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FOCUS DISCIPLINE GROWTH

First Quarter Report 2015

TOTAL ENERGY SERVICES INC.

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 and process 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 2015 reflect challenging oil and gas industry conditions in North America. Following a precipitous decline in oil prices that began in the latter half of 2014, producers responded by substantially reducing drilling and completion activity during the first quarter. Despite substantial declines in first quarter activity, particularly within the Contract Drilling Services division, the Company remained profitable in all business divisions.

Total Energy's financial condition remains strong, with a positive working capital position of $19.2 million at March 31, 2015 even after reclassifying as a current liability $66.9 million relating to the convertible debentures that will be redeemed on May 19, 2015. With the reclassification of the convertible debentures as a current liability, the Company's long term debt to long term debt plus equity ratio was nominal at March 31, 2015.

LOOKING FORWARD

The reduction in industry activity that began in the first quarter has continued into the second quarter. As such, the Company expects that 2015 will be a difficult year for North American energy services providers and steps have been taken to right-size the Company's operations in response to reduced customer demand. Despite a difficult environment, Total Energy will seek to maintain a focused and disciplined approach to conducting operations to ensure that all business divisions are able to profitably compete without compromising the quality or safety of operations.

In connection with the redemption of the $69 million of convertible debentures, Total Energy has secured a new $50 million five year term bank loan. The term loan is secured by a mortgage on approximately $72 million of Total Energy's real estate holdings, bears interest at a fixed annual rate of 3.06% and requires monthly principal and interest payments of $278,800. At the end of the five year term in May 2020, approximately $40.2 million of principal will be outstanding. The redemption and refinancing of the convertible debentures will result in annual interest savings of approximately $1.8 million and eliminate a significant source of dilution to existing Shareholders.

Total Energy's strong balance sheet not only provides operational stability but also the capacity to pursue investment opportunities that might arise in a challenging industry environment. The Company's $65 million revolving credit facility, which is secured by cash, inventory and receivables, is currently undrawn and fully available. With the exception of approximately $72 million of real estate that has been mortgaged to secure the $50 million term debt facility, the Company's capital assets remain available to secure future debt financings as may be required. In April of 2015, the Company received an independent third party report indicating the current market value of its real estate holdings to be approximately $110 million as compared to a net book value of $49.9 million at December 31, 2014.

Through its wholly-owned United States subsidiary, Total Energy recently completed the acquisition of a private oilfield transportation company based in Casper, Wyoming. In addition to providing an established market presence in the region, this acquisition provides the Rentals and Transportation Services division with a number of required federal and state operating licenses in several jurisdictions that will facilitate future growth in the United States.

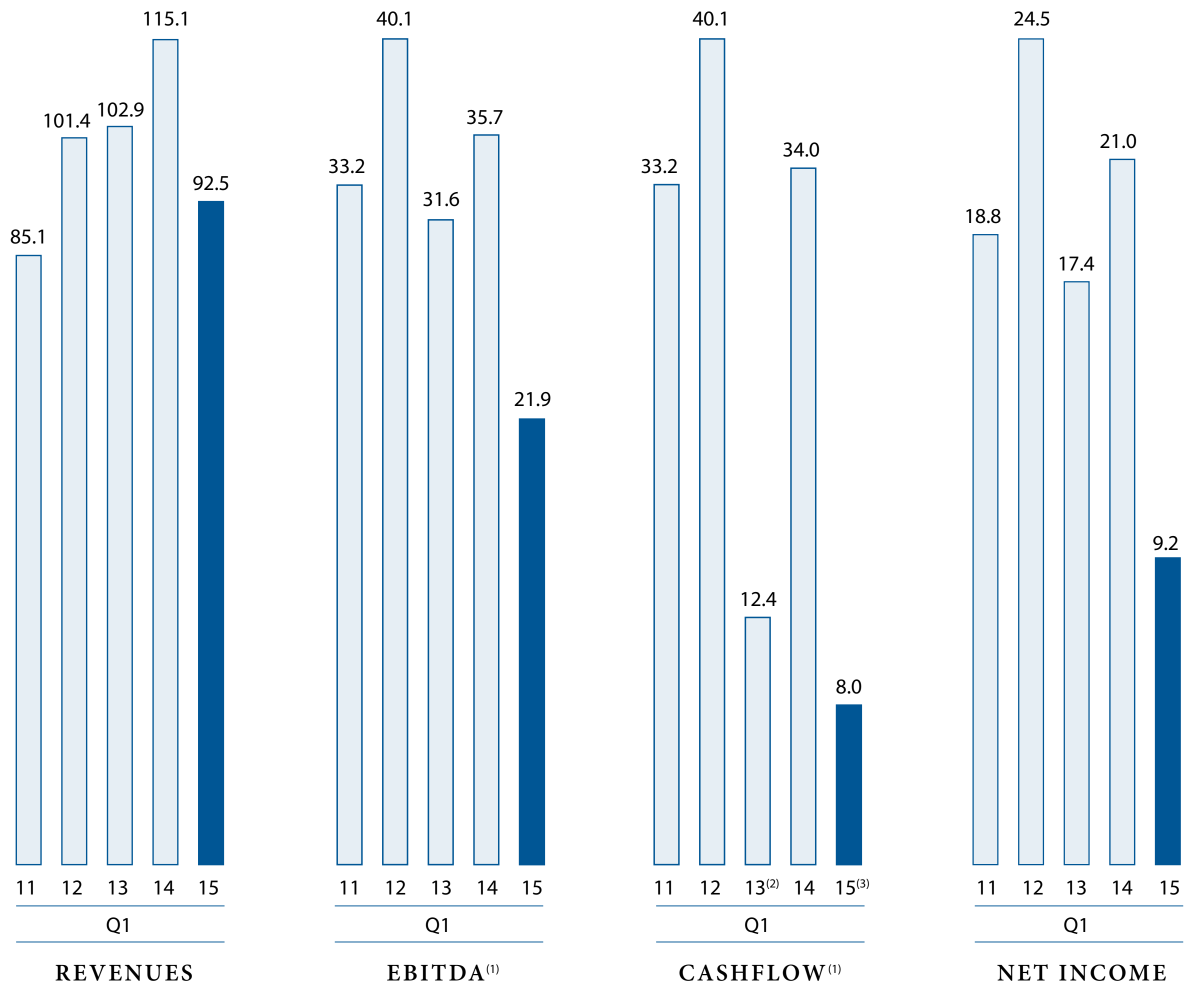
On behalf of the Management and Staff of Total Energy and all of its business divisions, I wish to assure our customers that our commitment to providing quality equipment and service remains uncompromised despite the challenges our industry faces. We look forward to demonstrating such commitment as we continue to work with our customers to ensure the safe and efficient conduct of our collective operations.

