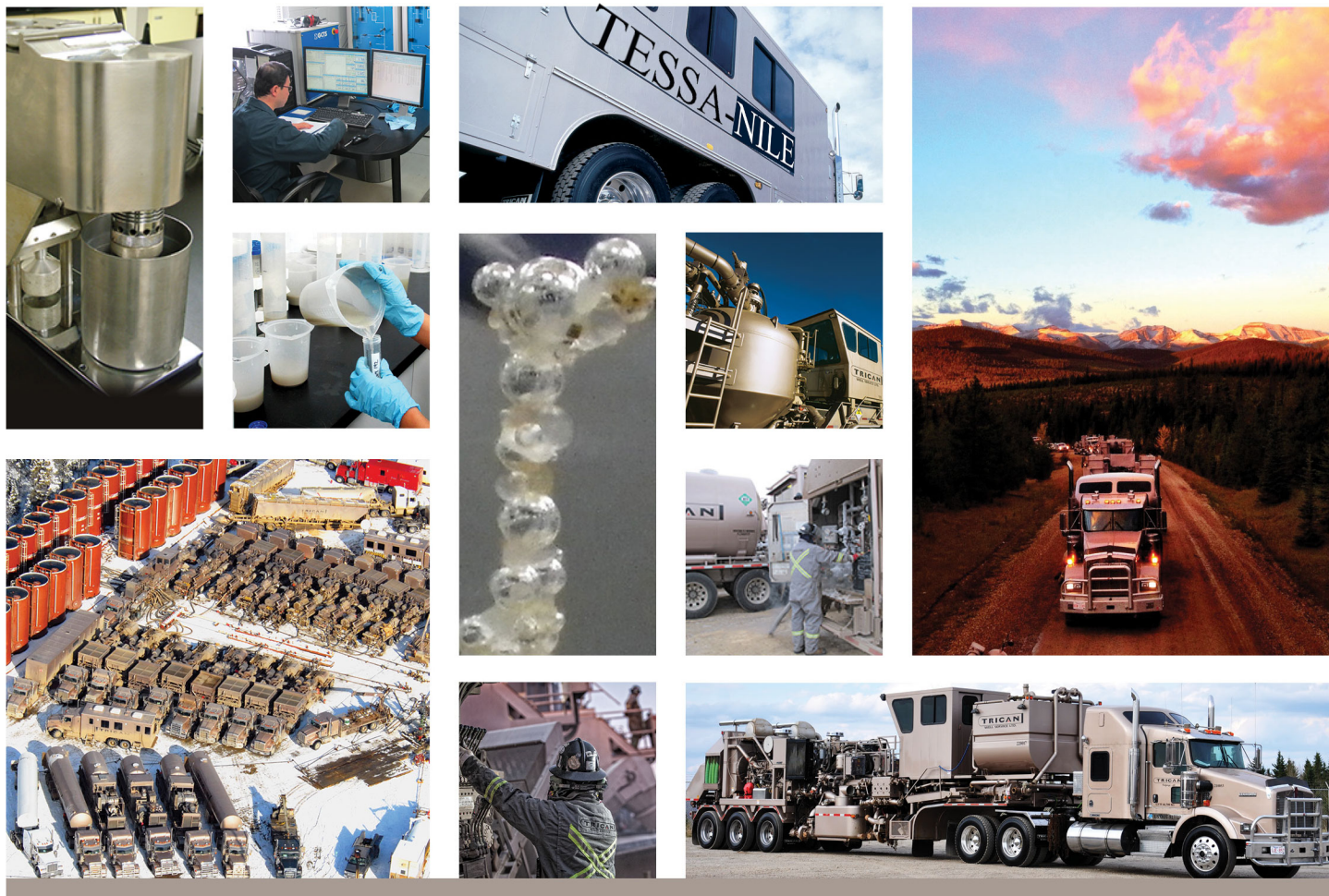




TESSA-NILE WELL SERVICE LTD.

