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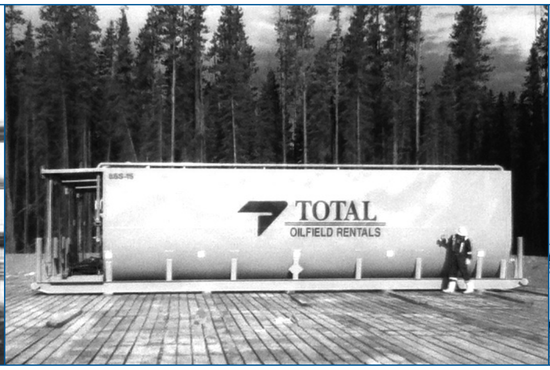

FOCUS DISCIPLINE GROWTH

Third Quarter Report 2022

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 energy and other resource industries 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

Despite broader market uncertainty and commodity price volatility, energy industry fundamentals remained strong during the third quarter of 2022 and contributed to record quarterly results for Total Energy.

Total Energy achieved record quarterly EBITDA, cashflow and net income results during a quarter that is not typically the seasonally strongest quarter in Canada and despite oil and natural gas producers remaining constrained in their capital programs relative to prior periods of similarly high commodity prices. Reasons for this include the Company's increased international footprint, the significant contraction in energy service industry capacity over the past few years and Total Energy's leverage to improving North American industry conditions following the acquisition of Savanna Energy Services in mid-2017 and subsequent realized annual integration synergies of approximately $23 million.

LOOKING FORWARD

Oil and natural gas prices remain relatively strong and current indications are that North American industry activity levels will continue to moderately increase in the near to medium term. While Australian industry conditions have also improved, prolonged wet weather conditions have hampered field activity.

In response to continued opportunities to upgrade and redeploy equipment with the CDS, RTS and WS segments, Total Energy has increased its 2022 capital expenditure budget by $7.0 million to $63.2 million, which includes $4.1 million of lease liabilities related to light duty vehicles. Excluding capital leases, $42.0 million of capital expenditures were made to September 30, 2022.

After funding $17.1 million of non-lease capital commitments remaining for 2022, Total Energy expects to generate significant free cash flow that will continue to be directed towards debt repayment, share repurchases and dividends to shareholders. On October 13, 2022, the Company repaid in full a variable interest rate mortgage loan with a 2041 maturity that was taken out by Savanna Energy Services prior to being acquired by Total Energy at a total cost, including prepayment fees, of $13.3 million. This repayment was funded by cash on hand.

I am pleased to welcome Jeremy Busch-Howell to the position of Vice Present, Legal and General Counsel. Jeremy joined us in early October from a private Canadian oil and gas midstream company. Prior to entering the oil and gas industry, Jeremy spent over eight years in private practice with a large Canadian law firm practicing corporate and securities law.

Finally, I would like to thank our Board of Directors for your guidance as well as our employees throughout North America and Australia for your continued effort and commitment. Together we successfully navigated through some very challenging times and it appears that we can all look forward to better times in the months ahead. I wish you and your families and friends a safe and enjoyable holiday season.

Daniel Halyk.

DANIEL K. HALYK
President and Chief Executive Officer

November 2022

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	Note	**September 30 2022**	December 31 2021
		(unaudited)	(audited)
ASSETS			
Current assets:			
Cash and cash equivalents		**$ 34,303**	$ 33,365
Accounts receivable		**164,736**	90,543
Inventory		**93,390**	89,921
Prepaid expenses and deposits		**19,313**	9,208
Income taxes receivable		**2,269**	2,208
Current portion of lease asset		**507**	487
		314,518	225,732
Property, plant and equipment		**571,433**	575,913
Income taxes receivable		**7,070**	7,070
Deferred income tax asset		**–**	393
Lease asset		**10**	361
Goodwill		**4,053**	4,053
		$ 897,084	$ 813,522
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 119,547**	$ 65,513
Deferred revenue		**55,140**	16,274
Dividends payable		**2,517**	–
Current portion of lease liabilities		**5,304**	4,030
Current portion of long-term debt	4	**2,656**	2,611
		185,164	88,428
Long-term debt	4	**145,906**	187,906
Lease liabilities		**9,523**	8,101
Deferred income tax liability		**40,951**	35,650
Shareholders' equity:			
Share capital	5	**264,110**	270,905
Contributed surplus		**3,513**	5,757
Accumulated other comprehensive loss		**(17,997)**	(26,704)
Non-controlling interest		**532**	561
Retained earnings		**265,382**	242,918
		515,540	493,437
		$ 897,084	$ 813,522

The notes on pages 6 to 13 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 September 30 2022	Three months ended September 30 2021	Nine months ended September 30 2022	Nine months ended September 30 2021
REVENUE		**$ 207,678**	$ 118,881	**$ 548,334**	$ 296,947
Cost of services		**156,803**	85,255	**427,518**	219,435
Selling, general and administration		**9,695**	7,254	**28,589**	19,862
Other income		**(405)**	(474)	**(1,080)**	(2,654)
Share-based compensation	6	**312**	186	**791**	576
Depreciation		**19,651**	20,245	**58,778**	62,821
Operating income (loss)		**21,622**	6,415	**33,738**	(3,093)
Gain on sale of property, plant and equipment		**1,062**	355	**2,932**	3,720
Finance costs, net		**(1,911)**	(1,675)	**(5,280)**	(5,254)
Net income (loss) before income taxes		**20,773**	5,095	**31,390**	(4,627)
Current income tax expense (recovery)		**403**	(122)	**(39)**	(577)
Deferred income tax expense (recovery)		**3,207**	938	**5,694**	(2,586)
Total income tax expense (recovery)		**3,610**	816	**5,655**	(3,163)
Net income (loss)		**$ 17,163**	$ 4,279	**$ 25,735**	$ (1,464)
Net income (loss) attributable to:					
Shareholders of the Company		**$ 17,179**	$ 4,278	**$ 25,764**	$ (1,409)
Non-controlling interest		**(16)**	1	**(29)**	(55)
Income (loss) per share					
Basic	5	**$ 0.41**	$ 0.10	**$ 0.61**	$ (0.03)
Diluted		**$ 0.40**	$ 0.09	**$ 0.60**	$ (0.03)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three months ended September 30 2022	Three months ended September 30 2021	Nine months ended September 30 2022	Nine months ended September 30 2021
Net income (loss) for the period	**$ 17,163**	$ 4,279	**$ 25,735**	$ (1,464)
Unrealized foreign currency translation	**8,496**	3,121	**8,707**	(8,001)
Total other comprehensive income (loss) for the period	**8,496**	3,121	**8,707**	(8,001)
Total comprehensive income (loss)	**$ 25,659**	$ 7,400	**$ 34,442**	$ (9,465)
Total comprehensive income (loss) attributable to:				
Shareholders of the Company	**$ 25,675**	$ 7,399	**$ 34,471**	$ (9,410)
Non-controlling interest	**(16)**	1	**(29)**	(55)

The notes on pages 6 to 13 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As at and for the nine months ended September 30, 2022 and 2021, and year ended December 31, 2021
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, 2020		$ 284,077	$ 4,966	$ (18,736)	$ 629	$ 240,051	$ 510,987
Net loss		–	–	–	(68)	(360)	(428)
Other comprehensive loss		–	–	(7,968)	–	–	(7,968)
Transactions with shareholders, recorded directly in equity:							
Repurchase of common shares	5	(13,227)	–	–	–	3,227	(10,000)
Issue of share capital on exercise of stock options	5	55	(13)	–	–	–	42
Share-based compensation	6	–	804	–	–	–	804
		(13,172)	791	–	–	3,227	(9,154)
Balance at December 31, 2021		$ 270,905	$ 5,757	$ (26,704)	$ 561	$ 242,918	$ 493,437
Net income (loss)		–	–	–	(29)	25,764	25,735
Other comprehensive income		–	–	8,707	–	–	8,707
Transactions with shareholders, recorded directly in equity:							
Dividends ($0.12 per common share)		–	–	–	–	(4,999)	(4,999)
Repurchase of common shares	5	(7,089)	–	–	–	(1,058)	(8,147)
Issue of share capital from exercise of stock options	5	294	(107)	–	–	(171)	16
Share options expired	6	–	(2,928)	–	–	2,928	–
Share-based compensation	6	–	791	–	–	–	791
		(6,795)	(2,244)	–	–	(3,300)	(12,339)
Balance at September 30, 2022		**$ 264,110**	**$ 3,513**	**$ (17,997)**	**$ 532**	**$ 265,382**	**$ 515,540**

