



## TESSA-NILE LTD

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Condensed Consolidated Interim Financial Statements  
Three and Six Months Ended June 30, 2022 and 2021  
(Unaudited)

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Stated in thousands; unaudited)	As at June 30, 2022	As at December 31, 2021
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$58,295	\$29,510
Trade and other receivables	156,434	127,793
Current tax assets	—	974
Inventory	20,353	19,041
Prepaid expenses	5,203	4,021
	<b>240,285</b>	<b>181,339</b>
Property and equipment	376,037	376,337
Intangible assets	8,272	13,501
Right-of-use assets	8,172	6,662
	<b>\$632,766</b>	<b>\$577,839</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Trade and other payables	\$93,077	\$75,167
Current portion of loans and borrowings (note 3)	29,769	—
Current portion of lease liabilities	2,437	2,414
	<b>125,283</b>	<b>77,581</b>
Lease liabilities	9,454	7,906
Deferred tax liabilities	7,017	1,603
Share-based compensation liabilities (note 6)	2,257	1,349
Shareholders' equity		
Share capital (note 4)	880,872	893,848
Contributed surplus	85,489	87,796
Deficit	(477,606)	(492,244)
Total equity	<b>488,755</b>	<b>489,400</b>
	<b>\$632,766</b>	<b>\$577,839</b>

See accompanying notes to the condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE PROFIT / (LOSS)

	Three months ended June 30,		Six months ended June 30,	
(Stated in thousands, except per share amounts; unaudited)	2022	2021	2022	2021
<b>Continuing operations</b>				
Revenue	\$152,636	\$93,654	\$371,547	\$241,641
Cost of sales (note 7)	123,172	72,800	293,218	186,520
Cost of sales – depreciation and amortization (note 7)	17,905	21,056	37,419	44,146
<b>Gross profit / (loss)</b>	<b>11,559</b>	<b>(202)</b>	<b>40,910</b>	<b>10,975</b>
Administrative expenses (note 7)	10,503	7,116	20,841	14,868
Administrative expenses – depreciation (note 7)	796	953	1,676	2,016
Other income	(2,437)	(409)	(2,618)	(305)
<b>Results from operating activities</b>	<b>2,697</b>	<b>(7,862)</b>	<b>21,011</b>	<b>(5,604)</b>
Finance cost	680	486	1,017	1,023
Foreign exchange (gain) / loss	(93)	67	(224)	42
<b>Profit / (loss) before income tax</b>	<b>2,110</b>	<b>(8,415)</b>	<b>20,218</b>	<b>(6,669)</b>
Income tax expense (note 8)	643	3	5,414	77
<b>Profit / (loss) from continuing operations</b>	<b>\$1,467</b>	<b>(\$8,418)</b>	<b>\$14,804</b>	<b>(\$6,746)</b>
<b>Discontinued operations</b>				
Profit from discontinued operations, net of taxes	—	108	—	4,361
<b>Profit / (loss) for the period</b>	<b>\$1,467</b>	<b>(\$8,310)</b>	<b>\$14,804</b>	<b>(\$2,385)</b>
<b>Other comprehensive profit</b>				
Foreign currency translation gain	—	82	—	142
<b>Total comprehensive profit / (loss)</b>	<b>\$1,467</b>	<b>(\$8,228)</b>	<b>\$14,804</b>	<b>(\$2,243)</b>
<b>Earnings / (loss) per share – basic and diluted (note 5)</b>				
Continuing operations – basic and diluted	\$0.01	(\$0.03)	\$0.06	(\$0.03)
Discontinued operations – basic and diluted	\$0.00	\$0.00	\$0.00	\$0.02
Net profit / (loss) – basic and diluted	\$0.01	(\$0.03)	\$0.06	(\$0.01)
Weighted average shares outstanding – basic	245,734	255,422	246,508	255,366
Weighted average shares outstanding – diluted	251,529	255,422	252,294	255,366

