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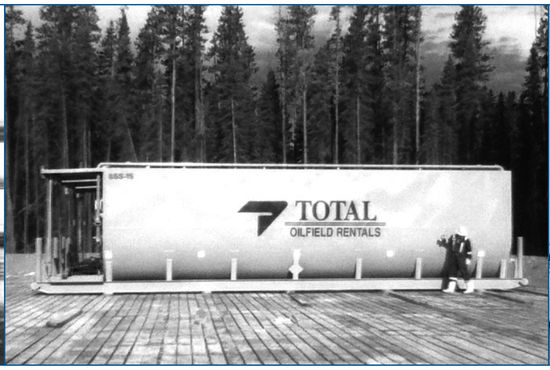

FOCUS DISCIPLINE GROWTH

First Quarter Report 2021

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

The first three months of 2021 continued to be challenging for the energy services industry. Despite continued improvement in commodity prices, oil and natural gas producers continued to demonstrate capital restraint. The North American active rig count was substantially lower on a year over year basis and activity levels in Australia were hampered by prolonged wet weather conditions. In addition, COVID-19 and other safety concerns delayed several major projects in Canada during the first quarter which had a negative impact on Total Energy's first quarter financial performance. Positively, Total Energy's health and safety procedures continue to be effective in mitigating the risk of COVID-19 such that all business segments have maintained continuous global operations.

Despite a challenging business environment, Total Energy continues to generate significant free cash flow and its financial position remains strong. The Company retired $10.6 million of bank debt during the first quarter of 2021 and exited the quarter with $135.3 million of positive working capital, including $20.7 million of cash.

LOOKING FORWARD

Canadian drilling activity began to improve on a year over year basis in late March and that trend continues. Today Total Energy has 13 drilling rigs working in North America as compared to one at the same time in 2020. By May 2, 2021, the Company's United States drilling operations generated more operating days than the entire month of May 2020. In Australia, the Company successfully completed the recertification and upgrade of one drilling rig that commenced operations in late April with a second rig scheduled to be completed and commence drilling in July of 2021 at which time four of the Company's five Australian drilling rigs are expected to be operating. Increased drilling rig activity is generally a positive leading indicator for business activity in the Company's other business segments.

Total Energy's Well Servicing segment experienced modestly higher Canadian activity levels in the first quarter of 2021 as compared to 2020, driven by increasing abandonment work as funding under the federal government's well abandonment program began to accelerate. Increasing production-related work has contributed to improving overall North American service rig activity.

The fabrication sales backlog in Total Energy's Compression and Process Services segment increased for the second consecutive quarter and, for the first time since the fourth quarter of 2018, increased on a year over year basis. While the absolute sales backlog remains relatively small, quoting activity has increased.

Despite oil prices having recovered significantly from the lows reached in April 2020 and natural gas prices remaining relatively strong, energy producers remain measured in their deployment of capital. In such an environment, Total Energy continues to focus on the safe and efficient operation of its business and the preservation of its financial liquidity and balance sheet strength. Debt repayment remains a priority.

I would encourage our Shareholders to participate in our upcoming Annual General Meeting of Shareholders on May 18, 2021. Given recent COVID 19 restrictions have again prevented us from meeting in person, I would like to take this opportunity to thank Andrew Wiswell for his service as he is retiring from our Board of Directors. Mr. Wiswell has been an engaged and competent member of our Board and a significant resource to our entire management team as we navigated through some tumultuous times over his 15-year tenure. We wish Andy and his family the very best.

Finally, I would like to thank the numerous current and former employees, customers, suppliers and other stakeholders of Total Energy as we celebrate our 25th corporate anniversary this year. We are able to celebrate this milestone because of your support.

Daniel Halyk

DANIEL K. HALYK
President and Chief Executive Officer
May 12, 2021

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

The following MD&A for Total Energy Services Inc. ("Total Energy" or the "Company") was prepared as at May 12, 2021 and focuses on information and key statistics from the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2021 (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 2020 Annual Report, the Annual Information Form ("AIF") for the year ended December 31, 2020 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 thousands of Canadian dollars except per share amounts which are presented in Canadian dollars.

FINANCIAL HIGHLIGHTS

	Three months ended		
March 31	**2021**	2020	Change
Revenue	**$ 93,190**	$ 134,268	(31%)
Operating income (loss)	**(5,419)**	10,529	nm
EBITDA (1)	**16,717**	30,903	(46%)
Cashflow	**15,332**	21,911	(30%)
Net income (loss)	**(3,607)**	4,724	nm
Attributable to shareholders	**(3,579)**	4,672	nm
Per Share Data (Diluted)			
EBITDA (1)	**$ 0.37**	$ 0.69	(46%)
Cashflow	**$ 0.34**	$ 0.49	(31%)
Attributable to shareholders:			
Net income (loss)	**$ (0.08)**	$ 0.10	nm
Common shares (000's) (3)			
Basic	**45,072**	45,087	0%
Diluted	**45,231**	45,087	0%
Financial Position at	**March 31, 2021**	Dec 31, 2020	Change
Total Assets	**$ 831,963**	$ 849,579	(2%)
Long-Term Debt and Lease Liabilities (excluding current portion)	**229,627**	238,937	(4%)
Working Capital (2)	**135,347**	138,940	(3%)
Net Debt (1)	**94,280**	99,997	(6%)
Shareholders' Equity	**501,950**	510,987	(2%)

(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 5 to the Interim Financial Statements.

"nm" – calculation 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 energy and other resource industries 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 energy and other industrial operations ("RTS"), the fabrication, sale, rental and servicing of new and used gas compression and 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.

Contract Drilling Services: At March 31, 2021, the Company operated a total fleet of 98 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	
AC triples	3
AC doubles	13
Mechanical doubles	38
Australian shallow	5
TDS and singles	39
	98

By Geography	
Canada	80
United States	13
Australia	5
	98

Rentals and Transportation Services: Total Energy's RTS business is presently conducted from 12 locations in western Canada and three locations in the United States. At March 31, 2021, this segment had approximately 10,650 pieces of major rental equipment (excluding access matting), a fleet of 87 heavy trucks and a significant inventory of small rental equipment and access matting.

Compression and Process Services: The Company fabricates a full range of natural gas compression equipment as well as oil, natural gas and other process equipment. At March 31, 2021 the CPS segment occupied approximately 246,000 square feet of production facilities located in Calgary, Alberta and a 100,000 square foot production facility in Weirton, West Virginia. As at March 31, 2021 the CPS segment also had a network of 13 branch locations throughout western Canada and the United States from which its natural gas compression parts and service business is conducted. This segment had 54,800 horsepower of compression in its rental fleet at March 31, 2021.

Well Servicing: At March 31, 2021, the Company operated a total fleet of 83 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	32
Australian specification	9
Flush-by	4
	83

By Geography	
Canada	57
United States	14
Australia	12
	83

OVERALL PERFORMANCE

Total Energy's results for the first three months of 2021 reflect continued difficult industry conditions that began in March of 2020 as a result of the COVID-19 pandemic and resultant decreases in economic activity and demand for oil and natural gas. Over the course of the second half of 2020 and into 2021 social mobility restrictions began to ease globally, which has resulted in a partial recovery in global oil and natural gas demand. Activity levels in Australia during the first quarter of 2021 were substantially lower than the previous year comparable period as a result of reduced capital expenditure programs beginning in the third quarter of 2020 in response to the decline in global crude oil and natural gas prices, wet field conditions and two drilling rigs remaining out of service as recertifications and upgrades were being completed.