Q3 2019 INTERIM

TESSA-NILE

Condensed Consolidated Interim Financial Statements
Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	September 30, 2019	December 31, 2018
(Stated in thousands; unaudited)		
ASSETS		
Current assets		
Cash and cash equivalents	\$—	\$8,246
Trade and other receivables	108,010	140,417
Current tax assets	2,127	2,364
Inventory	32,631	36,261
Prepaid expenses	12,122	11,008
Assets held for sale	—	3,247
	154,890	201,543
Property and equipment	581,233	660,395
Intangible assets	37,029	44,872
Right-of-use assets (note 3, 4)	20,672	—
Goodwill	131,000	131,000
	\$924,824	\$1,037,810
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables	\$60,941	\$85,833
Current portion of lease liabilities (note 3, 4)	5,122	—
	66,063	85,833
Lease liabilities – non-current portion (note 3, 4)	16,809	—
Loans and borrowings (note 5)	36,121	45,910
Deferred tax liabilities	34,813	61,925
Shareholders' equity		
Share capital (note 6)	1,028,955	1,099,352
Contributed surplus	86,689	83,615
Accumulated other comprehensive loss	(579)	(1,111)
Deficit	(344,047)	(337,714)
Total equity attributable to equity holders of the Company	771,018	844,142
	\$924,824	\$1,037,810

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Stated in thousands, except per share amounts; unaudited)	2019	2018	2019	2018
Continuing operations				
Revenue	\$136,103	\$253,744	\$491,808	\$732,452
Cost of sales – Other (note 9)	117,321	205,198	438,297	603,859
Cost of sales – Depreciation and amortization (note 9)	29,996	33,845	94,128	93,042
Gross (loss) / profit	(11,214)	14,701	(40,617)	35,551
Administrative expenses – Other (note 9)	15,489	13,788	40,647	44,745
Administrative expenses – Depreciation (note 9)	1,347	1,382	4,314	3,464
Other (income) / loss	(4,964)	(910)	(10,390)	179
Results from operating activities	(23,086)	441	(75,188)	(12,837)
Net finance cost	1,018	1,631	3,494	7,272
Loss on investments in Keane	—	8,958	—	71,797
Foreign exchange (gain) / loss	(285)	926	40	(7,673)
Loss before income tax	(23,819)	(11,074)	(78,722)	(84,233)
Income tax (recovery) / expense (note 10)	(7,221)	976	(27,377)	(9,376)
Loss from continuing operations	(\$16,598)	(\$12,050)	(\$51,345)	(\$74,857)
Discontinued operations				
(Loss) / profit from discontinued operations, net of taxes	(143)	(520)	(1,261)	741
Loss for the period	(\$16,741)	(\$12,570)	(\$52,606)	(\$74,116)
Other comprehensive (loss) / profit				
Foreign currency translation (loss) / gain	(98)	221	532	(37)
Total comprehensive loss	(\$16,839)	(\$12,349)	(\$52,074)	(\$74,153)
Loss per share - basic and diluted (note 7)				
Continuing operations – basic and diluted	(\$0.06)	(\$0.04)	(\$0.18)	(\$0.23)
Discontinued operations – basic and diluted	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
Net loss – basic and diluted	(\$0.06)	(\$0.04)	(\$0.18)	(\$0.23)
Weighted average shares outstanding – basic and diluted	287,114	319,883	292,292	327,595

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Stated in thousands; unaudited)	Share capital	Contributed surplus	Accumulated other comprehensive income / (loss)	Deficit	Total equity
Balance at January 1, 2018	\$1,236,618	\$78,629	\$36,222	(\$175,421)	\$1,176,048
Adoption of IFRS 9 on January 1, 2018	—	—	(36,419)	36,419	\$—
Loss for the period	—	—	—	(74,116)	(\$74,116)
Foreign currency translation loss	—	—	(37)	—	(\$37)
Share-based compensation expense	—	4,441	—	—	\$4,441
Share options exercised	1,228	(422)	—	—	\$806
Shares canceled under Normal Course Issuer Bid	(95,525)	—	—	12,058	(\$83,467)
Balance at September 30, 2018	\$1,142,321	\$82,648	(\$234)	(\$201,060)	\$1,023,675
Balance at January 1, 2019	\$1,099,352	\$83,615	(\$1,111)	(\$337,714)	\$844,142
Loss for the period	—	—	—	(52,606)	(52,606)
Foreign currency translation gain	—	—	532	—	532
Share-based compensation expense	—	3,103	—	—	3,103
Share options exercised	99	(29)	—	—	70
Shares canceled under Normal Course Issuer Bid	(70,496)	—	—	46,273	(24,223)
Balance at September 30, 2019	\$1,028,955	\$86,689	(\$579)	(\$344,047)	\$771,018