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	Deficit	Total equity
Balance at January 1, 2021	\$927,994	\$89,393	\$804	(\$520,245)	\$497,946
Loss for the period	—	—	—	(2,385)	(2,385)
Foreign currency translation gain	—	—	142	—	142
Share-based compensation expense	—	1,196	—	—	1,196
Share options exercised	2,171	(741)	—	—	1,430
Shares cancelled under Normal Course Issuer Bid	(3,628)	—	—	1,907	(1,721)
<b>Balance at June 30, 2021</b>	<b>\$926,537</b>	<b>\$89,848</b>	<b>\$946</b>	<b>(\$520,723)</b>	<b>\$496,608</b>
<b>Balance at January 1, 2022</b>	<b>\$893,848</b>	<b>\$87,796</b>	<b>\$—</b>	<b>(\$492,244)</b>	<b>\$489,400</b>
<b>Profit for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>14,804</b>	<b>14,804</b>
<b>Share-based compensation expense</b>	<b>—</b>	<b>697</b>	<b>—</b>	<b>—</b>	<b>697</b>
<b>Share options exercised</b>	<b>6,465</b>	<b>(2,390)</b>	<b>—</b>	<b>—</b>	<b>4,075</b>
<b>Shares cancelled under Normal Course Issuer Bid</b>	<b>(19,441)</b>	<b>—</b>	<b>—</b>	<b>(166)</b>	<b>(19,607)</b>
<b>Share-based compensation change in classification from equity-settled to cash-settled</b>	<b>—</b>	<b>(614)</b>	<b>—</b>	<b>—</b>	<b>(614)</b>
<b>Balance at June 30, 2022</b>	<b>\$880,872</b>	<b>\$85,489</b>	<b>\$—</b>	<b>(\$477,606)</b>	<b>\$488,755</b>

See accompanying notes to the condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Three months ended June 30,		Six months ended June 30,	
(Stated in thousands; unaudited)	2022	2021	2022	2021
<b>Cash provided by / (used in):</b>				
<b>Operations</b>				
Profit / (loss) from continuing operations	\$1,467	(\$8,418)	\$14,804	(\$6,746)
Charges to income not involving cash:				
Depreciation and amortization	18,701	22,009	39,095	46,162
Share-based compensation (note 6)	275	444	697	1,196
(Gain) / loss on disposal of property and equipment	(2,283)	134	(2,322)	214
Finance cost	680	486	1,017	1,023
Unrealized foreign exchange (gain) / loss	(71)	(230)	9	(391)
Tax expense	643	3	5,414	77
Change in inventory	(327)	(701)	(1,312)	2,183
Change in trade and other receivables	45,977	40,187	(28,641)	255
Change in prepaid expenses	(2,089)	(819)	(1,182)	561
Change in trade and other payables	(12,702)	(9,685)	23,360	1,035
Interest paid	(656)	(366)	(969)	(806)
Income tax received	—	—	973	—
Continuing operations	\$49,615	\$43,044	\$50,943	\$44,763
Discontinued operations	—	(87)	—	63
Cash flow from operating activities	\$49,615	\$42,957	\$50,943	\$44,826
<b>Investing</b>				
Purchase of property and equipment	(24,722)	(10,153)	(45,815)	(17,012)
Proceeds from the sale of property and equipment	15,124	2,573	16,216	3,507
Net change in non-cash working capital	(604)	(855)	(5,443)	(855)
Continuing operations	(\$10,202)	(\$8,435)	(\$35,042)	(\$14,360)
Proceeds from sale of discontinued operations (net of cash)	—	1,800	—	7,756
Cash flow used in investing activities	(\$10,202)	(\$6,635)	(\$35,042)	(\$6,604)
<b>Financing</b>				
Net proceeds from issuance of share capital on exercise of options	1,470	752	4,075	1,430
Proceeds from Revolving Credit Facility	24,826	—	30,000	—
Payment of leases	(805)	(827)	(1,584)	(1,676)
Repurchase and cancellation of shares under Normal Course Issuer Bid	(10,590)	—	(19,607)	(1,721)
Cash flow from / (used in) financing activities	\$14,901	(\$75)	\$12,884	(\$1,967)
Increase in cash and cash equivalents				
Continuing operations	54,314	34,534	28,785	28,436
Discontinued operations	—	1,713	—	7,819
Cash and cash equivalents, beginning of period	3,981	22,615	29,510	22,607
Cash and cash equivalents, end of period	\$58,295	\$58,862	\$58,295	\$58,862

See accompanying notes to the condensed consolidated interim financial statements.

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# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2022 and 2021

## NOTE 1 – NATURE OF BUSINESS AND BASIS OF PRESENTATION

### **Nature of Business**

TESSA-NILE LTD. (the “Company” or “Trican”) 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.