During the first quarter ended March 31, 2021, the Company recognized $5.9 million under various COVID-19 relief programs. Also included in the financial results for the three months ended March 31, 2021 was $1.1 million relating to unrealized foreign exchange gains from translation of intercompany working capital balances of foreign subsidiaries. This compares to unrealized foreign exchange gains of $7.9 million for the same period in 2020. Negatively impacting financial results for the first quarter of 2021 was $0.2 million of increases to the Company's allowance for doubtful accounts receivable and $0.4 million of net expenses incurred in the CDS segment to relocate drilling equipment in the United States as compared to a $0.4 million increase to the allowance for doubtful accounts receivable recognized in the same period in 2020.

The Company's financial condition remains strong, with a positive working capital balance of $135.3 million as at March 31, 2021. Working capital decreased by $3.6 million since December 31, 2020 primarily as a result of the voluntary repayment of $10.0 million of bank debt during the first quarter of 2021. Shareholders' equity decreased by $9.0 million from December 31, 2020 mostly due to the realization of a $3.6 million net loss in the first quarter of 2021 and a $5.3 million other comprehensive loss arising from currency translation of foreign subsidiaries' financial statements as a result of the appreciation of the Canadian dollar relative to the U.S. and Australian dollars during the first quarter of 2021.

Revenue

	Three months ended March 31		
	2021	2020	Change
Revenue	**$ 93,190**	$ 134,268	(31%)

The decrease in revenue for the first three months of 2021 relative to the same period in 2020 was the result of lower activity in all segments due to the COVID-19 pandemic's negative impact on the demand for energy.

Cost of Services and Gross Margin

	Three months ended March 31		
	2021	2020	Change
Cost of services	**$ 71,088**	$ 100,683	(29%)
Gross margin	**$ 22,102**	$ 33,585	(34%)
Gross margin, as a percentage of revenue	**24%**	25%	(4%)

The decrease in costs of services during the first quarter of 2021 relative to the same period in 2020 is primarily due to decreased activity in all geographical areas. Also reducing operating costs for the three months ended March 31, 2021 was the recognition of $5.3 million of funds from various COVID-19 relief programs. Gross margin percentage for the three months ended March 31, 2021 decreased 4% as compared to the same period in 2020 despite a 31% decrease in revenue as a result of realized cost efficiencies in all segments due to measures taken by the Company following the start of the pandemic and the receipt of funds from various COVID-19 relief programs.

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

Selling, General and Administration Expenses

	Three months ended March 31		
	2021	2020	Change
Selling, general and administration expenses	**$ 6,539**	$ 10,585	(38%)

Selling, general and administration expenses decreased in the first quarter of 2021 relative to the same period in 2020 as a result of cost savings activities implemented following the start of the pandemic, lower sales and profit incentive compensation in certain segments and the recognition of $0.6 million from various COVID-19 relief programs for the period.

Included in selling, general and administration expenses are salaries and benefits for sales, office and administrative staff, utilities, property taxes and other occupancy costs 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.

Other Income

	Three months ended March 31		
	2021	2020	Change
Other income	**$ (1,066)**	$ (7,928)	(87%)

Other income arises from unrealized foreign exchange differences on translation of intercompany working capital balances of foreign subsidiaries. The strengthening of the Canadian dollar relative to the U.S. and Australian dollars combined with the geographical composition of intercompany balances during the period gave rise to an unrealized foreign exchange gain for the first quarter of 2021. In the first quarter of 2020, an unrealized foreign exchange gain of $7.9 million was primarily due to the strengthening of the Canadian dollar relative to the Australian dollar partially offset by a strengthening U.S. dollar relative to the Canadian dollar and the corresponding impact on intercompany working capital balances.

Share-based Compensation Expense

	Three months ended March 31		
	2021	2020	Change
Share-based compensation expense	**$ 201**	$ 405	(50%)

Share-based compensation expense arises from share options granted pursuant to the share option plan implemented in 2015. Share-based compensation expense for the three months ended March 31, 2021 relative to the same period in 2020 is lower due to certain options fully vesting.

Depreciation Expense

	Three months ended March 31		
	2021	2020	Change
Depreciation expense	**$ 21,847**	$ 19,994	9%

The increase in depreciation expense for the first quarter of 2021 compared to the same period in 2020 is mostly due to a change in depreciation estimates in the CDS segment effective April 1, 2020 (see "Critical Accounting Estimates" for further details). For the three months ended March 31, 2021 $2.9 million of incremental recurring depreciation expense arose from this change in the CDS segment's depreciation estimate.

Operating Income (Loss)

	Three months ended March 31		
	2021	2020	Change
Operating income (loss)	$ (5,419)	$ 10,529	nm

"nm" - calculation not meaningful

Included in the operating loss for the three months ended March 31, 2021 was a $1.1 million unrealized gain on foreign exchange translation of intercompany working capital balances compared to an unrealized gain of $7.9 million for the same period in 2020. Negatively impacting the first quarter of 2021 was a $2.9 million of incremental depreciation expense as a result of a change in depreciation estimates in the CDS segment, $0.4 million of expenses relating to the relocation of drilling equipment in the United States and $0.2 million increase to the Company's allowance for doubtful accounts receivable. Offsetting these expenses was $5.9 million of cost recoveries from various COVID-19 relief programs. Adjusted for the above, the operating loss for the three months ended March 31, 2021 was $8.9 million. Comparative operating income for the three months ended March 31, 2020 was $3.0 million.

Gain on Sale of Property, Plant and Equipment

	Three months ended March 31		
	2021	2020	Change
Gain on sale of property, plant and equipment	$ 289	$ 380	(24%)
Proceeds on the sale of property, plant and equipment	$ 440	$ 1,705	(74%)

Disposals of property, plant and equipment result from the rationalization, replacement and upgrade of older equipment in the Company's equipment fleet.

Equipment disposed of in the three months ended March 31, 2021 included underutilized rental equipment, light duty vehicles, and ancillary drilling and well servicing equipment. Equipment disposed of during the three months ended March 31, 2020 consisted of underutilized rental equipment and light duty vehicles.

Finance Costs

	Three months ended March 31		
	2021	2020	Change
Finance costs	$ 1,807	$ 3,439	(47%)

Finance costs for the three months ended March 31, 2021 were lower than the prior year comparable period due to lower effective interest rates combined with a lower year over year average outstanding balance on the Company's credit facility.

Income Taxes and Net Income (Loss)

	Three months ended March 31		
	2021	2020	Change
Current income tax expense (recovery)	$ (471)	$ 1,336	nm
Deferred income tax expense (recovery)	(2,859)	1,410	nm
Total income tax expense (recovery)	$ (3,330)	$ 2,746	nm
Net income (loss)	$ (3,607)	$ 4,724	nm

"nm" - calculation not meaningful

The year over year change from a current income tax expense to a recovery is primarily due to the realization of an operating loss for the first quarter of 2021 as compared to operating income for the same period in 2020.

The year over year change from a deferred income tax expense to a recovery was primarily a result of changes to temporary differences on the Company's property and equipment following the change in depreciation estimates in the CDS segment. The deferred income tax recovery realized in 2021 also includes the effect of the two percentage point decrease to the Alberta provincial corporate income tax rate substantially enacted effective July 1, 2020.