DANIEL K. HALYK
President and Chief Executive Officer

May 2015

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 less finance income. 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) Cashflow for the three months ended March 31, 2013 is net of $15.3 million of income taxes paid during the period that relates to 2012 taxable income as a result of the Company not having been required to make income tax installment payments during 2012.

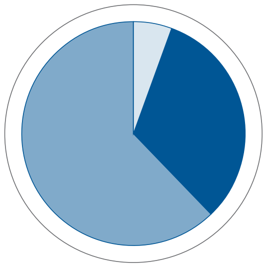
(3) Cashflow for the three months ended March 31, 2015 is net of $12.7 million of income taxes paid during the period that relates to 2014 taxable income as a result of the Company not having been required to make income tax installment payments during 2014.

SEGMENTED INFORMATION

For the three months ended March 31, 2015 and 2014
Unaudited (in thousands of Canadian dollars)

REVENUE DIVERSIFICATION

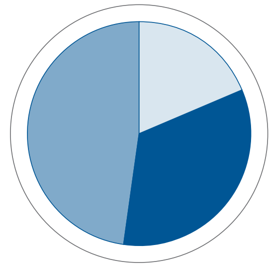
2015



$92,490

$5,230	Contract Drilling
$29,871	Rentals and Transportation
$57,389	Compression and Process Services

2014

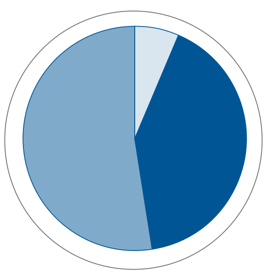


$115,113

$21,741	Contract Drilling
$38,628	Rentals and Transportation
$54,744	Compression and Process Services

OPERATING EARNINGS [1]

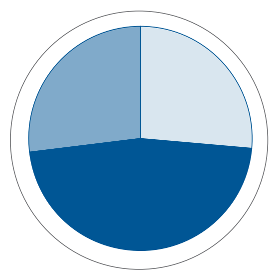
2015



$14,575

$1,032	Contract Drilling
$6,348	Rentals and Transportation
$8,130	Compression and Process Services
$(935)	Other [2]

2014



$25,660

$7,287	Contract Drilling
$12,884	Rentals and Transportation
$7,429	Compression and Process Services
$(1,940)	Other [2]

(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 minus finance income.

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

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

The following MD&A, dated May 13, 2015, 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, 2015, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and related notes and material contained in other parts of the 2014 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. 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, subsidiaries and partnerships 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. There were no changes to internal controls over financial reporting that would materially affect, or be reasonably likely to materially affect, the Company's internal controls over financial reporting during the first quarter of 2015.

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 minus finance income. EBITDA means earnings before interest, taxes, depreciation and amortization and is equal to net income before income taxes plus finance costs and depreciation minus finance income. 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.

Results from operating activities (in thousands of Canadian dollars)	**Three months ended March 31, 2015**	Three months ended March 31, 2014
Net income and total comprehensive income	**$ 9,183**	$ 21,028
Add back (deduct):		
Finance income	**(133)**	(1,159)
Finance costs	**2,546**	1,502
Gain on sale of property, plant and equipment	**(317)**	(2,397)
Income tax expense	**3,296**	6,686
Results from operating activities	**$ 14,575**	$ 25,660

EBITDA (in thousands of Canadian dollars)	**Three months ended March 31, 2015**	Three months ended March 31, 2014
Net income and total comprehensive income	**$ 9,183**	$ 21,028
Add back (deduct):		
Depreciation	**6,983**	7,622
Finance income	**(133)**	(1,159)
Finance costs	**2,546**	1,502
Income tax expense	**3,296**	6,686
EBITDA	**$ 21,875**	$ 35,679

Cashflow (in thousands of Canadian dollars)	**Three months ended March 31, 2015**	Three months ended March 31, 2014
Cash provided by operations	**$ 23,850**	$ 14,351
Add back (deduct):		
Changes in non-cash working capital items	**(15,862)**	19,672
Cashflow	**$ 7,988**	$ 34,023

BUSINESS OF THE COMPANY

Total Energy is a public energy services company based in Calgary, Alberta. Through its operating divisions, wholly owned subsidiaries and limited partnerships, 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 ("Bidell") and process equipment ("Spectrum"). 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. Bidell and Spectrum generate international sales from their Calgary based facilities and Total Oilfield Rentals conducts business in the United States through United States corporate affiliates.

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. 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 currently operates a fleet of 18 rigs in western Canada, with all such rigs constructed in 1997 or later. Of these rigs, 16 are telescopic doubles rated to vertical depths of up to 4,200 meters and two telescopic single rigs with integrated top drives and rated to 1,800 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 and continuously monitors industry trends and developments to assess the type of equipment to add to its 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.

Rentals and Transportation Services: Historically northern Alberta and northeastern British Columbia were the primary markets for the Company's rentals and transportation services. In 2007, this division expanded its operations into southeastern Saskatchewan and in 2012 into North Dakota. In early 2015, the Company established a presence in Wyoming through a corporate acquisition. The Company now operates out of 22 locations throughout Western Canada and the Northwestern United States and currently owns and operates approximately 10,000 pieces of rental equipment as well as a modern fleet of 119 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 and the United States. The Company continuously evaluates opportunities to expand its product and service offering within existing areas of operation.

Compression and Process Services: The Company provides a full range of natural gas compression equipment and service as well as select oil and natural gas process equipment. While the Company historically has been focused on Western Canada, it 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 increased its in-house engineering capabilities in order to focus on developing proprietary equipment designs that provide solutions to its customers. Total Energy has received patent protection in Canada, the United States, Europe, Australia and Mexico and is awaiting the receipt of a patent in India for its proprietary trailer-mounted compression package which is branded the NOMAD™. During 2010, the Company began an expansion of its parts and service business in the WCSB and currently operates out of 9 locations throughout Alberta, British Columbia and Saskatchewan. During 2012, the Company began establishing a presence in the process equipment fabrication business and in January 2013 expanded its presence in this business through the acquisition of an existing process equipment business, which included a 65,000 square foot manufacturing facility. Construction of a new 41,000 square foot compression fabrication facility was completed and put into service in the first quarter of 2014.

OVERALL PERFORMANCE

The results for the three months ended March 31, 2015 reflect challenging industry conditions due to a substantial decline in oil prices that began in late 2014 which in turn resulted in lower industry activity levels. Consolidated revenue and net income decreased 20% and 56%, respectively, in the first quarter of 2015 as compared to the prior year comparable quarter. For the three months ended March 31, 2015, the Company recorded net income of $9.2 million as compared to $21.0 million during the comparable period of 2014.

