

2025



FOCUS DISCIPLINE GROWTH

Annual Report 2025

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 indigenous 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.

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REPORT TO SHAREHOLDERS

Total Energy's results for the three and 12 months ended December 31, 2025 represent record quarterly and annual consolidated financial results. Despite a year over year decline in North American drilling and completion activity, strong North American demand for natural gas compression and process equipment and an increasing contribution from Australia following the upgrade and reactivation of several drilling and well servicing rigs underpinned these record results.

Total Energy invested \$93.7 million during 2025 to maintain and grow its various businesses. At the same time, bank debt was reduced by \$55.9 million, or 50%, and \$38.8 million was returned to shareholders by way of dividends and share buybacks. For the first time since Total Energy acquired Savanna Energy Services in 2017, cash on hand exceeded bank debt at December 31, 2025 such that the Company was effectively debt free coming into 2026.

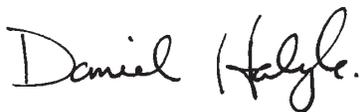
LOOKING FORWARD

While persistent global economic and political uncertainty continues to contribute to commodity price volatility and cautious industry sentiment, there are reasons for optimism. These include increasing demand for natural gas resulting from growing North American LNG export capacity and data center electricity demand as well as the recent Trans Mountain oil pipeline expansion that has broadened market opportunities for Canadian oil. More generally, energy security and affordability have returned as priorities for many countries facing economic and political challenges, which in turn drives a renewed sense of pragmatism towards, and acceptance of, the use of oil and natural gas.

Total Energy's exposure to the world's insatiable demand for energy is broad in scope both geographically and by business segment. A notable example is demand for natural gas compression equipment, which is measured by the Compression and Process Services segment's record fabrication sales backlog of \$446.7 million at December 31, 2025. This backlog provides visibility for this business going into 2027, and supports the expansion of its United States fabrication capacity that is underway and scheduled for completion by the first quarter of 2027. Total Energy continues to pursue targeted investment opportunities that are driven by customer demand, which includes the recent decision to invest \$31.6 million to substantially upgrade two drilling rigs, one for the Australian market and one for the Canadian market.

Total Energy entered 2026 in arguably the strongest position it has ever been in since its founding in November of 1996. The Board of Directors and leadership teams at both the corporate and divisional level are experienced, committed, energized and aligned with shareholders. The Company's balance sheet has never been stronger and the free cash flow being generated allows for both continued growth without shareholder dilution and the provision of industry leading shareholder returns through dividends and share buybacks. That said, having experienced several industry cycles over the past three decades, complacency is not an option and Total Energy remains committed to its founding principles of "Focus, Discipline and Growth".

As we enter our 30th year in business, on behalf of the Board of Directors of Total Energy I would like to acknowledge our many customers, employees, shareholders, suppliers and other stakeholders that have been essential to our success thus far. Thank you for your continued trust and support.



DANIEL K. HALYK
President and Chief Executive Officer

March 2026

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

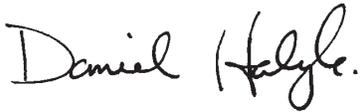
The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards (IFRS) appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has prepared Management's Discussion and Analysis (MD&A). The MD&A is based upon Total Energy's financial results prepared in accordance with IFRS. The MD&A compares the audited financial results for the twelve months ended December 31, 2024 to December 31, 2025.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

MNP LLP, an independent firm of Chartered Accountants, was engaged, as appointed by the Board of Directors in June of 2021 to audit the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion. MNP LLP will stand for appointment by the shareholders of Total Energy Services Inc. at its next annual general meeting.

The Audit Committee of the Board of Directors of Total Energy Services Inc., which is comprised of three independent directors, has discussed the consolidated financial statements, including the notes thereto, with management and external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendations of the Audit Committee.



DANIEL K. HALYK
President and Chief Executive Officer

March 10, 2026



YULIYA GORBACH, CPA(CA), ACCA
V.P. Finance and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Total Energy Services Inc.:

Opinion

We have audited the consolidated financial statements of Total Energy Services Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Goodwill Impairment Analysis**Key Audit Matter Description*

We refer to notes 2(f), 3(g), 11 and 12. As at December 31, 2025, the Company has recorded goodwill of \$4,053,000. Goodwill is required to be tested for impairment annually and an impairment is recognized if the carrying amount of the cash generating unit ("CGU" or "CGU's") exceeds its recoverable amount. Management has determined the recoverable amount of the CGU's based on their value in use which incorporates the following significant assumptions:

- Future cash flows based on forecasted earnings before interest, tax, depreciation and amortization; and
- Discount rate

The recoverable amount of the Company's Rentals and Transportation ("RTS") and Compression and Process Services ("CPS") CGU's requires significant judgment to be used by management. As a result, goodwill impairment analysis was considered a key audit matter. This resulted in an increased extent of audit effort, including the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing procedures in relation to the Goodwill Impairment Analysis. Our audit work in relation to this included, but was not restricted to, the following:

- We performed a retrospective review by comparing managements prior year expected future cash flows to the actual results to assess the Company's ability to accurately forecast.
- We evaluated the reasonableness of the future cash flow projections used to calculate each CGU's recoverable amount by comparing the estimated cash flows to historical results and by comparing certain assumptions used in the future cash flow projections to market data.
- We verified the mathematical accuracy of management's impairment model and supporting calculations.
- We performed a sensitivity analysis on key inputs into the future cash flow projections.
- We involved our internal valuations specialists to evaluate the appropriateness of the discount rate used and to develop a range of independent estimates and to compare those to the discount rate used by the Company.
- We assessed the appropriateness of the disclosures relating to the impairment tests in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and,
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information, identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Bonnell.

Calgary, Alberta
March 10, 2026

MNP LLP
Chartered Professional Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	Note	December 31, 2025	December 31, 2024
ASSETS			
Current assets:			
Cash and cash equivalents	8	\$ 59,637	\$ 38,419
Accounts receivable	9	165,991	149,048
Inventory	10	127,022	104,091
Prepaid expenses and deposits		18,268	17,640
		370,918	309,198
Property, plant and equipment	11	625,131	622,499
Deferred income tax asset	16	–	1,958
Goodwill	12	4,053	4,053
		\$ 1,000,102	\$ 937,708
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	13	\$ 152,214	\$ 125,106
Deferred revenue		89,826	47,225
Contingent consideration	7	2,796	2,878
Income taxes payable	16	7,518	4,508
Dividends payable		3,635	3,429
Current portion of lease liabilities	15	6,906	6,368
Current portion of long-term debt	14	–	40,947
		262,895	230,461
Long-term debt	14	55,000	70,000
Lease liabilities	15	20,236	9,171
Deferred income tax liability	16	60,660	57,033
Shareholders' equity:			
Share capital	17	228,041	239,269
Contributed surplus		5,841	5,279
Accumulated other comprehensive loss		(16,523)	(11,219)
Non-controlling interest		377	245
Retained earnings		383,575	337,469
		601,311	571,043
		\$ 1,000,102	\$ 937,708

The notes on pages 11 to 41 are an integral part of these consolidated financial statements.

Approved by the Board of Total Energy Services Inc.



Director: Glenn Dagenais



Director: George Chow

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2025 and 2024
(in thousands of Canadian dollars except per share amounts)

	Note	2025	2024
REVENUE	20	\$ 1,064,732	\$ 906,776
Cost of services	21	820,366	681,359
Selling, general and administration	22	55,966	51,241
Other expense (income), net		(1,368)	1,465
Share-based compensation	18	4,067	2,539
Depreciation	11	92,461	90,330
Operating income		93,240	79,842
Gain on sale of property, plant and equipment	11	9,369	1,673
Finance costs, net	24	(4,947)	(8,156)
Net income before income taxes		97,662	73,359
Current income tax expense	16	16,714	8,828
Deferred income tax expense	16	6,599	3,806
Total income tax expense	16	23,313	12,634
Net income		\$ 74,349	\$ 60,725
Net income (loss) attributable to:			
Shareholders of the Company		\$ 74,217	\$ 60,801
Non-controlling interest		132	(76)
Earnings per share:			
Basic earnings per share	17	\$ 1.99	\$ 1.56
Diluted earnings per share	17	\$ 1.95	\$ 1.53
		2025	2024
Net income		\$ 74,349	\$ 60,725
<i>Other Comprehensive Income (loss) (OCI):</i>			
Foreign currency translation		(5,304)	14,287
Total other comprehensive income (loss) for the year		(5,304)	14,287
Total comprehensive income		\$ 69,045	\$ 75,012
Total comprehensive income (loss) attributable to:			
Shareholders of the Company		\$ 68,913	\$ 75,088
Non-controlling interest		\$ 132	\$ (76)

The notes on pages 11 to 41 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2025 and 2024
(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, 2023		\$ 251,283	\$ 4,805	\$ (25,506)	\$ 521	\$ 299,655	\$ 530,758
Net income (loss)		-	-	-	(76)	60,801	60,725
Other comprehensive income		-	-	14,287	-	-	14,287
<i>Transactions with shareholders, recorded directly in equity</i>							
Dividends (\$0.36 per common share)	17	-	-	-	-	(13,974)	(13,974)
Repurchase of common shares	17	(13,814)	-	-	-	(8,089)	(21,903)
Issue of share capital from exercise of stock options	17	1,800	(1,805)	-	-	(924)	(929)
Partnership distributions		-	-	-	(200)	-	(200)
Share-based compensation relating to stock options	18	-	2,279	-	-	-	2,279
		(12,014)	474	-	(200)	(22,987)	(34,727)
Balance at December 31, 2024		\$ 239,269	\$ 5,279	\$ (11,219)	\$ 245	\$ 337,469	\$ 571,043
Net income		-	-	-	132	74,217	74,349
Other comprehensive loss		-	-	(5,304)	-	-	(5,304)
<i>Transactions with shareholders, recorded directly in equity</i>							
Dividends (\$0.40 per common share)	17	-	-	-	-	(14,853)	(14,853)
Repurchase of common shares	17	(12,460)	-	-	-	(12,181)	(24,641)
Issue of share capital from exercise of stock options		1,232	(597)	-	-	(1,077)	(442)
Share-based compensation relating to stock options	18	-	1,159	-	-	-	1,159
		(11,228)	562	-	-	(28,111)	(38,777)
Balance at December 31, 2025		\$ 228,041	5,841	\$ (16,523)	\$ 377	\$ 383,575	\$ 601,311

The notes on pages 11 to 41 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

	Note	2025	2024
Cash provided by (used in):			
Operations:			
Net income		\$ 74,349	\$ 60,725
Add (deduct) items not affecting cash:			
Depreciation	11	92,461	90,330
Share-based compensation	18	4,067	2,539
Gain on sale of property, plant and equipment	11	(9,369)	(1,673)
Finance costs, net	24	4,947	8,156
Unrealized (gain) loss on foreign currencies translation		(3,643)	4,244
Current income tax expense	16	16,714	8,828
Deferred income tax expense	16	6,599	3,806
Income taxes paid		(14,150)	(14,520)
Cashflow		171,975	162,435
Changes in non-cash working capital items:			
Accounts receivable	9	(16,946)	(11,444)
Inventory	10	(22,931)	(5,912)
Prepaid expenses and deposits		(628)	(905)
Accounts payable and accrued liabilities	13	26,188	13,842
Deferred revenue		42,428	7,904
		200,086	165,920
Investing:			
Purchase of property, plant and equipment	11	(93,712)	(91,090)
Cash paid on acquisition	7	–	(47,350)
Proceeds on disposal of property, plant and equipment		24,431	2,315
Changes in non-cash working capital items		(2,521)	3,248
		(71,802)	(132,877)
Financing:			
Advances of long-term debt	14	30,000	65,000
Repayment of long-term debt	14	(85,947)	(47,050)
Repayment of lease liabilities	15	(7,460)	(6,958)
Payment of dividends	17	(14,647)	(13,743)
Repurchase of common shares	17	(24,158)	(21,474)
Shares issued on exercise of options	18	174	64
Partnership distributions		–	(200)
Interest paid		(5,028)	(18,198)
		(107,066)	(42,559)
Change in cash and cash equivalents		21,218	(9,516)
Cash and cash equivalents, beginning of year		38,419	47,935
Cash and cash equivalents, end of year		\$ 59,637	\$ 38,419

The notes on pages 11 to 41 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024
(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 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 preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee and are presented in thousands of Canadian dollars. The material accounting policies adopted in the preparation of the consolidated financial statements are set out in Note 3. Unless otherwise stated, these policies have been consistently applied to all the periods presented. The consolidated financial statements include the accounts of the Company, its subsidiaries and the limited partnerships partially owned by the Company. The Company’s partners’ shares in the equity and net loss of the limited partnerships partially owned by the Company are reported as non-controlling interests. All inter-company transactions, balances, revenues and expenses have been eliminated. The Company’s net income or loss and cash flows include the results of any acquisitions from their effective dates.

The consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2026.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for forward foreign exchange contracts which are measured at fair value.

(c) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Company’s presentation currency. Transactions of the Company’s individual entities are recorded in their own functional currency based on the primary economic environment in which they operate. All financial information presented in dollars has been rounded to the nearest thousand except for share and per share amounts.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024
(Tabular amounts in thousands of Canadian dollars)

(e) 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 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 has been met. The Company considers whether a present obligation exists, the probability of loss and whether a reliable estimate can be formulated.

The functional currency of the Company and its subsidiaries and partnerships 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 its 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. The operating segments that exhibit similar long-term financial performance and economic characteristics (similar products and services, production processes, class and type of customer, distribution methods and channels, regulatory environment, etc.) are aggregated in a single reportable segment. Operating segments that do not exhibit similar long-term performance and economic characteristics are presented in a separate reportable segment when their revenue, assets or absolute value of profit or loss exceeds prescribed quantitative thresholds.

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.

(f) Key sources of estimation uncertainty

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

Where impairment indicators exist or annually for goodwill, the recoverable amount of the asset or CGU is determined using the greater of fair value less costs to sell or value-in-use. Value-in-use calculations require assumptions for discount rates and estimations of the timing for events or circumstances that will affect future cash flows. Fair value less costs to sell requires management to make estimates of fair value using market conditions for similar assets as well as estimations for costs to sell taking into account dismantling 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 accounts for its equipment manufacturing contract revenue over time. This method requires estimates of the stage of completion of the contract to date as a proportion of the total work to be performed.

As it 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 it pertains to accounts receivable the Company is required to estimate expected credit losses based on historic collection trends and experiences with customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024
(Tabular amounts in thousands of Canadian dollars)

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 future 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 and discount 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.

3. Material accounting policy information

The material accounting policies set out below have been applied consistently by the Company, its subsidiaries and partnerships to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations and goodwill

The Company measures goodwill as the fair value of the consideration transferred, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net income or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Goodwill is measured at cost less accumulated impairment losses.

(ii) Subsidiaries and partnerships

Subsidiaries and partnerships are entities owned and controlled by the Company. The financial statements of subsidiaries and partnerships are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies have been changed when necessary to align them with the policies adopted by the Company.

(iii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) The Canadian dollar is the presentation currency of the Company. Each of the Company's subsidiaries determines its functional currency, and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Canadian operations is the Canadian dollar, the functional currency of the United States operations is the United States dollar and the functional currency of the Australian operations is the Australian dollar.

(ii) Assets and liabilities of foreign operations having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date, and revenues and expenses at average rates during the period. Gains or losses on translation are included as a component of shareholders' equity in accumulated other comprehensive loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024
(Tabular amounts in thousands of Canadian dollars)

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in net income or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported on a net basis.

(c) Financial instruments*(i) Classification*

The classification of the Company's financial assets, financial liabilities and forward foreign exchange contracts depends on the Company's business model for managing the financial assets, financial liabilities or forward foreign exchange contracts and the contractual terms of the cash flows.

(ii) Non-derivative financial assets

The Company initially recognizes accounts receivable and deposits on the date that they originate. All other financial assets (including assets designated at fair value through net income or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

Financial instrument	Initial measurement	Subsequent measurement
Cash and cash equivalents	Fair market value	Amortized cost
Accounts receivable	Fair market value	Amortized cost
Deposits	Fair market value	Amortized cost

Cash and cash equivalents comprise cash balances and cash deposits with original maturities of three months or less.

The Company initially recognizes accounts receivables on the date that they originate. At each reporting date, the Company assesses the expected credit losses associated with its non-derivative financial assets. Expected credit losses are measured as the difference between the cash flows that are due to the Company and the cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition. For trade receivables, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables. The loss allowance incorporates historical loss information and is adjusted for current economic and credit conditions (see note 25).

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(iii) Non-derivative financial liabilities

The Company initially recognizes debt on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities:

Financial instrument	Initial measurement	Subsequent measurement
Accounts payable and accrued liabilities	Fair market value	Amortized cost
Dividends payable	Fair market value	Amortized cost
Long-term debt	Fair market value	Amortized cost

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iv) Forward foreign exchange contracts

The Company may enter into certain forward foreign exchange contracts in order to manage the exposure to market risk from fluctuations in currency exchange rates. The contracts are not used for trading or speculative purposes. The Company has not designated its forward foreign exchange contracts as effective accounting hedges, and thus not applied hedge accounting, even though it considers certain financial contracts to be economic hedges. As a result, forward foreign exchange contracts are classified as fair value through profit or loss and are recorded on the consolidated statement of financial position at estimated fair value. Transaction costs are recognized in net income or loss when incurred.

(v) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment*(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized on a net basis in net income or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment (repair and maintenance) are recognized in net income or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in net income or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment for all assets. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives are as follows:

	Useful life	Residual value	Basis of depreciation
Buildings	20 years	–	straight-line
Shop machinery and equipment	5 years	–	straight-line
Rental equipment	3 – 20 years	0% to 25%	straight-line
Automotive equipment	3 – 10 years	0% to 25%	straight-line
Leased assets	Over lease term	–	straight-line
Drilling rigs and related equipment	3 – 25 years	0% to 25%	straight-line
Service rigs and related equipment	3 – 12 years	–	straight-line
Furniture, fixtures and other	3 – 5 years	–	straight-line

Depreciation methods, useful lives and residual values are reviewed at a minimum at the end of each financial year-end and adjusted if appropriate.

(e) Leased assets

Under IFRS 16, leases in scope are recognized on the Company's consolidated statement of financial position with a right-of-use asset and corresponding lease obligation initially measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date the lease commenced. The right-of-use assets are included in property, plant and equipment on the consolidated statement of financial position and are depreciated over the shorter of either the asset's estimated useful life or the term of the lease. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. As lease payments are recognized, the lease obligation is reduced.

When the Company acts as a lessor, at inception, the Company evaluates the classification as either a finance or operating lease.

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To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When acting as a sub-lessor, the Company accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease then the Corporation classifies the sub-lease as an operating lease.

Minimum lease payments made under lease liabilities are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under leases out of scope of IFRS 16 are recognized in net income or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(f) Inventory

Parts and raw materials inventory, work-in-progress and finished goods are valued at the lower of cost and net realizable value; the cost for parts and raw materials is determined on a weighted average basis; the cost of work-in-progress and finished goods includes the cost of direct materials, labour and an allocation of manufacturing overhead, all on a specific item basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completing and selling.

(g) Impairment*(i) Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated annually.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into CGUs, being the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Employee benefits*(i) Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

The share appreciation rights are settled in cash and recorded accordingly as a liability. For share appreciation rights granted, the Company recognizes compensation expense in operating costs in the statements of income, equal to the fair value at the grant date, recognized over the term of the vesting period, with a corresponding credit to liability. At each reporting period, the liability is re-measured at fair value with any changes recorded in share-based compensation.

(i) Revenue from contracts with customers

The Company enters into a variety of contracts and recognizes revenue when performance obligations have been fulfilled. The following describes the recognition of revenue for each of the Company's contracts, which is consistent with its reportable operating segments outlined in Note 6.

Contract Drilling

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

Well Servicing

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

Rentals and Transportation

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

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Compression and Process Services

The Company enters into contracts that involve the design, manufacture, installation, start-up and service of compression and process equipment. Performance obligations for these contracts are satisfied over time and are measured by reference to labour hours incurred to date as a proportion of total expected labour hours over the amount specified in the contract. Revenues and costs only begin to be recognized when the Company can reasonably measure its progress towards complete satisfaction of the contract. Any foreseeable losses on such projects are charged to operations when determined and work in progress is presented as part of accounts receivable. If payments received from a customer exceed the revenue recognized, the difference increases the deferred revenue balance. Parts and service performance obligations are satisfied at a point in time or over time at the monthly, daily, hourly or job rates specified in the contract.

In the course of its ordinary activities the Company undertakes certain transactions that do not generate revenue and are incidental to its main revenue-generating activities. Such transactions are not intended or expected to result in a material increase in equity. The Company presents the results of such incidental transactions by netting any income with related expenses arising on the same transaction.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(k) Finance income and finance costs

Finance income is comprised of interest income on outstanding cash balances and other interest income. Finance income is recognized as it accrues in net income or loss.

Finance costs are comprised of interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net income or loss using the effective interest method.

(l) Income tax

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable net income nor loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Earnings per share

Basic earnings per share is calculated based on the weighted average number of shares outstanding. Diluted earnings per share includes the weighted average number of shares outstanding plus additional shares from the assumed exercise of in-the-money stock options. The number of additional shares related to stock options is calculated by assuming proceeds from the exercise of the stock options are used to buy back common shares at the average market price. The additional shares is the difference between the exercised options and the assumed number acquired.

(n) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Board of Directors and senior corporate management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors and senior corporate management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items are comprised mainly of corporate assets (primarily the Company's headquarters), head office expenses, including share-based compensation, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and acquisitions.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels are based on the amount of subjectivity associated with the inputs in the fair value determination and are as follows:

Level I — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II — Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level III — Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

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(a) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of property, plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(b) Accounts receivable

The fair value of accounts receivable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(d) Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility), the weighted average expected life of the instruments (based on historical experience and general option holder behavior), the expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

5. New Accounting Pronouncements (IFRS 18)

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1 Presentation of Financial Statements. IFRS 18 sets out the requirements for presentation and disclosures in financial statements with focus on the income statement and reporting of management-defined performance measures (often referred to as non-GAAP measures). The new standard is effective for annual periods beginning on or after January 1, 2027, with earlier application permitted. The Company is assessing the impact of the standard to its consolidated financial statements, with a focus on specific developments in its industry.