	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Non-controlling Interest	Retained earnings	Total Equity
Balance at December 31, 2020		$ 284,077	$ 4,966	$ (18,736)	$ 629	$ 240,051	$ 510,987
Net loss		–	–	–	(55)	(1,409)	(1,464)
Other comprehensive loss		–	–	(8,001)	–	–	(8,001)
Transactions with shareholders, recorded directly in equity:							
Repurchase of common shares	5	(6,956)	–	–	–	2,214	(4,742)
Share-based compensation	6	–	576	–	–	–	576
		(6,956)	576	–	–	2,214	(4,166)
Balance at September 30, 2021		$ 277,121	$ 5,542	$ (26,737)	$ 574	$ 240,856	$ 497,356

The notes on pages 6 to 13 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 September 30		Nine months ended September 30	
		2022	2021	**2022**	2021
Cash provided by (used in):					
Operations:					
Net income (loss) for the period		**$ 17,163**	$ 4,279	**$ 25,735**	$ (1,464)
Add (deduct) items not affecting cash:					
Depreciation		**19,651**	20,245	**58,778**	62,821
Share-based compensation	6	**312**	186	**791**	576
Gain on sale of property, plant and equipment		**(1,062)**	(355)	**(2,932)**	(3,720)
Finance costs, net		**1,911**	1,675	**5,280**	5,254
Unrealized gain on foreign currencies translation		**(405)**	(474)	**(1,080)**	(2,654)
Current income tax expense (recovery)		**403**	(122)	**(39)**	(577)
Deferred income tax expense (recovery)		**3,207**	938	**5,694**	(2,586)
Income taxes (paid) recovered		**(102)**	(119)	**(22)**	397
Cashflow		**41,078**	26,253	**92,205**	58,047
Changes in non-cash working capital items:					
Accounts receivable		**(33,689)**	(17,132)	**(73,667)**	(17,291)
Inventory		**123**	(6,431)	**(3,467)**	(4,302)
Prepaid expenses and deposits		**(3,856)**	(3,911)	**(10,105)**	(1,870)
Accounts payable and accrued liabilities		**16,121**	7,984	**44,960**	15,975
Deferred revenue		**(933)**	6,531	**38,866**	11,223
Cash provided by operating activities		**18,844**	13,294	**88,792**	61,782
Investing:					
Purchase of property, plant and equipment		**(17,063)**	(4,077)	**(42,022)**	(17,230)
Proceeds on disposal of property, plant and equipment		**2,083**	711	**5,960**	9,156
Changes in non-cash working capital items		**6,603**	(709)	**9,554**	342
Cash used in investing activities		**(8,377)**	(4,075)	**(26,508)**	(7,732)
Financing:					
Repayment of long-term debt	4	**(10,651)**	(7,636)	**(41,955)**	(36,911)
Repayment of lease liabilities		**(1,326)**	(1,088)	**(3,607)**	(4,710)
Dividends to shareholders		**(2,482)**	–	**(2,482)**	–
Repurchase of common shares	5	**(2,248)**	(2,489)	**(8,147)**	(4,742)
Shares issued on exercise of share options	5	**85**	–	**116**	–
Interest paid		**(1,887)**	(1,668)	**(5,271)**	(5,114)
Cash used in financing activities		**(18,509)**	(12,881)	**(61,346)**	(51,477)
Change in cash and cash equivalents		**(8,042)**	(3,662)	**938**	2,573
Cash and cash equivalents, beginning of period		**42,345**	29,231	**33,365**	22,996
Cash and cash equivalents, end of period		**$ 34,303**	$ 25,569	**$ 34,303**	$ 25,569

The notes on pages 6 to 13 are an integral part of these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine months ended September 30, 2022 and 2021
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 1000, 734 – 7th 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, 2021 (the "2021 Financial Statements"). These condensed interim consolidated financial statements do not include all the necessary annual disclosures and should be read in conjunction with the 2021 Financial Statements.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 9, 2022.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine months ended September 30, 2022 and 2021
Unaudited (tabular amounts in thousands of Canadian dollars)

As at and for the three months ended September 30, 2022	**Contract Drilling Services**	**Rentals and Transportation Services**	**Compression and Process Services**	**Well Servicing**	**Corporate (1)**	**Total**
Revenue	**$ 73,976**	**$ 18,070**	**$ 86,654**	**$ 28,978**	**$ –**	**$ 207,678**
Cost of services	**50,189**	**8,501**	**77,234**	**20,879**	**–**	**156,803**
Selling, general and administration	**2,011**	**1,662**	**2,139**	**1,399**	**2,484**	**9,695**
Other income	**–**	**–**	**–**	**–**	**(405)**	**(405)**
Share-based compensation	**–**	**–**	**–**	**–**	**312**	**312**
Depreciation	**8,888**	**4,855**	**2,415**	**3,247**	**246**	**19,651**
Operating income (loss)	**12,888**	**3,052**	**4,866**	**3,453**	**(2,637)**	**21,622**
Gain on sale of property, plant and equipment	**1**	**190**	**675**	**196**	**–**	**1,062**
Finance costs, net	**(8)**	**(20)**	**(114)**	**(8)**	**(1,761)**	**(1,911)**
Net income (loss) before income taxes	**12,881**	**3,222**	**5,427**	**3,641**	**(4,398)**	**20,773**
Goodwill	**–**	**2,514**	**1,539**	**–**	**–**	**4,053**
Total assets	**358,510**	**186,260**	**258,328**	**87,568**	**6,418**	**897,084**
Total liabilities	**79,604**	**18,246**	**110,036**	**7,121**	**166,537**	**381,544**
Capital expenditures	**10,506**	**2,260**	**2,801**	**1,427**	**69**	**17,063**

Three months ended September 30, 2022	**Canada**	**United States**	**Australia**	**Other**	**Total**
Revenue	**$ 98,020**	**$ 77,165**	**$ 32,493**	**$ –**	**$ 207,678**
Non-current assets (2)	**374,894**	**149,528**	**51,074**	**–**	**575,496**

As at and for the three months ended September 30, 2021	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate (1)	Total
Revenue	$ 43,334	$ 12,313	$ 38,188	$ 25,046	$ –	$ 118,881
Cost of services	31,089	6,288	30,475	17,403	–	85,255
Selling, general and administration	856	1,487	2,129	1,141	1,641	7,254
Other income	–	–	–	–	(474)	(474)
Share-based compensation	–	–	–	–	186	186
Depreciation	9,038	4,917	2,353	3,658	279	20,245
Operating income (loss)	2,351	(379)	3,231	2,844	(1,632)	6,415
Gain (loss) on sale of property, plant and equipment	3	100	259	(8)	1	355
Finance costs, net	(1)	(13)	(69)	(5)	(1,587)	(1,675)
Net income (loss) before income taxes	2,353	(292)	3,421	2,831	(3,218)	5,095
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	322,629	186,198	214,807	95,598	3,666	822,898
Total liabilities	57,587	9,908	43,168	5,244	209,635	325,542
Capital expenditures	2,818	61	910	288	–	4,077

