

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	Note	September 30, 2021 (unaudited)	December 31, 2020 (audited)
ASSETS			
Current assets:			
Cash and cash equivalents		\$ 25,569	\$ 22,996
Accounts receivable		90,240	73,373
Inventory		99,225	95,586
Prepaid expenses and deposits		8,746	6,876
Income taxes receivable		1,467	1,287
Current portion of lease asset		473	566
		225,720	200,684
Property, plant and equipment		584,589	636,996
Income taxes receivable		7,070	7,070
Deferred income tax asset		970	57
Lease asset		496	719
Goodwill		4,053	4,053
		\$ 822,898	\$ 849,579
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 63,208	\$ 46,410
Deferred revenue		17,588	6,365
Current portion of lease liabilities		3,945	6,417
Current portion of long-term debt	4	2,596	2,552
		87,337	61,744
Long-term debt	4	193,562	230,517
Lease liabilities		8,405	8,420
Deferred tax liability		36,238	37,911
Shareholders' equity:			
Share capital	5	277,121	284,077
Contributed surplus		5,542	4,966
Accumulated other comprehensive loss		(26,737)	(18,736)
Non-controlling interest		574	629
Retained earnings		240,856	240,051
		497,356	510,987
		\$ 822,898	\$ 849,579

The notes on pages 29 to 36 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Unaudited (in thousands of Canadian dollars except per share amounts)

	Note	Three months ended September 30		Nine months ended September 30	
		2021	2020	2021	2020
REVENUE		\$ 118,881	\$ 77,240	\$ 296,947	\$ 282,278
Cost of services		85,255	54,447	219,435	207,613
Selling, general and administration		7,254	5,691	19,862	22,032
Other (income) expense		(474)	579	(2,654)	(6,813)
Share-based compensation	6	186	21	576	690
Depreciation		20,245	22,396	62,821	91,282
Operating income (loss)		6,415	(5,894)	(3,093)	(32,526)
Gain on sale of property, plant and equipment		355	1,367	3,720	2,902
Finance costs, net		(1,675)	(2,106)	(5,254)	(8,063)
Net income (loss) before income taxes		5,095	(6,633)	(4,627)	(37,687)
Current income tax expense (recovery)		(122)	14	(577)	2,307
Deferred income tax expense (recovery)		938	(2,045)	(2,586)	(11,271)
Total income tax expense (recovery)		816	(2,031)	(3,163)	(8,964)
Net income (loss)		\$ 4,279	\$ (4,602)	\$ (1,464)	\$ (28,723)
Net income (loss) attributable to:					
Shareholders of the Company		\$ 4,278	\$ (4,618)	\$ (1,409)	\$ (28,711)
Non-controlling interest		1	16	(55)	(12)
Income (loss) per share					
Basic	5	\$ 0.10	\$ (0.10)	\$ (0.03)	\$ (0.64)
Diluted		0.09	(0.10)	(0.03)	(0.64)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Net income (loss) for the period	\$ 4,279	\$ (4,602)	\$ (1,464)	\$ (28,723)
Foreign currency translation	3,121	(2,206)	(8,001)	2,636
Deferred tax effect	–	(125)	–	(126)
Total other comprehensive income (loss) for the period	3,121	(2,331)	(8,001)	2,510
Total comprehensive income (loss)	\$ 7,400	\$ (6,933)	\$ (9,465)	\$ (26,213)
Total comprehensive income (loss) attributable to:				
Shareholders of the Company	\$ 7,399	\$ (6,949)	\$ (9,410)	\$ (26,201)
Non-controlling interest	1	16	(55)	(12)

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

As at and for the nine months ended September 30, 2021 and 2020, and year ended December 31, 2020
Unaudited (in thousands of Canadian dollars)