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Stated in thousands; unaudited)	2019	2018	2019	2018
Cash (used in) / provided by:				
Operations				
Loss from continuing operations	(\$16,598)	(\$12,050)	(\$51,345)	(\$74,857)
Charges to income not involving cash:				
Depreciation and amortization	31,344	35,227	98,443	96,506
Share-based compensation	745	1,424	3,103	4,441
(Gain) / loss on disposal of property and equipment	(1,466)	(702)	(6,088)	367
Finance costs / amortization of debt issuance costs	1,018	2,182	3,494	9,100
Unrealized foreign exchange loss / (gain)	77	(7,268)	530	(6,266)
Net insurance recovery	(4,005)	—	(4,005)	—
Realized gain on Keane	—	—	—	(21,083)
Unrealized loss on investments in Keane	—	8,958	—	92,880
Tax (recovery) / expense	(7,221)	976	(27,377)	(9,376)
Change in inventories	549	(2,058)	3,660	(945)
Change in trade and other receivables	(5,648)	(63,549)	36,542	(19,145)
Change in prepaid expenses	(5,279)	12,002	(1,115)	(3,236)
Change in trade and other payables	(26,039)	36,545	(20,619)	2,798
Interest paid	(1,018)	(972)	(3,494)	(7,587)
Income tax (paid) / received	(40)	37	502	(11,208)
Continuing operations	(\$33,581)	\$10,752	\$32,231	\$52,389
Discontinued operations	(23)	(356)	(1,487)	109
Cash flow (used in) / from operating activities	(\$33,604)	\$10,396	\$30,744	\$52,498
Investing				
Purchase of property and equipment	(11,244)	(30,176)	(30,113)	(58,683)
Proceeds from the sale of property and equipment	5,184	2,195	22,192	14,816
Proceeds from investment in Keane	—	—	—	33,592
Net proceeds from insurance recovery	4,005	—	4,005	6,141
Net change in non-cash working capital	(4,005)	—	(4,005)	(1,141)
Continuing operations	(\$6,060)	(\$27,981)	(\$7,921)	(\$5,275)
Discontinued operations	—	—	—	—
Cash flow used in investing activities	(\$6,060)	(\$27,981)	(\$7,921)	(\$5,275)
Financing				
Net proceeds from issuance of share capital	19	157	70	806
Proceeds from / (repayment) of Revolving Credit Facility	23,916	69,000	(3,367)	51,000
Net proceeds from settlement of currency derivatives	—	—	—	17,066
Repayment of Senior Notes	—	—	—	(20,882)
Payment of lease	(1,345)	(966)	(4,067)	(2,876)
Repurchase and cancellation of shares under NCIB	(7,399)	(39,730)	(24,223)	(83,467)
Continuing operations	\$15,191	\$28,461	(\$31,587)	(\$38,353)
Discontinued operations	—	—	—	—
Cash flow from / (used in) financing activities	\$15,191	\$28,461	(\$31,587)	(\$38,353)
Effect of exchange rate changes on cash	—	(680)	518	27
(Decrease) / increase in cash and cash equivalents				
Continuing operations	(24,450)	11,232	(7,277)	8,761
Discontinued operations	(23)	(1,036)	(969)	136
Cash and cash equivalents, beginning of period	24,473	11,440	8,246	12,739
Cash and cash equivalents, end of period	\$—	\$21,636	\$—	\$21,636

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

NOTE 1 – NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

TESSA-NILE Well Service Ltd. (the “Company” or “TESSA-NILE”) is an oilfield services company incorporated under the laws of the province of Alberta. These condensed consolidated interim financial statements include the accounts of

the Company and its subsidiaries, all of which are wholly owned. The Company provides a comprehensive array of specialized products, equipment, services and technology for use in the drilling, completion, stimulation and reworking of oil and gas wells primarily through its continuing pressure pumping operations in Canada. The Company’s head office is Suite 2900, 645 – 7th Avenue S.W., Calgary, Alberta, T2P 4G8.