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6. Operating segments

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

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

As at and for the year ended December 31, 2025	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate ⁽¹⁾	Total
Revenue	\$ 332,685	\$ 79,823	\$ 526,939	\$ 125,285	–	\$1,064,732
Cost of services	242,161	44,087	436,723	97,395	–	820,366
Selling, general and administration	11,149	8,676	16,822	7,529	11,790	55,966
Other income	–	–	–	–	(1,368)	(1,368)
Share-based compensation	–	–	–	–	4,067	4,067
Depreciation	48,943	20,885	12,032	9,778	823	92,461
Operating income (loss)	30,432	6,175	61,362	10,583	(15,312)	93,240
Gain on sale of property, plant and equipment	1,308	280	7,513	238	30	9,369
Finance costs, net	46	(182)	(464)	(54)	(4,293)	(4,947)
Net income (loss) before income taxes	31,786	6,273	68,411	10,767	(19,575)	97,662
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	433,364	159,314	298,352	99,244	9,828	1,000,102
Total liabilities	63,101	31,926	171,552	4,867	127,345	398,791
Capital expenditures	54,949	16,576	4,794	17,338	55	93,712

Year ended December 31, 2025	Canada	United States	Australia	International	Total
Revenue	\$ 463,297	\$ 355,736	\$ 241,924	\$ 3,775	\$1,064,732
Non-current assets ⁽²⁾	368,285	111,093	149,806	–	629,184

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

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

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As at and for the year ended December 31, 2024	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate ⁽¹⁾	Total
Revenue	\$ 319,612	\$ 78,587	\$ 413,944	\$ 94,633	\$ –	\$ 906,776
Cost of services	234,409	38,833	333,330	74,787	–	681,359
Selling, general and administration	9,516	8,971	15,775	5,420	11,559	51,241
Other expense	–	–	–	–	1,465	1,465
Share-based compensation	–	–	–	–	2,539	2,539
Depreciation	47,292	20,465	10,823	9,907	1,843	90,330
Operating income (loss)	28,395	10,318	54,016	4,519	(17,406)	79,842
Gain (loss) on sale of property, plant and equipment	283	969	312	109	–	1,673
Finance costs, net	(66)	(275)	(423)	(80)	(7,312)	(8,156)
Net income (loss) before income taxes	28,612	11,012	53,905	4,548	(24,718)	73,359
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	423,165	163,591	267,342	76,439	7,171	937,708
Total liabilities	82,208	26,212	104,385	5,088	148,772	366,665
Capital expenditures	43,717	12,964	18,176	16,219	14	91,090
Year ended December 31, 2024	Canada	United States	Australia	International		Total
Revenue	\$ 414,238	\$ 341,323	\$ 148,261	\$ 2,954		\$ 906,776
Non-current assets ⁽²⁾	364,380	139,969	122,203	–		626,552

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

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

TOTAL ENERGY SERVICES INC.
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7. Business acquisition

On January 17, 2024 the Company’s wholly owned subsidiary Savanna Energy Services Pty Ltd. (“Savanna Australia”) entered into an agreement with SLB Australia Holdings Pty Ltd (“SLB”) to acquire all of the shares of Saxon Energy Services Australia Pty Ltd. (“Saxon”) for U.S. \$37.0 million (CAD \$50.1 million) cash (the “Acquisition”). This Acquisition was completed on March 7, 2024 (the “Effective Acquisition Date”).

The Acquisition has been accounted for as a business combination using the acquisition method whereby the net assets acquired and liabilities assumed are recorded at fair value. The purchase price allocation is based on management’s best estimates of fair values of Saxon’s assets and liabilities as at the Effective Acquisition Date. Future adjustments to estimates may be required.

	March 7, 2024
Trade accounts receivable and accrued receivables	\$ 10,478
Inventory	3,824
Property, plant and equipment	48,532
Deferred tax asset	1,775
Accounts payable and other liabilities	(14,554)
Net assets acquired	50,055
Cash paid on acquisition	47,350
Contingent consideration	2,705
Total consideration	\$ 50,055

The fair values of trade accounts receivable and other current assets, and accounts payable and other liabilities approximate their carrying values due to the short-term maturity of the instruments. Fair value of property plant and equipment was determined by utilizing current market information for similar equipment, adjusted for the specific design, mechanical condition and marketability of such equipment. Key assumptions underlying managements’ estimate of fair value include expectations as to future market conditions in the oil and gas industry, expected useful lives of equipment, discount rates, recoverability of available tax pools and collectability of accounts receivable.

Depreciation of property, plant and equipment acquired was recognized in the consolidated statement of comprehensive income from the Effective Acquisition Date and is consistent with the Company’s existing depreciation estimates.

Acquisition costs of \$0.5 million have been charged to selling, general and administration expenses in the consolidated statement of comprehensive income for the year ended December 31, 2024.

Contingent consideration, less any claims that might arise, is payable upon resolution of certain outstanding claims in cash.

Saxon contributed \$65.8 million to consolidated revenues and \$2.8 million to consolidated net income from the Effective Acquisition Date to December 31, 2024.

Had the acquisition occurred on January 1, 2024, Saxon would have contributed \$79.5 million to consolidated revenues and \$4.6 million to consolidated net income.

TOTAL ENERGY SERVICES INC.
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8. Cash and cash equivalents

Cash and cash equivalents represent cash in bank.

9. Accounts receivable

	December 31 2025	December 31 2024
Trade receivables, net of allowance for doubtful accounts	\$ 108,790	\$ 117,020
Accrued and other receivables	57,201	32,028
	\$ 165,991	\$ 149,048

The Company's exposure to credit and currency risks, and impairment losses related to trade receivables is disclosed in note 25. Included in accrued and other receivables is \$7.7 million (2024: \$12.3 million) of amounts pertaining to contracts in progress as at December 31, 2025.

10. Inventory

	December 31 2025	December 31 2024
Finished goods	\$ 935	\$ 935
Work-in-progress	64,580	31,217
Parts and raw materials	61,507	71,939
	\$ 127,022	\$ 104,091

For the year ended December 31, 2025, finished goods, work-in-progress and parts and raw materials of \$409.4 million (December 31, 2024: \$312.5 million) are included in cost of services (note 21).

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11. Property, plant and equipment

	Land and buildings	Rental equipment	Automotive equipment	Leased assets	Shop machinery and equipment	Drilling rigs and related equipment	Service rigs and related equipment	Furniture, fixtures and other	Total
Cost									
As at December 31, 2023	\$ 121,219	\$ 357,244	\$ 48,820	\$ 37,121	\$ 23,598	\$ 562,969	\$ 122,097	\$ 9,860	\$ 1,282,928
Acquisition	–	–	–	252	–	48,280	–	–	48,532
Additions	276	27,204	6,167	6,128	1,088	41,615	14,238	502	97,218
Disposals	(180)	(4,325)	(717)	(1,299)	(43)	(1,045)	(93)	–	(7,702)
Derecognition of assets	–	(1,024)	–	(1,093)	–	–	–	(269)	(2,386)
Effect of changes in foreign exchange rates	477	8,590	428	1,126	567	9,129	110	71	20,498
As at December 31, 2024	\$ 121,792	\$ 387,689	\$ 54,698	\$ 42,235	\$ 25,210	\$ 660,948	\$ 136,352	\$ 10,164	\$ 1,439,088
Additions	164	16,948	3,212	19,067	2,545	53,876	16,543	424	112,779
Disposals	(450)	(18,001)	(7,297)	(714)	(93)	(4,777)	(268)	–	(31,600)
Derecognition of assets	(20)	(3,142)	(451)	(2,385)	(1,130)	–	–	(2,631)	(9,759)
Effect of changes in foreign exchange rates	(278)	(4,989)	(140)	(483)	(373)	(2,380)	1,715	(32)	(6,960)
As at December 31, 2025	\$ 121,208	\$ 378,505	\$ 50,022	\$ 57,720	\$ 26,159	\$ 707,667	\$ 154,342	\$ 7,925	\$ 1,503,548
Accumulated Depreciation									
As at December 31, 2023	\$ 44,861	\$ 214,925	\$ 38,993	\$ 22,215	\$ 19,057	\$ 287,102	\$ 90,320	\$ 8,303	\$ 725,776
Depreciation expense	4,300	21,061	1,730	6,104	545	46,593	8,571	1,426	90,330
Disposals	(154)	(3,887)	(718)	(1,178)	(43)	(1,014)	(66)	–	(7,060)
Derecognition of assets	–	(1,024)	–	(1,093)	–	–	–	(269)	(2,386)
Effect of changes in foreign exchange rates	205	2,987	320	718	326	5,089	280	4	9,929
As at December 31, 2024	\$ 49,212	\$ 234,062	\$ 40,325	\$ 26,766	\$ 19,885	\$ 337,770	\$ 99,105	\$ 9,464	\$ 816,589
Depreciation expense	4,313	21,555	2,937	6,448	460	48,058	7,806	884	92,461
Disposals	–	(6,229)	(5,051)	(632)	(93)	(4,278)	(255)	–	(16,538)
Derecognition of assets	(20)	(3,142)	(451)	(2,385)	(1,130)	–	–	(2,631)	(9,759)
Effect of changes in foreign exchange rates	(125)	(1,921)	(171)	(475)	(200)	(2,489)	1,046	(1)	(4,336)
As at December 31, 2025	\$ 53,380	\$ 244,325	\$ 37,589	\$ 29,722	\$ 18,922	\$ 379,061	\$ 107,702	\$ 7,716	\$ 878,417
Net Book Value									
As at December 31, 2023	\$ 76,358	\$ 142,319	\$ 9,827	\$ 14,906	\$ 4,541	\$ 275,867	\$ 31,777	\$ 1,557	\$ 557,152
As at December 31, 2024	\$ 72,580	\$ 153,627	\$ 14,373	\$ 15,469	\$ 5,325	\$ 323,178	\$ 37,247	\$ 700	\$ 622,499
As at December 31, 2025	\$ 67,828	\$ 134,180	\$ 12,433	\$ 27,998	\$ 7,237	\$ 328,606	\$ 46,640	\$ 209	\$ 625,131

As at December 31, 2025, there was \$18.4 million (December 31, 2024: \$14.1 million) of property plant and equipment under construction. The Company has not capitalized any borrowing costs as there were no borrowing costs directly attributable to the acquisition and construction of property, plant and equipment.

Included in leased assets as at December 31, 2025 was \$17.9 million net book value (December 31, 2024: \$7.0 million net book value) of assets relating to building leases and \$10.1 million net book value (December 31, 2024: \$8.5 million net book value) of assets relating to vehicle leases. Included in leased assets depreciation expense for the year ended December 31, 2025 was \$3.1 million of right of use assets depreciation expense relating to building leases (2024: \$3.3 million). Additions of right of use leased assets relating to buildings were \$13.9 million (2024: \$3.8 million).

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At each reporting period, the Company reviews the carrying value of its property, plant and equipment for indicators of impairment. Based on a stable industry environment during 2025, no indications of impairment were identified during the year ended December 31, 2025.

12. Goodwill

For the purpose of impairment testing, goodwill is allocated to the Company's operating segments which represent the lowest level within the Company at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each cash generating unit are as follows:

	December 31, 2025	December 31, 2024
Rentals and Transportation Services	\$ 2,514	\$ 2,514
Compression and Process Services	1,539	1,539
	\$ 4,053	\$ 4,053

The recoverable amount of the cash-generating units was based on its value-in-use. As the carrying amount of the unit was determined to be lower than its recoverable amount no impairment was recorded (2024: nil).

