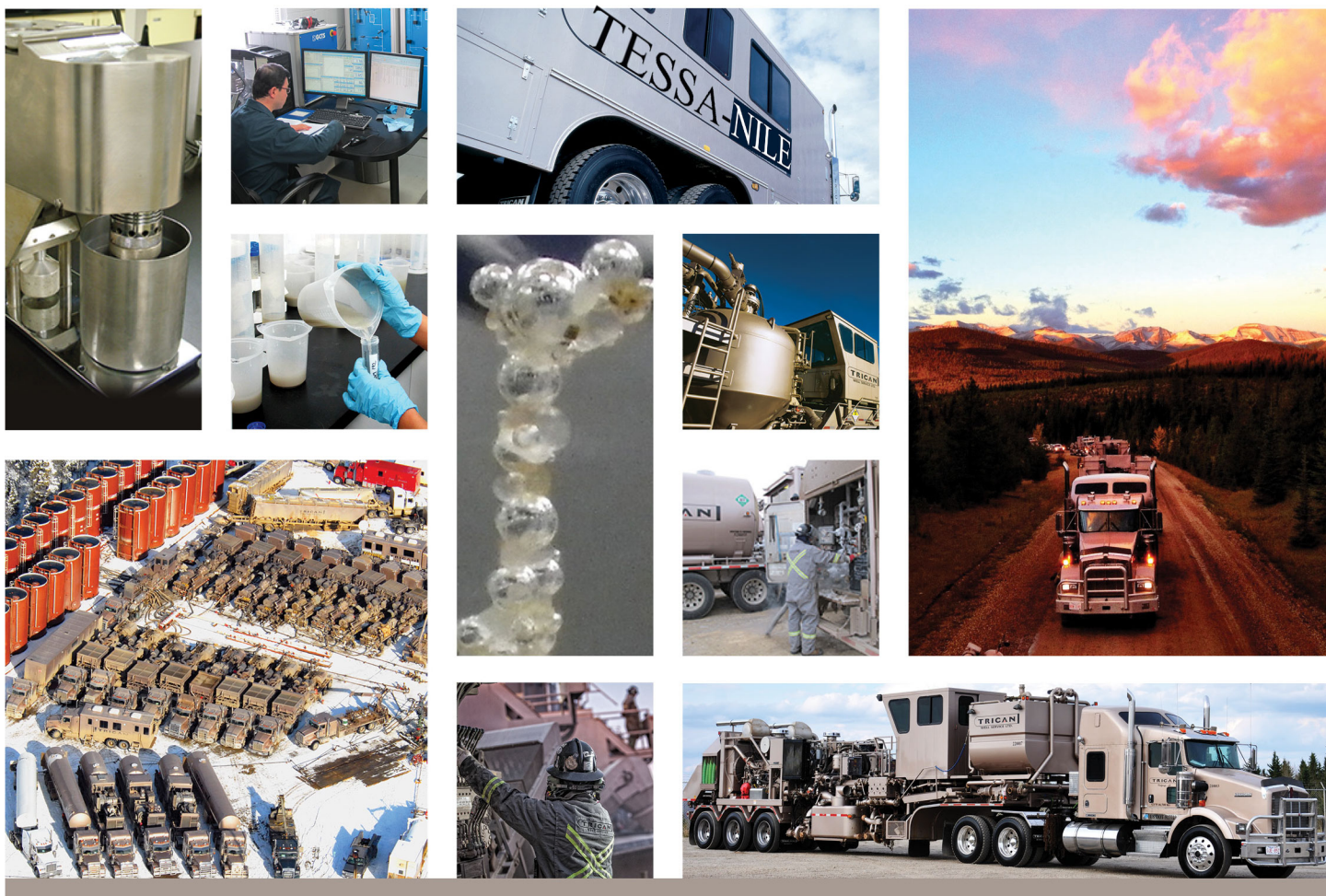




TESSA-NILE WELL SERVICE LTD. 2020

Management's Discussion & Analysis
Year Ended December 31, 2020

TESSA-NILE

MANAGEMENT'S DISCUSSION AND ANALYSIS – FOURTH QUARTER

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This management's discussion and analysis ("MD&A") is dated February 23, 2021. It should be read in conjunction with the audited consolidated financial statements and notes of TESSA-NILE Well Service Ltd. ("Trican" or the "Company") as at and for the year ended December 31, 2020 and 2019. Additional information relating to the Company, including the Company's Annual Information Form ("AIF") for the year ended December 31, 2020, 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 and Non-Cash Working Capital. These terms and / or calculation of amounts related to these terms may not be comparable to other issuers. These terms are described in the *Other Non-Standard Financial Terms* section of this MD&A.

Common Industry and Company Specific Terms: For a list of abbreviations and capitalized 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. The following are stated in thousands: weighted average shares, proppant pumped, total job count and HHP)						
	Three months ended			Year ended		
(Unaudited)	December 31, 2020	December 31, 2019	September 30, 2020	December 31, 2020	December 31, 2019	December 31, 2018
Revenue	\$102.8	\$163.3	\$74.1	\$397.0	\$636.1	\$864.5
Gross (loss) / profit	(4.0)	(6.1)	(10.9)	(40.6)	(44.6)	8.5
Adjusted EBITDA ¹	14.5	14.6	(2.6)	14.6	28.0	83.2
Weighted average shares outstanding - basic and diluted	257,172	277,261	263,491	263,830	288,528	322,125
Loss from continuing operations	(24.5)	(19.5)	(25.7)	(233.3)	(71.4)	(229.1)
Per share - basic	(\$0.10)	(\$0.07)	(\$0.10)	(\$0.88)	(\$0.25)	(\$0.71)
Per share - diluted	(\$0.10)	(\$0.07)	(\$0.10)	(\$0.88)	(\$0.25)	(\$0.71)
Loss for the period	(25.0)	(20.9)	(26.1)	(234.7)	(73.5)	(232.7)
Per share - basic	(\$0.10)	(\$0.07)	(\$0.10)	(\$0.89)	(\$0.26)	(\$0.72)
Per share - diluted	(\$0.10)	(\$0.07)	(\$0.10)	(\$0.89)	(\$0.26)	(\$0.72)
Canadian Emergency Subsidies	4.9	—	4.2	14.1	—	\$—
Total proppant pumped (tonnes) ¹	229	262	127	691	898	1,558
Internally sourced proppant pumped (tonnes) ¹	162	241	127	607	877	797
Total Job Count ¹	1,545	2,147	765	5,268	5,822	11,384
Hydraulic Pumping Capacity (HHP) ¹	570	583	572	570	583	672
Active Crewed HHP ¹	190	324	200	190	324	340
Active, Maintenance/Not Crewed HHP ¹	85	67	114	85	67	242
Parked HHP ¹	295	192	258	295	192	90

(\$ millions)	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Cash and cash equivalents	\$22.6	\$7.2	\$8.2
Current assets - other	\$99.8	\$225.5	\$193.3
Current portion of lease liabilities	\$3.5	\$4.5	\$—
Current liabilities - other	\$57.2	\$88.4	\$85.8
Lease liabilities - non-current portion	\$10.3	\$15.0	\$—
Long-term loans and borrowings	\$—	\$46.2	\$45.9
Total assets	\$563.2	\$926.5	\$1,037.8

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

FINANCIAL AND OPERATING HIGHLIGHTS

2020 compared with 2019

The negative impact of the COVID-19 health pandemic and volatile commodity prices (collectively "Market Events") had a significant negative effect on TESSA-NILE's business, and the oilfield services industry more generally during 2020. TESSA-NILE 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 to advance our business as we move through these uncertain times.

