

# Q1



## FOCUS DISCIPLINE GROWTH

First Quarter Report 2012

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**Total Energy Services Inc.** (“Total Energy” or the “Company”) is a growth oriented energy services company based in Calgary, Alberta. Through various operating divisions and wholly-owned subsidiaries and partnerships, Total Energy is involved in three businesses: contract drilling services, rentals and transportation services and the fabrication, sale, rental and servicing of new and used natural gas compression equipment. Together these businesses provide a platform for building long-term shareholder value. Total Energy has achieved its growth by maintaining a disciplined acquisition strategy and undertaking strategic internal growth.

The shares of Total Energy are listed and trade on the Toronto Stock Exchange under the symbol TOT.

**REPORT TO SHAREHOLDERS**

Total Energy's results for the first quarter of 2012 represent record quarterly financial results for the Company. These results were underpinned by continued strong activity levels in Western Canada despite the early arrival of spring breakup as compared to the prior year.

Total Energy's balance sheet continued to strengthen during the first three months of 2012, highlighted by the Company remaining free of bank debt and having \$40.8 million of cash on hand at March 31, 2012. At March 31, 2012 and at the date of this report, the Company's \$35 million bank operating facility was fully available and undrawn.

This balance sheet strength provides the Company with the necessary financial liquidity and flexibility to continue to operate and grow its business without reliance on external sources of capital. With continuing global economic uncertainty, and the corresponding volatility of equity markets, the financial position of Total Energy will continue to allow the Company to pursue opportunities as they arise without unnecessary dilution to shareholders.

**LOOKING FORWARD**

With continued weakness in natural gas prices, Canadian oil and natural gas producers have increasingly focused their capital spending plans for 2012 on activity targeting oil and liquids rich natural gas. While activity levels have decreased during spring break-up as expected, Total Energy is reasonably optimistic as to industry conditions for the remainder of 2012. Demand for the Company's drilling rig fleet is strong, the Rentals and Transportation division's current expansion into North Dakota will increase Total Energy's exposure to light oil activity and the introduction of the NOMAD™ line of patented mobile compression to the Australian market during the second quarter will provide the Gas Compression Services division exposure to one of the strongest onshore natural gas markets in the world.

Total Energy's 2012 capital expenditure budget currently stands at \$58.1 million, which the Company intends to finance from cash on hand and operating cash flow. The Company continues to work to identify and evaluate growth opportunities within its existing business segments. In that regard, Total Energy is excited to be launching a new natural gas process equipment business that will complement its existing natural gas compression division. This business, to be operated as Spectrum Process Systems Inc., will be based in Calgary, Alberta and will be headed up by Kelly Mantei. Mr. Mantei is a professional engineer who has been employed by Bidell Equipment LP since 2002 in various senior management positions and brings a strong technical and sales background to the leadership position. Spectrum is expected to commence operations during the second half of 2012.

On behalf of the board of directors and management of Total Energy, I would like to take this opportunity to thank all of our employees for their hard work and continued commitment to working in a safe and responsible manner.

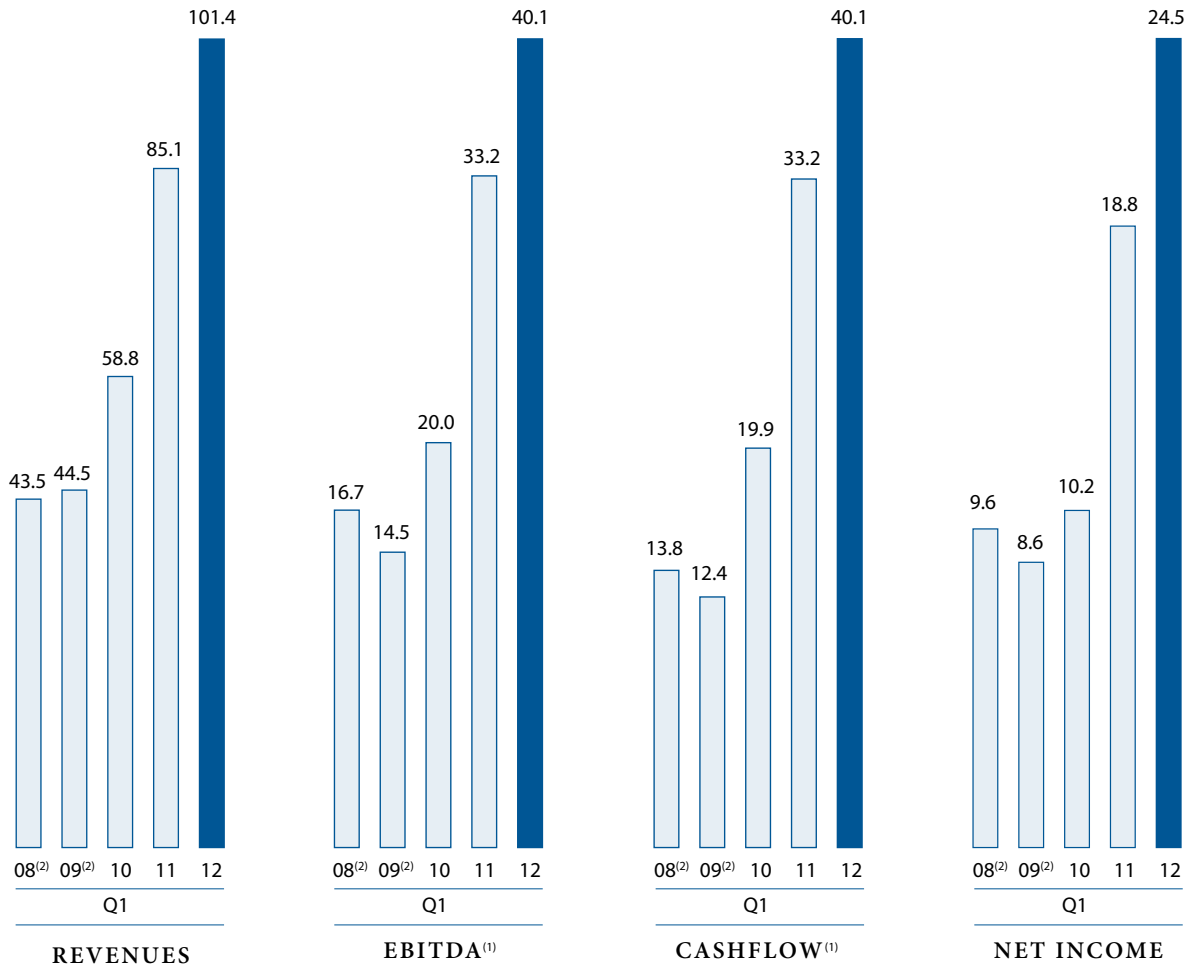


DANIEL K. HALYK  
President and Chief Executive Officer

May 2012

## FIRST QUARTER GROWTH

Unaudited (in millions of Canadian dollars)



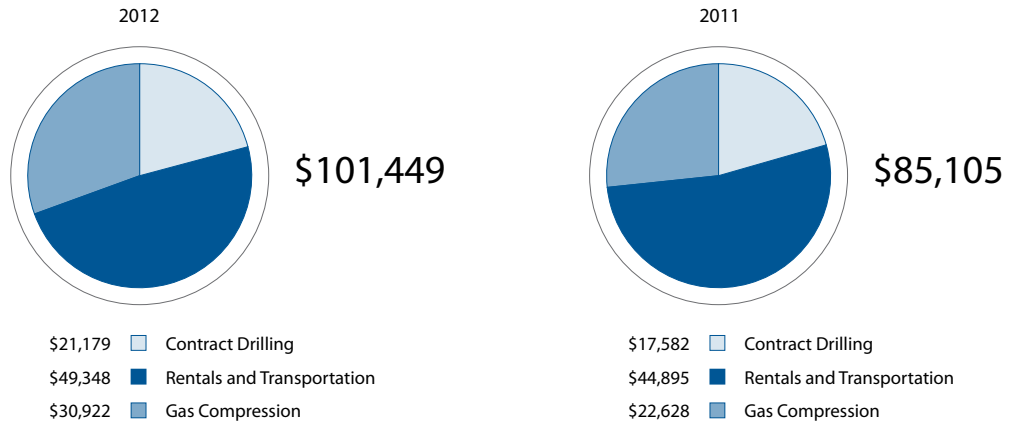
(1) EBITDA means earnings before interest, taxes, depreciation and amortization and is equal to net income before income taxes plus finance costs plus depreciation. Cashflow means cash provided by operations before changes in non-cash working capital items. EBITDA and cashflow are not recognized measures under IFRS. Management believes that in addition to net income, EBITDA and cashflow are useful supplemental measures as they provide an indication of the results generated by the Company's primary business activities prior to consideration of how those activities are financed, amortized or how the results are taxed in various jurisdictions as well as the cash generated by the Company's primary business activities without consideration of the timing of the monetization of non-cash working capital items. Readers should be cautioned, however, that EBITDA and cashflow should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of Total Energy's performance. Total Energy's method of calculating EBITDA and cashflow may differ from other organizations and, accordingly, EBITDA and cashflow may not be comparable to measures used by other organizations.

(2) Calculated based on previously issued financial statements prepared in accordance with Canadian GAAP.