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the CGU.

Unless indicated otherwise, value-in-use in 2025 was determined similarly as in 2024. The calculation of the value-in-use was based on the following key assumptions.

- Cash flows were projected based on past experience, actual operating results, current market conditions and a 15 year horizon in both 2025 and 2024.
- An after-tax discount rate of 9.37% (2024: 9.43%) was applied in determining the recoverable amount of the unit.
- The expectation is that activity levels will remain relatively stable in 2026 and thereafter.

The values assigned to the key assumptions represent management's assessment of future trends in the energy service industry and are based on both external sources and internal sources (historical data). A 10% change in any of the key assumptions would not change the outcome of management's assessment of impairment.

13. Accounts payable and accrued liabilities

	December 31, 2025	December 31, 2024
Trade payables	\$ 81,447	\$ 50,158
Wages and salaries payables and related accruals	21,658	16,088
Accrued costs and other payables	49,109	58,860
	\$ 152,214	\$ 125,106

Included in accrued costs and other payables is \$1.8 million (2024: \$4.9 million) relating to contracts in progress as at December 31, 2025.

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14. Long-term debt

At December 31, 2025 the Company's long-term debt consisted of the following:

	December 31, 2025		December 31, 2024	
	Interest rate	Principal amount	Interest rate	Principal amount
Credit Facility	4.08%	\$ 55,000	5.23%	\$ 70,000
Mortgage loan (2025 maturity)		–	3.10%	40,947
	4.08%	55,000	4.45%	110,947
Less current portion		–		40,947
		\$ 55,000		\$ 70,000

At December 31, 2025 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"). Following several renewals and at the request of the Company the Credit Facility was reduced to \$170 million and the maturity date extended to January 10, 2029. The Credit Facility includes a Canadian \$18 million operating line, an Australian \$2 million operating line and a Canadian \$150 million revolving facility. 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 bears interest at the banks' Canadian prime rate plus 0.25% to 1.25%, bankers' acceptances, letters of credit 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. In January of 2024, term CORRA rates have replaced bankers' acceptances and SOFR rates have replaced LIBOR, with no changes in pricing or premiums. At December 31, 2025, the applicable interest rate on amounts drawn on the Credit Facility was 4.08% (2024: 5.23%) and the standby rate was 0.25% (2024: 0.25%). Letters of credit ("LOC") of \$0.3 million were outstanding at December 31, 2025 (2024: \$0.3 million) 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 December 31, 2025 \$2.4 million Canadian dollars of LOCs were outstanding under the LOC Facility (December 31, 2024: \$2.5 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 December 31, 2025 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:

	December 31, 2025	Threshold
Twelve-month trailing Bank EBITDA to interest expense	44.40	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	0.03	maximum 3.00

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

- Bank EBITDA is determined (on a 12-month trailing basis) as earnings before finance expenses, income taxes, depreciation, share-based compensation and certain non-recurring and non-cash income and expenses as defined in the credit agreement and excludes amounts from certain non-guarantor subsidiaries and the limited partnerships partially owned by the Company.
- Senior Debt is determined as total long-term debt (including the current portions thereof but excluding the mortgage loans, the limited partnership facilities and certain other obligations identified in the credit agreement) minus cash on hand.

The Credit Facility is secured by a general security agreement over all the present and future property of the Company and its subsidiaries.

Mortgage Loan (2025 maturity) was a loan that matured on April 29, 2025 that was amortized over 20 years with blended monthly principal and interest payments of approximately \$279,800. This loan bore interest at a fixed rate of 3.10% and was secured by certain of the Company's real estate. This loan was repaid in full (\$40.4 million plus accrued and unpaid interest) on April 29, 2025 by utilizing available cash and the Credit Facility.

At December 31, 2025 the Company was in compliance with all debt covenants.

15. Lease liabilities

	December 31, 2025	December 31, 2024
Lease liability	\$ 27,142	\$ 15,539
Less current portion	6,906	6,368
Long-term lease liability, end of year	\$ 20,236	\$ 9,171

The Company has entered into various agreements with third parties for the purpose of financing certain automotive equipment and for the purposes of renting real estate properties. The leases bear interest at rates ranging from 2.42% to 7.09% (December 31, 2024: 1.76% to 7.32%) and mature on various dates up to 2040.

In 2025, interest of \$0.7 million (December 31, 2024 – \$1.0 million) relating to lease liabilities has been included in finance costs (note 24). The changes in lease liabilities during the period were as follows:

	December 31, 2025	December 31, 2024
Lease liabilities at the beginning of the period	\$ 15,539	\$ 15,767
Leases entered into during the period	19,067	6,128
Right of use assets acquired	–	252
Lease principal payments	(7,459)	(6,958)
Effect of changes in foreign exchange rates	(5)	350
Lease liabilities at the end of the period	\$ 27,142	\$ 15,539

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	Minimum lease payments		Present value of minimum lease payments	
	December 31 2025	December 31 2024	December 31 2025	December 31 2024
Not later than one year	\$ 8,175	\$ 7,136	\$ 6,906	\$ 6,368
Later than one year and not later than five years	12,750	10,095	9,695	9,171
Later than 5 years	13,533	–	10,541	–
	34,458	17,231	27,142	15,539
Less: future finance charges	(7,316)	(1,692)	–	–
Present value of minimum lease payments	\$ 27,142	\$ 15,539	\$ 27,142	\$ 15,539

Included in lease liability at December 31, 2025 was \$18.9 million relating to building right of use assets (December 31, 2024: \$8.1 million).

16. Income tax

The components of the net deferred income tax liability at December 31, 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Deferred income tax assets:		
Non-capital losses	\$ 8	\$ 14,122
Long-term leave provision	2,805	2,029
Unrealized foreign exchange on working capital balances	82	255
Other	727	652
Deferred income tax liabilities:		
Property, plant and equipment	(64,282)	(72,133)
Net deferred income tax liabilities	\$ (60,660)	\$ (55,075)
Deferred income tax assets, net	–	1,958
Deferred income tax liabilities, net	(60,660)	(57,033)
Net deferred income tax liabilities	\$ (60,660)	\$ (55,075)

By Country:

	December 31, 2025	December 31, 2024
Deferred income tax asset:		
Australia	\$ –	\$ 1,958
Deferred income tax liabilities:		
Canada	\$ (38,333)	\$ (36,589)
United States	(21,372)	(20,444)
Australia	(955)	–
Net deferred income tax liabilities	\$ (60,660)	\$ (55,075)

The business and operations of the Company are complex and the Company has executed a number of significant financings, reorganizations, acquisitions and other material transactions over the course of its history. The computation of income taxes payable as a result of these transactions involves many complex factors as well as the Company's interpretation of relevant tax legislation and regulations. The Company's management believes that the provision for income tax is adequate and in accordance with IFRS and applicable legislation and regulations. However, tax filing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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positions are subject to review by taxation authorities who may successfully challenge the Company's interpretation of the applicable tax legislation and regulations.

At December 31, 2025, the Company had \$8.3 million (2024: \$9.7 million) of unrecognized tax benefits relating to non-capital losses that, if recognized, would have a favorable impact on the Company's effective income tax rate in future periods.

At December 31, 2025, the Company's non-capital losses available to carry forward totaled \$33.7 million (2024: \$94.8 million), of which \$14.9 million relate to Canadian entities (2024: \$39.9 million), \$18.8 million relate to United States entities (2024: \$36.3 million) and nil to Australian entities (2024: \$18.6 million). The unused tax losses, which begin to expire in 2028, may be applied to reduce future taxable income and future income taxes payable.

Movement in temporary differences during the period:

	Dec 31, 2023	Recognized in net income	Recorded on acquisition	Foreign exchange translation in OCI	Dec 31, 2024	Recognized in net income	Foreign exchange translation in OCI	Dec 31, 2025
Deferred income tax assets:								
Non-capital losses	\$ 14,331	\$ (209)	\$ –	\$ –	\$ 14,122	\$ (13,994)	\$ (120)	\$ 8
Long-term leave provision	1,364	665	–	–	2,029	723	53	2,805
Unrealized foreign exchange on intercompany working capital balances	(62)	317	–	–	255	(173)	–	82
Other	(106)	758	–	–	652	139	(64)	727
Deferred income tax liabilities:								
Property, plant and equipment	(68,579)	(5,337)	1,775	8	(72,133)	6,706	1,145	(64,282)
Deferred tax expense	\$ (53,052)	\$ (3,806)	\$ 1,775	\$ 8	\$ (55,075)	\$ (6,599)	\$ 1,014	\$ (60,660)

Income tax expense differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates. The reasons for the differences are as follows:

	2025	2024
Net income before income taxes	\$ 97,662	\$ 73,359
Income tax rate	23%	23%
Expected income tax expense	\$ 22,462	\$ 16,873
Changes in taxes resulting from:		
Non-deductible (non-taxable) items	(1,355)	2,328
Utilization of tax losses not previously recognized	(4,219)	(7,868)
Differences in tax rates	4,112	1,120
Other	2,313	181
Total income tax expense	\$ 23,313	\$ 12,634

On February 2, 2024, the Company received a judgement from the Tax Court of Canada ruling in favor of Canada Revenue Agency (the "CRA") reassessments of certain of the Company's income tax filings related to its conversion from an income trust to a corporation in 2009. As a result, the Company recorded \$16.2 million of income tax expense and \$10.6 million of interest and penalties in 2023 that were paid in 2024.

TOTAL ENERGY SERVICES INC.
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17. 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, 2023	39,975	\$ 251,283
Repurchased and cancelled	(2,197)	(13,814)
Share options exercised	322	1,800
Balance, December 31, 2024	38,100	\$ 239,269
Repurchased and cancelled	(1,986)	(12,460)
Share options exercised	236	1,232
Balance, December 31, 2025	36,350	\$ 228,041

During the year ended December 31, 2025, 1,985,638 common shares (year ended December 31, 2024: 2,197,364) were repurchased and cancelled under the Company's normal course issuer bid at an average price of \$12.40 per share including commissions and share repurchase taxes (2024: \$9.97 per share).

(b) Per share amounts

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

	2025	2024
Net income for the year attributable to shareholders	\$ 74,217	\$ 60,801
Weighted average number of shares outstanding – basic, thousands	\$ 37,322	\$ 39,080
Earnings per share – basic	\$ 1.99	\$ 1.56
Net income for the year attributable to shareholders	\$ 74,217	\$ 60,801
Weighted average number of shares outstanding – basic, thousands	37,322	39,080
Share option dilution	646	582
Weighted average number of shares outstanding – diluted, thousands	37,968	39,662
Earnings per share – diluted	\$ 1.95	\$ 1.53

For the year ended December 31, 2025, nil options (2024: 1,305,000) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

During 2025, the Company declared dividends of \$14.9 million (2024: \$14.0 million) or \$0.40 per common share (2024: \$0.36).

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18. Share-based compensation

On May 21, 2015, the Company implemented a share option plan which was drafted to comply with the policies of the Toronto Stock Exchange (“TSX”). Under the plan, options to acquire common shares of the Company may be granted to officers and employees of the Company. The terms of the plan (the “TSX Plan”) are outlined below.