The Company's financial condition remains strong, with a positive working capital balance of $19.2 million (after reclassifying as a current liability $66.9 million relating to the convertible debentures that are scheduled to be redeemed during the second quarter of 2015) and no bank debt as at March 31, 2015. As at March 31, 2015, long-term debt to long-term debt plus equity was nominal given the re-classification of the convertible debentures as a current liability and the Company had no net debt (net debt being long-term debt plus obligations under finance leases plus current liabilities minus current assets). Shareholders' equity increased by $7.4 million, or 2%, during the first three months of 2015 due primarily to an increase in retained earnings.

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

Qualified 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. 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 Cyclicality

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 geographical areas where the Company operates and the economics of oil and gas exploration and production in such areas compared to the economics of competing 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. Most of 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

Activity levels in the WCSB during the first quarter of 2015 were lower than the activity levels during the same period of 2014. The precipitous decline in oil prices that began in late 2014 has resulted in substantial decreases in 2015 capital expenditure plans by North American oil and natural gas producers. As such, the Company expects that 2015 will be a challenging year for North American energy services providers and steps have been taken to right-size the Company's operations in response to reduced customer demand, particularly in the Contract Drilling Services and Rental and Transportation Services divisions. Additional measures to rationalize the Company's operating cost structure will be taken as future industry conditions may warrant. Despite a challenging near term outlook, 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 global 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, particularly should export opportunities for WCSB producers increase through the construction of new liquefied natural gas ("LNG") export terminals and additional pipeline or other take-away capacity. The application of horizontal drilling and multi-stage fracturing completion technologies to oil and liquids rich natural gas resources has significantly increased drilling and completion activity in the WCSB targeting oil and natural gas liquids. As a result, the Company's revenue base has become more weighted toward oil and natural gas liquids 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, natural gas liquids 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. Current indications are that 2015 WCSB capital expenditures will be substantially lower than 2014 levels.

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. Corporate management reports to the Board of Directors quarterly on health, safety and environmental matters as well as on risk management generally.

RESULTS OF OPERATIONS

Consolidated Revenue

Revenues decreased 20% to $92.5 million for the three months ended March 31, 2015 versus $115.1 million for the comparable period in 2014.

Divisional Revenue

Divisional revenues for the three months ended March 31, 2015 were $5.2 million for Contract Drilling Services, $29.9 million for Rentals and Transportation Services and $57.4 million for Compression and Process Services.

Contract Drilling Services

The revenue reported from Total Energy's Contract Drilling Services division decreased by 76% to $5.2 million for the three months ended March 31, 2015 as compared to $21.7 million for the same period in 2014. For the first quarter of 2015 the Contract Drilling Services division achieved a utilization rate, on a spud to release basis, of 17% as compared to 70% for the same period in 2014. The decrease in utilization during the first quarter was due to substantially decreased customer drilling activity. Operating days (spud to release) for the three months ended March 31, 2015 totaled 263 days, with a fleet of 18 rigs, as compared to 1,015 days for the same period in 2014, with a fleet of 16 rigs. Revenue per operating day received for contract drilling services for the three months ended March 31, 2015 decreased 7% as compared to revenue per operating day during the same period of 2014. The decrease in revenue per operating day was due primarily to decreased day rate pricing.

Rentals and Transportation Services

The revenue reported from Total Energy's Rentals and Transportation Services division decreased by 23% to $29.9 million for the three months ended March 31, 2015, as compared to $38.6 million for the same period in 2014. The revenue decrease was due to reduced equipment utilization and lower pricing. Average utilization of the rental assets was 38% for the three months ended March 31, 2015 as compared to 51% for the prior year comparable period. This division exited the first quarter of 2015 with approximately 10,000 pieces of rental equipment as compared to 9,900 pieces at the end of first quarter of 2014. This division also exited the first quarter of 2015 with a fleet of 119 heavy trucks as compared to 109 heavy trucks at the end of the first quarter of 2014.

Compression and Process Services

The revenue reported from Total Energy's Compression and Process Services division increased by 5% to $57.4 million for the three months ended March 31, 2015 as compared to $54.7 million for the comparable period in 2014. The revenue increase from the prior year comparable period was due primarily to increased customer demand and expanded manufacturing capacity. This division exited the first quarter of 2015 with a backlog of fabrication sales orders of approximately $86.6 million, as compared to a backlog of $49.0 million as at March 31, 2014. As at March 31, 2015, the total horsepower of compressors on rent was approximately 38,400 as compared to approximately 51,400 as at March 31, 2014. The compression rental fleet experienced an average utilization of 77% (based on fleet horsepower) during three months ended March 31, 2015, as compared to 91% for the same period in 2014.

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 decreased by 13% to $63.1 million for the three months ended March 31, 2015, as compared to $72.7 million for the same period in 2014. The decrease in cost of services resulted primarily from lower activity levels in the Contract Drilling Services and Rentals and Transportation Services divisions, offset partially by increased cost of services in the Compression and Process Services division due to increased revenue in that division. Gross margin for the three months ended March 31, 2015 was 32% as a percentage of revenue, as compared to 37% for the comparable period in 2014. The lower gross margin realized in 2015 compared to 2014 is primarily a result of the Contract Drilling Services and Rentals and Transportation Services divisions contributing a lower portion of consolidated revenue in 2015 as compared to 2014 as both divisions historically generate a higher gross margin than the Compression and Process Services division. Lower pricing in the Contract Drilling Services and Rentals and Transportation Services divisions during the first three months of 2015 as compared to the same period in 2014 also contributed to the lower realized gross margin. 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 decreased by 9% to $7.7 million for the three months ended March 31, 2015, as compared to $8.4 million for the same period in 2014. The decrease was due to decreased activity levels in the Contract Drilling Services division and generally as a result of cost reduction initiatives taken.

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 expense was $0.1 million for the three months ended March 31, 2015, as compared to $0.7 million for the prior year comparable period. The share-based compensation expense arises from share options granted pursuant to the share option plan implemented in 2012. The decrease in share-based compensation was due primarily to the vesting of the second tranche of share options issued in 2012 and no new share option grants.

Depreciation Expense

Depreciation expense decreased 9% for the three months ended March 31, 2015 to $7.0 million, as compared to $7.6 million for the prior year comparable period. The decrease in depreciation expense was due primarily to lower equipment utilization in the Contract Drilling Services division. 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 decreased 43% to $14.6 million for the three months ended March 31, 2015, as compared to $25.7 million for the comparable period in 2014. The decrease in operating earnings was due primarily to decreased activity levels in the Contract Drilling Services and Rentals and Transportation Services divisions as a result of substantially lower industry activity levels in 2015 as compared to 2014.