	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Non- controlling Interest	Retained earnings	Total Equity
Balance at December 31, 2019		\$ 284,510	\$ 7,528	\$ (16,722)	\$ (236)	\$ 268,062	\$ 543,142
Net loss		-	-	-	(5)	(30,450)	(30,455)
Other comprehensive loss		-	-	(2,014)	-	-	(2,014)
<i>Transactions with shareholders, recorded directly in equity:</i>							
Repurchase of common shares	5	(433)	-	-	-	6	(427)
Share-based compensation	6	-	866	-	-	-	866
Stock options expired		-	(3,428)	-	-	3,428	-
Dissolution of limited partnership		-	-	-	995	(995)	-
Partnership distributions		-	-	-	(125)	-	(125)
		(433)	(2,562)	-	870	2,439	314
Balance at December 31, 2020		\$ 284,077	\$ 4,966	\$ (18,736)	\$ 629	\$ 240,051	\$ 510,987
Net loss		-	-	-	(55)	(1,409)	(1,464)
Other comprehensive loss		-	-	(8,001)	-	-	(8,001)
<i>Transactions with shareholders, recorded directly in equity:</i>							
Repurchase of common shares	5	(6,956)	-	-	-	2,214	(4,742)
Share-based compensation	6	-	576	-	-	-	576
		(6,956)	576	-	-	2,214	(4,166)
Balance at September 30, 2021		\$ 277,121	\$ 5,542	\$ (26,737)	\$ 574	\$ 240,856	\$ 497,356

	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Non- controlling Interest	Retained earnings	Total Equity
Balance at December 31, 2019		\$ 284,510	\$ 7,528	\$ (16,722)	\$ (236)	\$ 268,062	\$ 543,142
Net loss		-	-	-	(12)	(28,711)	(28,723)
Other comprehensive income		-	-	2,510	-	-	2,510
<i>Transactions with shareholders, recorded directly in equity:</i>							
Repurchase of common shares	5	(433)	-	-	-	6	(427)
Share-based compensation	6	-	690	-	-	-	690
Stock options expired		-	(3,144)	-	-	3,144	-
Partnership distributions		-	-	-	(125)	-	(125)
Dissolution of limited partnership		-	-	-	995	(995)	-
		(433)	(2,454)	-	870	2,155	138
Balance at September 30, 2020		\$ 284,077	\$ 5,074	\$ (14,212)	\$ 622	\$ 241,506	\$ 517,067

The notes on pages 29 to 36 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)

	Note	Three months ended September 30		Nine months ended September 30	
		2021	2020	2021	2020
Cash provided by (used in):					
Operations:					
Net income (loss) for the period		\$ 4,279	\$ (4,602)	\$ (1,464)	\$ (28,723)
Add (deduct) items not affecting cash:					
Depreciation		20,245	22,396	62,821	91,282
Share-based compensation		186	21	576	690
Gain on sale of property, plant and equipment		(355)	(1,367)	(3,720)	(2,902)
Finance costs		1,675	2,106	5,254	8,063
Unrealized (gain) loss on foreign currencies translation		(474)	1,015	(2,654)	(6,813)
Current income tax expense (recovery)		(122)	14	(577)	2,307
Deferred income tax expense (recovery)		938	(2,045)	(2,586)	(11,271)
Income taxes (paid) recovered		(119)	2,272	397	2,881
Cashflow		26,253	19,810	58,047	55,514
Changes in non-cash working capital items:					
Accounts receivable		(17,132)	1,599	(17,291)	44,698
Inventory		(6,431)	4,236	(4,302)	3,564
Prepaid expenses and deposits		(3,911)	(943)	(1,870)	5,384
Accounts payable and accrued liabilities		7,984	(8,398)	15,975	(46,590)
Deferred revenue		6,531	(1,913)	11,223	4,326
Cash provided by operating activities		13,294	14,391	61,782	66,896
Investing:					
Purchase of property, plant and equipment		(4,077)	(2,108)	(17,230)	(12,298)
Proceeds on disposal of property, plant and equipment		711	2,125	9,156	5,468
Changes in non-cash working capital items		(709)	(810)	342	(2,808)
Cash used in investing activities		(4,075)	(793)	(7,732)	(9,638)
Financing:					
Advances on long-term debt		–	–	–	29,796
Repayment of long-term debt	4	(7,636)	(5,622)	(36,911)	(63,964)
Repayment of lease liabilities		(1,088)	(2,090)	(4,710)	(6,354)
Dividends to shareholders		–	–	–	(2,710)
Repurchase of common shares		(2,489)	–	(4,742)	(427)
Partnership distributions		–	–	–	(125)
Interest paid		(1,668)	(2,130)	(5,114)	(8,494)
Cash used in financing activities		(12,881)	(9,842)	(51,477)	(52,278)
Change in cash and cash equivalents		(3,662)	3,756	2,573	4,980
Cash and cash equivalents, beginning of period		29,231	21,097	22,996	19,873
Cash and cash equivalents, end of period		\$ 25,569	\$ 24,853	\$ 25,569	\$ 24,853