The aggregate number of common shares issuable upon the exercise of options outstanding under the TSX Plan at any time may not exceed 10% of the issued and outstanding common shares and the aggregate number of common shares issuable to any one officer or employee of the Company may not exceed 5% of the total number of issued and outstanding common shares. The period to which an option granted under the TSX Plan is exercisable may not exceed ten years from the date such option is granted. The price at which common shares may be acquired upon the exercise of an option is determined with reference to the weighted average closing price of the common shares for the five business days immediately prior to the date of grant on which a board lot of common shares trades on the TSX.

Share option transactions during 2025 and 2024 were as follows:

	Weighted average exercise price	Number of Options
Balance, December 31, 2023	\$ 7.61	4,109,997
Exercised	4.37	(322,364)
Surrendered	7.99	(931,967)
Forfeited	8.44	(128,333)
Balance, December 31, 2024	\$ 7.82	2,727,333
Exercised	3.93	(235,638)
Surrendered	5.18	(178,362)
Forfeited	7.46	(15,000)
Balance, December 31, 2025	\$ 8.42	2,298,333

The share options issued vest 1/3 on the first, second and third anniversary from the grant date and expire five years from the date of grant. The options expire on various dates ranging from August 10, 2026 to August 10, 2028.

There were 235,638 options exercised during 2025 (2024: 322,364). During 2025, the weighted average market price at the time of exercise of options was \$12.66 per share (2024: \$10.67 per share).

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

Outstanding at December 31, 2025	Exercise Price	Remaining life (years)	Exercisable at December 31, 2025
258,333	\$ 3.72	0.60	258,333
705,000	7.46	1.60	705,000
80,000	6.42	1.80	80,000
1,255,000	10.06	2.60	820,000
2,298,333	\$ 8.42	2.04	1,863,333

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Outstanding at December 31, 2024	Exercise Price	Remaining life (years)	Exercisable at December 31, 2024
124,000	\$ 2.31	0.60	124,000
453,333	3.72	1.60	453,333
765,000	7.46	2.60	500,000
80,000	6.42	2.80	50,000
1,305,000	10.06	3.60	435,000
2,727,333	\$ 7.82	2.83	1,562,333

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value of the share options granted. No share options were granted in 2025 or 2024.

For the year ended December 31, 2025, the Company recognized share-based compensation expense relating to share options of \$1.2 million (2024: \$2.5 million).

19. Share Appreciation Rights (SARs)

On August 8, 2024 the Company implemented a share appreciation rights plan ("SAR"). A SAR entitles the holder to receive a cash payment equal to the difference between the stated exercise price and the market price of the company's common shares on the date the SAR is exercised and is accounted for as a cash-settled award. SARs have a five-year life and vest annually over a three-year period.

The number of SARs expected to vest are measured at fair value at each reporting period on a mark-to-market basis. The recognition and valuation of SARs results in share-based compensation expense and a corresponding liability, which was included in accounts payable and accrued liabilities.

	Weighted average exercise price	Number of SARs
Balance, December 31, 2023	\$ -	-
Granted	9.42	1,140,000
Balance, December 31, 2024	\$ 9.42	1,140,000
Forfeited	9.42	(105,000)
Exercised	9.42	(30,000)
Issued	11.34	1,100,000
Balance, December 31, 2025	\$ 10.42	2,105,000

The SARs expire on various dates ranging from August 8, 2029 to August 5, 2030. For the year ended December 31, 2025, the Company recognized share-based compensation expense relating to SARs of \$2.9 million (2024: \$0.3 million).

20. Revenue

	2025	2024
Rendering of services	\$ 632,674	\$ 547,699
Sale of goods	432,058	359,077
	\$1,064,732	\$ 906,776

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21. Cost of services

	2025	2024
Wages and salaries	\$ 259,437	\$ 238,977
Inventory	409,376	312,451
Repair and maintenance	119,433	95,619
Fuel and travel	19,605	22,839
Rent and services	3,483	2,565
Other	9,032	8,908
	<u>\$ 820,366</u>	<u>\$ 681,359</u>

22. Selling, general and administration

	2025	2024
Wages and salaries	\$ 39,996	\$ 36,194
Professional and legal	4,498	4,067
Marketing and risk management	5,343	4,612
Travel and fuel	2,025	1,747
Rent and services	1,900	1,941
Other	2,204	2,680
	<u>\$ 55,966</u>	<u>\$ 51,241</u>

23. Employee compensation

	2025	2024
Cost of services	259,437	238,977
Selling, general and administration	39,996	36,194
Share-based compensation	4,067	2,539
	<u>303,500</u>	<u>277,710</u>

24. Finance costs, net

	2025	2024
Interest on long-term debt	\$ 4,261	\$ 6,813
Interest on re-assessment (Note 16)	–	387
Interest on lease liabilities	686	956
	<u>\$ 4,947</u>	<u>\$ 8,156</u>

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25. Financial risk management and financial instruments overview

Capital management

The Company's capital management strategy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of the Company's business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying businesses. The Company seeks to maintain an appropriate balance between the level of long-term debt and shareholders' equity to ensure access to the capital markets to fund growth and working capital having regard to the cyclical nature of the energy services industry. Historically the Company has maintained a conservative ratio of long-term debt to long-term debt plus equity. As at December 31, 2025 and 2024 these ratios were as follows:

	December 31, 2025	December 31, 2024
Long-term debt (including current portion)	\$ 55,000	\$ 110,947
Shareholders' equity	601,311	571,043
Total capitalization	\$ 656,311	\$ 681,990
Long-term debt to capitalization ratio	0.08	0.16

As at December 31, 2025, the Company was subject to externally imposed minimum capital requirements relating to the Credit Facility as described in note 14. The Company monitored these requirements to ensure compliance with them. As at December 31, 2025 and 2024 the Company was in compliance with all external minimum capital requirements.

Financial instruments

The Company's financial instruments as at December 31, 2025, 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, deposits and accounts payable, dividends payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity. The net present value of future cash repayments of the Mortgage loan and related interest at the prevailing market rate of 5.73% for a similar debt instrument at December 31, 2024 was \$40.6 million. The carrying value and Company's liability with respect to the Mortgage loan (2025 maturity) was \$40.9 million at December 31, 2024.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

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Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's trade accounts receivable. The carrying amount of cash and cash equivalents and accounts receivable included on the consolidated statement of financial position represent the maximum credit exposure.

The vast majority of the Company's trade receivable are customers involved in the oil and gas industry, and the ultimate collection of the accounts receivable is dependent on both industry related factors and customer specific factors. Industry related factors that may affect collection include commodity prices and access to capital. Customer specific factors that may affect collection include realized commodity prices, the success of drilling programs, well reservoir decline rates and access to capital. The Company continuously monitors the recoverability of accounts receivable balances and subject to agreed payment terms and generally considers the balance to be overdue when it ages over 90 days. As at December 31, 2025, \$6.0 million, or 4% of accounts receivable (2024: \$5.0 million or 3%) were more than 90 days overdue, which includes \$1.8 million of doubtful accounts for which a provision has been recognized (December 31, 2024: \$1.6 million).

The ageing of accounts receivable is in the range of expectations given current market conditions.

The movement in the Company's allowance for doubtful accounts was as follows:

	Allowance for doubtful accounts
Balance at December 31, 2023	\$ 1,145
Provisions and revisions	408
Balance at December 31, 2024	\$ 1,553
Provisions and revisions	248
Balance at December 31, 2025	\$ 1,801

The Company did not have significant exposure to any individual customer or counter party that accounted for over 10% of consolidated revenue in 2025 other than one major oil and gas producing company.

The Company did not have significant exposure to any individual customer or counter party in 2024. Concentration of credit risk on the Company's trade receivables exists in the oil and gas industry as a whole.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, to the extent reasonably possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable costs or losses or risking harm to the Company's reputation. As at December 31, 2025, the Company maintained credit facilities which were available to a maximum of \$175 million (December 31, 2024: \$175 million of credit facility and \$40.9 million of mortgage debt) to ensure the Company has sufficient working capital to operate its business.

The Company expects that cash and cash equivalents, and cash flow from operations, together with existing and available credit facilities, will be sufficient to fund its presently anticipated requirements for investments in working capital, capital assets, dividend payments and the Company's share repurchases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024
(Tabular amounts in thousands of Canadian dollars)

The following maturity analysis shows the remaining contractual maturities for the Company's financial liabilities, including future interest payments:

As at December 31, 2025	No later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Accounts payable and accrued liabilities (note 13)	\$ 152,214	\$ –	\$ –	\$ 152,214
Long-term debt (note 14)	2,244	59,549	–	61,793
Deferred purchase price (note 7)	2,796	–	–	2,796
Lease liabilities (note 15)	8,175	11,515	14,768	34,458
Total	\$ 165,429	\$ 71,064	\$ 14,768	\$ 251,261

As at December 31, 2024	No later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Accounts payable and accrued liabilities (note 13)	\$ 125,106	\$ –	\$ –	\$ 125,106
Long-term debt (note 14)	43,381	77,017	–	120,398
Deferred purchase price (note 7)	2,878	–	–	2,878
Lease liabilities (note 15)	7,136	10,095	–	17,231
Total	\$ 178,501	\$ 87,112	\$ –	\$ 265,613

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's net income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

- Foreign currency exchange rate risk

Transaction exposure

The Company is exposed to foreign currency exchange risk on revenues, capital expenditures, or financial instruments that are denominated in a currency other than the Company's functional currency (Canadian dollars). Where sales are denominated in a currency other than Canadian dollars, the Company may enter into forward currency contracts to mitigate its exposure to exchange rate fluctuations from the date of sale until the date of receipt of funds. The Company estimates that in its Canadian operations approximately 14% of its cost of services in 2025 were purchased using a foreign currency. Where foreign currency denominated purchases are made, it is the Company's practice to pay invoiced amounts within 15 days of receipt of invoice to reduce the Company's exposure to foreign exchange risk. In addition, from time to time the Company purchases funds in the foreign currency to which the order is denominated to mitigate against foreign exchange rate changes from the date of ordering to when payment is made. Pricing to customers is also customarily adjusted to reflect changes in the Canadian dollar landed cost of imported goods. For the year ended December 31, 2025, the net amount of foreign exchange loss related to transaction exposure recorded in net income was \$0.7 million (2024: foreign exchange loss of \$1.1 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024
(Tabular amounts in thousands of Canadian dollars)

Translation exposure

Translation exposures arise from financial and non-financial items held by an entity (for example, a subsidiary) with a functional currency different from the Company's presentation currency. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation under IAS 21 is not fully eliminated.

The Company's sensitivity to foreign currency fluctuations is as follows: all else being equal, a hypothetical strengthening of 5% of each of the United States dollar and Australian dollar against the Canadian dollar would have increased (decreased) net income (loss) before income taxes and other comprehensive income as follows:

For the year ended December 31, 2025	United States Dollar	Australian Dollar	Total
Net income (loss) before income taxes	\$ (544)	\$ 717	\$ 173
Other comprehensive income	8,350	6,964	15,314
	\$ 7,806	\$ 7,681	\$ 15,487

For the year ended December 31, 2024	United States Dollar	Australian Dollar	Total
Net income (loss) before income taxes	\$ 233	\$ (50)	\$ 183
Other comprehensive income	7,499	5,551	13,050
	\$ 7,732	\$ 5,501	\$ 13,233

For a hypothetical 5% weakening of each of the United States dollar and Australian dollar against the Canadian dollar, there would be an equal and opposite effect on net income (loss) before income taxes and other comprehensive income (loss) to that presented above.