- Financial position and liquidity:
 - Cash and cash equivalents of \$22.6 million (December 31, 2019 - \$7.2 million);
 - Positive non-cash working capital of \$39.2 million (December 31, 2019 - \$132.6 million which includes \$38.1 million of assets held for sale);
 - At December 31, 2020, the Company had no bank debt outstanding (December 31, 2019 - \$46.2 million);
 - Subsequent to December 31, 2020, the Company strengthened its liquidity and financial position further through agreements to sell non-core assets and businesses for proceeds of more than \$7.0 million, including the signing of a definitive agreement to sell its software business for estimated proceeds of \$6 million; and
 - The Company's strong balance sheet and liquidity provides significant financial flexibility to invest in technology to meet customers' needs and invest in future growth to deliver shareholder value.
- Consolidated revenue from continuing operations was \$397.0 million, a 38% decrease compared to 2019.
- Net loss from continuing operations for 2020 was \$233.3 million (2019 – net loss from continuing operations of \$71.4 million). The biggest factors causing an increase to the net loss for 2020, relative to 2019, were Market Events resulting in the recognition of \$163.4 million for impairment of non-financial assets (2019 - \$10.1 million), \$9.1 million impairment loss on trade receivables resulting from a change in the Company's customer credit risk and \$17.1 million of severance costs (2019 - \$9.0 million) associated with workforce reductions.
- Adjusted EBITDA¹ for the year ended December 31, 2020, was \$14.6 million, compared to \$28.0 million for the year ended December 31, 2019. Adjusted EBITDA¹ for the year ended December 31, 2020, was negatively affected by reduced activity levels, a \$9.1 million impairment loss on trade receivables, combined with \$17.1 million of severance costs (2019 - \$9.0 million), offset by the recognition of \$14.1 million from the Canadian Emergency Subsidy programs (2019 - nil).
- On January 15, 2020, the Company completed the sale of its fluid management business for consideration of approximately \$17.7 million. For 2020, total cash proceeds from the sale of the fluid management business and surplus and non-core asset sales was \$24.2 million (2019 - \$31.8 million).
- At December 31, 2020, our outstanding share balance was 255,735,611 (2019 - 271,490,035), which includes the repurchase and cancellation of 17,130,235 shares in 2020 at a weighted average price per share of \$1.08, pursuant to the Company's Normal Course Issuer Bid ("NCIB"). During 2019, 30,102,845 common shares were purchased under our NCIB program at a weighted average price per share of \$1.15). Subsequent to December 31, 2020, the Company repurchased an additional 986,200 shares at a weighted average price per share of \$1.71.
- In 2020, \$13.8 million was recognized in relation to Canadian Emergency Wage Subsidy ("CEWS") and \$0.3 million for the Canada Emergency Rent Subsidy ("CERS"), collectively, Canadian Emergency

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

Subsidies ("CES") as part of the federal government of Canada's response to the COVID-19 health pandemic. The CES program allowed the Company to maintain staff on the payroll through a period of significant economic turmoil.

Fourth Quarter 2020 vs Fourth Quarter 2019

The effects of the COVID-19 pandemic continued to impact the Company in the fourth quarter of 2020, as revenue and activity levels were significantly below the comparative 2019 period. Despite significantly lower revenue and activity levels, relative to Q4 2019, the Company was able to mitigate the impact to Q4 2020 net loss and adjusted EBITDA¹, through previously implemented cost control and other restructuring efforts.

- Consolidated revenue from continuing operations for Q4 2020 was \$102.8 million, a \$60.6 million decrease compared to Q4 2019.
- Net loss for Q4 2020 was \$25.0 million (Q4 2019 – net loss of \$20.9 million). The biggest factor causing an increase to the net loss for 2020, relative to 2019, was the recognition of \$22.3 million for impairment of non-financial assets (2019 - \$10.1 million).
- Adjusted EBITDA¹ for Q4 2020 was \$14.5 million, which includes recognition of \$4.9 million from the CES programs. Q4 2019 adjusted EBITDA¹ was positive \$14.6 million.
- The sale of surplus assets in Q4 2020 generated \$2.6 million (Q4 2019 - \$4.3 million) in proceeds which provided additional liquidity and allowed for continued investment in our core business and NCIB program.

Fourth Quarter 2020 vs Third Quarter 2020 Sequential Overview

Revenue in the fourth quarter of 2020 increased 39%, or \$28.7 million, from the third quarter revenue levels. The fourth quarter saw increased activity levels compared to the previous quarter as a result of stronger commodity prices and customer spending. Q4 2020 activity levels continued to be negatively affected by the ongoing COVID-19 pandemic, but were up in Q4 2020 compared to Q3 2020.

The average WTI price in Q4 2020 was only up 4% over Q3 2020, but positive price commentary from OPEC producers and optimism over vaccine rollouts led the WTI benchmark price to close the quarter at \$48.63, 17% higher from the start of the quarter. Natural gas prices peaked early in the quarter, with AECO hitting \$3.19/GJ, before retreating to close the quarter at \$2.35 as the onset of colder winter weather was delayed. Natural gas price performance has been strong all year, with the benchmark AECO price climbing 14% from the start to the finish of the year. Natural gas prices have been aided in part by improvements in infrastructure and Market Egress capacity made in the last 12 months. The sequential increase in commodity prices contributed to an increase in the WCSB drilling Rig Count from the third quarter, rising from 52 during Q3 to 89 during Q4, a 71% sequential increase.

The demand for Pressure Pumping services significantly improved in Q4 2020 compared to Q3 2020, increasing the amount of Proppant pumped and revenue by 80% and 39%, respectively, for the fourth quarter. Revenue did not increase at the same rate as the increase in Proppant pumped as there was a higher proportion of customer activity weighted to customers that supply their own Proppant (the Company earns revenue selling Proppant to customers). The Company reactivated one additional Hydraulic Fracturing Crew in the fourth quarter to accommodate increased customer and industry demand. As a result of the increased demand, Hydraulic Fracturing Utilization on our crewed equipment was 60% in Q4 2020 compared to 53% in Q3 2020. The Company prioritizes utilization on its fleet of Dual Fuel Engine pumps as part of our commitment to reducing emissions and working with our customers to meet their ESG goals. The Company exited the fourth quarter with five Fracturing Crews and 105,000 Average Active Crewed HHP, up from three crews and 60,000 HHP at the end of the third quarter.

Coiled Tubing and Cementing activity realized sequentially increased activity levels. Our Cementing¹ job count increased by approximately 109% sequentially, allowing for the reactivation of six additional crews at the end of the fourth quarter. Coiled Tubing Operating Days increased from 178 days in the third quarter to 308 days in the fourth quarter, allowing for activation of a sixth crew late in the quarter.

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

Gross loss and adjusted EBITDA¹ for the fourth quarter of 2020 were \$4.0 million and \$14.5 million, respectively, an improvement over the Q3 2020 gross loss of \$10.9 million and negative adjusted EBITDA¹ of \$2.6 million. Improved Q4 2020 financial results are primarily due to the increased activity levels. Q3 2020 financial results were negatively affected by TESSA-NILE

(Unaudited)	Year ended December 31,		
	2020	2019	2018
WTI - Average Price (US\$/bbl) ¹	\$39.34	\$57.04	\$64.90
AECO-C Spot Average Price (\$/mcf) ¹	\$2.23	\$1.78	\$1.51
WCS - Average Price (C\$/bbl) ¹	\$36.69	\$57.60	\$49.93
Condensate - Average Price (\$/bbl) ¹	\$49.71	\$53.83	\$61.39
Average Exchange Rate (US\$/C\$) ¹	\$0.75	\$0.75	\$0.77
Thousands of Meters Drilled	9,360	14,560	17,950
Canadian Well Completions	2,771	4,773	6,117
Canadian Average Drilling Rig Count ¹	89	134	191

Source: Bloomberg, Bank of Canada, Nickle's Energy Group, Baker Hughes

Canadian prices for WCS oil and condensate are influenced by the WTI benchmark pricing, which suffered a significant decline due to Market Events. The pricing environment for these commodities recovered from the mid year weakness and rallied in the fourth quarter on the strength of a nearly 25% increase in WTI pricing. Canadian natural gas prices (AECO) had historically traded at a significant discount to United States comparable benchmark prices for many years due to WCSB oversupply and Market Egress challenges. However, natural gas prices started to recover in 2020 as the pipeline and storage constraints improved significantly. Although Canadian natural gas prices continue to trade at a discount to US benchmark prices, natural gas prices are higher year over year, which contributed to a sustained increase in base level of well completions activity in the WCSB. Higher average AECO prices were not enough to offset the effects of COVID-19 and significantly lower WTI prices. These factors resulted in our customers reducing capital spending significantly, causing reduced demand for our services, as evidenced by the historically low drilling Rig Count and well completions levels, which decreased by 34% and 42%, respectively, in 2020 compared to 2019.

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

OUTLOOK

The rally in oil and related commodity prices that began in Q4 2020 has continued into 2021. WTI moved past US \$50/bbl in early Q1 2021 and has not gone below US \$50/bbl since then. WTI prices over US \$50/bbl suggest that North American oil and gas producers have significantly improved economics, providing some stability for oilfield services activity levels. Natural gas prices are also expected to remain stable, with a positive long-term bias coming from the ongoing construction of LNG facilities in British Columbia. The recovery in commodity prices, combined with significant overall industry cost reductions has led to improved cash flows for our customers. The industry is exercising capital restraint and will be using a significant portion of available cash to restore balance sheets and provide a return to shareholders. We expect that 2021 activity will be modestly higher than 2020.

Q1 2021 Outlook

Favourable weather conditions and strong momentum carrying forward from Q4 2020 resulted in a high level of activity thus far in Q1. The drilling Rig Count¹ ramped up quickly in early January, averaging 162 through January and the first half of February versus an average of 89 in Q4 2020 and 196 in Q1 2020. Strong customer demand resulted in the addition of a sixth Hydraulic Fracturing Crew in early January. All six Fracturing Crews, 18 Cementing crews and six Coiled Tubing Crews are seeing high utilization and we anticipate this to continue through Q1 until we see the typical Spring Break-Up declines in March.