Three months ended September 30, 2021	Canada	United States	Australia	Other	Total
Revenue	$ 70,832	$ 26,492	$ 21,557	$ –	$ 118,881
Non-current assets (2)	386,720	141,153	61,265	–	589,138

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine months ended September 30, 2022 and 2021
Unaudited (tabular amounts in thousands of Canadian dollars)

As at and for the nine months ended September 30, 2022	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate [(1)]	Total
Revenue	$ 183,478	$ 46,911	$ 238,001	$ 79,944	$ –	$ 548,334
Cost of services	136,354	25,561	206,556	59,047	–	427,518
Selling, general and administration	5,367	4,990	6,863	3,977	7,392	28,589
Other income	–	–	–	–	(1,080)	(1,080)
Share-based compensation	–	–	–	–	791	791
Depreciation	26,647	14,650	7,107	9,667	707	58,778
Operating income (loss)	15,110	1,710	17,475	7,253	(7,810)	33,738
Gain on sale of property, plant and equipment	269	830	1,580	253	–	2,932
Finance costs, net	(14)	(59)	(288)	(17)	(4,902)	(5,280)
Net income (loss) before income taxes	15,365	2,481	18,767	7,489	(12,712)	31,390
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	358,510	186,260	258,328	87,568	6,418	897,084
Total liabilities	79,604	18,246	110,036	7,121	166,537	381,544
Capital expenditures	27,970	5,018	5,562	3,392	80	42,022

Nine months ended September 30, 2022	Canada	United States	Australia	Other	Total
Revenue	$ 282,287	$ 166,523	$ 99,524	$ –	$ 548,334
Non-current assets [(2)]	374,894	149,528	51,074	–	575,496

As at and for the nine months ended September 30, 2021	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate [(1)]	Total
Revenue	$ 97,645	$ 26,101	$ 106,001	$ 67,200	$ –	$ 296,947
Cost of services	72,359	13,989	85,631	47,456	–	219,435
Selling, general and administration	3,201	4,015	4,753	3,470	4,423	19,862
Other income	–	–	–	–	(2,654)	(2,654)
Share-based compensation	–	–	–	–	576	576
Depreciation	28,364	15,477	7,025	11,259	696	62,821
Operating income (loss)	(6,279)	(7,380)	8,592	5,015	(3,041)	(3,093)
Gain on sale of property, plant and equipment	283	1,831	1,483	39	84	3,720
Finance costs, net	(10)	(59)	(221)	(16)	(4,948)	(5,254)
Net income (loss) before income taxes	(6,006)	(5,608)	9,854	5,038	(7,905)	(4,627)
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	322,629	186,198	214,807	95,598	3,666	822,898
Total liabilities	57,587	9,908	43,168	5,244	209,635	325,542
Capital expenditures	12,557	341	3,491	841	–	17,230

Nine months ended September 30, 2021	Canada	United States	Australia	Other	Total
Revenue	$ 173,125	$ 67,695	$ 56,125	$ 2	$ 296,947
Non-current assets [(2)]	386,720	141,153	61,265	–	589,138

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

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

Unaudited (tabular amounts in thousands of Canadian dollars)

4. Long-term Debt

At September 30, 2022 the Company's long-term debt consisted of the following:

	September 30, 2022	
	Interest rate	Principal Amount
Credit Facility	4.70%	$ 90,000
Mortgage loan (2025 maturity)	3.10%	45,474
Mortgage loan (2041 maturity)	5.85%	13,088
		148,562
Less current portion		2,656
	4.31%	$ 145,906

At September 30, 2022 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. On January 12, 2022, at the request of the Company the Credit Facility was reduced to $220 million and extended to November 10, 2024. 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 million operating line, an Australian $2 million operating line and a Canadian $200 million revolving facility. The Credit Facility bears interest at the banks' Canadian prime rate plus 0.25% to 1.25%, bankers' acceptance, letter of credit, LIBOR or BBSY advances plus a 1.5% to 2.5% 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 0.5% per annum is paid quarterly on the unused portion of the facility depending on certain financial ratios of the Company. At September 30, 2022, the applicable interest rate on amounts drawn on the Credit Facility was 4.70% and the standby rate was 0.25%. Letters of credit ("LOC") of $0.3 million were outstanding at September 30, 2022 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 of 2020 this facility was reduced at the request of the Company to U.S. $10 million. At September 30, 2022 $6.8 million Canadian dollars of LOCs were outstanding under the LOC Facility (December 31, 2021: $6.6 million).

In addition to the Credit Facility, a subsidiary of the Company has established a $5 million revolving operating credit facility with a member of the Credit Facility lenders' syndicate. At September 30, 2022 this facility was undrawn and fully available.

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

	September 30, 2022	Threshold
Twelve-month trailing Bank EBITDA to interest expense	24.82	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	0.61	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:

Unaudited (tabular amounts in thousands of Canadian dollars)

- 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 September 30, 2022.

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.

Mortgage Loan (2041 maturity) is a loan maturing on December 31, 2041 and bears interest at a floating rate that was 5.85% at September 30, 2022. This loan is secured by certain of the Company's real estate.

At September 30, 2022 the Company was in compliance with all debt covenants.

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, 2020	45,081	$ 284,077
Repurchased and cancelled	(2,099)	(13,227)
Share options exercised	18	55
Balance, December 31, 2021	43,000	$ 270,905
Repurchased and cancelled	**(1,118)**	**(7,042)**
Sunset clause cancellation	**(22)**	–
Share options exercised	**90**	**294**
Repurchased and not cancelled	–	**(47)**
Balance, September 30, 2022	**41,950**	**$ 264,110**

During the nine months ended September 30, 2022, 1,125,086 shares (September 30, 2021: 1,112,000 shares) were repurchased under the Company's normal course issuer bid at an average price of $7.24 (September 30, 2021: $4.26) per share including commissions. Of the shares repurchased 7,100 shares were cancelled subsequent to September 30, 2022.

Unaudited (tabular amounts in thousands of Canadian dollars)

(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 September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Net income (loss) for the period attributable to shareholders	**$ 17,179**	$ 4,278	**$ 25,764**	$ (1,409)
Weighted average number of shares outstanding – basic	**42,339**	44,921	**42,367**	44,737
Income (loss) per share – basic	**$ 0.41**	$ 0.10	**$ 0.61**	$ (0.03)
Net income (loss) for the period attributable to shareholders	**$ 17,179**	$ 4,278	**$ 25,764**	$ (1,409)
Weighted average number of shares outstanding – basic	**42,339**	44,921	**42,367**	44,737
Share option dilution	**751**	243	**775**	228
Weighted average number of shares outstanding – diluted	**43,090**	45,164	**43,142**	44,965
Income (loss) per share – diluted	**$ 0.40**	$ 0.09	**$ 0.60**	$ (0.03)

For the three and nine months ended September 30, 2022, 1,140,000 share options (September 30, 2021: 3,300,000 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.

6. Share-Based Compensation Plan

Share option transactions during 2022 and 2021 were as follows:

	Weighted average exercise price	Number of Options
Balance, December 31, 2020	$ 9.65	3,025,000
Granted	3.77	925,000
Exercised	2.31	(18,334)
Balance, December 31, 2021	$ 8.30	3,931,666
Granted	**7.46**	**840,000**
Exercised	**2.49**	**(90,131)**
Expired	**12.66**	**(1,235,000)**
Forfeited	**3.27**	**(83,332)**
Cancelled	**2.88**	**(41,538)**
Balance, September 30, 2022	**$ 6.82**	**3,321,665**

A total of 1,731,676 outstanding options were exercisable at September 30, 2022 at a weighted average price of $7.98 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 2022 was $2.13 per option using the following assumptions (2021 was $1.15 per option):

Unaudited (tabular amounts in thousands of Canadian dollars)

	September 30, 2022	December 31, 2021
Expected volatility	**46.61% - 49.16%**	41.26% - 46.68%
Annual dividend	**3.22%**	0%
Risk free interest rate	**3.34% - 3.59%**	0.19% - 1.11%
Forfeitures	**11%**	12%
Expected life (years)	**3 to 5 years**	3 to 5 years

The share options issued during 2020, 2021 and 2022 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 May 17, 2023 to August 8, 2027.

