accounted for as a reduction to Personnel Expenses.
- Direct costs primarily relate to repairs and maintenance, product costs, fuel, trucking expenses, and travel expenses for our operational personnel. The overall decrease in direct expenses was primarily a result of:
 - The decrease in active equipment due to lower operating activity; and
 - Minimizing repair and maintenance costs to items affecting equipment needed for near term revenue generating activities. A key item that can affect the variability of repair and maintenance expenses are stainless steel fluid ends,¹ of which we incurred a cost of \$0.4 million for the three months ended September 30, 2020 (Q3 2019 - \$1.6 million).
- Depreciation and amortization expense for the three months ended September 30, 2020, decreased by \$2.5 million to \$26.0 million compared to \$28.5 million for the three months ended September 30, 2019, due to a decrease in the depreciable asset base of the Company's property and equipment.

Administrative Expenses

Three months ended, (\$ thousands, unaudited)	September 30, 2020	Percentage of revenue	September 30, 2019	Percentage of revenue
Personnel expenses - Other	\$18,721	25 %	\$15,042	12 %
Personnel expenses - CEWS	(616)	(1)%	—	— %
Administrative expenses - Other	18,105	24 %	15,042	12 %
Administrative expenses - Depreciation	1,206	2 %	1,347	1 %
	\$19,311	26 %	\$16,389	13 %

Administrative expenses for the three months ended September 30, 2020 increased 18% relative to the comparative prior year period due to severance costs of \$11.7 million primarily resulting from the Market Events induced temporary layoffs transitioning to permanent layoffs, and changes to executive management during the quarter (Q3 2019 - \$6.5 million). Administrative expenses for the three months ended September 30, 2020 benefited from the recognition of \$0.6 million from the CEWS program.

Management separately identifies the following components of administrative expenses to better understand administrative expenses that are non-cash in nature or useful to predict future quarterly administrative expenses:

Three months ended, (\$ thousands, unaudited)	September 30, 2020	September 30, 2019
CEWS	(\$616)	\$—
Severance costs	\$11,717	\$6,468
Equity-settled share-based compensation	\$460	\$745
Cash-settled share-based compensation	\$894	\$265

Cash-settled share-based compensation includes restricted share unit expenses, deferred share unit expenses and performance share unit expenses. Increases or decreases in these expenses are correlated to the number of vested units and the movement in TESSA-NILE's share price.

Administrative expenses, as a percentage of revenue, increased in Q3 2020 due to lower revenue and higher severance costs when compared to the prior year period.

¹ See *Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms* described in this MD&A.

Overall Results Summary

The Company experienced significant changes in its Q3 2020 financial results when compared to the prior year period:

- Despite a 43% decline in the Company's revenue, gross loss for Q3 2020 improved to \$10.9 million compared to \$10.7 million for the third quarter of 2019 primarily due to significant cost reduction efforts and the recognition of \$3.6 million from the CEWS program recorded within cost of sales.
- Net loss in Q3 2020 of \$25.7 million increased compared to the net loss of \$16.8 million in Q3 2019. Improvements to the Company's gross loss were offset by severance costs of \$11.7 million in the quarter.
- Adjusted EBITDA¹ for Q3 2020 was negative \$2.6 million compared to positive \$3.5 million for the third quarter of 2019. Adjusted EBITDA¹ was negatively affected by severance costs of \$11.7 million in Q3 2020 (Q3 2019 - \$6.5 million), but was positively affected by \$4.2 million recognized from the CEWS program.

Third Quarter 2020 Other Expenses and Income (Compared to Prior Year)Other income

Other income for the three months ended September 30, 2020, mainly related to the \$0.7 million loss from the disposition of equipment. For the three months ended September 30, 2019, the Company realized a \$1.3 million gain from the disposition of equipment.

Finance Costs

Finance costs for the third quarter of 2020 decreased 32% when compared to the same period of 2019. The decrease of \$0.3 million is due to a reduction of interest rates as well as a decrease to the average balance of the net revolving credit facility, which remained at nil for the quarter ended September 30, 2020, (September 30, 2019 - \$36.1 million). Finance costs during the third quarter of 2020 primarily relate to interest on lease liabilities, standby fees and amortization of debt issue costs.

Foreign Exchange

A foreign exchange loss of \$0.9 million was recorded in the third quarter of 2020, compared to a \$0.3 million gain recorded for the second quarter in 2019 related to the foreign exchange fluctuations in the period.

Income Taxes

The Company recorded an income tax recovery of \$6.7 million during the third quarter of 2020, compared to an income tax recovery of \$7.0 million for the same period of 2019. The income tax recovery was recognized due to the net loss recorded during the period.

¹ See Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms described in this MD&A.

COMPARATIVE YEAR-TO-DATE INCOME STATEMENTS

Continuing Operations

(\$ thousands, except total job count, and revenue per job¹, unaudited)

Nine months ended	September 30, 2020	Percentage of revenue	September 30, 2019	Percentage of revenue	Year-over year change	Percentage change
Revenue	\$294,252	100 %	\$472,753	100 %	(\$178,501)	(38)%
Cost of sales						
Cost of sales – Other	248,714	85 %	422,182	89 %	(173,468)	(41)%
Cost of sales – Depreciation and amortization	82,074	28 %	87,995	19 %	(5,921)	(7)%
Gross (loss) / profit	(36,536)	(12)%	(37,424)	(8)%	888	(2)%
Administrative expenses – Other	37,295	13 %	38,460	8 %	(1,165)	(3)%
Administrative expenses – Depreciation	3,844	1 %	4,314	1 %	(470)	(11)%
Impairment – Non-financial assets	141,065	48 %	—	— %	141,065	>100%
Impairment – Trade receivables	9,682	3 %	331	— %	9,351	2,825 %
Other (income) / loss	(409)	— %	(9,423)	(2)%	9,014	(96)%
Results from operating activities	(228,013)	(77)%	(71,106)	(15)%	(156,907)	221 %
Finance costs	2,575	1 %	3,470	1 %	(895)	(26)%
Foreign exchange loss	774	— %	40	— %	734	1,835 %
Loss before income tax	(231,362)	(79)%	(74,616)	(16)%	(156,746)	210 %
Income tax (recovery) / expense	(22,583)	(8)%	(26,585)	(6)%	4,002	(15)%
Loss from continuing operations	(\$208,779)	(71)%	(\$48,031)	(10)%	(\$160,748)	335 %
Adjusted EBITDA ¹	\$143	— %	\$14,883	3 %	(\$14,740)	(99)%
Total job count ¹	3,723		5,822			
Revenue per job ¹	78,071		78,520			
Total proppant pumped (tonnes) ¹	462,000		636,000			

Sales Mix

Nine months ended (unaudited)	September 30, 2020	September 30, 2019
% of Total Revenue		
Fracturing	73 %	72 %
Cementing	16 %	18 %
Coiled Tubing	9 %	8 %
Industrial Services	1 %	1 %
Other	1 %	1 %
Total	100 %	100 %

¹ See *Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms* described in this MD&A.

