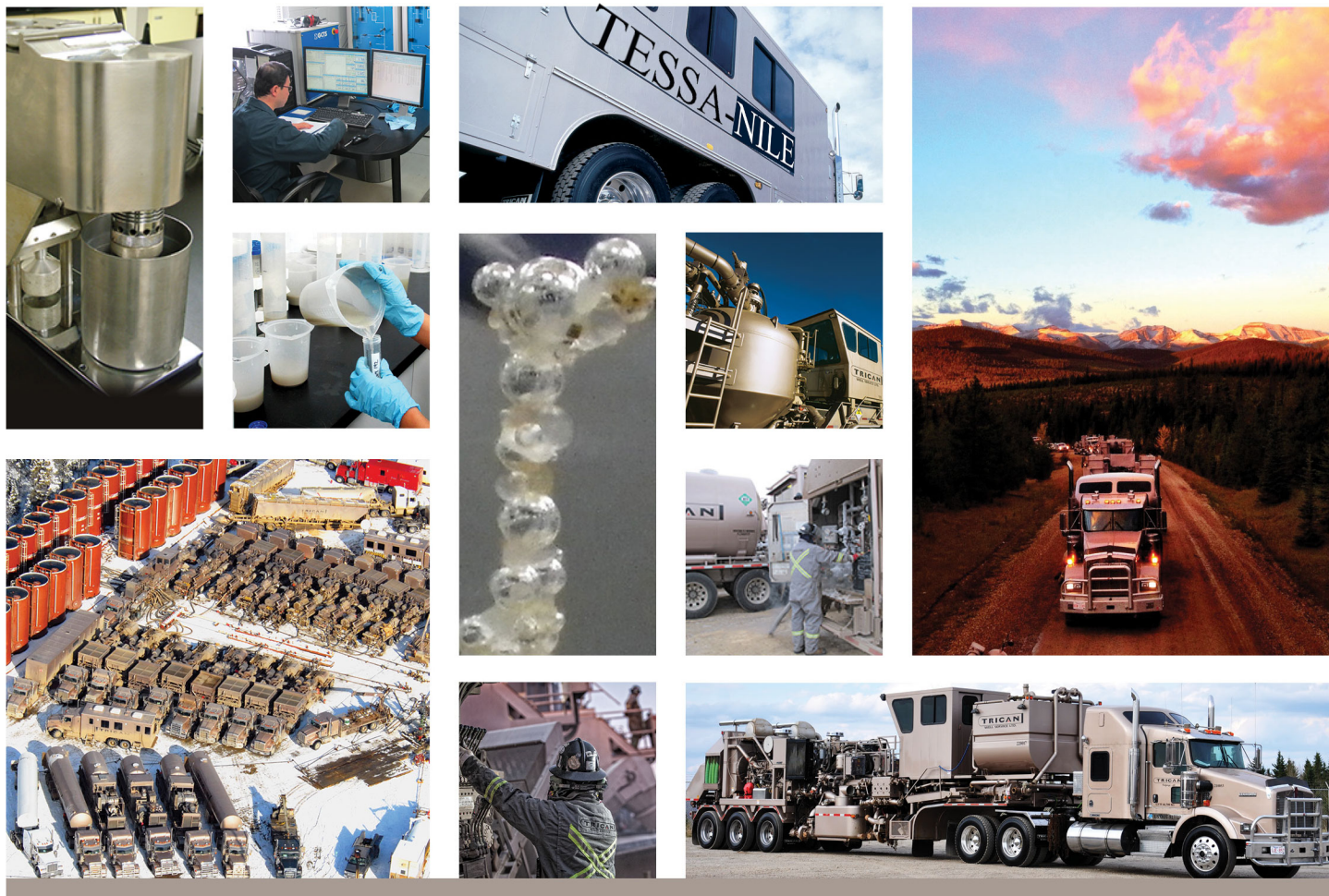




TESSA-NILE WELL SERVICE LTD. Q3 2021 INTERIM REPORT

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Stated in thousands; unaudited)		As at September 30, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$37,560	\$22,607
Trade and other receivables		126,313	77,104
Current tax assets		979	2,051
Inventory		19,083	21,599
Prepaid expenses		3,875	4,766
		187,810	128,127
Property and equipment		368,801	405,260
Intangible assets		16,115	23,958
Right-of-use assets (note 4)		7,317	9,435
Other assets		—	2,104
		\$580,043	\$568,884
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables		\$81,153	\$57,171
Current portion of lease liabilities (note 4)		2,682	3,454
		83,835	60,625
Lease liabilities (note 4)		8,449	10,313
Shareholders' equity			
Share capital (note 6)		900,857	927,994
Contributed surplus		90,263	89,393
Accumulated other comprehensive income		813	804
Deficit		(504,174)	(520,245)
Total equity		487,759	497,946
		\$580,043	\$568,884

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE PROFIT / (LOSS)

	Three months ended September 30,		Nine months ended September 30,	
(Stated in thousands, except per share amounts; unaudited)	2021	2020	2021	2020
Continuing operations				
Revenue	\$164,472	\$74,088	\$406,113	\$294,252
Cost of sales (note 9)	124,916	56,931	311,436	245,356
Cost of sales – Depreciation and amortization (note 9)	19,784	25,978	63,930	82,074
Gross profit / (loss)	19,772	(8,821)	30,747	(33,178)
Administrative expenses (note 9)	7,956	17,617	22,874	36,600
Administrative expenses – Depreciation (note 9)	886	1,206	2,902	3,844
Impairment – Non-financial assets	—	—	—	141,065
Impairment / (recovery) – Trade receivables	—	—	(50)	9,682
Other loss / (income)	1,470	630	1,165	(409)
Results from operating activities	9,460	(28,274)	3,856	(223,960)
Finance cost	431	673	1,454	2,575