- Forward foreign exchange contracts

The notional principal amount of forward foreign exchange contracts outstanding as at December 31, 2025 was \$35.1 million (December 31, 2024: \$26.0 million). These contracts are short term in nature. The fair value of the forward foreign exchange contracts was determined using quoted forward rates for the identical contracts at December 31, 2025 (level 2 of fair value hierarchy with values based on quoted prices). The forward market exchange rate used to fair value these outstanding contracts as at December 31, 2025 was \$1.37 Canadian dollar per United States dollar (December 31, 2024: \$1.43 Canadian dollar). For the year ended December 31, 2025 the mark to market gain on foreign exchange contracts was \$0.3 million (2024: \$1.4 million loss) and is included in net income.

- Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on borrowings under existing and available credit facilities which utilize a combination of short-term fixed rates using 30 to 90-day CORRA and floating rates. For the year ended December 31, 2025, if interest rates had been 100 basis points lower with all other variables held constant, after-tax net income for the period would have been approximately \$0.6 million higher (2024 – \$0.6 million). An equal and opposite impact would have occurred to net income had interest rates been 100 basis points higher.

The Company had no interest rate swaps or financial contracts in place as at or during the year ended December 31, 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024
(Tabular amounts in thousands of Canadian dollars)

26. Commitments

The Company has operating lease commitments for short term and low dollar value real estate properties payable as follows:

	December 31, 2025	December 31, 2024
Less than one year	\$ 71	\$ 93
Between one and five years	18	–
	\$ 89	\$ 93

The Company also has purchase obligations of \$61.1 million as at December 31, 2025 (December 31, 2024: \$21.6 million) relating to commitments to purchase inventory.

27. Contingencies

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 Energy Services Corp. ("Savanna"), a wholly owned subsidiary of the Company. 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 filed a counterclaim against AIMCo and certain former directors of Savanna for \$7.3 million.

28. Related parties

Key management of the Company includes directors, executive officers, general managers and the president of its operating divisions.

In addition to their salaries, the Company also provides non-cash benefits to key management, except directors (see note 18).

Key management personnel compensation is comprised of:

	December 31, 2025	December 31, 2024
Short-term employee benefits	\$ 9,203	\$ 8,244
Share-based compensation ⁽¹⁾	4,066	2,539
	\$ 13,269	\$ 10,784

(1) Represents the amortization of share-based compensation associated with key management as recorded in the consolidated financial statements.

At December 31, 2025 directors and officers of the Company own or control 10.5 percent of the voting shares of the Company (2024: 9.4 percent).

There have been no transactions over the reporting period with key management personnel (2024: nil), and no outstanding balances exist as at period end (2024: nil).

TOTAL ENERGY SERVICES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024
(Tabular amounts in thousands of Canadian dollars)

29. Subsidiaries

Significant subsidiaries and partnerships

	Country of Incorporation	Ownership Interest, %	
		2025	2024
Total Oilfield Rentals Ltd.	Canada	100	100
Bidell Gas Compression Ltd.	Canada	100	100
Opsco Process Corp.	Canada	100	100
TES Investments Ltd.	Canada	100	100
TES Services Inc.	United States	100	100
Total Oilfield Rentals Inc.	United States	100	100
Bidell Gas Compression Inc.	United States	100	100
TES Land Inc.	United States	100	100
TES Energy Services Pty Ltd.	Australia	100	100
Savanna Energy Services Pty Ltd.	Australia	100	100
Saxon Energy Services Australia Pty Ltd.	Australia	100	100
Savanna Well Servicing Inc.	Canada	100	100
Savanna Well Servicing Corp.	United States	100	100
Savanna Drilling Corp.	Canada	100	100
Savanna Drilling LLC	United States	100	100
BR Enterprises Limited Partnership	Canada	100	100
Savanna Energy Services Limited Partnership #6	Canada	50	50
Heart Lake First Nation Savanna Energy Services Limited Partnership	Canada	50	50

30. Subsequent events

Subsequent to December 31, 2025 the Company decided to discontinue operations in its well servicing business in the United States. For the year ended December 31, 2025 net loss after tax generated from this business was \$1.5 million, net cash used in operations was \$2.3 million and net assets were \$2.4 million at December 31, 2025. The Company's well servicing business in the United States is not considered material, and the Company expects to finalize the discontinuance of operations and dispose of the well servicing assets by the end of the first half of 2026.

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 March 10, 2026 and focuses on information and key statistics from the audited consolidated financial statements of the Company for the year ended December 31, 2025 (the "2025 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 2025 Financial Statements, the Company's 2025 Annual Report, the Annual Information Form ("AIF") for the year ended December 31, 2025 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.sedarplus.ca.

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 December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Revenue	\$ 301,705	\$ 246,816	22%	\$ 1,064,732	\$ 906,776	17%
Operating income	25,511	15,892	61%	93,240	79,842	17%
EBITDA ⁽¹⁾	56,279	40,565	39%	195,070	171,845	14%
Cashflow	47,269	43,413	9%	171,975	162,435	6%
Net income	23,727	10,102	135%	74,349	60,725	22%
Attributable to shareholders	23,636	10,116	134%	74,217	60,801	22%
Per share data (diluted)						
EBITDA ⁽¹⁾	\$ 1.50	\$ 1.04	44%	\$ 5.14	\$ 4.33	19%
Cashflow	\$ 1.26	\$ 1.12	13%	\$ 4.53	\$ 4.10	10%
Attributable to shareholders:						
Net income	\$ 0.63	\$ 0.26	142%	\$ 1.95	\$ 1.53	27%
Common shares (000's)⁽³⁾						
Basic	36,698	38,171	(4%)	37,322	39,080	(4%)
Diluted	37,632	38,828	(3%)	37,968	39,662	(4%)

Financial Position at	December 31		
	2025	2024	Change
Total Assets	\$ 1,002,102	\$ 937,708	7%
Long-Term Debt and Lease Liabilities (excluding current portion)	75,236	79,171	(5%)
Working Capital ⁽²⁾	108,023	78,737	37%
Net Debt ⁽¹⁾	–	434	nm
Shareholders' Equity	601,311	571,043	5%

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

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

(3) Basic and diluted shares outstanding reflect the weighted average number of common shares outstanding for the period. See note 17 to the 2025 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 December 31, 2025, the Company operated a total fleet of 93 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:

<u>By Type</u>		<u>By Geography</u>	
AC triples	4	Canada	64
AC doubles	16	United States	12
Mechanical doubles	32	Australia	17
TDS and singles	35		
Australian shallow	6		
	<u>93</u>		<u>93</u>

Rentals and Transportation Services: Total Energy's RTS business is presently conducted from 15 locations in western Canada and four locations in the United States. At December 31, 2025, this segment had approximately 8,050 pieces of major rental equipment (excluding access matting), a fleet of 57 heavy trucks and an inventory of ancillary 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 December 31, 2025 the CPS segment occupied approximately 225,000 square feet of production facilities located in Calgary, Alberta and a 100,000 square foot production facility in Weirton, West Virginia. As at December 31, 2025 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 53,070 horsepower of compression in its rental fleet at December 31, 2025.

Well Servicing: At December 31, 2025, the Company operated a total fleet of 73 well servicing rigs across western Canada, northwest United States and Australia. The composition of the Company's service rig fleet is as follows:

<u>By Type</u>		<u>By Geography</u>	
Singles	29	Canada	49
Doubles	31	United States	12
Australian specification	9	Australia	12
Flush-by	4		
	<u>73</u>		<u>73</u>

INDUSTRY OVERVIEW

The energy services industry is affected by numerous factors including, but not limited to, commodity prices, the availability and quality of competing equipment and services, access to qualified personnel and foreign exchange rates. The following table summarizes certain of these key factors:

	Year ended December 31		
	2025	2024	Change
Average Crude Oil Prices			
West Texas Intermediate, US\$/bbl ⁽¹⁾	63.65	76.55	(17%)
Western Canadian Select, US\$/bbl ⁽²⁾	53.43	61.50	(13%)
Average Natural Gas Prices			
Henry Hub, US\$ per MMBtu ⁽³⁾	3.52	2.22	59%
AECO natural gas, US\$ per MMBtu ⁽²⁾	1.41	2.24	(37%)
LNG Asia, US\$ per MMBtu ⁽¹⁾	12.45	11.78	6%
U.S. Oil and Natural Gas Inventories (period end)			
Crude Inventories (MMbbls) ⁽²⁾	422.9	416.8	1%
Natural Gas Storage (bcf) ⁽²⁾	3,375	3,413	(1%)
Average Active Land Drilling Rig Counts			
United States ⁽⁴⁾	561	589	(5%)
Canada ⁽⁵⁾	139	145	(4%)
Foreign Exchange Rates (period end)⁽⁶⁾			
US\$ to CAD\$	1.3706	1.4398	(5%)
AUS\$ to CAD\$	0.9147	0.8915	3%

(1) FRED Economic data; <https://fred.stlouisfed.org/series/DCOILWTICO>

(2) Oil Sands Magazine; <https://www.oilsandsmagazine.com/energy-statistics/oil-and-gas-prices#weeklyNatGasUSD>

(3) U.S. Energy Information Administration

(4) The American Oil&Gas Reporter; <https://www.aogr.com/web-exclusives/us-rig-count/2025>

(5) CAOEC; https://caoec.ca/rig_reports; and <https://boereport.com/caoec-rig-count/>

(6) Bank of Canada

bbl – barrel

MMbtu – one million British thermal units

GJ – gigajoule

MMbbls – millions of barrels

Bcf – billion cubic feet

Continued political and economic uncertainty, exacerbated by threats of tariffs and trade wars, contributed to lower oil prices and weaker North American drilling and completion activity levels on a year over year basis, particularly in the United States. Offsetting such lower activity was continued investment in North American energy infrastructure, including investment related to the expansion of liquified natural gas (“LNG”) export capacity and natural gas fueled power generation.

Expansion of the Trans Mountain oil pipeline and the completion of phase one of the LNG Canada LNG export terminal partially mitigated the impact of lower oil and natural gas prices on Canadian industry activity levels during 2025 as compared to 2024.

Industry conditions remained stable in Australia during 2025 compared to the prior year, underpinned by relatively strong natural gas prices continuing to be realized by Australian natural gas producers.

OVERALL PERFORMANCE

Selected annual financial information derived from the audited consolidated financial statements of the Company for the three most recently completed financial years is set forth below and is prepared in accordance with IFRS.

(in thousands of dollars except per share amounts)	Year ended December 31		
	2025	2024	2023
Revenue	\$ 1,064,732	\$ 906,776	\$ 892,396
Operating income	93,240	79,842	84,622
Cash provided by operations	200,086	165,920	145,946
Cashflow	171,975	162,435	163,321
Net income	74,349	60,725	41,594
Attributable to shareholders	74,217	60,801	41,625
Per share (diluted)	\$ 1.95	\$ 1.53	\$ 1.01
Dividends declared per share	\$ 0.40	\$ 0.36	\$ 0.32
Total assets	1,000,102	937,708	861,658
Long term liabilities (excluding current lease liabilities, current portion of long-term debt and deferred tax liability)	75,236	79,171	100,834

Increased CPS segment activity and the deployment of upgraded drilling and service rigs in Australia more than offset weaker North American drilling and completion activity and contributed to the Company achieving record quarterly and annual financial results for the three and twelve months ended December 31, 2025.