Nine Months of 2020 Overview (Compared to Prior Year)

Revenue

The Company had a strong start to 2020, capitalizing on the efficiency gains and cost reduction efforts achieved in the previous 18 months which was contributing to improved financial results. However, this changed in mid-March as the negative effects of the Market Events on global demand for oil and gas products led to a significant decline in activity through the end of the first quarter and second quarter, before recovering modestly in the third quarter. As a result, revenue for the nine months ended September 30, 2020, was down 38% to \$294.3 million when compared to the nine months ended September 30, 2019. Revenue per job¹ for the nine months ended September 30, 2020, was flat against the prior year, moving only 1% year-over-year. Sales mix, job types, and pricing are key components of the revenue per job calculation, and although pricing has been affected by the downturn, TESSA-NILE has been disciplined in keeping pricing at levels required to provide an adequate margin to pay for

overhead costs. Hydraulic Fracturing services pumped 462,000 tonnes of proppant¹ for the nine months ended September 30, 2020,

down from the 636,000 tonnes of proppant pumped¹ for the nine months ended September 30, 2019. The decline in total proppant pumped¹ is representative of lower equipment and crew utilization in this service line. As a result, the Company reduced its Fracturing crew count from eight in Q1 to two in Q2 and increased to three in Q3 2020, in contrast to the ten, nine and eight crews that operated in Q1, Q2 and Q3 of 2019, respectively.

TESSA-NILE continued to maintain a strong position in the Cementing market, however, the decline in the WCSB¹ rig count¹ led to a decline in Cementing service revenue during the nine months ended September 30, 2020, relative to the 2019 period. The Company operated an average of 12 trucks in the first nine months of 2020, versus 21 in 2019.

Coiled Tubing revenue decreased during the nine months ended September 30, 2020, with nine crews mobilized in Q1, three in Q2, and four in Q3 2020, compared to nine crews mobilized for the first nine months of 2019.

Cost of Sales

Cost of sales includes materials, products, transportation and repair costs, unit and base costs, personnel benefits expense and depreciation of equipment. The following table provides a summary of cost of sales:

Nine months ended, (\$ thousands, unaudited)	September 30, 2020	Percentage of revenue	September 30, 2019	Percentage of revenue
Personnel expenses - Other	\$69,822	24 %	\$130,651	28 %
Personnel expenses - CEWS	(7,893)	(3)%	—	— %
Direct costs	186,785	63 %	291,531	62 %
Cost of sales - Other	248,714	84 %	422,182	90 %
Cost of sales - Depreciation and amortization	82,074	28 %	87,995	19 %
	\$330,788	112 %	\$510,177	109 %

Total cost of sales for the nine months ended September 30, 2020, decreased by 35% when compared to the same period in 2019 primarily due to the reduction in overall activity. Costs were further reduced through negotiated concessions from key suppliers and reductions in our internal cost structure in order to reduce pricing to our customers.

- Personnel expenses primarily relate to field operational employee day rates and job bonuses, operational support personnel costs (i.e. mechanics), senior operational personnel salaries and performance job bonuses, and all operational benefits and employer portions of withholdings. The decrease in personnel expenses was primarily a result of:
 - The decrease in active equipment due to lower operating activity resulting in lower direct operational field labour;

¹ See Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms described in this MD&A.

- The Company aligned support personnel levels with the reduced equipment and activity levels reducing support personnel levels significantly; and
- The Company recognized \$7.9 million from the CEWS program, which was accounted for as a reduction to Personnel Expenses.
- Direct costs primarily relate to repairs and maintenance, product costs, fuel, trucking expenses, and travel expenses for our operational personnel. The overall decrease in direct expenses was primarily a result of:
 - The decrease in active equipment, and therefore related direct cost expenditures, due to the lower operating activity; and
 - Included in repairs and maintenance costs is \$4.5 million related to the inclusion of stainless steel fluid ends¹ (2019 - \$6.1 million) within cost of sales.
- Depreciation and amortization expense for the nine months ended September 30, 2020, decreased by \$5.9 million to \$82.1 million when compared to the same period in 2019 due to a decrease in the depreciable asset base of the Company's property and equipment.

Administrative Expenses

Nine months ended, (\$ thousands, unaudited)	September 30, 2020	Percentage of revenue	September 30, 2019	Percentage of revenue
Personnel expenses - Other	\$38,602	13 %	\$38,460	8 %
Personnel expenses - CEWS	(1,307)	— %	—	— %
Administrative expenses - Other	37,295	13 %	38,460	8 %
Administrative expenses - Depreciation	3,844	1 %	4,314	1 %
	\$41,139	14 %	\$42,774	9 %

Administrative expenses for the nine months ended September 30, 2020, decreased 4% relative to the comparative prior year period due to a reduction in personnel expenses following the significant optimization process over the last several quarters. Included in administrative expenses for the nine months ended September 30, 2020, are severance costs of \$16.5 million primarily resulting from the Market Events induced layoffs as well as changes to executive management (nine months ended September 30, 2019 - \$8.9 million). Administrative expenses for the nine months ended September 30, 2020, benefited from the recognition of \$1.3 million from the CEWS program and a decrease to equity-settled share-based compensation expense of \$1.5 million due to exercises and forfeitures reducing the options outstanding compared to the prior year period. The first nine months of 2020 also include legal fees related to the sale of the Fluid Management service line.