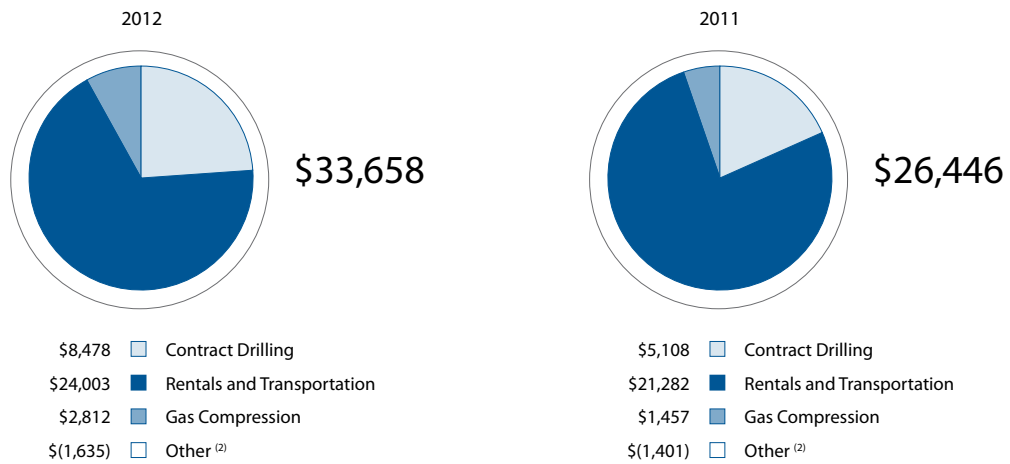
## SEGMENTED INFORMATION

For the three months ended March 31, 2012 and 2011  
Unaudited (in thousands of Canadian dollars)

### REVENUE DIVERSIFICATION



### OPERATING EARNINGS <sup>(1)</sup>



(1) Operating earnings means results from operating activities and is equal to net income before income taxes minus gain on sale of property, plant and equipment plus finance costs.

(2) Other includes the Company's corporate activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

*The following MD&A, dated May 15, 2012, focuses on key statistics from the unaudited condensed interim consolidated financial statements of Total Energy Services Inc. (the "Company" or "Total Energy") and pertains to known risks and uncertainties relating to the energy services industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This discussion and analysis of the financial condition and results of operations for the three months ended March 31, 2012, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2012 and related notes and material contained in other parts of this report, the audited annual consolidated financial statements for the year ended December 31, 2011 and related notes and material contained in other parts of the 2011 Annual Report as well as the Company's Annual Information Form ("AIF"). Additional information relating to Total Energy, including the Company's AIF, may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Unless otherwise indicated, all dollar amounts presented herein are in Canadian dollars.*

### FORWARD-LOOKING STATEMENTS

Certain information and statements contained in this MD&A constitute forward-looking information, including the anticipated costs associated with the purchase of capital equipment, expectations concerning the nature and timing of growth within the various business divisions operated through affiliates of Total Energy, expectations respecting the competitive position of such business divisions, expectations concerning the financing of future business activities, statements as to future economic and operating conditions and expectations regarding the payment of dividends in the future. Readers should review the cautionary statement respecting forward-looking information that appears below.

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), the credit risk to which the Company is exposed in the conduct of its business, fluctuations in prevailing commodity prices or currency and interest rates, the competitive environment to which the various business divisions are, or may be, exposed in all aspects of their business, the ability of the Company's various business divisions to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Company's various business divisions to attract and maintain key personnel and other qualified employees, various environmental risks to which the Company's business divisions are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Company's business divisions operate, timing and costs associated with the acquisition of capital equipment, the impact of weather and other seasonal factors that affect business operations, availability of financial resources or third-party financing and the impact of new laws and regulations or changes in existing laws, regulations or administrative practices on the part of regulatory authorities, including without limitation taxation and environmental laws and regulations and changes in how such laws and regulations are interpreted and enforced. Forward-looking information respecting the anticipated costs associated with the purchase of capital equipment are based upon historical prices for various classes of equipment, expectations relating to the impact of inflation on the future cost of such equipment and management's views concerning the negotiating position of the Company and its affiliates. Forward-looking information concerning the nature and timing of growth within the various business divisions is based on the current budget of the Company (which is subject to change), factors that affected the historical growth of such business divisions, sources of historic growth opportunities and expectations relating to future economic and operating conditions. Forward-looking information concerning the future competitive position of the Company's business divisions is based upon the current competitive environment in which those business divisions operate, expectations relating to future economic and operating conditions, current and announced build programs and other expansion plans of other

organizations that operate in the energy service business. Forward-looking information concerning the financing of future business activities is based upon the financing sources on which the Company and its predecessors have historically relied and expectations relating to future economic and operating conditions. Forward-looking information concerning future economic and operating conditions is based upon historical economic and operating conditions, opinions of third-party analysts respecting anticipated economic and operating conditions. Although management of the Company believes that the expectations reflected in such forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All of the forward looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in additional detail in this MD&A under the heading "Risk Factors" below and in the Company's AIF. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise.

#### RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying unaudited condensed interim consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the accompanying unaudited condensed interim consolidated financial statements.

#### DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer, together with other members of management (collectively, the "Officers"), have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that the information required to be disclosed by the Company and its consolidated divisions and subsidiaries in its filings or other reports submitted by it under securities legislation is in compliance with the time periods specified in the securities legislation. These disclosure controls and procedures include controls and procedures which have been designed to ensure that the information required to be disclosed by the Company and its consolidated divisions and subsidiaries in its filings or other reports submitted by it under securities legislation is accumulated and communicated to the Officers and others within those entities to allow timely decisions regarding required disclosure.

Additionally, the Officers have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the quarter ended March 31, 2012 there have been no changes in internal controls over financial reporting that would materially affect, or be reasonably likely to materially affect, the Company's internal controls over financial reporting.

While the Officers have designed the Company's disclosure controls and procedures and internal controls over financial reporting, they expect that these controls and procedures will not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.



## NON-IFRS MEASURES

Operating earnings means results from operating activities and is equal to net income before income taxes minus gain on sale of property, plant and equipment plus finance costs. EBITDA means earnings before interest, taxes, depreciation and amortization and is equal to net income before income taxes plus finance costs plus depreciation. Cashflow means cash provided by operations before changes in non-cash working capital items. Operating earnings, EBITDA and cashflow are not recognized measures under IFRS. Management believes that in addition to net income, operating earnings, EBITDA and cashflow are useful supplemental measures as they provide an indication of the results generated by the Company's primary business activities prior to consideration of how those activities are financed, amortized or how the results are taxed in various jurisdictions as well as the cash generated by the Company's primary business activities without consideration of the timing of the monetization of non-cash working capital items. Readers should be cautioned, however, that operating earnings, EBITDA and cashflow should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of Total Energy's performance. Total Energy's method of calculating operating earnings, EBITDA and cashflow may differ from other organizations and, accordingly, operating earnings, EBITDA and cashflow may not be comparable to measures used by other organizations. Reconciliations of these non-IFRS measures to the most directly comparable IFRS measure are outlined below.

<b>Results from operating activities</b> (in thousands of Canadian dollars)	<b>Three months ended March 31, 2012</b>	Three months ended March 31, 2011
<b>Net income and total comprehensive income</b>	<b>\$ 24,461</b>	\$ 18,830
Add back (deduct):		
Finance costs	1,289	1,189
Gain on disposal of equipment	(408)	(166)
Income tax expense	8,316	6,593
Results from operating activities	<b>\$ 33,658</b>	\$ 26,446
<b>EBITDA</b> (in thousands of Canadian dollars)	<b>Three months ended March 31, 2012</b>	Three months ended March 31, 2011
<b>Net income and total comprehensive income</b>	<b>\$ 24,461</b>	\$ 18,830
Add back:		
Depreciation	6,069	6,579
Finance costs	1,289	1,189
Income tax expense	8,316	6,593
EBITDA	<b>\$ 40,135</b>	\$ 33,191
<b>Cashflow</b> (in thousands of Canadian dollars)	<b>Three months ended March 31, 2012</b>	Three months ended March 31, 2011
Cash provided by operations	<b>\$ 39,904</b>	\$ 19,028
Add back (deduct):		
Changes in non-cash working capital items	201	14,173
Cashflow	<b>\$ 40,105</b>	\$ 33,201

## BUSINESS OF THE COMPANY

Total Energy is a public energy services company based in Calgary, Alberta. Through its operating divisions and its wholly owned limited partnerships, Bidell Equipment Limited Partnership and Total Oilfield Rentals Limited Partnership, Total Energy is involved in three businesses: contract drilling services ("Chinook Drilling" or "Chinook"), the rental and transportation of equipment used in the drilling, completion and production of oil and natural gas wells ("Total Oilfield Rentals") and the fabrication, sale, rental and servicing of new and used natural gas compression equipment ("Bidell Equipment" or "Bidell"). Substantially all of the operations of the Company are conducted within the Western Canadian Sedimentary Basin ("WCSB"), although Total Energy investigates opportunities from time to time to expand its operations outside of the WCSB and is currently expanding the operations of Total Oilfield Rentals into North Dakota. Bidell generates international sales from its Calgary based facility.