7. Government grants

In response to the COVID-19 pandemic, various governments established programs to assist companies through this challenging period. The Company determined that it qualified for certain programs and recognized such government grants when there was reasonable assurance the grant would be received. For the three and nine months ended September 30, 2021 the Company recognized $4.5 million and $18.4 million, respectively, under various COVID-19 relief programs in Canada, the United States and Australia. These funds were recognized as a reduction of operating and administrative expenses by $4.0 million and $0.5 million for the three months and $16.5 million and $1.9 million for the nine months ended September 30, 2021, respectively. The Company did not receive any government grants in 2022.

8. Financial Instruments

The Company's financial instruments as at September 30, 2022 include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable and long-term debt. The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued 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 5.92% for a similar debt instrument at September 30, 2022 was $42.6 million (December 31, 2021: market rate of 3.93%, $45.8 million). The carrying value and Company's liability with respect to the mortgage loan is $45.5 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 trial of this matter commenced in June 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 September 30, 2022. 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 $17.8 million of cash may be owing and $24.8 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. On April 11, 2022 Western's appeal was dismissed by the Court of Queen's Bench of Alberta and costs awarded to Savanna. On May 3, 2022 Western 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 filed a counterclaim against AIMCo and certain former directors of Savanna for $7.3 million.

10. Subsequent events

Subsequent to September 30, 2022 the Company fully repaid the Mortgage loan (2041 maturity), including $0.2 million of accrued interest and prepayment fees, using $13.3 million of cash on hand.

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 November 9, 2022 and focuses on information and key statistics from the unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2022 (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 2021 Annual Report, the Annual Information Form ("AIF") for the year ended December 31, 2021 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 September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Revenue	**$ 207,678**	$ 118,881	75%	**$ 548,334**	$ 296,947	85%
Operating income (loss)	**21,622**	6,415	237%	**33,738**	(3,093)	nm
EBITDA [(1)]	**42,335**	27,015	57%	**95,448**	63,448	50%
Cashflow	**41,078**	26,253	56%	**92,205**	58,047	59%
Net income (loss)	**17,163**	4,279	301%	**25,735**	(1,464)	nm
Attributable to shareholders	**17,179**	4,278	302%	**25,764**	(1,409)	nm
Per share data (diluted)						
EBITDA [(1)]	**$ 0.98**	$ 0.60	63%	**$ 2.21**	$ 1.41	57%
Cashflow	**$ 0.95**	$ 0.58	64%	**$ 2.14**	$ 1.29	66%
Attributable to shareholders:						
Net income (loss)	**$ 0.40**	$ 0.09	344%	**$ 0.60**	$ (0.03)	nm
Common shares (000's) [(3)]						
Basic	**42,339**	44,921	(6%)	**42,367**	44,737	(5%)
Diluted	**43,090**	45,164	(5%)	**43,142**	44,965	(4%)

Financial Position at	**Sept 30 2022**	Dec 31 2021	Change
Total Assets	**$ 897,084**	$ 813,522	10%
Long-Term Debt and Lease Liabilities (excluding current portion)	**155,429**	196,007	(21%)
Working Capital [(2)]	**129,354**	137,304	(6%)
Net Debt [(1)]	**26,075**	58,703	(56%)
Shareholders' Equity	**515,540**	493,437	4%

(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 September 30, 2022, the Company operated a total fleet of 95 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	35
Australian shallow	5
TDS and singles	39
	95

By Geography	
Canada	77
United States	13
Australia	5
	95

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 September 30, 2022, this segment had approximately 9,450 pieces of major rental equipment (excluding access matting), a fleet of 71 heavy trucks and an 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 September 30, 2022 the CPS segment occupied approximately 224,000 square feet of production facilities located in Calgary, Alberta and a 100,000 square foot production facility in Weirton, West Virginia. As at September 30, 2022 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 53,300 horsepower of compression in its rental fleet at September 30, 2022.

Well Servicing: At September 30, 2022, the Company operated a total fleet of 80 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	29
Australian specification	9
Flush-by	4
	80

By Geography	
Canada	57
United States	11
Australia	12
	80

OVERALL PERFORMANCE

Total Energy's results for the third quarter and first nine months of 2022 reflect continued improving North American and Australian industry conditions despite extended wet weather conditions in Australia that hampered field activity. Higher commodity prices underpinned the improved year over year North American and Australian industry activity levels which in turn contributed to a realization of net income in the third quarter and the first nine months of 2022. The Company's financial results represent record quarterly results and the Company's fifth consecutive profitable quarter since the collapse in oil prices in April of 2020.

Included in the financial results for the three and nine months ended September 30, 2022 was $0.4 million and $1.1 million of unrealized gains, respectively, from the translation of intercompany working capital balances of foreign subsidiaries as compared to unrealized gains of $0.5 million and $2.7 million for the same periods last year, respectively. During the third quarter and the first nine months of 2022, the Company did not recognize any government funding from COVID-19 relief programs, as compared to $4.5 million and $18.4 million recognized in the same periods of 2021, respectively.

The Company's financial condition remains strong, with a positive working capital balance of $129.4 million as at September 30, 2022, which is $8.0 million lower than December 31, 2021. This is primarily due to the voluntary repayment of $40.0 million of bank debt during the first nine months of 2022. Shareholders' equity increased by $22.1 million from December 31, 2021 due primarily to the realization of $25.7 million of net income and $8.7 million of other comprehensive income, which were partially offset by $8.1 million of share repurchases under the Company's normal course issuer bid and $5.0 million of declared dividends.

Revenue

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Revenue	**$ 207,678**	$ 118,881	75%	**$ 548,334**	$ 296,947	85%

The global energy industry's recovery from the dual shocks of the COVID-19 pandemic and the collapse in oil prices in 2020 continued during the third quarter of 2022. As a result, revenues in both the third quarter and first nine months of 2022 significantly improved relative to the same periods in 2021, driven by higher activity levels in all geographic regions and business segments on a year over year basis.

Cost of Services and Gross Margin

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Cost of services	**$ 156,803**	$ 85,255	84%	**$ 427,518**	$ 219,435	95%
Gross margin	**$ 50,875**	$ 33,626	51%	**$ 120,816**	$ 77,512	56%
Gross margin, as a percentage of revenue	**24%**	28%	(14%)	**22%**	26%	(15%)

The increase in costs of services during both the third quarter and first nine months of 2022 relative to the same periods in 2021 is primarily due to increased activity in all business segments and across all geographic regions. Decreased gross margin percentage on a year over year basis was due to the increased relative contribution of CPS manufacturing revenues that have lower margin rates as compared to other segments and the absence of COVID-19 relief funds in 2022. The third quarter and first nine months of 2022 gross margins were also negatively impacted by cost inflation and global supply chain challenges as cost increases were not fully passed onto the customers, particularly in respect of fixed price CPS orders received in 2021 that were completed during 2022. Positively impacting gross margin for the third quarter and first nine months of 2021 was the recognition of $4.0 million and $16.5 million, respectively, of COVID-19 relief funds. In the third quarter and first nine months of 2022, no such assistance was received.