The notes on pages 29 to 36 are an integral part of these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine months ended September 30, 2021 and 2020
Unaudited (tabular amounts in thousands of Canadian dollars)

1. Reporting Entity

Total Energy Services Inc. (the “Company”) is incorporated under the Business Corporations Act (Alberta) and its head office is located in Calgary, Alberta at Suite 1000, 734 – 7th Avenue S.W. The condensed interim consolidated financial statements include the accounts of the Company, its subsidiaries and aboriginal partnerships established in Canada, the United States of America (the “United States”) and Australia.

The Company provides a variety of products and services to the energy and other resource industries primarily in Canada, the United States and Australia, including contract drilling services, the rental and transportation of equipment used in energy and other industrial operations, the fabrication, sale, rental and servicing of gas compression and process equipment and well servicing.

2. Basis of Presentation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” of International Financial Reporting Standards (“IFRS”) and using the accounting policies outlined in the Company’s audited consolidated financial statements for the year ended December 31, 2020 (the “2020 Financial Statements”). These condensed interim consolidated financial statements do not include all the necessary annual disclosures and should be read in conjunction with the 2020 Financial Statements.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 8, 2021.

Seasonality

A significant portion of the Company’s field operations are conducted in Canada where the ability to move heavy equipment is dependent on ground conditions. As warm weather returns in the spring, the winter’s frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until such roads have thoroughly dried out. The duration of this “spring breakup” has a direct impact on the Company’s activity levels and operating results in Canada. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company’s slowest period in Canada. Additionally, wet weather in Australia, normally in the first quarter, can restrict the Company’s Australian operations. Consequently, quarterly operating results may not be indicative of full year operating results.

3. Segmented Information

The Company manages its business in five reportable segments: Contract Drilling Services, Rental and Transportation Services, Compression and Process Services, Well Servicing and Corporate. For each of the reporting segments, the Company’s Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis. Corporate includes activities related to corporate and public company affairs.

Inter-segment pricing is determined on an arm’s length basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine months ended September 30, 2021 and 2020

Unaudited (tabular amounts in thousands of Canadian dollars)

As at and for the three months ended September 30, 2021	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate ⁽¹⁾	Total
Revenue	\$ 43,334	\$ 12,313	\$ 38,188	\$ 25,046	\$ –	\$ 118,881
Cost of services	31,089	6,288	30,475	17,403	–	85,255
Selling, general and administration	856	1,487	2,129	1,141	1,641	7,254
Other income	–	–	–	–	(474)	(474)
Share-based compensation	–	–	–	–	186	186
Depreciation ⁽²⁾	9,038	4,917	2,353	3,658	279	20,245
Operating income (loss)	2,351	(379)	3,231	2,844	(1,632)	6,415
Gain (loss) on sale of property, plant and equipment	3	100	259	(8)	1	355
Finance costs	(1)	(13)	(69)	(5)	(1,587)	(1,675)
Net income (loss) before income taxes	2,353	(292)	3,421	2,831	(3,218)	5,095
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	322,629	186,198	214,807	95,598	3,666	822,898
Total liabilities	57,587	9,908	43,168	5,244	209,635	325,542
Capital expenditures	2,818	61	910	288	–	4,077

Three months ended September 30, 2021	Canada	United States	Australia	Other	Total
Revenue	\$ 70,832	\$ 26,492	\$ 21,557	\$ –	\$ 118,881
Non-current assets ⁽³⁾	386,720	141,153	61,265	–	589,138

As at and for the three months ended September 30, 2020	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate ⁽¹⁾	Total
Revenue	\$ 16,178	\$ 5,939	\$ 32,282	\$ 22,841	\$ –	\$ 77,240
Cost of services	12,251	2,591	25,360	14,245	–	54,447
Selling, general and administration	1,094	1,180	1,582	1,027	808	5,691
Other expense	–	–	–	–	579	579
Share-based compensation	–	–	–	–	21	21
Depreciation ⁽²⁾	9,950	5,809	2,451	3,994	192	22,396
Operating income (loss)	(7,117)	(3,641)	2,889	3,575	(1,600)	(5,894)
Gain (loss) on sale of property, plant and equipment	309	376	382	12	288	1,367
Finance costs	(51)	(15)	(92)	(7)	(1,941)	(2,106)
Net income (loss) before income taxes	(6,859)	(3,280)	3,179	3,580	(3,253)	(6,633)
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	322,464	204,812	221,112	102,297	23,206	873,891
Total liabilities	54,146	11,182	30,165	5,428	255,903	356,824
Capital expenditures	521	15	855	717	–	2,108