Foreign exchange (gain) / loss	(63)	860	(21)	774
Profit / (loss) before income tax	9,092	(29,807)	2,423	(227,309)
Income tax (recovery) / expense (note 10)	—	(6,026)	77	(21,590)
Profit / (loss) from continuing operations	\$9,092	(\$23,781)	\$2,346	(\$205,719)
Discontinued operations				
(Loss) / profit from discontinued operations, net of taxes (note 3)	(66)	(352)	4,295	(953)
Profit / (loss) for the period	\$9,026	(\$24,133)	\$6,641	(\$206,672)
Other comprehensive profit				
Foreign currency translation (loss) / gain	(133)	354	9	552
Total comprehensive profit / (loss)	\$8,893	(\$23,779)	\$6,650	(\$206,120)
Profit / (loss) per share – basic and diluted (note 7)				
Continuing operations – basic and diluted	\$0.04	(\$0.09)	\$0.01	(\$0.77)
Discontinued operations – basic and diluted	(\$0.00)	(\$0.00)	\$0.02	(\$0.01)
Net profit / (loss) – basic and diluted	\$0.04	(\$0.09)	\$0.03	(\$0.78)
Weighted average shares outstanding – basic	253,287	263,491	254,665	266,065
Weighted average shares outstanding – diluted	257,878	263,491	258,988	266,065

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	—	—	—	(206,672)	(206,672)
Foreign currency translation gain	—	—	552	—	552
Share-based compensation expense	—	1,582	—	—	1,582
Share options exercised	1,113	(337)	—	—	776
Shares cancelled under Normal Course Issuer Bid	(49,755)	—	—	35,702	(14,053)
Balance at September 30, 2020	\$940,402	\$88,976	\$176	(\$506,259)	\$523,295
Balance at January 1, 2021	\$927,994	\$89,393	\$804	(\$520,245)	\$497,946
Profit for the period	—	—	—	6,641	6,641
Foreign currency translation gain	—	—	9	—	9
Share-based compensation expense	—	1,710	—	—	1,710
Share options exercised	2,467	(840)	—	—	1,627
Shares cancelled under Normal Course Issuer Bid	(29,604)	—	—	9,430	(20,174)
Balance at September 30, 2021	\$900,857	\$90,263	\$813	(\$504,174)	\$487,759