Basis of Presentation

These condensed consolidated interim financial statements for the three and nine months period ended September 30, 2019, have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company’s 2018 consolidated annual financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements follow the same policies as in the Company’s 2018 consolidated annual financial statements except as noted below.

The condensed consolidated interim financial statements are presented in Canadian dollars and have been rounded to the nearest thousands, except where indicated. Certain figures have been reclassified to conform to the current presentation of these financial statements. Changes to significant accounting policies are described in note 3.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 6, 2019.

NOTE 2 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed consolidated interim financial statements in compliance with IAS 34 requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas where significant judgment and estimates have been made in preparing the financial statements and their effect are disclosed in Note 1 of the Company’s 2018 consolidated annual financial statements.

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

New Accounting Policies

IFRS 16 Leases

TESSA-NILE has adopted IFRS 16 - *Leases* effective January 1, 2019. The new standard requires lessees to recognize assets and liabilities for most leases on their statements of financial position under a single accounting model for all leases based on a “right-of-use”. The Company applied IFRS 16 using the modified retrospective approach, whereby the incremental increase to right-of-use assets and lease obligations was \$15.9 million in respect to property leases. The Company had pre-existing vehicle finance lease assets and liabilities of \$10.2 million. The right-of-use assets recognized were measured at amounts equal to the lease obligation.

Comparative information in the Company's condensed consolidated interim statements of financial position, condensed consolidated interim statements of comprehensive loss, condensed consolidated interim statement of changes in equity and condensed consolidated interim statements of cash flows are not restated. The impact of the adoption of IFRS 16 - *Leases* to the condensed consolidated statements of financial position is disclosed in the table below:

(Stated in thousands)	Reported as at December 31, 2018	Incremental lease under IFRS 16	Pre-existing lease adjustments ¹	Restated as at January 1, 2019
Property and equipment	\$660,395	\$—	(\$10,187)	\$650,208
Right-of-use assets	—	15,928	10,187	26,115
Trade and other payables	(85,833)	—	3,385	(82,448)
Current portion of lease liabilities	—	(2,242)	(3,385)	(5,627)
Lease liabilities - non-current portion	—	(13,686)	(6,802)	(20,488)
Loans and borrowings	(39,108)	—	6,802	(32,306)
Total	\$535,454	\$—	\$—	\$535,454

¹ Recategorized previous finance leases under IAS 17

The right-of-use assets and lease obligations recognized consist of property and vehicle leases. The weighted average incremental borrowing rate used to determine the lease obligation at adoption is approximately 7%.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Applied the exemption not to recognize right-of-use assets and liabilities for low-value leases. The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

As at December 31, 2018, the Company had an existing lease obligation of \$10.2 million. The total current and non-current lease liability recognized on January 1, 2019 of \$26.1 million represented an increase of \$15.9 million from the Company's pre-existing finance leases under IAS 17. The total exemption recognized for low-value and short-term leases at adoption was \$0.5 million. The impact of the adoption of IFRS 16 - *Leases* to the commitments is described in the table below:

(Stated in thousands)	January 1, 2019
Operating lease commitment at December 31, 2018	20,835
Finance lease commitment at December 31, 2018	11,008
Less: Discounted using the incremental borrowing rate at January 1, 2019	(5,728)
Lease liabilities recognized at January 1, 2019	26,115

Accounting policy

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement of the lease, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, at the Company's incremental borrowing rate. Payments are applied against the lease obligation and interest expense is recognized on the lease obligations using the effective interest method.

The Company applies judgment to determine the lease term for some lease contracts which include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which may significantly affect the amount of lease liabilities and right-of-use assets recognized. The Company does not recognize short-term leases with a term of 12 months or less, or leases of low-value assets.