Three months ended September 30, 2020	Canada	United States	Australia	Other	Total
Revenue	\$ 34,493	\$ 18,237	\$ 24,510	\$ –	\$ 77,240
Non-current assets ⁽³⁾	432,917	163,896	67,090	–	663,903

(1) Corporate includes the Company's corporate activities and obligations pursuant to long-term credit facilities.

(2) Effective April 1, 2020 the Company changed certain estimates relating to the useful life and residual value of equipment in the Contract Drilling Services segment. See note 10 to the 2020 Financial Statements for further details.

(3) Includes property, plant and equipment, lease asset (excluding current portion) and goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine months ended September 30, 2021 and 2020

Unaudited (tabular amounts in thousands of Canadian dollars)

As at and for the nine months ended September 30, 2021	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate ⁽¹⁾	Total
Revenue	\$ 97,645	\$ 26,101	\$ 106,001	\$ 67,200	\$ –	\$ 296,947
Cost of services	72,359	13,989	85,631	47,456	–	219,435
Selling, general and administration	3,201	4,015	4,753	3,470	4,423	19,862
Other income	–	–	–	–	(2,654)	(2,654)
Share-based compensation	–	–	–	–	576	576
Depreciation ⁽²⁾	28,364	15,477	7,025	11,259	696	62,821
Operating income (loss)	(6,279)	(7,380)	8,592	5,015	(3,041)	(3,093)
Gain on sale of property, plant and equipment	283	1,831	1,483	39	84	3,720
Finance costs	(10)	(59)	(221)	(16)	(4,948)	(5,254)
Net income (loss) before income taxes	(6,006)	(5,608)	9,854	5,038	(7,905)	(4,627)
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	322,629	186,198	214,807	95,598	3,666	822,898
Total liabilities	57,587	9,908	43,168	5,244	209,635	325,542
Capital expenditures	12,557	341	3,491	841	–	17,230

Nine months ended September 30, 2021	Canada	United States	Australia	Other	Total
Revenue	\$ 173,125	\$ 67,695	\$ 56,125	\$ 2	\$ 296,947
Non-current assets ⁽³⁾	386,720	141,153	61,265	–	589,138

As at and for the nine months ended September 30, 2020	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate ⁽¹⁾	Total
Revenue	\$ 73,373	\$ 27,554	\$ 103,238	\$ 78,113	\$ –	\$ 282,278
Cost of services	56,382	16,367	81,681	53,183	–	207,613
Selling, general and administration	4,832	4,824	5,211	3,875	3,290	22,032
Other income	–	–	–	–	(6,813)	(6,813)
Share-based compensation	–	–	–	–	690	690
Depreciation ⁽²⁾	54,475	17,842	7,122	11,284	559	91,282
Operating income (loss)	(42,316)	(11,479)	9,224	9,771	2,274	(32,526)
Gain on sale of property, plant and equipment	1,065	912	492	16	417	2,902
Finance costs	(129)	(57)	(289)	(25)	(7,563)	(8,063)
Net income (loss) before income taxes	(41,380)	(10,624)	9,427	9,762	(4,872)	(37,687)
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	322,464	204,812	221,112	102,297	23,206	873,891
Total liabilities	54,146	11,182	30,165	5,428	255,903	356,824
Capital expenditures	2,540	857	6,934	1,955	12	12,298

Nine months ended September 30, 2020	Canada	United States	Australia	Other	Total
Revenue	\$ 130,698	\$ 65,398	\$ 86,129	\$ 53	\$ 282,278
Non-current assets ⁽³⁾	432,917	163,896	67,090	–	663,903

(1) Corporate includes the Company's corporate activities and obligations pursuant to long-term credit facilities.

(2) Effective April 1, 2020 the Company changed certain estimates relating to the useful life and residual value of equipment in the Contract Drilling Services segment. See note 10 to the 2020 Financial Statements for further details.