The Contract Drilling Services division had operating earnings of $1.0 million for the three months ended March 31, 2015, as compared to $7.3 million for the prior year comparable period. The operating earnings margin in this division was 20% for the three months ended March 31, 2015 as compared to 34% for the comparable period in 2014. The decrease in operating earnings margin during the three months ended March 31, 2015 compared to the prior year comparable period was due primarily to lower rig utilization and decreased day rate pricing.

The Rentals and Transportation Services division had operating earnings of $6.3 million for the three months ended March 31, 2015, as compared to $12.9 million for the comparable period in 2014. The operating earnings margin in this division was 21% for the three months ended March 31, 2015, as compared to an operating earnings margin of 33% for the comparable period in 2014. The decrease in operating earnings margin for the first three months of 2015 resulted primarily from lower equipment utilization and pricing during 2015 as compared to 2014.

The Compression and Process Services division had operating earnings of $8.1 million for the three months ended March 31, 2015, as compared to $7.4 million for the comparable period in 2014. The operating earnings margin in this division was 14% for three months ended March 31 for both 2015 and 2014.

The Other division had operating losses of $0.9 million for the three months ended March 31, 2015, as compared to $1.9 million for the comparable period in 2014. The decrease in the operating loss was due primarily to a decrease in share-based compensation expense and other cost reductions achieved through cost optimization initiatives. The Other division does not include any direct sales activities relating to Total Energy's business and therefore does not generate any revenue.

Finance income

Finance income was $0.1 million for the three months ended March 31, 2015, as compared to $1.2 million for the same period in 2014. The decrease in finance income was due primarily to a $1.0 million unrealized decrease in the market value of other assets during the first quarter of 2015 that was recorded as part of finance costs compared to a $1.1 million unrealized increase in the market value of other assets during the first quarter of 2014 that was recorded as part of finance income. Other assets include marketable securities of publicly traded entities. Finance income also includes interest income on bank balances and other ancillary interest income.

Finance Costs

Finance costs were $2.5 million for the three months ended March 31, 2015, as compared to $1.5 million for the same period in 2014. The increase in finance costs in the first quarter of 2015 was due primarily to a $1.0 million unrealized decrease in the market value of other assets. Finance costs also include interest paid on finance leases and interest expense (including accretion) on the convertible debentures.

Gain on Sale of Property, Plant and Equipment

During the three months ended March 31, 2015, the Company realized a gain on disposal of equipment of $0.3 million, as compared to $2.4 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 Compression and Process Services division.

Income Taxes and Net income

A predecessor of the Company and one of its non-operating subsidiaries were 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 the Company's conversion to a trust in 2005. In April of 2013 the Company was notified that the Alberta Finance re-assessments had been vacated and in May of 2014 CRA confirmed that its re-assessments had been vacated. The remaining Ontario Finance re-assessments relate to approximately $2.6 million of alleged underlying income taxes owing for the period from 2002 to the trust conversion in April 2005 and the Company has been advised that this reassessment will also be vacated. The Company had not made any provision for any of these reassessments.

In April of 2015, the Company was advised by CRA that, subject to submissions by the Company, it is proposing to reassess certain of the Company's income tax filings related to its conversion from an income trust to a corporation in 2009. Specifically, the proposed re-assessment would increase the Company's taxable income by $56.1 million and deny $1.7 million of investment tax credits claimed in 2012. Such proposed re-assessment is based entirely on CRA's proposed application of the general anti-avoidance rule ("GARR") and would result in approximately $14.8 million of income tax payable.

The Company has received both legal and tax advice relating to its conversion from an income trust to a corporation indicating that its income tax filing position is strong. Following its audit of the Company, CRA has also acknowledged the legal effectiveness of the Company's conversion transaction and the existence of business reasons supporting such conversion transaction. In the view of the Company's management, the proposed reassessment is part of an overall trust conversion re-assessment initiative by the CRA that appears to have little regard to the facts and circumstances of each individual taxpayer. As such, the Company intends to make submissions objecting to the proposed re-assessment, vigorously defend any re-assessment that might be issued and seek reimbursement from CRA for the costs arising from any such re-assessment to the fullest extent possible.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operations

Cash provided by operations was $23.9 million for the three months ended March 31, 2015, as compared to $14.4 million for the comparable period in 2014. Cashflow was $8.0 million for the three months ended March 31, 2015, as compared to $34.0 million for the comparable period in 2014. The changes in cash provided by operations and cashflow were due primarily to changes in operating earnings and working capital balances. During the first quarter of 2015, $12.7 million of income tax was paid that related to 2014 taxable income due to the Company not being required to make income tax installments in 2014. 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's shares pursuant to the Company's normal course issuer bid.

Investments

Net cash used in investing activities was $18.8 million for the three months ended March 31, 2015, as compared to $9.1 million for the comparable period in 2014. The difference in net cash used in investment activities during 2015 compared to 2014 was due primarily to decreased proceeds on disposals of equipment. $7.7 million of property, plant and equipment ("PP&E") purchases during the first quarter of 2015 were allocated as follows: $0.3 million in the Contract Drilling Services division relating primarily to the purchase of rig equipment, $4.7 million in the Rentals and Transportation Services division relating primarily to new rental equipment and $2.6 million in the Compression and Process Services division due primarily to additions to the compression rental fleet. During the first quarter of 2014, the property, plant and equipment additions were as follows: $8.3 million in the Contract Drilling Services division, $3.5 million in the Rentals and

Transportation Services division and $7.2 million in the Compression and Process Services division and $0.9 million in Other relating primarily to land and building purchases for the operating divisions. The purchase of property, plant and equipment during the first quarter of 2015 was partially offset by proceeds on disposal of property, plant and equipment of $1.2 million as compared to $12.9 million during 2014 comparable period. The disposal of equipment resulted 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 Compression and Process Services division.

In addition to $6.5 million invested in PP&E, during the first quarter of 2015 $1.2 million was invested in the acquisition of all of the shares of a private oilfield transportation company based in Casper, Wyoming and $5.1 million was invested in other assets.

Financing

Net cash used in financing activities was $4.7 million for the three months ended March 31, 2015, as compared to $4.0 million for the comparable period in 2014. The increase in net cash used in financing activities in 2015 was due primarily to no proceeds being received from the issuance of common shares during the first quarter of 2015 as a result of share option exercises.

