Q1

FOCUS DISCIPLINE GROWTH

First Quarter Report 2018

TOTAL ENERGY SERVICES INC.

Total Energy Services Inc. ("Total Energy" or the "Company") is a public energy services company based in Calgary, Alberta that provides a variety of products and services to the oil and natural gas industry through its subsidiaries and aboriginal partnerships. Total Energy is involved in four businesses: contract drilling services, the rental and transportation of equipment used in the drilling, completion and production of oil and natural gas wells, the fabrication, sale, rental and servicing of new and used natural gas compression and oil and natural gas process equipment and well servicing. 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 Services' results for the three months ended March 31, 2018 improved significantly compared to the first quarter of 2017. Recovering industry conditions outside of Canada, the increased size and scale of operations following the acquisition of Savanna Energy Services in the second quarter of 2017 and substantial operating efficiencies and cost synergies arising from the integration of Savanna contributed to such improved results.

During the first quarter of 2018 Total Energy continued executing on its strategic plan to rationalize non-productive assets and relocate underutilized assets to improve the financial performance of the Company. Specifically, three drilling rigs and two service rigs located in the United States were decommissioned and sold. Additionally, two drilling rigs located in Pennsylvania and one in Canada were relocated to Texas and Colorado. All three relocated drilling rigs commenced operations in the second quarter of 2018. Finally, approximately 100 pieces of rental equipment were relocated to the United States from Canada in the first quarter.

The Compression and Process Services segment continued to see strong growth during the first quarter of 2018, driven primarily by continued solid demand from the United States and other international markets. This segment exited the quarter with a record fabrication backlog of $207.0, a 175% increase from the $75.2 million backlog at March 31, 2017.

LOOKING FORWARD

Global energy industry conditions have continued to improve during the first quarter of 2018 with the unfortunate exception of Canada where the oil and natural gas industry continues to face significant headwinds and activity levels remain sluggish. Increasing regulatory uncertainty and compliance costs have contributed to make Canada a less desirable jurisdiction in which to invest. In such environment, Total Energy continues to focus on achieving further operating efficiencies and pursuing international growth opportunities, including opportunities to relocate underutilized equipment.

Total Energy's financial position remains strong. The Company repaid $10 million of long-term debt during the first quarter of 2018. At March 31, 2018 Total Energy had $23.6 million of cash and marketable securities on hand against $186 million drawn on the Company's primary revolving credit facilities. On April 25, 2018 the Company increased the amount available under its primary credit facilities to $290 million to finance the repayment of $67.5 million of 7% senior unsecured notes issued by Savanna that mature on May 25, 2018.

Finally, all Shareholders and other interested persons are invited to attend the annual meeting of Shareholders that will commence at 2:30 p.m. (MDT) on Thursday, May 17, 2018 at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta.

DANIEL K. HALYK
President and Chief Executive Officer

May 2018

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

The following MD&A for Total Energy Services Inc. ("Total Energy" or the "Company") was prepared as at May 10, 2018 and focuses on information and key statistics from the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2018 (the "Interim Financial Statements") and pertains to known risks and uncertainties relating to the energy services sector. This discussion should not be considered all-inclusive as it does not include all changes regarding general economic, political, governmental and environmental conditions.

This MD&A should be read in conjunction with the Company's Interim Financial Statements, the Company's 2017 Annual Report, the Annual Information Form ("AIF") for the year ended December 31, 2017 and the cautionary statement regarding forward-looking information and statements below. 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.

FINANCIAL HIGHLIGHTS

	Three months ended March 31		
	2018	2017	Change
Revenue	**$ 205,215**	$ 84,352	143%
Operating income (loss)	**7,560**	(241)	nm
EBITDA (1)	**27,655**	7,942	248%
Cashflow	**21,149**	7,821	170%
Net income (loss)	**3,328**	(853)	nm
Attributable to shareholders	**3,164**	(853)	nm
Per Share Data (Diluted)			
EBITDA (1)	**0.60**	0.25	140%
Cashflow	**0.46**	0.25	84%
Attributable to shareholders:			
Net income (loss)	**0.07**	(0.03)	nm
Financial Position at	**March 31, 2018**	December 31, 2017	
Total Assets	**$ 1,065,499**	$ 1,066,781	–
Long-Term Debt and Obligations Under Finance Leases (excluding current portion)	**247,087**	257,845	(4%)
Working Capital (2)	**54,906**	54,892	–
Net Debt (1)	**192,181**	202,953	(5%)
Shareholders' Equity	**550,732**	546,574	1%
Shares Outstanding (000's) (3)			
Basic	**46,238**	41,963	10%
Diluted	**46,241**	41,963	10%

(1) Please see "Non-IFRS Measures" below for the definition of EBITDA and Net Debt.

(2) Working capital means current assets minus current liabilities.

(3) Basic and diluted shares outstanding reflect the weighted average number of common shares outstanding for the period. See note 7 to the Interim Financial Statements.

"nm" – calculation is not meaningful

BUSINESS OF THE COMPANY

Total Energy is a public energy services company based in Calgary, Alberta that provides a variety of products and services to the oil and natural gas industry through its subsidiaries and aboriginal partnerships. Total Energy is involved in four businesses: contract drilling services ("CDS"), the rental and transportation of equipment used in the drilling, completion and production of oil and natural gas wells ("RTS"), the fabrication, sale, rental and servicing of new and used natural gas compression and oil and natural gas process equipment ("CPS") and well servicing, including completion, workover, maintenance and abandonment services ("WS"). The Company's operations are conducted within Canada, the United States of America ("United States" or "U.S.") and Australia. Corporate and public issuer affairs are conducted in the Company's Corporate segment.

Acquisition

During the second quarter of 2017, the Company completed the acquisition of Savanna Energy Services Corp. ("Savanna"). Results for the three months ended March 31, 2018 were materially impacted by such acquisition. For further information on the Savanna acquisition, please refer to note 5 to the 2017 Annual Financial Statements.

Contract Drilling Services: At March 31, 2018, the Company operated a total fleet of 116 drilling rigs. The rig fleet is supported by an extensive fleet of owned top drives, walking systems, pumps and other ancillary equipment. Composition of the Company's drilling rig fleet is as follows:

By Type	
Triples	4
AC doubles	15
Mechanical doubles	51
Australian shallow	5
TDS and singles	41
	116

By Geography	
Canada	86
United States	25
Australia	5
	116

Rentals and Transportation Services: Total Energy's RTS business is presently conducted from 25 locations in western Canada and two locations in the northwestern United States. At March 31, 2018, this segment had approximately 11,000 pieces of major rental equipment (excluding access matting), a fleet of 112 heavy trucks and a significant inventory of small rental equipment.

Compression and Process Services: The Company fabricates a full range of natural gas compression equipment as well as select oil and natural gas process equipment. At March 31, 2018 the CPS segment occupied approximately 187,000 square feet of production facilities located in Calgary, Alberta and a 100,000 square foot facility in Weirton, West Virginia. The Weirton facility commenced production activity in June 2017 and will support North American and international equipment sales. As at March 31, 2018 the CPS segment also had a network of 12 branch locations throughout western Canada and the United States from which its natural gas compression parts and service business is conducted. This segment had 41,000 horsepower of compression in its rental fleet at March 31, 2018.

Well Servicing: The Company entered the well servicing business through the acquisition of Savanna. At March 31, 2018, the Company operated a total fleet of 84 well servicing rigs across western Canada, northwest United States and Australia. Composition of the Company's service rig fleet is as follows:

By Type	
Singles	38
Doubles	33
Australian spec	9
Flush-by	4
	84

By Geography	
Canada	57
United States	15
Australia	12
	84

OVERALL PERFORMANCE

Total Energy's results for the three months ended March 31, 2018 reflect improving North American industry activity levels from the historic lows experienced during 2016 and cost synergies arising from the integration of Savanna. Despite higher activity, operating margins remained under pressure, particularly within Canada where market conditions remain relatively challenging. The Company's results for the first three months of 2018 were materially impacted by the overall change in the scope and scale of the business arising from the acquisition of Savanna. Negatively impacting the Company's results for the first quarter of 2018 was approximately $1.8 million of rig relocation expenses incurred by the Company's drilling operation in the United States.

The Company's financial condition remains strong, with a positive working capital balance of $54.9 million as at March 31, 2018 similar to the working capital position at December 31, 2017. Shareholder' equity increased by $4.2 million from December 31, 2017.

Revenue

The substantial increase in revenue for the three months ended March 31, 2018 relative to the same period in 2017 was the result of higher activity levels in all of the Company's segments and the acquisition of Savanna during the second quarter of 2017. Revenue during the three months ended March 31, 2018 was $205.2 million, 143% higher than the $84.4 million of revenue for first quarter of 2017.