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 September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Selling, general and administration expenses	**$ 9,695**	$ 7,254	34%	**$ 28,589**	$ 19,862	44%

Selling, general and administration expenses increased in the third quarter and first nine months of 2022 relative to the same periods in 2021 primarily due to the restoration of employee remuneration to pre-COVID levels, cost of living increases and higher profit incentive compensation in certain segments as a result of higher profitability. Also included in the third quarter and first nine months of 2022 was $0.5 million and $1.0 million, respectively, of legal costs relating to the appeal of the Canada Revenue Agency ("CRA") reassessment which went to trial in June of 2022 (see note 9 to the Interim Financial Statements). Reducing costs for the third quarter and first nine months of 2021, was $0.5 million and $1.9 million, respectively, of assistance recognized under various COVID-19 relief programs. In the third quarter and first nine months of 2022, no such assistance was received.

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 September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Other income	**$ (405)**	$ (474)	(15%)	**$ (1,080)**	$ (2,654)	(59%)

Other income arises from unrealized foreign exchange differences on translation of intercompany working capital balances of foreign subsidiaries. In both the third quarter and first nine months of 2022 net unrealized foreign exchange gains were primarily due to the appreciation of the Canadian dollar relative to the Australian dollar and the depreciation of the Canadian dollar relative to the U.S. dollar combined with changes in the geographical mix of foreign currency denominated intercompany balances. For the third quarter and first nine months of 2021, the net unrealized foreign exchange gain was primarily due to the appreciation of the Canadian dollar relative to the Australian dollar partially offset by a strengthening U.S. dollar relative to Canadian dollar combined with the geographical mix of foreign currency denominated intercompany balances.

Share-based Compensation Expense

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Share-based compensation expense	**$ 312**	$ 186	68%	**$ 791**	$ 576	37%

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 and nine months ended September 30, 2022 relative to the same prior year periods are higher due to the issuance of share options in the third quarter of 2022.

Depreciation Expense

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Depreciation expense	**$ 19,651**	$ 20,245	(3%)	**$ 58,778**	$ 62,821	(6%)

The decrease in depreciation expense for the three and nine months ended September 30, 2022 as compared to the same periods in 2021 is primarily due to certain assets becoming fully depreciated and disposals of equipment.

Operating Income (Loss)

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Operating income (loss)	**$ 21,622**	$ 6,415	237%	**$ 33,738**	$ (3,093)	nm

"nm" – calculation not meaningful

Increased activity across all geographic regions and business segments contributed to the increase in operating income in the third quarter and first nine months of 2022 as compared to operating income in third quarter of 2021 and an operating loss in the first nine months of 2021. Included in operating income for the third quarter and first nine months of 2022 was $0.4 million and $1.1 million, respectively, of unrealized gains on foreign exchange translation of intercompany working capital as compared to $0.5 million and $2.7 million of unrealized gains, respectively, for the comparable prior year periods. The third quarter and first nine months of 2022 did not include any funds recognized for COVID-19 relief as compared to $4.5 million and $18.4 million received during the third quarter and first nine months of 2021, respectively.

Gain on Sale of Property, Plant and Equipment

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Gain on sale of property, plant and equipment	**$ 1,062**	$ 355	199%	**$ 2,932**	$ 3,720	(21%)
Proceeds on the sale of property, plant and equipment	**$ 2,083**	$ 711	193%	**$ 5,960**	$ 9,156	(35%)

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 during the third quarter and first nine months of 2022 included underutilized rental equipment and heavy trucks, light duty vehicles, compression rental equipment and ancillary drilling and well servicing equipment. Equipment disposed of during the third quarter and first nine months of 2021 consisted of underutilized rental equipment, access matting, light duty vehicles, underutilized heavy trucks, compression rental equipment, decommissioned drilling rigs and ancillary drilling and well servicing equipment.

Finance Costs

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Finance costs, net	**$ 1,911**	$ 1,675	14%	**$ 5,280**	$ 5,254	–

Finance costs for the third quarter and first nine months of 2022 were higher than the prior year comparable periods due to higher interest rates which were partially offset by lower debt balances as compared to the same periods last year.

Income Taxes and Net Income (Loss)

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Current income tax expense (recovery)	**$ 403**	$ (122)	nm	**$ (39)**	$ (577)	(93%)
Deferred income tax expense (recovery)	**3,207**	938	242%	**5,694**	(2,586)	nm
Total income tax expense (recovery)	**$ 3,610**	$ 816	342%	**$ 5,655**	$ (3,163)	nm
Net income (loss)	**$ 17,163**	$ 4,279	301%	**$ 25,735**	$ (1,464)	nm

"nm" – calculation not meaningful

Increased year over year pre-tax profitability resulted in the year over year change from current and deferred tax recoveries to tax expense and the reduced year to date current tax recovery for 2022 as compared to 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 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			
	September 30 2022	June 30 2022	March 31 2022	December 31 2021
Revenue	**$ 207,678**	$ 179,204	$ 161,452	$ 134,629
Operating income	**21,622**	8,426	3,690	1,680
EBITDA (1)	**42,335**	28,799	24,314	22,567
Cashflow	**41,078**	28,576	22,551	22,144
Cash provided by operating activities	**18,844**	24,993	44,955	27,793
Net income	**17,163**	6,105	2,467	1,036
Attributable to shareholders	**17,179**	6,113	2,472	1,049
Per share data (diluted)				
EBITDA (1)	**$ 0.98**	$ 0.67	$ 0.56	$ 0.52
Cashflow	**0.95**	0.66	0.52	0.51
Net income attributable to shareholders	**0.40**	0.14	0.06	0.02
Financial Position				
Total Assets	**$ 897,084**	$ 860,983	$ 847,022	$ 813,522
Long-Term Debt and Lease Liabilities (excluding current portion)	**155,429**	165,767	174,970	196,007
Working Capital (2)	**129,354**	122,043	126,489	137,304
Net Debt (1)	**26,075**	43,724	48,481	58,703
Shareholders' Equity	**515,540**	494,299	492,693	493,437
Common Shares (000's) (3)				
Basic	**42,339**	42,307	42,713	43,341
Diluted	**43,090**	43,203	43,423	43,818

(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.

	Financial Quarter Ended			
	September 30 2021	June 30 2021	March 31 2021	December 31 2020
Revenue	$ 118,881	$ 84,876	$ 93,190	$ 83,472
Operating income (loss)	6,415	(4,089)	(5,419)	(4,013)
EBITDA [(1)]	27,015	19,716	16,717	19,546
Cashflow	26,253	16,462	15,332	18,431
Cash provided by operating activities	13,294	31,622	16,866	19,226
Net income (loss)	4,279	(2,136)	(3,607)	(1,732)
Attributable to shareholders	4,278	(2,108)	(3,579)	(1,739)
Per share data (diluted)				
EBITDA [(1)]	$ 0.60	$ 0.44	$ 0.37	$ 0.43
Cashflow	0.58	0.37	0.34	0.41
Net income (loss) attributable to shareholders	0.09	(0.05)	(0.08)	(0.04)
Financial Position				
Total Assets	$ 822,898	$ 811,615	$ 831,963	$ 849,579
Long-Term Debt and Lease Liabilities (excluding current portion)	201,967	210,132	229,627	238,937
Working Capital [(2)]	138,383	127,201	135,347	138,940
Net Debt [(1)]	63,584	82,931	94,280	99,997
Shareholders' Equity	497,356	492,259	501,950	510,987
Common Shares (000's) [(3)]				
Basic	44,921	44,830	45,072	45,081
Diluted	45,164	45,066	45,231	45,081

