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FOCUS DISCIPLINE GROWTH

Second 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's results for the second quarter of 2018 represent a substantial improvement from the second quarter of 2017 when the acquisition of Savanna Energy Services was completed. Underpinning these results were strong international demand for compression equipment and a continued recovery in drilling and completion activity in the United States and Australia. The Compression and Process Services segment experienced improved quarterly operating income margins both on a sequential and year-over-year basis with the continued ramp up of production from the Company's compression fabrication facility in Weirton, West Virginia. While industry conditions in Canada remained relatively challenging, particularly during spring break-up, operating efficiencies and cost synergies arising from the integration of Savanna coupled with modestly higher pricing also contributed to Total Energy's improved financial results.

The Company continued to grow its international presence, with over 54% of 2018 second quarter consolidated revenue being generated outside of Canada. Of particular note is the record $216.9 million fabrication sales backlog in the Compression and Process Services at June 30, 2018. This backlog represents a 45% increase from the $149.3 million backlog at June 30, 2017 and continues to be driven by strong international demand.

LOOKING FORWARD

During the integration of Savanna, Total Energy took substantial steps to restructure and improve the operational and financial performance of its' North American Contract Drilling Services, Rentals and Transportation Services and Well Servicing operations. Such efforts have given rise to estimated annual cost savings of approximately $17 million. While further savings and efficiencies are expected to be achieved in the future with the expiry of property leases and the disposition of surplus real estate and other assets, the integration and rationalization process is now substantially complete. As such, Total Energy expects the financial performance of these business segments to continue to improve even in a flat macro industry environment.

Despite relatively stable industry conditions, uncertainty exists within the global energy market, particularly in Canada. In such environment, Total Energy continues to focus on pursuing investment opportunities that are expected to provide appropriate risk-adjusted returns. To June 30, the Company has made capital expenditures of $21.1 million and determined to increase its 2018 capital budget by $6.0 million to $54 million. This incremental capital has been allocated to targeted growth opportunities for the Compression and Process Services and Rentals and Transportation Services in the United States.

Total Energy's financial position remains strong. The Company repaid $18.7 million of debt during the second quarter, including $17.5 million of 7.0% unsecured notes previously issued by Savanna that matured during the second quarter. The remaining $50 million principal amount of 7.0% notes were repaid utilizing the Company's available bank credit facilities which bore interest at the rate of 3.79% at June 30, 2018. At June 30, 2018 Total Energy had $24.4 million of cash and marketable securities on hand against $236 million drawn on the Company's $295 million of revolving credit facilities.

On behalf of the Board of Directors of Total Energy, I would like to thank our many employees who have worked tirelessly to complete the integration of Savanna. Your efforts have given rise to measurable improvement in the operating and financial performance of our Company.

Daniel Halyk

DANIEL K. HALYK
President and Chief Executive Officer

August 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 August 9, 2018 and focuses on information and key statistics from the unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 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 June 30			Six months ended June 30		
	2018	2017	Change	**2018**	2017	Change
Revenue	**$ 193,823**	$ 154,922	25%	**$ 399,038**	$ 239,274	67%
Operating income (loss)	**3,956**	(13,105)	nm	**11,516**	(13,346)	nm
EBITDA (1)	**23,226**	6,577	253%	**50,881**	14,519	250%
Cashflow	**22,472**	10,903	106%	**43,621**	18,724	133%
Net income (loss)	**3,662**	(13,141)	nm	**6,990**	(13,994)	nm
Attributable to shareholders	**3,829**	(11,565)	nm	**6,993**	(12,418)	nm
Per Share Data (Diluted)						
EBITDA (1)	**0.50**	0.15	233%	**1.10**	0.39	182%
Cashflow	**0.49**	0.25	96%	**0.94**	0.50	88%
Attributable to shareholders:						
Net income (loss)	**0.08**	(0.26)	nm	**0.15**	(0.33)	nm
Financial Position at				**June 30, 2018**	Dec 31, 2017	Change
Total Assets				**$ 1,050,740**	$1,066,781	(2%)
Long-Term Debt and Obligations Under Finance Leases (excluding current portion)				**295,914**	257,845	15%
Working Capital (2)				**103,113**	54,892	88%
Net Debt (1)				**192,801**	202,953	(5%)
Shareholders' Equity				**551,612**	546,574	1%
Common shares (000's) (3)						
Basic	**46,223**	43,718	6%	**46,231**	37,617	23%
Diluted	**46,223**	43,718	6%	**46,232**	37,617	23%

(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 6 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 and six months ended June 30, 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 June 30, 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	85
United States	26
Australia	5
	116

Rentals and Transportation Services: Total Energy's RTS business is presently conducted from 24 locations in western Canada and two locations in the northwestern United States. At June 30, 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 June 30, 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. As at June 30, 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 43,800 horsepower of compression in its rental fleet at June 30, 2018.

Well Servicing: The Company entered the well servicing business through the acquisition of Savanna. At June 30, 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 June 30, 2018 reflect improving industry activity levels in the United States and Australia as well as 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 second quarter and first half 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 half of 2018 was approximately $1.8 million of rig relocation expenses incurred by the Company's drilling operation in the United States as the Company undertook a strategic consolidation of its U.S. contract drilling operations.

The Company's financial condition remains strong, with a positive working capital balance of $103.1 million as at June 30, 2018, an increase of $48.2 million from the working capital position at December 31, 2017. This increase was primarily due to improved financial performance and the refinancing and repayment of short-term debt during the second quarter of 2018. Shareholder' equity increased by $5.0 million from December 31, 2017.

Revenue

The increase in revenue for the three and six months ended June 30, 2018 relative to the same periods in 2017 was the result of higher activity levels in all of the Company's segments, except for the CDS segment due to the strategic relocation of drilling rigs in United States during the first half of 2018 that negatively impacted equipment utilization during the second quarter of 2018. Revenue during the three and six months ended June 30, 2018 was $193.8 million and $399.0 million as compared to $154.9 million and $239.3 million during the same periods in 2017.

Cost of Services

Cost of services increased by 17% and 58% to $156.4 million and $320.3 million for the three and six months ended June 30, 2018, as compared to $133.5 million and $202.2 million for the same periods in 2017. The increase in costs of services during the second quarter and first half 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 and six months ended June 30, 2018 was 19% and 20% as compared to 14% and 15% for the same periods in 2017. Gross margin realized in the second quarter of 2018 was higher than the second quarter of 2017 due primarily to improved gross margins in the CDS and CPS segments. Negatively impacting gross margin was $1.8 million of non-recurring expenses incurred by the CDS segment with the relocation of drilling equipment to Texas and Colorado from the north-eastern United States.