Revenue for 2025 was higher compared to 2024. The acquisition of Saxon in March of 2024 and the deployment of several upgraded drilling and service rigs in Australia over the past year as well as increased activity in the CPS segment more than offset lower North American CDS, RTS and Well Servicing activity. Operating income for 2025 also increased compared to 2024 due to improved Australian CDS and Well Servicing and CPS segment operating income more than offsetting a decline in North American operating income in the CDS, RTS and WS segments.

The Company's financial condition remains strong. Working capital increased by \$29.3 million from \$78.7 million at December 31, 2024 to \$108.0 million at December 31, 2025. Contributing to this increase in working capital was the repayment of a mortgage loan that matured on April 29, 2025. The \$40.4 million principal amount owing plus \$0.8 million of accrued interest was paid with \$11.2 million of available cash on hand and a \$30.0 million draw on the Company's primary revolving credit facility. Shareholders' equity was \$601.3 million at December 31, 2025, a \$30.3 million increase from the end of 2024 due to the realization of \$74.3 million of net income for 2025 that was partially offset by \$24.6 million of share repurchases under the Company's normal course issuer bid, \$14.9 million of declared dividends and \$5.3 million of other comprehensive loss relating to foreign currency translation.

Revenue

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Revenue	\$ 301,705	\$ 246,816	22%	\$ 1,064,732	\$ 906,776	17%

Revenue for the fourth quarter and year ended December 31, 2025 was higher compared to the same periods in 2024. This was due primarily to increased activity in the CPS segment and the Australian CDS and WS segments following the acquisition of Saxon and the reactivation of several upgraded drilling and service rigs that more than offset lower North American CDS, RTS and WS segment activity.

Cost of Services and Gross Margin

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Cost of services	\$ 236,508	\$ 190,267	24%	\$ 820,366	\$ 681,359	20%
Gross margin	\$ 65,197	\$ 56,549	15%	\$ 244,366	\$ 225,417	8%
Gross margin, as a percentage of revenue	22%	23%	(4%)	23%	25%	(8%)

Gross margin for both the three and twelve months ended December 31, 2025 was higher as compared to the same periods in 2024. However, consolidated margin percentage decreased compared to 2024 due to a change in segmental revenue mix and general cost of inflation. The year over year increase in the CPS segment's relative contribution to fourth quarter and annual consolidated revenue reduced the consolidated gross margin percentage for both periods as the CPS segment historically generates a lower gross margin percentage compared to the other business segments. In addition, the inability to increase prices to the extent necessary to fully offset general cost inflation also negatively impacted the consolidated gross margin percentage in 2025.

Higher Australian activity levels in the CDS and WS segments following the acquisition of Saxon and the reactivation of several upgraded rigs also contributed to the increase in cost of services for the three and twelve months ended December 31, 2025 compared to the same periods in 2024.

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 December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Selling, general and administration expenses	\$ 15,089	\$ 13,729	10%	\$ 55,966	\$ 51,241	9%

Selling, general and administration expenses for the fourth quarter and year ended December 31, 2025 were higher than the same periods in 2024 due primarily to cost-of-living wage increases and higher profit-based incentive compensation in certain segments as a result of higher profitability.

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 expense (income)

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Other expense (income)	\$ (136)	\$ 2,185	nm	\$ (1,368)	\$ 1,465	nm

"nm" - calculation not meaningful

Other expense (income) arises from unrealized foreign exchange differences on translation of intercompany working capital balances between foreign subsidiaries. During 2025, a net unrealized foreign exchange gain was generated due to period end appreciation of the Canadian dollar relative to the U.S. dollar and the depreciation of the Canadian dollar relative to the Australian dollar combined with changes in the geographical mix of foreign currency denominated intercompany balances. The movement of net unrealized foreign exchange gains and losses in the comparable periods will depend on the geographical mix of foreign currency denominated intercompany balances combined with the impact of fluctuations in period end currency exchange rates.

Share-based Compensation Expense

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Share-based compensation expense	\$ 1,272	\$ 599	112%	\$ 4,067	\$ 2,539	60%

Share-based compensation expense arises from share options granted pursuant to the share option plan implemented in 2015. Share-based compensation expense also reflects the impact share price changes have on period end mark-to-market adjustments related to share appreciation rights ("SARs") granted pursuant to the Company's SARs plan implemented in 2024.

Share-based compensation expense for the fourth quarter and year ended December 31, 2025 was higher than 2024 due to an increase in the fair value of SARs following an increase in the Company's share price at year end that was partially offset by certain share options vesting.

Depreciation Expense

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Depreciation expense	\$ 23,461	\$ 24,144	(3%)	\$ 92,461	\$ 90,330	2%

The decrease in depreciation expense for the fourth quarter was primarily due to retirement of fully depreciated assets. For 2025, depreciation increased due to additions to property, plant and equipment in all business segments.

Operating Income

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Operating income	\$ 25,511	\$ 15,892	61%	\$ 93,240	\$ 79,842	17%

Fourth quarter operating income increased in 2025 compared to 2024 due to increased profitability in the CPS segment and the Australian CDS and WS segments. Positively impacting 2025 fourth quarter CPS segment results were improved fabrication sales margins as certain low margin jobs were largely completed in the previous quarter. The deployment of several upgraded drilling and service rigs in Australia during 2025 also contributed to the year over year increase in fourth quarter operating income. Partially offsetting these positive factors was increased share-based compensation resulting from an increase in the market price of Company's shares, a year over year decrease in fourth quarter North American drilling and completion activity and the inability to increase pricing to the extent necessary to offset general cost inflation.

Operating income increased for 2025 as compared to 2024 due to increased contributions from the CPS segment and Australian CDS and WS. This was partially offset by reduced operating income contribution from the North American CDS, RTS and WS businesses.

Gain on Sale of Property, Plant and Equipment

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Gain on sale of property, plant and equipment	\$ 7,307	\$ 529	1,281%	\$ 9,369	\$ 1,673	460%
Proceeds on the sale of property, plant and equipment	\$ 20,521	\$ 610	3,264%	\$ 24,431	\$ 2,315	955%

Disposals of property, plant and equipment ("PP&E") result from the rationalization, replacement and upgrade of older equipment in the Company's equipment fleet.

PP&E disposed of during 2025 included gas compression rental units, real estate, underutilized rental and ancillary drilling equipment, heavy trucks and light duty vehicles. 2024 PP&E disposals included real estate, underutilized rental and ancillary drilling equipment, a heavy truck and light duty vehicles.

Finance Costs

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Finance costs, net	\$ 1,026	\$ 1,838	(44%)	\$ 4,947	\$ 8,156	(39%)

Finance costs during the fourth quarter and 2025 were lower than the prior year comparable periods due to lower outstanding debt and lower interest rates on the variable rate portion of such debt.

Income Taxes and Net Income

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Current income tax expense	\$ 5,798	\$ 1,738	234%	\$ 16,714	\$ 8,828	89%
Deferred income tax expense	2,267	2,743	(17%)	6,599	3,806	73%
Total income tax expense	\$ 8,065	\$ 4,481	80%	\$ 23,313	\$ 12,634	85%
Net income	\$ 23,727	\$ 10,102	135%	\$ 74,349	\$ 60,725	22%

"nm" - calculation not meaningful

The increase in current income tax expense for the fourth quarter and year ended December 31, 2025 compared to 2024 was a result of higher pre-tax income in jurisdictions with higher income tax rates. The decrease in fourth quarter deferred income tax expense for 2025 compared to 2024 was primarily due to lower non-capital loss utilization in Canada and the U.S. The higher deferred income tax expense for 2025 compared to 2024 was primarily due to a year over year increase in the utilization of tax losses in Australia.

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 historically 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			
	December 31 2025	September 30 2025	June 30 2025	March 31 2025
Revenue	\$ 301,705	\$ 260,702	\$ 250,416	\$ 251,909
Operating income	25,511	19,352	22,314	26,063
EBITDA ⁽¹⁾	56,279	42,907	45,396	50,488
Cashflow	47,269	41,362	38,410	44,934
Cash provided by operating activities	60,931	57,507	24,098	57,550
Net income	23,727	14,584	17,086	18,952
Attributable to shareholders	23,636	14,504	17,111	18,966
Per share data (diluted)				
EBITDA ⁽¹⁾	\$ 1.50	\$ 1.13	\$ 1.20	\$ 1.31
Cashflow	1.26	1.09	1.02	1.16
Net income attributable to shareholders	0.63	0.38	0.45	0.49
Financial Position				
Total Assets	\$ 1,000,102	\$ 1,015,387	\$ 949,889	\$ 999,571
Long-Term Debt and Lease Liabilities (excluding current portion)	75,236	98,197	108,740	78,941
Working Capital ⁽²⁾	108,023	113,535	111,804	83,552
Net Debt ⁽¹⁾	-	-	-	-
Shareholders' Equity	601,311	594,111	581,475	586,256
Common Shares (000's)⁽³⁾				
Basic	36,698	37,159	37,341	38,041
Diluted	37,632	37,890	37,820	38,685

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

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

(3) Basic and diluted shares outstanding reflect the weighted average number of common shares outstanding for the period. See note 17 to the 2025 Financial Statements.

TOTAL ENERGY SERVICES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

	Financial Quarter Ended			
	December 31 2024	September 30 2024	June 30 2024	March 31 2024
Revenue	\$ 246,816	\$ 241,940	\$ 213,334	\$ 204,686
Operating income	15,892	27,308	14,612	22,030
EBITDA ⁽¹⁾	40,565	50,543	37,447	43,290
Cashflow	43,413	48,091	38,094	32,837
Cash provided by operating activities	38,743	60,353	29,187	37,637
Net income	10,102	19,706	15,454	15,463
Attributable to shareholders	10,116	19,731	15,472	15,482
Per share data (diluted)				
EBITDA ⁽¹⁾	\$ 1.04	\$ 1.28	\$ 0.93	\$ 1.06
Cashflow	1.12	1.22	0.95	0.80
Net income attributable to shareholders	0.26	0.50	0.39	0.38
Financial Position				
Total Assets	\$ 937,708	\$ 963,743	\$ 936,356	\$ 941,690
Long-Term Debt and Lease Liabilities (excluding current portion)	79,171	104,997	100,983	149,847
Working Capital ⁽²⁾	78,737	97,274	71,816	124,398
Net Debt ⁽¹⁾	434	7,723	29,167	25,449
Shareholders' Equity	571,043	561,211	549,999	543,967
Common Shares (000's)⁽³⁾				
Basic	38,171	38,802	39,329	39,971
Diluted	38,828	39,489	40,060	40,796

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

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

(3) Basic and diluted shares outstanding reflect the weighted average number of common shares outstanding for the period. See note 17 to the 2025 Financial Statements.