(3) Includes property, plant and equipment, lease asset (excluding current portion) and goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine months ended September 30, 2021 and 2020

Unaudited (tabular amounts in thousands of Canadian dollars)

4. Long-term Debt

At September 30, 2021 the Company's long-term debt consisted of the following:

	September 30, 2021	
	Interest rate	Principal Amount
Credit Facility	2.67%	\$ 135,000
Mortgage loan (2025 maturity)	3.10%	47,390
Mortgage loan (2041 maturity)	3.05%	13,768
		\$ 196,158
Less current portion		2,596
		\$ 193,562

At September 30, 2021 amounts owing under the Credit Facility were denominated in Canadian dollars.

On June 19, 2017 the Company entered into a three-year \$225 million revolving syndicated credit facility (the "Credit Facility"). On April 25, 2018 the Credit Facility was increased by \$65 million to \$290 million. On November 10, 2020, at the request of the Company the Credit Facility was reduced to \$250 million and the maturity date extended to November 10, 2023. The Company has the option to increase such facility by \$75 million subject to certain terms and conditions, including the agreement of the lenders to increase their commitments. The Credit Facility includes a Canadian \$18.0 million operating line, an Australian \$2.0 million operating line and a Canadian \$230.0 million revolving facility. The Credit Facility bears interest at the banks' Canadian prime rate plus 0.25% to 2.75%, bankers' acceptance, letter of credit, LIBOR or BBSY advances plus a 1.5% to 4.0% stamping fee. The applicable interest rate within such ranges is dependent on certain financial ratios of the Company. A standby fee ranging from 0.25% to 0.8% per annum is paid quarterly on the unused portion of the facility depending on certain financial ratios of the Company. At September 30, 2021, the applicable interest rate on amounts drawn on the Credit Facility was 2.67% and the standby rate was 0.40%. Letters of credit ("LOC") of \$0.4 million were outstanding at September 30, 2021 which reduces the amount of credit available under the Credit Facility by an equivalent amount.

In August of 2018 a U.S. \$20 million letter of credit facility was established (the "LOC Facility"). LOCs issued pursuant to the LOC Facility do not reduce availability under the Credit Facility. In April of 2020 this facility was reduced at the request of the Company to U.S. \$10 million. At September 30, 2021 \$3.4 million Canadian dollars of LOCs were outstanding under the LOC Facility (December 31, 2020: \$3.7 million).

In addition to the Credit Facility, a subsidiary of the Company has established a \$5.0 million revolving operating credit facility with a member of the Credit Facility lenders' syndicate. At September 30, 2021 this facility was undrawn and fully available.

The Company's ability to access the Credit Facility is dependent, among other conditions, on compliance with the following financial ratios, the definitions and thresholds for which are further described below:

	September 30, 2021	Threshold
Twelve-month trailing Bank EBITDA to interest expense	14.45	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	1.60	maximum 3.00

Readers are cautioned that the ratios described above do not have standardized meanings under IFRS as the computation of these ratios excludes amounts from certain non-guarantor subsidiaries and limited partnerships partially owned by the Company. Key definitions for the purpose of calculating the Company's financial debt covenants are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine months ended September 30, 2021 and 2020

Unaudited (tabular amounts in thousands of Canadian dollars)

- Bank EBITDA is determined (on a 12-month trailing basis) as earnings before finance expenses, income taxes, depreciation, share-based compensation and certain non-recurring and non-cash income and expenses as defined in the credit agreement and excludes amounts from certain non-guarantor subsidiaries and the limited partnerships partially owned by the Company.
- Senior Debt is determined as total long-term debt (including the current portions thereof but excluding the mortgage loans and certain other obligations identified in the credit agreement) minus cash on hand.

The Credit Facility is secured by a general security agreement over all the present and future property of the Company and its subsidiaries. The Company was in compliance with all of its Credit Facility covenants at September 30, 2021.

Mortgage Loan (2025 maturity) is a loan maturing on April 29, 2025 that is amortized over 20 years with blended monthly principal and interest payments of approximately \$279,800. At maturity, approximately \$40.2 million of principal will become due and payable assuming only regular monthly payments are made. This loan bears interest at a fixed rate of 3.10% and is secured by certain of the Company's real estate. This loan was taken to repay a \$40.2 million term loan that matured on April 29, 2020 and to repay \$9.6 million owing under the Credit Facility.