TESSA-NILE is forecasting a \$45 million reduction in fixed overhead and administrative expenditures relative to 2019 levels, excluding the effect of severance costs. The savings are primarily a result of permanent structural changes

to drive efficiencies across the Company, as well as reductions related to the Market Events.

Management separately identifies the following components of administrative expenses to better understand administrative expenses that are non-cash in nature or useful to predict future administrative expenses:

Nine months ended, (\$ thousands, unaudited)	September 30, 2020	September 30, 2019
CEWS	(\$1,307)	\$—
Severance costs	\$16,459	\$8,947
Equity-settled share-based compensation	\$1,582	\$3,103
Cash-settled share-based compensation	\$840	\$1,221

¹ See *Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms* described in this MD&A.

Cash-settled share-based compensation includes restricted share unit expenses, deferred share unit expenses and performance share unit expenses. Increases or decreases in these expenses are correlated to the number of vested units and the movement in TESSA-NILE's share price.

Administrative expenses, as a percentage of revenue, increased for the nine months ended September 30, 2020, due to significantly lower revenue compared to the prior year period primarily due to the Market Events.

Overall Results Summary

The Company experienced significant changes in its financial results in the first nine months of 2020 relative to the first nine months of 2019. The Company responded quickly to reduce costs, which is reflected in the following points:

- Despite a 38% decline in the Company's revenue, gross loss for the nine months ended September 30, 2020 of \$36.5 million improved compared to a \$37.4 million gross loss for the nine months ended September 30, 2019. Year-over-year improved financial results are primarily due to cost reduction and efficiency efforts.
- Net loss for the nine months ended September 30, 2020 increased by \$157.1 million to \$209.2 million from a net loss for the nine months ended September 30, 2019, of \$52.1 million. The Market Events resulted in the recognition of certain costs in the period, including \$141.1 million for impairment of non-financial assets, \$9.7 million impairment loss on trade receivables related to the change in the Company's customer credit risk and \$16.5 million of severance costs associated with employee reductions.
- Adjusted EBITDA¹ for the nine months ended September 30, 2020, was \$0.1 million, compared to \$14.9 million for the nine months ended September 30, 2019. Adjusted EBITDA¹ for the nine months ended September 30, 2020, was negatively affected by a \$9.7 million impairment loss on trade receivables related to the change in the Company's customer credit risk combined with \$16.5 million of severance costs associated with employee reductions resulting from the Market Events offset by the recognition of \$9.2 million from the CEWS program.

2020 Other Expenses and Income (Compared to Prior Year)

Other Income / (Loss)

Other Income for the nine months ended September 30, 2020, mainly related to a \$0.5 million gain from the disposition of property and equipment. For the nine months ended September 30, 2019, the Company realized a \$5.1 million gain on the disposition of certain property and equipment.

Impairment - Non-financial assets

As required by IAS 36, the Company is required to assess whether there are any external and internal indicators of impairment at the end of each reporting period. Due to the Market Events, the Company performed an impairment test on its non-financial assets within the Pressure Pumping Cash Generating Unit ("CGU") and the Cementing CGU at March 31, 2020. A comparison of the recoverable amounts with the carrying amounts resulted in an impairment against goodwill of \$131.0 million in the three months ended March 31, 2020. Following the impairment there remains no further goodwill. In addition to the determination that goodwill has been impaired, the Company's ongoing asset evaluations identified certain assets for which the carrying value is not expected to be fully recoverable. An impairment charge of \$10.1 million, including \$3.9 million of assets previously classified as assets held for sale, was determined based on the estimated fair value of these assets. The Company determined that there were no external or internal indicators of impairment at September 30, 2020, and therefore an impairment test was not performed for the three months ended September 30, 2020.

¹ See Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms described in this MD&A.

Impairment - Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure Expected Credit Loss ("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. Due to the recent deterioration of the global economic conditions and in accordance with the Company's accounting policy to evaluate impairment of financial assets, credit risk has increased since initial recognition of the financial asset (trade receivables). Therefore, for the nine months ended September 30, 2020, the Company recognized a \$9.7 million impairment of trade receivables for increased credit risk primarily resulting from the Market Events (September 30, 2019 - \$0.3 million).

Finance Costs

Finance costs for the nine months ended September 30, 2020, decreased 26% when compared to the same period of 2019. The decrease of \$0.9 million is due to a reduction of interest rates as well as a decrease to the average balance of the net revolving credit facility, which had been fully repaid at September 30, 2020 (September 30, 2019 - \$36.1 million).

Foreign Exchange

A foreign exchange loss of \$0.8 million was recorded for the nine months ended September 30, 2020, compared to a \$0.04 million loss recorded for the same period in 2019 related to the foreign exchange fluctuations in the period.

Income Taxes

The Company recorded an income tax recovery of \$22.6 million for the nine months ended September 30, 2020, compared to an income tax recovery of \$26.6 million for the comparative 2019 period. The comparative period includes a \$6.5 million tax recovery attributable to the change to the Alberta provincial income tax rates as legislated in Bill 3. The current period income tax recovery was recognized due to the net loss, severance costs and impairment loss related to equipment and trade receivables recorded during the period.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital and Cash Requirements

As at September 30, 2020, the Company had a working capital (current assets less current liabilities) balance of \$53.7 million compared to \$139.8 million as at December 31, 2019. The reduction is primarily attributable to:

- \$2.1 million decrease in cash on hand compared to December 31, 2019;
- \$68.3 million decrease in trade and other receivables, primarily due to collections and decreased activity compared to December 31, 2019;
- \$5.0 million decrease in inventory, due to decreased activity as well as the Company's ongoing efforts to reduce inventory;
- \$35.2 million decrease in net assets held for sale, related primarily to the sale of the Company's Fluid Management business and the reclassification of two properties back into property and equipment due to continued market uncertainty;
- \$4.5 million decrease in prepaid expenses as a result of the amortization of prepaid items; and
- \$28.3 million decrease in trade and other payables, primarily due to decreased activity compared to December 31, 2019.

At September 30, 2020, the Company's working capital and available operating credit facilities exceed the level required to manage timing differences between cash collections and cash payments.

¹ See *Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms* described in this MD&A.

Availability of the revolving credit facility is dependent on compliance with certain covenants. As at September 30, 2020, 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.