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			
	March 31 2021	Dec 31 2020	Sept 30 2020	June 30 2020
Revenue	**$ 93,190**	$ 83,472	$ 77,240	$ 70,770
Operating loss	**(5,419)**	(4,013)	(5,894)	(37,161)
EBITDA [(1)]	**16,717**	19,546	17,869	12,886
Cashflow	**15,332**	18,431	19,810	13,793
Cash provided by operating activities	**16,866**	19,226	14,391	36,162
Net loss	**(3,607)**	(1,732)	(4,602)	(28,845)
Attributable to shareholders	**(3,579)**	(1,739)	(4,618)	(28,765)
Per share data (diluted)				
EBITDA [(1)]	**$ 0.37**	$ 0.43	$ 0.40	$ 0.29
Cashflow	**0.34**	0.41	0.44	0.31
Net loss income attributable to shareholders	**(0.08)**	(0.04)	(0.10)	(0.64)
Financial Position				
Total Assets	**$ 831,963**	$ 849,579	$ 873,891	$ 898,940
Long-Term Debt and Lease Liabilities (excluding current portion)	**229,627**	238,937	250,643	255,538
Working Capital [(2)]	**135,347**	138,940	138,973	130,968
Net Debt [(1)]	**94,280**	99,997	111,670	124,570
Shareholders' Equity	**501,950**	510,987	517,067	523,979
Common Shares (000's) [(3)]				
Basic	**45,072**	45,081	45,081	45,081
Diluted	**45,231**	45,081	45,081	45,081

	Financial Quarter Ended			
	March 31 2020	Dec 31 2019	Sept 30 2019	June 30 2019
Revenue	$ 134,268	$ 151,500	$ 171,213	$ 212,695
Operating income (loss)	10,529	14,468	(5,012)	(1,091)
EBITDA [(1)]	30,903	35,805	24,913	17,546
Cashflow	21,911	36,896	23,959	22,419
Cash provided (used) by operating activities	16,343	40,545	(21,800)	4,123
Net income (loss)	4,724	8,593	(6,114)	2,853
Attributable to shareholders	4,672	8,523	(6,159)	3,403
Per share data (diluted)				
EBITDA [(1)]	$ 0.69	$ 0.79	$ 0.55	$ 0.38
Cashflow	0.49	0.82	0.53	0.49
Net income (loss) attributable to shareholders	0.10	0.19	(0.14)	0.07
Financial Position				
Total Assets	$ 999,229	$ 997,161	$ 991,176	$ 1,026,564
Long-Term Debt and Lease Liabilities (excluding current portion)	252,035	248,448	251,724	239,287
Working Capital [(2)]	124,010	103,234	85,778	74,283
Net Debt [(1)]	128,025	145,214	165,946	165,004
Shareholders' Equity	552,995	543,142	538,790	549,851
Common Shares (000's) [(3)]				
Basic and diluted	45,087	45,262	45,457	45,746

(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 5 to the Interim Financial Statements.

Aboriginal Partnerships

The Company conducts certain of its operations through limited partnerships in which each of the Company and an Aboriginal partner hold 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

	Three months ended March 31		
	2021	2020	Change
Revenue	**$ 28,571**	$ 43,025	(34%)
Canada	**17,844**	24,699	(28%)
United States	**5,595**	6,769	(17%)
Australia	**5,132**	11,557	(56%)
Operating income (loss)	**$ (3,605)**	$ 291	nm
Canada	**(1,370)**	4	nm
United States	**(2,539)**	(2,230)	14%
Australia	**304**	2,517	(88%)
Operating days [(1)]	**1,538**	2,166	(29%)
Canada	**1,084**	1,457	(26%)
United States	**301**	327	(8%)
Australia	**153**	382	(60%)
Revenue per operating day [(1)], dollars	**$ 18,577**	$ 19,864	(6%)
Canada	**16,461**	16,952	(3%)
United States	**18,588**	20,700	(10%)
Australia	**33,542**	30,254	11%
Utilization	**17%**	22%	(23%)
Canada	**15%**	20%	(25%)
United States	**26%**	18%	44%
Australia	**34%**	84%	(60%)
Rigs, average for period	**98**	107	(8%)
Canada	**80**	82	(2%)
United States	**13**	20	(35%)
Australia	**5**	5	–

(1) Operating days include drilling and paid stand-by days.

"nm" – calculation not meaningful

North American drilling activity during the first quarter of 2021 was lower compared to the same period in 2020 as a result of reduced industry activity following the COVID-19 pandemic outbreak that begun in March of 2020 and the corresponding negative impact on global energy consumption and commodity prices. Despite lower activity, day rates in Canada remained fairly consistent on a year over year basis. In the U.S., first quarter day rates were lower in 2021 compared to 2020 due to lower spot market pricing and the mix of rigs working. Negatively impacting U.S. results for the first quarter of 2021 was $0.4 million of expenses to relocate drilling equipment in the United States as this segment continued to consolidate operations in West Texas. Higher depreciation expense resulting from changes to the accounting estimates on the useful lives of CDS equipment and a change in the depreciation method from utilization (with a minimum annual depreciation expense equal to 96 days) to straight-line effective April 1, 2020 also contributed to increased operating losses in North America for the first quarter of 2021 compared to 2020 with $2.9 million of incremental depreciation expense recorded in 2021 as a result.

In Australia, drilling activity in the first quarter of 2021 declined substantially as customers reduced drilling programs in response to the COVID-19 pandemic and its impact on oil and natural gas prices. Extended wet weather conditions also contributed to the reduced activity in the first quarter of 2021 as compared to 2020. Two out of five Australian drilling rigs were also out of service during the first quarter of 2021 order to complete necessary recertifications and upgrades. One rig was completed and commenced operations in late April 2021, while the other rig is expected to be completed in the third quarter of 2021. Effective day rates in Australia for the first quarter of 2021 compared to 2020 were impacted by the mix of equipment operating. Also impacting results in the first quarter of 2021 as compared to 2020 was the impact of the translation of foreign financial results into Canadian dollars given the appreciation of the Australian dollar relative to the Canadian dollar.

Rentals and Transportation Services

	Three months ended March 31		
	2021	2020	Change
Revenue	**$ 7,735**	$ 16,833	(54%)
Canada	**5,325**	9,940	(46%)
United States	**2,410**	6,893	(65%)
Operating income (loss)	**$ (3,707)**	$ (2,438)	52%
Canada	**(3,123)**	(3,307)	(6%)
United States	**(584)**	869	nm
Pieces of rental equipment	**10,650**	10,610	–
Canada	**9,690**	9,690	–
United States	**960**	920	4%
Rental equipment utilization	**8%**	15%	(47%)
Canada	**8%**	11%	(27%)
United States	**9%**	46%	(80%)
Heavy trucks	**87**	87	–
Canada	**62**	63	(2%)
United States	**25**	24	4%

"nm" – calculation not meaningful

The revenue from the RTS segment for the first quarter of 2021 decreased as compared with the same period in 2020 due to extremely challenging industry conditions in North America resulting from the COVID-19 pandemic. The unanticipated delay of certain project work in Canada due to COVID-19 restrictions during the first quarter of 2021 exacerbated the year over year revenue decline. In Canada, operating losses decreased by 6% in the first quarter of 2021 compared to the same period in 2020 as a result of significant efforts to reduce the fixed cost structure of the business segment, continued operating cost control measures that began following the pandemic and the recognition of funds from COVID-19 relief programs. In the U.S., an operating loss was realized in the first quarter of 2021 as compared to operating income in 2020 due to the significant decline in activity.

This segment's relatively high fixed cost structure as compared to the Company's other business segments combined with the inability to increase prices to the extent necessary to offset cost inflation contributed to the operating losses for the first quarter of 2021. Such fixed cost structure includes costs associated with its significant operating branch infrastructure, including maintenance and repairs, utilities, insurance, property taxes and other infrastructure costs.