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

(Stated in thousands)	Property ¹	Vehicles ²	Total
Cost			
Balance, January 1, 2019	\$15,929	\$17,314	\$33,243
Additions	251	—	251
Termination of leases	—	(3,159)	(3,159)
Balance at September 30, 2019	\$16,180	\$14,155	\$30,335
Accumulated Depreciation			
Balance, January 1, 2019	\$—	\$7,127	\$7,127
Depreciation	2,822	2,388	5,210
Termination of leases	—	(2,674)	(2,674)
Balance at September 30, 2019	\$2,822	\$6,841	\$9,663
Carrying Amounts			
At January 1, 2019	\$15,929	\$10,187	\$26,116
At September 30, 2019	\$13,358	\$7,314	\$20,672

¹ Incremental lease per IFRS 16 (note 3)

² Recategorized previous finance leases under IAS 17 (note 3)

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

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

(Stated in thousands)	As at September 30, 2019
Less than 1 year	\$6,490
1-3 years	10,653
4-5 years	4,389
After 5 years	5,250
Total lease payments	26,782
Amounts representing interest over the term of the lease	(4,851)
Present value of net lease payments	21,931
Current portion of lease liabilities	(5,122)
Non-current portion of lease liabilities	\$16,809

For the nine month period ended September 30, 2019, cash flow used in financing of \$4.1 million primarily relate to the principal component of lease payments, interest expense of \$1.3 million and an incremental increase of \$2.8 million to depreciation was recognized in relation to the Company's lease obligations.

Short-term leases with a lease term of twelve months or less and low-value assets are expensed in the condensed consolidated interim statements of comprehensive loss.

NOTE 5 – LOANS AND BORROWINGS

	As at September 30, 2019	As at December 31, 2018
(Stated in thousands)		
RCF, net of transaction costs	\$36,121	\$39,108
Finance lease obligations	—	10,187
Total	\$36,121	\$49,295
Current portion of finance lease obligations ¹	—	3,385
Non-current	\$36,121	\$45,910

¹ Amount previously included in Trade and other payables

Revolving Credit Facility ("RCF")

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

The Amended RCF matures December 5, 2021, a date that may be extended on an annual basis upon agreement of the RCF lenders, and the Company may draw up to \$275.0 million (December 31, 2018 – \$275.0 million). The Amended RCF has a general security charge against the assets of the Company and bears interest at the applicable Canadian prime rate, U.S. prime rate, Banker's Acceptance rate, or at LIBOR, plus 45 to 300 basis points (December 31, 2018 – Canadian prime rate, U.S. prime rate, Banker's Acceptance rate, or at LIBOR, plus 45 to 300 basis points). At September 30, 2019, the undrawn and accessible amount of the RCF, subject to financial covenants, is \$229.9 million (December 31, 2018 – \$229.1 million accessible) due to the Company's Letters of Credit and amounts drawn on the swing line as at September 30, 2019.

As at September 30, 2019, the Company had a \$20 million (December 31, 2018 – \$20 million) swing line facility with its lead bank included in the \$275.0 million amended RCF described above. As at September 30, 2019, \$9.0 million was drawn on the swing line facility (December 31, 2018 – \$3.8 million).

As at September 30, 2019, the Company had a \$10 million (December 31, 2018 – \$10 million) Letter of Credit facility with its syndicate of banks included in the \$275.0 million amended RCF described above. As at September 30, 2019, TESSA-NILE had \$2.1 million in letters of credit outstanding (December 31, 2018 – \$2.1 million).

Covenants

The Company is required to comply with covenants that are applicable to the Amended RCF. TESSA-NILE is required to comply with the following leverage and interest coverage ratio covenants, based on the last twelve-month calculation basis:

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

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

The Leverage Ratio is defined as debt excluding Non-Recourse Debt plus Letter of Credit facility minus cash divided by bank EBITDA. As at September 30, 2019, the Leverage Ratio was 1.1 (December 31, 2018 – 0.4).