## VISION, CORE BUSINESS AND STRATEGY

Total Energy is focused on building sustainable value for its shareholders through the disciplined management of its operations and a commitment to growing its business in a capital efficient manner. Historically, Total Energy focused on the WCSB and intentionally levered its business more towards the exploration, development and production of natural gas than conventional oil. In 2007, Total Energy began to expand its geographical presence in the WCSB to include areas prone to oil exploration and development and to increase its exposure to unconventional resource development. In particular, emphasis was placed on expanding Total Energy's presence in British Columbia and Saskatchewan. With the recent application of horizontal drilling and multistage fracturing technologies to conventional oil areas of the WCSB, Total Energy's exposure to oil directed exploration, development and production activities has increased significantly. The expansion of Total Oilfield Rentals into North Dakota that is currently underway will further increase Total Energy's exposure to oil related activities. Management believes that Total Energy's existing business divisions provide a platform for building long-term shareholder value. Total Energy has achieved its growth by maintaining a disciplined acquisition strategy and undertaking measured and strategic organic growth. The Company intends to achieve ongoing expansion through organic growth and selective acquisitions.

Generally, the Company's business strategy and marketing plans and strategy are as follows:

**Contract Drilling Services:** The Company has targeted the sub-4000 meter vertical depth market in western Canada. Currently the Company operates a fleet of 15 rigs all constructed in 1997 or later. Of these rigs, 13 are telescopic doubles rated to vertical depths of up to 3,500 meters and two are conventional singles rated to 1,200 meters. The Company is focused on continuing to grow its drilling rig fleet to obtain the marketing and operational efficiencies enjoyed by a larger fleet. The Company expects to pursue the growth of its fleet through organic growth and the acquisition of modern and efficient equipment that is complementary to its existing fleet in an effort to distinguish its equipment from the competition and attract quality operations personnel. The Company is currently constructing a sixteenth rig, a telescopic double rated to vertical depths of up to 3,500 meters, with completion scheduled for the third quarter of 2012 at an estimated cost of \$10.5 million. In addition, the Company is currently upgrading one of its conventional singles to increase the capabilities of such rig, with completion scheduled for the third quarter of 2012 at an estimated cost of \$2.2 million.

**Rentals and Transportation Services:** Historically northern Alberta and northeastern British Columbia were the primary markets for the Company's rentals and transportation services. In the fourth quarter of 2007, this division expanded its operations into southeastern Saskatchewan. The Company now operates out of 19 locations throughout Western Canada and currently owns and operates approximately 9,200 pieces of rental equipment as well as a modern fleet of 101 heavy trucks. The Company intends to maintain a modern and high quality equipment base supported by an extensive branch network to maintain a significant presence in its target market. The Company intends to pursue opportunities, both internal and acquisition, to increase its market share in its existing areas of operation and to further expand its geographic presence within the WCSB. The Company is also examining opportunities to expand its product and service offering within the

WCSB and to expand its operations outside of the WCSB, and is currently in the process of entering the North Dakota market where it expects to open a branch location during the second quarter of 2012.

**Gas Compression Services:** The Company has historically targeted the sub-3000 horsepower gas compression market in western Canada but recently has expanded its capabilities to supply larger horsepower compression. The Company has expanded its market to include international sales. The Company has and will continue to compete with its larger competitors by providing quality equipment and maintaining an efficient business model. The Company has also increased its in-house engineering capabilities in order to focus on developing proprietary equipment designs that provide solutions to its customers. Total Energy has applied for patent protection in Canada, the United States and certain other international jurisdictions for its proprietary trailer-mounted compression package which is branded the NOMAD™. In January 2010 Total Energy received a United States patent and in September 2011, a Canadian patent in respect of its technology. The Company is introducing the NOMAD™ to the Australian market in the second quarter of 2012. The Company intends to grow its natural gas compression rental business and, as such, expects to increase the amount of total horsepower in its rental fleet. During 2010 the Company began an expansion of its parts and service business in the WCSB and currently operates out of 10 locations throughout Alberta, British Columbia and Saskatchewan. The Company is currently establishing a presence in the WCSB process equipment fabrication business.

#### OVERALL PERFORMANCE

As a result of continuing high industry activity levels in the WCSB, the first quarter of 2012 was improved from the prior year comparable quarter despite the earlier arrival of spring break up in 2012 relative to 2011. The Company achieved a 19% increase in revenue and a 30% increase in net income from the prior year comparable quarter, due primarily to increased business activity in all three divisions. The Company recorded net income of \$24.5 million in the first quarter of 2012 versus \$18.8 million during the comparable period of 2011.

The Company's financial condition remains strong, with a positive working capital balance of \$130.2 million and no bank debt as at March 31, 2012. As at March 31, 2012 long-term debt (including the principal amount of the outstanding convertible debentures) to long-term debt plus equity was 0.19 to 1.0 and the Company had no net debt (net debt being long-term debt plus the convertible debentures outstanding plus obligations under finance leases plus current liabilities minus current assets).

#### KEY PERFORMANCE DRIVERS

Total Energy believes the following key performance drivers are critical to the success of its business.

- Oil and natural gas prices and the resulting cash flows, access to debt and equity financing and capital expenditures of its customers, the exploration and development companies that operate in the WCSB and, to a lesser extent, in other markets in which the Company competes.
- The expectations of its customers as to future oil and natural gas prices.
- The expectations of its customers as to oil and natural gas exploration and development prospects in the WCSB.
- The prevailing competitive conditions in each of the business segments in which Total Energy competes.
- The general state of global and national financial markets which impact the Company's access to debt and equity, which in turn affects the Company's cost of capital and economic rate of return on the Company's assets.
- Weather, which impacts both the ability to operate in the WCSB, as well as the overall demand for natural gas and heating oil.
- Effect of non-market forces such as government royalty and taxation policy, government incentives for renewable energy and regulatory changes, which create market uncertainty and affect industry activity levels.

- Access to, and retention of, qualified personnel.
- Ongoing technological developments that influence resource development.

There are several key performance measures the Company uses to monitor and assess its performance relative to the key performance drivers, the implementation of its strategy, and the achievement of its goals and vision. Such measures include:

- Return on invested capital and return on equity.
- Safety and environmental stewardship. The Company has a health, safety and environmental management policy in place within each of its operating divisions. Targets and objectives are set within those policies.

## CAPABILITY TO DELIVER RESULTS

### Non-Capital Resources

People are the most critical non-capital resource required in order for the Company to achieve its goals set out in its strategic plan, particularly during periods of robust industry conditions when competition for skilled labour is greatest. The Company is continually evaluating its human resources levels to ensure that it has adequate human resources to meet its business requirements. In addition, succession planning is ongoing in order to mitigate the impact of planned or unplanned departures of key personnel. The Company believes that it presently has sufficient human resources to successfully operate its business and to execute its strategic plan.

### Capital Resources

The Company has the necessary working capital to meet its current obligations and commitments and has no off-balance sheet financing arrangements. In order to finance future growth, Total Energy anticipates utilizing a combination of working capital, cashflow, existing and new debt facilities and new equity issuances.

### Systems and Processes

The Company's operational systems and processes are continually reviewed by management. The Company periodically evaluates existing systems and develops new ones as required.

In addition to certain risks, which are explained under the heading "Risk Factors" below and in the Company's AIF, the following factors impact Total Energy's business:

### Seasonality and Cyclicity

The Company's business is cyclical due to the nature of its customers' cash flows and capital expenditures. Customers' cash flows and capital expenditures are in turn affected by, among other things, oil and gas prices, access to capital, the prospects for oil and gas exploration and development in the WCSB and economics of oil and gas exploration and production in the WCSB compared to the economics of international opportunities. The Company currently has no material long-term contracts in place for the provision of its equipment and services.

Seasonality impacts the Company's operations. The Company's operations are carried on in the WCSB. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather 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. 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.

### **Trends and Outlook**

The Company remains cautious regarding the near to medium term global economic environment and in regards to natural gas prices. However, current industry activity levels in the WCSB continue to be robust, driven primarily by activity targeting oil and liquids rich natural gas. The Company believes that long-term fundamentals require continued exploration and development in the WCSB and elsewhere, particularly in respect of unconventional oil and natural gas reserves, to meet North American and world-wide demand for oil and natural gas. A continued focus on the development of unconventional oil and natural gas resources in the WCSB is expected to continue to drive activity in the future. The application of horizontal drilling and multi-stage fracturing completion technologies to WCSB oil and liquids rich natural gas resources has significantly increased drilling and completion activity in the WCSB targeting oil. According to the Canadian Association of Drilling Contractors ("CAODC") oil well completions accounted for approximately 62% of the wells drilled in the WCSB during 2011 as compared to 48% and 34% for the comparable periods in 2010 and 2009. As a result, the Company's revenue base has become more weighted toward oil versus natural gas related activities whereas historically natural gas drilling and production activity was the primary driver of the Company's revenues. The oil and gas service industry is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers to find and produce oil and natural gas. These companies base their capital expenditures on several factors, including but not limited to current and expected hydrocarbon prices, exploration and development prospects and access to capital. Activity levels are ultimately dependent on these above and other factors. Industry activity levels steadily improved in 2010 as compared to 2009 and continued to improve during 2011 despite extended wet weather conditions in the WCSB during the spring and early summer. Exploration and development companies have generally maintained their 2012 WCSB capital budgets compared to 2011 capital expenditure levels and, as such, current indications are that WCSB industry activity levels will remain relatively strong during 2012 driven primarily by oil and liquids rich natural gas drilling and completion activities.