Compression and Process Services

	Three months ended March 31		
	2021	2020	Change
Revenue	**$ 34,156**	$ 40,744	(16%)
Canada	**26,117**	32,791	(20%)
United States	**8,039**	7,953	1%
Operating income (loss)	**$ 1,081**	$ 2,824	(62%)
Canada	**410**	2,866	(86%)
United States	**671**	(42)	nm
Operating income, % of revenue	**3%**	7%	(57%)
Canada	**2%**	9%	(78%)
United States	**8%**	nm	nm
Horsepower of equipment on rent at period end	**22,900**	33,900	(32%)
Canada	**9,900**	19,350	(49%)
United States	**13,000**	14,550	(11%)
Rental equipment utilization during the period (HP)	**43%**	68%	(37%)
Canada	**31%**	55%	(44%)
United States	**62%**	100%	(38%)
Sales backlog at period end, $ million	**47.7**	44.5	7%

"nm" – calculation not meaningful

Overall revenue and operating income reported from the CPS segment decreased for the three months ended March 31, 2021 as compared to the same period in 2020 due primarily to a decrease in fabrication sales and lower utilization of the compression rental fleet. Fabrication sales bookings began a steady and significant decline starting in 2019. This decline was reversed during the fourth quarter of 2020 and the sales backlog grew by another $3.8 million, or 9% during the first quarter of 2021. 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.

In Canada, revenues and operating income declined in the first quarter of 2021 as compared to the same period in 2020 as a result of lower fabrication sales and utilization of the compression rental fleet. This was partially offset by the receipt of COVID-19 funds in the first quarter of 2021.

Lower activity in Canada was partially offset by improved results in the U.S. as first quarter revenue and operating income increased in 2021 as compared to 2020. The increase in revenue was primarily due to increased fabrication sales which offset lower rental fleet utilization with the return of 6,500 horsepower of compression rental units in late 2020 following the bankruptcy of a U.S. customer. Increased fabrication sales and production efficiencies realized in the first quarter of 2021 gave rise to operating income being generated in the U.S. during the first quarter of 2021 compared to an operating loss in the first quarter of 2020.

Well Servicing

	Three months ended March 31		
	2021	2020	Change
Revenue	**$ 22,728**	$ 33,666	(32%)
Canada	**11,068**	11,030	0%
United States	**1,798**	4,072	(56%)
Australia	**9,862**	18,564	(47%)
Operating income (loss)	**$ 1,331**	$ 4,211	(68%)
Canada	**1,462**	14	nm
United States	**(284)**	118	nm
Australia	**153**	4,079	(96%)
Service hours (1)	**28,934**	41,530	(30%)
Canada	**17,123**	16,552	3%
United States	**2,611**	5,571	(53%)
Australia	**9,200**	19,407	(53%)
Revenue per service hour, dollars	**$ 786**	$ 811	(3%)
Canada	**646**	666	(3%)
United States	**689**	731	(6%)
Australia	**1,072**	957	12%
Utilization (2)	**31%**	40%	(23%)
Canada	**33%**	32%	3%
United States	**21%**	44%	(52%)
Australia	**35%**	74%	(53%)
Rigs, average for period	**83**	83	–
Canada	**57**	57	–
United States	**14**	14	–
Australia	**12**	12	–

(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.

"nm" – calculation not meaningful

Overall first quarter segment revenue and operating income decreased in 2021 as compared to 2020 as a result of decreased activity in the United States and Australia. North American results were impacted by challenging market conditions following the outbreak of COVID-19 in March of 2020 while activity in Australia began to moderate in the third quarter of 2020.

Canadian revenue in the first quarter of 2021 was fairly consistent with 2020 due to increased well abandonment activity arising from the federal government's $1.7 billion well abandonment program that was implemented in 2020. Higher utilization in Canada was offset by decreased pricing as a result of competitive market conditions and the mix of equipment operating. Despite consistent revenue in the first quarter of 2021 compared to 2020, higher operating income was realized in 2021 as a result of cost control measures implemented following the start of the pandemic combined with the receipt of funds from COVID-19 relief programs.

In the United States, first quarter revenue decreased in 2021 as compared to 2020 primarily due to decreased activity. Operating losses were realized in the first quarter of 2021 as compared to operating income in the same period in 2020 as a result of reduced activity.

In Australia lower revenue and operating income for the first quarter of 2021 as compared to the same period in 2020 was due primarily to lower industry activity levels that began in the third quarter of 2020 as customers reduced their capital spending as well as extended wet weather conditions that restricted field operations for much of the first quarter of 2021. Australian results were positively impacted by the translation of foreign financial results into Canadian dollars given the appreciation of the Australian dollar relative to the Canadian dollar over the past year.

Corporate

	Three months ended March 31		
	2021	2020	Change
Operating (loss) income	**$ (519)**	$ 5,641	nm

"nm" - calculation not meaningful

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. Included in the Corporate segment for the first three months of 2021 is a $1.1 million unrealized gain on the translation of working capital balances of foreign subsidiaries as compared to a $7.9 million unrealized gain for the same period in 2020.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operating Activities and Cashflow

	Three months ended March 31		
	2021	2020	Change
Cash provided by operating activities	**$ 16,866**	$ 16,343	3%
Per Share Data (Diluted), dollars	**$ 0.37**	$ 0.36	3%
Cashflow	**$ 15,332**	$ 21,911	(30%)
Per Share Data (Diluted), dollars	**$ 0.34**	$ 0.49	(31%)

The changes in cash provided by operating activities were due primarily to changes in the working capital requirements of the various business segments. Cash flow decreased in the first quarter of 2021 compared to the same period in 2020 as a result of lower EBITDA compared to 2020. Given continued challenging and uncertain industry conditions, the Company's current priority is to maintain strong financial liquidity and continue to repay long-term debt.

Investing Activities

	Three months ended March 31		
	2021	2020	Change
Net cash used in investing activities	**$ (3,662)**	$ (1,849)	98%
Proceeds from sale of PP&E	**$ 440**	$ 1,705	(74%)
Purchase of PP&E	**$ (5,074)**	$ (2,246)	126%

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 first quarter of 2021, equipment disposed of consisted primarily of light-duty vehicles, underutilized rental equipment and ancillary drilling and well servicing equipment. For the first quarter of 2020 equipment disposed of consisted primarily of underutilized rental equipment and light-duty vehicles.

The following summarizes PP&E purchases by segment for the three months ended March 31, 2021.

	Three months ended March 31		
	2021	2020	Change
CDS	**$ 4,257**	$ 861	394%
RTS	**219**	523	(58%)
CPS	**168**	56	200%
WS	**430**	802	(46%)
Corporate	**–**	4	nm
Purchase of PP&E	**$ 5,074**	$ 2,246	126%

"nm" – calculation not meaningful

During the first quarter of 2021, PP&E purchases were as follows: rig upgrades, recertifications and ancillary rig equipment purchases in the CDS segment, heavy truck recertifications and rental equipment in the RTS segment, additions to the compression rental fleet in the CPS segment and service rig recertifications and upgrades in the WS segment. Included in 2021 first quarter capital expenditures was approximately $1.1 million of capital commitments carried forward from 2020 (2020: $3.7 million carried forward from 2019).

During the first quarter of 2020, PP&E purchases included the following: rig equipment and rig recertification and upgrades in the CDS segment, rental equipment in the RTS segment, additions to the compression rental fleet in the CPS segment, service rig recertifications and upgrades in the WS segment.