The Company's operations are influenced by seasonal weather patterns that affect activity levels in the oilfield industry. Historically, the Company's highest activity is in the first, third and fourth quarters and the lowest activity is during spring break up in the second quarter when winter's frost comes out of the ground rendering many secondary roads incapable of supporting heavy loads, resulting in road bans prohibiting transportation of these heavy loads in certain areas. These seasonal trends typically lead to quarterly fluctuations in operating results and working capital requirements, which should be considered in any analysis of performance on a sequential basis.

### **Basis of Presentation**

These condensed consolidated interim financial statements for the three and six months periods ended June 30, 2022 and 2021 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 2021 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 2021 consolidated annual financial statements.

These condensed consolidated interim financial statements are presented in Canadian dollars and have been rounded to the nearest thousands, except where indicated. Certain comparative figures have been reclassified to conform to the current presentation of these financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on July 26, 2022.

## NOTE 2 – CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND NEW POLICIES

The preparation of these 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 2021 consolidated annual financial statements.

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## NOTE 3 – LOANS AND BORROWINGS

(Stated in thousands)	As at June 30,	
	2022	2021
Revolving Credit Facility ("RCF"), net of transaction costs	\$29,769	\$—
<b>Total loans and borrowings</b>	<b>\$29,769</b>	<b>\$—</b>

### Revolving Credit Facility ("RCF")

On December 3, 2021, Trican entered into an agreement with a syndicate of five Canadian banks which amended and extended its RCF.

The RCF matures December 5, 2024, 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, 2021 – \$125.0 million). The RCF also features an uncommitted accordion of \$125.0 million (December 31, 2021 – \$125.0 million), which is accessible subject to approval by the syndicate of lenders. The RCF has a General Security Agreement registered against the assets of the Company and bears interest at the applicable Canadian prime rate, U.S. prime rate, Banker's Acceptance rate, or at SOFR, plus 100 to 350 basis points (December 31, 2021 – Canadian prime rate, U.S. prime rate, Banker's Acceptance rate, or at LIBOR, plus 100 to 350 basis points).

At June 30, 2022, the undrawn and accessible amount of the RCF, subject to financial covenants, was \$94.8 million (December 31, 2021 – \$124.6 million accessible) due to the Company's letters of credit outstanding and amounts drawn on the RCF as at June 30, 2022.

As at June 30, 2022, the Company had available a \$20.0 million (December 31, 2021 – \$20.0 million) swing line facility with its lead bank, which is included within the \$125.0 million borrowing capacity of the RCF described above. As at June 30, 2022, the swing line facility had not been drawn on (December 31, 2021 – nil).

As at June 30, 2022, the Company had available a \$10.0 million (December 31, 2021 – \$10.0 million) Letter of Credit facility with its syndicate of banks which is included within the \$125.0 million borrowing capacity of the RCF described above. As at June 30, 2022, there was \$0.4 million in letters of credit outstanding (December 31, 2021 – \$0.4 million).

The Company was in compliance with its financial covenants at June 30, 2022.

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## NOTE 4 – 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)	<b>Number of Shares</b>	<b>Amount</b>
Balance, January 1, 2021	255,735,611	\$927,994
Exercise of stock options	1,527,868	2,219
Reclassification from contributed surplus on exercise of options	—	1,162
Shares repurchased and cancelled under NCIB	(10,298,811)	(37,527)
Balance, December 31, 2021	246,964,668	\$893,848
<b>Exercise of stock options</b>	<b>2,284,703</b>	<b>4,075</b>
<b>Reclassification from contributed surplus on exercise of options</b>	<b>—</b>	<b>2,390</b>
<b>Shares repurchased and canceled under NCIB</b>	<b>(5,395,585)</b>	<b>(19,441)</b>
<b>Balance, June 30, 2022</b>	<b>243,853,786</b>	<b>\$880,872</b>

#### **Normal Course Issuer Bid**

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

On October 1, 2021, the Company announced the renewal of its NCIB program, commencing October 5, 2021, to purchase up to 24.7 million of its common shares for cancellation before October 4, 2022. At June 30, 2022, the Company has repurchased and cancelled 7,587,596 common shares under the 2021-2022 NCIB program.

All purchases are to be made at the prevailing market price at the time of purchase and are subject to a maximum daily purchase volume of 287,437 (being 25% of the average daily trading volume of the common shares traded on the Toronto Stock Exchange ("TSX") for the six calendar months ending August 31, 2021 of 1,149,750 common shares), except as otherwise permitted under the TSX NCIB rules. All common shares repurchased under the NCIB are returned to treasury for cancellation.