(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 September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Revenue	**$ 73,976**	$ 43,334	71%	**$ 183,478**	$ 97,645	88%
Canada	**46,239**	21,334	117%	**100,793**	47,975	110%
United States	**17,088**	11,754	45%	**49,216**	26,381	87%
Australia	**10,649**	10,246	4%	**33,469**	23,289	44%
Operating income (loss)	**$ 12,888**	$ 2,351	448%	**$ 15,110**	$ (6,279)	nm
Canada	**9,385**	1,316	613%	**7,945**	(4,203)	nm
United States	**1,522**	(314)	nm	**1,945**	(4,341)	nm
Australia	**1,981**	1,349	47%	**5,220**	2,265	130%
Operating days (1)	**3,097**	2,221	39%	**7,885**	4,994	58%
Canada	**2,041**	1,318	55%	**4,675**	2,965	58%
United States	**648**	610	6%	**2,045**	1,378	48%
Australia	**408**	293	39%	**1,165**	651	79%
Revenue per operating day(1), dollars	**$ 23,886**	$ 19,511	22%	**$ 23,269**	$ 19,552	19%
Canada	**22,655**	16,187	40%	**21,560**	16,180	33%
United States	**26,370**	19,269	37%	**24,067**	19,144	26%
Australia	**26,100**	34,969	(25%)	**28,729**	35,774	(20%)
Utilization	**35%**	25%	40%	**30%**	19%	58%
Canada	**29%**	19%	53%	**22%**	14%	57%
United States	**54%**	51%	6%	**58%**	39%	49%
Australia	**89%**	64%	39%	**85%**	48%	77%
Rigs, average for period	**95**	95	–	**95**	97	(2%)
Canada	**77**	77	–	**77**	79	(3%)
United States	**13**	13	–	**13**	13	–
Australia	**5**	5	–	**5**	5	–

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

nm – calculation not meaningful

North American drilling activity continued to significantly recover during the third quarter and first nine months of 2022 as compared to the same periods in 2021 as commodity prices remained strong. In the U.S., increased day rates and relatively stable utilization over the last five quarters contributed to increased revenue and operating income. In Australia, results improved in the third quarter and first nine months of 2022 compared to the same periods in 2021 with two drilling rigs having returned to service in 2021 following necessary recertification and upgrades.

In Canada and the U.S., revenues increased in the third quarter and first nine months of 2022 as compared to the same periods in 2021 due to higher activity levels. Effective day rates for both the three and nine months ended September 30, 2022 were also higher compared to the same periods in 2021 due to the mix of rigs operating and rate increases. Operating income in Canada and the U.S. improved for the three and nine months ended September 30, 2022 relative to the same periods last year primarily due to increased activity levels and pricing increases. Cost inflation and supply chain shortages contributed to increased segment operating costs.

In Australia, revenue and operating income for the third quarter and first nine months of 2022 increased compared to the same periods in 2021 due to higher activity levels as two drilling rigs removed from service in the third quarter of 2020 for recertification and upgrades returned to service. One rig returned to service in late April of 2021 and the second in late July of 2021. Effective day rates during the third quarter and first nine months of 2022 were lower than the comparable prior year periods primarily due to lower standby rates received on several rigs as a result of extended wet weather conditions during 2022 relative to 2021 combined with the impact of foreign exchange translation as the Australian dollar depreciated against the Canadian dollar in the third quarter and first nine months of 2022 as compared to same periods in 2021 where the Australian dollar appreciated against the Canadian dollar.

Rentals and Transportation Services

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Revenue	**$ 18,070**	$ 12,313	47%	**$ 46,911**	$ 26,101	80%
Canada	**12,153**	9,493	28%	**30,623**	19,409	58%
United States	**5,917**	2,820	110%	**16,288**	6,692	143%
Operating income (loss)	**$ 3,052**	$ (379)	nm	**$ 1,710**	$ (7,380)	nm
Canada	**2,121**	392	441%	**(243)**	(5,700)	(96%)
United States	**931**	(771)	nm	**1,953**	(1,680)	nm
Pieces of rental equipment	**9,450**	9,410	–	**9,450**	9,410	–
Canada	**8,560**	8,567	–	**8,560**	8,567	–
United States	**890**	843	6%	**890**	843	6%
Rental equipment utilization	**17%**	13%	31%	**16%**	10%	60%
Canada	**16%**	13%	23%	**15%**	9%	67%
United States	**27%**	19%	42%	**27%**	14%	93%
Heavy trucks	**71**	80	(11%)	**71**	80	(11%)
Canada	**48**	56	(14%)	**48**	56	(14%)
United States	**23**	24	(4%)	**23**	24	(4%)

nm – calculation not meaningful

Revenue from the RTS segment for the third quarter and first nine months of 2022 increased as compared to the same periods in 2021 as a result of higher utilization in both Canada and the United States as industry activity continued to recover from the extremely challenging industry conditions in North America that began in March of 2020.

In Canada, operating results improved during the three and nine months ended September 30, 2022 relative to the same periods in 2021. Increased equipment utilization and improved pricing contributed to significantly improved results on a year over year basis. In the U.S., operating income was realized in the third quarter and first nine months of 2022 as compared to operating losses in the same periods in 2021 as a result of improved activity and pricing. This segment's relatively high fixed cost structure as compared to the Company's other business segments provides significant leverage to increased equipment utilization. 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 September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Revenue	**$ 86,654**	$ 38,188	127%	**$ 238,001**	$ 106,001	125%
Canada	**60,884**	28,867	111%	**182,480**	80,925	125%
United States	**25,770**	9,321	176%	**55,521**	25,076	121%
Operating income	**$ 4,866**	$ 3,231	51%	**$ 17,475**	$ 8,592	103%
Canada	**2,496**	1,891	32%	**11,804**	4,599	157%
United States	**2,370**	1,340	77%	**5,671**	3,993	42%
Operating income, % of revenue	**6%**	8%	(25%)	**7%**	8%	(13%)
Canada	**4%**	7%	(43%)	**6%**	6%	–
United States	**9%**	14%	(36%)	**10%**	16%	(38%)
Horsepower of equipment on rent at period end	**37,563**	28,605	31%	**37,563**	28,605	31%
Canada	**15,018**	12,080	24%	**15,018**	12,080	24%
United States	**22,545**	16,525	36%	**22,545**	16,525	36%
Rental equipment utilization during the period (HP)	**63%**	53%	19%	**56%**	47%	19%
Canada	**49%**	37%	32%	**41%**	33%	24%
United States	**81%**	78%	4%	**77%**	71%	8%
Sales backlog at period end, $ million	**$ 197.8**	$ 95.5	107%	**$ 197.8**	$ 95.5	107%

Overall revenue reported from the CPS segment increased in both the third quarter and first nine months of 2022 as compared to the same periods in 2021. This was mostly due to an increase in both Canadian and U.S. fabrication sales. Also positively impacting Canadian results in the first nine months of 2022 was $7.4 million of contract cancellation revenue. The fabrication sales backlog remained strong during the third quarter of 2022, increasing by $50.3 million, or 34%, compared to the $147.5 million backlog at December 31, 2021 and $16.1 million higher than the $181.7 million backlog at June 30, 2022. 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.

Overall operating income for the third quarter and first nine months of 2022 increased as compared to the same periods in 2021. In Canada, operating income was higher in the third quarter of 2022 as compared to the same period in 2021 as a result of increased activity levels, primarily in fabrication sales and improved pricing. The Canadian operating income margin was negatively impacted in the third quarter of 2022 by cost overruns on a project that were not anticipated based on previous projects with the same customer. For the first nine months of 2022, operating income in Canada excluding the contract cancellation revenue was lower compared to the same period in 2021. This is primarily due to lower margin projects with fixed price orders received in mid-2021 which were completed in 2022 and impacted by cost inflationary pressures as well as supply chain challenges. In the U.S., operating income increased in the third quarter of 2022 as compared to the same period in 2021. This was mostly due to increased activity in service overhauls combined with higher utilization of the compression rental fleet as well as increased pricing.