Financing Activities

	Three months ended March 31		
	2021	2020	Change
Net cash used in financing activities	**$ (15,495)**	$ (4,421)	250%

During the first quarter of 2021 the Company paid $2.7 million of interest, repaid $10.6 million of long-term debt and made $1.8 million of lease liability payments.

Liquidity and Capital Resources

The Company had a working capital surplus of $135.3 million as at March 31, 2021 compared to $138.9 million as at December 31, 2020. As at March 31, 2021 and the date of this MD&A, the Company was in compliance with all debt covenants.

On June 19, 2017 the Company entered into a three-year $225.0 million revolving syndicated credit facility (the "Credit Facility"). On April 25, 2018 the Credit Facility was increased by $65.0 million to $290.0 million. On November 10, 2020, at the request of the Company the Credit Facility was reduced to $250.0 million and the maturity date extended to November 10, 2023. The Company has the option to increase such facility by $75.0 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 $230.0 million revolving facility. The Credit Facility bears interest at the banks' Canadian prime rate plus 0.25% to 2.75%, bankers' acceptance, letter of credit, LIBOR or BBSY advances plus a 1.5% to 4.0% stamping fee. The applicable interest rate within such ranges is dependent on certain financial ratios of the Company. A standby fee ranging from 0.25% to 0.8% per annum is paid quarterly on the unused portion of the facility depending on certain financial ratios of the Company. At March 31, 2021, the applicable interest rate on amounts drawn on the Credit Facility was 2.59% and the standby rate was 0.44%. Letters of credit ("LOC") of $0.4 million were outstanding at March 31, 2021 which reduces the amount of credit available under the Credit Facility by an equivalent amount.

In August of 2018 a U.S. $20.0 million letter of credit facility was established (the "LOC Facility"). Letters of credit ("LOC") issued pursuant to the LOC Facility do not reduce availability under the Credit Facility. In April 2020 this facility was reduced at the request of the Company to U.S. $10.0 million. At March 31, 2021 $4.1 million Canadian dollars of LOCs were outstanding under the LOC Facility (December 31, 2020: $3.7 million).

In addition to the Credit Facility, a subsidiary of the Company has a $5.0 million revolving operating credit facility with a member of the Credit Facility lenders' syndicate. At March 31, 2021 this facility was undrawn and fully available.

At March 31, 2021 the Company's long-term debt consisted of the following:

	March 31, 2021	
	Interest rate	Principal Amount
Credit Facility	2.59%	$ 160,000
Mortgage loan (2025 maturity)	3.10%	48,323
Mortgage loan (2041 maturity)	3.05%	14,108
		$ 222,431
Less current portion		2,566
		$ 219,865

At March 31, 2021 amounts owing under the Credit Facility and the two mortgage loans were denominated in Canadian dollars.

The weighted average interest rate on the Company's debt at March 31, 2021 was 2.73%.

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

	March 31 2021	Threshold
Twelve-month trailing Bank EBITDA to interest expense	9.87	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	2.48	maximum 3.00

The Company was in compliance with all of its Credit Facility and other debt covenants at March 31, 2021. For further information regarding Credit Facility compliance requirements and 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 lease liability payments.

Dividends

The Company suspended payment of a dividend on March 12, 2020 given the sudden and material deterioration in industry conditions.

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 any future dividends through cash provided by operating activities.

Capital Spending

Capital spending for the three months ended March 31, 2021 consisted of $5.1 million of PP&E purchases. Capital spending was funded by cash flow and $0.4 million of proceeds from the sale of PP&E during 2021.

CONTRACTUAL OBLIGATIONS

At March 31, 2021 the Company had the following contractual obligations:

	Payments due by year					
	Total	2021	2022	2023	2024	2025 and after
Long-term debt and bank indebtedness	$ 222,431	$ 1,914	$ 2,611	$ 162,671	$ 2,730	$ 52,505
Commitments (1)	183	121	47	15	–	–
Lease liabilities, net of lease assets	13,990	3,956	3,147	2,045	1,513	3,329
Purchase obligations (2)	11,004	11,004	–	–	–	–
Total contractual obligations	$ 247,608	$ 16,995	$ 5,805	$ 164,731	$ 4,243	$ 55,834

(1) Commitments are described in Note 24 to the 2020 Financial Statements.

(2) Purchase obligations are described in Note 24 to the 2020 Financial Statements. As at March 31, 2021 purchase obligations primarily relate to commitments to purchase inventory in the CPS segment.

OFF-BALANCE SHEET ARRANGEMENTS

During 2021 and 2020, the Company had no off-balance sheet arrangements other than short-term leases.

TRANSACTIONS WITH RELATED PARTIES

During 2021 and 2020 the Company had no material transactions with related parties.

FINANCIAL INSTRUMENTS

Fair values

The discounted future cash repayments of the Company's mortgage loan due in 2025 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 such mortgage and related interest at the prevailing market rate of 3.62% for a similar debt instrument at March 31, 2021 was $47.4 million (December 31, 2020: market rate of 3.08%, $48.8 million). The carrying value and Company`s liability with respect to this mortgage is $48.3 million.

OUTSTANDING COMPANY SHARE DATA

As at the date of this MD&A, the Company had 44,900,000 common shares outstanding.

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

Outstanding at March 31, 2021	Exercise Price	Remaining life (years)	Exercisable at March 31, 2021
1,175,000	$ 12.69	1.20	1,175,000
60,000	12.00	1.40	60,000
300,000	13.54	1.90	200,000
840,000	9.51	3.10	280,004
650,000	2.31	4.40	–
55,000	3.50	4.80	–
3,080,000	$ 9.54	2.53	1,715,004

OUTLOOK

Industry Conditions

The COVID-19 pandemic and the resultant historic decline in global economic activity and oil prices contributed to unprecedented challenges and uncertainty for the global energy industry during 2020 and into 2021. While oil prices have recently recovered from the lows in April 2020 resulting from the price war between Saudi Arabia and Russia as well as the global economic shock due to the COVID-19 pandemic, industry activity remains low by historical measures. As such, the Company remains cautious and continues to manage it business and affairs in a manner to protect its balance sheet and financial liquidity.

The severity of the current downturn has resulted in a substantial increase in bankruptcies and insolvencies among the Company's competitors and customers. While this led to short term challenges, it is expected to result in more balanced market conditions over the long-term in the various markets in which the Company competes as global energy supply and demand rebalances with normalized global economic activity.

Recent improvements in global oil and natural gas prices have stabilized industry conditions although current activity levels remain low relative to historical levels as producers generally remain disciplined and cautious in regards of their capital expenditure programs.

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. A discussion of the Company's business risks is set out in its AIF under the heading "Risk Factors" and is incorporated herein. 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 2021 other than as described below.

Industry Conditions

The dual shocks of the COVID-19 pandemic and collapse in oil prices contributed to extremely negative industry conditions for the global energy industry that only recently have begun to moderate. The Company's North American customers have significantly reduced near term capital spending resulting in current activity levels that are substantially below historical levels. Activity levels in Australia also began to moderate during the third quarter of 2020. While the Company has been proactive in managing its operating cost structure, capital expenditures and dividend policy to adapt to the current environment, continued challenging 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 North America, 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. Regarding 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 secure and collect outstanding balances.

The Company did not have significant exposure to any individual customer or counter party in the first quarter of 2021. In the first quarter of 2020 the Company did not have significant exposure other than with two major oil and gas companies that accounted for over 10% of the consolidated revenue.