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## NOTE 5 – EARNINGS / (LOSS) PER SHARE

(Stated in thousands, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Basic weighted average number of common shares	245,734,186	255,421,612	246,507,699	255,365,926
Dilutive effect of stock options	5,794,685	—	5,786,366	—
Diluted weighted average number of common shares	251,528,871	255,421,612	252,294,065	255,365,926

Attributable to owners of the Company	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<b>Profit / (loss) from continuing operations</b>	<b>\$1,467</b>	<b>(\$8,418)</b>	<b>\$14,804</b>	<b>(\$6,746)</b>
Per share – basic and diluted	<b>\$0.01</b>	<b>(\$0.03)</b>	<b>\$0.06</b>	<b>(\$0.03)</b>
<b>Profit from discontinued operations</b>	<b>\$—</b>	<b>\$108</b>	<b>\$—</b>	<b>\$4,361</b>
Per share – basic and diluted	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.02</b>
<b>Profit / (loss) for the period</b>	<b>\$1,467</b>	<b>(\$8,310)</b>	<b>\$14,804</b>	<b>(\$2,385)</b>
Per share – basic and diluted	<b>\$0.01</b>	<b>(\$0.03)</b>	<b>\$0.06</b>	<b>(\$0.01)</b>

For the three and six months ended June 30, 2022, 5.8 million options were included in the diluted weighted average number of ordinary shares calculation.

## NOTE 6 – SHARE-BASED PAYMENTS

The Company has four share-based compensation plans which are described in the notes of the Company's 2021 consolidated annual financial statements.

### Incentive Stock Option Plan (equity-settled)

Options may be granted at the discretion of the Board of Directors and all officers and employees of the Company are eligible for participation in the Plan. The option price equals the volume-weighted-average closing price of the Company's shares on the Toronto Stock Exchange for the five trading days preceding the date of grant. Options may not be issued during the Company's internal blackout periods. Options granted vest in three equal tranches on each of the first, second and third anniversary dates with an expiry date of seven years from the date of the grant.

Vested options can be settled in common shares or cash, at the Company's discretion. Participants can elect to receive an amount in cash equal to the increase in the share price of the Company between grant date and the time of exercise less any applicable withholding taxes and deductions. For the three and six months ended June 30, 2022, 1,903,700 stock options were settled in cash. All other options are currently estimated to be settled in common shares of the Company.

The Company has reserved 23,166,110 common shares as at June 30, 2022 (June 30, 2021 – 24,295,581) for issuance under the plan. The maximum number of options permitted to be outstanding at any point in time is limited to 9.5% of the Common Shares then outstanding. As of June 30, 2022, 10,162,112 options (June 30, 2021 – 16,414,548) were outstanding at exercise prices ranging from \$0.57 to \$4.11 per share with expiry dates ranging from 2023 to 2028.

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The following table provides a summary of the status of the Company's equity-settled stock option plan and changes during the six months ended June 30, 2022:

	Six months ended June 30, 2022		Year ended December 31, 2021	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at the beginning of period	13,283,182	\$1.93	15,478,648	\$1.87
Granted	—	—	2,843,900	1.96
Exercised	(2,284,703)	1.80	(1,493,202)	1.45
Forfeited	(507,717)	3.40	(1,592,564)	2.51
Change in classification from equity-settled to cash-settled	(328,650)	—	(1,953,600)	1.35
Outstanding at the end of period	10,162,112	\$1.78	13,283,182	\$1.93
Exercisable at end of period	6,031,475	\$2.04	6,995,401	\$2.41

The following table summarizes information about equity-settled stock options outstanding at June 30, 2022:

Options outstanding						Options exercisable	
Range of Exercise Prices			Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercisable Price
\$0.57	to	\$1.00	1,515,005	4.71	\$0.57	884,617	\$0.57
\$1.01	to	\$3.00	6,601,307	4.94	1.56	3,101,058	1.56
\$3.01	to	\$4.11	2,045,800	2.29	3.42	2,045,800	3.42
\$0.57	to	\$4.11	10,162,112	4.37	\$1.78	6,031,475	\$2.04

## Share Unit Plans (cash-settled)

The following tables provide a summary of the status of the Company's cash-settled compensation plans and changes during the six months ended June 30, 2022:

(Units)	Deferred Share Units	Restricted Share Units	Performance Share Units	Stock Options Cash Settled
Balance at January 1, 2021	1,512,881	426,600	1,034,500	—
Granted	281,058	—	941,000	—
Redeemed for cash	(619,577)	(238,733)	(98,250)	—
Forfeited	(19,331)	—	(354,250)	—
Change in classification from equity-settled to cash-settled	—	—	—	1,953,600
Balance at December 31, 2021	1,155,031	187,867	1,523,000	1,953,600
<b>Granted</b>	<b>151,680</b>	<b>691,338</b>	<b>542,028</b>	<b>—</b>
<b>Redeemed for cash</b>	<b>(435,273)</b>	<b>(93,933)</b>	<b>(291,000)</b>	<b>(1,903,700)</b>
<b>Forfeited</b>	<b>—</b>	<b>(750)</b>	<b>—</b>	<b>(378,550)</b>
<b>Change in classification from equity-settled to cash-settled</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>328,650</b>
<b>Balance at June 30, 2022</b>	<b>871,438</b>	<b>784,522</b>	<b>1,774,028</b>	<b>—</b>
<b>Vested at June 30, 2022</b>	<b>871,438</b>	<b>—</b>	<b>—</b>	<b>—</b>

(Stated in thousands)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Cash-settled share-based compensation expense				
Expense arising from DSUs	\$1,270	\$1,105	\$2,383	\$2,170
Expense arising from RSUs	554	99	831	559
Expense arising from PSUs	1,062	782	1,978	1,111
Expense arising from Stock Options	—	—	735	—
Total return swap loss	1,491	—	1,491	—
Total expense cash-settled share-based compensation	\$4,377	\$1,986	\$7,418	\$3,840
Equity-settled share-based compensation expense				
Expense arising from Stock Options	275	444	697	1,196
<b>Total expense related to share-based payments</b>	<b>\$4,652</b>	<b>\$2,430</b>	<b>\$8,115</b>	<b>\$5,036</b>

At June 30, 2022, \$6.7 million of outstanding liabilities for cash-settled compensation plans (December 31, 2021 - \$6.9 million) are included in trade and other payables and the long-term portion of \$2.3 million (December 31, 2021 - \$1.3 million) is included in share-based compensation liabilities on the consolidated statements of financial position.

During the second quarter of 2022, the Company entered into a Total Return Swap ("TRS") on 2.3 million shares of the Company to mitigate the effect of volatility of its share price on cash-settled share-based compensation plans.

For the three and six months ended June 30, 2022, unrealized losses on the TRS of \$1.5 million have been reflected in personnel expenses - cash-settled share-based compensation as part of administrative expenses - other in the consolidated statements of comprehensive profit. The fair value of the TRS is included in trade and other payables in the consolidated statement of financial position at June 30, 2022.

## NOTE 7 – COST OF SALES AND ADMINISTRATIVE EXPENSES

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

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

<b>Cost of sales</b> (Stated in thousands)	Three months ended June 30,		Six months ended June 30,	
	<b>2022</b>	2021	<b>2022</b>	2021
Personnel expenses	<b>\$27,933</b>	\$19,911	<b>\$62,562</b>	\$47,886
Personnel expenses – CEWS <sup>1</sup>	—	(5,020)	—	(9,185)
Direct costs	<b>95,239</b>	58,241	<b>230,656</b>	148,381
Direct costs – CERS <sup>2</sup>	—	(332)	—	(562)
Cost of sales	<b>\$123,172</b>	\$72,800	<b>\$293,218</b>	\$186,520
Cost of sales – depreciation and amortization	<b>17,905</b>	21,056	<b>37,419</b>	44,146
<b>Total cost of sales</b>	<b>\$141,077</b>	\$93,856	<b>\$330,637</b>	\$230,666

<sup>1</sup>Canadian Emergency Wage Subsidy

<sup>2</sup>Canadian Emergency Rent Subsidy

<b>Administrative expenses</b> (Stated in thousands)	Three months ended June 30,		Six months ended June 30,	
	<b>2022</b>	2021	<b>2022</b>	2021
Personnel expenses	<b>\$3,373</b>	\$3,232	<b>\$7,870</b>	\$7,369
Personnel expenses – CEWS <sup>1</sup>	—	(641)	—	(1,680)
Personnel expenses – severance	<b>67</b>	246	<b>198</b>	246
Personnel expenses – cash-settled share-based compensation	<b>4,377</b>	1,986	<b>7,418</b>	3,840
Personnel expenses – equity-settled share-based compensation	<b>275</b>	444	<b>697</b>	1,196
General organizational expenses	<b>2,411</b>	2,116	<b>4,587</b>	4,135
General organizational expenses – CERS <sup>2</sup>	—	(129)	—	(188)
Bad debt expense	—	(138)	<b>71</b>	(50)
Administrative expenses	<b>\$10,503</b>	\$7,116	<b>\$20,841</b>	\$14,868
Administrative expenses – depreciation	<b>796</b>	953	<b>1,676</b>	2,016
<b>Total administrative expenses</b>	<b>\$11,299</b>	\$8,069	<b>\$22,517</b>	\$16,884