Operating Activities

Cash flow from continuing operations was \$47.2 million during the nine months ended September 30, 2020 (September 30, 2019 - \$34.3 million). The cash flows provided by continuing operations was primarily due to a significant working capital release¹ resulting from a decline in operating activity.

Investing Activities

Capital expenditures related to continuing operations for the nine months ended September 30, 2020, totaled \$8.6 million (September 30, 2019 - \$29.8 million) and proceeds from the sale of surplus, non-core property and equipment, including the Fluid Management service line and other assets totaled \$21.5 million for the nine months ended September 30, 2020 (September 30, 2019 - \$21.1 million).

Capital expenditures during the nine months ended September 30, 2020, related primarily to maintaining the productive capability of TESSA-NILE's active equipment. TESSA-NILE regularly reviews its capital equipment requirements and will continue to follow its policy of adjusting the capital budget on a quarterly basis to reflect changing operating conditions, cash flow, and capital equipment needs. Growth capital investments will only be made if the investments meet minimum economic investment hurdle rates. See *Outlook* for further discussion.

Financing Activities

Revolving Credit Facility ("RCF")

On December 6, 2018, as a part of an overall restructuring of the Company's credit facilities, TESSA-NILE entered into an agreement with its RCF providers which amended and extended its RCF ("Amended RCF").

The Amended RCF matures December 5, 2021, a date that may be extended on an annual basis upon agreement of the RCF lenders, and the Company may draw up to \$275.0 million (December 31, 2019 – \$275.0 million). The Amended RCF has a general security charge 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 45 to 300 basis points (December 31, 2019 – Canadian prime rate, U.S. prime rate, Banker's Acceptance rate, or at LIBOR, plus 45 to 300 basis points). At September 30, 2020, the undrawn and accessible amount of the RCF, subject to financial covenants, is \$272.8 million (December 31, 2019 – \$227.6 million accessible) due to the Company's borrowings and Letters of Credit as at September 30, 2020.

As at September 30, 2020, the Company had available a \$20.0 million (December 31, 2019 – \$20.0 million) swing line facility with its lead bank which is included within the \$275.0 million borrowing capacity of the RCF described above. As at September 30, 2020, \$1.5 million was drawn on the swing line facility (December 31, 2019 – nil).

As at September 30, 2020, the Company had available a \$10.0 million (December 31, 2019 – \$10.0 million) Letter of Credit facility with its syndicate of banks included within the \$275.0 million borrowing capacity of the RCF described above. As at September 30, 2020, TESSA-NILE had \$0.7 million in letters of credit outstanding (December 31, 2019 – \$0.4 million).

¹ See *Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms* described in this MD&A.

The Company is required to comply with covenants that affect how much can be drawn on the Amended 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

At September 30, 2020, TESSA-NILE was in compliance with the required debt covenant ratios.

The Leverage Ratio is defined as debt excluding Non-Recourse Debt plus Letter of Credit facility minus cash divided by Bank EBITDA¹. As at September 30, 2020, the Leverage Ratio was 0.0 (December 31, 2019 – 1.3)

The Interest Coverage Ratio is defined as Bank EBITDA¹ divided by interest expense. As at September 30, 2020, the Interest Coverage Ratio was 9.5 (December 31, 2019 – 9.6).

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 adjusted to EBITDA¹ to arrive at Bank EBITDA¹ for covenant calculation purposes. In accordance with the definition under the Amended RCF, the covenant calculation excludes the impact of certain leases recognized under IFRS 16.

Lease Liabilities

Details in respect of the Company's right-of-use liabilities are more fully described in Note 4 of the interim financial statements. The application of IFRS 16 - Leases for the three and nine months ended September 30, 2020, resulted in administrative expenses not including \$0.3 million and \$0.8 million (September 30, 2019 - \$1.3 million and \$2.9 million) of rent expense. Rent expense is deducted from Bank EBITDA for purposes of the Amended RCF covenant calculations.

Share Capital

As at November 5, 2020, TESSA-NILE had 260,884,921 common shares and 17,100,931 employee stock options outstanding.

Normal Course Issuer Bid

On October 1, 2020, the Company announced its renewal of its ongoing 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 will be returned to treasury for cancellation.

For the nine months ended September 30, 2020, the Company purchased and canceled 13,583,500 common shares at a weighted average price per share of \$1.03 (September 30, 2019 - 19,261,345 common shares at a weighted average price per share of \$1.26). The purchases made in the nine months ended September 30, 2020, were funded primarily through the disposition of non-core assets.

¹ See *Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms* described in this MD&A.

Other Commitments and Contingencies

The Company has commitments for financial liabilities and various lease agreements, with minimum payments due as of September 30, 2020, as follows:

September 30, 2020	Payments due by period			Total
	1 year or less	1 to 5 years	5 years and thereafter	
Trade AP, other payables, liabilities held for sale (net of interest on RCF)	\$57,245	\$—	\$—	\$57,245
Lease liabilities (IFRS 16)	4,947	11,628	3,717	20,292
Total commitments	\$62,192	\$11,628	\$3,717	\$77,537

In addition to the above commitments, the Company has committed to, or expects to commit to:

- Capital expenditures of \$0.6 million;
- Proppant supply arrangements to certain vendors with payments based on volumetric thresholds, due within the following year. Prices and volumes in the contracts are subject to change based on market conditions.

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.

¹ See *Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms* described in this MD&A.