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 decreased by 4% to $14.0 million for the three months ended June 30, 2018, relative to the prior year comparable period. For the six months ended June 30, 2018, selling, general and administrative expenses increased by 24% to $27.6 million relative to the same period in 2017. 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 7% in the second quarter and first half of 2018 compared to 9% in the same periods of 2017. This 22% 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 and six months ended June 30, 2018 compared to the same periods in 2017 was due to the issuance of share options in 2018.

Depreciation Expense

Depreciation expense for the three and six months ended June 30, 2018 decreased by 5% and increased by 38% as compared to the same periods in 2017. The decrease in the second quarter of 2018 compared to 2017 was primarily due to lower utilization in the CDS segment. The increase in depreciation for the first half of 2018 relative to 2017 is 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 and six months ended June 30, 2018 improved to $4.0 million and $11.5 million as compared to an operating loss of $13.1 million and $13.3 million for the comparable periods 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 half of 2018 was $1.8 million of rig relocation expenses incurred by the CDS segment.

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 and six months ended June 30, 2018, proceeds from the sale of property, plant and equipment totaled $0.9 million and $2.1 million and resulted in a gain on sale of $0.6 million and $1.1 million. Equipment disposed of during the second quarter of 2018 included light duty vehicles and older rental equipment. Disposals in the first half of 2018 included three decommissioned drilling rigs and two service rigs located in the United States, light duty vehicles and older rental equipment. During the three and six months ending June 30, 2017, proceeds from the sale of property, plant and equipment totaled $0.1 million and $1.0 million and resulted in a gain on sale of $0.1 million and $0.2 million.

Finance Costs

Finance costs for the three months ended June 30, 2018 were substantially lower than the prior year comparable period because of lower debt levels and applicable interest rates following the repayment of $67.5 million of 7.0% senior unsecured notes on May 25, 2018 and previous refinancing of other Savanna debt at lower effective interest rates.

Income Taxes and Net income

During the three and six months ended June 30, 2018 the Company had a current income tax expense of $1.9 million and $2.8 million as compared to a current income tax recovery of $0.2 million and $5.0 million during the same periods in 2017. A deferred income tax recovery of $4.5 million was recorded for the three and six months ended June 30, 2018 as compared to a deferred income tax recovery of $6.3 million and $1.4 million for the corresponding periods in 2017. This year over year change in current and deferred income tax experience is due to several factors, including 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. Also contributing to the increase in deferred income tax recovery is the accelerated recognition of the income tax benefit on deferred financing costs following the refinancing of certain of Savanna's long-term debt. The tax benefit arising from Savanna's deferred financing costs were not recognized by the Company on the acquisition of Savanna for accounting purposes.

The second quarter of 2018 represented the fourth consecutive profitable quarter for the Company.

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

	Financial Quarter Ended			
(in thousands of dollars except per share amounts)	**June 30, 2018**	March 31, 2018	**Dec 31, 2017**	Sept 30, 2017
Revenue	**$ 193,823**	$ 205,215	**$ 180,230**	$ 185,158
Operating income	**3,956**	7,560	**9,680**	6,871
EBITDA (1)	**23,226**	27,655	**29,729**	27,356
Cashflow	**22,472**	21,149	**27,803**	30,044
Cash provided by (used in) operating activities	**42,335**	22,784	**26,727**	(2,329)
Net income	**3,662**	3,328	**6,554**	3,737
Attributable to shareholders	**3,829**	3,164	**6,195**	4,307
Per share data				
EBITDA (1)	**$ 0.50**	$ 0.60	**$ 0.64**	$ 0.59
Cashflow	**0.49**	0.46	**0.60**	0.65
Net income attributable to shareholders	**0.08**	0.07	**0.13**	0.09
Financial Position				
Total Assets	**$ 1,050,740**	$1,065,499	**$1,066,781**	$1,056,538
Long-Term Debt and Obligations Under Finance Leases (excluding current portion)	**295,914**	247,087	**257,845**	257,981
Working Capital (2)	**103,113**	54,906	**54,892**	37,053
Net Debt (1)	**192,801**	192,181	**202,953**	220,928
Shareholders' Equity	**551,612**	550,732	**546,574**	544,647
Common Shares (000's) (3)				
Basic	**46,223**	46,238	**46,238**	46,238
Diluted	**46,223**	46,241	**46,238**	46,238

	Financial Quarter Ended			
	June 30, 2017	March 31, 2017	Dec 31, 2016	Sept 30, 2016
Revenue	$ 154,922	$ 84,352	$ 57,415	$ 46,536
Operating loss	(13.105)	(241)	(4,296)	(3,012)
EBITDA [(1)]	6,577	7,942	3,554	4,816
Cashflow	10,903	7,821	2,827	6,076
Cash provided by (used in) operating activities	45,287	(5,301)	17,100	1,962
Net loss	(13,141)	(853)	(3,667)	(1,912)
Attributable to shareholders	(11,565)	(853)	(3,667)	(1,912)
Per share data (diluted)				
EBITDA [(1)]	$ 0.15	$ 0.25	$ 0.11	$ 0.16
Cashflow	0.25	0.25	0.09	0.20
Net income (loss) attributable to shareholders	(0.26)	(0.03)	(0.12)	(0.06)
Financial Position				
Total Assets	$ 1,053,302	$ 635,240	$ 522,599	$ 507,711
Long-Term Debt and Obligations Under Finance Leases (excluding current portion)	256,266	58,053	46,557	46,719
Working Capital [(2)]	21,309	77,158	71,770	80,094
Net Debt [(1)]	234,957	nil	nil	nil
Shareholders' Equity	547,405	466,149	364,302	369,857
Common Shares (000's) [(3)]				
Basic	43,718	31,448	30,920	30,940
Diluted	43,718	31,489	30,920	30,940

(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. The Company fully consolidates all of these partnerships, with the 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			Six Months Ended		
June 30	**2018**	2017	Change	**2018**	2017	Change
Revenue	**$ 38,263**	$ 41,304	(7%)	**$ 99,243**	$ 48,000	107%
Operating loss	**$ (2,708)**	$ (10,615)	(74%)	**$ (1,789)**	$ (11,270)	(84%)
Operating spud to release days	**1,593**	2,021	(21%)	**4,517**	2,463	83%
Revenue per spud to release day, dollars	**$ 24,019**	$ 20,437	18%	**$ 21,971**	$ 19,488	13%

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 half of 2018, $1.8 million of non-recurring expenses were incurred to relocate drilling equipment to Texas and Colorado. Effective January 1, 2018 the Company determined to begin including CDS employee subsistence payments received from CDS customers in Canada as revenue, which has no impact on operating income. For the three and six months ended June 30, 2018 such payments amounted to $1.0 million and $4.4 million, or approximately $1,800 and $1,700 per operating day in Canada, respectively.