Cost of Services

Cost of services increased by 139% to $164.0 million for the three months ended March 31, 2018, as compared to $68.7 million for the same period in 2017. The increase in costs of services during the first quarter of 2018 was in line with higher activity levels in all business segments and the increased scale of operations arising from the acquisition of Savanna.

Gross margin, as a percentage of revenue, for the three months ended March 31, 2018 was 20% as compared to 19% for the same period in 2017. Gross margin realized in the first quarter of 2018 was higher than the first quarter of 2017 due primarily to the contribution of the WS segment through the acquisition of Savanna and improved gross margin realized in the CPS segment. This was offset somewhat by competitive market conditions restricting the Company's ability to increase pricing to the extent necessary to offset higher cost of services, particularly in the CDS and RTS segments. Also impacting gross margin was $1.8 million of expenses incurred by the CDS segment with the relocation of drilling equipment to Texas and Colorado.

Cost of services includes salaries and benefits for operations personnel, equipment repairs and maintenance, fuel, inventory used to manufacture compression and process equipment and rent, utilities and property taxes related to manufacturing facilities and operations branches.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 79% to $13.6 million for the three months ended March 31, 2018, relative to the prior year comparable period. Such increase was due primarily to the acquisition of Savanna in the second quarter of 2017. As a percentage of revenue, selling, general and administrative expenses were 6.6% in the first quarter of 2018 compared to 9.0% in 2017. This 27% decrease is due primarily to synergies achieved with the integration of Savanna.

Included in selling, general and administrative expenses are salaries and benefits for sales, office and administrative staff, rent, utilities and property taxes related to the Company's various divisional offices and its corporate head office as well as professional fees and other costs incurred to maintain the Company's public listing and conduct investor relations activities. Also included is compensation for directors and officers pursuant to the Company's cash based compensation plans.

Share-based Compensation Expense

Share-based compensation expense arises from share options granted pursuant to the share option plan implemented in 2015. The increase in share-based compensation expense for the three months ended March 31, 2018 compared to the same period in 2017 was due to the issuance of share options in 2017.

Depreciation Expense

Depreciation expense for the three months ended March 31, 2018 increased by 144% as compared to the same period in 2017. This was primarily due to the increase in property plant and equipment following the acquisition of Savanna. 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 subject to a minimum annual depreciation expense equal to an annual utilization of 96 days.

Operating Income (Loss)

Operating income for the three months ended March 31, 2018 improved to $7.6 million as compared to an operating loss of $0.2 million for the comparable period in 2017. The realization of operating income for 2018 was primarily a result of the contribution of the WS segment with the acquisition of Savanna and improved results from all business segments as compared to 2017. Negatively impacting operating income in the first quarter of 2018 was $1.8 million of rig relocation expenses incurred by the CDS segment.

Finance Costs

Finance costs for the three months ended March 31, 2018 were substantially higher than the prior year comparable period as a result of higher debt levels following the acquisition of Savanna. Included in finance costs was a $0.2 million realized loss on Other Assets for the three months ending March 31, 2018.

Gain on Sale of Property, Plant and Equipment

Disposals of equipment result from the rationalization, replacement and upgrade of older equipment in the Company's equipment fleet and the disposition of compression rental equipment typically upon exercise of purchase options by customers in the ordinary course of business.

During the three months ended March 31, 2018, proceeds from the sale of property, plant and equipment totaled $1.2 million and resulted in a gain on sale of $0.5 million. Equipment disposed of during the first quarter of 2018 included three drilling rigs and two service rigs located in the United States. During the three months ending March 31, 2017, proceeds from the sale of property, plant and equipment totaled $0.9 million and resulted in a gain on sale of $0.2 million.

Income Taxes and Net income

During the three months ended March 31, 2018 the Company had a current income tax expense of $0.8 million as compared to a current income tax recovery of $4.7 million during the same period in 2017. Deferred income tax expense of $36 thousand was recorded for the three months ended March 31, 2018 as compared to deferred income tax expense of $4.9 million for the corresponding period in 2017. This year over year change in current and deferred income tax is due to a return to profitability, acceleration of non-capital losses on change in partnership taxation in 2017 and the recently announced decrease in the federal corporate income tax rate in the United States.

SEASONALITY

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

SUMMARY OF QUARTERLY RESULTS

(in thousands of dollars except per share amounts)	Financial Quarter Ended			
	March 31, 2018	Dec 31, 2017	Sept 30, 2017	June 30, 2017
Revenue	**$ 205,215**	$ 180,230	$ 185,158	$ 154,922
Operating income (loss)	**7,560**	9,680	6,871	(13,105)
EBITDA (1)	**27,655**	29,729	27,356	6,577
Cashflow	**21,149**	27,803	30,044	10,860
Cash provided by (used in) operating activities	**22,784**	26,727	(2,329)	45,287
Net income (loss)	**3,328**	6,554	3,737	(13,141)
Attributable to shareholders	**3,164**	6,195	4,307	(11,565)
Per share data				
EBITDA (1)	**$ 0.60**	$ 0.64	$ 0.59	$ 0.15
Cashflow	**0.46**	0.60	0.65	0.25
Net income (loss) attributable to shareholders	**0.07**	0.13	0.09	(0.26)
Financial Position				
Total Assets	**$ 1,065,499**	$ 1,066,781	$ 1,056,538	$ 1,053,302
Long-Term Debt and Obligations Under Finance Leases (excluding current portion)	**247,087**	257,845	257,981	256,266
Working Capital (2)	**54,906**	54,892	37,053	21,309
Net Debt (1)	**192,181**	202,953	220,928	234,957
Shareholders' Equity	**550,732**	546,574	544,647	547,405
Shares Outstanding (000's) (3)				
Basic	**46,238**	46,238	46,238	43,718
Diluted	**46,241**	46,238	46,238	43,718

	Financial Quarter Ended			
	March 31, 2017	Dec 31, 2016	Sept 30, 2016	June 30, 2016
Revenue	$ 84,352	$ 57,415	$ 46,536	$ 43,893
Operating loss	(241)	(4,296)	(3,012)	(5,289)
EBITDA (1)	7,942	3,554	4,816	1,368
Cashflow	7,821	2,827	6,076	1,775
Cash provided by (used in) operating activities	(5,301)	17,100	1,962	6,741
Net loss	(853)	(3,667)	(1,912)	(4,203)
Per share data (diluted)				
EBITDA (1)	$ 0.25	$ 0.11	$ 0.16	$ 0.04
Cashflow	0.25	0.09	0.20	0.06
Net loss	(0.03)	(0.12)	(0.06)	(0.14)
Financial Position				
Total Assets	$ 635,240	$ 522,599	$ 507,711	$ 509,349
Long-Term Debt and Obligations Under Finance Leases (excluding current portion)	58,053	46,557	46,719	47,483
Working Capital (2)	77,158	71,770	80,094	79,386
Net Debt (1)	nil	nil	nil	nil
Shareholders' Equity	466,149	364,302	369,857	374,004
Shares Outstanding (000's) (3)				
Basic	31,448	30,920	30,940	30,985
Diluted	31,489	30,920	30,940	30,985

(1) Please see "Non-IFRS Measures" below for the definition of EBITDA and Net Debt.

(2) Working capital means current assets minus current liabilities.

(3) Basic and diluted shares outstanding reflect the weighted average number of common shares outstanding for the period. See note 17 to the 2017 Financial Statements.

Aboriginal Partnerships

Savanna conducts a portion of its operations through limited partnerships in which each of Savanna and an Aboriginal partner hold approximately one half of the partnership interest. Savanna fully consolidates all of these partnerships, with its Aboriginal partners' share in the equity and net earnings of the partnerships reported as non-controlling interests.

SEGMENTED RESULTS

Contract Drilling Services

(in thousands of dollars, unless otherwise indicated)	Three Months Ended		
March 31	**2018**	2017	Change
Revenue	**$ 60,980**	$ 6,696	811%
Operating income (loss)	**$ 919**	$ (655)	nm
Operating income, % of revenue	**2%**	nm	
Operating spud to release days	**2,924**	442	561%
Revenue per spud to release day, dollars	**$ 20,855**	$ 15,149	38%

"nm" - calculation not meaningful

The scope and scale of the contract drilling segment increased significantly in the second quarter of 2017 through the acquisition of Savanna. Prior to the Savanna acquisition, the CDS segment had 18 drilling rigs all located in Canada. In the fourth quarter of 2017, Total Energy determined to discontinue CDS operations in the northeastern United States. During the first quarter of 2018, $1.8 million of expenses were incurred to relocate drilling equipment to Texas and Colorado. Also, effective January 1, 2018 the Company determined to include subsistence payments received from CDS customers in Canada for CDS employees as revenue. Such payments amounted to $3.4 million, or approximately $1,700 per operating day in Canada.