<sup>1</sup>Canadian Emergency Wage Subsidy

<sup>2</sup>Canadian Emergency Rent Subsidy

## NOTE 8 – INCOME TAXES

(Stated in thousands)	Three months ended June 30,		Six months ended June 30,	
	<b>2022</b>	2021	<b>2022</b>	2021
Current income tax expense	<b>\$—</b>	\$3	<b>\$—</b>	\$77
Deferred income tax expense	<b>643</b>	—	<b>5,414</b>	—
<b>Total tax expense</b>	<b>\$643</b>	\$3	<b>\$5,414</b>	\$77

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## NOTE 9 – 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 Company has entered into total return swaps to mitigate the effect of volatility of its share price on cash-settled share-based compensation plans. The fair value of total return swaps is calculated based on the terms of the contract and current market data, such as interest rates and changes in fair value of the reference asset. Total return swaps are categorized in Level 2 of the fair value hierarchy.

### **Credit Risk**

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations and as a result, create a financial loss for the Company.

#### Customer

The Company's accounts receivables are predominantly with customers who explore for and develop natural gas and petroleum reserves and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing. The Company assesses the creditworthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Company views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance. As at June 30, 2022, one customer accounted for 48% of the Company's trade accounts receivable (December 31, 2021 – one customer accounted for 35%) and one customer accounted for 30% of its revenue (June 30, 2021 – one customer accounted for 30%).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. 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.

### **Liquidity Risk**

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk through cash and debt management, which includes monitoring forecasts of the Company's cash and cash equivalents and borrowing facilities on the basis of projected cash flow. This is generally carried out at the consolidated level in accordance with practices and policies established by the Company.

The Company's ability to borrow from the RCF is dependent on compliance with covenants of the RCF agreement. As at June 30, 2022, the Company is in compliance with all terms of the revolving credit facility. Based on currently available information, the Company expects to maintain compliance with the covenants and will have sufficient liquidity during the next year to support its ongoing operations.

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

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## NOTE 10 – OTHER COMMITMENTS

As at June 30, 2022, the Company has committed to capital expenditures of \$17.3 million. Management is satisfied that the Company has sufficient liquidity and capital resources to meet the Company's obligations and commitments as they come due.

## NOTE 11 – SUBSEQUENT EVENTS

### **Normal Course Issuer Bid**

For the period from July 1, 2022 to July 26, 2022, the Company repurchased an additional 2,697,300 common shares at a weighted average price per share of \$3.49 pursuant to its NCIB.



# CORPORATE INFORMATION

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## BOARD OF DIRECTORS

**Thomas M. Alford** <sup>(2)</sup>

Chair of the Board  
President, Well Servicing, Precision Drilling Corp.

**Bradley P.D. Fedora**

President & Chief Executive Officer  
TESSA-NILE LTD.

**Trudy M. Curran** <sup>(2, 3)</sup>

Independent Businesswoman

**Michael J. McNulty** <sup>(1, 3)</sup>

Independent Businessman

**Stuart O'Connor** <sup>(1,3)</sup>

Chair and Co-founder, Arcurve Inc.

**Deborah S. Stein** <sup>(1, 2)</sup>

Independent Businesswoman

## OFFICERS

**Bradley P.D. Fedora**

President & Chief Executive Officer

**Scott E. Matson**

Chief Financial Officer

**Todd G. Thue**

Chief Operating Officer

**Chika B. Onwuekwe**

Vice President, Legal, General Counsel and  
Corporate Secretary

## CORPORATE OFFICE

TESSA-NILE LTD.  
2900, 645 - 7th Avenue S.W.  
Calgary, Alberta T2P 4G8  
Telephone: (403) 266-0202  
Facsimile: (403) 237-7716  
Website: [www.tricanwellservice.com](http://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

**Scott E. Matson**

Chief Financial Officer

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(1) Member of the Audit Committee  
(2) Member of the Corporate Governance Committee  
(3) Member of the Safety, Human Resources and Compensation Committee