Liquidity

The Company had a working capital surplus of $19.2 million as at March 31, 2015 as compared to $82.3 million as at December 31, 2014. This $63.1 million decrease in working capital is due to the reclassification of the $66.9 million convertible debenture liability from a long term liability as at December 31, 2014 to a current liability as at March 31, 2015. As at March 31, 2015, 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 5, 2015, the Company renewed its $35 million operating facility (the "Operating Facility") with a major Canadian financial institution. The Operating Facility is a two year committed facility with payments not required until February 2017 in the event such facility is not renewed. The Operating Facility bears interest at the lender's prime rate plus 0.40% and is secured by the Company's cash and cash equivalents, accounts receivable and inventory. As at March 31, 2015, this facility was fully available and undrawn.

On April 17, 2015 the Company exercised its right to redeem all outstanding 5.75% convertible unsecured subordinated debentures maturing on March 31, 2016. The redemption of the debentures is effective on May 19, 2015 at which time the Company will pay to the holders of debentures $1,007.72 per $1,000 principal amount of debentures held less any taxes required to be deducted or withheld, which is equal to the outstanding principal amount of the debentures plus accrued and unpaid interest up to, but excluding, the redemption date.

In connection with the redemption of the convertible debentures, the Company secured a new $50 million term bank loan (the "Term Loan") and increased the Operating Facility from $35 million to $65 million. Both credit facilities are with the Company's primary bank, HSBC Bank Canada. Drawdown of the Term Loan is subject to satisfaction of customary conditions precedent.

The Term Loan will be a five year term loan amortized over 20 years with blended monthly principal and interest payments of approximately $278,800. The Term Loan has a fixed interest rate of 3.06% and will be secured by certain of the Company`s real estate assets. In April 2015, the Company received an independent third party report indicating the current market value of its real estate holdings to be approximately $110 million. Assuming regular monthly payments are made and the Term Loan is not extended, the Term Loan will mature in May of 2020 at which time approximately $40.2 million of principal will become due and payable.

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 and capital assets as well as dividend payments and common share repurchases.

Dividends

For the three months ended March 31, 2015 and March 31, 2014, the Company declared dividends of $1.9 million ($0.06 per share).

For 2015, 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, 2015	Dec 31, 2014	Sept 30, 2014	June 30, 2014
Revenue	**$ 92,490**	$ 121,109	$ 108,223	$ 83,694
Cashflow [1]	**7,988**	30,279	24,184	19,871
Cash provided by operations	**23,850**	22,592	2,456	42,542
Net income	**9,183**	13,309	11,752	7,216
Per share (basic)	**0.30**	0.43	0.38	0.23
Per share (diluted)	**0.30**	0.42	0.37	0.23

	Financial Quarter Ended (Unaudited)			
	March 31, 2014	Dec 31, 2013	Sept 30, 2013	June 30, 2013
Revenue	$ 115,113	$ 86,940	$ 89,060	$ 60,668
Cashflow [1]	34,023	23,990	18,899	5,203
Cash provided by (used in) operations	14,351	22,830	3,880	41,760
Net income	21,028	10,694	9,109	114
Per share (basic)	0.67	0.34	0.30	–
Per share (diluted)	0.63	0.34	0.29	–

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

As discussed in 'Seasonality and Cyclicality' 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 a "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 a "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 a "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, 2015, the Company had the following contractual obligations:

		Payments due by year				
(in thousands of dollars)	Total	2015	2016	2017	2018	2019 and after
Convertible debentures, face value (1)	$ 69,000	$ –	$ 69,000	$ –	$ –	$ –
Commitments (2)	6,650	1,653	1,951	1,655	895	496
Finance leases	5,539	2,232	1,819	996	345	147
Purchase obligations (3)	23,526	23,526	–	–	–	
Total contractual obligations	$ 104,715	$ 27,411	$ 72,770	$ 2,651	$ 1,240	$ 643

(1) Convertible debentures are described in Note 14 to the 2014 Audited Consolidated Financial Statements.

(2) Commitments are described in Note 26 to the 2014 Audited Consolidated Financial Statements.

(3) Purchase obligations are described in Note 26 to the 2014 Audited Consolidated Financial Statements. As at March 31, 2015, purchase obligations relate to Total Energy's commitment to purchase $0.5 million of capital assets for the Rentals and Transportation Services division and $23.0 million of inventory and capital assets for the Compression and Process Services division.

OFF-BALANCE SHEET ARRANGEMENTS

During the first quarter of 2015 and 2014, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the first quarter of 2015 and 2014, 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.

Critical Judgments in Applying Accounting Policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

The Company's assets are aggregated into cash-generating units for the purpose of calculating impairment. Cash generating units ("CGU" or "CGUs") are based on management's judgments and assessment of the CGU's ability to generate independent cash inflows. Judgments are also required to assess when impairment indicators exist and impairment testing is required.

The Company is required to exercise judgment in assessing whether the criteria for recognition of a provision or a contingency have been met. The Company considers whether a present obligation exists, probability of loss and if a reliable estimate can be formulated.

The Company's functional currency is based on the primary economic environment in which it operates and is based on an analysis of several factors including which currency principally affects sales prices of products sold by the Company, which currency influences the main expenses of providing services, in which currency the Company keeps it receipts from operating activities and in which currency the Company has received financing.

The Company makes judgments regarding the determination of its reportable segments, including aggregation criteria (as appropriate), for segmented reporting.

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings.

Key Sources of Estimation Uncertainty

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these consolidated financial statements.

Where impairment indicators exist or annually for goodwill, the recoverable amount of the asset or CGU is determined using the greater of fair value less costs to sell or value-in-use. Value-in-use calculations require assumptions for discount rates and estimations of the timing for events or circumstances that will affect future cash flows. Fair value less costs to sell requires management to make estimates of fair value using market conditions for similar assets as well as estimations for costs to sell taking into account dismantle and transportation costs.

The Company is required to estimate the amount of provisions and contingencies based on the estimated future outcome of the event.

The Company uses the percentage-of-completion method in accounting for its equipment manufacturing contract revenue. Use of the percentage-of-completion method requires estimates of the stage of completion of the contract to date as a proportion of the total work to be performed.

As pertains to property, plant and equipment the Company is required to estimate the residual value and useful lives of assets for purposes of depreciation.

As pertains to accounts receivable the Company is required to estimate allowances for doubtful accounts based on historic collection trends and experiences with customers.

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of property, plant and equipment and intangible assets being acquired.

The Company's estimate of stock-based compensation is dependent upon estimates of historic volatility and forfeiture rates.

The Company's estimate of the fair value of derivative financial instruments is dependent on estimated forward prices / rates and volatility in those prices / rates.