(in thousands of dollars, unless otherwise indicated) **Q2 2018**	Drilling Canada	Drilling U.S.	Drilling Australia	**Total**
Revenue	$ 8,926	$ 14,817	$ 14,520	**$ 38,263**
Operating (loss) income	$ (3,303)	$ (3,552)	4,147	**(2,708)**
Spud to release days	539	703	351	**1,593**
Revenue per spud to release day, dollars	$ 16,560	$ 21,077	$ 41,368	**$ 24,019**
Utilization % (spud to release)	7%	30%	77%	**15%**

(in thousands of dollars, unless otherwise indicated) **Q2 2017**	Drilling Canada	Drilling U.S.	Drilling Australia	Total
Revenue	$ 13,118	$ 21,778	$ 6,408	$ 41,304
Operating (loss) income	(6,856)	$ (4,337)	618	(10,615)
Spud to release days	972	890	159	2,021
Revenue per spud to release day, dollars	$ 13,496	$ 24,470	$ 40,302	$ 20,437
Utilization % (spud to release)	13%	37%	37%	20%

(in thousands of dollars, unless otherwise indicated) **YTD 2018**	Drilling Canada	Drilling U.S.	Drilling Australia	**Total**
Revenue	$ 43,962	$ 28,914	$ 26,367	**$ 99,243**
Operating (loss) income	$ (688)	$ (7,976)	6,875	**(1,789)**
Spud to release days	2,538	1,417	562	**4,517**
Revenue per spud to release day, dollars	$ 17,322	$ 20,405	$ 46,916	**$ 21,971**
Utilization % (spud to release)	16%	31%	62%	**22%**

(in thousands of dollars, unless otherwise indicated) **YTD 2017**	Drilling Canada	Drilling U.S.	Drilling Australia	Total
Revenue	$ 19,814	$ 21,778	$ 6,408	$ 48,000
Operating (loss) income	$ (7,511)	$ (4,377)	618	(11,270)
Spud to release days	1,414	890	159	2,463
Revenue per spud to release day, dollars	$ 14,013	$ 24,470	$ 40,302	$ 19,488
Utilization % (spud to release)	16%	37%	37%	21%

The overall decrease in CDS segment revenue relative to the three months ended June 30, 2017 is primarily a result of lower utilization in Canada and the United States, which was partially offset by increased pricing and cost management. For the six months ended June 30, 2018, overall revenue increased significantly due to the acquisition of Savanna and the operating days generated by the drilling rigs acquired.

Operating loss for the second quarter and first half of 2018 was $2.7 million and $1.8 million as compared to an operating loss of $10.6 million and $11.3 million for the same periods in 2017. The reduction in operating losses in comparison to the same periods in 2017 is due to higher utilization in Australia and cost control measures introduced in 2017. Offsetting these gains were lower North American operating days, continued price competition in Canada and legacy contracts in the United States that limited the ability to increase prices to the extent necessary to offset increasing operating costs. $1.8 million of non-recurring rig relocation costs for two drilling rigs relocated from Pennsylvania to Texas and Colorado during the first half of 2018 also negatively impacted U.S. CDS margins. In the second quarter of 2018 one drilling rig was relocated from Canada to Texas.

Rentals and Transportation Services

(in thousands of dollars, unless otherwise indicated)	Three Months Ended			Six Months Ended		
June 30	**2018**	2017	Change	**2018**	2017	Change
Revenue	**$ 14,882**	$ 13,377	11%	**$ 37,194**	$ 30,933	20%
Operating loss	**$ (2,969)**	$ (3,606)	(18%)	**$ (2,988)**	$ (3,686)	(19%)
Pieces of rental equipment	**11,000**	11,700	(6%)	**11,000**	11,700	(6%)
Heavy trucks	**112**	125	(10%)	**112**	125	(10%)
Rental equipment utilization	**19%**	18%	6%	**22%**	20%	10%

The revenue reported from the RTS segment increased for the three and six months ended June 30, 2018 as compared to the same periods in 2017. This was due primarily to increased utilization and improved pricing primarily in the United States, a change in the mix of equipment utilized and an increase in the number of pieces of rental equipment following the acquisition of Savanna in the second quarter of 2017. During the first half 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) **Q2 2018**	**RTS Canada**	**RTS U.S.**	**Total**
Revenue	**$ 11,323**	**$ 3,559**	**$ 14,882**
Operating income (loss)	**$ (3,138)**	**$ 169**	**$ (2,969)**
Pieces of rental equipment	**10,400**	**600**	**11,000**
Rental equipment utilization	**18%**	**34%**	**19%**

(in thousands of dollars, unless otherwise indicated) **Q2 2017**	RTS Canada	RTS U.S.	Total
Revenue	$ 11,969	$ 1,408	$ 13,377
Operating loss	$ (3,199)	$ (407)	$ (3,606)
Pieces of rental equipment	11,200	500	11,700
Rental equipment utilization	18%	26%	18%

(in thousands of dollars, unless otherwise indicated) **YTD 2018**	**RTS Canada**	**RTS U.S.**	**Total**
Revenue	$ 29,960	$ 7,234	$ 37,194
Operating income (loss)	$ (3,809)	$ 821	$ (2,988)
Pieces of rental equipment	10,400	600	11,000
Rental equipment utilization	21%	40%	22%

(in thousands of dollars, unless otherwise indicated) **YTD 2017**	RTS Canada	RTS U.S.	Total
Revenue	$ 27,832	$ 3,101	$ 30,933
Operating loss	$ (3,300)	$ (386)	$ (3,686)
Pieces of rental equipment	11,200	500	11,700
Rental equipment utilization	20%	29%	20%

Compression and Process Services

(in thousands of dollars, unless otherwise indicated)	Three Months Ended			Six Months Ended		
June 30	**2018**	2017	Change	**2018**	2017	Change
Revenue	**$ 105,153**	$ 65,356	61%	**$ 190,271**	$ 125,456	52%
Operating income	**$ 10,868**	$ 4,346	150%	**$ 17,215**	$ 7,351	134%
Operating income, % of revenue	**10%**	7%		**9%**	6%	
Sales backlog at period end, $ million	**$ 216.9**	$ 149.3	45%	**$ 216.9**	$ 149.3	45%
Horsepower of equipment on rent at period end	**24,800**	19,000	31%	**24,800**	19,000	31%
Rental equipment utilization (HP)	**57%**	46%	24%	**53%**	42%	26%

The revenue reported from the CPS segment increased for the three and six months ended June 30, 2018 as compared to the same periods in 2017. This was due primarily to higher international activity levels and increasing contribution from the Weirton, West Virginia facility. Demand from international customers accounts for the substantial increase in the fabrication sales backlog at June 30, 2018 compared to 2017. 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 and six months ended June 30, 2018, as compared to the same periods in 2017 was due primarily to increased business activity in international markets, the continued ramp up of operations in Weirton and increased utilization of the compression rental fleet (which generates a higher operating income margin than other sources of CPS revenue).