The Company increased its allowance for doubtful accounts receivable by $0.2 million and wrote-off $1.1 million against the allowance for doubtful accounts during the first quarter of 2021, bringing such allowance to an aggregate of $1.1 million as at March 31, 2021.

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 2021.

Change in accounting estimates

During the second quarter of 2020, the Company conducted a review of its drilling equipment within its CDS segment. Such review was based on the current economic and operating environment and considered the operating history of these assets in order to assess their useful lives, pace of economic consumption and residual values. As a result of this review, effective April 1, 2020 certain changes were made to the Company's estimates of the useful life and residual values of various CDS assets, which are summarized as follows:

	Previous estimated useful lives	New estimated useful lives	Previous basis of depreciation	New basis of depreciation
Drilling rigs and related equipment	600 to 8,000 operating days	3 – 25 years	utilization (minimum annual deemed utilization of 96 days)	straight-line

As a result of these changes in estimates which related primarily to the estimated useful life and method of depreciation, a non-recurring depreciation expense relating to now fully depreciated assets of $26.3 million was incurred during the second quarter of 2020.

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 recognizes revenue over time in accounting for its equipment manufacturing contract revenue. Recognizing revenue over time 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 expected future credit losses 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 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.

FUTURE ACCOUNTING POLICIES CHANGES

Certain pronouncements were issued recently by the International Accounting Standards Board ("IASB") of the International Financial Reporting Standards ("IFRS") Interpretations Committee that are mandatory for accounting periods beginning in future years. Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

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 is set forth below.

EBITDA

	Three months ended March 31	
	2021	2020
Net (loss) income	**$ (3,607)**	$ 4,724
Add back (deduct):		
Depreciation	**21,847**	19,994
Finance costs	**1,807**	3,439
Income tax (recovery) expense	**(3,330)**	2,746
EBITDA	**$ 16,717**	$ 30,903

Net debt is equal to long-term debt plus lease liabilities plus current liabilities minus current assets.

Net Debt

	As at March 31, 2021
Long-term debt	**$ 219,865**
Lease liabilities	**9,762**
Add back (deduct):	
Current liabilities	**64,393**
Current assets	**(199,740)**
Net Debt	**$ 94,280**

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

Internal Control Over Financial Reporting ("ICFR")

There have been no significant changes in the design of the Company's ICFR during the quarter ended March 31, 2021 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 global economic conditions, changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), pandemics, 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, labour 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, and 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

(in thousands of Canadian dollars)

	Note	March 31 2021	December 31 2020
		(unaudited)	(audited)
ASSETS			
Current assets:			
Cash and cash equivalents		**$ 20,705**	$ 22,996
Accounts receivable		**76,908**	73,373
Inventory		**93,747**	95,586
Prepaid expenses and deposits		**5,903**	6,876
Income taxes receivable		**1,989**	1,287
Current portion of finance lease asset		**488**	566
		199,740	200,684
Property, plant and equipment		**619,494**	636,996
Income taxes receivable		**7,070**	7,070
Deferred income tax asset		**998**	57
Lease asset		**608**	719
Goodwill		**4,053**	4,053
		$ 831,963	$ 849,579
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 47,705**	$ 46,410
Deferred revenue		**8,798**	6,365
Current portion of lease liabilities		**5,324**	6,417
Current portion of long-term debt	4	**2,566**	2,552
		64,393	61,744
Long-term debt	4	**219,865**	230,517
Lease liabilities		**9,762**	8,420
Deferred tax liability		**35,993**	37,911
Shareholders' equity:			
Share capital	5	**283,564**	284,077
Contributed surplus		**5,167**	4,966
Accumulated other comprehensive loss		**(24,038)**	(18,736)
Non-controlling interest		**601**	629
Retained earnings		**236,656**	240,051
		501,950	510,987
		$ 831,963	$ 849,579

The notes on pages 26 to 32 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)

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

	Note	Three months ended March 31 2021	2020
REVENUE		**$ 93,190**	$ 134,268
Cost of services		**71,088**	100,683
Selling, general and administration		**6,539**	10,585
Other income		**(1,066)**	(7,928)
Share-based compensation	6	**201**	405
Depreciation		**21,847**	19,994
Operating income (loss)		**(5,419)**	10,529
Gain on sale of property, plant and equipment		**289**	380
Finance costs, net		**(1,807)**	(3,439)
Net income (loss) before income taxes		**(6,937)**	7,470
Current income tax expense (recovery)		**(471)**	1,336
Deferred income tax expense (recovery)		**(2,859)**	1,410
Total income tax expense (recovery)		**(3,330)**	2,746
Net income (loss)		**$ (3,607)**	$ 4,724
Net income (loss) attributable to:			
Shareholders of the Company		**$ (3,579)**	$ 4,672
Non-controlling interest		**(28)**	52
Income (loss) per share			
Basic and diluted	5	**$ (0.08)**	$ 0.10

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three months ended March 31 2021	2020
Net income (loss) for the period	**$ (3,607)**	$ 4,724
Foreign currency translation	**(5,302)**	4,847
Deferred tax effect	**–**	304
Total other comprehensive income (loss) for the period	**(5,302)**	5,151
Total comprehensive income (loss)	**$ (8,909)**	$ 9,875
Total comprehensive income (loss) attributable to:		
Shareholders of the Company	**$ (8,881)**	$ 9,823
Non-controlling interest	**(28)**	52

The notes on pages 26 to 32 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

As at and for the three months ended March 31, 2021 and 2020, and year ended December 31, 2020
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, 2019		$ 284,510	$ 7,528	$ (16,722)	$ (236)	$ 268,062	$ 543,142
Net loss		–	–	–	(5)	(30,450)	(30,455)
Other comprehensive loss		–	–	(2,014)	–	–	(2,014)
Transactions with shareholders, recorded directly in equity:							
Repurchase of common shares	5	(433)	–	–	–	6	(427)
Share-based compensation	6	–	866	–	–	–	866
Stock options expired		–	(3,428)	–	–	3,428	–
Dissolution of limited partnership		–	–	–	995	(995)	–
Partnership distributions		–	–	–	(125)	–	(125)
		(433)	(2,562)	–	870	2,439	314
Balance at December 31, 2020		$ 284,077	$ 4,966	$ (18,736)	$ 629	$ 240,051	$ 510,987
Net loss		–	–	–	(28)	(3,579)	(3,607)
Other comprehensive loss		–	–	(5,302)	–	–	(5,302)
Transactions with shareholders, recorded directly in equity:							
Repurchase of common shares	5	(513)	–	–	–	184	(329)
Share-based compensation	6	–	201	–	–	–	201
		(513)	201	–	–	184	(128)
Balance at March 31, 2021		**$ 283,564**	**$ 5,167**	**$ (24,038)**	**$ 601**	**$ 236,656**	**$ 501,950**

	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Non-controlling Interest	Retained earnings	Total Equity
Balance at December 31, 2019		$ 284,510	$ 7,528	$ (16,722)	$ (236)	$ 268,062	$ 543,142
Net income		–	–	–	52	4,672	4,724
Other comprehensive income		–	–	5,151	–	–	5,151
Transactions with shareholders, recorded directly in equity:							
Repurchase of common shares	5	(433)	–	–	–	6	(427)
Share-based compensation	6	–	405	–	–	–	405
Stock options expired		–	(124)	–	–	124	–
		(433)	281	–	–	130	(22)
Balance at March 31, 2020		$ 284,077	$ 7,809	$ (11,571)	$ (184)	$ 272,864	$ 552,995