Well Servicing

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Revenue	**$ 28,978**	$ 25,046	16%	**$ 79,944**	$ 67,200	19%
Canada	**15,020**	10,843	39%	**38,541**	27,607	40%
United States	**4,636**	2,968	56%	**12,095**	7,055	71%
Australia	**9,322**	11,235	(17%)	**29,308**	32,538	(10%)
Operating income (loss)	**$ 3,453**	$ 2,844	21%	**$ 7,253**	$ 5,015	45%
Canada	**2,920**	1,567	86%	**4,833**	2,736	77%
United States	**455**	395	15%	**1,400**	447	213%
Australia	**78**	882	(91%)	**1,020**	1,832	(44%)
Service hours (1)	**30,894**	29,927	3%	**87,740**	81,060	8%
Canada	**15,506**	15,076	3%	**42,663**	40,501	5%
United States	**5,073**	4,147	22%	**13,783**	10,206	35%
Australia	**10,315**	10,704	(4%)	**31,294**	30,353	3%
Revenue per service hour, dollars	**$ 938**	$ 837	12%	**$ 911**	$ 829	10%
Canada	**969**	719	35%	**903**	682	32%
United States	**914**	716	28%	**878**	691	27%
Australia	**904**	1,050	(14%)	**937**	1,072	(13%)
Utilization (2)	**34%**	31%	10%	**32%**	28%	14%
Canada	**30%**	29%	3%	**27%**	26%	4%
United States	**50%**	32%	56%	**46%**	27%	70%
Australia	**39%**	40%	(3%)	**40%**	39%	3%
Rigs, average for period	**80**	83	(4%)	**80**	83	(4%)
Canada	**57**	57	–	**57**	57	–
United States	**11**	14	(21%)	**11**	14	(21%)
Australia	**12**	12	–	**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.

Overall segment revenue in the third quarter and first nine months of 2022 increased as compared to the same periods in 2021. This increase was primarily due to increased activity and pricing in North America. Third quarter and first nine months revenue in Australia was negatively impacted by extended wet weather conditions and consequently relatively lower hourly stand by rates. Overall operating income for the third quarter and first nine months of 2022 increased compared to the same periods last year primarily due to increases in North American results that were somewhat offset by Australian results.

Canadian revenue and operating income in the third quarter and first nine months of 2022 was higher than the same periods in 2021 due to a combination of increased service hours, pricing and the mix of equipment operating. This in turn contributed to improved financial results for the three and nine months ended September 30, 2022 relative to the same periods in 2021.

In the United States, revenue and operating income increased in the third quarter and first nine months of 2022 as compared to the same periods in 2021 as service hours increased combined with higher effective per hour rates and ancillary revenues. As a result, the United States realized higher operating income in both the third quarter and first nine months of 2022 as compared to the same periods in 2021. Also positively impacting operating income in the third quarter and first nine months of 2022 was the appreciation of the U.S. dollar against the Canadian dollar as compared to the depreciation of the U.S. dollar against the Canadian dollar for the same periods in 2021.

In Australia lower revenue for the third quarter and first nine months of 2022 as compared to the same periods in 2021 was due to lower effective day rates as a result of higher standby hours in 2022 as compared to 2021 due to extended wet weather. Also negatively impacting effective per hour rates in Australia for the three and nine months ended September 30, 2022 was the impact of foreign translation as the Australian dollar depreciated against the Canadian dollar in 2022 compared to 2021. For the three and nine months ended September 30, 2022 Australia incurred lower operating income as a result of higher standby hours due to wet weather as compared to the same periods in 2021.

Corporate

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Operating loss	**$ (2,637)**	$ (1,632)	62%	**$ (7,810)**	$ (3,041)	157%

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. Included in the Corporate segment for the three and nine months ended September 30, 2022 was $0.4 million and $1.1 million, respectively, of unrealized gains on the translation of working capital balances of foreign subsidiaries as compared to $0.5 million and $2.7 million of unrealized gains for the same periods last year, respectively. Also included in third quarter and the first nine months of 2022 was higher employee performance incentive compensation costs as compared to the same periods last year and $0.5 million and $1.0 million, respectively, of legal costs relating to the CRA reassessment that went to trial in June of 2022 (see note 9 to the Interim Financial Statements).

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operating Activities and Cashflow

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Cash provided by operating activities	**$ 18,844**	$ 13,294	42%	**$ 88,792**	$ 61,782	44%
Per share data (diluted), dollars	**$ 0.44**	$ 0.29	52%	**$ 2.06**	$ 1.37	50%
Cashflow	**$ 41,078**	$ 26,253	56%	**$ 92,205**	$ 58,047	59%
Per share data (diluted), dollars	**$ 0.95**	$ 0.58	64%	**$ 2.14**	$ 1.29	66%

The changes in cash provided by operating activities were due primarily to changes in the working capital requirements of the various business segments and year over year increases in activity. Also contributing to the increase in cash provided by operating activities during the nine months ended September 30, 2022 was increased customer deposits received in the CPS segment which is consistent with the increase in the fabrication sales backlog. Cash flow increased in the third quarter and first nine months of 2022 compared to the same periods in 2021 as a result of higher EBITDA from increased activity levels. The Company's current priorities are to maintain strong financial liquidity, continue to repay long-term debt and enhance shareholder returns, including by the purchase and cancellation of shares under the normal course issuer bid and payment of a dividend.

Investing Activities

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Net cash used in investing activities	**$ (8,377)**	$ (4,075)	106%	**$ (26,508)**	$ (7,732)	243%
Proceeds from sale of PP&E	**$ 2,083**	$ 711	193%	**$ 5,960**	$ 9,156	(35%)
Purchase of PP&E	**$ (17,063)**	$ (4,077)	319%	**$ (42,022)**	$ (17,230)	144%

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 third quarter and first nine months of 2022 equipment disposed of consisted primarily of light-duty vehicles, underutilized heavy trucks and rental equipment, compression rental equipment and ancillary drilling and well servicing equipment. For the third quarter and first nine months of 2021 equipment disposed of consisted primarily of underutilized rental equipment, access matting, compression rental equipment, light-duty vehicles, decommissioned drilling rigs and ancillary drilling and well servicing equipment.

The following summarizes PP&E purchases by segment for the three and nine months ended September 30, 2022.

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
CDS	**$ 10,506**	$ 2,818	273%	**$ 27,970**	$ 12,557	123%
RTS	**2,260**	61	3,605%	**5,018**	341	1,372%
CPS	**2,801**	910	208%	**5,562**	3,491	59%
WS	**1,427**	288	395%	**3,392**	841	303%
Corporate	**69**	–	nm	**80**	–	nm
Purchase of PP&E	**$ 17,063**	$ 4,077	319%	**$ 42,022**	$ 17,230	144%

"nm" – calculation not meaningful

During the third quarter and first nine months of 2022 PP&E purchases were as follows: drilling rig upgrades, recertifications and ancillary rig equipment purchases 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 and information and technology equipment in the Corporate segment. Included in 2022 capital expenditures was approximately $2.0 million of capital commitments carried forward from 2021 (2021: $1.1 million carried forward from 2020).

During the third quarter and first nine months of 2021 PP&E purchases included the following: 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.

Financing Activities

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	**2022**	2021	Change
Net cash used in financing activities	**$ (18,509)**	$ (12,881)	44%	**$ (61,346)**	$ (51,477)	19%

During the third quarter of 2022 the Company paid $1.9 million of interest and bank fees, repaid $10.7 million of long-term debt (including a $10.0 million voluntary bank debt repayment), made $1.3 million of lease liability payments, purchased $2.2 million of shares under the Company's normal course issuer bid and paid $2.5 million of dividends.

During the first nine months of 2022 the Company paid $5.3 million of interest and bank fees, repaid $42.0 million of long-term debt (including $40.0 million of voluntary bank debt repayments), made $3.6 million of lease liability payments and purchased $8.1 million of shares under the Company's normal course issuer bid. During the first nine months of 2022, 1,117,986 shares were repurchased and cancelled. 7,100 shares were purchased in the third quarter of 2022 and cancelled subsequent to September 30, 2022.