Mortgage Loan (2041 maturity) is a loan maturing on December 31, 2041 and bears interest at a floating rate that was 3.05% at September 30, 2021. This loan is secured by certain of the Company's real estate.

At September 30, 2021 the Company was in compliance with all debt covenants.

5. Share Capital

(a) Common Share Capital

Common shares of Total Energy Services Inc.

(i) Authorized:

Unlimited number of common voting shares, without nominal or par value.

Unlimited number of preferred shares.

(ii) Common shares issued:

	Number of shares (thousands)	Amount
Balance, December 31, 2019	45,150	\$ 284,510
Repurchased and cancelled	(69)	(433)
Balance, December 31, 2020	45,081	\$ 284,077
Repurchased and cancelled	(1,081)	(6,812)
Repurchased not cancelled	–	(144)
Balance, September 30, 2021	44,000	\$ 277,121

During the nine months ended September 30, 2021, 1,112,000 shares (September 30, 2020: 68,700) were repurchased under the Company's normal course issuer bid at an average price of \$4.26 (September 30, 2020: \$6.21) per share including commissions and 1,081,300 shares were cancelled. Subsequent to September 30, 2021 30,700 shares were cancelled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine months ended September 30, 2021 and 2020

Unaudited (tabular amounts in thousands of Canadian dollars)

(b) Per Share Amounts

Basic and diluted earnings per share have been calculated based on the weighted average number of common shares outstanding as outlined below:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Net income (loss) for the period attributable to shareholders	\$ 4,278	\$ (4,618)	\$ (1,409)	\$ (28,711)
Weighted average number of shares outstanding – basic	44,921	45,081	44,737	45,083
Income (loss) per share – basic	\$ 0.10	\$ (0.10)	\$ (0.03)	\$ (0.64)
Net income (loss) for the period attributable to shareholders	\$ 4,278	\$ (4,618)	\$ (1,409)	\$ (28,711)
Weighted average number of shares outstanding – basic	44,921	45,081	44,737	45,083
Share option dilution	243	–	228	–
Weighted average number of shares outstanding – diluted	45,164	45,081	44,965	45,083
Income (loss) per share – diluted	\$ 0.09	\$ (0.10)	\$ (0.03)	\$ (0.64)

For the three and nine months ended September 30, 2021, 3,300,000 share options (September 30, 2020: 3,150,000 options) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

6. Share-Based Compensation Plan

Share option transactions during 2021 and 2020 were as follows:

	Weighted average exercise price	Number of Options
Balance, December 31, 2019	\$ 12.35	3,935,000
Granted	2.31	650,000
Forfeited	11.06	(204,999)
Expired	13.78	(1,355,001)
Balance, December 31, 2020	\$ 9.65	3,025,000
Granted	3.77	925,000
Balance, September 30, 2021	\$ 8.27	3,950,000

A total of 2,211,669 outstanding options were exercisable at September 30, 2021 at a weighted average price of \$10.93 per option.

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value of the share options granted. The average per share fair value of the options granted during 2021 is \$1.15 per option (2020: \$0.64 per option) using the following assumptions:

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As at and for the nine months ended September 30, 2021 and 2020

Unaudited (tabular amounts in thousands of Canadian dollars)

	September 30, 2021	December 31, 2020
Expected volatility	41.26% - 46.68%	38.79% - 44.38%
Risk free interest rate	0.19% - 1.11%	0.30% - 0.41%
Forfeitures	12%	14%
Expected life (years)	3 to 5 years	3 to 5 years

The share options issued during 2019, 2020 and 2021 vest 1/3 on the first, second and third anniversary from the grant date and expire five years from the date of grant. The outstanding options expire on various dates ranging from June 27, 2022 to September 26, 2026.

7. Government grants

In response to the COVID-19 pandemic, various governments have established programs to assist companies through this challenging period. The Company has determined that it qualifies for certain programs and recognizes such government grants when there is a reasonable assurance the grant will be received. For the three and nine months ended September 30, 2021 the Company recognized \$4.5 million and \$18.4 million, respectively, under various COVID-19 relief programs in Canada, the United States and Australia. These funds have been recognized as a reduction of operating and administrative expenses by \$4.0 million and \$0.5 million for the three months and \$16.5 million and \$1.9 million for the nine months ended September 30, 2021, respectively. For the three and nine months ended September 30, 2020 the Company recognized \$7.4 million and \$12.0 million, respectively, under various COVID-19 relief programs. The funds were recognized as a reduction to operating and administrative expenses by \$6.4 million and \$1.0 million for the three months and \$10.0 million and \$2.0 million for the nine months ended September 30, 2020, respectively.