The Company's estimate of the fair value of other assets is based on the market prices quoted on the relevant stock exchanges. Such market prices are volatile and subject to change.

The deferred tax liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

FINANCIAL INSTRUMENTS

Risk management activities

The Company does not have significant exposure to any individual customer or counter party other than one intermediate oil and gas company, which accounted for approximately 12% of revenue during the three month period ended March 31,

2015. No other customer accounted for more than 10% of revenue during this period. 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. Other assets include marketable securities and are designated as financial assets measured at fair value. Changes in fair value are recorded in profit or loss. As at March 31, 2015, the fair value of other assets was approximately $9.3 million. As at March 31, 2015, the Company did not have any long-term debt that was subject to variable interest rates. Derivative financial instruments are accounted for at their fair value. The Company's $69 million convertible debentures are publicly traded on the Toronto Stock Exchange. On March 31, 2015, the closing price for these securities was $100.02 for every $100 of principal value of convertible debentures issued. This represents an aggregate market value of $69.0 million.

Interest rate risk

As at March 31, 2015, 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

The Company's sales are predominantly denominated in Canadian dollars, which is the Company's functional currency, and as such the Company does not have significant exposure to foreign currency exchange rate 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 31,000,000 Common Shares outstanding.

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

Outstanding at March 31, 2015	Exercise Price	Remaining life (years)	Exercisable at March 31, 2015
165,000	$16.18	1.00	165,000
75,000	14.21	1.20	75,000
1,140,000	13.74	2.20	725,000
76,666	14.96	2.90	–
53,334	14.72	3.10	43,332
150,000	17.61	3.50	50,000
1,660,000	$14.44	2.21	1,058,332

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 $22.16 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 North America could have a significant impact on the oilfield service industry in North America. The recent substantial decline in oil prices is expected to have a material adverse impact on the North American energy services industry for the foreseeable future.

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 realized 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 other than one intermediate oil and gas company, which accounted for over 10% of revenue during the three month period ended March 31, 2015. No other customer accounted for more than 10% of revenue during this period. Concentration of credit risk on the Company`s trade accounts receivable exists in the oil and gas industry. 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 Compression and Process Services division, and in particular 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 compression and process 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. While attracting and retaining skilled personnel requires continuous effort and attention, the ability to obtain the services of qualified and skilled personnel is particularly challenging in times of strong industry activity. The Company's financial performance may be negatively impacted by the additional costs to retain and secure qualified personnel to fully conduct its various business affairs.

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, 2015	December 31, 2014
ASSETS			
Current assets:			
Cash and cash equivalents		**$ 8,115**	$ 7,745
Accounts receivable		**80,738**	98,920
Inventory		**60,862**	54,348
Prepaid expenses and deposits		**3,092**	5,576
		152,807	166,589
Property, plant and equipment		**421,174**	419,991
Other assets	5	**9,349**	5,273
Goodwill		**4,053**	4,053
		$ 587,383	$ 595,906
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 46,758**	$ 59,837
Deferred revenue		**14,117**	7,430
Income taxes payable		**1,293**	12,754
Dividends payable		**1,860**	1,860
Current portion of obligations under finance leases		**2,713**	2,376
Convertible debentures	10	**66,861**	–
		133,602	84,257
Obligations under finance leases		**2,826**	3,107
Convertible debentures	10	**–**	66,361
Deferred tax liability		**61,510**	60,118
Shareholders' equity:			
Share capital	6	**88,884**	88,899
Contributed surplus		**7,008**	6,880
Equity portion of convertible debenture		**4,601**	4,601
Retained earnings		**288,952**	281,683
		389,445	382,063
Commitments and contingencies	9		
		$ 587,383	$ 595,906

The notes on pages 27 to 32 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 2015	2014
REVENUE		**$ 92,490**	$ 115,113
Cost of services		**63,076**	72,693
Selling, general and administration		**7,728**	8,448
Share-based compensation	7	**128**	690
Depreciation		**6,983**	7,622
Results from operating activities		**14,575**	25,660
Gain on sale of property, plant and equipment		**317**	2,397
Finance income		**133**	1,159
Finance costs	5	**(2,546)**	(1,502)
Net income before income taxes		**12,479**	27,714
Current income tax expense (recovery)		**2,370**	(829)
Deferred income tax expense		**926**	7,515
Total income tax expense		**3,296**	6,686
Net income and total comprehensive income for the period		**$ 9,183**	$ 21,028
Earnings per share			
Basic earnings per share		**$ 0.30**	$ 0.67
Diluted earnings per share		**$ 0.30**	$ 0.63

The notes on pages 27 to 32 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, 2015 and 2014, and year ended December 31, 2014
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, 2013		$ 83,243	$ 6,677	$ 4,601	$ 246,091	$ 340,612
Net income and total comprehensive income for the year		–	–	–	53,305	53,305
Transactions with shareholders, recorded directly in equity:						
Dividends to shareholders ($0.24 per common share)		–	–	–	(7,486)	(7,486)
Repurchase of common shares	6	(1,789)	–	–	(10,227)	(12,016)
Share-based compensation	7	–	1,857	–	–	1,857
Share options exercised	7	7,445	(1,654)	–	–	5,791
		5,656	203	–	(17,713)	(11,854)
Balance at December 31, 2014		$ 88,899	$ 6,880	$ 4,601	$ 281,683	$ 382,063
Net income and total comprehensive income for the period		–	–	–	9,183	9,183
Transactions with shareholders, recorded directly in equity:						
Dividends to shareholders ($0.06 per common share)		–	–	–	(1,860)	(1,860)
Repurchase of common shares	6	(15)	–	–	(54)	(69)
Share-based compensation	7	–	128	–	–	128
		(15)	128	–	(1,914)	(1,801)
Balance at March 31, 2015		**$ 88,884**	**$ 7,008**	**$ 4,601**	**$ 288,952**	**$ 389,445**

	Note	Share Capital	Contributed Surplus	Equity portion of convertible debenture	Retained earnings	Total Equity
Balance at December 31, 2013		$ 83,243	$ 6,677	$ 4,601	$ 246,091	$ 340,612
Net income and total comprehensive income for the period		–	–	–	21,028	21,028
Transactions with shareholders, recorded directly in equity:						
Dividends to shareholders ($0.06 per common share)		–	–	–	(1,877)	(1,877)
Repurchase of common shares	6	(340)	–	–	(372)	(712)
Share-based compensation	7	–	690	–	–	690
Share options exercised	7	1,582	(389)	–	–	1,193
		1,242	301	–	(2,249)	(706)
Balance at March 31, 2014		$ 84,485	$ 6,978	$ 4,601	$ 264,870	$ 360,934

