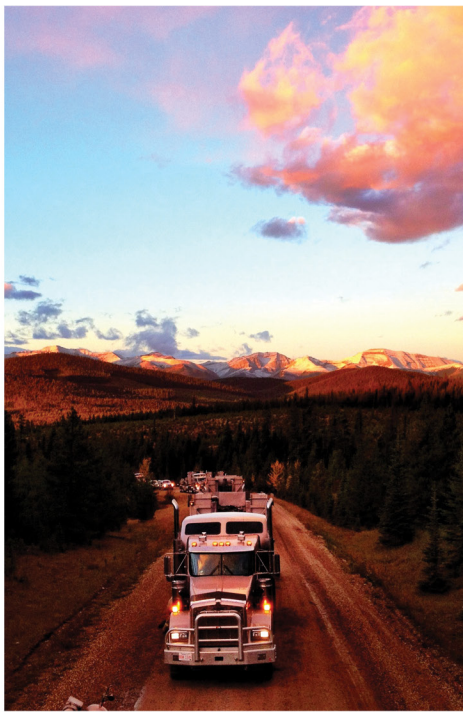

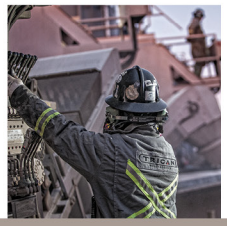

# TRICAN WELL SERVICE LTD.
# Q3 2019 INTERIM REPORT

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

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

| (Stated in thousands; unaudited) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **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

| (Stated in thousands, except per share amounts; unaudited) | Three Months Ended September 30, **2019** | 2018 | Nine Months Ended September 30, **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 |
| Shared 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

| (Stated in thousands; unaudited) | Three Months Ended September 30, **2019** | 2018 | Nine Months Ended September 30, **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

Trican Well Service 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 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*

Trican 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

| (Stated in thousands) | **As at September 30, 2019** | As at December 31, 2018 |
|---|---|---|
| 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, Trican 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, Trican 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. Trican 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.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Stated in thousands, except share and per share amounts) | **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 |

[1]Includes brokerage fees

# NOTE 7 – EARNINGS / (LOSS) PER SHARE

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Stated in thousands, except share and per share amounts) | **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 |

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **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 shared-based compensation plans as described in the Notes to the Consolidated Financial Statements for the year ended December 31, 2018.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Stated in thousands) | **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** | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Stated in thousands) | **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** | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (Stated in thousands) | **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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (Stated in thousands) | **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).

| | | Fair value | | |
|---|---|---|---|---|
| **September 30, 2019** | **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
Trican 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

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Telephone: (403) 266-0202
Facsimile: (403) 237-7716
Website: www.tricanwellservice.com

## AUDITORS

KPMG LLP, Chartered Professional Accountants
Calgary, Alberta

## BANKERS

The Bank of Nova Scotia
Calgary, Alberta

## REGISTRAR & TRANSFER AGENT

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