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Three months ended September 30,		Nine months ended September 30,	
(Stated in thousands; unaudited)	2021	2020	2021	2020
Cash provided by / (used in):				
Operations				
Profit / (loss) from continuing operations	\$9,092	(\$23,781)	\$2,346	(\$205,719)
Charges to income not involving cash:				
Depreciation and amortization	20,670	27,183	66,832	85,917
Share-based compensation (note 8)	514	460	1,710	1,582
Loss / (gain) on disposal of property and equipment	1,462	730	1,676	(496)
Finance costs / amortization of debt issuance costs	431	673	1,454	2,575
Unrealized foreign exchange loss / (gain)	205	(134)	(186)	166
Impairment – Non-financial assets	—	—	—	141,065
Impairment / (recovery) – Trade receivables	—	—	(50)	9,682
Tax (recovery) / expense	—	(6,026)	77	(21,590)
Change in inventory	332	244	2,515	5,024
Change in trade and other receivables	(49,803)	(49,244)	(49,548)	55,977
Change in prepaid expenses	329	836	890	2,990
Change in trade and other payables	24,724	28,222	25,809	(27,946)
Interest paid	(311)	(968)	(1,117)	(2,239)
Income tax received	981	234	981	234
Continuing operations	\$8,626	(\$21,571)	\$53,389	\$47,222
Discontinued operations (note 3)	169	(247)	232	(26)
Cash flow from / (used in) operating activities	\$8,795	(\$21,818)	\$53,621	\$47,196
Investing				
Purchase of property and equipment	(10,552)	(1,036)	(27,564)	(8,552)
Proceeds from the sale of property and equipment	1,357	4,910	4,864	9,151
Net change in non-cash working capital	(1,812)	2,583	(2,667)	—
Continuing operations	(\$11,007)	\$6,457	(\$25,367)	\$599
Proceeds from sale of discontinued operations (net of cash) (note 3)	—	—	7,756	12,359
Cash flow (used in) / from investing activities	(\$11,007)	\$6,457	(\$17,611)	\$12,958
Financing				
Net proceeds from issuance of share capital on exercise of options	197	776	1,627	776
Proceeds from / (repayment) of loans	—	1,539	—	(45,445)
Payment of leases	(834)	(1,117)	(2,510)	(3,558)
Repurchase and cancellation of shares under NCIB	(18,453)	(7,411)	(20,174)	(14,053)
Continuing operations	(\$19,090)	(\$6,213)	(\$21,057)	(\$62,280)
Discontinued operations (note 3)	—	—	—	—
Cash flow used in financing activities	(\$19,090)	(\$6,213)	(\$21,057)	(\$62,280)
Effect of exchange rate changes on cash	—	272	—	49
Increase / (decrease) in cash and cash equivalents				
Continuing operations	(21,471)	(21,327)	6,965	(14,459)
Discontinued operations (note 3)	169	25	7,988	12,382
Cash and cash equivalents, beginning of period	58,862	26,427	22,607	7,202
Cash and cash equivalents, end of period	\$37,560	\$5,125	\$37,560	\$5,125

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 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 nine months periods ended September 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 October 26, 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.

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 nine months ended September 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 business.

The following table represents discontinued operations:

Total discontinued operations (Stated in thousands)	Three months ended September 30,		Nine months ended September 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	60	90	309	401
(Gain) / loss on disposal of discontinued operations	—	—	(4,476)	1,174
Results from operating activities	(60)	(90)	4,307	(1,442)
Finance cost / (income)	1	—	3	(152)
Foreign exchange loss / (gain)	5	262	9	(337)
Profit / (loss) from discontinued total operations	(\$66)	(\$352)	\$4,295	(\$953)

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	(251)	(1,110)	(1,361)
Balance at September 30, 2021	\$9,425	\$7,725	\$17,150
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	926	1,068	1,994
Termination of leases	(197)	(1,040)	(1,237)
Balance at September 30, 2021	\$4,503	\$5,330	\$9,833
Carrying Amounts			
At December 31, 2020	\$5,902	\$3,533	\$9,435
At September 30, 2021	\$4,922	\$2,395	\$7,317