The notes on pages 27 to 32 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)

	Note	Three months ended March 31 2015	2014
Cash provided by (used in):			
Operations:			
Net income for the period		**$ 9,183**	$ 21,028
Add (deduct) items not affecting cash:			
Depreciation		**6,983**	7,622
Share-based compensation		**128**	690
Gain on sale of property, plant and equipment		**(317)**	(2,397)
Unrealized loss (gain) on other assets	5	**1,000**	(1,108)
Finance costs		**1,546**	1,502
Current income tax expense (recovery)		**2,370**	(829)
Deferred income tax expense		**926**	7,515
Income taxes recovered (paid)		**(13,831)**	–
		7,988	34,023
Changes in non-cash working capital items:			
Accounts receivable		**18,182**	(24,466)
Inventory		**(6,514)**	(739)
Prepaid expenses and deposits		**2,484**	1,348
Accounts payable and accrued liabilities		**(4,977)**	7,292
Deferred revenue		**6,687**	(3,107)
		23,850	14,351
Investments:			
Purchase of property, plant and equipment		**(6,493)**	(19,908)
Acquisition of business	4	**(1,231)**	–
Purchase of other assets		**(5,075)**	(2,879)
Proceeds on disposal of property, plant and equipment		**1,228**	12,925
Changes in non-cash working capital items		**(7,220)**	718
		(18,791)	(9,144)
Financing:			
Repayment of obligations under finance leases		**(720)**	(890)
Dividends to shareholders		**(1,860)**	(1,559)
Issuance of common shares		**–**	1,193
Repurchase of common shares		**(69)**	(712)
Interest paid		**(2,040)**	(2,051)
		(4,689)	(4,019)
Change in cash and cash equivalents		**370**	1,188
Cash and cash equivalents, beginning of period		**7,745**	3,210
Cash and cash equivalents, end of period		**$ 8,115**	$ 4,398

The notes on pages 27 to 32 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, 2015 and 2014
Unaudited (tabular amounts in thousands of Canadian dollars)

1. Reporting entity

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

The consolidated financial statements include the accounts of the Company, its subsidiaries and its partnerships established in Canada, the United States of America and Australia.

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 and process 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

Statement of compliance:

The 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, 2014. 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, 2014.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 13, 2015.

3. Operating segments

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 processes and Compression and Process Services, which includes the fabrication, sale, rental and servicing of natural gas compression and process 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.

Unaudited (tabular amounts in thousands of Canadian dollars)

Inter-segment pricing is determined on an arm's length basis. Interest is allocated based on capital employed in each segment.

The segmented amounts are as follows:

As at and for the three months ended March 31, 2015	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Other (1)	Total
Revenue	$ 5,230	$ 29,871	$ 57,389	$ –	$ 92,490
Cost of services	3,030	15,375	44,671	–	63,076
Selling, general and administration	554	3,950	2,431	793	7,728
Share-based compensation	–	–	–	128	128
Depreciation	614	4,198	2,157	14	6,983
Results from operating activities	1,032	6,348	8,130	(935)	14,575
Gain on sale of property, plant and equipment	5	(73)	385	–	317
Finance income	–	–	–	133	133
Finance costs	(204)	(439)	(304)	(1,599)	(2,546)
Net income (loss) before income taxes	833	5,836	8,211	(2,401)	12,479
Goodwill	–	2,514	1,539	–	4,053
Total assets	119,357	259,261	199,434	9,331	587,383
Total liabilities	18,201	52,755	55,988	70,994	197,938
Capital expenditures (2)	$ 334	$ 4,666	$ 2,620	$ 104	$ 7,724

As at and for the three months ended March 31, 2014	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Other (1)	Total
Revenue	$ 21,741	$ 38,628	$ 54,744	$ –	$ 115,113
Cost of services	11,570	18,118	43,005	–	72,693
Selling, general and administration	1,018	3,802	2,378	1,250	8,448
Share-based compensation	–	–	–	690	690
Depreciation	1,866	3,824	1,932	–	7,622
Results from operating activities	7,287	12,884	7,429	(1,940)	25,660
Gain on sale of property, plant and equipment	20	44	2,260	73	2,397
Finance income	–	–	–	1,159	1,159
Finance costs	(203)	(522)	(252)	(525)	(1,502)
Net income (loss) before income taxes	7,104	12,406	9,437	(1,233)	27,714
Goodwill	–	2,514	1,539	–	4,053
Total assets	116,158	251,252	170,590	12,334	550,334
Total liabilities	25,088	55,878	39,035	69,399	189,400
Capital expenditures	$ 8,319	$ 3,495	$ 7,238	$ 856	$ 19,908

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

(2) Includes acquisition described in note 4.

Unaudited (tabular amounts in thousands of Canadian dollars)

4. Acquisition of Business

Effective January 1, 2015, the Company, through a wholly-owned United States subsidiary, acquired all of the issued and outstanding shares of a private oilfield transportation company based in Casper, Wyoming. This acquisition not only provided the Company with an established market presence in Wyoming, but also provided the Company's United States operations with federal Department of Transportation and other required operating licenses in a number of jurisdictions throughout the United States.

The acquisition was accounted for as a business combination using the purchase method of accounting and the operations of the acquired company were included in the Company's accounts effective January 1, 2015. The following table details the purchase price allocation for the business combination:

Net assets acquired:	
Property, plant and equipment and licenses	$ 1,663
Working capital adjustments	189
Loans	(554)
Deferred tax liability	(432)
Total	$ 866
Consideration paid:	
Cash	$ 1,231
Working capital adjustments	189
Loans repaid	(554)
Total	$ 866

5. Other assets

Other assets include marketable securities of publicly traded entities. Other assets are designated as financial assets measured at fair value, with changes in fair value recorded in the statement of comprehensive income as finance income or finance cost. During the three month period ended March 31, 2015, the Company recorded an unrealized loss of $1.0 million (year ended December 31, 2014: $0.4 million) resulting from changes in the market value of other assets. If the market value of securities on hand at March 31, 2015 would have decreased by 1%, with all other variables held constant, after tax net earnings for the period would have been approximately $70,000 lower (year ended December 31, 2014: $40,000).

6. 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.