SUMMARY OF QUARTERLY RESULTS

(\$ millions, except per share, and adjusted EBITDA % ¹ ; total proppant pumped ¹ (thousands); internally sourced proppant pumped ¹ (thousands); HHP ¹ (thousands); crews ¹ ; and total job count ¹ , unaudited)	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue from continuing operations	\$74.1	\$28.4	\$191.8	\$163.3	\$129.9	\$105.2	\$237.6	\$161.0
Loss on investments in Keane	\$—	\$—	\$—	\$—	\$—	\$—	\$—	(\$4.3)
Loss from continuing operations								
Per share - basic	(\$0.10)	(\$0.11)	(\$0.58)	(\$0.07)	(\$0.06)	(\$0.11)	(\$0.01)	(\$0.52)
Per share - diluted	(\$0.10)	(\$0.11)	(\$0.58)	(\$0.07)	(\$0.06)	(\$0.11)	(\$0.01)	(\$0.52)
Loss for the period	(\$26.1)	(\$28.7)	(\$154.9)	(\$20.9)	(\$16.7)	(\$29.0)	(\$6.9)	(\$158.5)
Per share - basic	(\$0.10)	(\$0.11)	(\$0.58)	(\$0.07)	(\$0.06)	(\$0.10)	(\$0.02)	(\$0.52)
Per share - diluted	(\$0.10)	(\$0.11)	(\$0.58)	(\$0.07)	(\$0.06)	(\$0.10)	(\$0.02)	(\$0.52)
Adjusted EBITDA ¹	(\$2.6)	(\$6.8)	\$9.5	\$14.6	\$3.5	(\$16.5)	\$26.4	(\$1.8)
Adjusted EBITDA % ¹	(3)%	(24)%	5 %	9 %	3 %	(14)%	11 %	(1)%
Proppant pumped ¹ (tonnes)	127	50	285	262	166	138	332	205
Internally sourced proppant pumped ¹ (tonnes)	127	33	285	241	166	138	332	197
Hydraulic Fracturing capacity (HHP) ¹	572	569	572	583	583	593	672	672
Active crewed HHP ¹	200	166	321	324	297	347	370	340
Active, maintenance, not crewed (HHP) ¹	114	172	69	67	86	235	212	242
Parked HHP ¹	258	231	182	192	200	11	90	90
Average active, crewed HHP ¹	60	17	155	155	105	73	225	121
Hydraulic Fracturing crews ¹	3.0	2.0	8.0	8.0	8.0	9.0	10.0	10.5
Hydraulic Fracturing utilization ¹	53 %	25 %	84 %	71 %	57 %	27 %	83 %	44 %
Coiled Tubing crews ¹	3.0	3.0	9.0	9.0	9.0	8.0	8.0	7.5
Total job count ¹	765	293	2,665	2,147	1,988	1,150	2,684	2,151
Revenue per job ¹	96.8	96.8	70.6	74.2	63.3	84.8	87.1	69.5

Q3 2020 saw a soft recovery in demand for services as commodity prices stabilized. TESSA-NILE was able to reactivate some equipment and had a sequentially stronger EBITDA, despite incurring \$11.7 million in severance costs. EBITDA was supported by recognition of \$4.2 million from the CEWS program to offset personnel expenses. Q2 2020 was negatively affected by continued weak demand for pressure pumping services following the steep decline in demand for oil and gas products as a result of the Market Events. The Company recognized \$5.0 million through the CEWS program to offset personnel expenses. In Q1 2020 the Company was negatively affected by the Market Events, which led to the impairment of \$141.1 million for non-financial assets, \$10.6 million impairment loss on trade receivables related to the change in the Company's customer credit risk and \$4.7 million of severance costs associated with employee reductions. Pipeline construction delays and ongoing imposed supply quotas for our

¹ See Non-GAAP Measures, Other Non-Standard Financial Terms and Common Industry Terms described in this MD&A.

customers' oil production contributed to reduced operating activity throughout all quarters in 2019 as well as Q4 2018. Continued optimization efforts to streamline operations contributed to stronger year-over-year results from continuing operations in Q4 2019 relative to the fourth quarter of 2018. In addition, Q4 2018 included a non-financial asset impairment of \$134 million. In Q2 2019, revenue was negatively impacted by seasonal weather-related delays typical of spring break-up¹. The Company sold its remaining Investments in Keane in Q4 2018.

BUSINESS RISKS

A discussion of certain business risks faced by TESSA-NILE may be found under the "Risk Factors" section of our AIF, and

"Business Risks" in our management's discussion and analysis for the year ended December 31, 2019, which are available under TESSA-NILE's profile at www.sedar.com. Other than risks described within this MD&A, including within this section, the Company's risk factors and management of those risks has not changed substantially from the most recently filed AIF.

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 rapidly 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.

In late March, TESSA-NILE responded to the significant global impacts of the COVID-19 pandemic with a series of operational measures including extensive capacity reductions and reductions in capital spending for 2020.

Significant health and safety measures have been implemented at TESSA-NILE's offices, facilities and work sites, grounded in the recommendations of public health officials. These include restricting all travel, mandating self-isolation for returned travelers and any employees exhibiting symptoms or exposed to the virus, implementing physical distancing parameters between individuals, increasing cleaning and sanitization in workplaces, and where possible, instructing employees to work remotely to reduce interpersonal contact. The energy business, including TESSA-NILE's services, has been deemed an essential service in all the jurisdictions where TESSA-NILE operates.

The Company continues to closely monitor the COVID-19 situation and should the duration, spread or intensity of the pandemic further develop in 2020, 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.

Credit Risk and Dependence on Major Customers

The Company's accounts receivable are due from customers that operate in the oil and gas exploration and production industry and are subject to typical industry credit risks that include oil and natural gas price fluctuations and the customers' ability to secure appropriate financing. The Company has a customer base of more than 60 exploration and production entities, ranging from large multinational public entities to small private companies. Notwithstanding the Company's significant customer base, for the three and nine months ended September 30, 2020, two major customers accounted for 60.8% and 29.5% respectively, of the Company's revenue (three and nine months ended September 30, 2019 – two major customers accounted for 22.4% and 22.5% respectively). As at September 30, 2020, one major customer accounted for 45.9% of the Company's trade accounts receivable (December 31, 2019 – one major customer accounted for 26.8%).

Standard payment terms for the industry are 30-60 days from the invoice date, however industry practice allows payment for up to 70 days after the invoice date. See discussion of impairment - trade receivables in the Comparative Quarterly Income Statement section of the MD&A for additional ECL provisions recognized due to the Market Events.

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 September 30, 2020, 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 the decline in commodity prices;
- Reduced capital programs;
- 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.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND NEW POLICIES

The critical judgments and estimates used in preparing the Interim Financial Statements are described in our 2019 Annual MD&A and there have been no material changes to our critical accounting judgments and estimates during the three and nine months ended September 30, 2020, except for those critical estimates resulting from the Market Events, including impairment of non-financial assets and trade receivables and disclosure of government assistance. The Company's International Financial Reporting Standards (IFRS) accounting policies and future accounting pronouncements are provided in note 2 of the Annual Consolidated Financial Statements as at and for the years ended December 31, 2019, and 2018.