(in thousands of dollars, unless otherwise indicated)

Q1 2018	Drilling Canada	Drilling U.S.	Drilling Australia	Total
Revenue	$ 35,036 (1)	$ 14,097	$ 11,847	$ 60,980
Operating (loss) income	$ 2,615	$ (4,424)	$ 2,728	$ 919
Operating (loss) income, % of revenue	7%	nm	23%	2%
Spud to release days	1,999	714	211	2,924
Revenue per spud to release day, dollars	$ 17,527 (1)	$ 19,744	$ 56,147	$ 20,855
Utilization % (spud to release)	26%	32%	47%	28%

"nm" - calculation not meaningful

(1) includes approximately $1,700 per day of subsistence allowance that is passed onto employees.

(in thousands of dollars, unless otherwise indicated)

Q1 2017	Drilling Canada	Total
Revenue	$ 6,696	$ 6,696
Operating loss	$ (655)	$ (655)
Operating loss, % of revenue	nm	nm
Spud to release days	442	442
Revenue per spud to release day, dollars	$ 15,149	$ 15,149
Utilization % (spud to release)	27%	27%

"nm" - calculation not meaningful

The overall increase in CDS segment revenue relative to the three months ended March 31, 2017 is primarily a result of the acquisition of Savanna and the operating days generated by the drilling rigs acquired. Operating income for the first quarter of 2018 was $0.9 million as compared to the operating loss of $0.7 million for the same period in 2017 due to consistent utilization and marginally improved pricing in Canada and a positive contribution from Australian operations. Offsetting these gains was continued price competition in North America that limited the ability to increase prices to the extent necessary to offset increasing operating costs as well as the loss of operating days and $1.8 million of rig relocation expenses in the United States where two drilling rigs were relocated from Pennsylvania to Texas and Colorado during the first quarter of 2018.

In Canada, for the three months ended March 31, 2018 revenue was higher than the comparable periods in 2017 following the acquisition of the Savanna drilling fleet. The higher operating income for the first quarter was due to higher revenue per day and cost controls measures introduced in 2017. The Company's CDS segment had no operations in the United States or Australia in the first quarter of 2017.

Rentals and Transportation Services

(in thousands of dollars, unless otherwise indicated)	Three Months Ended		
March 31	**2018**	2017	Change
Revenue	**$ 22,312**	$ 17,556	27%
Operating loss	**$ (19)**	$ (80)	nm
Operating loss, % of revenue	**nm**	nm	
Pieces of rental equipment	**11,000**	10,000	10%
Heavy trucks	**112**	121	(7%)
Rental equipment utilization	**27%**	22%	23%

"nm" - calculation not meaningful

The revenue reported from the RTS segment increased for the three months ended March 31, 2018 as compared to the same period in 2017. This was due primarily to increased utilization and marginally improved pricing, change in the mix of equipment utilized and an increase in the number of pieces of rental equipment following the acquisition of Savanna. During the first quarter of 2018, approximately 100 pieces of major rental equipment were relocated from Canada to the United States.

The decrease in operating loss resulted primarily from higher equipment utilization and the resultant increase in revenue on a year over year basis given this segment's relatively high fixed cost structure as compared to the Company's other business segments. Such fixed cost structure includes costs associated with its significant operating branch infrastructure, including maintenance and repairs, utilities, insurance, property taxes and rent. In addition, depreciation expense on this segment's equipment fleet is recorded on a straight-line basis and is not correlated to levels of activity.

(in thousands of dollars, unless otherwise indicated) **Q1 2018**	RTS Canada	RTS U.S.	Total
Revenue	$ 18,637	$ 3,675	$ 22,312
Operating income (loss)	$ (671)	$ 652	$ (19)
Operating income (loss), % of revenue	nm	18%	nm
Pieces of rental equipment	10,400	600	11,000
Rental equipment utilization	26%	41%	27%

"nm" - calculation not meaningful

(in thousands of dollars, unless otherwise indicated) **Q1 2017**	RTS Canada	RTS U.S.	Total
Revenue	$ 15,863	$ 1,693	$ 17,556
Operating income (loss)	$ (101)	$ 21	$ (80)
Operating income (loss), % of revenue	nm	1%	nm
Pieces of rental equipment	9,500	500	10,000
Rental equipment utilization	22%	24%	22%

"nm" - calculation not meaningful

Compression and Process Services

(in thousands of dollars, unless otherwise indicated)	Three Months Ended		
March 31	**2018**	2017	Change
Revenue	**$ 85,118**	$ 60,100	42%
Operating income	**$ 6,347**	$ 3,005	111%
Operating income, % of revenue	**7%**	5%	40%
Sales backlog at period end, $ million	**$ 207.0**	$ 75.2	175%
Horsepower of equipment on rent at period end	**18,500**	16,500	12%
Rental equipment utilization (HP)	**53%**	38%	39%

The revenue reported from the CPS segment increased for the three months ended March 31, 2018 as compared to the same period in 2017. This was due primarily to higher international activity levels, particularly within the United States. Increased demand from international customers accounts for the substantial increase in the fabrication sales backlog at March 31, 2018 compared to 2017, with a majority of such backlog arising from international markets. The timeline for conversion of the sales backlog into revenue varies from order to order and often changes due to factors outside of the Company's control.

The increase in operating income in the CPS segment during the three months ended March 31, 2018, as compared to the same period in 2017 was due primarily to increased business activity in international markets and increased utilization of the compression rental fleet (which generally realize higher operating income margins than other sources of CPS revenue) arising from the year over year increase in compression horsepower on rent.

Well Servicing

(in thousands of dollars, except revenue per hour)	Three Months Ended		
March 31	**2018**	2017	Change
Revenue	**$ 36,805**	–	nm
Operating income	**$ 4,241**	–	nm
Operating income, % of revenue	**12%**	–	nm
Operating hours	**37,679**	–	nm
Revenue per operating hour	**$ 923**	–	nm

"nm" - calculation not meaningful

The WS segment was added in the second quarter of 2017 as part of the acquisition of Savanna and therefore all of the revenue and earnings are incremental to the Company's results.

Included in well servicing revenue for the first quarter of 2018, was $2.0 million from the Company's trucking operations in Australia. The number of hours and per hour revenue above excludes results related to the Company's Australian trucking operations.

Revenue and operating income for the first quarter of 2018 decreased relative to the fourth quarter of 2017. This was primarily due to wet weather conditions in Australia. Competitive industry conditions, particularly in Canada, continued to limit the Company's ability to implement meaningful pricing increases.

The following summarizes the operating results for the WS segment by geographic area for the three months ended March 31, 2018. The number of hours, per hour revenue and utilization above and below excludes results related to the Company's Australian trucking operations.

(in thousands of dollars, except per hour amounts)

Q1 2018	Canada	U.S.	Australia	Total
Revenue	$ 11,882	$ 3,141	$ 21,782	$ 36,805
Operating income	$ 14	$ 59	$ 4,168	$ 4,241
Operating income, % of revenue	0%	2%	19%	12%
Operating hours	18,978	4,724	13,977	37,679
Revenue per operating hour, dollars	$ 626	$ 665	$ 1,412	$ 923
Utilization % (1)	37%	37%	54%	50%

(1) The Company reports its service rig utilization for its operational service rigs in North America based on standard operating hours of 3,650 per rig per year. Utilization for the Company's service rigs in Australia is calculated based on standard operating hours of 8,760 per rig per year to reflect 24 hour operating conditions in that country and excludes stand-by time, even though revenue may be earned during this time.

Corporate

(in thousands of dollars)	Three months ended		
March 31	**2018**	2017	**Change**
Operating loss	**$ (3,928)**	$ (2,511)	56%

Total Energy's Corporate segment includes activities related to the Company's corporate and public issuer affairs. This segment does not generate any revenue but provides sales, operating, financial, treasury, analytical and other management and support services to Total Energy's business segments and manages the corporate affairs of the Company, including matters related to its public listing.

Operating loss increased for the three months ended March 31, 2018 due to higher costs incurred as part of the acquisition of Savanna.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operating Activities and Cashflow

(in thousands of dollars)	Three months ended		
March 31	**2018**	2017	**Change**
Cash provided by (used in) operating activities	**$ 22,784**	$ (5,301)	nm
Per Share Data (Diluted)	**0.49**	(0.17)	nm
Cashflow	**$ 21,149**	$ 7,821	170%
Per Share Data (Diluted)	**0.46**	0.25	84%

"nm" – calculation not meaningful

The changes in cash provided by operating activities and cashflow were due primarily to the acquisition of Savanna and increased activity levels compared to 2017 with resultant changes in operating income (loss) as described above. The Company reinvests any remaining cash provided by operating activities after required long-term debt and finance lease payments and dividend payments to shareholders into the internal growth of existing businesses, acquisitions, voluntary repayment of long-term debt or the repurchase of the Company's shares pursuant to the Company's normal course issuer bid.