Well Servicing

(in thousands of dollars, except revenue per hour)	Three Months Ended			Six Months Ended		
June 30	**2018**	2017	Change	**2018**	2017	Change
Revenue	**$ 35,525**	$ 34,885	2%	**$ 72,330**	$ 34,885	107%
Operating income	**$ 3,622**	$ 2,886	26%	**$ 7,863**	$ 2,886	172%
Operating income, % of revenue	**10%**	8%		**11%**	8%	
Service hours	**36,472**	34,935	4%	**77,585**	34,935	122%
Revenue per service hour (1)	**$ 974**	$ 999	(3%)	**$ 932**	$ 999	(7%)

(1) Service hours is defined as well servicing hours of service provided to customers and includes paid rig move and standby.

Overall revenue for the second quarter and first half of 2018 increased relative to the same comparable periods in 2017. The increase in revenue and operating income from the second quarter of 2017 was primarily due to the types of contracts and change in service equipment mix utilized in Canada and cost control measures implemented in 2017 across all geographic regions. Results for the first six months of the year compared to 2017 reflect the acquisition of the WS segment in the second quarter of 2017.

The following summarizes the operating results for the WS segment by geographic area for the three and six months ended June 30, 2018. Canadian revenue and operating loss improved in 2018 compared to the same periods in 2017. This is primarily due to equipment mix and improved pricing as utilization remained consistent with 2017. The United States experienced a decline in revenue and operating income, primarily due to lower hours. Australian revenue and operating income was lower compared to the second quarter of 2017 due primarily to lower pricing realized for standby during wet weather conditions.

(in thousands of dollars, except per hour amounts) **Q2 2018**	Canada	U.S.	Australia	Total
Revenue	$ 8,770	$ 3,922	$ 22,833	$ 35,525
Operating income (loss)	$ (445)	$ 310	$ 3,757	$ 3,622
Operating income, % of revenue	nm	8%	16%	10%
Service hours (1)	13,195	5,130	18,147	36,472
Revenue per service hour, dollars	$ 665	$ 765	$ 1,258	$ 974
Utilization % (2)	25%	38%	69%	34%

(in thousands of dollars, except per hour amounts) **Q2 2017**	Canada	U.S.	Australia	Total
Revenue	$ 7,570	$ 4,017	$ 23,298	$ 34,885
Operating income (loss)	$ (1,974)	$ 496	$ 4,364	$ 2,886
Operating income, % of revenue	nm	12%	19%	8%
Service hours (1)	13,126	5,837	15,972	34,935
Revenue per service hour, dollars	$ 577	$ 688	$ 1,459	$ 999
Utilization % (2)	27%	38%	64%	34%

(1) Service hours is defined as well servicing hours of service provided to customers and includes paid rig move and standby.

(2) The Company reports its service rig utilization for its operational service rigs in North America based on service hours of 3,650 per rig per year to reflect standard 10 hour operations per day. Utilization for the Company's service rigs in Australia is calculated based on service hours of 8,760 per rig per year to reflect standard 24 hour operations.

(in thousands of dollars, except per hour amounts) YTD 2018	Canada	U.S.	Australia	Total
Revenue	$ 20,652	$ 7,063	$ 44,615	$ 72,330
Operating income (loss)	$ (431)	$ 369	$ 7,925	$ 7,863
Operating income, % of revenue	nm	5%	18%	11%
Service hours (1)	32,173	9,854	35,558	77,585
Revenue per service hour, dollars	$ 642	$ 717	$ 1,255	$ 932
Utilization % (2)	31%	36%	69%	38%

(in thousands of dollars, except per hour amounts) YTD 2017	Canada	U.S.	Australia	Total
Revenue	$ 7,570	$ 4,017	$ 23,298	$ 34,885
Operating income (loss)	$ (1,974)	$ 496	$ 4,364	$ 2,886
Operating income, % of revenue	nm	12%	19%	8%
Service hours (1)	13,126	5,837	15,972	34,935
Revenue per service hour, dollars	$ 577	$ 688	$ 1,459	$ 999
Utilization % (2)	27%	38%	64%	34%

(1) Service hours is defined as well servicing hours of service provided to customers and includes paid rig move and standby.

(2) The Company reports its service rig utilization for its operational service rigs in North America based on service hours of 3,650 per rig per year to reflect standard 10 hour operations per day. Utilization for the Company's service rigs in Australia is calculated based on service hours of 8,760 per rig per year to reflect standard 24 hour operations.

Corporate

(in thousands of dollars)	Three months ended			Six months ended		
June 30	**2018**	2017	Change	**2018**	2017	Change
Operating loss	**$ (4,857)**	$ (6,116)	(21%)	**$ (8,785)**	$ (8,627)	2%

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 decreased for the three months ended June 30, 2018 as compared to the same period in 2017 due to non-recurring costs incurred in the second quarter of 2017 relating to the acquisition of Savanna. For the six months ended June 30, 2018 the operating loss is slightly higher than the comparable period in 2017 due to a significant increase in corporate activities following the acquisition of Savanna in the second quarter of 2017.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operating Activities and Cashflow

(in thousands of dollars)	Three months ended			Six months ended		
June 30	**2018**	2017	Change	**2018**	2017	Change
Cash provided by operating activities	**$ 42,335**	$ 45,287	(7%)	**$ 65,119**	$ 39,986	63%
Per Share Data (Diluted)	**0.92**	1.04	(12%)	**1.41**	1.06	33%
Cashflow	**$ 22,472**	$ 10,903	106%	**$ 43,621**	$ 18,724	133%
Per Share Data (Diluted)	**0.49**	0.25	96%	**0.94**	0.50	88%

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			Six months ended		
June 30	**2018**	2017	Change	**2018**	2017	Change
Net cash used in investing activities	**$ (13,186)**	$ (6,706)	97%	**$ (20,766)**	$ (23,165)	(10%)
Proceeds from sale of PP&E	**$ 864**	$ 111	678%	**$ 2,103**	$ 1,028	105%
Purchase of PP&E	**$ (13,472)**	$ (10,504)	28%	**$ (21,077)**	$ (13,432)	57%

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

During the second quarter of 2018, $13.5 million of PP&E purchases were allocated as follows: $5.5 million in the CDS segment relating primarily to the purchase of rig equipment and rig recertifications and upgrades, $3.0 million in the RTS segment relating primarily to purchases of rental equipment and trailers, $3.4 million in the CPS segment relating primarily to additions to the compression rental fleet and $1.6 million in the WS segment relating to service rig recertifications and upgrades. During the first half of 2018, $21.1 million of PP&E purchases were allocated as follows: $8.5 million in the CDS segment relating primarily to the purchase of rig equipment and rig recertifications and upgrades, $5.1 million in the RTS segment relating primarily to equipment upgrades and purchases of rental equipment and trailers, $5.2 million in the CPS segment relating primarily to additions to the compression rental fleet and $2.3 million in the WS segment relating to service rig recertifications and upgrades.