Liquidity and Capital Resources

The Company had a working capital surplus of $129.4 million as at September 30, 2022 compared to $137.3 million as at December 31, 2021. As at September 30, 2022 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. On January 12, 2022, at the request of the Company the Credit Facility was reduced to $220.0 million and extended to November 10, 2024. 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 $200.0 million revolving facility. The Credit Facility bears interest at the banks' Canadian prime rate plus 0.25% to 1.25%, bankers' acceptance, letter of credit, LIBOR or BBSY advances plus a 1.5% to 2.5% 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 0.5% per annum is paid quarterly on the unused portion of the facility depending on certain financial ratios of the Company. At September 30, 2022, the applicable interest rate on amounts drawn on the Credit Facility was 4.70% and the standby rate was 0.25%. Letters of credit ("LOC") of $0.3 million were outstanding at September 30, 2022 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"). LOCs issued pursuant to the LOC Facility do not reduce availability under the Credit Facility. In April of 2020 this facility was reduced at the request of the Company to U.S. $10.0 million. At September 30, 2022 $6.8 million Canadian dollars of LOCs were outstanding under the LOC Facility (December 31, 2021: $6.6 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 September 30, 2022 this facility was undrawn and fully available.

At September 30, 2022 the Company's long-term debt consisted of the following:

	September 30, 2022	
	Interest rate	Principal Amount
Credit Facility	4.70%	$ 90,000
Mortgage loan (2025 maturity)	3.10%	45,474
Mortgage loan (2041 maturity)	5.85%	13,088
		148,562
Less current portion		2,656
	4.31%	$ 145,906

At September 30, 2022 amounts owing under the Credit Facility and the two mortgage loans were denominated in 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:

	September 30, 2022	Threshold
Twelve-month trailing Bank EBITDA to interest expense	**24.82**	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	**0.61**	maximum 3.00

The Company was in compliance with all of its Credit Facility and other debt covenants at September 30, 2022. 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.

Subsequent to September 30, 2022 the Company fully repaid the Mortgage loan (2041 maturity), including $0.2 million of accrued interest and prepayment fees, using $13.3 million cash on hand.

Dividends

The Company suspended payment of dividends on March 12, 2020 given the sudden and material deterioration in industry conditions. On May 11, 2022 the Board of Directors determined to reinstate a quarterly dividend to shareholders in the second quarter of 2022. The Board of Directors declared a dividend of $0.06 per share for the quarter ended September 30, 2022.

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 and nine months ended September 30, 2022 consisted of $17.1 million and $42.0 million of PP&E purchases, respectively. Capital spending was funded by cash flow and $2.1 million and $6.0 million of proceeds from the sale of PP&E during the third quarter and first nine months of 2022, respectively.

CONTRACTUAL OBLIGATIONS

At September 30, 2022 the Company had the following contractual obligations:

	Payments due by year					
	Total	2022	2023	2024	2025	2026 and after
Long-term debt and bank indebtedness	$ 148,562	$ 656	$ 2,671	$ 92,730	$ 41,627	$ 10,878
Commitments (1)	121	55	55	10	1	–
Lease liabilities, net of lease assets	14,310	1,340	4,493	3,550	2,277	2,650
Purchase obligations (2)	47,986	47,986	–	–	–	–
Total contractual obligations	$ 210,979	$ 50,037	$ 7,219	$ 96,290	$ 43,905	$ 13,528

(1) Commitments are described in Note 24 to the 2021 Financial Statements.

(2) Purchase obligations are described in Note 24 to the 2021 Financial Statements. As at September 30, 2022 purchase obligations primarily relate to commitments to purchase inventory in the CPS segment.

OFF-BALANCE SHEET ARRANGEMENTS

During 2022 and 2021, the Company had no off-balance sheet arrangements other than short-term leases.

TRANSACTIONS WITH RELATED PARTIES

During 2022 and 2021 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 5.92% for a similar debt instrument at September 30, 2022 was $42.6 million (December 31, 2021: market rate of 3.93%, $45.8 million). The carrying value and Company's liability with respect to this mortgage is $45.5 million.

OUTSTANDING COMPANY SHARE DATA

As at the date of this MD&A, the Company had 41,900,300 common shares outstanding.

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

Outstanding at September 30, 2022	Exercise Price	Remaining life (years)	Exercisable at September 30, 2022
300,000	$ 13.54	0.40	300,000
840,000	9.51	1.60	840,000
501,665	2.31	2.90	311,669
55,000	3.50	3.30	18,334
715,000	3.72	3.90	238,339
70,000	4.49	4.00	23,334
840,000	7.46	4.90	–
3,321,665	$ 6.82	3.10	1,731,676

OUTLOOK

Industry Conditions

The COVID-19 pandemic and resultant historic decline in global economic activity and oil prices contributed to unprecedented challenges and uncertainty for the global energy industry during 2020 and the first half of 2021. The recovery in oil and natural gas prices over the course of 2021 and into 2022 has resulted in steadily improving industry conditions, particularly in North America, although producers generally remained disciplined in regard to their capital expenditure programs. While current indications are that global energy industry activity levels will continue to increase modestly during 2023, global economic and political uncertainty causes the Company to remain cautious and manage its business and affairs in a manner to protect its balance sheet and financial liquidity.

The severity of the recent downturn resulted in substantial consolidation and rationalization in the North American energy service industry that has contributed to more favorable market conditions as activity levels continue to recover.

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 2022 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 began to ease in the second half of 2021. The Company's North American customers have continued to modestly increase capital spending over the course of 2022 although current capital spending levels remain below levels experienced during previous periods of similar oil and natural gas prices. Activity levels in Australia moderated in the third quarter of 2020 and began to recover in the fourth quarter of 2021, which recovery continued in 2022. Extended wet weather conditions have negatively impacted Australian activity levels during 2022.

Credit Risk

A sustained increase in oil and gas prices has mitigated counterparty credit risk as a substantial portion of the Company's dealings are with entities involved in the oil and gas industry. Notwithstanding such improvement in the industry environment, 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 that accounted for over 10% of the consolidated revenue in the third quarter and first nine months of 2022 and 2021.

The Company's allowance for doubtful accounts receivable at September 30, 2022 remained unchanged from December 31, 2021 at $1.8 million.

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 were no material changes to the Company's Critical Accounting Estimates during 2022.

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

As described throughout this MD&A, the Company references the following financial measures that are not recognized under IFRS: EBITDA, operating income, cashflow, working capital and net debt. Management believes that, in addition to the amounts reported in the Interim Financial Statements, these measures are useful in assessing the Company's performance and liquidity. These measures are unlikely to be comparable to similar measures presented by other companies. The non-IFRS measures referenced in this MD&A reconcile to the IFRS measures reported in the Interim Financial Statements as follows, unless reconciled elsewhere:

EBITDA

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Net income (loss)	**$ 17,163**	$ 4,279	**$ 25,735**	$ (1,464)
Add back (deduct):				
Depreciation	**19,651**	20,245	**58,778**	62,821
Finance costs, net	**1,911**	1,675	**5,280**	5,254
Income tax expense (recovery)	**3,610**	816	**5,655**	(3,163)
EBITDA	**$ 42,335**	$ 27,015	**$ 95,448**	$ 63,448

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

Net Debt

	As at September 30, 2022
Long-term debt	**$ 145,906**
Lease liabilities	**9,523**
Add back (deduct):	
Current liabilities	**185,164**
Current assets	**(314,518)**
Net Debt	**$ 26,075**

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying 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 September 30, 2022 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

George Chow [1]
Chairman of the Board

Daniel Halyk
President and Chief Executive Officer

Glenn Dagenais [2, 3]

Greg Melchin [1, 2]

Jessica Kirstine [1,3]

Ken Mullen [2, 3]

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

MANAGEMENT TEAM

Daniel Halyk
President and Chief Executive Officer

Jeremy Busch-Howell
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

MNP 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

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