Investing Activities

(in thousands of dollars)	Three months ended		
March 31	**2018**	2017	**Change**
Net cash used in investing activities	**$ (7,580)**	$ (16,459)	54%
Proceeds from sale of PP&E	**$ 1,239**	$ 917	35%
Purchase of PP&E	**$ (7,605)**	$ (2,928)	(160%)

Proceeds from the sale of property, plant and equipment ("PP&E") are derived primarily from the disposal of compression rental equipment in the ordinary course of business and the replacement and upgrade of older equipment in the Company's fleet. During the first quarter of 2018 equipment disposed consisted primarily of three drilling rigs and two service rigs located in the United States.

During the first quarter of 2018, $7.6 million of PP&E purchases were allocated as follows: $3.0 million in the CDS segment relating primarily to the purchase of rig equipment, $2.1 million in the RTS segment relating primarily to purchases of rental equipment, $1.8 million in the CPS segment relating primarily to additions to the compression rental fleet and $0.7 million in the WS segment relating purchases of rig equipment. During the first quarter of 2017, $2.9 million of PP&E purchases were allocated as follows: $0.5 million in the CDS segment relating primarily to the purchase of rig equipment, $1.4 million in the RTS segment relating primarily to purchases of rental equipment and $1.0 million in the CPS segment relating primarily to additions to the compression rental fleet. In addition, the first quarter of 2017 included $13.8 million of cash acquisition costs in the Corporate segment relating to the cash consideration paid on the acquisition of Savanna Shares, including Savanna Shares acquired in the open market (see Note 5 to the 2017 Annual Financial Statements for further information).

Financing Activities

(in thousands of dollars)	Three months ended		
March 31	**2018**	2017	**Change**
Net cash (used in) provided by financing activities	**$ (16,955)**	$ 5,844	nm

"nm" – calculation not meaningful

The increase in cash used in financing activities was primarily due to a voluntary $10.0 million principal repayment of long-term debt during the first quarter of 2018 and increased interest payments arising from the increase in long-term debt assumed on the acquisition of Savanna.

Liquidity and Capital Resources

The Company had a working capital surplus of $54.9 million as at March 31, 2018 compared to $54.9 million as at December 31, 2017. As at March 31, 2018 and the date of this MD&A, the Company is in compliance with all debt covenants.

At March 31, 2018 the Company's long-term debt consisted of the following:

	March 31, 2018	
	Interest rate	**Principal Amount**
Credit Facility	**3.77%**	**$ 186,000**
Senior unsecured notes	**7.00%**	**67,531**
Mortgage loan (2020 maturity)	**3.06%**	**44,468**
Mortgage loan (2041 maturity)	**4.05%**	**16,148**
Limited partnership credit facilities	**5.30%**	**2,369**
		$ 316,516
Less current portion		**72,073**
		$ 244,443

At March 31, 2018 amounts owing under the Credit Facility were denominated in Canadian dollars. The weighted average interest rate on the Company's debt at March 31, 2018 was 5%.

In addition to the Credit Facility, a subsidiary of the Company has established a $5.0 million revolving operating credit facility with a member of the Credit Facility lenders' syndicate. At March 31, 2018 this facility had $2.1 million available.

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

	March 31, 2018	Threshold
Twelve-month trailing Bank EBITDA to interest expense	5.55	minimum 2.50
Total Senior Debt to twelve-month trailing Bank EBITDA	1.77	maximum 4.00

The Company was in compliance with all of its Credit Facility covenants at March 31, 2018. For further information regarding Credit Facility compliance requirements and further details on the Company's borrowings, please refer to note 5 to the Interim Financial Statements.

On April 25, 2018 the Company increased the Credit Facility by $65 million to $290 million and extended its term to June 2021. All other terms and conditions of the facilities remained unchanged.

The Company expects that cash and cash equivalents, cash flow from operating activities, 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 required debt and finance lease payments, dividend payments and common share repurchases.

Dividends

For the three months ended March 31, 2018 the Company declared dividends of $2.8 million ($0.06 per share) as compared to $2.3 million ($0.06 per share) for the same period in 2017. The increase in the aggregate dividend paid reflects the increased number of shares of the Company outstanding following the acquisition of Savanna.

For the first quarter of 2018 cash provided by operating activities, cashflow and net income exceeded dividends to shareholders. Management and the Board of Directors of the Company continue to monitor the Company's dividend policy in the context of industry conditions and forecasted net income, cashflow, cash provided by operating activities, debt levels, capital expenditures and other investment opportunities and will aim to finance future dividends through cash provided by operating activities.

Capital Spending

Capital spending for the three months ending March 31, 2018 consisted of $7.6 million of PP&E purchases. Capital spending was funded with cash on hand and available credit facilities.

CONTRACTUAL OBLIGATIONS

At March 31, 2018, the Company had the following contractual obligations:

		Payments due by year				
(in thousands of dollars)	Total	2018	2019	2020	2021	2022 and after
Long-term debt	$ 316,516	$ 70,829	$ 3,710	$ 227,585	$ 680	$ 13,712
Commitments [(1)]	11,981	3,039	4,586	2,296	1,504	556
Finance leases	4,359	1,355	1,494	1,099	352	59
Purchase obligations [(2)]	66,917	66,917	–	–	–	–
Total contractual obligations	$ 399,773	$ 142,140	$ 9,790	$ 230,980	$ 2,536	$ 14,327

(1) Commitments are described in Note 26 to the 2017 Annual Financial Statements.

(2) Purchase obligations are described in Note 26 to the 2017 Financial Statements. As at March 31, 2018, purchase obligations primarily relate to commitments to purchase inventory in the CPS segment.

OFF-BALANCE SHEET ARRANGEMENTS

During 2018 and 2017, the Company had no off-balance sheet arrangements other than operating leases.

TRANSACTIONS WITH RELATED PARTIES

During the first three months of 2018 and 2017 the Company had no material transactions with related parties.

FINANCIAL INSTRUMENTS

Fair values

The discounted future cash repayments of the Company's 5-year mortgage are calculated using prevailing market rates of a similar debt instrument as at the reporting date. The net present value of future cash repayments of the 5-year mortgage and related interest at the prevailing market rate of 4.16% for a similar debt instrument at March 31, 2018 was $43.5 million (December 31, 2017: market rate of 4.04%, $44.0 million). The carrying value and Company`s liability with respect to the 5-year mortgage is $44.5 million.

As at March 31, 2018, the fair value of other assets was approximately $4.2 million.

OUTSTANDING COMPANY SHARE DATA

As at the date of this MD&A, the Company had 46,230,936 common shares outstanding.

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

Outstanding at March 31, 2018	Exercise Price	Remaining life (years)	Exercisable at March 31, 2018
53,334	$ 14.72	0.10	53,334
1,290,000	14.13	2.30	859,994
1,255,000	12.96	4.20	–
60,000	12.00	4.40	–
525,000	13.54	4.90	–
3,183,334	$ 13.54	3.48	913,328

OUTLOOK

Industry Conditions

With a sustained improvement in commodity prices since WTI oil prices fell below US$30 a barrel in 2016, North American oil and natural gas drilling and completion activity levels continued the recovery that began in the fourth quarter of 2016. However, Canadian producers continue to suffer significant price discounts for oil and natural gas due to insufficient transportation infrastructure. Political and regulatory uncertainty in Canada has also contributed to uncertain energy market conditions and reduced industry capital spending. Realized oil and natural gas prices in Australia have improved over the past several quarters. As such, current expectations are that oil and natural gas drilling activity for 2018 will increase in the United States and Australia but remain relatively flat in Canada as compared to 2017. Increased drilling and completion activity has contributed to increased demand for compression and process equipment and related services, including increased demand for compression rental equipment. While pricing for the Company's products and services has improved modestly, it remains low by historical standards, particularly in Canada within the CDS, RTS and WS segments. Higher activity levels will need to be sustained for some time before meaningful price recovery is achieved. Continued volatility in oil and natural gas prices and energy equity markets gives rise to caution regarding future activity levels.

Total Energy's deliberate strategy of preserving its asset base, operating capacity and financial strength through the downturn has enabled it to continue to recover lost market share while avoiding significant start-up costs and undue operational and human resource challenges. The Company's strategy to geographically diversify its revenue base has also begun to mitigate the risks associated with historically having generated almost all of its revenue in Canada. The Company's acquisition of Savanna in the second quarter of 2017 has given rise to significant economies and efficiencies of scale. The current focus of the Company is to fully integrate Savanna's operations into the Company and achieve significant costs savings through rationalization of Savanna's cost structure and economies of scale.