2021 Full Year Outlook

Customers have responded favourably to TESSA-NILE's commitment to improving pumping efficiency while reducing our environmental impact. Customers' preliminary capital plans indicate that we should see improved utilization in 2021 relative to 2020. The Company's large Dual Fuel Engine natural gas fleet and Idle Reduction Technology reduce well costs and emissions, while new chemistries will reduce fresh water usage, both key metrics for forward thinking oil and gas producers that have strong ESG programs.

Our ability to supply products and services with a reduced environmental impact, coupled with continued strong operational performance and improved industry conditions, is expected to drive an increase in demand for our services in Q2 2021 relative to Q2 2020. The Company has secured Hydraulic Fracturing work programs with existing and new customers that will contribute to higher year-over-year financial results in Q2 2021, a quarter that is traditionally the weakest for oilfield services due to the wet conditions resulting from the Spring Break-Up thaw and heavy rainfalls during the spring season which limit the movement of heavy equipment.

Visibility into the second half of the year is improving, but is still clouded by near term headwinds caused by ongoing uncertainty related to the COVID-19 pandemic. The Company is prepared to respond to increased customer capital spending and has significant financial flexibility to add equipment to respond to additional customer demand if full cycle returns can be achieved. Our strong balance sheet and reduced fixed cost structure also give the flexibility to withstand some market turbulence if conditions were to weaken.

We will continue to manage our balance sheet prudently, ensuring investment returns are commensurate with any balance sheet risk assumed. Our ability to monetize surplus property and equipment, combined with modest operating cash flows, will provide additional capital that will allow selective investments that meet our return hurdle rate and continued investment into our NCIB program.

Pricing for Our Services

Pricing remains competitive, with pricing for contracted services in Q1 2021 remaining flat against Q4 2020. If the equipment supply and demand remains in balance going into the second half of the year, we will be looking for price increases from our clients that will help to improve our margins to more economic levels.

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

Capital Expenditures and Divestitures

Capital expenditures for the year ended December 31, 2020, of \$12.8 million (Q4 2020 - \$4.2 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 \$24.2 million of proceeds from the sale of surplus or obsolete assets, as well as the sale of our fluid management business in Q1 2020.

The focus for 2021 will be to complete projects already underway and make selective investments into our fleet to improve efficiency and support TESSA-NILE's drive to become an ESG leader in the WCSB oilfield services sector. Our core Sustaining Capital program will adjust with activity levels. Currently we are anticipating our Sustaining Capital program to be approximately 2% to 4% of revenue. The Company may look to make incremental investments that offer compelling returns on invested capital given its strong financial position.

We continue to seek opportunities to sell redundant real estate and surplus equipment, which will partially fund new investments. Subsequent to December 31, 2020, the Company entered into agreements to sell its non-core software business and other redundant assets for estimated proceeds \$7.0 million. The pace of incremental disposals will remain uneven during 2021 given the amount of surplus assets that have come into the market since March 2020.

Hydraulic Fracturing Asset Requirements

TESSA-NILE is continuing to see interest from customers for equipment and product solutions that will provide highly efficient operations while reducing the impact on the environment and communities where we operate. TESSA-NILE's Hydraulic Fracturing equipment is specifically designed to meet the demands of the higher intensity regions of the WCSB, including the Montney, Duvernay and Deep Basin formations. These regions account for approximately 80% of the required hydraulic horsepower demand in Canada. Additionally, TESSA-NILE's fleet also includes an industry leading 170,000 HHP of Dual Fuel Engine Fracturing pumps, which displace higher particulate diesel fuel with cleaner burning natural gas. TESSA-NILE is also investing in Idle Reduction Technology to lower emissions and repair costs. These investments reflect TESSA-NILE's commitment to becoming an industry leader in ESG practices by reducing our environmental footprint and the cost of services to our customers. The Company's fleet of Hydraulic Fracturing pumps at December 31, 2020, is presented in the table below:

Fracturing Fleet:	Type of Pump	At December 31, 2020		
		Pumps (#)	HHP	% of Fleet
Continuous Duty ¹	2,700 / 3,000 HHP	127	347,400	61 %
Mid Tier ¹	2,500 HHP	89	222,500	39 %
Legacy Tier ¹	2,250 HHP	—	—	— %
Total Fracturing Fleet		216	569,900	

TESSA-NILE is well positioned to continue to add Continuous Duty equipment equipped with Dual Fuel Engine technology that displaces diesel fuel with natural gas to generate scale and create more efficient operations. Pressure pumping companies that can continue adding this equipment will become leaders in meeting customer requirements and industry ESG commitments.

Primary Objectives

Our goal remains to achieve top quartile return on invested capital in our sector. Our primary objectives are:

- Strengthen Existing Business: Maintain our market leading position in Fracturing and Cementing service lines and strengthen auxiliary service lines, specifically Coiled Tubing.

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

- Environmental, Social, Governance: Adapt our business approach, integrating ESG into our business to improve value for our stakeholders. We will differentiate with new technologies that allow our customers to reduce their environmental impact, and engage with the communities we live and work in.
- Shareholder Return: Continue our disciplined investment into future growth, ensuring full-cycle return hurdles can be met before investing in new equipment and sell excess and permanently stranded capital equipment, further strengthening the balance sheet.
- Opportunities for Improved Profitability on Existing Asset Base: Improve operating efficiencies to generate more profit from existing assets, find opportunities to generate returns from idle assets, and implement Lean Six Sigma efficiency initiatives that will make us a leaner and more cost efficient company.

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 count¹, and revenue per job¹, unaudited)

Three months ended	December 31, 2020	Percentage of revenue	December 31, 2019	Percentage of revenue	September 30, 2020	Percentage of revenue
Revenue	\$102,766	100 %	\$163,318	100 %	\$74,088	100 %
Cost of sales						
Cost of sales – Other	82,451	80 %	139,040	85 %	58,999	80 %
Cost of sales – Depreciation and amortization	24,350	24 %	30,402	19 %	25,978	35 %
Gross loss	(4,035)	(4)%	(6,124)	(4)%	(10,889)	(15)%
Administrative expenses – Other	6,995	7 %	10,675	7 %	18,105	24 %
Administrative expenses – Depreciation	1,114	1 %	1,356	1 %	1,206	2 %
Impairment – Non-financial assets	22,331	22 %	10,091	6 %	—	— %
(Recovery) / impairment – Trade receivables	(603)	(1)%	41	— %	—	— %
Other (income) / loss	(1,496)	(1)%	(4,865)	(3)%	630	1 %
Results from operating activities	(32,376)	(32)%	(23,422)	(14)%	(30,830)	(42)%
Finance costs	731	1 %	1,219	1 %	673	1 %
Foreign exchange loss	331	— %	136	— %	860	1 %
Loss before income tax	(33,438)	(33)%	(24,777)	(15)%	(32,363)	(44)%
Income tax recovery	(8,902)	(9)%	(5,303)	(3)%	(6,652)	(9)%
Loss from continuing operations	(\$24,536)	(24)%	(\$19,474)	(12)%	(\$25,711)	(35)%
Adjusted EBITDA ¹	\$14,481	14 %	\$14,605	9 %	(\$2,556)	(3)%
Total job count ¹	1,545		2,147		765	
Revenue per job ¹	66,515		76,068		96,847	
Total proppant pumped (tonnes) ¹	229,000		262,000		127,000	

Sales Mix

Three months ended (unaudited)	December 31, 2020	December 31, 2019	September 30, 2020
% of Total Revenue			
Fracturing	72 %	72 %	77 %
Cementing	18 %	16 %	14 %
Coiled Tubing	9 %	8 %	8 %
Industrial Services	— %	2 %	— %
Other	1 %	2 %	1 %
Total	100 %	100 %	100 %

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

Fourth 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 Q4 2020, leading to sharply lower revenue when compared to the already weak prior years' quarterly results. Q4 2019 was already facing significant headwinds due to ongoing concerns about weak commodity prices and ongoing Market Egress limitations.

The activity reductions brought on by the COVID-19 pandemic required we reduce the number of Hydraulic Fracturing Crews, and we exited Q4 2020 with five Fracturing Crews and 190,000 Active Crewed HHP, down from the eight crews and 324,000 HHP in Q4 2019. Proppant pumped declined from 262,000 tonnes in Q4 2019 to 229,000 tonnes in Q4 2020, but higher pumping efficiencies and a shift in job mix towards larger pad jobs resulted in an increase in Proppant pumped per Fracturing Crew.

The WCSB drilling Rig Count for Q4 2020 averaged 89 rigs, down 35% from Q4 2019. Cementing activity tracks the Rig Count although slight changes in job mix and market share meant that the Q4 2020 Cementing job count compared to Q4 2019 decreased by only 21%. The Company reduced its active Cementing unit count from 18 in Q4 2019 to 16 in Q4 2020 in response to the drilling Rig Count decline. TESSA-NILE is carefully monitoring utilization of active Cementing crews in order to ensure we are able to meet customer demands while aligning our costs with activity.