### **Governmental and Environmental Regulation and Risk Management**

The Company has a comprehensive insurance and risk management program in place to protect its assets, operations and employees. The Company also has programs in place to ensure it meets or exceeds current safety and environmental standards. The Company has safety and environmental personnel responsible for maintaining and developing the Company's policies and monitoring the Company's operations in each division to ensure they are in compliance with such policies and applicable legislation. The safety and environmental personnel report to the divisional General Managers and directly to the Vice President of Operations of the Company.

## **RESULTS OF OPERATIONS**

### **Consolidated Revenue**

Revenues increased 19% to \$101.4 million for the three months ended March 31, 2012 versus \$85.1 million for the same period in 2011.

### **Divisional Revenue**

Divisional revenues for the three months ended March 31, 2012 were \$21.2 million for Contract Drilling Services, \$49.3 million for Rentals and Transportation Services and \$30.9 million for Gas Compression Services.

### **Contract Drilling Services**

The revenue reported from Total Energy's Contract Drilling Services division increased by 20% to \$21.2 million for the three months ended March 31, 2012 as compared to \$17.6 million for the same period in 2011. Revenues increased from the prior year comparable period due primarily to improved pricing. For the first quarter of 2012 the Contract Drilling Services division achieved a utilization rate, on a spud to release basis, of 66% as compared to 78% for the same period in 2011 due to the earlier arrival of spring break-up in 2012 compared to 2011. Operating days (spud to release) for the three months ended March 31, 2012 totaled 903 days with a fleet of 15 rigs as compared to 979 days for the same period in 2011 with a fleet of 14 rigs. Revenue per operating day received for contract drilling services for the three months ended March 31, 2012 increased by 31% as compared to the same period in 2011. The increase in revenue per operating day was due primarily to an increase in drilling day rates.

### **Rentals and Transportation Services**

The revenue reported from Total Energy's Rentals and Transportation Services division increased by 10% to \$49.3 million for the three months ended March 31, 2012 as compared to \$44.9 million for the same period in 2011. Revenues increased from the prior year comparable period due primarily to a larger asset base and increased pricing, offset in part by lower equipment utilization due to the earlier arrival of spring break-up compared to 2011. Average utilization of the rental assets was 67% for the three months ended March 31, 2011 as compared to 74% for the prior year comparable period. This division exited the first quarter of 2012 with approximately 9,100 pieces of rental equipment as compared to 8,000 pieces at the end of the first quarter of 2011. This division also exited the first quarter of 2012 with a fleet of 101 heavy trucks compared to 94 heavy trucks at the end of the first quarter of 2011.

### **Gas Compression Services**

The revenue reported from Total Energy's Gas Compression Services division increased by 37% to \$30.9 million for the three months ended March 31, 2012 as compared to \$22.6 million for the same period in 2011. The revenue increases from the prior year comparable period were due primarily to increased demand from this division's customers and ongoing expansion of the parts and service business that began in the second half of 2010. This division exited the first quarter of 2012 with a backlog of fabrication sales orders of approximately \$29.3 million as compared to a backlog of \$33.9 million as at March 31, 2011. As at March 31, 2012 the total horsepower of compressors on lease was approximately 25,000 as compared to approximately 21,200 as at March 31, 2011. The compression rental fleet experienced an average utilization of 83% (based on fleet horsepower) during first quarter of 2012 as compared to 74% for the same period in 2011.

### **Other**

Total Energy's Other division consists of the Company's corporate activities. The Other division does not generate any revenue but provides sales, operating and other support services to Total Energy's operating divisions and wholly owned subsidiaries and partnerships and manages the corporate affairs of the Company.

### **Cost of Services**

Cost of services increased 20% to \$52.9 million for the three months ended March 31, 2012 as compared to \$44.2 million for the same period in 2011. The increases resulted primarily from increased costs associated with increased revenues. The gross margin percentage for the three months ended March 31, 2012 and 2011 was 48% as a percentage of revenue. A detailed margin analysis for each division is presented in the discussion of Results from Operating Activities. Cost of services consists of salaries and benefits for operations personnel, repairs, maintenance, fuel, manufacturing costs and trucking costs.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses increased by 10% to \$8.4 million for the three months ended March 31, 2012 as compared to \$7.6 million for the same period in 2011. The increases resulted primarily from increased costs associated with increased revenues.

Included in these costs are compensation for directors and officers pursuant to the Company's cash based compensation plans. Selling, general and administrative expenses also include salaries and benefits for office staff, rent, utilities, and communications in the Company's various divisional offices and its corporate head office as well as professional fees and other costs to maintain the Company's public listing.

### **Share-based Compensation Expense**

Share-based compensation was \$0.4 million for the three months ended March 31, 2012 versus \$0.2 million for the prior year comparable period. The share based compensation expense arises from share options granted pursuant to a share option plan implemented during 2009.

### **Depreciation Expense**

Depreciation expense decreased 8% for the three month period ended March 31, 2012 to \$6.1 million as compared to \$6.6 million for the prior year comparable period. The decrease was due primarily to decreased utilization in the Contract Drilling Services division and decreased depreciation expense in the Rentals and Transportation Services divisions due to a

change in useful life estimates which was implemented on a prospective basis effective January 1, 2011. Additional information with respect to the change in useful life estimates is outlined under the "Critical Accounting Estimates" section of this MD&A. All of the Company's property, plant and equipment is depreciated on a straight-line basis with the exception of contract drilling equipment which is depreciated on a utilization basis.

#### **Results from Operating Activities**

Operating earnings increased 27% to \$33.7 million in the first quarter of 2012 as compared to \$26.4 million for the comparable period in 2011. The increase in operating earnings was due primarily to increased operating earnings in all three business divisions.

The Contract Drilling Services division had operating earnings of \$8.5 million for the three months ended March 31, 2012 as compared to \$5.1 million for the comparable period in 2011. The operating earnings margin in this division was 40% for the three months ended March 31, 2012 as compared to 29% for the comparable period in 2011. The increases in operating earnings margin in 2012 relative to 2011 is due primarily to improved pricing.

The Rentals and Transportation Services division had operating earnings of \$24.0 million for the three months ended March 31, 2012 as compared to \$21.3 million for the comparable period in 2011. The operating earnings margin in this division was 49% for the three months ended March 31, 2012 as compared to 47% for the comparable period in 2011. The 2012 increase in operating earnings margin resulted primarily from improved pricing and reduced depreciation expense.

The Gas Compression Services division had operating earnings of \$2.8 million for the three months ended March 31, 2012 as compared to \$1.5 million for the comparable periods in 2011. The operating earnings margin in this division was 9% for the three months ended March 31, 2012 as compared to 6% for the comparable periods in 2011. The increase in operating earnings margin in 2012 resulted primarily from increased revenues in the Parts and Services business and efficiencies of scale arising from the expansion of fabrication capacity in 2011.

The Other division had an operating loss of \$1.6 million for the three months ended March 31, 2012 as compared to \$1.4 million for the comparable period in 2011. The Other division does not include any operational activities relating to Total Energy's business and therefore does not generate any revenue.

#### **Finance Costs**

Finance costs were \$1.3 million for the three months ended March 31, 2012 versus \$1.2 million for the prior year comparable period. The increase in finance costs was due primarily to the \$69 million principal amount of unsecured convertible debentures issued by the Company in February 2011, which have a higher coupon rate than the short term variable rate secured bank debt they replaced. Finance costs include interest paid on advances under the Company's revolving operating facility, long-term debt facility, finance leases and interest expense (including accretion) on the convertible debentures.

#### **Gain on Disposal of Equipment**

Gain on disposal of equipment was \$0.4 million for the three months ended March 31, 2012 versus \$0.2 million for the prior year comparable period. Disposals of equipment result from the replacement and upgrade of older equipment in the Company's fleet as well as the exercise of purchase options on compression equipment previously on lease in the Gas Compression Services division.

#### **Income Taxes and Net income**

The Company recorded net income of \$24.5 million (\$0.78 per share basic and \$0.72 per share diluted) for the three months ended March 31, 2012 as compared to \$18.8 million (\$0.60 per share basic and \$0.57 per share diluted) for the corresponding period in 2011. The Company recorded \$1.3 million of current income tax expense for the three months ended March 31, 2012 and nominal current income tax for the corresponding period 2011. The increase in current income tax expense was due primarily to the utilization of the Company's remaining deferred income tax assets in 2011. The Company recorded deferred income tax expense of \$7.0 million for the three months ended March 31, 2012 as compared to \$6.5 million for the corresponding period in 2011. This resulted in an effective tax rate of 25% for the three months ended March 31, 2012 versus 26% for the prior year comparable period.