Accounting for Government Grants and Subsidies

Government assistance is recognized only when there is reasonable assurance that (a) the Company will comply with any conditions attached to the grant and (b) the grant will be received. The government grants and/or subsidies are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the expense for the related costs for which the grants and/or subsidies are intended to compensate. The Company has elected to present these amounts net of related expense.

Internal Controls Over Financial Reporting

There have been no changes in TESSA-NILE's internal control over financial reporting ("ICFR") that occurred during the three months ended September 30, 2020, which have materially affected or are reasonably likely to materially affect the Company's ICFR.

In response to the COVID-19 pandemic, several social distancing measures taken by the Company and third parties, are reasonably likely to impact the design and performance of internal controls at the Company and its service organizations if such measures remain in place for an extended period of time. The Company will continue to monitor and mitigate the risks associated with changes to its control environment in response to COVID-19.

NON-GAAP MEASURES

Certain terms in this MD&A, including adjusted EBITDA and adjusted EBITDA percentage, do not have any standardized meaning as prescribed by IFRS and therefore, are considered non-GAAP measures and may not be comparable to similar measures presented by other issuers.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP term and has been reconciled to profit / (loss) for the applicable financial periods, being the most directly comparable measure calculated in accordance with IFRS. Management relies on adjusted EBITDA to better translate historical variability in our principal business activities into future forecasts. By isolating incremental items from net income, including income / expense items related to how the Company chooses to manage financing elements of the business, management can better predict future financial results from our principal business activities. The items included in this calculation have been specifically identified as they are either non-cash in nature, subject to significant volatility between periods, and / or not relevant to our principal business activities. Items adjusted in the non-GAAP calculation of adjusted EBITDA, are as follows:

- Non-cash expenditures, including depreciation, amortization, and impairment of non-financial assets; and equity-settled share-based compensation;
- Consideration as to how we chose to generate financial income and incur financial expenses, including foreign exchange expenses and finance costs;
- Taxation in various jurisdictions;
- Transaction costs, as this cost is subject to significant volatility between periods and is dependent on the Company making significant acquisitions and divestitures which may be less reflective, and / or useful in segregating, for purposes of evaluating the Company's ongoing financial results; and
- Other income / expense which generally result from the disposition of equipment, as these transactions generally do not reflect quarterly operational field activity.

(\$ thousands, unaudited)	Three months ended			Nine months ended	
	September 30, 2020	September 30, 2019	June 30, 2020	September 30, 2020	September 30, 2019
Loss from continuing operations (IFRS financial measure)	(\$25,711)	(\$15,981)	(\$28,588)	(\$208,779)	(\$48,031)
Adjustments:					
Cost of sales – Depreciation and amortization	25,978	28,544	27,866	82,074	87,995
Administrative expenses – Depreciation	1,206	1,347	1,303	3,844	4,314
Income tax recovery	(6,652)	(7,045)	(7,959)	(22,583)	(26,585)
Finance costs and amortization of debt issuance costs	673	995	775	2,575	3,470
Foreign exchange loss / (gain)	860	(285)	98	774	40
Impairment – Non-financial assets	—	—	—	141,065	—
Other loss / (income)	630	(4,779)	(821)	(409)	(9,423)
Administrative expenses – Other: equity-settled share-based compensation	460	745	492	1,582	3,103
Adjusted EBITDA	(\$2,556)	\$3,541	(\$6,834)	\$143	\$14,883

Adjusted EBITDA %

Adjusted EBITDA % is determined by dividing adjusted EBITDA by revenue from continuing operations. The components of the calculation are presented below:

(\$ thousands, unaudited)	Three months ended			Nine months ended	
	September 30, 2020	September 30, 2019	June 30, 2020	September 30, 2020	September 30, 2019
Adjusted EBITDA	(\$2,556)	\$3,541	(\$6,834)	\$143	\$14,883
Revenue	\$74,088	\$129,932	\$28,370	\$294,252	\$472,753
Adjusted EBITDA %	(3)%	3 %	(24)%	— %	3 %

OTHER NON-STANDARD FINANCIAL TERMS

In addition to the above non-GAAP financial measures, this MD&A makes reference to the following non-standard financial terms. These terms may differ and may not be comparable to similar terms used by other companies.

Revenue Per Job

Calculation is determined based on total revenue from continuing operations divided by total job count. This calculation may fluctuate based on both pricing, sales mix and method with which the client requests its invoices be prepared.

Working Capital Release

Term that refers to a reduction to working capital balances primarily resulting from cash collections related to collections of accounts receivable exceeding payments of accounts payable.

COMMON INDUSTRY TERMS

The following is a list of abbreviations, terms and other items that are commonly referred to in the oilfield services business and internally at TESSA-NILE. The terms, calculations and definitions may differ from those used by other oilfield services businesses and may not be comparable. Some of the terms which may be used in this MD&A, or prior MD&As, are as follows:

Measurement:

Tonne Metric tonne

Places and Currencies:

US United States

\$ or CDN\$ Canadian dollars

US\$ or USD United States dollars

WCSB Western Canadian Sedimentary Basin (an oil and natural gas producing area of Canada generally considered to cover a region from south west Manitoba to north east BC).

Montney/Duvernay An oil and natural gas formation in the WCSB with oilfield activity focused in north west Alberta and north east BC.

Deep Basin A natural gas and liquids rich formation in the WCSB with oilfield activity primarily focused in north west Alberta.

Cardium A light oil formation in the WCSB with oilfield activity primarily focused in west central Alberta.

Bakken A light oil formation in the WCSB with oilfield activity focused in south eastern Saskatchewan, and for purposes of this MD&A, excludes the US Bakken.

Shaunavon A light oil formation in the WCSB with oilfield activity primarily focused in south western Saskatchewan.

Viking A light oil formation in the WCSB with oilfield activity primarily focused in central Alberta and west central Saskatchewan.

Common Business Terms:

AECO The CDN\$ Alberta natural gas price traded on the Natural Gas Exchange. The price is generally quoted per thousand cubic feet of natural gas (MCF).