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 September 30, 2021	As at December 31, 2020
Opening Balance	\$13,767	\$19,526
Interest expense	588	1,192
Additions	—	1,668
Lease payments	(3,098)	(5,738)
Termination of leases	(126)	(2,881)
Ending Balance	\$11,131	\$13,767
Current portion of lease liabilities	2,682	3,454
Non-current portion of lease liabilities	\$8,449	\$10,313

	As at September 30, 2021	As at December 31, 2020
(Stated in thousands)		
Less than 1 year	\$3,379	\$4,313
1-3 years	4,574	5,481
4-5 years	3,911	3,933
After 5 years	1,479	2,924
Total lease payments	13,343	16,651
Amounts representing interest over the term of the lease	(2,212)	(2,884)
Present value of net lease payments	11,131	13,767

For the three months ended September 30, 2021, lease payments of \$1.0 million (September 30, 2020 - \$1.4 million) were comprised of \$0.8 million (September 30, 2020 - \$1.1 million) related to principal and included in financing activities within the statement of cash flows and \$0.2 million (September 30, 2020 - \$0.3 million) related to interest expense and recorded as an operating activity in the statement of cash flows.

For the nine months ended September 30, 2021, lease payments of \$3.1 million (September 30, 2020 - \$4.5 million) were comprised of \$2.5 million (September 30, 2020 - \$3.6 million) related to principal and included in financing activities within the statement of cash flows and \$0.6 million (September 30, 2020 - \$0.9 million) related to interest expense and recorded as an operating activity in the statement of cash flows.

NOTE 5 – LOANS AND BORROWINGS

	As at September 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 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 September 30, 2021, the undrawn and accessible amount of the RCF, subject to financial covenants, was \$124.6 million (December 31, 2020 – \$124.7 million accessible) due to the Company's \$0.4 million letters of credit outstanding as at September 30, 2021.

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

As at September 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 September 30, 2021, TESSA-NILE had \$0.4 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 September 30, 2021, Senior Net Debt includes non-recourse debt of nil (December 31, 2020 - nil) and certain specified right-of-use lease liabilities of \$2.0 million (December 31, 2020 - \$3.5 million). As at September 30, 2021, the Leverage Ratio was 0.0x (December 31, 2020 – 0.0x).

	As at September 30,	As at December 31,
(Stated in thousands)	2021	2020
Senior Net Debt	(\$35,103)	(\$18,760)
Bank EBITDA	94,395	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 September 30, 2021, the Interest Coverage Ratio was 63.6x (December 31, 2020 – 14.1x).

	As at September 30,	As at December 31,
(Stated in thousands)	2021	2020
Interest Expense	\$1,484	\$2,306
Bank EBITDA	94,395	32,429
Interest Coverage Ratio	63.6x	14.1x
Minimum Covenant Ratio	>2.5x	>2.5x

The Company is in compliance with its financial covenants at September 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	1,181,259	1,627
Reclassification from contributed surplus on exercise of options	—	840
Shares repurchased and cancelled under NCIB	(8,106,800)	(29,604)
Balance, September 30, 2021	248,810,070	\$900,857

Normal Course Issuer Bid

The Company completed its 2020-2021 Normal Course Issuer Bid ("NCIB") that commenced on October 5, 2020. Pursuant to the 2020-2021 NCIB, the Company purchased and cancelled 11,325,100 common shares, which is 56% of the maximum allowable number under the 2020-2021 bid, totaling 20,343,064 common shares for a total consideration of \$24.3 million, at a weighted average price per share of \$2.14 before broker commission.

On October 1, 2021, the Company announced the renewal of its NCIB program, commencing October 5, 2021, to purchase up to 24.7 million of its common shares for cancellation before October 4, 2022.