Total Energy and one of its non-operating subsidiaries have been re-assessed by the Ontario Ministry of Finance ("Ontario Finance"), Alberta Finance and Enterprise ("Alberta Finance") and the Canada Revenue Agency ("CRA") on account of a corporate re-organization undertaken prior to Total Energy's conversion to a trust in 2005. See note 25 to the 2011 Audited Consolidated Financial Statements for further detail.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Provided by Operations

Cash provided by operations was \$39.9 million for the three months ended March 31, 2012 as compared to \$19.0 million for the comparable period in 2011. Cashflow was \$40.1 million for the three months ended March 31, 2012 as compared to \$33.2 million for the comparable period in 2011. The increase in cash provided by operations and cashflow were due primarily to increased operating earnings and less significant changes in non-cash working capital balances in 2012 as compared to 2011. The Company reinvests the remaining cash provided by operations after dividend payments to shareholders into the internal growth of existing businesses, acquisitions, the repayment of long-term debt and obligations under finance leases, or the repurchase of Company shares pursuant to the Company's normal course issuer bid.

### Investments

Net cash used in investment activities was \$27.8 million for the three months ended March 31, 2012 as compared to \$3.3 million for the comparable period in 2011. The increase in net cash used in investment activities in 2012 versus 2011 was due primarily to increased capital expenditures in all three business divisions. The purchases of property, plant and equipment ("PP&E") during the first quarter of 2012 were allocated as follows: \$5.0 million in the Contract Drilling Services division relating primarily to the purchase of rig equipment, \$10.0 million in the Rentals and Transportation Services division relating primarily to new rental equipment and heavy truck replacements and upgrades and \$7.5 million in the Gas Compression Services division relating primarily to additions to the compression rental fleet. During the first quarter of 2011 the property, plant and equipment additions were as follows: \$1.7 million in the Contract Drilling Services division, \$2.1 million in the Rentals and Transportation Services division and \$1.1 million in the Gas Compression Services division. The purchase of property, plant and equipment during first quarter of 2012 were offset by proceeds on disposal of property, plant and equipment of \$1.0 million, as compared to \$1.2 million for comparable period of 2011. The disposals of equipment result from the replacement and upgrade of older equipment in the Company's fleet as well as the exercise of purchase options on compression equipment previously on lease in the Gas Compression Services division.

### Financing

Net cash used in financing activities was \$6.9 million for the three months ended March 31, 2012 as compared to \$9.6 million for the comparable period in 2011. The decrease in net cash used in financing activities in 2012 as compared to 2011 was due primarily to repayment of long-term debt advances in 2011 with no corresponding repayments in 2012.

### Liquidity

The Company had a working capital surplus of \$130.2 million as at March 31, 2012 as compared to \$120.8 million as at December 31, 2011. This increase in the Company's working capital position is due primarily to increased cash and accounts receivable balances. As at March 31, 2012 and the date of this MD&A, the Company is in material compliance with all debt covenants and is able to fully utilize all existing credit facilities.

On February 9, 2011 the Company issued \$69 million of principal amount convertible unsecured subordinated debentures which mature on March 31, 2016. The Company utilized the net proceeds from the offering to repay its existing revolving term bank debt and for general corporate purposes.

On February 17, 2011 the Company secured a \$35 million operating facility with a major Canadian financial institution. The facility is a 2 year committed facility with payments not required until June 2013, assuming non-extension by the lender. As at March 31, 2012 there were no amounts outstanding under this facility.



The Company expects that cash and cash equivalents, cash flow from operations, together with existing and available credit facilities, will be sufficient to fund its presently anticipated requirements for investments in working capital, capital assets, dividend payments and the Company's share repurchases.

#### Dividends

For the three months ended March 31, 2012 the Company declared dividends of \$1.6 million (\$0.05 per share) as compared to \$1.3 million (\$0.04 per share) declared for the prior year comparable period.

For 2012 the Company expects cash provided by operations, cashflow and net income to exceed dividends to shareholders. Management and the board of directors of the Company will monitor the Company's dividend policy with respect to forecasted net income, cashflow, cash provided by operations, debt levels, capital expenditures and other investment opportunities and will aim to finance future dividends through cash provided by operations.

#### SUMMARY OF QUARTERLY RESULTS

(in thousands of dollars except per share amounts)	Financial Quarter Ended (Unaudited)			
	March 31, 2012	Dec 31, 2011	Sept 30, 2011	June 30, 2011
Revenue	\$ 101,449	\$ 96,936	\$ 87,882	\$ 62,159
Cashflow <sup>(1)</sup>	40,105	37,251	35,020	15,308
Cash provided by operations	39,904	30,899	23,189	24,527
Net income	24,461	23,441	20,603	6,392
Per share (basic)	0.78	0.75	0.65	0.20
Per share (diluted)	0.72	0.69	0.61	0.20

	Financial Quarter Ended (Unaudited)			
	March 31, 2011	Dec 31, 2010	Sept 30, 2010	June 30, 2010
Revenue	\$ 85,105	\$ 72,565	\$ 56,060	\$ 37,061
Cashflow <sup>(1)</sup>	33,201	24,967	19,853	6,831
Cash provided by (used in) operations	19,028	10,541	(5,119)	17,024
Net income	18,830	13,332	7,910	1,475
Per share (basic and diluted)	0.60	0.43	0.25	0.05
Per share (diluted)	0.57	0.42	0.25	0.05

(1) Refer to "Non-IFRS Measures" for further information.

As discussed in 'Seasonality and Cyclicity' above, variations over the quarters are due in part to the cyclical nature of the energy service industry in the WCSB due to the occurrence of "breakup". The first quarter has generally been the strongest quarter for the Company. This strength is due to the northern exposure that the Company has in its Contract Drilling Services and Rentals and Transportation Services divisions. The northern areas are busiest in the winter as these areas are frozen and allow better access to operations locations. The second quarter has generally been the slowest quarter due to "breakup" as described above. Many of the areas that the Company operates in are not accessible during this period when ground conditions do not permit the movement of heavy equipment. The third quarter has generally been the third busiest quarter, as some of the issues associated with "breakup" are no longer affecting access to areas of operations. The fourth quarter has usually been the second busiest quarter of the year as customers are generally able to start accessing northern areas with the onset of winter and the ground freezing.

## CONTRACTUAL OBLIGATIONS

At March 31, 2012, the Company had the following contractual obligations:

(in thousands of dollars)	Total	Payments due by year				
		2012	2013	2014	2015	2016 and thereafter
Convertible debentures, face value <sup>(1)</sup>	\$ 69,000	\$ –	\$ –	\$ –	\$ –	\$ 69,000
Commitments <sup>(2)</sup>	4,829	1,987	1,418	740	301	383
Finance leases	5,308	1,987	2,050	936	271	64
Purchase obligations <sup>(3)</sup>	25,791	25,791	–	–	–	–
<b>Total contractual obligations</b>	<b>\$ 104,928</b>	<b>\$ 29,765</b>	<b>\$ 3,468</b>	<b>\$ 1,676</b>	<b>\$ 572</b>	<b>\$ 69,447</b>

- (1) Convertible debentures are described in Note 13 to the 2011 Audited Consolidated Financial Statements.
- (2) Commitments are described in Note 24 to the 2011 Audited Consolidated Financial Statements.
- (3) Purchase obligations are described in Note 24 to the 2011 Audited Consolidated Financial Statements. As at March 31, 2012 purchase obligations relate to Total Energy's commitment to purchase \$12.2 million of capital assets for the Rentals and Transportation Services division, \$5.2 million of inventory for the Gas Compression Services division and \$8.4 million of capital assets for the Contract Drilling Services division respectively.

## OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2012 and 2011 the Company had no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

During first quarter of 2012 and 2011 the Company had no material transactions with related parties.

## CRITICAL ACCOUNTING ESTIMATES

Management is responsible for applying judgment in preparing accounting estimates. Certain estimates and related disclosures included within the financial statements are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments. An accounting estimate is considered critical only if it requires the Company to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and different estimates the Company could have used would have a material impact on Total Energy's financial condition, changes in financial condition or results of operations.

While there are several estimates and assumptions made by management in the preparation of financial statements in accordance with IFRS, the following critical accounting estimates have been identified by management:

### Revenue Recognition

The Company recognizes revenue in its segments as follows; Contract Drilling and Rentals and Transportation Services revenue is recognized on accrual basis in the period when services are provided. Revenue in Gas Compression Services from the supply of equipment that involves the design, manufacture, installation and start-up are determined using the percentage of completion method, based on the labour hours incurred as a proportion of total expected labour hours. Revenues and costs begin to be recognized when progress reaches a stage of completion sufficient to reasonably determine the probable results. Any foreseeable losses on such projects are charged to operations when determined and work in progress is presented as part of accounts receivable. If payments received from a customer exceeds the revenue recognized, the difference reduces the deferred revenue balance. The Company's services and products are sold based upon orders or contracts with customers that include fixed or determinable prices based upon monthly, daily, hourly or job rates.

#### **Estimates of Collectibility of Accounts Receivable**

The Company has to make an estimate for the collectibility of its accounts receivable. The Company continually reviews its accounts receivable balances and makes an allowance once it considers an accounts receivable balance uncollectible. The actual collectibility of accounts receivable could differ materially from the estimate although management does not consider the risk of a significant loss to be material at this time.

#### **Estimates of Depreciation**

Total Energy has significant estimates relating to the depreciation policies for property, plant and equipment. Factors that are included in the estimation include but are not limited to the useful life of the asset and the residual value of the asset at the end of its useful life. The Company makes an estimate based on the best information on these factors that it has at that the time these estimates are performed. Actual results could differ materially if any of these factors are different in the future than the current estimates.