The number of Coiled Tubing Operating Days dropped from 459 in Q4 2019 to 308 in Q4 2020, and the Company reduced the number of active Coiled Tubing Crews from nine in Q4 2019 to six in Q4 2020 to match the Company's activity levels.

Despite relatively consistent revenue weighting amongst the various service lines, Revenue per Job decreased by 13% primarily due to a higher proportion of customer activity weighted to customers that supplied their own Proppant (the Company earns revenue selling proppant to customers). Therefore, overall revenue declines are primarily a result of reduced activity levels and not changes in the pricing for our services.

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)	December 31, 2020	Percentage of revenue	December 31, 2019	Percentage of revenue
Personnel expenses - Other	\$19,916	19 %	\$41,616	25 %
Personnel expenses - CEWS	(3,673)	(4)%	—	— %
Direct costs - Other	66,374	65 %	97,424	60 %
Direct costs - CERS	(166)	— %	—	— %
Cost of sales - Other	82,451	80 %	139,040	85 %
Cost of sales - Depreciation and amortization	24,350	24 %	30,402	19 %
	\$106,801	104 %	\$169,442	104 %

Total cost of sales for Q4 2020 decreased 37% when compared to Q4 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:

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

- 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 46%; and
 - The Company's Cost of Sales benefited by \$3.7 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 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, of which we incurred a cost of \$1.2 million for the three months ended December 31, 2020 (Q4 2019 - \$1.6 million).
- Depreciation and amortization expense for the three months ended December 31, 2020, decreased by \$6.0 million to \$24.4 million compared to \$30.4 million for the three months ended December 31, 2019, due to a decrease in the depreciable asset base of the Company's property and equipment.

Administrative Expenses

Three months ended, (\$ thousands, unaudited)	December 31, 2020	Percentage of revenue	December 31, 2019	Percentage of revenue
Personnel expenses - Other	\$2,960	3 %	\$6,041	4 %
Personnel expenses - CEWS	(914)	(1)%	—	— %
Personnel expenses - Severance	686	1 %	58	— %
Personnel expenses - Cash-settled Share-based compensation	1,931	2 %	1,223	1 %
Personnel expenses - Equity-settled Share-based compensation	558	1 %	1,043	1 %
General and organizational expenses - Other	1,879	2 %	2,310	1 %
General and organizational expenses - CERS	(105)	— %	—	— %
Administrative expenses - Other	6,995	8 %	10,675	7 %
Administrative expenses - Depreciation	1,114	1 %	1,356	1 %
	\$8,109	9 %	\$12,031	8 %

Administrative expenses for the three months ended December 31, 2020 decreased 33% relative to the comparative prior year period. The Company has undergone significant restructuring to bring increased efficiency to the business, specifically targeting fixed salary costs such as personnel expenses - other, which are \$3.1 million lower in 2020 relative to 2019. The ongoing restructuring efforts resulted in severance costs of \$0.7 million (Q4 2019 - \$0.1 million). The Company believes a majority of these restructuring efforts are now completed and severance costs should decrease significantly. General and organizational expenses are lower due to the Company's ongoing efforts to improve efficiency and reduce fixed costs. Administrative expenses for the three months ended December 31, 2020 benefited from the recognition of \$1.0 million from the CES programs.

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. The increase in the Company's share price resulted in a corresponding increase to cash-settled share-based compensation expense in Q4 2020 relative to the comparative

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

quarter in Q4 2019. Equity-settled share based compensation expenses is lower compared to the prior year period due to options exercised and forfeitures in the year.

Administrative expenses, as a percentage of revenue, increased in Q4 2020 due to significantly lower revenue compared to the prior year, and the fixed nature of certain administrative costs.

Overall Results Summary

The Company experienced significant changes in its Q4 2020 financial results when compared to the prior year period:

- Despite a 37% decline in the Company's revenue, gross loss for Q4 2020 improved to \$4.0 million compared to \$6.1 million for the fourth quarter of 2019 primarily due to significant cost reduction efforts, the recognition of \$3.8 million from the CES programs recorded within cost of sales, and \$6.0 million reduced depreciation expense, due to a decrease in the depreciable asset base of the Company's property and equipment.
- Net loss in Q4 2020 of \$25.0 million increased compared to the net loss of \$20.9 million in Q4 2019. Improvements to the Company's Q4 2020 gross loss were offset by specific asset impairments of \$22.3 million related to non-financial assets with no expectation of returning to active cash generating use.
- Adjusted EBITDA¹ for Q4 2020 was positive \$14.5 million compared to positive \$14.6 million for the fourth quarter of 2019. Adjusted EBITDA¹ was negatively affected by significant reductions in activity and revenue relative to Q4 2019, but TESSA-NILE did benefit from a lower cost structure and \$4.9 million recognized

from the

CES programs.

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

Other income

Other income for the three months ended December 31, 2020, mainly related to the \$1.2 million gain from the disposition of property and equipment. During the three months ended December 31, 2019, the Company realized a \$5.9 million gain from the disposition of 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. The Company impaired the full amount of goodwill in Q1 2020. The Company determined that there were no external or internal indicators of impairment for the Pressure Pumping Services Cash Generating Unit (CGU) and the Cementing Services CGU as at December 31, 2020.

During 2020, the Company identified certain specific assets in its property and equipment that were inactive with no expectation of returning to active cash generating use and for which the carrying value is not expected to be fully recoverable. In accordance with IAS 36, the Company identified ongoing uncertainty in the Company's ability to monetize these assets at values in excess of their net book values. This uncertainty is magnified given the negative economic effects of the ongoing COVID-19 pandemic and an impairment charge of \$22.3 million was determined based on the estimated fair value of these assets.

Impairment - Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses ("ECL"). The calculation reflects the probability-weighted outcome, the time value of money and reasonable supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For the three months ended December 31, 2020, the Company recognized a \$0.6

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

million recovery on the provision taken at Q1 2020 primarily resulting from collections in the quarter (December 31, 2019 - nil).

Finance Costs

Finance costs for the fourth quarter of 2020 decreased 40% when compared to the same period of 2019. The decrease of \$0.5 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 December 31, 2020, (December 31, 2019 - \$46.2 million). Finance costs during the fourth 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 \$0.3 million was recorded in the fourth quarter of 2020, compared to a \$0.1 million loss recorded for the fourth quarter in 2019, primarily related to the foreign exchange fluctuations on the Company's US\$ denominated accounts payable.

Income Taxes

The Company recorded an income tax recovery of \$8.9 million during the fourth quarter of 2020, compared to an income tax recovery of \$5.3 million for the same period of 2019. The income tax recovery was recognized due to the net loss recorded during the period.

For the fourth quarter of 2020, due to ongoing financial losses, the Company did not recognize certain tax assets associated with operating losses, and therefore the tax recovery was lower than might otherwise have been expected.

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

COMPARATIVE ANNUAL INCOME STATEMENTS

Continuing Operations

(\$ thousands, except total job count¹, and revenue per job¹, unaudited)

Year ended	December 31, 2020	Percentage of revenue	December 31, 2019	Percentage of revenue	Year-over year change	Percentage change
Revenue	\$397,019	100 %	\$636,071	100 %	(\$239,052)	(38)%
Cost of sales						
Cost of sales – Other	331,165	83 %	562,303	88 %	(231,138)	(41)%
Cost of sales – Depreciation and amortization	106,423	27 %	118,396	19 %	(11,973)	(10)%
Gross (loss) / profit	(40,569)	(10)%	(44,628)	(7)%	4,059	(9)%
Administrative expenses – Other	44,291	11 %	49,569	8 %	(5,278)	(11)%
Administrative expenses – Depreciation	4,957	1 %	5,670	1 %	(713)	(13)%
Impairment – Non-financial assets	163,397	41 %	10,091	2 %	153,306	1,519 %
Impairment – Trade receivables	9,079	2 %	372	— %	8,707	2,341 %
Other (income) / loss	(1,904)	— %	(15,369)	(2)%	13,465	(88)%
Results from operating activities	(260,389)	(66)%	(94,961)	(15)%	(165,428)	174 %
Finance costs	3,307	1 %	4,690	1 %	(1,383)	(29)%
Foreign exchange loss	1,105	— %	176	— %	929	528 %
Loss before income tax	(264,801)	(67)%	(99,827)	(16)%	(164,974)	165 %
Income tax recovery	(31,484)	(8)%	(28,392)	(4)%	(3,092)	11 %
Loss from continuing operations	(\$233,317)	(59)%	(\$71,435)	(11)%	(\$161,882)	227 %
Adjusted EBITDA ¹	\$14,624	4 %	\$27,973	4 %	(\$13,349)	(48)%
Total job count ¹	5,268		7,969			
Revenue per job ¹	75,364		79,818			
Total proppant pumped (tonnes) ¹	691,000		898,000			

Sales Mix

Year ended (unaudited)	December 31, 2020	December 31, 2019
% of Total Revenue		
Fracturing	73 %	73 %
Cementing	17 %	16 %
Coiled Tubing	9 %	8 %
Industrial Services	— %	2 %
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.