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 287,437 (being 25% of the average daily trading volume of the common shares traded on the TSX for the six calendar months ending August 31, 2021 of 1,149,750 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 nine months ended September 30, 2021 and 2020 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
(Stated in thousands, except share and per share amounts)	2021	2020	2021	2020
Number of common shares repurchased and cancelled	7,100,600	6,819,900	8,106,800	13,583,500
Amounts charged to:				
Share capital ¹	\$25,976	\$25,041	\$29,604	\$49,755
Accumulated deficit	(7,523)	(17,630)	(9,430)	(35,702)
Share repurchase cost	\$18,453	\$7,411	\$20,174	\$14,053
Weighted average price per share	\$2.60	\$1.09	\$2.49	\$1.03

¹Includes brokerage fees

NOTE 7 – PROFIT / (LOSS) PER SHARE

(Stated in thousands, except share and per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Basic weighted average number of common shares	253,287,165	263,490,507	254,665,391	266,065,472
Dilutive effect of stock options	4,590,365	—	4,322,545	—
Diluted weighted average number of common shares	257,877,530	263,490,507	258,987,936	266,065,472

Attributable to owners of the Company	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Profit / (loss) from continuing operations	\$9,092	(\$23,781)	\$2,346	(\$205,719)
Per share – basic and diluted	\$0.04	(\$0.09)	\$0.01	(\$0.77)
(Loss) / profit from discontinued operations	(\$66)	(\$352)	\$4,295	(\$953)
Per share – basic and diluted	(\$0.00)	(\$0.00)	\$0.02	(\$0.01)
Profit / (loss) for the period	\$9,026	(\$24,133)	\$6,641	(\$206,672)
Per share – basic and diluted	\$0.04	(\$0.09)	\$0.03	(\$0.78)

For the three and nine months ended September 30, 2021, 4.6 million and 4.3 million options, respectively, were included in the diluted weighted average number of ordinary shares calculation.

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 the nine months ended September 30, 2021 has been estimated at \$0.80 per option (nine months ended September 30, 2020 – \$0.32) 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.

	Nine months ended September 30,	
	2021	2020
Share price	\$1.96	\$0.79
Exercise price	\$1.96	\$0.79
Expected life (years)	3.76	3.91
Expected volatility	57%	54%
Risk-free interest rate	0.7%	0.5%
Dividend yield	0.0%	0.0%

The Company has reserved 23,636,957 common shares as at September 30, 2021, (September 30, 2020 – 24,595,019) 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

September 30, 2021, 15,817,258 options (September 30, 2020 – 16,110,885) were outstanding at exercise prices ranging from \$0.57 to \$4.57 per share with expiry dates ranging from 2021 to 2028.

The following table provides a summary of the status of the Company's stock option plan and changes during the nine months ended September 30, 2021:

Nine months ended September 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	2,843,900	1.96	6,156,700	0.79
Exercised	(1,181,259)	1.38	(1,375,811)	0.79
Forfeited	(1,324,031)	2.55	(1,947,261)	2.25
Expired	—	—	(7,840)	0.82
Outstanding at the end of period	15,817,258	\$1.86	15,478,648	\$1.87
Exercisable at end of period	9,417,747	\$2.17	6,716,770	\$1.92

The weighted-average TSX traded share price for the nine months ended September 30, 2021, was \$2.23 (December 31, 2020 – \$0.98).

The following table summarizes information about stock options outstanding at September 30, 2021:

Options outstanding					Options exercisable	
Range of Exercise Prices			Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable
\$0.57	to	\$1.00	2,803,461	5.46	\$0.57	1,477,624
\$1.01	to	\$3.00	9,193,397	5.02	1.57	4,119,723
\$3.01	to	\$4.57	3,820,400	2.99	3.44	3,820,400
\$0.57	to	\$4.57	15,817,258	4.60	\$1.86	9,417,747

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 nine months ended September 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	265,776	—	941,000
Redeemed for cash	(460,108)	(238,733)	(98,250)
Forfeited	(19,331)	—	(354,250)
Balance at September 30, 2021	1,299,218	187,867	1,523,000
Vested at September 30, 2021	1,299,218	—	—

	Three months ended September 30,		Nine months ended September 30,	
(Stated in thousands)	2021	2020	2021	2020
Cash-settled share-based compensation expense				
Expense arising from DSUs	\$350	\$787	\$2,520	\$801
Expense arising from RSUs	63	231	622	386
Expense / (recovery) arising from PSUs	699	(124)	1,810	(347)
Total expense cash-settled share-based compensation	\$1,112	\$894	\$4,952	\$840
Equity-settled share-based compensation expense				
Stock options	514	460	1,710	1,582
Total expense related to share-based payments	\$1,626	\$1,354	\$6,662	\$2,422

For the three and nine months ended September 30, 2021, the closing share price used in the fair value calculation of the Company's cash-settled share-based compensation plans was \$2.96 (September 30, 2020 - \$1.15).