Despite near term challenges and uncertainties, the Company believes that medium to long-term fundamentals require continued exploration and development in the markets in which it competes, particularly in respect of unconventional reserves, to meet global demand for oil and natural gas. A continued focus on the development of unconventional oil and natural gas resources in Canada and elsewhere is expected to continue to drive activity in the future, particularly should export opportunities for Canadian producers increase through the construction of new liquefied natural gas ("LNG") export terminals and additional pipeline or other take-away capacity such as rail.

RISK FACTORS AND RISK MANAGEMENT

In the normal course of business, Total Energy is exposed to financial and operating risks that may potentially and materially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis. There have been no significant changes in risk and risk management in 2018 other than as described below.

Industry Conditions

While oil and natural gas prices have increased from the lows of 2016, they remain volatile and North American natural gas prices remain low by historical standards. As a result, there continues to be significant uncertainty and volatility in the oil and gas industry, particularly in Canada where oil and natural gas drilling and completion activity remains relatively low. These low industry activity levels have resulted in continued price competition for the products and services provided by the Company, particularly in Canada within the CDS, RTS and WS segments. While the Company has been proactive in managing its operating cost structure to adapt to the current environment, continued low industry activity levels may require additional substantive measures be taken to preserve the Company's financial strength and flexibility. To date, the Company has made the strategic decision to preserve its operating infrastructure and capacity so as to minimize the cost of responding to increased activity levels in the future. This decision has resulted in increased operating costs relative to further costs savings that could be achieved by materially reducing operating capacity through the closure of operating branches and other similar measures.

Credit Risk

As a result of the challenging oil and natural gas market conditions, particularly in Canada, the Company continues to face heightened counterparty credit risk as a substantial portion of the Company's dealings are with entities involved in the oil and gas industry. In regards to accounts receivable, the Company remains focused on actively managing credit risk. Specifically, management has remained diligent in assessing credit levels granted to customers, monitoring the aging of receivables and taking proactive steps to collect outstanding balances.

The Company does not have significant exposure to any individual customer or counter party other than two major oil and gas companies which each accounted for over 10% of revenue during the three months ended March 31, 2018. No other customer accounted for more than 10% of revenue during these periods. Concentration of credit risk on the Company's trade accounts receivable exists in the oil and gas industry.

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, labor and health and safety. For example, the implementation of a "carbon tax" and recent changes to employment standards in Alberta have increased the Company's cost of services in that jurisdiction. Political intervention in the regulation of energy infrastructure construction has also created additional risk and uncertainty which in turn has resulted in reduced capital expenditures and industry activity in Canada.

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.

There have been no material changes to the Company's Critical Accounting Estimates during 2018.

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 the 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 share-based compensation is dependent upon estimates of historic volatility and forfeiture rates.

The Company's estimate of the fair value of forward foreign exchange contracts 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.

STANDARDS ADOPTED IN THE PERIOD

As at January 1, 2018 the Company adopted the following International Financial Reporting Standards ("IFRS"):

IFRS 15 – Revenue from Contracts with Customers

Effective January 1, 2018 the Company adopted IFRS 15, Revenue from Contracts with Customers using the cumulative-effect method of adoption. The adoption of these standards had no material impact on the amounts recorded in these financial statements.

The Company enters into a variety of contracts and recognizes revenue when performance obligations have been fulfilled. The following describes the recognition of revenue for each of the Company's contracts, which is consistent with its reportable operating segments outlined in Note 3.

Contract Drilling

The Company enters into contract drilling contracts whereby it performs drilling services to its customers. Performance obligations for these contracts are satisfied on a billable day basis at the applicable daily rate, as specified in the contract.

Well Servicing

The Company enters into well servicing contracts to provide a variety of well completion, workover, maintenance and abandonment services. Performance obligations for these contracts are satisfied on an hourly basis at the applicable daily or hourly rate, as specified in the contract.

Rentals and Transportation

The Company enters into contracts with its customers to provide rental and transportation equipment used in the drilling, completion and production of oil and natural gas. Performance obligations for these contracts are satisfied on a daily basis at the applicable daily or hourly rate, as specified in the contract.

Compression and Process Services

The Company enters into contracts to supply equipment that involves the design, manufacture, installation, start-up and service of compression and process services. Performance obligations for these contracts are satisfied over time and is measured by reference to labour hours incurred to date as a proportion of total expected labour hours over the amount specified in the contract. Revenues and costs only begin to be recognized when the Company can reasonably measure its progress towards complete satisfaction of the contract. Parts and service performance obligations are satisfied at a point in time or over time at the monthly, daily, hourly or job rates specified in the contract.

IFRS 9 – Financial Instruments

Effective January 1, 2018 the Company adopted the amendments in IFRS 9, Financial Instruments, including the classification and measurement of financial assets and the expected loss impairment model. The amendments to IFRS 9 are effective for annual periods on or after January 1, 2018 and are applied retrospectively. The standard addresses classification and measurement of financial assets and replaces multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement.

The following table summarizes the changes to the Company's financial asset and liability classifications:

Financial Instrument	IAS 39 Category	IFRS 9 Category
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Other assets	Fair value through profit or loss	Fair value through profit or loss

FUTURE ACCOUNTING POLICIES CHANGES

There have been no significant future accounting policy changes during 2018.

Several new accounting pronouncements issued by the International Accounting Standards Board ("IASB") prior 2017 that are applicable to, or may have a future impact on, the Company. Please see note 2 of the Company's Interim Financial Statements for the details of such pronouncements.

NON-IFRS MEASURES

Management believes that EBITDA (earnings before interest, taxes, depreciation and amortization) is a useful measure because it gives an indication of the results from the Company's primary business activities prior to consideration of how such activities are financed and the impact of taxation and non-cash depreciation and amortization charges. Reconciliation of this non-IFRS measure to net income (loss) is set forth below.

EBITDA
(in thousands of Canadian dollars)

	Three months ended	
March 31	**2018**	2017
Net income (loss)	**$ 3,328**	$ (853)
Add back (deduct):		
Depreciation	**19,600**	8,029
Finance costs	**3,856**	597
Income tax expense	**871**	169
EBITDA	**$ 27,655**	$ 7,942

Net debt is equal to long-term debt plus obligations under finance leases plus current liabilities minus current assets.

NET DEBT (in thousands of Canadian dollars)	**As at March 31, 2018**
Long-term debt	**$ 244,443**
Obligations under finance leases	**2,644**
Add back (deduct):	
Current liabilities	**212,597**
Current assets	**(267,503)**
NET DEBT	**$ 192,181**

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

There have been no significant changes in the design of the Company's ICFR during the quarter ended March 31, 2018 that would materially affect, or is reasonably likely to materially affect the Company's ICFR.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND 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" 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.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (in thousands of Canadian dollars)

	Note	March 31, 2018	Dec 31, 2017
ASSETS			
Current assets:			
Cash and cash equivalents		**$ 19,403**	$ 21,154
Accounts receivable		**149,606**	150,990
Inventory		**77,840**	68,266
Income taxes receivable		**4,001**	1,176
Other assets	4	**4,183**	4,631
Prepaid expenses and deposits		**12,470**	15,148
		267,503	261,365
Property, plant and equipment		**786,375**	793,464
Income taxes receivable		**7,070**	7,070
Deferred tax asset		**498**	829
Goodwill		**4,053**	4,053
		$ 1,065,499	$ 1,066,781
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 113,017**	$ 108,421
Deferred revenue		**23,018**	21,625
Dividends payable		**2,774**	2,774
Current portion of obligations under finance leases		**1,715**	1,595
Current portion of long-term debt	5	**72,073**	72,058
		212,597	206,473
Long-term debt	5	**244,443**	255,640
Obligations under finance leases		**2,644**	2,205
Onerous lease liability	6	**1,831**	2,734
Deferred tax liability		**53,252**	53,155
Shareholders' equity:			
Share capital	7	**291,317**	291,317
Contributed surplus		**4,661**	4,550
Accumulated other comprehensive loss		**(7,031)**	(10,194)
Non-controlling interest		**1,360**	1,196
Retained earnings		**260,425**	259,705
		550,732	546,574
		$ 1,065,499	$ 1,066,781

The notes on pages 25 to 32 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)

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

		Three months ended March 31	
	Note	**2018**	2017
REVENUE		**$ 205,215**	$ 84,352
Cost of services		**163,977**	68,715
Selling, general and administration		**13,637**	7,620
Share-based compensation	8	**441**	229
Depreciation		**19,600**	8,029
Operating income (loss)		**7,560**	(241)
Gain on sale of property, plant and equipment		**495**	154
Finance costs		**(3,856)**	(597)
Net income (loss) before income taxes		**4,199**	(684)
Current income tax expense (recovery)		**835**	(4,729)
Deferred income tax expense		**36**	4,898
Total income tax expense		**871**	169
Net income (loss) for the period		**$ 3,328**	$ (853)
Net income (loss) attributable to:			
Shareholders of the Company		**$ 3,164**	$ (853)
Non-controlling interest		**164**	–
Income (loss) per share			
Basic and diluted	7	**$ 0.07**	$ (0.03)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