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. 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 latter part of the third quarter and into the fourth quarter.

Revenue for the year ended December 31, 2020, was down 38% to \$397.0 million when compared to the year ended December 31, 2019. Revenue per Job for the year ended December 31, 2020, decreased 6% year-over-year. Sales mix, job types, and pricing are key components of the Revenue per Job¹ calculation. Pricing has been affected by the downturn, but TESSA-NILE has continued to prioritize work towards long-term customer relationships that prioritize efficiency and overall well costs, over short-term pricing discounts.

Hydraulic Fracturing services pumped 691,000 tonnes of Proppant for the year ended December 31, 2020, down from the 898,000 tonnes of Proppant pumped for the year ended December 31, 2019. The decline in Total Proppant Pumped is representative of lower Hydraulic Fracturing Utilization in this service line. Hydraulic Fracturing revenue declined further than Total Proppant Pumped due to a combination of job mix, lower pricing and a higher proportion of customer supplied Proppant in 2020 versus 2019 (the Company earns revenue selling proppant to customers).

As a result of significantly volatile industry conditions, the Company adjusted Fracturing Crew counts throughout 2020. The Company's quarterly Fracturing Crew count for 2020 and 2019 is presented below:

	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Hydraulic Fracturing Crews ¹	5	3	2	8	8	8	9	10

TESSA-NILE continued to maintain a strong position in the Cementing¹ market, however, the decline in the Rig Count led to a decline in Cementing service revenue during the year ended December 31, 2020, relative to 2019.

The Company operated an average of 13 units for the year ended December 31, 2020, versus 2 TESSA-NILE

Year ended, (\$ thousands, unaudited)	December 31, 2020	Percentage of revenue	December 31, 2019	Percentage of revenue
Personnel expenses - Other	\$89,739	23 %	\$166,432	26 %
Personnel expenses - CEWS	(11,567)	(3)%	—	— %
Direct costs - Other	253,159	63 %	395,871	62 %
Direct costs - CERS	(166)	— %	—	— %
Cost of sales - Other	331,165	83 %	562,303	88 %
Cost of sales - Depreciation and amortization	106,423	27 %	118,396	19 %
	\$437,588	110 %	\$680,699	107 %

Total cost of sales for the year ended December 31, 2020, decreased by 36% when compared to the same period in 2019 primarily due to the reduction in overall activity resulting from Market Events. Costs were further reduced

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

through negotiated concessions from key suppliers and reductions to our internal cost structure in order to provide competitive pricing for 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;
 - The Company aligned support personnel levels with the reduced equipment and activity levels reducing support personnel levels significantly; and
 - The Company recognized \$11.6 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 and therefore related direct cost expenditures due to the lower operating activity; and
 - Included in repairs and maintenance costs is \$5.7 million related to the inclusion of Stainless Steel Fluid Ends (2019 - \$7.9 million) within cost of sales.
- Depreciation and amortization expense for the year ended December 31, 2020, decreased by \$12.0 million to \$106.4 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

Year ended, (\$ thousands, unaudited)	December 31, 2020	Percentage of revenue	December 31, 2019	Percentage of revenue
Personnel expenses - Other	\$14,618	4 %	\$22,393	4 %
Personnel expenses - CEWS	(2,236)	(1)%	—	— %
Personnel expenses - Severance	17,145	4 %	9,005	1 %
Personnel expenses - Cash-settled Share-based compensation	2,769	1 %	2,444	— %
Personnel expenses - Equity-settled Share-based compensation	2,140	1 %	4,146	1 %
General and organizational expenses - Other	9,960	2 %	11,581	2 %
General and organizational expenses - CERS	(105)	— %	—	— %
Administrative expenses - Other	44,291	11 %	49,569	8 %
Administrative expenses - Depreciation	4,957	1 %	5,670	1 %
	\$49,248	12 %	\$55,239	9 %

Administrative expenses for the year ended December 31, 2020, decreased 11% relative to the comparative prior year period, but were higher as a percentage of revenue due to the impact of Market Events. Personnel expenses were down due to workforce rationalizations following the Market Events while general and organizational expenses were down due to ongoing efforts to reduce costs and optimize our support structure. Included in administrative expenses for the year ended December 31, 2020, are severance costs of \$17.1 million primarily resulting from the Market Events induced layoffs as well as changes to executive management. 2019 included \$9.0 million of severance expenses as the Company continued ongoing restructuring efforts resulting from Market Egress

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

constraints. Administrative expenses for the year ended December 31, 2020, benefited from the recognition of \$2.3 million from the CES programs.

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. Equity settled share based compensation expenses is lower compared to the prior year period due to options exercised and forfeitures in the year.

Overall Results Summary

The Company experienced significant changes in its financial results for the year ended December 31, 2020, relative to the year ended December 31, 2019.

- Despite a 37% decline in the Company's revenue, gross loss for the year ended December 31, 2020, of \$40.6 million improved compared to a \$44.6 million gross loss for the year ended December 31, 2019. Year-over-year improved financial results are primarily due to cost reduction and efficiency efforts, reduced depreciation and amortization expense, and recognition of \$11.7 million from the CES programs.
- Net loss for the year ended December 31, 2020, increased by \$161.2 million to \$234.7 million from a net loss for the year ended December 31, 2019, of \$73.5 million. The Market Events resulted in the recognition of certain costs in the period, including \$163.4 million for impairment of non-financial assets, \$9.1 million impairment loss on trade receivables related to the change in the Company's customer credit risk and \$17.1 million of severance costs associated with employee reductions, offset by the recognition of \$14.1 million from the CES programs.
- Adjusted EBITDA¹ for the year ended December 31, 2020, was \$14.6 million, compared to \$28.0 million for the year ended December 31, 2019. Adjusted EBITDA¹ for the year ended December 31, 2020, was negatively affected by a \$9.1 million impairment loss on trade receivables related to the change in the Company's customer credit risk combined with \$17.1 million of severance costs associated with employee reductions resulting from the Market Events¹ offset by the recognition of \$14.1 million from the CES programs.

2020 Other Expenses and Income (Compared to Prior Year)

Other Income / (Loss)

Other Income for the year ended December 31, 2020, mainly related to a \$1.7 million gain from the disposition of property and equipment. For the year ended December 31, 2019, the Company realized a \$11.0 million gain on the disposition of certain property and equipment and a \$5.0 million insurance recovery from the settlement of a 2018 insurable event.

Impairment - Non-financial assets

As required by IAS 36, the Company is required to assess whether there are any external and internal impairment indicators that exist at the end of each reporting period. Due to the Market Events¹, the Company performed an impairment test on its non-financial assets within the Pressure Pumping Services CGU and the Cementing Services CGU at March 31, 2020. A comparison of the recoverable amounts with the carrying amounts resulted in an impairment charge of \$131.0 million of goodwill 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 identified certain specific assets that were inactive with no expectation of returning to active cash generating use and for which the carrying value is not expected to be fully recoverable. In accordance with IAS 36, the Company identified ongoing uncertainty in the Company's ability to monetize these assets at values in excess of their net book values. This uncertainty is magnified given the negative economic effects of the ongoing COVID-19 pandemic and an impairment charge of

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

\$3.9 million related to assets previously classified as held for sale, \$25.2 million on property and equipment and \$3.3 million on right-of-use assets 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 December 31, 2020, and therefore no impairment test was performed at December 31, 2020 on the Pressure Pumping Services and Cementing Services CGUs.

Impairment - Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure 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 year ended December 31, 2020, the Company recognized a \$9.1 million impairment of trade receivables for increased credit risk primarily resulting from the Market Events (December 31, 2019 - \$0.4 million).

Finance Costs

Finance costs for the year ended December 31, 2020, decreased 29% when compared to the same period of 2019. The decrease of \$1.4 million was due to a reduction of interest rates as well as a decrease in the average balance of the net revolving credit facility. At December 31, 2020, the revolving credit facility has been fully repaid (December 31, 2019 - \$46.2 million).

Foreign Exchange

A foreign exchange loss of \$1.1 million was recorded for the year ended December 31, 2020, compared to a \$0.2 million loss recorded for the same period in 2019 related to the foreign exchange fluctuations in the period, primarily related to the Company's ongoing rationalization of its legacy international entities as well as foreign exchange fluctuations on the Company's US\$ denominated accounts payable.

Income Taxes

The Company recorded an income tax recovery of \$31.5 million for the year ended December 31, 2020, compared to an income tax recovery of \$28.4 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.

For the year ended December 31, 2020, due to ongoing financial losses, the Company did not recognize certain tax assets associated with operating losses. As a result, there is no deferred tax asset, nor deferred tax liability, recognized on the Company's financial statements at December 31, 2020.