8. Financial Instruments

The Company's financial instruments as at September 30, 2021 include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and long-term debt. The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.

The discounted future cash repayments of the Company's mortgage loan (maturity 2025) are calculated using prevailing market rates of a similar debt instrument as at the reporting date. The net present value of future cash repayments of this mortgage loan and related interest at the prevailing market rate of 3.78% for a similar debt instrument at September 30, 2021 was \$46.4 million (December 31, 2020: market rate of 3.08%, \$48.8 million). The carrying value and Company's liability with respect to the mortgage loan is \$47.4 million.

9. Contingencies

In August of 2015 the Company was notified by the Canada Revenue Agency (the "CRA") that certain of the Company's income tax filings related to its conversion from an income trust to a corporation in 2009 were being re-assessed. Specifically, the CRA increased the Company's taxable income by \$56.1 million and denied \$1.7 million of investment tax credits claimed (the "Reassessment"). The Reassessment is based entirely on the CRA's proposed application of the general anti-avoidance rule ("GAAR") and gives rise to approximately \$14.1 million of federal income tax payable. In September 2015 the Company paid one half of the reassessed amount, or \$7.1 million, on account of the Reassessment as required pending appeal. On November 4, 2015, related provincial income tax reassessments totaling \$5.6 million (including interest and penalties) were received.

The Company has received both legal and tax advice relating to its conversion from an income trust to a corporation indicating that its income tax filing position is strong. As such, the Company has filed notices of objection in response

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As at and for the nine months ended September 30, 2021 and 2020

Unaudited (tabular amounts in thousands of Canadian dollars)

to the Reassessment and intends to vigorously defend its filing position and seek reimbursement from the CRA for the costs arising from having to defend such Reassessment to the fullest extent possible. The matter is expected to go to trial in 2022. Management believes that it will be successful in defending its tax filing position, and as such, the Company has not recognized any provision for the Reassessment at September 30, 2021. The \$7.1 million paid on account of the Reassessment has been recorded as income tax receivable on the basis management believes it will be successful in defending the Company's filing position. In the event the Company is not successful, an additional \$16.9 million of cash may be owing and \$24.0 million of income tax expense would be recognized.

In April of 2017 one of the Company's subsidiaries, Savanna Energy Services Corp. ("Savanna"), received a statement of claim from Western Energy Services Corp. ("Western") for payment of a termination fee in the amount of \$20 million pursuant to an arrangement agreement between Savanna and Western dated March 8, 2017, as amended on March 14, 2017 (the "Arrangement Agreement"). Savanna terminated the Arrangement Agreement on March 28, 2017 following the acquisition by Total of over 50% of the outstanding common shares of Savanna in accordance with the terms and conditions of the Arrangement Agreement. Western is claiming Savanna was not entitled to terminate the Arrangement Agreement and therefore breached the Arrangement

Agreement. Savanna has filed a statement of defense and has received legal advice that Western's claim is without merit. On January 28, 2021, a Master of the Court of Queen's Bench of Alberta summarily dismissed Western's claim and awarded costs to Savanna. Western has appealed this decision.

In November of 2017 the Company received a Statement of Claim filed in the Alberta Court of Queen's Bench by Her Majesty the Queen in Right of Alberta, by its agent, Alberta Investment Management Corporation ("AIMCo") against the Company and Savanna. In early 2020 AIMCo amended its claim to remove the Company as a defendant. AIMCo's claim relates to Savanna's refusal to pay a \$6 million change of control penalty (the "Additional Penalty") to AIMCo. The Company and Savanna have received legal advice that AIMCo's claim for the Additional Penalty is not enforceable and have filed a statement of defense. Savanna has also filed a third party claim against its former directors that seeks indemnity in the event that AIMCo is successful in its claim against Savanna. Following the completion of discoveries, Savanna has filed a counterclaim against AIMCo and certain former directors of Savanna for \$7.3 million.

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the duration, nature and magnitude of the impact on the economy, commodity prices and the Company's business is not known at this time. Such impact could include a material adverse impact on the Company's financial liquidity position, impairments in the value of long-lived assets, future material decreases in revenue and the profitability of ongoing operations.