Financing Activities

(in thousands of dollars)	Three months ended			Six months ended		
June 30	**2018**	2017	Change	**2018**	2017	Change
Net cash used in financing activities	**$ (28,483)**	$ (22,469)	27%	**$ (45,438)**	$ (16,625)	173%

During the three months ended June 30, 2018 $67.5 million principal amount of senior unsecured notes previously issued by Savanna were repaid with a $50.0 million draw on the Company's primary credit facility and cash on hand. The increase in cash used in financing activities for the six months ended June 30, 2018 compared to the same period in 2017 was primarily due to a voluntary $10.0 million principal repayment of long-term debt during the first quarter of 2018 and the repayment of the senior unsecured notes in the second quarter of 2018.

Liquidity and Capital Resources

The Company had a working capital surplus of $103.1 million as at June 30, 2018 compared to $54.9 million as at December 31, 2017. This increase was due primarily to improved financial performance and the refinancing and repayment of short-term debt during the second quarter of 2018. As at June 30, 2018 and the date of this MD&A, the Company is in compliance with all debt covenants.

On April 25, 2018 the Company increased its primary revolving bank credit facility (the "Credit Facility") by $65 million to $290 million and its term was extended to June 2021. All other terms and conditions of the credit facility remained unchanged.

On May 25, 2018 the Company repaid $67.5 million principal amount of 7.0% senior unsecured notes previously issued by Savanna.

At June 30, 2018 the Company's long-term debt consisted of the following:

	June 30, 2018	
	Interest rate	Principal Amount
Credit Facility	3.79%	$ 236,000
Mortgage loan (2020 maturity)	3.06%	43,971
Mortgage loan (2041 maturity)	4.05%	15,978
Limited partnership credit facilities	6.10%	1,906
		297,855
Less current portion		4,414
		$ 293,441

At June 30, 2018 amounts owing under the Credit Facility and other debt were denominated in Canadian dollars. The weighted average interest rate on the Company's debt at June 30, 2018 was 3.71%.

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 June 30, 2018 this facility was undrawn and fully available.

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

	June 30, 2018	Threshold
Twelve-month trailing Bank EBITDA to interest expense	7.63	minimum 2.50
Total Senior Debt to twelve-month trailing Bank EBITDA	2.20	maximum 4.00

The Company was in compliance with all of its Credit Facility and other debt covenants at June 30, 2018. For further information regarding Credit Facility compliance requirements and further details on the Company's borrowings, please refer to note 4 to the Interim Financial Statements.

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 and six months ended June 30, 2018 the Company declared dividends of $2.7 million ($0.06 per share) and $5.5 million ($0.12 per share) as compared to $2.8 million ($0.06 per share) and $5.1 million ($0.12 per share) for the same periods in 2017. The increase in the aggregate dividend paid for the first six months of 2018 compared to 2017 reflects the increased number of shares of the Company outstanding following the acquisition of Savanna.

For the first half 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 and six months ending June 30, 2018 consisted of $13.5 million and $21.1 million of PP&E purchases. Capital spending was funded with cash on hand and available credit facilities.

CONTRACTUAL OBLIGATIONS

At June 30, 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	$ 297,855	$ 2,337	$ 3,710	$ 41,585	$ 236,680	$ 13,543
Commitments [(1)]	12,816	2,427	4,450	2,529	2,207	1,203
Finance leases	4,291	962	1,616	1,199	435	79
Purchase obligations [(2)]	72,297	63,546	8,751	–	–	–
Total contractual obligations	$ 387,259	$ 69,272	$ 18,527	$ 45,313	$ 239,322	$ 14,825

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

(2) Purchase obligations are described in Note 26 to the 2017 Annual Financial Statements. As at June 30, 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 half 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 4.23% for a similar debt instrument at June 30, 2018 was $43.1 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 $44.0 million.

As at June 30, 2018, the fair value of other assets was approximately $4.3 million.

OUTSTANDING COMPANY SHARE DATA

As at the date of this MD&A, the Company had 46,150,000 common shares outstanding.

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

Outstanding at June 30, 2018	Exercise Price	Remaining life (years)	Exercisable at June 30, 2018
1,290,000	$ 14.13	2.10	859,994
1,255,000	$ 12.96	4.00	418,337
60,000	$ 12.00	4.10	–
525,000	$ 13.54	4.70	–
150,000	$ 12.99	4.90	
3,280,000	$ 13.50	3.18	1,278,331

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 also 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 mitigated 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 begun to give rise to significant economies and efficiencies 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 prices have increased from the lows of 2016, they remain somewhat 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 stagnant 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 stagnant industry activity levels may require additional substantive measures be taken to preserve the Company's financial strength and flexibility.

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 did not have significant exposure to any individual customer or counter party for the three months ended June 30, 2018. For the first half of 2018 the Company did 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 period. 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 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 to the Interim Financial Statements.

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 and 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 and 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 have been issued by the International Accounting Standards Board ("IASB") prior to 2018 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		Six months ended	
June 30	**2018**	2017	**2018**	2017
Net income (loss)	**$ 3,662**	$ (13,141)	**$ 6,990**	$ (13,994)
Add back (deduct):				
Depreciation	**18,645**	19,611	**38,245**	27,640
Finance costs	**3,497**	6,646	**7,353**	7,243
Income tax recovery	**(2,578)**	(6,539)	**(1,707)**	(6,370)
EBITDA	**$ 23,226**	$ 6,577	**$ 50,881**	$ 14,519

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 June 30, 2018**
Long-term debt	**$ 293,441**
Obligations under finance leases	**2,473**
Add back (deduct):	
Current liabilities	**150,725**
Current assets	**(253,838)**
Net Debt	**$ 192,801**