2020 compared with 2018

2020 revenue, gross loss and adjusted EBITDA¹ were significantly lower than in 2018 primarily due to the negative effects of Market Events in 2020. Industry well completions, which are an indicator of the Company's activity levels, fell to 2,771 well completions in 2020 compared to 6,117 in 2018. Net loss from continuing operations of \$234.1 million in 2020 improved from 2018 primarily due to 2018 financial results including \$76 million of losses on the Company's investment in a US publicly listed pressure pumping company Keane Group Inc. ("Keane").

TESSA-NILE's investment in Keane was received by the Company when it sold its United States pressure pumping business. Both 2020 and 2018 financial results include significant impairment expenses on non-financial assets. 2020 and 2018 both experienced significant industry headwinds, 2020 were challenges resulting from Market Events, and the second half of 2018 saw significant challenges resulting from Market Egress constraints due to delays in pipeline take-away-capacity construction that limited our customers' ability to realize global market prices for their products.

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

LIQUIDITY AND CAPITAL RESOURCES

Working Capital and Cash Requirements

As at December 31, 2020, the Company had a working capital (current assets less current liabilities) balance of \$61.8 million compared to \$139.8 million as at December 31, 2019. The primary drivers of this change are attributable to:

- \$15.4 million increase in cash on hand compared to December 31, 2019, as the Company had no outstanding loans and borrowings with which to allocate excess cash towards;
- \$74.9 million decrease in trade and other receivables, primarily due to decreased activity compared to December 31, 2019;
- \$8.0 million decrease in inventory, due to the Company's ongoing efforts to reduce inventory combined with lower activity levels;
- \$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;
- \$4.6 million decrease in prepaid expenses as a result of the amortization of prepaid items; and
- \$28.4 million decrease in trade and other payables, primarily due to decreased activity compared to December 31, 2019.

At December 31, 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.

Availability of the revolving credit facility is dependent on compliance with certain covenants. As at December 31, 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, and beyond, to support its ongoing operations.

Operating Activities

Cash flow from continuing operations was \$70.8 million for the year ended December 31, 2020 (December 31, 2019 - \$30.9 million). The cash flows provided by continuing operations were primarily due to a significant Working Capital Release¹ triggered by the decline in the Company's overall operating activity.

Investing Activities

Capital expenditures related to continuing operations for the year ended December 31, 2020, totalled \$12.8 million (December 31, 2019 - \$33.2 million) and proceeds from the sale of surplus, non-core property and equipment, including the fluid management service line and other assets totalled \$24.2 million for the year ended December 31, 2020 (December 31, 2019 - \$31.8 million).

Capital expenditures for the year ended December 31, 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.

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

Financing Activities

Revolving Credit Facility ("RCF")

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

The Extended RCF matures December 5, 2022, a date that may be extended on an annual basis upon agreement of the RCF lenders, and the Company may draw up to \$125.0 million (December 31, 2019 – \$275.0 million). The Extended RCF also features an uncommitted accordion of \$125.0 million (December 31, 2019 – \$50.0 million), accessibility for which is subject to approval by the syndicate of lenders. The Extended 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 100 to 350 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 December 31, 2020, the undrawn and accessible amount of the RCF, subject to financial covenants, is \$124.7 million (December 31, 2019 – \$227.6 million accessible) due to the Company's Letters of Credit as at December 31, 2020.

As at December 31, 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 \$125.0 million borrowing capacity of the RCF described above. As at December 31, 2020, there was nil drawn on the swing line facility (December 31, 2019 – nil).

As at December 31, 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 \$125.0 million borrowing capacity of the RCF described above. As at December 31, 2020, TESSA-NILE had \$0.3 million in letters of credit outstanding (December 31, 2019 – \$0.4 million).

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

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

At December 31, 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 EBITDA. As at December 31, 2020, the Leverage Ratio was 0.0 (December 31, 2019 – 1.3)

The Interest Coverage Ratio is defined as Bank EBITDA divided by interest expense. As at December 31, 2020, the Interest Coverage Ratio was 14.1 (December 31, 2019 – 9.6).

Bank EBITDA is a Non-GAAP measure that is only calculated for purposes of the Company's financial covenants. 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 EBITDA¹ to arrive at Bank EBITDA for covenant calculation purposes. In accordance with the definition under the Extended RCF, the covenant calculation excludes the impact of certain leases recognized under IFRS 16.

Lease Liabilities

Details in respect of the Company's right-of-use liabilities are more fully described in Note 7 of the consolidated financial statements. The application of IFRS 16 - Leases for the three and twelve months ended December 31, 2020, resulted in administrative expenses not including \$0.2 million and \$1.0 million (December 31, 2019 - \$0.9

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

million and \$3.8 million) of rent expense. Rent expense is deducted from Bank EBITDA for purposes of the Amended RCF covenant calculations.

Share Capital

As at February 23, 2021, TESSA-NILE had 255,191,445 common shares and 16,811,905 employee stock options outstanding.

Normal Course Issuer Bid

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

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

For the year ended December 31, 2020, the Company purchased and canceled 17,130,235 common shares at a weighted average price per share of \$1.08 (December 31, 2019 - 30,102,845 common shares at a weighted average price per share of \$1.15). The purchases made in the year ended December 31, 2020, were funded primarily through the disposition of non-core assets and from operating cash flow.

Other Commitments and Contingencies

The Company has commitments for financial liabilities and various lease agreements, with minimum payments due as of December 31, 2020, as follows:

December 31, 2020 (Stated in thousands)	Carrying Value	Less than 1 year	1 to 3 years	4 to 5 years	Greater than 5 years	Total
Trade and other payables	\$57,171	\$57,171	\$—	\$—	\$—	\$57,171
RCF (including interest)	—	—	—	—	—	—
Lease liabilities - current	3,454	4,313	—	—	—	4,313
Lease liabilities - non-current	10,313	—	5,481	3,933	2,924	12,338
Total commitments	\$70,938	\$61,484	\$5,481	\$3,933	\$2,924	\$73,822

In addition to the above commitments, the Company has committed to capital expenditures of \$3.1 million. Management is satisfied that the Company has sufficient liquidity and capital resources, including more than \$125 million of liquidity from the Company's undrawn RCF and cash on hand, to meet the Company's obligations and commitments as they come due. See *Outlook* section for further discussion on the Company's capital expenditure plans and the *Liquidity Risk* section for a discussion surrounding risks around funding availability.

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 amounts, adjusted EBITDA % ¹ Utilization and crews. The following are stated in thousands: outstanding shares, proppant pumped, HHP, total job count and revenue per job)	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(Unaudited)								
Revenue from continuing operations	\$102.8	\$74.1	\$28.4	\$191.8	\$163.3	\$129.9	\$105.2	\$237.6
Issued and outstanding shares	255,736	258,895	264,726	266,731	271,490	282,328	289,262	294,512
Loss from continuing operations	(\$24.5)	(\$25.7)	(\$28.6)	(\$154.5)	(\$19.5)	(\$16.0)	(\$31.9)	(\$4.1)
Per share - basic	(\$0.10)	(\$0.10)	(\$0.11)	(\$0.58)	(\$0.07)	(\$0.06)	(\$0.11)	(\$0.01)
Per share - diluted	(\$0.10)	(\$0.10)	(\$0.11)	(\$0.58)	(\$0.07)	(\$0.06)	(\$0.11)	(\$0.01)
Loss for the period	(\$25.0)	(\$26.1)	(\$28.7)	(\$154.9)	(\$20.9)	(\$16.7)	(\$29.0)	(\$6.9)
Per share - basic	(\$0.10)	(\$0.10)	(\$0.11)	(\$0.58)	(\$0.07)	(\$0.06)	(\$0.10)	(\$0.02)
Per share - diluted	(\$0.10)	(\$0.10)	(\$0.11)	(\$0.58)	(\$0.07)	(\$0.06)	(\$0.10)	(\$0.02)
Adjusted EBITDA ¹	\$14.5	(\$2.6)	(\$6.8)	\$9.5	\$14.6	\$3.5	(\$16.5)	\$26.4
Adjusted EBITDA % ¹	14 %	(3)%	(24)%	5 %	9 %	3 %	(14)%	11 %
Proppant pumped ¹ (tonnes)	229	127	50	285	262	166	138	332
Internally sourced proppant pumped ¹ (tonnes)	162	127	33	285	241	166	138	332
Hydraulic Fracturing capacity (HHP) ¹	570	572	569	572	583	583	593	672
Active crewed HHP ¹	190	200	166	321	324	297	347	370
Active, maintenance, not crewed (HHP) ¹	85	114	172	69	67	86	235	212
Parked HHP ¹	295	258	231	182	192	200	11	90
Average active, crewed HHP ¹	105	60	17	155	155	105	73	225
Hydraulic Fracturing Crews ¹	5.0	3.0	2.0	8.0	8.0	8.0	9.0	10.0
Hydraulic Fracturing Utilization ¹	60 %	53 %	25 %	84 %	71 %	57 %	27 %	83 %
Coiled Tubing Crews ¹	6.0	3.0	3.0	9.0	9.0	9.0	8.0	8.0
Total Job Count ¹	1,545	765	293	2,665	2,147	1,988	1,150	2,684
Revenue per Job ¹	66.5	96.8	96.8	70.6	74.2	63.3	84.8	87.1

Q4 2020 saw improved demand for TESSA-NILE's services as commodity prices stabilized. Despite improved demand, Q4 net loss was negatively affected by specific asset impairment charges of \$22.3 million on certain specific assets that were inactive with no expectation of returning to active cash generating use in its property and equipment for which the carrying value is not expected to be fully recoverable. Loss from continuing operations for Q4 2020 was partially offset by the recognition of \$4.9 million from the CES programs. Q3 2020 had a soft recovery as the Company was able to reactivate some equipment, although it also incurred \$11.7 million in severance costs. Adjusted EBITDA¹ for Q3 2020 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 the Company's 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

customers' oil production contributed to reduced operating activity throughout all quarters in 2019.