CLS A light sweet crude conventionally produced in Western Canada.

Differentials The difference between the WTI price and the prices received by producers of WCS and CLS. There are three main variables that drive price differences between the different benchmarks, namely (1) Quality, which is mostly defined by American Petroleum Institute (API) standards for density and sulphur content; (2) Marketability, which is governed by supply and demand fundamentals; and (3) Logistics, which refers to the transportation method used to get a specific crude from the producer to its final customer.

Dry Gas Natural gas that produces little condensable heavier hydrocarbon compounds such as propane and butane when brought to the surface.

Dual Fuel Engine A dual fuel engine utilizes a mixture of diesel and natural gas when a load is applied.

Market Egress	The means that producers use to transport their oil and gas out of the WCSB, which is typically done through pipelines or train rail car.
Natural Gas Liquids	Natural gas liquids (NGL), typically found in liquids rich natural gas, include ethane, propane, butane, isobutane, pentane, and condensate. These liquids are produced as part of natural gas production, but their pricing is influenced by crude oil pricing rather than natural gas pricing.
Rig Count	The estimated average number of drilling rigs operating in the WCSB at a specified time reported in this MD&A as annual and quarterly averages, sourced from Baker Hughes North American Rotary Rig Count.
Spring Break-Up	During the spring season in the WCSB, provincial governments and rural municipalities (or counties) ban heavy equipment from roads to prevent damage. It becomes difficult, and in some case impossible, to continue to work during this period and therefore activity in the oilfield is often reduced.
Stainless Steel Fluid End	Hydraulic Fracturing pumpers have a multiplex pump that pressurizes fracturing fluid for transfer down the wellbore. The multiplex pump consists of a power end and a stainless steel fluid end. The power end houses a crankshaft that is connected to a spacer block that contains connecting rods that drive the individual plungers contained in the fluid end. The abrasive proppant and fluid mixture are pumped through the stainless steel fluid end at pressures of up to 15,000 pound-force per square inch (PSI), or 103 megapascals (MPa), which will cause wear on the stainless steel fluid end. It is a modular unit that can be replaced independent of the power end and spacer block.
WCS	A grade of heavy crude oil derived from of a mix of heavy crude oil and crude bitumen blended with diluents. The price of WCS is often used as a representative price for Canadian heavy crude oils.
WTI	The US\$ quoted price on the New York Stock Exchange for West Texas Intermediate crude oil is a trading classification of crude oil and a benchmark in oil prices. The price is generally quoted per barrel (bbl).

Company Specific Industry Terms:

Active crewed HHP currently	Represents the total HHP that TESSA-NILE has activated or is operating. This figure is presented as at the end of a specified period.
Active, Maintenance/Not Crewed HHP	This is Fracturing equipment that is in the periodic maintenance cycle, which includes equipment that has completed a routine maintenance period and is ready for work, but no available crew is available to operate the equipment.
Average Active, Crewed HHP	Fracturing equipment that has, on average, been active and crewed for the period. Fracturing equipment is considered active if it is on a customer location.
Cementing	After drilling a well, steel casing is inserted into the wellbore. Cement is then pumped down the pipe and circulated up the annulus to create a strong barrier of protection between the well and rock formations, preventing any unintended water or hydrocarbon migration in or out of the wellbore.
Coiled Tubing	Coiled Tubing is a continuous length of steel pipe, spooled onto a large diameter reel. The pipe comes in a variety of sizes and can be run into any well. Coiled Tubing is commonly used to convey tools, mill out Fracturing ports or ball seats, and circulate liquids and gases into and out of the wellbore without relieving the wellbore pressure.

Coiled Tubing Crews	The average number of 24-hour Coiled Tubing crews available for operations during the period.
Coiled Tubing Operating Days	The number of 24-hour periods (days) Coiled Tubing Crews operate within a reporting period.
Growth Capital	Capital expenditures primarily for items that will expand our revenue and/or reduce our expenditures through operating efficiencies.
HHP	Hydraulic horsepower, which is generally the measure of an individual Hydraulic Fracturing pump and a company's Hydraulic Fracturing fleet size.
Hydraulic Fracturing	Many formations are too tight to produce oil and natural gas and require a stimulation process to extract the resources. In Hydraulic Fracturing, fluids carrying proppant are pumped into the ground with enough pressure to crack the rock. The proppant is left behind to hold open the cracks, while the fluid is flowed back allowing oil and gas the ability to flow to the surface.
Hydraulic Fracturing Crews/Fracturing Crews	The number of 24-hour Hydraulic Fracturing crews operating at the end of a reporting period.
Hydraulic Fracturing Job Intensity	Generally measured in terms of the amount of Hydraulic Fracturing pumps required for a specific job and / or by the pressure rating generally measured in megapascals (MPa). The Company considers jobs at pressure ratings below 50 MPa to be low intensity jobs, 50 to 65 MPa as moderate intensity jobs, and jobs greater than 65 MPa to be high intensity rate jobs.
Hydraulic Fracturing Utilization	The number of Fracturing crews that are operating (Fracturing job revenue day) in proportion to the Company's total Fracturing crews available for specified period.
Hydraulic Pumping Capacity	Refers to the total available HHP in the TESSA-NILE Hydraulic Fracturing fleet.
Infrastructure Capital	Capital expenditures primarily for the improvement of operational and base infrastructure.
Internally Sourced Proppant Pumped	Proppant purchased by the Company and resold to its customers in conjunction with a Fracturing operation utilizing the Company's equipment. Certain of the Company's customers purchase proppant directly from third party suppliers. As the Company does not generate revenue from selling proppant to these customers, this metric assists in evaluating changing job mix with changing revenue levels.
Parked HHP	Fracturing equipment that is not included in the Active Crewed HHP category or the Active, Maintenance/not crewed HHP category and would require minimal reactivation costs to move into the Active Crewed HHP category.
Pressure Pumping	Pressure pumping includes completion and production services that are performed on oil and gas wells and are delivered downhole using pressurized fluids as a base or means of conveyance. TESSA-NILE's
pressure	pumping services include Acidizing, Cementing, Coiled Tubing and Hydraulic Fracturing.
Proppant	A solid material, typically sand, treated sand or man-made ceramic materials, designed to keep an induced hydraulic fracture open during and following a Fracturing treatment.