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 June 30, 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	June 30, 2018	December 31, 2017
ASSETS			
Current assets:			
Cash and cash equivalents		**$ 20,069**	$ 21,154
Accounts receivable		**129,650**	150,990
Inventory		**82,268**	68,266
Income taxes receivable		**2,524**	1,176
Other assets		**4,334**	4,631
Prepaid expenses and deposits		**14,993**	15,148
		253,838	261,365
Property, plant and equipment		**783,228**	793,464
Income taxes receivable		**7,070**	7,070
Deferred tax asset		**2,551**	829
Goodwill		**4,053**	4,053
		$ 1,050,740	$ 1,066,781
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 113,814**	$ 108,421
Deferred revenue		**27,907**	21,625
Dividends payable		**2,772**	2,774
Current portion of obligations under finance leases		**1,818**	1,595
Current portion of long-term debt	4	**4,414**	72,058
		150,725	206,473
Long-term debt	4	**293,441**	255,640
Obligations under finance leases		**2,473**	2,205
Onerous lease liability	5	**1,688**	2,734
Deferred tax liability		**50,801**	53,155
Shareholders' equity:			
Share capital	6	**290,905**	291,317
Contributed surplus		**5,286**	4,550
Accumulated other comprehensive loss		**(6,900)**	(10,194)
Non-controlling interest		**718**	1,196
Retained earnings		**261,603**	259,705
		551,612	546,574
		$ 1,050,740	$ 1,066,781

The notes on pages 27 to 36 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)

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

		Three months ended June 30		Six months ended June 30	
	Note	**2018**	2017	**2018**	2017
REVENUE		**$ 193,823**	$ 154,922	**$ 399,038**	$ 239,274
Cost of services		**156,362**	133,528	**320,339**	202,243
Selling, general and administration		**14,002**	14,633	**27,639**	22,253
Share-based compensation	7	**858**	255	**1,299**	484
Depreciation		**18,645**	19,611	**38,245**	27,640
Operating income (loss)		**3,956**	(13,105)	**11,516**	(13,346)
Gain on sale of property, plant and equipment		**625**	71	**1,120**	225
Finance costs		**(3,497)**	(6,646)	**(7,353)**	(7,243)
Net income (loss) before income taxes		**1,084**	(19,680)	**5,283**	(20,364)
Current income tax expense (recovery)		**1,939**	(229)	**2,774**	(4,958)
Deferred income tax recovery		**(4,517)**	(6,310)	**(4,481)**	(1,412)
Total income tax recovery		**(2,578)**	(6,539)	**(1,707)**	(6,370)
Net income (loss) for the period		**$ 3,662**	$ (13,141)	**$ 6,990**	$ (13,994)
Net income (loss) attributable to:					
Shareholders of the Company		**$ 3,829**	$ (11,565)	**$ 6,993**	$ (12,418)
Non-controlling interest		**(167)**	(1,576)	**(3)**	(1,576)
Income (loss) per share					
Basic and diluted	6	**$ 0.08**	$ (0.26)	**$ 0.15**	$ (0.33)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Net income (loss) for the period	**$ 3,662**	$ (13,141)	**$ 6,990**	$ (13,994)
Changes in fair value of long-term investment	**–**	395	**–**	665
Realized gain on long-term investment	**–**	(665)	**–**	(665)
Foreign currency translation adjustment	**144**	(4,775)	**3,699**	(4,751)
Deferred tax effect	**(13)**	1,319	**(405)**	1,283
Total other comprehensive income (loss) for the period	**131**	(3,726)	**3,294**	(3,468)
Total comprehensive income (loss)	**$ 3,793**	$ (16,867)	**$ 10,284**	$ (17,462)
Total comprehensive income (loss) attributable to:				
Shareholders of the Company	**$ 3,960**	$ (15,291)	**$ 10,287**	$ (15,886)
Non-controlling interest	**(167)**	(1,576)	**(3)**	(1,576)

The notes on pages 27 to 36 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

As at and for the six months ended June 30, 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	7	2,899	(610)	–	–	–	2,289
Stock options expired	7	–	(4,310)	–	–	4,310	–
Share-based compensation	7	–	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		–	–	–	(3)	6,993	6,990
Other comprehensive income		–	–	3,294	–	–	3,294
Transactions with shareholders, recorded directly in equity:							
Dividends to shareholders *($0.12 per common share)*		–	–	–	–	(5,473)	(5,473)
Repurchase of common shares	6	(412)	–	–	–	(185)	(597)
Share-based compensation	7	–	1,299	–	–	–	1,299
Expiration of share options	7	–	(563)	–	–	563	–
Partnership distributions		–	–	–	(475)	–	(475)
		(412)	736	–	(475)	(5,095)	(5,246)
Balance at June 30, 2018		**$ 290,905**	**$ 5,286**	**$ (6,900)**	**$ 718**	**$ 261,603**	**$ 551,612**

	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Non-controlling Interest	Retained earnings	Total Equity
Balance at December 31, 2016		$ 88,654	$ 7,683	$ –	$ –	$ 267,965	$ 364,302
Net loss for the period		–	–	–	(1,576)	(12,418)	(13,994)
Other comprehensive loss for the period		–	–	(3,468)	–	–	(3,468)
Transactions with shareholders, recorded directly in equity:							
Dividends to shareholders *($0.12 per common share)*		–	–	–	–	(5,105)	(5,105)
Issuance of common shares		104,544	–	–	–	–	104,544
Stock options exercised	7	2,899	(610)	–	–	–	2,289
Stock options expired	7	–	(4,310)	–	–	4,310	–
Share-based compensation		–	484	–	–	–	484
Non-controlling interest assumed on acquisition		–	–	–	111,383	–	111,383
Subsequent acquisition transactions – shares issued	6	95,220	–	–	(95,220)	–	–
Subsequent acquisition transactions – cash payment		–	–	–	(13,030)	–	(13,030)
		202,663	(4,436)	–	3,133	(795)	200,565
Balance at June 30, 2017		$ 291,317	$ 3,247	$ (3,468)	$ 1,557	$ 254,752	$ 547,405

The notes on pages 27 to 36 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)