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

FINANCIAL INSTRUMENTS

The Company initially measures its financial instruments at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as “financial assets or liabilities measured at amortized cost”, a “financial asset or financial liability at fair value through profit or loss”, or “financial assets at fair value through other comprehensive income”.

The Company's “financial assets and liabilities measured at amortized cost” consist of trade and other accounts receivable, other assets, lease liabilities, loans and borrowings and trade and other payables. They are recognized at amortized cost, using the effective interest rate method.

Transaction costs related to the issuance of any long-term debt are netted against the carrying value of the associated long-term debt and amortized as part of financing costs over the life of the debt using the effective interest rate method.

ACCOUNTING POLICIES AND ESTIMATES

The Company's IFRS accounting policies and future accounting pronouncements are provided in note 2 to the Annual Consolidated Financial Statements as at and for the years ended December 31, 2020 and 2019.

Critical Accounting Estimates and Judgments

In the preparation of the Company's Consolidated Financial Statements, management has made estimates that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Actual results could differ from these estimates. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the Consolidated Financial Statements are prepared. Please refer to the note 2 to the Consolidated Financial Statements for the years ended December 31, 2020 and 2019 for a description of the accounting policies of the Company. The Company considers the following to be the significant accounting policies and practices involving the use of estimates and judgments that are critical to determining TESSA-NILE's financial results.

Key Sources of Estimation Uncertainty

The following judgments and estimates are those deemed by management to be material to the Company's consolidated financial statements.

Judgments

Depreciation and Amortization

Depreciation and amortization methods are based on management's judgment of the most appropriate method to reflect the pattern of an asset's future economic benefit expected to be consumed by the Company. Among other factors, these judgments are based on industry standards and company-specific history and experience.

Impairment

Significant judgment is required to assess when impairment indicators exist, and impairment testing is required. The assessment of impairment indicators is based on management's judgment of whether there are internal and external factors that would indicate that a cash generating unit (“CGU”) and specifically the non-financial assets within the CGU, are impaired. The determination of a CGU is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. Significant judgment is also required to assess when indicators exist for specific assets that are inactive with no expectation of returning to active cash generating use. In determining the estimated recoverable amount for a specific asset that is inactive with no expectation of returning to active cash generating use, the Company uses recent market transactions, if available, or other valuation models.

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

Impairment AssessmentPressure Pumping Services

The impairment test for the Pressure Pumping Services CGU used a value in use approach with the recoverable amount estimated based on significant assumptions including forecasted revenue growth rates, forecasted adjusted EBITDA and forecasted sustaining capital at March 31, 2020, at a pre-tax discount rate of 15.9%. The discount rate was estimated based on the Company's weighted average cost of capital, adjusted for the Pressure Pumping Services CGU specific risks. The estimated recoverable amount was based on a 5-year model with forecasted revenue growth initially decreasing, and subsequently increasing, in correlation with forecasted oil and gas industry activity with a terminal growth rate of 2.0%. Forecasted adjusted EBITDA was based on historical adjusted EBITDA margins adjusted for anticipated revenue changes and cost structure. A terminal value thereafter was applied. Based on the analysis, the Company determined there was an impairment charge of goodwill within the Pressure Pumping Services CGU of \$128.9 million as at March 31, 2020 (2019 - nil), as the recoverable amount for this CGU was lower than the respective carrying amount. The estimated value in use for the Pressure Pumping Services CGU was sensitive to a change in the following assumptions and estimates:

Assumptions	Percentage Change	Impact on Impairment
Forecasted revenue growth	Increase of 1%	Decrease of \$28.9 million
Forecasted adjusted EBITDA	Increase of 1%	Decrease of \$43.9 million
Forecasted sustaining capital	Increase of 1%	Increase of \$51.2 million
Discount rate	Increase of 1%	Increase of \$50.4 million

Cementing Services

The impairment test for the Cementing Services CGU used a value in use approach with the recoverable amount estimated based on significant assumptions including forecasted revenue growth rates, forecasted adjusted EBITDA, and forecasted sustaining capital at March 31, 2020, at a pre-tax discount rate of 15.9%. The discount rate was estimated based on the Company's weighted average cost of capital, adjusted for the Cementing Services CGU specific risks. The estimated recoverable amount was based on a 5-year model with forecasted revenue growth initially decreasing, and subsequently increasing, in correlation with forecasted oil and gas industry activity with a terminal growth rate of 2.0%. Forecasted adjusted EBITDA was based on historical adjusted EBITDA margins adjusted for anticipated revenue changes and cost structure. A terminal value thereafter was applied. Based on the analysis, the Company determined there was an impairment charge of goodwill within the Cementing Services CGU of \$2.1 million as at March 31, 2020 (2019 - nil), as the recoverable amount for this CGU was lower than the respective carrying amount. The estimated value in use for the Cementing Services CGU was sensitive to a change in the following assumptions and estimates:

Assumptions	Percentage Change	Impact on Impairment
Forecasted revenue growth	Increase of 1%	Decrease of \$5.9 million
Forecasted adjusted EBITDA	Increase of 1%	Decrease of \$6.8 million
Forecasted sustaining capital	Increase of 1%	Increase of \$7.9 million
Discount rate	Increase of 1%	Increase of \$7.8 million

Assets Held for Sale

Assets held for sale contains judgments that the property and equipment classified in this category meet the criteria as "assets held for sale". As at the end of the reporting period these assets are recorded at the lower of cost or fair value less cost to sell.

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

Non-Financial Assets

The Company's assets are aggregated into Cash Generating Units (CGUs) for the purpose of calculating impairment. CGUs are based on management's judgments and assessment of the CGUs ability to generate independent cash inflows. Judgments are also required to assess when impairment indicators exist and impairment testing is required for the CGU and specific assets.

Provisions and Contingencies

The Company is required to exercise judgment in assessing whether the criterion for recognition of a provision or a contingency has been met. The Company considers whether a present obligation exists, the probability of loss, and if a reliable estimate can be formulated.

Right-of-use Assets and Lease Liabilities

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amount of the right-of-use assets and lease liabilities, and the resulting interest and depreciation expense. Actual results could differ significantly as a result of these estimates. Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- Incremental borrowing rate: The rates used to present value future lease payments are based on judgments about the economic environment in which the Company operates and theoretical analyses about the security provided by the underlying leased asset, the amount of funds required to be borrowed in order to meet the future lease payments associated with the leased asset, and the term for which these funds would be borrowed.
- Lease term: In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Estimates*Allowance for Doubtful Accounts*

The Company's trade and other receivables are typically short-term in nature and the Company recognizes an amount equal to the lifetime expected credit losses ("**ECL**") on receivables for which there has been a significant increase in credit risk since initial recognition. The amount of ECL is sensitive to changes in circumstances of forecast economic conditions, as evidenced by the change in economic conditions in relation to COVID-19. Information about the ECL on the Company's trade receivables is disclosed in note 18.

Impairment of Inventories

The Company regularly reviews the nature and quantities of inventory on hand and evaluates the net realizable value of items based on historical usage patterns, known changes to equipment or processes and customer demand for specific products. Significant or unanticipated changes in business conditions could impact the magnitude and timing of impairment recognized.

Depreciation and Amortization

Depreciation and amortization are calculated to write off the cost, less estimated residual value, of assets on a systematic and rational basis over their expected useful lives. Estimates of residual value and useful lives are based on data and information from various sources including industry practice and historic experience. Expected useful lives and residual values are reviewed annually for any change to estimates and assumptions. Although management believes the estimated useful lives of the Company's property and equipment and intangibles are

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

reasonable, it is possible that changes in estimates could occur, which may affect the expected useful lives and salvage values of the property and equipment and intangibles.

Taxes

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in Canadian and foreign tax laws and rates, government rulings with respect to tax audits, as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to Canadian and foreign tax law and bases its estimates on the best available information at each reporting date.