#### **Current and Deferred Taxes**

Total Energy has estimated its tax pools for the income tax provision. The actual tax pools that the Company may be able to use could be different in the future. Total Energy has also estimated the timing of temporary difference reversals in the calculation of deferred income taxes and the realization of deferred income tax assets. The actual timing of temporary difference reversals and the realization of deferred income tax assets could be different in the future.

#### **Share-based Compensation**

Share-based compensation is calculated using the fair value method based upon the Black-Scholes model. In order to establish fair value, estimates and assumptions are used to determine risk-free interest rate, expected term, anticipated volatility, anticipated dividend yield and forfeiture rate. The use of different assumptions could result in different book values for share based compensation.

#### **Asset impairment**

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and compared to its carrying value, and if lower an impairment charge is recorded. For goodwill the recoverable amount is estimated annually.

#### **NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

A number of new standards, amendments to standards and interpretations are not yet effective, and have not been applied in preparing these consolidated interim financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company's consolidated financial statements on January 1, 2015 and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

## FINANCIAL INSTRUMENTS

### Risk management activities

The Company does not have significant exposure to any individual customer or counter party. No customer accounted for more than 10% of the Company's consolidated revenues during the first three months of 2012. Concentration of credit risk on the Company's trade accounts receivable exists in the oil and gas industry.

### Fair values

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable and obligations under finance leases approximate their fair value due to the relatively short periods to maturity of the instruments. As at March 31, 2012 the Company did not have any long-term debt that was subject to variable interest rates. The Company's \$69 million convertible debentures are publicly traded on the Toronto Stock Exchange. On March 31, 2012 the closing price for these securities was \$105.00 for every \$100 of principal value of convertible debentures issued. This represents an aggregate market value of \$72.5 million.

### Interest rate risk

As at March 31, 2012 the Company did not have any long-term debt that was subject to variable interest rates. The Company's convertible debentures bear interest at a fixed rate of 5.75%.

### Foreign currency risk

Where sales are denominated in a currency other than Canadian dollars, the Company may enter into forward currency contracts to mitigate its exposure to exchange rate fluctuations from the date of sale until the date of receipt of funds. Where foreign currency denominated purchases are made, it is the Company's practice to pay invoiced amounts within 15 days of receipt of invoice to reduce the Company's exposure to foreign exchange risk. In addition, from time to time the Company purchases funds in the foreign currency to which the order is denominated to mitigate against foreign exchange rate changes from the date of ordering to when payment is made. Pricing to customers is also customarily adjusted to reflect changes in the Canadian dollar landed cost of imported goods.

## OUTSTANDING COMPANY SHARE DATA

As at the date of this report the Company had 31,167,000 Common Shares outstanding.

Summary information with respect to share options outstanding is provided below:

Outstanding at March 31, 2012	Exercise Price	Remaining life (years)	Exercisable at March 31, 2012
765,000	\$ 4.66	2.2	765,000
182,500	\$ 4.97	2.5	82,500
50,000	\$ 7.30	2.8	-
30,000	\$ 8.54	3.4	10,000
300,000	\$ 16.18	4.0	100,000
75,000	\$ 14.21	4.3	-
1,402,500	\$ 7.85	2.8	957,500

On February 9, 2011 the Company issued \$69 million of principal amount unsecured subordinated debentures. The debentures are convertible into 3.1 million common shares at a conversion price of \$22.3876 per share with up to an additional 1.8 million common shares reserved for issuance in connection with the "change of control make whole" provisions as set out in the trust indenture relating to the debentures.

## RISK FACTORS

The following is a summary of certain risk factors relating to the activities of the Company and its subsidiaries.

### Risks Relating to the Energy Services Business

#### General

Certain activities of the Company are affected by factors that are beyond its control or influence. The business and activities of the Company are directly affected by fluctuations in the levels of oil and natural gas exploration, development and production activity carried on by its customers, which, in turn, is dictated by numerous factors, including world energy prices and government policies. Any addition to or elimination or curtailment of government incentives or other material changes to government regulation of the energy industry in Canada could have a significant impact on the oilfield service industry in Canada.

#### Industry Conditions

The oil and gas service industry is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers. Exploration and production companies base their capital expenditures on various factors, including but not limited to hydrocarbon prices, exploration and development prospects in various jurisdictions, production levels of their reserves and access to capital. Oil and gas producers and explorers tend to examine long-term fundamentals affecting the foregoing factors before they adjust their capital expenditure plans. Risk factors associated with the Company's operations include business factors and changes in government regulation. Should one or more of these risks materialize, actual results may vary materially from those currently anticipated. In recent years, commodity prices, and therefore, the levels of drilling, production and exploration activity have been volatile. Any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for the Company's products and services. A significant prolonged decline in commodity prices would have a material adverse effect on the Company's business, results of operations and financial condition, including the Company's ability to pay dividends to its Shareholders.

#### Government Regulation

Total Energy's business and the business of its customers are subject to significant and evolving laws and government regulations, including in the areas of environment, health and safety. Changes to such laws and regulations may impose additional costs on Total Energy and may affect its business in other ways, including the requirement to comply with various operating procedures and guidelines that may impact Total Energy's operations. Total Energy has in place, in each of its divisions, programs for monitoring compliance to ensure that it meets or exceeds applicable laws and regulatory requirements. Ensuring a healthy and safe workplace minimizes injuries and other risks employees may face in carrying out their duties, improves productivity and avoids penalties or other costs and liabilities.

Material changes to the regulations and taxation of the energy industry may reasonably be expected to have an impact on the energy services industry. A material increase in royalties or other regulatory burdens would reasonably be expected to result in a material decrease in industry drilling and production activity in the applicable jurisdiction, which in turn would lead to corresponding declines in the demand for the goods and services provided by the Company in such jurisdiction. Conversely, reductions in royalties and other government regulations may reasonably be expected to have a positive impact on Total Energy's business.

Any initiatives by Canada or the provinces in which the Company operates to set legally binding targets to reduce emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases" could have direct or indirect compliance costs. Such initiatives and costs may adversely affect the oil and gas business in Canada, which in turn may adversely affect the oil and gas services industry in which the Company participates. The impact of such effects and/or costs is not yet certain.

### **Credit Risk**

A substantial portion of the Company's accounts receivable are with customers involved in the oil and gas industry, whose cash flow may be significantly impacted by many factors including commodity prices, the success of drilling programs, well reservoir decline rates and access to capital. The Company does not have significant exposure to any individual customer or counter-party. No customer accounted for more than 10% of the Company's consolidated revenues during the first quarter of 2012. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be remote at this time. Management is sensitive to and is continuously monitoring the impact of ongoing global economic and financial challenges and uncertainties on credit risk to the Company.

### **Currency Fluctuations**

The Gas Compression Services division, Bidell, obtains critical components and parts from U.S. suppliers and is therefore subject to foreign exchange rate fluctuations in the procurement of those materials. Where Bidell is contracted to undertake custom work, an exchange rate fluctuation provision is included in the relevant purchase order to reduce Bidell's exposure to such fluctuations. When Bidell has sales denominated in a currency other than Canadian dollars, it may enter into forward currency contracts to mitigate its exposure to exchange rate fluctuations from the date of sale until the date of receipt of funds. The Company's Contract Drilling Services division and the Rentals and Transportation Services division purchase certain capital equipment from U.S. suppliers and are also subject to foreign exchange rate fluctuations in the procurement of those items. Total Energy has taken measures that it considers reasonable to mitigate its exposure to exchange rate fluctuations, including the purchase of foreign currencies in an amount approximately equal to such foreign currency obligations at any given time. However, there can be no assurance that such measures will reduce Total Energy's exposure to currency fluctuations to a level that is not material.

### **Competition**

The various business segments in which the Company participates are highly competitive. The Company competes with several large national and multinational organizations in the contract drilling services, rental and transportation services and gas compression services businesses. Many of those national and multinational organizations have greater financial and other resources than the Company. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Company or that new competitors will not enter the various markets in which the Company is active. In certain aspects of its business, the Company also competes with a number of small and medium-sized companies, which, like the Company, have certain competitive advantages such as low overhead costs and specialized regional strengths.

### **Access to Parts, Development of New Technology and Relationships with Key Suppliers**

The ability of Bidell to compete and expand is dependent on Bidell having access, at a reasonable cost, to equipment, parts and components, which are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new and competitive technologies. Although Bidell has secured individual distribution agreements with various key suppliers, there can be no assurance that those sources of equipment, parts, components or relationships with key suppliers will be maintained. If these sources and relationships are not maintained, Bidell's ability to compete may be impaired. Bidell is able to access certain distributors and secure discounts on parts and components that would not be available if it were not for its relationship with certain key suppliers. Should the relationships with key suppliers come to an end, the availability and cost of securing certain equipment and parts may be adversely affected. The ability of Chinook to compete and expand is dependent upon Chinook having access, at a reasonable cost, to drilling equipment and supplies that are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new and competitive technologies as industry conditions require. There can be no assurance that existing sources for equipment will be maintained or that new technologically advanced equipment will be acquired. If such equipment is not available, Chinook's ability to compete may be impaired.