The outstanding liabilities for cash-settled compensation plans at September 30, 2021, of \$6.6 million (December 31, 2020 – \$4.0 million) are included in accounts payable and accrued liabilities.

NOTE 9 – COST OF SALES AND ADMINISTRATIVE EXPENSES

The Company classifies the consolidated statement of comprehensive profit / (loss) using the function of expense method, which presents expenses according to their function, such as cost of sales and administrative expenses. This method is more closely aligned to the Company'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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Personnel expenses	\$25,989	\$16,513	\$73,875	\$69,822
Personnel expenses – CEWS ¹	—	(5,650)	(9,185)	(11,251)
Direct costs	99,187	46,068	247,568	186,785
Direct costs – CERS ²	(260)	—	(822)	—
Cost of sales	\$124,916	\$56,931	\$311,436	\$245,356
Cost of sales – Depreciation and amortization	19,784	25,978	63,930	82,074
Total cost of sales	\$144,700	\$82,909	\$375,366	\$327,430

¹Canadian Emergency Wage Subsidy

²Canadian Emergency Rent Subsidy

Administrative expenses (Stated in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Personnel expenses	\$4,310	\$2,929	\$11,679	\$11,640
Personnel expenses – CEWS ¹	—	(1,104)	(1,680)	(2,002)
Personnel expenses – Severance	172	11,717	418	16,459
Personnel expenses – Cash-settled Share-based compensation	1,112	894	4,952	840
Personnel expenses – Equity-settled Share-based compensation	514	460	1,710	1,582
General organizational expenses	1,937	2,721	6,072	8,081
General organizational expenses – CERS ²	(89)	—	(277)	—
Administrative expenses	\$7,956	\$17,617	\$22,874	\$36,600
Administrative expenses – Depreciation	886	1,206	2,902	3,844
Total administrative expenses	\$8,842	\$18,823	\$25,776	\$40,444

¹Canadian Emergency Wage Subsidy

²Canadian Emergency Rent Subsidy

NOTE 10 – INCOME TAXES

(Stated in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Current income tax (recovery) / expense	\$—	(\$30)	\$77	(\$220)
Deferred income tax recovery	—	(\$5,996)	—	(21,370)
Total tax (recovery) / expense from continuing operations	\$—	(\$6,026)	\$77	(\$21,590)

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 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).

September 30, 2021	Carrying amount	Fair Value Level 2
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 nine months ended September 30, 2021, one major customer accounted for approximately 30% and 28%, respectively, of the Company's revenue (September 30, 2020 – two major customers accounted for approximately 61% and 30%). As at September 30, 2021, one major customer accounted for approximately 29% of the Company's trade accounts receivable (December 31, 2020 – one major customer accounted for approximately 29%).

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 three months ended September 30, 2021 and 2020, the Company did not recognize impairment related to trade receivables. For the nine months ended September 30, 2021 and 2020, the Company recognized a \$0.1 million impairment recovery (impairment taken in 2020) 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 September 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 September 30, 2021, the Company has committed to capital expenditures of \$25.1 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 2020.

The December 31, 2020 statement of financial position and the third quarter 2020 interim financial statements have been recast as noted below.

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 is 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 is 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; and
- 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; and
- the previously reported loss from continuing operations and net loss per share of \$0.88 and \$0.89 will decrease by \$0.02 to \$0.86 and \$0.87 for the year ended December 31, 2020.

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Thomas M. Alford ^(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)

Independent Businessman

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.

2900, 645 - 7th Avenue S.W.

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Telephone: (403) 266-0202

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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 Safety, Human Resources and Compensation Committee