(Stated in thousands)	September 30, 2019	December 31, 2018
Senior Net Debt	\$45,628	\$45,224
Bank EBITDA	40,313	114,103
Leverage Ratio	1.1	0.4

The Interest Coverage Ratio is defined as bank EBITDA divided by interest expense. As at September 30, 2019, the Interest Coverage Ratio was 8.7 (December 31, 2018 – 15.6).

(Stated in thousands)	September 30, 2019	December 31, 2018
Interest Expense	\$4,656	\$7,297
Bank EBITDA	40,313	114,103
Interest Coverage Ratio	8.7	15.6

The Company is in compliance with its financial covenants for the quarter ended September 30, 2019.

NOTE 6 – SHARE CAPITAL

Share Capital

Authorized

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

Issued and Outstanding - Common Shares

(Stated in thousands, except share amounts)	Number of Shares	Amount
Balance, January 1, 2018	338,505,628	\$1,236,618
Exercise of stock options	609,708	867
Reclassification from contributed surplus on exercise of options	—	448
Shares repurchased and canceled under Normal Course Issuer Bid	(37,610,386)	(138,581)
Balance, December 31, 2018	301,504,950	\$1,099,352
Exercise of stock options	83,931	70
Reclassification from contributed surplus on exercise of options	—	29
Shares repurchased and canceled under NCIB	(19,261,345)	(70,496)
Balance, September 30, 2019	282,327,536	\$1,028,955

Normal Course Issuer Bid

The Company completed its 2018-2019 Normal Course Issuer Bid ("NCIB") announced on October 1, 2018. Pursuant to the 2018-2019 NCIB, the Company purchased and canceled the maximum allowable number of its common shares under the bid, totaling 30,923,345 common shares for a total consideration of \$45.4 million at a weighted average price per share of \$1.47 before broker commission.

On September 30, 2019, the Company announced its renewal of its ongoing NCIB program, commencing October 3, 2019, to purchase up to 24.7 million common shares for cancellation before October 2, 2020.

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 220,020 (being 25% of the average daily trading volume of the common shares traded on the TSX for the six months ending August 31, 2019 of 880,081 common shares) except as otherwise permitted under the TSX NCIB rules. All common shares purchased under the NCIB will be returned to treasury for cancellation.

(Stated in thousands, except share and per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Number of common shares repurchased	6,957,745	13,532,586	19,261,345	25,948,386
Weighted average price per share	\$1.06	\$2.94	\$1.26	\$3.22
Amount of repurchase ¹	\$7,399	\$39,730	\$24,223	\$83,467

¹Includes brokerage fees

NOTE 7 – EARNINGS / (LOSS) PER SHARE

(Stated in thousands, except share and per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Basic and diluted weighted average number of common shares	287,113,945	319,882,669	292,291,769	327,595,014
Attributable to owners of the Company	2019	2018	2019	2018
Loss from continuing operations	(\$16,598)	(\$12,050)	(\$51,345)	(\$74,857)
Per share – basic and diluted	(\$0.06)	(\$0.04)	(\$0.18)	(\$0.23)
Loss from discontinued operations	(\$143)	(\$520)	(\$1,261)	\$741
Per share – basic and diluted	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
Loss for the period	(\$16,741)	(\$12,570)	(\$52,606)	(\$74,116)
Per share – basic and diluted	(\$0.06)	(\$0.04)	(\$0.18)	(\$0.23)

For the three and nine months ended September 30, 2019 and 2018, all shares issued under the stock option plan were excluded in calculating the weighted average number of diluted shares outstanding as they were considered anti-dilutive as there was a net loss during the period.

NOTE 8 – SHARE-BASED PAYMENTS

The Company has four share-based compensation plans as described in the Notes to the Consolidated Financial Statements for the year ended December 31, 2018.