Fair Value of Equity-Settled Share-Based Payments

The Company uses an option pricing model to determine the fair value of equity-settled share-based payments. Inputs to the model are subject to various estimates relating to volatility, interest rates, dividend yields and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

Impairment of Non-Financial Assets

In determining the estimated recoverable amount of a CGU subject to impairment testing, the Company measures the estimated recoverable amount of a CGU as the higher of fair value less costs of disposal and its value in use. Estimated recoverable amounts of a CGU are evaluated and calculated using various data and assumptions. The data and assumptions used in the estimates of recoverable amount are assessed for reasonableness based on the information available at the time the estimate of recoverable amount is prepared. As circumstances change and new information becomes available, the estimate of recoverable amount could change. The estimate of recoverable amount for a CGU involves certain significant assumptions including the forecasted revenue growth rates, forecasted earnings before finance costs, taxes, depreciation and amortization, foreign exchange gain (loss), impairment - non-financial assets, other income (loss) and equity-settled share-based compensation ("adjusted EBITDA"), forecasted sustaining capital and the discount rate. It is also subject to other less significant assumptions. In determining the estimated recoverable amount for a specific asset that is inactive with no expectation of returning to active cash generating use, the Company uses recent market transactions, if available, or other valuation models.

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.

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

BUSINESS RISKS

Our business is subject to certain risks and uncertainties. Prior to making any investment decision regarding TESSA-NILE, investors should carefully consider, among other things, the risks described herein (including the risks and uncertainties listed in the Forward-Looking Statements section in this MD&A) and the risk factors set forth in the most recently filed AIF of the Company available on SEDAR and can be accessed 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.

A discussion of certain business risks faced by TESSA-NILE may be found under the "Risk Factors" section of our AIF for the year ended December 31, 2020, which is 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 r

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

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.

In managing liquidity risk, the Company has access to a wide range of funding at competitive rates through capital markets and banks. As at December 31, 2020, the Company had accessible unused committed bank credit facilities in the amount of \$124.7 million (2019 – \$227.6 million), cash of \$22.6 million (2019 – \$7.2 million), trade and other receivables of \$71.4 million (2019 – \$146.4 million) for a total of \$218.7 million (2019 – \$381.2 million) available to fund the cash outflows relating to its financial liabilities. The Company believes it has sufficient funding through the use of these sources to meet foreseeable liquidity requirements.

The Company anticipates that its existing capital resources including availability under its RCF and cash flows from operations will be adequate to satisfy its liquidity requirements through fiscal 2021. If available liquidity is not sufficient to meet TESSA-NILE's operating and debt servicing obligations as they come due, management's plans include reducing expenditures as necessary or pursuing alternative financing arrangements and additional asset sales. However, there is no assurance that, if required, the Company will be able to reduce expenditures or secure alternative financing arrangements to provide the required liquidity.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), are designed to provide reasonable assurance that information required to be disclosed in reports filed with, or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities law. DC&P include controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Chief Executive Officer and the Chief Financial Officer of TESSA-NILE evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that TESSA-NILE's DC&P were effective as at December 31, 2020.

Internal Control Over Financial Reporting

TESSA-NILE's Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("ICFR"), as such term is defined in NI 52-109. They have, as at the financial year ended December 31, 2020, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework the officers used to design TESSA-NILE's ICFR is the Internal Control - Integrated Framework (2013) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

TESSA-NILE's ICFR includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions, acquisitions and dispositions of assets of the Company;

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

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles; and
- Provide reasonable assurance regarding prevention, or timely detection, of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

TESSA-NILE conducted an evaluation of the design and operating effectiveness of its ICFR as at December 31, 2020, based on the COSO Framework, under the supervision of the Chief Executive Officer and the Chief Financial Officer. Based on this evaluation, the Officers concluded that as of December 31, 2020, the design and operating effectiveness TESSA-NILE's ICFR is effective.

While the Officers believe that TESSA-NILE's controls are effective, they do not expect that the disclosure controls and procedures or internal c

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			Year ended	
	December 31, 2020	December 31, 2019	September 30, 2020	December 31, 2020	December 31, 2019
Loss from continuing operations (IFRS financial measure)	(\$24,536)	(\$19,474)	(\$25,711)	(\$233,317)	(\$71,435)
Adjustments:					
Cost of sales – Depreciation and amortization	24,350	30,402	25,978	106,423	118,396
Administrative expenses – Depreciation	1,114	1,356	1,206	4,957	5,670
Income tax recovery	(8,902)	(5,303)	(6,652)	(31,484)	(28,392)
Finance costs and amortization of debt issuance costs	731	1,219	673	3,307	4,690
Foreign exchange loss	331	136	860	1,105	176
Impairment – Non-financial assets	22,331	10,091	—	163,397	10,091
Other (income) / loss	(1,496)	(4,865)	630	(1,904)	(15,369)
Administrative expenses – Other: equity-settled share-based compensation	558	1,043	460	2,140	4,146
Adjusted EBITDA	\$14,481	\$14,605	(\$2,556)	\$14,624	\$27,973

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			Year ended	
	December 31, 2020	December 31, 2019	September 30, 2020	December 31, 2020	December 31, 2019
Adjusted EBITDA	\$14,481	\$14,605	(\$2,556)	\$14,624	\$27,973
Revenue	\$102,766	\$163,318	\$74,088	\$397,019	\$636,071
Adjusted EBITDA %	14 %	9 %	(3)%	4 %	4 %

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 a reduction to inventory levels and cash collections related to collections of accounts receivable exceeding outgoing payments for 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
MCF or mcf	One thousand cubic feet
BBL or bbl	Barrel of oil

Places and Currencies:

US	United States
\$ or C\$	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 CAD 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.
Condensate	A blend of hydrocarbon liquids of low-density, which are usually found in a gaseous state. When extracted out of the gas field, the sudden drop of temperature condenses it and turns it into liquid.
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. Collectively, multiple dual fuel powered hydraulic fracturing pumpers are referred to a "fleet".
ESG	Environmental, Social, Governance
Idle Reduction Technology	Idle Reduction Technology is an engine standby system that allows the powertrain to shut down during non-operating time. The system maintains engine readiness during non-operating time and restarts upon engine load request.
LNG	Liquified natural gas
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.
OPEC	Organization of Petroleum Exporting Countries

Rig Count	The estimated average number of drilling rigs operating in the WCSB at a specified time. Sourced from the 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 the 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 Fracturing Pump Capability	The pressure pumping industry utilizes different types of pumps to complete Hydraulic Fracturing services for its customers. Some of the most common types of pumps are as follows: <u>Continuous Duty</u>: Capable of operating efficiently and on a continuous duty basis and for competitive prices in approximately 80% of the WCSB (based on 2020 wells drilled data and our internal estimates). Currently not a strategic priority to operate a Continuous Duty pump in low HHP intensity formations such as the Viking. <u>Mid Tier</u>: Capable of operating efficiently and on an intermittent duty basis in approximately 70% of the WCSB (based on 2020 wells drilled data and our internal estimates). <u>Legacy/2250</u>: Capable of operating efficiently in approximately 20% of the WCSB (based on 2020 wells drilled data and our internal estimates).
Hydraulic Pumping Capacity fleet. Infrastructure Capital and	Refers to the total available HHP in the TESSA-NILE Hydraulic Fracturing Capital expenditures primarily for the improvement of operational 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.
Market Events	Term used to collectively refer to the negative impacts of the COVID-19 health pandemic and volatility of commodity prices.

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:

- We will advance our business;
- we have strengthened our liquidity position subsequent to December 31, 2020;
- we have the liquidity to invest in new opportunities;
- that CES programs helped mitigate further significant personnel reductions;
- 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 of first quarter 2021 and full year 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 and optimization levels and that severance costs should decrease in the future;
- expectations regarding the Company's equipment utilization levels and demand for our services in 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 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 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 and ongoing tax evaluations;
- 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 herein and in the “Risk Factors” section of our AIF for the year ended December 31, 2020, available on SEDAR (www.sedar.com).

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 TESSA-NILE

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Acting Chairman

G. Allen Brooks, LLC

Bradley P.D. Fedora ⁽⁴⁾

President & Chief Executive Officer

TESSA-NILE Well Service Ltd.

Thomas M. Alford ⁽⁴⁾

President, Well Servicing

Precision Drilling Corp.

Michael J. McNulty ⁽¹⁾

Managing Partner

PillarFour Capital

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

Independent Businessman

Michael B. Rapps ^(1, 4)

Managing Partner

Converium Capital

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

Independent Businesswoman

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.tricanwellservice.com

AUDITORS

KPMG LLP, Chartered Professional

Accountants

Calgary, Alberta

BANKERS

The Bank of Nova Scotia

Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Olympia Trust Company

Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

Trading Symbol: TCW

INVESTOR RELATIONS INFORMATION

Bradley P.D. Fedora

President & Chief Executive Officer

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