		Three months ended March 31	
	Note	**2018**	2017
Net income (loss) for the period		**$ 3,328**	$ (853)
Changes in fair value of long-term investment		**–**	270
Foreign currency translation adjustment		**3,555**	24
Deferred tax effect		**(392)**	(36)
Total other comprehensive income for the period		**3,163**	258
Total comprehensive income (loss)		**$ 6,491**	$ (595)
Total comprehensive income (loss) attributable to:			
Shareholders of the Company		**$ 6,327**	$ (595)
Non-controlling interest		**164**	–

The notes on pages 25 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, 2018 and 2017, and year ended December 31, 2017
Unaudited (in thousands of Canadian dollars)

	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Non-controlling Interest	Retained earnings	Total Equity
Balance at December 31, 2016		$ 88,654	$ 7,683	$ –	$ –	$ 267,965	$ 364,302
Net loss for the year		–	–	–	(1,787)	(1,916)	(3,703)
Other comprehensive loss		–	–	(10,194)	–	–	(10,194)
Transactions with shareholders, recorded directly in equity:							
Dividends to shareholders ($0.24 per common share)		–	–	–	–	(10,654)	(10,654)
Issuance of common shares		104,544	–	–	–	–	104,544
Stock options exercised	8	2,899	(610)	–	–	–	2,289
Stock options expired	8	–	(4,310)	–	–	4,310	–
Share-based compensation	8	–	1,787	–	–	–	1,787
Partnership distributions		–	–	–	(150)	–	(150)
Non-controlling interest assumed on acquisition		–	–	–	111,383	–	111,383
Subsequent acquisition transactions – shares issued		95,220	–	–	(95,220)	–	–
Subsequent acquisition transactions – cash payment		–	–	–	(13,030)	–	(13,030)
		202,663	(3,133)	–	2,983	(6,344)	196,169
Balance at December 31, 2017		$ 291,317	$ 4,550	$ (10,194)	$ 1,196	$ 259,705	$ 546,574
Net income		–	–	–	164	3,164	3,328
Other comprehensive income		–	–	3,163	–	–	3,163
Transactions with shareholders, recorded directly in equity:							
Dividends to shareholders ($0.06 per common share)		–	–	–	–	(2,774)	(2,774)
Share-based compensation	8	–	441	–	–	–	441
Expiration of share options	8	–	(330)	–	–	330	–
		–	111	–	–	(2,444)	(2,333)
Balance at March 31, 2018		**$ 291,317**	**$ 4,661**	**$ (7,031)**	**$ 1,360**	**$ 260,425**	**$ 550,732**

	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive income	Retained earnings	Total Equity
Balance at December 31, 2016		$ 88,654	$ 7,683	$ –	$ 267,965	$ 364,302
Net loss for the period		–	–	–	(853)	(853)
Other comprehensive income for the period		–	–	258	–	258
Transactions with shareholders, recorded directly in equity:						
Issuance of common shares	7	104,544	–	–	–	104,544
Dividends to shareholders ($0.06 per common share)		–	–	–	(2,331)	(2,331)
Share-based compensation	8	–	229	–	–	229
		104,544	229	–	(2,331)	102,442
Balance at March 31, 2017		$ 193,198	$ 7,912	$ 258	$ 264,781	$ 466,149

The notes on pages 25 to 32 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)

		Three months ended March 31	
	Note	**2018**	2017
Cash provided by (used in):			
Operations:			
Net income (loss) for the period		**$ 3,328**	$ (853)
Add (deduct) items not affecting cash:			
Depreciation		**19,600**	8,029
Share-based compensation		**441**	229
Gain on sale of property, plant and equipment		**(495)**	(154)
Finance costs		**3,631**	597
Unrealized loss (gain) on foreign currencies translation		**(2,567)**	185
Current income tax expense (recovery)		**835**	(4,729)
Deferred income tax expense		**36**	4,898
Income taxes paid		**(3,660)**	(381)
Cashflow		**21,149**	7,821
Changes in non-cash working capital items:			
Accounts receivable		**1,689**	(10,963)
Inventory		**(9,574)**	3,971
Prepaid expenses and deposits		**3,380**	(1,168)
Accounts payable and accrued liabilities		**5,650**	2,237
Onerous leases		**(903)**	–
Deferred revenue		**1,393**	(7,199)
Cash provided by (used in) operating activities		**22,784**	(5,301)
Investing:			
Purchase of property, plant and equipment		**(7,605)**	(2,928)
Acquisitions		**–**	(13,800)
Proceeds on sale of other assets		**227**	115
Proceeds on disposal of property, plant and equipment		**1,239**	917
Changes in non-cash working capital items		**(1,441)**	(763)
Cash used in investing activities		**(7,580)**	(16,459)
Financing:			
Repayment of long-term debt	5	**(11,182)**	(479)
Loans advanced		**–**	(2,997)
Repayment of obligations under finance leases		**(529)**	(447)
Dividends to shareholders		**(2,774)**	(1,856)
Interest paid		**(2,470)**	(464)
Increase in bank indebtedness		**–**	12,087
Cash (used in) provided by financing activities		**(16,955)**	5,844
Change in cash and cash equivalents		**(1,751)**	(15,916)
Cash and cash equivalents, beginning of period		**21,154**	15,916
Cash and cash equivalents, end of period		**$ 19,403**	$ –

The notes on pages 25 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 nine months ended September 30, 2017 and 2016
Unaudited (tabular amounts in thousands of Canadian dollars)

1. Reporting Entity

Total Energy Services Inc. (the "Company") is incorporated under the Business Corporations Act (Alberta) and its head office is located in Calgary, Alberta at Suite 800, 311 – 6th Avenue S.W. The condensed interim consolidated financial statements include the accounts of the Company, its subsidiaries and its wholly and partially owned partnerships established in Canada, the United States of America (the "United States") and Australia.

The Company provides a variety of products and services to the oil and natural gas industry primarily in Canada, the United States and Australia, including contract drilling services, the rental and transportation of equipment used in oil and natural gas drilling, completion and production processes, the fabrication, sale, rental and servicing of natural gas compression and oil and natural gas process equipment and well servicing.

2. Basis of Presentation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" of International Financial Reporting Standards ("IFRS") and using the accounting policies outlined in the Company's consolidated audited financial statements for the year ended December 31, 2017, except for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers which were adopted on January 1, 2018. 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, 2017.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 10, 2018.

Seasonality

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

Standards Adopted in the Period

As at January 1, 2018 the Company adopted the following standards which had no material impact on the amounts recorded in these financial statements:

IFRS 15 – Revenue from Contracts with Customers

Effective January 1, 2018 the Company adopted IFRS 15, Revenue from Contracts with Customers using the cumulative-effect method of adoption.

The Company enters into a variety of contracts and recognizes revenue when performance obligations have been fulfilled. The following describes the recognition of revenue for each of the Company's contracts, which is consistent with its reportable operating segments outlined in Note 3.

Contract Drilling

The Company enters into contract drilling contracts whereby it performs drilling services to its customers. Performance obligations for these contracts are satisfied on a billable day basis at the applicable daily rate, as specified in the contract.

Unaudited (tabular amounts in thousands of Canadian dollars)

Well Servicing

The Company enters into well servicing contracts to provide a variety of well completion, workover, maintenance and abandonment services. Performance obligations for these contracts are satisfied on an hourly basis at the applicable daily or hourly rate, as specified in the contract.

Rentals and Transportation

The Company enters into contracts with its customers to provide rental and transportation equipment used in the drilling, completion and production of oil and natural gas. Performance obligations for these contracts are satisfied on a daily basis at the applicable daily or hourly rate, as specified in the contract.

Compression and Process Services

The Company enters into contracts to supply equipment that involves the design, manufacture, installation, start-up and service of compression and process services. Performance obligations for these contracts are satisfied over time and is measured by reference to labour hours incurred to date as a proportion of total expected labour hours over the amount specified in the contract. Revenues and costs only begin to be recognized when the Company can reasonably measure its progress towards complete satisfaction of the contract. Parts and service performance obligations are satisfied at a point in time or over time at the monthly, daily, hourly or job rates specified in the contract.

IFRS 9 – Financial Instruments

Effective January 1, 2018 the Company adopted the amendments in IFRS 9, Financial Instruments, including the classification and measurement of financial assets and the expected loss impairment model. The amendments to IFRS 9 are effective for annual periods on or after January 1, 2018 and are applied retrospectively. The standard addresses classification and measurement of financial assets and replaces multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement.