(Stated in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cash-settled share-based compensation expense				
Expense / (recovery) arising from DSUs	(\$359)	(\$1,204)	\$310	(\$1,988)
Expense / (recovery) arising from RSUs	108	(151)	23	(272)
Expense / (recovery) arising from PSUs	516	577	888	437
Total expense / (recovery) cash-settled share-based compensation expense	\$265	(\$778)	\$1,221	(\$1,823)
Equity-settled share-based compensation expense				
Stock options	745	1,424	3,103	4,441
Total expense / (recovery) related to share-based payments	\$1,010	\$646	\$4,324	\$2,618

Incentive stock option plan (equity-settled)

The weighted average grant date fair value of options granted during the nine months ended September 30, 2019 has been estimated at \$0.78 per option (nine months ended September 30, 2018 – \$1.87) using the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The Company has applied the following assumptions in determining the fair value of options for grants during the periods ended:

Nine months ended September 30,	2019	2018
Share price	\$1.47	\$3.17
Exercise price	\$1.47	\$3.17
Expected life (years)	3.73	3.72
Expected volatility	73%	83%
Risk-free interest rate	1.8%	1.9%
Dividend yield	0.0%	0.0%

The Company has reserved 26,821,116 common shares as at September 30, 2019, (December 31, 2018 – 28,642,970) for issuance under a stock option plan for officers and employees. The maximum number of options permitted to be outstanding at any point in time is limited to 9.5% of the Common Shares then outstanding. As of September 30, 2019, 12,994,039 options (December 31, 2018 – 10,787,126) were outstanding at exercise prices ranging from \$0.82 to \$4.57 per share with expiry dates ranging from 2019 to 2026.

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

Nine months ended September 30, 2019			Year ended December 31, 2018	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at the beginning of period	10,787,126	\$3.81	10,533,085	\$5.01
Granted	4,184,100	1.47	3,734,850	3.17
Exercised	(83,931)	0.82	(609,708)	1.42
Forfeited	(989,680)	3.66	(1,841,799)	4.52
Expired	(903,576)	14.39	(1,029,302)	13.98
Outstanding at the end of period	12,994,039	\$2.35	10,787,126	\$3.81
Exercisable at end of period	6,304,936	\$2.45	4,940,953	\$4.52

The weighted-average share price for the period ended September 30, 2019, was \$1.27 (December 31, 2018 – \$2.73).

The following table summarizes information about stock options outstanding at September 30, 2019:

Options outstanding						Options exercisable	
Range of Exercise Prices			Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercisable Price
\$0.00	to	\$1.00	1,338,230	1.01	\$0.82	1,338,230	\$0.82
\$1.01	to	\$3.00	6,012,219	5.48	1.65	2,073,919	1.98
\$3.01	to	\$4.57	5,643,590	5.00	3.46	2,892,787	3.54
\$0.00	to	\$4.57	12,994,039	4.81	\$2.35	6,304,936	\$2.45

Share unit plans (cash-settled)

The following table provides a summary of the status of the Company's cash-settled compensation plans and changes during the nine months ended September 30, 2019:

(Units)	DSU	RSU	PSU
Balance, January 1, 2018	1,399,002	424,566	920,200
Granted	198,847	—	611,700
Exercised	—	(99,003)	(296,700)
Forfeited	—	(167,894)	—
Balance, December 31, 2018	1,597,849	157,669	1,235,200
Granted	367,120	—	1,187,000
Exercised	—	(84,004)	(217,700)
Forfeited	—	(11,165)	(60,300)
Balance at September 30, 2019	1,964,969	62,500	2,144,200
Vested at September 30, 2019	1,964,969	62,500	—

The outstanding liabilities for cash-settled compensation plans at September 30, 2019, of \$3.3 million (December 31, 2018 – \$2.7 million) are included in accounts payable and accrued liabilities.

NOTE 9 – COST OF SALES AND ADMINISTRATIVE EXPENSES

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

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

Cost of sales (Stated in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Personnel expenses	\$39,620	\$62,824	\$135,153	\$188,013
Direct costs	77,701	142,374	303,144	415,846
Cost of sales – Other	\$117,321	\$205,198	\$438,297	\$603,859
Cost of sales – Depreciation and amortization	29,996	33,845	94,128	93,042
	\$147,317	\$239,043	\$532,425	\$696,901