### **Employees**

The success of the Company is dependent upon its key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of the Company. The ability of the Company to expand its services will be dependent upon its ability to attract additional qualified employees in all of its divisions. The ability to secure the services of additional personnel is constrained in times of strong industry activity. While a modest general economic outlook and slower industry environment alleviated labour challenges during 2010 relative to past years when activity levels were higher, improved industry activity levels in Western Canada during 2011 and into 2012 may result in a more challenging and competitive labour market.

### **Environmental Liability Risks**

Total Energy routinely deals with natural gas, oil and other petroleum products. The Company has established programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. The Company also generally performs "phase 1" environmental studies on all of its properties prior to acquisition to minimize the risk of acquisition of a contaminated property. However, there can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. As a result of its fabrication and refurbishing operations, Bidell also generates or manages hazardous wastes, such as solvents, thinners, waste paint, waste oil, washdown wastes and sandblast material.

Although the Company attempts to identify and address contamination issues before acquiring properties, and attempts to utilize generally accepted operating and disposal practices, hydrocarbons or other wastes may have been disposed of or released on or under properties owned, leased, operated or worked on by the Company or on or under other locations where such wastes have been taken for disposal. These properties and the wastes disposed thereon may be subject to environmental laws that could require the Company to remove the wastes or remediate sites where they have been released.

### **Potential Operating Risks and Insurance**

Total Energy has an insurance and risk management program in place which has been implemented in an effort to protect its assets, operations and employees. Total Energy also has programs in place to address compliance with current safety and regulatory standards. Total Energy has a health and safety manager in each division who is responsible for maintaining and developing policies and monitoring operations vis-à-vis those policies. Third party consultants are also retained as required to assist the divisional health and safety managers. Each health and safety manager is required to report incidents directly to the Vice President of Operations of Total Energy.

The Company's operations are subject to risks inherent in the oil and gas drilling and production services industry, such as equipment defects, malfunction and failures and natural disasters with resultant uncontrollable flows of oil, gas or well fluids, fires, spills and explosions.

These risks could expose the Company to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages. Although the Company has obtained insurance against certain of the risks to which it is exposed, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

**Access to Additional Financing**

Total Energy may find it necessary in the future to obtain additional debt or equity to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Total Energy when needed or on terms acceptable to Total Energy, particularly during the current global financial crisis. Total Energy's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect upon the Company.

**Seasonality**

In general, the level of activity in the Canadian oilfield service industry is influenced by seasonal weather patterns. Wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Additionally, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months, because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the goods and services of the Company.



## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (tabular amounts in thousands of Canadian dollars)

	Note	March 31, 2012	December 31, 2011
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents		\$ 40,820	\$ 35,658
Accounts receivable		99,511	94,556
Inventory		35,346	37,147
Income taxes receivable		–	118
Prepaid expenses and deposits		2,120	1,795
		<b>177,797</b>	169,274
Property, plant and equipment		279,668	261,290
Goodwill		4,053	4,053
		<b>\$ 461,518</b>	\$ 434,617
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 37,367	\$ 41,556
Deferred revenue		4,906	3,064
Income taxes payable		1,229	–
Dividends payable		1,566	1,255
Current portion of obligations under finance leases		2,496	2,613
		<b>47,564</b>	48,488
Obligations under finance leases		2,812	2,763
Convertible debentures		61,473	61,090
Deferred tax liability		53,924	46,955
Shareholders' equity:			
Share capital	4	77,775	77,917
Contributed surplus		2,625	2,472
Equity portion of convertible debenture		4,601	4,601
Retained earnings		210,744	190,331
		<b>295,745</b>	275,321
		<b>\$ 461,518</b>	\$ 434,617

The notes on pages 27 to 30 are an integral part of these condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

	Note	Three months ended March 31,	
		2012	2011
<b>REVENUE</b>		<b>\$ 101,449</b>	<b>\$ 85,105</b>
Cost of services		52,934	44,235
Selling, general and administration		8,410	7,625
Share-based compensation	5	378	220
Depreciation		6,069	6,579
Results from operating activities		33,658	26,446
Gain on sale of property, plant and equipment		408	166
Finance costs		(1,289)	(1,189)
Net income before income taxes		32,777	25,423
Current income tax expense		1,347	44
Deferred income tax expense		6,969	6,549
Total income tax expense		8,316	6,593
Net income and total comprehensive income for the period		24,461	18,830
Earnings per share	4		
Basic earnings per share		\$ 0.78	\$ 0.60
Diluted earnings per share		\$ 0.72	\$ 0.57

The notes on pages 27 to 30 are an integral part of these condensed interim consolidated financial statements.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

As at and for the three months ended March 31, 2012 and 2011, and year ended December 31, 2011  
Unaudited (Tabular amounts in thousands of Canadian dollars)

	Note	Share Capital	Contributed Surplus	Equity portion of convertible debenture	Retained earnings	Total Equity
Balance at December 31, 2010		\$ 76,268	\$ 1,769	\$ –	\$ 131,808	\$ 209,845
Net income and total comprehensive income for the period		–	–	–	69,266	69,266
Transactions with shareholders, recorded directly in equity:						
Dividends to shareholders (\$0.16 per common share)		–	–	–	(5,032)	(5,032)
Issuance of convertible debenture net of transaction costs		–	–	6,151	–	6,151
Deferred tax effect on equity portion of convertible debenture		–	–	(1,550)	–	(1,550)
Repurchase of common shares	4	(1,221)	–	–	(5,711)	(6,932)
Share-based compensation	5	–	1,360	–	–	1,360
Share options exercised	5	2,870	(657)	–	–	2,213
		1,649	703	4,601	(10,743)	(3,790)
Balance at December 31, 2011		\$ 77,917	\$ 2,472	\$ 4,601	\$ 190,331	\$ 275,321
Net income and total comprehensive income for the period		–	–	–	24,461	24,461
Transactions with shareholders, recorded directly in equity:						
Dividends to shareholders (\$0.05 per common share)		–	–	–	(1,565)	(1,565)
Repurchase of common shares	4	(1,052)	–	–	(2,483)	(3,535)
Share-based compensation	5	–	378	–	–	378
Share options exercised	5	910	(225)	–	–	685
		(142)	153	–	(4,048)	(4,037)
<b>Balance at March 31, 2012</b>		<b>\$ 77,775</b>	<b>\$ 2,625</b>	<b>\$ 4,601</b>	<b>\$ 210,744</b>	<b>\$ 295,745</b>
	Note	Share Capital	Contributed Surplus	Equity portion of convertible debenture	Retained earnings	Total Equity
Balance at December 31, 2010		\$ 76,268	\$ 1,769	\$ –	\$ 131,808	\$ 209,845
Net income and total comprehensive income for the period		–	–	–	18,830	18,830
Transactions with shareholders, recorded directly in equity:						
Dividends to shareholders (\$0.04 per common share)		–	–	–	(1,261)	(1,261)
Issuance of convertible debenture net of transaction costs		–	–	6,151	–	6,151
Deferred tax effect on equity portion of convertible debenture		–	–	(1,550)	–	(1,550)
Share-based compensation	5	–	220	–	–	220
Share options exercised	5	621	(139)	–	–	482
		621	81	4,601	(1,261)	4,042
Balance at March 31, 2011		\$ 76,889	\$ 1,850	\$ 4,601	\$ 149,377	\$ 232,717

The notes on pages 27 to 30 are an integral part of these condensed interim consolidated financial statements.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (Tabular amounts in thousands of Canadian dollars)

	Three months ended March 31,	
	2012	2011
<b>Cash provided by (used in):</b>		
Operations:		
Net income for the period	\$ 24,461	\$ 18,830
Add (deduct) items not affecting cash:		
Depreciation	6,069	6,579
Share-based compensation	378	220
Gain on sale of property, plant and equipment	(408)	(166)
Finance costs	1,289	1,189
Current income tax expense	1,347	44
Deferred income tax expense	6,969	6,549
Income taxes paid	-	(44)
	40,105	33,201
Changes in non-cash working capital items:		
Accounts receivable	(4,955)	(16,926)
Inventory	1,801	(3,141)
Prepaid expenses and deposits	(325)	496
Accounts payable and accrued liabilities	1,436	4,149
Deferred revenue	1,842	1,249
	39,904	19,028
Investments:		
Purchase of property, plant and equipment	(24,242)	(4,930)
Proceeds on disposal of property, plant and equipment	1,026	1,209
Changes in non-cash working capital items	(4,606)	440
	(27,822)	(3,281)
Financing:		
Issuance of convertible debenture, net of issue costs	-	65,927
Repayment of long-term debt	-	(72,500)
Repayment of obligations under finance leases	(891)	(1,021)
Dividends to shareholders	(1,254)	(1,261)
Issuance of common shares	685	482
Repurchase of common shares	(3,535)	-
Interest paid	(1,925)	(1,195)
	(6,920)	(9,568)
Change in cash and cash equivalents	5,162	6,179
Cash and cash equivalents, beginning of period	35,658	228
Cash and cash equivalents, end of period	\$ 40,820	\$ 6,407

The notes on pages 27 to 30 are an integral part of these condensed interim consolidated financial statements.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2012 and 2011  
Unaudited (tabular amounts in thousands of Canadian dollars)

### 1. Reporting entity

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Total Energy Services Inc. (the "Company") is domiciled in Canada and is incorporated under the Business Corporations Act (Alberta) (the "Act").