The following table summarizes the changes to the Company's financial asset and liability classifications:

Financial Instrument	IAS 39 Category	IFRS 9 Category
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Other assets	Fair value through profit or loss	Fair value through profit or loss

Accounting Pronouncements Not Yet Adopted

IFRS 16 – Leases

IFRS 16, published on January 13, 2016, supersedes IAS 17 – Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless a lease term that is 12 months or less or where the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 applies to reporting periods beginning on or after January 1, 2019. Management is assessing the impact of the adoption of IFRS 16 on the Company's consolidated financial statements.

International Financial Reporting Interpretation 23 – Uncertainty over Income Tax Treatments ("IFRIC 23")

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation requires the entity to use the most likely amount or the expected value of the tax treatment if it concludes that it is not probable that a particular tax treatment will be accepted. It requires an entity to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

Unaudited (tabular amounts in thousands of Canadian dollars)

IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight. Management is assessing the impact of the adoption of IFRIC 23 on the Company's consolidated financial statements.

3. Segmented Information

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

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

As at and for the three months ended March 31, 2018	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate [1]	Total
Revenue	$ 60,980	$ 22,312	$ 85,118	$ 36,805	$ –	$ 205,215
Cost of services	49,519	13,825	74,296	26,337	–	163,977
Selling, general and administration	2,353	3,939	2,699	1,177	3,469	13,637
Share-based compensation	–	–	–	–	441	441
Depreciation	8,189	4,567	1,776	5,050	18	19,600
Operating income (loss)	919	(19)	6,347	4,241	(3,928)	7,560
Gain on sale of property, plant and equipment	50	51	–	394	–	495
Finance income (costs)	7	(31)	(9)	(41)	(3,782)	(3,856)
Net income (loss) before income taxes	976	1	6,338	4,594	(7,710)	4,199
Goodwill	–	2,514	1,539		–	4,053
Total assets	462,672	245,077	197,264	145,308	15,178	1,065,499
Total liabilities	52,260	41,066	76,430	2,486	342,525	514,767
Capital expenditures	$ 3,012	$ 2,121	$ 1,794	$ 678	$ –	$ 7,605

As at and for the three months ended March 31, 2017	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Services	Corporate [1]	Total
Revenue	$ 6,696	$ 17,556	$ 60,100	$ –	$ –	$ 84,352
Cost of services	4,813	10,426	53,476	–	–	68,715
Selling, general and administration	521	3,050	1,786	–	2,263	7,620
Share-based compensation	–	–	–	–	229	229
Depreciation	2,017	4,160	1,833	–	19	8,029
Operating income (loss)	(655)	(80)	3,005	–	(2,511)	(241)
Gain on sale of property, plant and equipment	–	124	30	–	–	154
Finance costs	(91)	(181)	(95)	–	(230)	(597)
Net income (loss) before income taxes	(746)	(137)	2,940		(2,741)	(684)
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	111,191	234,342	154,574	–	135,133	635,240
Total liabilities	23,834	47,512	36,608	–	61,137	169,091
Capital expenditures	$ 462	$ 1,418	$ 1,048	$ –	$ 13,800	$ 16,728

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

Unaudited (tabular amounts in thousands of Canadian dollars)

The Company's operations are carried on in the following geographic locations:

Three months ended March 31, 2018	Canada	United States	Australia	Other	Total
Revenue	**$ 104,191**	**$ 67,099**	**$ 33,925**	**$ –**	**$ 205,215**
Non-current assets (1)	**560,335**	**140,310**	**89,783**	**–**	**790,428**

Three months ended March 31, 2017	Canada	United States	Australia	Other	Total
Revenue	$ 69,958	$ 8,464	$ 5,919	$ 11	$ 84,352
Non-current assets (1)	483,813	15,154	1,472	–	500,439

(1) Includes property, plant and equipment and goodwill.

4. Other Assets

Other assets consist primarily of marketable securities of publicly traded entities (level 1 of fair value hierarchy values based on quoted prices). Other assets are designated as financial assets measured at fair value, with changes in fair value recorded in the statement of income (loss) as finance cost. The Company reported a $0.2 million realized loss and a nominal unrealized gain during the three-month period ended March 31, 2018 (realized and unrealized loss of $0.1 million, each, during three-months ended March 31, 2017), resulting from changes in the market value of other assets.

5. Long-term Debt

At March 31, 2018 the Company's long-term debt consisted of the following:

	March 31, 2018	
	Interest rate	Principal Amount
Credit Facility	**3.77%**	**$ 186,000**
Senior unsecured notes	**7.00%**	**67,531**
Mortgage loan (2020 maturity)	**3.06%**	**44,468**
Mortgage loan (2041 maturity)	**4.05%**	**16,148**
Limited partnership credit facilities	**5.30%**	**2,369**
		$ 316,516
Less current portion		**72,073**
		$ 244,443

At March 31, 2018 amounts owing under the Credit Facility were denominated in Canadian dollars.

On June 19, 2017 the Company entered into a three year $225 million revolving syndicated credit facility ("Credit Facility"), with the option to increase such facility by $75 million subject to certain terms and conditions, including the agreement of the lenders to increase their commitments. The Credit Facility includes a Canadian $18.0 million operating line, an Australian $2.0 million operating line and a Canadian $205.0 million revolving facility. The Credit Facility bears interest at the banks' Canadian prime rate plus 0.25% to 2.75%, bankers' acceptance, letter of credit, LIBOR or BBSY advances plus a 1.5% to 4.0% stamping fee. The applicable interest rate within such ranges is dependent on certain financial ratios of the Company. A standby fee ranging from 0.25% to 0.8% per annum is paid quarterly on the unused portion of the facility depending on certain financial ratios of the Company. At March 31, 2018, the applicable interest rate on amounts drawn on the Credit Facility was 3.77% and the standby rate was 0.44%. Letters of credit outstanding at March 31, 2018 were $4.8 million that reduces the amount that could be drawn on this facility.

Unaudited (tabular amounts in thousands of Canadian dollars)

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

	March 31, 2018	Threshold
Twelve-month trailing Bank EBITDA to interest expense	**5.55**	minimum 2.50
Total Senior Debt to twelve-month trailing Bank EBITDA	**1.77**	maximum 4.00

	Minimum Bank EBITDA to interest expense	Maximum Senior Debt to Bank EBITDA
For the trailing twelve months ended March 31, 2018	2.50	4.00
For the trailing twelve months ending June 30, 2018	2.50	4.00
For the trailing twelve months ending September 30, 2018	3.00	3.00

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

- Bank EBITDA is determined (on a 12 month trailing basis) as earnings before finance expenses, income taxes, depreciation, share-based compensation and certain non-recurring and non-cash income and expenses as defined in the credit agreement and excludes amounts from certain non-guarantor subsidiaries and the limited partnerships partially owned by the Company.

- Senior Debt is determined as total long-term debt (including the current portions thereof but excluding the mortgage loans, the senior unsecured notes, the limited partnership facilities and certain other obligations identified in the credit agreement) minus cash on hand.

The Credit Facility is secured by a general security agreement over all the present and future property of the Company and its subsidiaries. The Company was in compliance with all of its Credit Facility covenants at March 31, 2018.

In addition to the Credit Facility, a subsidiary of the Company has established a $5.0 million revolving operating credit facility with a member of the Credit Facility lenders' syndicate. At March 31, 2018 this facility had $2.1 million available.

Senior unsecured notes are due May 25, 2018, bear interest at a fixed rate of 7.0% per annum, which is payable semi-annually in May and November of each year and rank equal in right of payment to all existing and future unsecured indebtedness. These notes contain certain restrictions that limit the Company's ability to incur additional indebtedness, make restricted payments and dispose of certain assets.

Mortgage Loan (2020 maturity) is a loan maturing on April 29, 2020 that is amortized over 20 years with blended monthly principal and interest payments of approximately $278,800. At maturity, approximately $40.2 million of principal will become due and payable assuming only regular monthly payments are made. This loan bears interest at a fixed rate of 3.06% and is secured by certain of the Company`s real estate assets.

Mortgage Loan (2041 maturity) is a loan maturing on December 31, 2041 and bears interest at a floating rate that was 4.05% at March 31, 2018. This loan is secured by real estate located in Leduc, Alberta.

Limited partnership credit facilities are loans within two aboriginal partnerships that are secured by a general assignment of book debts and a general security agreement charging all present and after-acquired property of the partnerships. The limited partnership facilities are subject to ratios and covenants.

At March 31, 2018 the Company was in compliance with all debt covenants.

Unaudited (tabular amounts in thousands of Canadian dollars)

6. Onerous Leases

Onerous lease liabilities relate to provisions for office and shop lease contracts that are no longer in use but for which the Company is still obligated to make payments. The aggregate liability was measured at the present value of the lower of the expected cost of terminating the contracts and the expected net cost of continuing with the contracts.