Unaudited (tabular amounts in thousands of Canadian dollars)

(ii) Common shares issued:

	Number of shares (thousands)	Amount
Balance, December 31, 2013	31,176	$ 83,243
Issued on exercise of share options	440	7,445
Repurchased and cancelled	(611)	(1,789)
Balance, December 31, 2014	31,005	$ 88,899
Repurchased and cancelled	(5)	(15)
Balance, March 31, 2015	**31,000**	**$ 88,884**

During the three months ended March 31, 2015, 5,000 common shares (year ended December 31, 2014: 595,100) were repurchased and cancelled under the Company's normal course issuer bid at an average price of $13.71 (year ended December 31, 2014: $20.07), including commissions. 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	
	2015	2014
Net income for the period	**$ 9,183**	$ 21,028
Weighted average number of shares outstanding – basic	**31,004**	31,285
Earnings per share - basic	**$ 0.30**	$ 0.67
Net income for the period	**$ 9,183**	$ 21,028
Add back: debenture interest net of tax	**–**	1,084
	$ 9,183	$ 22,112
Weighted average number of shares outstanding – basic	**31,004**	31,285
Convertible debenture dilution	**–**	3,099
Share option dilution	**–**	488
Weighted average number of shares outstanding – diluted	**31,004**	34,872
Earnings per share - diluted	**$ 0.30**	$ 0.63

For the three months ended March 31, 2015, 1,660,000 share options (March 31, 2014: 150,000) and 3,113,677 shares potentially issuable upon conversion of the convertible debentures (March 31, 2014: nil), respectively, 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.

Unaudited (tabular amounts in thousands of Canadian dollars)

7. Share-Based Compensation Plan

Share option transactions during 2015 and 2014 were as follows:

	Weighted average exercise price	Number of Options
Balance, December 31, 2013	$ 14.16	2,160,000
Granted	22.81	60,000
Exercised	13.16	(440,000)
Forfeited	13.74	(60,000)
Balance, December 31, 2014	$ 14.73	1,720,000
Forfeited	22.81	(60,000)
Balance, March 31, 2015	**$ 14.44**	**1,660,000**

8. Financial instruments

The Company's financial instruments as at March 31, 2015 include cash and cash equivalents, accounts receivable, other assets, 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 fair value of other assets was determined based on market prices quoted on the relevant stock exchanges on which the marketable securities trade. Changes in fair value of other assets are recorded in the statement of comprehensive income in the period the changes in fair value occur. The Company's $69 million convertible debentures are listed and trade on the Toronto Stock Exchange. On March 31, 2015, the closing market price for these securities was $100.02 per $100 principal amount. This represents an aggregate market value of $69.0 million.

9. Contingencies

A predecessor of the Company and one of its non-operating subsidiaries were 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 the Company's conversion to a trust in 2005. In April of 2013 the Company was notified that the Alberta Finance re-assessments had been vacated and in May of 2014 CRA confirmed that its re-assessments had been vacated. The remaining Ontario Finance re-assessments relate to approximately $2.6 million of alleged underlying income taxes owing for the period from 2002 to the trust conversion in April 2005 and the Company has been advised that this reassessment will also be vacated. The Company had not made any provision for any of these reassessments.

In April of 2015, the Company was advised by CRA that, subject to submissions by the Company, it is proposing to reassess certain of the Company's income tax filings related to its conversion from an income trust to a corporation in 2009. Specifically, the proposed re-assessment would increase the Company's taxable income by $56.1 million and deny $1.7 million of investment tax credits claimed in 2012. Such proposed re-assessment is based entirely on CRA's proposed application of the general anti-avoidance rule ("GAAR") and would result in approximately $14.8 million of income tax payable.

The Company has received both legal and tax advice relating to its conversion from an income trust to a corporation indicating that its income tax filing position is strong. As such, the Company intends to make submissions objecting to the proposed re-assessment, vigorously defend any re-assessment that might be issued and seek reimbursement from CRA for the costs arising from any such re-assessment to the fullest extent possible. Management believes that it will be successful in defending its tax filing position, and as such, the Company has not recognized any provisions for current or deferred income tax at March 31, 2015.

The Company, in the normal course of operations, will become subject to a variety of legal and other claims against it. Management and the Company's legal counsel evaluate all claims on their apparent merits and accrue management's best estimate of the costs to satisfy such claims. Management believes that the outcome of legal and other claims currently filed against the Company will not be material to the Company.

10. Subsequent events

On April 17, 2015 the Company announced that it had exercised its right to redeem all outstanding 5.75% convertible unsecured subordinated debentures (the "Debentures") maturing on March 31, 2016. The redemption of the Debentures will be effective on May 19, 2015. Upon redemption, the Company will pay to the holders of Debentures $1,007.72 per $1,000 principal amount of Debentures held less any taxes required to be deducted or withheld, which is equal to the outstanding principal amount of the Debentures plus accrued and unpaid interest up to, but excluding, the redemption date. The Debentures have been reclassified as a current liability as at March 31, 2015.

In connection with the redemption of the Debentures, the Company secured a new $50 million term bank loan and has increased its existing revolving credit facility from $35 million to $65 million. Both credit facilities are with the Company's primary bank, HSBC Bank Canada. Drawdown of the term bank loan is subject to satisfaction of customary conditions precedent.

The bank term loan will be a five year term loan amortized over 20 years with blended monthly principal and interest payments of approximately $278,800. At the end of the five year term, approximately $40.2 million of principal will become due and payable assuming only regular monthly payments are made. The bank term loan will bear a fixed interest rate of 3.06% and will be secured by certain of the Company`s real estate assets.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Bruce Pachkowski [3]
Chairman of the Board

Daniel Halyk
President and Chief Executive Officer

Gregory Fletcher [1, 2]

Randy Kwasnicia [1, 3]

Greg Melchin [1, 2]

Andrew Wiswell [2, 3]

[1]Member of the Compensation Committee
[2]Member of the Audit Committee
[3]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

Yuliya Gorbach
Vice President, Finance and Chief Financial Officer

Gerry Crawford
Vice President, Field Services

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

SPECTRUM PROCESS SYSTEMS INC.

Kelly Mantei
General Manager

HEAD OFFICE

Suite 2550, 300 - 5th Avenue S.W.

Calgary, Alberta T2P 3C4

Telephone: (403) 216-3939

Toll Free: (877) 818-6825

Fax: (403) 234-8731

Website: www.totalenergy.ca

Email: investorrelations@totalenergy.ca

AUDITOR

KPMG LLP

Calgary, Alberta

TRUSTEE, REGISTRAR AND TRANSFER AGENT

Computershare

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

CANADIAN 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 • Slave Lake • Valleyview • Weyburn/Midale • Whitecourt

U.S. LOCATIONS

Denver, CO • Minot, ND • Casper, WY

CHINOOK Drilling
A Division of Total Energy Services Inc.

TOTAL OILFIELD RENTALS LP

BIDELL™ GAS COMPRESSION

SPECTRUM Process Systems