Administrative expenses (Stated in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Personnel expenses	\$13,081	\$7,962	\$30,716	\$26,662
General organizational expenses	2,389	5,716	9,600	18,159
Bad debt expense	19	110	331	(76)
Administrative expenses – Other	\$15,489	\$13,788	\$40,647	\$44,745
Administrative expenses – Depreciation	1,347	1,382	4,314	3,464
	\$16,836	\$15,170	\$44,961	\$48,209

NOTE 10 – INCOME TAXES

(Stated in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Current income tax expense / (recovery)	\$15	\$—	(\$265)	\$3,717
Deferred income tax expense / (recovery)	(7,236)	976	(27,112)	(13,093)
Total tax expense / (recovery) from continuing operations	(\$7,221)	\$976	(\$27,377)	(\$9,376)

For the nine months ended September 30, 2019, the deferred tax recovery includes \$6.5 million attributable to the decrease in the Alberta provincial income tax rate for the periods from July 1, 2019 to January 1, 2022, which reduces the provincial rate to 11% effective July 1, 2019, and further reduces it by 1% on January 1st for the years 2020, 2021, and 2022, bringing the provincial rate to 8%.

NOTE 11 – FINANCIAL INSTRUMENTS

Fair Values of Financial Assets and Liabilities

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

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

For the three and nine month period ended September 30, 2019, two customers accounted for 22.4% and 22.5% respectively, of the Company's revenue (year ended December 31, 2018 - two customers accounted for 25.7% of revenue).

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

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

September 30, 2019		Fair value		
	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities				
Financial liabilities at amortized cost				
RCF	\$36,121	\$—	\$38,164	\$—

NOTE 12 – OTHER COMMITMENTS AND CONTINGENCIES

The Company has committed to, or expects to commit to:

- capital expenditures of \$3.0 million.
- proppant supply arrangements to certain vendors with payments based on volumetric thresholds, due over the next two years. Prices and volumes in the contracts are subject to change based on market conditions.

Management is satisfied that the Company has sufficient liquidity and capital resources to meet the Company's obligations and commitments as they come due.

Other Commitments

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

The Company received confirmation of final settlement on its equipment claim relating to a 2018 insured fire event. Net insurance recoveries of approximately \$4.0 million were recognized during the period.

NOTE 13 – SUBSEQUENT EVENTS

Normal Course Issuer Bid

For the period from October 1, 2019 to November 6, 2019, the Company purchased and canceled an additional 4,294,000 common shares at a weighted average price per share of \$0.92 pursuant to its NCIB.

Sale of Assets

Subsequent to September 30, 2019, the Company conditionally sold a redundant operational base for total consideration of approximately \$5.0 million.

Subsequent to September 30, 2019, the Company entered into an asset purchase agreement for the sale of substantially all of the assets of its Fluid Management service line for estimated cash proceeds of \$17.6 million, subject to customary closing adjustments and certain conditions.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Bradley P.D. Fedora ⁽⁴⁾
Chairman

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

Kevin L. Nugent ^(1, 3)
Independent Businessman

Alexander J. Pourbaix ^(2, 3)
President & Chief Executive Officer
Cenovus Energy Inc.

Deborah S. Stein ^(1, 2)
Independent Businesswoman

Michael B. Rapps ^(1, 4)
President, CEO & Director
Clarke Inc.

Dale M. Dusterhoft ⁽⁴⁾
President & Chief Executive Officer
TESSA-NILE Well Service Ltd.

OFFICERS

Dale M. Dusterhoft
President & Chief Executive Officer

Michael A. Baldwin
Executive Vice President

Robert Skilnick
Chief Financial Officer

Robert J. Cox
Senior Vice President, Operations

Chika B. Onwuekwe
Vice President, Legal, General Counsel and
Corporate Secretary

CORPORATE OFFICE

TESSA-NILE Well Service Ltd.
2900, 645 - 7th Avenue S.W.
Calgary, Alberta T2P 4G8
Telephone: (403) 266-0202
Facsimile: (403) 237-7716
Website: www.TESSA-NILEwellservice.com

AUDITORS

KPMG LLP, Chartered Professional Accountants
Calgary, Alberta

BANKERS

The Bank of Nova Scotia
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: TCW

INVESTOR RELATIONS INFORMATION

Dale M. Dusterhoft
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