The notes on pages 26 to 32 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)

	Note	Three months ended March 31	
		2021	2020
Cash provided by (used in):			
Operations:			
Net income (loss) for the period		**$ (3,607)**	$ 4,724
Add (deduct) items not affecting cash:			
Depreciation		**21,847**	19,994
Share-based compensation		**201**	405
Gain on sale of property, plant and equipment		**(289)**	(380)
Finance costs		**1,807**	3,439
Unrealized gain on foreign currencies translation		**(1,066)**	(8,576)
Current income tax expense (recovery)		**(471)**	1,336
Deferred income tax expense (recovery)		**(2,859)**	1,410
Income taxes paid		**(231)**	(441)
Cashflow		**15,332**	21,911
Changes in non-cash working capital items:			
Accounts receivable		**(3,897)**	5,613
Inventory		**1,157**	(7,399)
Prepaid expenses and deposits		**973**	3,502
Accounts payable and accrued liabilities		**868**	(10,237)
Deferred revenue		**2,433**	2,953
Cash provided by operating activities		**16,866**	16,343
Investing:			
Purchase of property, plant and equipment		**(5,074)**	(2,246)
Proceeds on disposal of property, plant and equipment		**440**	1,705
Changes in non-cash working capital items		**972**	(1,308)
Cash used in investing activities		**(3,662)**	(1,849)
Financing:			
Advances on long-term debt		**–**	20,000
Repayment of long-term debt	4	**(10,638)**	(15,695)
Repayment of lease liabilities		**(1,820)**	(2,059)
Dividends to shareholders		**–**	(2,710)
Repurchase of common shares		**(329)**	(427)
Interest paid		**(2,708)**	(3,530)
Cash used in financing activities		**(15,495)**	(4,421)
Change in cash and cash equivalents		**(2,291)**	10,073
Cash and cash equivalents, beginning of period		**22,996**	19,873
Cash and cash equivalents, end of period		**$ 20,705**	$ 29,946

The notes on pages 26 to 32 are an integral part of these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2021 and 2020
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 aboriginal 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 energy and other resource industries primarily in Canada, the United States and Australia, including contract drilling services, the rental and transportation of equipment used in energy and other industrial operations, the fabrication, sale, rental and servicing of gas compression and 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, 2020 (the "2020 Financial Statements"). These condensed interim consolidated financial statements do not include all the necessary annual disclosures and should be read in conjunction with the 2020 Financial Statements.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 12, 2021.

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.

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 March 31, 2021	**Contract Drilling Services**	**Rentals and Transportation Services**	**Compression and Process Services**	**Well Servicing**	**Corporate [1]**	**Total**
Revenue	**$ 28,571**	**$ 7,735**	**$ 34,156**	**$ 22,728**	**$ –**	**$ 93,190**
Cost of services	**20,915**	**4,672**	**29,224**	**16,277**	**–**	**71,088**
Selling, general and administration	**1,396**	**1,252**	**1,444**	**1,268**	**1,179**	**6,539**
Other income	**–**	**–**	**–**	**–**	**(1,066)**	**(1,066)**
Share-based compensation	**–**	**–**	**–**	**–**	**201**	**201**
Depreciation [2]	**9,865**	**5,518**	**2,407**	**3,852**	**205**	**21,847**
Operating income (loss)	**(3,605)**	**(3,707)**	**1,081**	**1,331**	**(519)**	**(5,419)**
Gain (loss) on sale of property, plant and equipment	**8**	**155**	**87**	**(31)**	**70**	**289**
Finance costs	**(1)**	**(16)**	**(78)**	**(6)**	**(1,706)**	**(1,807)**
Net income (loss) before income taxes	**(3,598)**	**(3,568)**	**1,090**	**1,294**	**(2,155)**	**(6,937)**
Goodwill	**–**	**2,514**	**1,539**	**–**	**–**	**4,053**
Total assets	**313,993**	**194,189**	**214,582**	**99,897**	**9,302**	**831,963**
Total liabilities	**55,347**	**8,947**	**32,301**	**5,407**	**228,011**	**330,013**
Capital expenditures	**4,257**	**219**	**168**	**430**	**–**	**5,074**

As at and for the three months ended March 31, 2020	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate [1]	Total
Revenue	$ 43,025	$ 16,833	$ 40,744	$ 33,666	$ –	$ 134,268
Cost of services	32,457	10,617	33,411	24,198	–	100,683
Selling, general and administration	2,441	2,503	2,216	1,727	1,698	10,585
Other income	–	–	–	–	(7,928)	(7,928)
Share-based compensation	–	–	–	–	405	405
Depreciation	7,836	6,151	2,293	3,530	184	19,994
Operating income (loss)	291	(2,438)	2,824	4,211	5,641	10,529
Gain on sale of property, plant and equipment	91	153	113	10	13	380
Finance costs	(42)	(23)	(98)	(9)	(3,267)	(3,439)
Net income (loss) before income taxes	340	(2,308)	2,839	4,212	2,387	7,470
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	394,120	232,602	235,487	111,510	25,510	999,229
Total liabilities	77,709	23,473	45,000	7,517	292,535	446,234
Capital expenditures	861	523	56	802	4	2,246

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

(2) Effective April 1, 2020 the Company changed certain estimates relating to the useful life and residual value of equipment in the Contract Drilling Services segment. See note 10 to the 2020 Financial Statements for further details.

Unaudited (tabular amounts in thousands of Canadian dollars)

Three months ended March 31, 2021	Canada	United States	Australia	Other	Total
Revenue	**$ 59,747**	**$ 18,309**	**$ 15,132**	**$ 2**	**$ 93,190**
Non-current assets (3)	**410,127**	**147,742**	**66,286**	**–**	**624,155**

Three months ended March 31, 2020	Canada	United States	Australia	Other	Total
Revenue	$ 69,475	$ 31,411	$ 33,040	$ 342	$ 134,268
Non-current assets (3)	476,630	187,699	64,108	–	728,437

(3) Includes property, plant and equipment, lease asset (excluding current portion) and goodwill.

4. Long-term Debt

At March 31, 2021 the Company's long-term debt consisted of the following:

	March 31, 2021	
	Interest rate	Principal Amount
Credit Facility	2.59%	$ 160,000
Mortgage loan (2025 maturity)	3.10%	48,323
Mortgage loan (2041 maturity)	3.05%	14,108
		222,431
Less current portion		2,566
		$ 219,865

At March 31, 2021 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 (the "Credit Facility"). On April 25, 2018 the Credit Facility was increased by $65 million to $290 million. On November 10, 2020, at the request of the Company the Credit Facility was reduced to $250 million and the maturity date extended to November 10, 2023. 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 $230.0 million revolving facility. The Credit Facility bears interest at the banks' Canadian prime rate plus 0.25% to 2.75%, bankers' acceptance, letter of credit, LIBOR or BBSY advances plus a 1.5% to 4.0% stamping fee. The applicable interest rate within such ranges is dependent on certain financial ratios of the Company. A standby fee ranging from 0.25% to 0.8% per annum is paid quarterly on the unused portion of the facility depending on certain financial ratios of the Company. At March 31, 2021, the applicable interest rate on amounts drawn on the Credit Facility was 2.59% and the standby rate was 0.44%. Letters of credit ("LOC") of $0.4 million were outstanding at March 31, 2021 which reduces the amount of credit available under the Credit Facility by an equivalent amount.