7. Share Capital

(a) Common share capital

Common shares of Total Energy Services Inc.

(i) Authorized:

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

(ii) Common shares issued:

	Number of shares (thousands)	Amount
Balance, December 31, 2016	30,920	$ 88,654
Issued on acquisition	7,924	104,544
Issued on subsequent acquisition transactions	7,228	95,220
Issued on exercise of stock options	166	2,899
Balance, December 31, 2017	46,238	$ 291,317
Changes during the period	–	–
Balance, March 31, 2018	**46,238**	**$ 291,317**

(b) Per share amounts

Basic and diluted earnings (loss) 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	
	2018	2017
Net income (loss) for the period attributable to shareholders	**$ 3,164**	$ (853)
Weighted average number of shares outstanding – basic	**46,238**	31,448
Earnings (loss) per share – basic	**$ 0.07**	$ (0.03)
Net income (loss) for the period attributable to shareholders	**$ 3,164**	$ (853)
Weighted average number of shares outstanding – basic	**46,238**	31,448
Share option dilution	**3**	41
Weighted average number of shares outstanding – diluted	**46,241**	31,489
Earnings (loss) per share – diluted	**$ 0.07**	$ (0.03)

For the three months ended March 31, 2018, 3,123,334 share options (March 31, 2017: 1,420,000) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

Unaudited (tabular amounts in thousands of Canadian dollars)

8. Share-Based Compensation Plan

Share option transactions during 2018 and 2017 were as follows:

	Weighted average exercise price	Number of Options
Balance, December 31, 2016	$ 13.99	2,560,000
Granted	12.93	1,715,000
Exercised	13.74	(166,600)
Forfeited	12.96	(250,000)
Expired	13.74	(973,400)
Balance, December 31, 2017	$ 13.55	2,885,000
Granted	13.54	525,000
Forfeited	12.96	(150,000)
Expired	14.96	(76,666)
Balance, March 31, 2018	**$ 13.54**	**3,183,334**

A total of 913,328 outstanding options were exercisable at March 31, 2018.

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value of the share options granted. The average per share fair value of the options granted during 2018 was $2.74 per option (2017: $2.36 per option) using the following assumptions:

	March 31, 2018	Dec 31, 2017
Expected volatility	**25.88% – 27.64%**	26.05% – 29.14%
Annual dividend yield	**1.77%**	1.85% – 2.00%
Risk free interest rate	**2.17%**	0.96% – 1.43%
Forfeitures	**9%**	5%
Expected life (years)	**3 to 5 years**	3 to 5 years

The share options issued during 2018 and 2017 vest 1/3 on the first, second and third anniversary from the grant date and expire five years from the date of grant. The options expire on various dates ranging from February 19, 2018 to March 8, 2023.

9. Financial Instruments

The Company's financial instruments as at March 31, 2018 include cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued liabilities, dividends payable, forward foreign exchange contracts, obligations under finance leases and long-term debt. 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 and long-term investment was determined based on market prices quoted on the relevant stock exchanges on which the marketable securities trade (level 1 of fair value hierarchy).

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 discounted future cash repayments of the Company`s mortgage loan (maturity 2020) are calculated using prevailing market rates of a similar debt instrument as at the reporting date. The net present value of future cash repayments of this mortgage loan and related interest at the prevailing market rate of 4.16% for a similar debt instrument at March 31, 2018 was $43.5 million (December 31, 2017: market rate of 4.04%, $44.0 million). The carrying value and Company`s liability with respect to the mortgage loan is $44.5 million.

10. Contingencies

On August 30, 2015 the Company was notified by the Canada Revenue Agency (the "CRA") that certain of the Company's income tax filings related to its conversion from an income trust to a corporation in 2009 were being re-assessed. Specifically, the CRA increased the Company's taxable income by $56.1 million and denied $1.7 million of investment tax credits claimed (the "Reassessment"). The Reassessment is based entirely on the CRA's proposed application of the general anti-avoidance rule ("GAAR") and gives rise to approximately $14.1 million of federal income tax payable. In September 2015 the Company paid one half of the reassessed amount, or $7.1 million, on account of the Reassessment as required pending appeal. On November 4, 2015, related provincial income tax reassessments totaling $5.6 million (including interest and penalties) were received.

The Company has received both legal and tax advice relating to its conversion from an income trust to a corporation indicating that its income tax filing position is strong. As such, the Company has filed notices of objection in response to the Reassessment and intends to vigorously defend its filing position and seek reimbursement from the CRA for the costs arising from having to defend such Reassessment to the fullest extent possible. Management believes that it will be successful in defending its tax filing position, and as such, the Company has not recognized any provision for the Reassessment at March 31, 2018. The $7.1 million paid on account of the Reassessment has been recorded as income tax receivable on the basis management believes it will be successful in defending the Company`s filing position. In the event the Company is not successful, an additional $14.5 million of cash may be owing and $21.6 million of income tax expense would be recognized.

In 2017, one of the Company's subsidiaries, Savanna, received a statement of claim from Western Energy Services Corp. ("Western") for payment of a termination fee in the amount of $20 million pursuant to an arrangement agreement between Savanna and Western dated March 8, 2017, as amended on March 14, 2017 (the "Arrangement Agreement"). Savanna terminated the Arrangement Agreement on March 28, 2017 following the acquisition by Total of over 50% of the outstanding common shares of Savanna in accordance with the terms and conditions of the Arrangement Agreement. Western is claiming Savanna was not entitled to terminate the Arrangement Agreement and therefore breached the Arrangement Agreement. Savanna has filed a statement of defense and has received legal advice that Western's claim is without merit. Management believes that Savanna will be successful in defending against the Western claim and, as such, the Company has not recognized any provision for such claim.

In November of 2017 the Company received a Statement of Claim filed in the Alberta Court of Queen's Bench by Her Majesty the Queen in Right of Alberta, by its agent, AIMCo against the Company and Savanna. AIMCo's claim primarily relates to Savanna's refusal to pay a $6 million change of control penalty (the "Additional Penalty") to AIMCo. The Company and Savanna have received legal advice that AIMCo's claim for the Additional Penalty is not enforceable and have filed a statement of defense. Savanna has also filed a third party claim against its former directors that seeks indemnity in the event that AIMCO is successful in its claim against Savanna.

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.

11. Subsequent Event

On April 25, 2018 the Company increased the Credit Facility by $65 million to $290 million and extended the maturity date by 12 months to June 19, 2021. All other terms and conditions of the credit facility remain unchanged.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Bruce Pachkowski [2, 3]
Chairman of the Board

Daniel Halyk
President and Chief Executive Officer

George Chow [1]

Glenn Dagenais [2, 3]

Greg Melchin [1, 2]

Andrew Wiswell [1, 3]

[1] Member of the Compensation Committee
[2] Member of the Audit Committee
[3] Member of the Corporate Governance and Nominating Committee

MANAGEMENT TEAM

Daniel Halyk
President and Chief Executive Officer

Gerry Crawford
Vice President, Field Services

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

Yuliya Gorbach
Vice President, Finance and Chief Financial Officer

William Kosich
Vice President, Drilling Services

Brad Macson
Vice President, Operations

Ashley Ting
Corporate Controller

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AUDITOR

KPMG LLP

Calgary, Alberta

TRUSTEE, REGISTRAR AND TRANSFER AGENT

Computershare

Calgary, Alberta

LEGAL COUNSEL

Bennett Jones, LLP

Calgary, Alberta

BANKERS

HSBC

The Toronto Dominion Bank

The Bank of Nova Scotia

Alberta Treasury Branches

Export Development Corp.

STOCK EXCHANGE LISTING

Toronto Stock Exchange

Common Shares: TOT

CANADIAN LOCATIONS

Brooks • Calgary • Carlyle • Clairmont • Dawson Creek • Drayton Valley • Drumheller • Edson • Fort MacKay • Fort Nelson
Fort St. John • Fox Creek • Grande Prairie • High Level • Lac La Biche • Leduc • Lloydminster • Manning • Medicine Hat • Peace River
Red Deer • Red Earth • Rocky Mountain House • Slave Lake • Swift Current • Valleyview • Weyburn/Midale • Whitecourt

U.S. LOCATIONS

Denver, CO • Dickinson, ND • Watford City, ND • Casper, WY • Gillette, WY• Weirton, WV • Odessa, TX

AUSTRALIAN LOCATIONS

Toowoomba, QLD

TOTAL ENERGY SERVICES INC.

BIDELL™ GAS COMPRESSION

SPECTRUM Process Systems

Savanna Drilling

Savanna Well Servicing

TOTAL OILFIELD RENTALS LTD.