	Note	Three months ended June 30		Six months ended June 30	
		2018	2017	**2018**	2017
Cash provided by (used in):					
Operations:					
Net income (loss) for the period		**$ 3,662**	$ (13,141)	**$ 6,990**	$ (13,994)
Add (deduct) items not affecting cash:					
Depreciation		**18,645**	19,611	**38,245**	27,640
Share-based compensation		**858**	255	**1,299**	484
Gain on sale of property, plant and equipment		**(625)**	(71)	**(1,120)**	(225)
Finance costs		**3,497**	6,957	**7,128**	7,554
Unrealized loss (gain) on foreign currencies translation		**(525)**	4,511	**(3,092)**	4,696
Current income tax expense (recovery)		**1,939**	(229)	**2,774**	(4,958)
Deferred income tax recovery		**(4,517)**	(6,310)	**(4,481)**	(1,412)
Income taxes paid		**(462)**	(680)	**(4,122)**	(1,061)
Cashflow		**22,472**	10,903	**43,621**	18,724
Changes in non-cash working capital items:					
Accounts receivable		**19,178**	27,555	**20,867**	16,592
Inventory		**(4,428)**	1,465	**(14,002)**	5,436
Prepaid expenses and deposits		**(2,308)**	(4,998)	**1,072**	(6,166)
Accounts payable and accrued liabilities		**2,674**	(818)	**8,324**	1,419
Onerous leases		**(142)**	(43)	**(1,045)**	(43)
Deferred revenue		**4,889**	11,223	**6,282**	4,024
Cash provided by operating activities		**42,335**	45,287	**65,119**	39,986
Investing:					
Purchase of property, plant and equipment		**(13,472)**	(10,504)	**(21,077)**	(13,432)
Acquisitions		**–**	(13,030)	**–**	(26,830)
Cash acquired		**–**	16,167	**–**	16,167
Proceeds on sale of other assets		**–**	–	**227**	115
Proceeds on disposal of property, plant and equipment		**864**	111	**2,103**	1,028
Changes in non-cash working capital items		**(578)**	550	**(2,019)**	(213)
Cash used in investing activities		**(13,186)**	(6,706)	**(20,766)**	(23,165)
Financing:					
Advances on long-term debt		**50,000**	204,000	**50,000**	204,000
Repayment of long-term debt	4	**(68,661)**	(205,419)	**(79,843)**	(205,898)
Loans collected		**–**	2,997	**–**	–
Repayment of obligations under finance leases		**(539)**	(497)	**(1,068)**	(944)
Dividends to shareholders		**(2,701)**	(2,331)	**(5,475)**	(4.187)
Issuance of common shares		**–**	2,289	**–**	2,289
Repurchase of common shares		**(597)**	–	**(597)**	–
Partnership distributions		**(475)**	–	**(475)**	–
Interest paid		**(5,510)**	(11,421)	**(7,980)**	(11,885)
Decrease in bank indebtedness		**–**	(12,087)	**–**	–
Cash used in financing activities		**(28,483)**	(22,469)	**(45,438)**	(16,625)
Change in cash and cash equivalents		**666**	16,112	**(1,085)**	196
Cash and cash equivalents, beginning of period		**19,403**	–	**21,154**	15,916
Cash and cash equivalents, end of period		**$ 20,069**	$ 16,112	**$ 20,069**	$ 16,112

The notes on pages 27 to 36 are an integral part of these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the six months ended June 30, 2018 and 2017
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 audited consolidated 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 August 9, 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.

Well Servicing

The Company enters into well servicing contracts to provide a variety of well completion, workover and 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 and 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.

Unaudited (tabular amounts in thousands of Canadian dollars)

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 is 12 months or less or 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 Committee's 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.

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.

Unaudited (tabular amounts in thousands of Canadian dollars)

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 June 30, 2018	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate [1]	Total
Revenue	$ 38,263	$ 14,882	$ 105,153	$ 35,525	$ –	$ 193,823
Cost of services	31,474	10,195	88,886	25,807	–	156,362
Selling, general and administration	2,096	3,281	3,584	1,060	3,981	14,002
Share-based compensation	–	–	–	–	858	858
Depreciation	7,401	4,375	1,815	5,036	18	18,645
Operating income (loss)	(2,708)	(2,969)	10,868	3,622	(4,857)	3,956
Gain (loss) on sale of property, plant and equipment	77	311	238	(1)	–	625
Finance costs	(34)	(25)	(11)	(37)	(3,390)	(3,497)
Net income (loss) before income taxes	(2,665)	(2,683)	11,095	3,584	(8,247)	1,084
Goodwill	–	2,514	1,539		–	4,053
Total assets	440,103	238,414	208,471	140,518	23,234	1,050,740
Total liabilities	54,376	36,651	88,987	3,172	315,942	499,128
Capital expenditures	$ 5,448	$ 3,027	$ 3,407	$ 1,583	$ 7	$ 13,472

As at and for the three months ended June 30, 2017	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate [1]	Total
Revenue	$ 41,304	$ 13,377	$ 65,356	$ 34,885	$ –	$ 154,922
Cost of services	41,283	9,204	57,196	25,845	–	133,528
Selling, general and administration	3,129	2,910	2,002	1,580	5,012	14,633
Share-based compensation	–	–	–	–	255	255
Depreciation	7,507	4,869	1,812	4,574	849	19,611
Operating income (loss)	(10,615)	(3,606)	4,346	2,886	(6,116)	(13,105)
Gain on sale of property, plant and equipment	–	71	–	–	–	71
Finance costs	(97)	(176)	(92)	–	(6,281)	(6,646)
Net income (loss) before income taxes	(10,712)	(3,711)	4,254	2,886	(12,397)	(19,680)
Goodwill	–	2,514	1,539		–	4,053
Total assets	440,920	237,074	168,260	138,581	68,467	1,053,302
Total liabilities	51,704	45,440	54,456	9,917	344,380	505,897
Capital expenditures	$ 4,779	$ 3,283	$ 1,418	$ 333	$ 691	$ 10,504

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

Unaudited (tabular amounts in thousands of Canadian dollars)

As at and for the six months ended June 30, 2018	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Services	Corporate (1)	Total
Revenue	$ 99,243	$ 37,194	$ 190,271	$ 72,330	$ –	$ 399,038
Cost of services	80,993	24,020	163,182	52,144	–	320,339
Selling, general and administration	4,449	7,220	6,283	2,237	7,450	27,639
Share-based compensation	–	–	–	–	1,299	1,299
Depreciation	15,590	8,942	3,591	10,086	36	38,245
Operating income (loss)	(1,789)	(2,988)	17,215	7,863	(8,785)	11,516
Gain on sale of property, plant and equipment	127	362	238	393	–	1,120
Finance costs	(27)	(56)	(20)	(78)	(7,172)	(7,353)
Net income (loss) before income taxes	(1,689)	(2,682)	17,433	8,178	(15,957)	5,283
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	440,103	238,414	208,471	140,518	23,234	1,050,740
Total liabilities	54,376	36,651	88,987	3,172	315,942	499,128
Capital expenditures	$ 8,460	$ 5,148	$ 5,201	$ 2,261	$ 7	$ 21,077

As at and for the six months ended June 30, 2017	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate (1)	Total
Revenue	$ 48,000	$ 30,933	$ 125,456	$ 34,885	$ –	$ 239,274
Cost of services	46,096	19,630	110,672	25,845	–	202,243
Selling, general and administration	3,650	5,960	3,788	1,580	7,275	22,253
Share-based compensation	–	–	–	–	484	484
Depreciation	9,524	9,029	3,645	4,574	868	27,640
Operating income (loss)	(11,270)	(3,686)	7,351	2,886	(8,627)	(13,346)
Gain on sale of property, plant and equipment	–	195	30	–	–	225
Finance costs	(188)	(357)	(187)	–	(6,511)	(7,243)
Net income (loss) before income taxes	(11,458)	(3,848)	7,194	2,886	(15,138)	(20,364)
Goodwill	–	2,514	1,539		–	4,053
Total assets	440,920	237,074	168,260	138,581	68,467	1,053,302
Total liabilities	51,704	45,440	54,456	9,917	344,380	505,897
Capital expenditures	$ 5,241	$ 4,701	$ 2,466	$ 333	$ 691	$ 13,432