In August of 2018 a U.S. $20 million letter of credit facility was established (the "LOC Facility"). LOCs issued pursuant to the LOC Facility do not reduce availability under the Credit Facility. In April 2020 this facility was reduced at the request of the Company to U.S. $10 million. At March 31, 2021 $4.1 million Canadian dollars of LOCs were outstanding under the LOC Facility (December 31, 2020: $3.7 million).

In addition to the Credit Facility, a subsidiary of the Company has established a $5.0 million revolving operating credit facility with a member of the Credit Facility lenders' syndicate. At March 31, 2021 this facility was undrawn and fully available.

Unaudited (tabular amounts in thousands of Canadian dollars)

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

	March 31, 2021	Threshold
Twelve-month trailing Bank EBITDA to interest expense	**9.87**	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	**2.48**	maximum 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 and certain other obligations identified in the credit agreement) minus cash on hand.

The Credit Facility is secured by a general security agreement over all the present and future property of the Company and its subsidiaries. The Company was in compliance with all of its Credit Facility covenants at March 31, 2021.

Mortgage Loan (2025 maturity) is a loan maturing on April 29, 2025 that is amortized over 20 years with blended monthly principal and interest payments of approximately $279,800. 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 3.10% and is secured by certain of the Company`s real estate. This loan was taken to repay a $40.2 million term loan that matured on April 29, 2020 and to repay $9.6 million owing under the Credit Facility.

Mortgage Loan (2041 maturity) is a loan maturing on December 31, 2041 and bears interest at a floating rate that was 3.05% at March 31, 2021. This loan is secured by certain of the Company's real estate.

At March 31, 2021 the Company was in compliance with all debt covenants.

Unaudited (tabular amounts in thousands of Canadian dollars)

5. 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, 2019	45,150	$ 284,510
Repurchased and cancelled	(69)	(433)
Balance, December 31, 2020	45,081	$ 284,077
Repurchased and cancelled	(81)	(513)
Balance, March 31, 2021	**45,000**	**$ 283,564**

During the three months ended March 31, 2021, 81,300 shares (March 31, 2020: 68,700) were repurchased under the Company's normal course issuer bid at an average price of $4.03 (March 31, 2020: $6.21) per share including commissions. The repurchased shares were cancelled.

(b) Per Share Amounts

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

	Three months ended March 31	
	2021	2020
Net income (loss) for the period attributable to shareholders	**$ (3,579)**	$ 4,672
Weighted average number of shares outstanding – basic	**45,072**	45,087
Earnings (loss) per share – basic	**$ (0.08)**	$ 0.10
Net income (loss) for the period attributable to shareholders	**$ (3,579)**	$ 4,672
Weighted average number of shares outstanding – basic	**45,072**	45,087
Share option dilution	**159**	–
Weighted average number of shares outstanding – diluted	**45,231**	45,087
Earnings (loss) per share – diluted	**$ (0.08)**	$ 0.10

For the three months ended March 31, 2021, 2,430,000 share options (March 31, 2020: 3,885,000 options) 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)

6. Share-Based Compensation Plan

Share option transactions during 2021 and 2020 were as follows:

	Weighted average exercise price	Number of Options
Balance, December 31, 2019	$ 12.35	3,935,000
Granted	2.31	650,000
Forfeited	11.06	(204,999)
Expired	13.78	(1,355,001)
Balance, December 31, 2020	$ 9.65	3,025,000
Granted	3.50	55,000
Balance, March 31, 2021	**$ 9.54**	**3,080,000**

A total of 1,715,004 outstanding options were exercisable at March 31, 2021 at a weighted average price of $12.25 per option.

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 2021 is $1.15 per option (2020: $0.64 per option) using the following assumptions:

	March 31, 2021	December 31, 2020
Expected volatility	**41.26% - 44.38%**	38.79% - 44.38%
Risk free interest rate	**0.19% - 0.41%**	0.30% - 0.41%
Forfeitures	**12%**	14%
Expected life (years)	**3 to 5 years**	3 to 5 years

The share options issued during 2019, 2020 and 2021 vest 1/3 on the first, second and third anniversary from the grant date and expire five years from the date of grant. The outstanding options expire on various dates ranging from June 27, 2022 to January 11, 2026.

7. Government grants

In response to the COVID-19 pandemic, various governments have established programs to assist companies through this challenging period. The Company has determined that it qualifies for certain programs and recognizes such government grants when there is a reasonable assurance the grant will be received. For the three months ended March 31, 2021 the Company received $5.9 million under various COVID-19 relief programs in Canada, the United States and Australia. These funds have been recognized as a reduction of operating and administrative expenses by $5.3 million and $0.6 million, respectively.

8. Financial Instruments

The Company's financial instruments as at March 31, 2021 include cash and cash equivalents, accounts receivable, lease assets, accounts payable and accrued liabilities, lease liabilities and long-term debt. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and lease liabilities approximate their carrying amounts due to their short terms to maturity.

The discounted future cash repayments of the Company`s mortgage loan (maturity 2025) 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 3.62% for a similar debt instrument at March 31, 2021 was $47.4 million (December 31, 2020: market rate of 3.08%, $48.8 million). The carrying value and Company`s liability with respect to the mortgage loan is $48.3 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. The matter is expected to go to trial in 2022. Management believes that it will be successful in defending its tax filing position, and as such, the Company has not recognized any provision for the Reassessment at March 31, 2021. 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 $16.6 million of cash may be owing and $23.6 million of income tax expense would be recognized.

In April of 2017 one of the Company's subsidiaries, Savanna Energy Services Corp. ("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. On January 28, 2021, a Master of the Court of Queen's Bench of Alberta summarily dismissed Western's claim and awarded costs to Savanna. Western has appealed this decision.

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, Alberta Investment Management Corporation ("AIMCo") against the Company and Savanna. In early 2020 AIMCo amended its claim to remove the Company as a defendant. AIMCo's claim 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. Following the completion of discoveries, Savanna has determined to file a counterclaim against AIMCo and certain former directors of Savanna for $7.3 million.

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the duration, nature and magnitude of the impact on the economy, commodity prices and the Company's business is not known at this time. Such impact could include a material adverse impact on the Company's financial liquidity position, impairments in the value of long-lived assets, future material decreases in revenue and the profitability of ongoing operations.

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

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

Yuliya Gorbach
Vice President, Finance and Chief Financial Officer

William Kosich
Vice President, Drilling Services

Brad Macson
Vice President, Operations

Ashley Ting
Corporate Controller

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AUDITOR

KPMG LLP

Calgary, Alberta

TRUSTEE, REGISTRAR AND TRANSFER AGENT

Computershare

Calgary, Alberta

LEGAL COUNSEL

Bennett Jones, LLP

Calgary, Alberta

BANKERS

HSBC

The Toronto Dominion Bank

The Bank of Nova Scotia

Alberta Treasury Branches

Export Development Corp.

STOCK EXCHANGE LISTING

Toronto Stock Exchange

Common Shares: TOT

CANADIAN LOCATIONS

Brooks • Calgary • Clairmont • Dawson Creek • Drumheller • Edson • Fort St. John
Fox Creek • Grande Prairie • Lac La Biche • Leduc • Lloydminster • Medicine Hat • Red Deer
Red Earth • Rocky Mountain House • Slave Lake • Swift Current • Weyburn/Midale

U.S. LOCATIONS

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

AUSTRALIAN LOCATIONS

Toowoomba, QLD

TOTAL ENERGY SERVICES INC.

BIDELL™ GAS COMPRESSION

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Savanna Well Servicing

TOTAL OILFIELD RENTALS LTD.