The consolidated financial statements include the accounts of the Company, its subsidiaries and its partnerships, including Bidell Equipment Limited Partnership and Total Oilfield Limited Partnership, all established in Canada.

The Company's business is the provision of contract drilling services, the rental and transportation of equipment used in oil and natural gas drilling, completion and production processes and the fabrication, sale, rental and servicing of natural gas compression equipment to oil and gas exploration and production companies located primarily in western Canada.

The Company's operations are seasonal in nature and are carried out primarily in the Western Canadian Sedimentary Basin. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather 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. 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.

### 2. Basis of preparation

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#### Statement of compliance:

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting" of International Financial Reporting Standards (IFRS) and using the accounting policies outlined in the Company's consolidated financial statements for the year ending December 31, 2011. These condensed interim consolidated financial statements do not include all the necessary annual disclosures and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2011.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 15, 2012.

### 3. Operating segments

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The Company has three reportable segments which are substantially in one geographic segment, as described below, which are the Company's strategic business units. The strategic business units offer different services. For each of the strategic business units, the Company's Board of Directors and senior corporate management reviews internal management reports on at least a monthly basis.

The segments are: Contract Drilling Services, which includes the contracting of drilling equipment and the provision of labour required to operate the equipment, Rentals and Transportation Services, which includes the rental and transportation of equipment used in oil and natural gas drilling, completion and production operations and Gas Compression Services, which includes the fabrication, sale, rental and servicing of natural gas compression equipment.

Information regarding the results of each reportable segment is included below. Performance is measured based on net income before income taxes, as included in the internal management reports that are reviewed by the Company's Board of Directors and senior corporate management. Segment net income before income taxes is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. Interest is allocated based on capital employed in each segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2012 and 2011  
 Unaudited (tabular amounts in thousands of Canadian dollars)

The segmented amounts are as follows:

As at and for the three months ended March 31, 2012	Contract Drilling Services	Rentals and Transportation Services	Gas Compression Services	Other <sup>(1)</sup>	Total
Revenue	\$ 21,179	\$ 49,348	\$ 30,922	\$ –	\$ 101,449
Cost of services	9,927	17,272	25,735	–	52,934
Selling, general and administration	1,125	4,565	1,475	1,245	8,410
Share-based compensation	–	–	–	378	378
Depreciation	1,649	3,508	900	12	6,069
Results from operating activities	8,478	24,003	2,812	(1,635)	33,658
Gain on sale of property, plant and equipment	59	167	182	–	408
Finance costs	(253)	(574)	(124)	(338)	(1,289)
Net income before income taxes	8,284	23,596	2,870	(1,973)	32,777
Goodwill	–	2,514	1,539	–	4,053
Total assets	98,477	245,461	89,477	28,103	461,518
Total liabilities	19,096	56,741	23,378	66,558	165,773
Capital expenditures	\$ 4,966	\$ 9,952	\$ 7,529	\$ 1,795	\$ 24,242

As at and for the three months ended March 31, 2011	Contract Drilling Services	Rentals and Transportation Services	Gas Compression Services	Other <sup>(1)</sup>	Total
Revenue	\$ 17,582	\$ 44,895	\$ 22,628	\$ –	\$ 85,105
Cost of services	9,974	15,041	19,220	–	44,235
Selling, general and administration	792	4,443	1,222	1,168	7,625
Share-based compensation	–	–	–	220	220
Depreciation	1,708	4,129	729	13	6,579
Results from operating activities	5,108	21,282	1,457	(1,401)	26,446
Gain on sale of property, plant and equipment	15	16	135	–	166
Finance costs	(212)	(587)	(127)	(263)	(1,189)
Net income before income taxes	4,911	20,711	1,465	(1,664)	25,423
Goodwill	–	2,514	1,539	–	4,053
Total assets	83,120	202,376	72,664	8,626	366,786
Total liabilities	18,728	37,287	17,921	60,133	134,069
Capital expenditures	\$ 1,683	\$ 2,141	\$ 1,104	\$ 2	\$ 4,930

(1) Other includes the Company's corporate activities, accretion of convertible debentures and obligations pursuant to long-term credit facilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2012 and 2011  
Unaudited (tabular amounts in thousands of Canadian dollars)

#### 4. 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, 2010	31,425	\$ 76,268
Issued on exercise of share options	430	2,870
Repurchased and cancelled	(429)	(1,092)
Cancelled	(51)	(129)
Balance, December 31, 2011	31,375	\$ 77,917
Repurchased and cancelled	(173)	(446)
Repurchased and not cancelled	–	(606)
Issued on exercise of share options	118	910
<b>Balance, March 31, 2012</b>	<b>31,320</b>	<b>\$ 77,775</b>

During the three months ended March 31, 2012 210,100 common shares (year ended December 31, 2011: 429,068) were repurchased under the Company's normal course issuer bid at an average price of \$16.83 (year ended December 31, 2011: \$14.81), including commissions. 172,500 of the common shares repurchased under the Company's normal course issuer bid were cancelled in March 2012 and the remaining 37,600 common shares were cancelled in April 2012. The excess of the price paid over the average price per common share cancelled during the quarter has been charged to retained earnings.

##### (b) Per share amounts

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

	Three months ended March 31, 2012	Three months ended March 31, 2011
Net income for the period	\$ 24,461	\$ 18,830
Weighted average number of shares outstanding – basic	31,349	31,430
Earnings per share – basic	\$ 0.78	\$ 0.60
Net income for the period	\$ 24,461	\$ 18,830
Add back: debenture interest net of tax	1,029	545
	\$ 25,490	\$ 19,375
Weighted average number of shares outstanding – basic	31,349	31,430
Convertible debenture dilution	3,080	1,711
Share option dilution	736	974
Weighted average number of shares outstanding – diluted	35,165	34,115
Earnings per share – diluted	\$ 0.72	\$ 0.57

At March 31, 2012, 375,000 options (March 31, 2011: 300,000) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2012 and 2011  
 Unaudited (tabular amounts in thousands of Canadian dollars)

## 5. Share-Based Compensation Plan

Share option transactions during 2012 and 2011 were as follows:

	Weighted average exercise price	Number of Options
Balance, December 31, 2010	\$ 5.07	1,575,000
Granted	\$ 15.79	375,000
Exercised	\$ 5.15	(430,000)
Balance, December 31, 2011	\$ 7.70	1,520,000
Exercised	\$ 5.83	(117,500)
<b>Balance, March 31, 2012</b>	<b>\$ 7.85</b>	<b>1,402,500</b>

## 6. Financial instruments

The Company's financial instruments as at March 31, 2012 include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable, obligations under finance leases, long-term debt and convertible debentures. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable and obligations under finance leases approximate their carrying amounts due to their short-terms to maturity. The Company's \$69 million convertible debentures are listed and trade on the Toronto Stock Exchange. On March 31, 2012 the closing market price for these securities was \$105.00 per \$100 principal amount. This represents an aggregate market value of \$72.5 million.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Bruce Pachkowski<sup>3</sup>  
*Chairman of the Board*

Daniel Halyk  
*President and Chief Executive Officer*

Gregory Fletcher<sup>1,2</sup>

Randy Kwasnicia<sup>1,3</sup>

Greg Melchin<sup>1,2</sup>

Andrew Wiswell<sup>2,3</sup>

<sup>1</sup> Member of the Compensation Committee

<sup>2</sup> Member of the Audit Committee

<sup>3</sup> Member of the Corporate Governance and Nominating Committee

### MANAGEMENT TEAM

#### TOTAL ENERGY SERVICES INC.

Daniel Halyk  
*President and Chief Executive Officer*

Brad Macson  
*Vice President Operations*

Mark Kearl  
*Vice President Finance and Chief Financial Officer*

Russ Strilchuk  
*Vice President Sales and Marketing*

Cam Danyluk  
*Vice President Legal, General Counsel and Corporate Secretary*

#### CHINOOK DRILLING, A DIVISION OF TOTAL ENERGY SERVICES INC.

Rod Rundell  
*General Manager*

#### TOTAL OILFIELD RENTALS LIMITED PARTNERSHIP

Clint Gaboury  
*General Manager*

#### BIDELL EQUIPMENT LIMITED PARTNERSHIP

Sean Ulmer  
*President*

### HEAD OFFICE

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email: [investorrelations@totalenergy.ca](mailto:investorrelations@totalenergy.ca)

### AUDITOR

KPMG LLP  
Calgary, Alberta

### TRUSTEE, REGISTRAR AND TRANSFER AGENT

Olympia Trust Company  
Calgary, Alberta

### LEGAL COUNSEL

Bennett Jones, LLP  
Calgary, Alberta

### BANKER

HSBC  
Calgary, Alberta

### STOCK EXCHANGE LISTING

Toronto Stock Exchange  
Common Shares: TOT  
Convertible Debentures: TOT.DB

## LOCATIONS

Calgary • Carlyle • Dawson Creek • Drayton Valley • Edmonton • Edson • Fort Nelson • Fort St. John  
Fox Creek • Grande Prairie • High Level • Lac La Biche • Lloydminster • Manning • Medicine Hat • Peace River  
Red Deer • Red Earth • Rocky Mountain House • Valleyview • Weyburn/Midale • Whitecourt



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