(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 June 30, 2018	Canada	United States	Australia	Other	Total
Revenue	**$ 88,244**	**$ 62,773**	**$ 42,806**	**$ –**	**$ 193,823**
Non-current assets (1)	**543,091**	**157,785**	**86,405**	**–**	**787,281**

Three months ended June 30, 2017	Canada	United States	Australia	Other	Total
Revenue	$ 89,724	$ 35,589	$ 29,609	$ –	$ 154,922
Non-current assets (1)	586,699	144,493	100,129	–	831,321

Six months ended June 30, 2018	Canada	United States	Australia	Other	Total
Revenue	**$ 192,435**	**$ 129,872**	**$ 76,731**	**$ –**	**$ 399,038**
Non-current assets (1)	**543,091**	**157,785**	**86,405**		**787,281**

Six months ended June 30, 2017	Canada	United States	Australia	Other	Total
Revenue	$ 159,682	$ 44,053	$ 35,528	$ 11	$ 239,274
Non-current assets (1)	586,699	144,493	100,129	–	831,321

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

4. Long-term Debt

At June 30, 2018 the Company's long-term debt consisted of the following:

	June 30, 2018	
	Interest rate	Principal Amount
Credit Facility	3.79%	$ 236,000
Mortgage loan (2020 maturity)	3.06%	43,971
Mortgage loan (2041 maturity)	4.05%	15,978
Limited partnership credit facilities	6.10%	1,906
		297,855
Less current portion		4,414
		$ 293,441

At June 30, 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"). On April 25, 2018 the Credit Facility was increased by $65 million to $290 million and the maturity date extended to June 19, 2021. The Company has the option to increase such facility by $75 million subject to certain terms and conditions, including the agreement of the lenders to increase their commitments. The Credit Facility includes a Canadian $18.0 million operating line, an Australian $2.0 million operating line and a Canadian $270.0 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 June 30, 2018, the applicable interest rate on amounts drawn on the Credit Facility was 3.79% and the standby rate was 0.44%. $4.6 million of letters of credit were outstanding at June 30, 2018 which reduces the amount of credit available under the Credit Facility by an equivalent amount.

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:

	June 30, 2018	Threshold
Twelve-month trailing Bank EBITDA to interest expense	**7.63**	minimum 2.50
Total Senior Debt to twelve-month trailing Bank EBITDA	**2.20**	maximum 4.00

	Minimum Bank EBITDA to interest expense	Maximum Senior Debt to Bank EBITDA
For the trailing twelve months ended 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 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 June 30, 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 June 30, 2018 this facility was undrawn and fully available.

On May 25, 2018 the Company repaid $67.5 million principal amount of 7.0% senior unsecured notes issued by a subsidiary together with $2.3 million of accrued interest thereon. Such repayment was funded by a $50.0 million draw on the Credit Facility and $19.8 million of cash on hand.

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.

Mortgage Loan (2041 maturity) is a loan maturing on December 31, 2041 and bears interest at a floating rate that was 4.05% at June 30, 2018. This loan is secured by certain of the Company's real estate.

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 June 30, 2018 the Company was in compliance with all debt covenants.

Unaudited (tabular amounts in thousands of Canadian dollars)

5. 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.

6. Share Capital

(a) Common share capital

Common shares of Total Energy Services Inc.

(i) *Authorized:*

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

(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
Redeemed pursuant to acquisition sunset clause	(7)	–
Repurchased and cancelled	(31)	(194)
Repurchased and not cancelled	–	(218)
Balance, June 30, 2018	**46,200**	**$ 290,905**

(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 June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Net income (loss) for the period attributable to shareholders	**$ 3,829**	$ (11,565)	**$ 6,993**	$ (12,418)
Weighted average number of shares outstanding – basic	**46,223**	43,718	**46,231**	37,617
Earnings (loss) per share – basic	**$ 0.08**	$ (0.26)	**$ 0.15**	$ (0.33)
Net income (loss) for the period attributable to shareholders	**$ 3,829**	$ (11,565)	**$ 6,993**	$ (12,418)
Weighted average number of shares outstanding – basic	**46,223**	43,718	**46,231**	37,617
Share option dilution	**–**	–	**1**	–
Weighted average number of shares outstanding – diluted	**46,223**	43,718	**46,232**	37,617
Earnings (loss) per share – diluted	**$ 0.08**	$ (0.26)	**$ 0.15**	$ (0.33)

For the three and six months ended June 30, 2018, 3,280,000 and 3,220,000 share options (June 30, 2017: 3,075,000) 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)

7. 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	13.42	675,000
Forfeited	12.96	(150,000)
Expired	14.96	(130,000)
Balance, June 30, 2018	**$ 13.50**	**3,280,000**

A total of 1,278,331 outstanding options were exercisable at June 30, 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 $2.46 per option (2017: $2.36 per option) using the following assumptions:

	June 30, 2018	Dec 31, 2017
Expected volatility	**25.88% – 27.64%**	26.05% – 29.14%
Annual dividend yield	**1.77% – 1.85%**	1.85% – 2.00%
Risk free interest rate	**1.93% – 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 July 29, 2020 to May 11, 2023.

8. Financial Instruments

The Company's financial instruments as at June 30, 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 4.22% for a similar debt instrument at June 30, 2018 was $43.1 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 $44.0 million.

9. Contingencies

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

The Company has received both legal and tax advice relating to its conversion from an income trust to a corporation indicating that its income tax filing position is strong. As such, the Company has filed notices of objection in response 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 June 30, 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 $14.6 million of cash may be owing and $21.8 million of income tax expense would be recognized.

In April of 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.

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

HEAD OFFICE

Suite 800, 311 – 6th Avenue SW

Calgary, Alberta T2P 3H2

Telephone: (403) 216-3939

Toll Free: (877) 818-6825

Fax: (403) 234-8731

Website: www.totalenergy.ca

Email: investorrelations@totalenergy.ca

AUDITOR

KPMG LLP

Calgary, Alberta

TRUSTEE, REGISTRAR AND TRANSFER AGENT

Computershare

Calgary, Alberta

LEGAL COUNSEL

Bennett Jones, LLP

Calgary, Alberta

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
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.