Sustaining Capital	Capital expenditures primarily for the replacement or refurbishment of worn out equipment.
Total Job Count	A job is typically represented by an invoice. The frequency of invoices may differ as to how often the customer requests to be billed during a project. Additionally, the size and scope of a job can impact the length of time and cost on a job. Therefore, a job can vary greatly in time and expense. Effective Q1 2020, the Company has adopted a new methodology for calculating job count since updated systems no longer supported the prior calculation methodology. The methodology is based on the new system calculated job metric which generally reflects days for Hydraulic Fracturing and Coiled Tubing, and invoices for Cementing. Comparative periods have been updated to reflect the change in methodology.
Total Proppant Pumped	The Company uses this as one measure of activity levels of Hydraulic Fracturing activity. The correlation of proppant pumped to Pressure Pumping activity may vary in the future depending upon changes in Hydraulic Fracturing intensity, weight of proppant used, and job mix.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute forward-looking information and statements (collectively "forward-looking statements"). These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "achieve", "estimate", "expect", "intend", "plan", "planned", and other similar terms and phrases. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this document should not be unduly relied upon. These statements speak only as of the date of this document.

In particular, this document contains forward-looking statements pertaining to, but not limited to, the following:

- expectation that we will have sufficient liquidity in the next 12 months;
- expectation for full year 2020 fixed overhead and administrative expenditure reductions of \$45 million;
- that the first nine months of 2020 results will not be a good predictor of future financial results;
- that TESSA-NILE will adapt to the current economic environment;
- the impact of COVID-19 and the associated effect of the world-wide weakness in demand for oil and gas as a result of quarantine measures;
- expectation based on government announcements that the CEWS will be extended from December 2020 to June 2021;
- expectation of fourth quarter 2020 and first quarter 2021 revenue and activity levels;
- anticipated industry activity levels as well as expectations regarding our customers' work programs and expectations on timing of completion thereof and business plans;
- pricing changes will result in TESSA-NILE activating or parking additional equipment;

- expectations regarding EBITDA and operating cash flow levels;
- expectations regarding our client's ability to pay for goods and services;
- expectation that we are adequately staffed for current industry activity levels;
- expectations regarding the Company's cost structure, cost savings and optimization levels;
- expectations regarding the Company's equipment utilization levels and demand for our services in 2020 and 2021;
- expectation that we will maintain disciplined pricing levels to pay for overhead expenditures;
- expectations regarding credit risk and that we have an adequate provision for trade receivables;
- expectation that TESSA-NILE's strong financial position will allow the Company to withstand uncertainty and

invest

opportunistically;

- expectation as to the type of pressure pumping equipment required and which operating regions the equipment is appropriate to operate in;
- expectations regarding the Company's financial results, working capital levels, liquidity and profits;
- expectations regarding TESSA-NILE's capital spending;
- expectations regarding TESSA-NILE's utilization of its NCIB program;
- expectations that certain components of administrative expenses will be useful in future predictions of quarterly administrative expenses;
- expectations that adjusted EBITDA will help predict future earnings;
- anticipated ability of the Company to meet foreseeable funding requirements;
- anticipated compliance with debt and other covenants under our revolving credit facilities;
- expectations regarding the potential outcome of contingent liabilities;
- expectations regarding provincial income tax rates;
- expectations surrounding weather and seasonal slowdowns; and
- expectations regarding the impact of new accounting standards and interpretations not yet adopted.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and in the "Risk Factors" section of our AIF dated March 30, 2020:

- volatility in market prices for oil and natural gas;
- liabilities inherent on oil and natural gas operations;
- impact of COVID-19 on the Company's customers, business, operations and personnel;
- continuation of government assistance programs in response to the COVID-19 pandemic;
- the success of our efforts and response to the COVID-19 pandemic;
- our customers' ability to obtain adequate credit or financing to support their exploration and completion activities;
- competition from other suppliers of oil and gas services;
- competition for skilled personnel;

- changes in income tax laws or changes in other laws and incentive programs relating to the oil and gas industry; and
- changes in political, business, military and economic conditions in key regions of the world.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Forward-looking statements are based on a number of factors and assumptions, which have been used to develop such statements and information, but which may prove to be incorrect. Although management of TESSA-NILE believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because TESSA-NILE can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: crude oil and natural gas prices; the impact of increasing competition; the general stability of the economic and political environment; the timely receipt of any required regulatory approvals; the Company's ability to continue its operations for the foreseeable future and to realize its assets and discharge its liabilities and commitments in the normal course of business; industry activity levels; TESSA-NILE's policies with respect to acquisitions; the ability of TESSA-NILE to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability to operate our business in a safe, efficient and effective manner; the ability of TESSA-NILE to obtain capital resources and adequate sources of liquidity; the performance and characteristics of various business segments; the regulatory framework; the timing and effect of pipeline, storage and facility construction and expansion; and future commodity, currency, exchange and interest rates.

The forward-looking statements contained in this document are expressly qualified by this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable law.

Additional information regarding TESSA-NILE including TESSA-NILE's most recent AIF, is available under TESSA-NILE's profile on SEDAR (www.sedar.com).

CORPORATE INFORMATION

BOARD OF DIRECTORS

G. Allen Brooks ^(2, 3, 5)

Acting Chairman

G. Allen Brooks, LLC

Kevin L. Nugent ^(1, 2, 3)

Independent Businessman

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

Independent Businesswoman

Michael B. Rapps ^(1, 4)

Independent Businessman

Bradley P.D. Fedora ⁽⁴⁾

President & Chief Executive Officer

TESSA-NILE Well Service Ltd.

OFFICERS

Bradley P.D. Fedora

President & Chief Executive Officer

Robert Skilnick

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

Computershare Trust Company of Canada

Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

Trading Symbol: TCW

INVESTOR RELATIONS INFORMATION

Bradley P.D. Fedora

President & Chief Executive Officer

Robert Skilnick

Chief Financial Officer

(1) Member of the Audit Committee

(2) Member of the Human Resources and Compensation Committee

(3) Member of the Corporate Governance Committee

(4) Member of the Health, Safety and Environment Committee

(5) Lead Director