Indigenous Partnerships

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

SEGMENTED RESULTS

Contract Drilling Services

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Revenue	\$ 88,002	\$ 83,878	5%	\$ 332,685	\$ 319,612	4%
Canada	34,146	45,399	(25%)	145,880	174,880	(17%)
United States	4,031	4,366	(8%)	14,503	33,875	(57%)
Australia	49,825	34,113	46%	172,302	110,857	55%
Operating income (loss)	\$ 6,916	\$ 5,765	20%	\$ 30,432	\$ 28,395	7%
Canada	2,190	7,273	(70%)	12,786	22,868	(44%)
United States	(2,291)	(1,311)	75%	(7,980)	(125)	6,284%
Australia	7,017	(197)	nm	25,626	5,652	353%
Operating days ⁽¹⁾	2,267	2,490	(9%)	9,311	10,177	(9%)
Canada	1,236	1,650	(25%)	5,488	6,604	(17%)
United States	144	122	18%	497	1,155	(57%)
Australia	887	718	24%	3,326	2,418	38%
Revenue per operating day ⁽¹⁾ , dollars	\$ 38,819	\$ 33,686	15%	\$ 35,730	\$ 31,405	14%
Canada	27,626	27,515	-	26,582	26,481	-
United States	27,993	35,787	(22%)	29,181	29,329	(1%)
Australia	56,172	47,511	18%	51,805	45,847	13%
Utilization	26%	26%	-	27%	27%	-
Canada	21%	24%	(13%)	23%	23%	-
United States	13%	11%	18%	11%	26%	(58%)
Australia	57%	46%	24%	54%	44%	23%
Rigs	93	105	(11%)	93	104	(11%)
Canada	64	76	(16%)	64	77	(17%)
United States	12	12	-	12	12	-
Australia	17	17	-	17	15	13%

(1) Operating days include drilling and paid standby days.

"nm" - calculation not meaningful

CDS segment revenue for the three and 12 months ended December 31, 2025 increased as compared to 2024. This was due to an increase in utilization and pricing in Australia following acquisition of Saxon in March 2024 and the subsequent reactivation of upgraded equipment at higher day rates that was partially offset by a decrease in North American drilling activity. Increased operating income for 2025 relative to 2024 resulted from a material increase in Australian operating income more than offsetting a year over year decline in North American operating income.

In Canada, revenue for both the three and 12 months ended December 31, 2025 was lower than 2024 due to decreased operating days resulting from lower industry activity and a loss of market share in more competitive areas of the Canadian market. Operating income for the fourth quarter and entire year were lower compared to 2024 primarily due to decreased utilization and competitive market conditions that did not allow for price increases sufficient to cover cost inflation. During the fourth quarter of 2025 ten idle drilling rigs in Canada were decommissioned, with no impairment expense being recognized as the estimated salvage value of such equipment is consistent with its net book value.

In the United States, despite a year over year increase in operating days, revenue was lower during the fourth quarter compared to 2024 due to competitive pricing and the mix of equipment operating. Revenue for 2025 was lower than 2024 due to a substantial year over year decline in operating days. While 2025 revenue per operating day was consistent with 2024 due to the mix of equipment operating, an operating loss was realized for both the three and 12 months ended December 31, 2025 primarily as a result of the substantial year over year decline in activity levels.

In Australia, revenue for three and 12 months ended December 31, 2025 increased compared to 2024 due to the acquisition of Saxon on March 7, 2024 and the deployment of a new and several upgraded drilling rigs subsequent to March 31, 2024. Operating income for both the fourth quarter and year increased substantially compared to 2024 commensurate with the substantial year over year increase in activity and higher pricing received for upgraded drilling rigs.

Rentals and Transportation Services

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Revenue	\$ 19,572	\$ 18,973	3%	\$ 79,823	\$ 78,587	2%
Canada	11,817	11,425	3%	48,761	48,869	-
United States	7,755	7,548	3%	31,062	29,718	5%
Operating income (loss)	\$ 198	\$ 2,432	(92%)	\$ 6,175	\$ 10,318	(40%)
Canada	(678)	649	nm	2,809	4,508	(38%)
United States	876	1,783	(51%)	3,366	5,810	(42%)
Pieces of rental equipment	8,048	7,820	3%	8,048	7,820	3%
Canada	6,866	6,880	-	6,866	6,880	-
United States	1,182	940	26%	1,182	940	26%
Rental equipment utilization	16%	19%	(16%)	17%	18%	(6%)
Canada	13%	16%	(19%)	15%	16%	(6%)
United States	34%	38%	(11%)	33%	34%	(3%)
Heavy trucks	57	68	(16%)	57	68	(16%)
Canada	36	47	(23%)	36	47	(23%)
United States	21	21	-	21	21	-

"nm" - calculation not meaningful

Revenue from the RTS segment for the three and 12 months ended December 31, 2025 increased as compared to the same periods in 2024 due to increased revenue per utilized piece of equipment as a result of changes in the mix of equipment operating and the acquisition of 280 pieces of major rental equipment that were partially offset by lower equipment utilization.

The RTS segment realized an operating loss in Canada during the fourth quarter of 2025. This was primarily due to lower equipment utilization and mobilization expenses incurred to deploy equipment for upcoming winter projects. 2025 operating income in Canada was lower as compared to 2024 due to lower activity, increased cost due to changes in the mix of equipment operating and pricing not keeping up with cost inflation.

In the U.S., fourth quarter and annual operating income decreased compared to 2024 due primarily to a change in the mix of equipment operating and pricing not keeping up with cost inflation. Mitigating the year over year decline in U.S. industry activity was the acquisition of 280 pieces of major rental equipment located in Oklahoma on June 10, 2025.

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 December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Revenue	\$ 161,689	\$ 116,397	39%	\$ 526,939	\$ 413,944	27%
Canada	64,334	49,319	30%	241,834	169,207	43%
United States	97,355	67,078	45%	285,105	244,737	16%
Operating income	\$ 17,863	\$ 14,429	24%	\$ 61,362	\$ 54,016	14%
Canada	8,769	4,425	98%	28,710	13,458	113%
United States	9,094	10,004	(9%)	32,652	40,558	(19%)
Operating income, % of revenue	11%	12%	(8%)	12%	13%	(8%)
Canada	14%	9%	56%	12%	8%	50%
United States	9%	15%	(40%)	11%	17%	(35%)
Horsepower of equipment on rent at period end	40,510	50,988	(21%)	40,510	50,988	(21%)
Canada	23,560	17,298	36%	23,560	17,298	36%
United States	16,950	33,690	(50%)	16,950	33,690	(50%)
Rental equipment utilization during the period (HP)	77%	76%	1%	71%	76%	(7%)
Canada	77%	72%	7%	69%	70%	(1%)
United States	77%	78%	(1%)	73%	79%	(8%)
Sales backlog at period end, \$ million	\$ 446.7	\$ 189.0	136%	\$ 446.7	\$ 189.0	136%

CPS segment revenue for the three and 12 months ended December 31, 2025 was higher than the comparable periods in 2024 due to increased North American fabrication sales and parts and service activity that more than offset a decrease in compression rental activity following the sale of several rental units during the course of 2025. The quarter end fabrication sales backlog increased to \$446.7 million compared to the \$189.0 million backlog at December 31, 2024. Sequentially the quarter-end fabrication sales backlog increased by \$65.9 million, or 17%, compared to the \$380.8 million backlog at September 30, 2025. 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.

CPS segment operating income increased for both the three and 12 months ended December 31, 2025 as compared to 2024 primarily due to improved fabrication margins which was partially offset by the negative impact of the weakening Canadian dollar relative to the U.S. dollar on cost of services during the course of 2025, general cost inflation and a year over year decrease in higher margin compression rental revenues. Operating income increased in Canada both during the fourth quarter and entire year as compared to 2024 due to improved fabrication sales margins as well as increased compression rental and parts and service activity. U.S. operating income decreased in the fourth quarter and year ended December 31, 2025 due primarily to the year over year decrease in compression horsepower on rent following the sale of several active units and execution of lower margin jobs during the fourth quarter of 2025.

Well Servicing

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Revenue	\$ 32,442	\$ 27,568	18%	\$ 125,285	\$ 94,633	32%
Canada	13,237	13,412	(1%)	50,345	49,209	2%
United States	888	1,820	(51%)	6,133	9,980	(39%)
Australia	18,317	12,336	48%	68,807	35,444	94%
Operating income (loss)	\$ 4,645	\$ 420	1,006%	\$ 10,583	\$ 4,519	134%
Canada	1,602	1,887	(15%)	6,003	6,928	(13%)
United States	(821)	(846)	(3%)	(2,508)	(1,751)	43%
Australia	3,864	(621)	nm	7,088	(658)	nm
Service hours ⁽¹⁾	29,567	25,673	15%	115,373	92,980	24%
Canada	14,059	14,028	–	54,455	51,257	6%
United States	948	2,058	(54%)	6,645	11,301	(41%)
Australia	14,560	9,587	52%	54,273	30,422	78%
Revenue per service hour, dollars	\$ 1,097	\$ 1,074	2%	\$ 1,086	\$ 1,018	7%
Canada	942	956	(1%)	925	960	(4%)
United States	937	884	6%	923	883	5%
Australia	1,258	1,287	(2%)	1,268	1,165	9%
Utilization ⁽²⁾	31%	28%	11%	31%	26%	19%
Canada	31%	28%	11%	30%	26%	15%
United States	9%	19%	(53%)	15%	26%	(42%)
Australia	55%	36%	53%	52%	29%	79%
Rigs, average for period	73	79	(8%)	73	79	(8%)
Canada	49	55	(11%)	49	55	(11%)
United States	12	12	–	12	12	–
Australia	12	12	–	12	12	–

"nm" – calculation not meaningful

(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.

WS segment revenue for the three and 12 months ended December 31, 2025 increased in 2025 compared to 2024 due to the reactivation of several upgraded service rigs in Australia during 2025 and a modest year over year increase in Canadian utilization. WS segment operating income also increased for both the fourth quarter and entire year as compared to 2024. Contributing to the improved financial results for the WS segment was increased Australian activity, higher pricing received for upgraded Australian rigs and increased Canadian activity that was partially offset by a substantial decline in U.S. activity.

Canadian fourth quarter WS segment revenue decreased slightly as compared to 2024 due primarily due to decreased revenue per service hour resulting from competitive market conditions and changes in the mix of equipment operating. Canadian revenue increased for 2025 compared to 2024 due to increased activity that was partially offset by lower pricing due to competitive market conditions. During the fourth quarter of 2025 six idle service rigs in Canada were decommissioned with no impairment expense being recognized.

In the United States, fourth quarter and 2025 revenue decreased compared to 2024 as a result of a substantial decline in activity, which in turn resulted in an increased year over year operating loss. Subsequent to December 31, 2025 the Company decided to discontinue operations in its well servicing business in the United States. For the year ended December 31, 2025 net loss after tax generated from this business was \$1.5 million, net cash used in operations was \$2.3 million and net assets were \$2.4 million at December 31, 2025. The Company's well servicing business in the United States is not considered material and the Company expects to finalize the discontinuance of operations and dispose of the well servicing assets by the end of the first half of 2026.

Australian revenue for both the fourth quarter and year increased substantially compared to 2024 following the reactivation of several upgraded rigs during 2025. Higher utilization and improved pricing received for upgraded rigs resulted in a substantial year-over-year improvement in fourth quarter and annual operating income.

Corporate

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Operating loss	\$ (4,111)	\$ (7,154)	(43%)	\$ (15,312)	\$ (17,406)	(12%)

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 services and support services to Total Energy's business segments and manages the corporate affairs of the Company. The decrease in operating loss for the three and 12 months ending December 31, 2025 was primarily due to the realization of a foreign exchange gain on translation of intercompany working capital balances in 2025 as compared to a loss in 2024. This was partially offset by an increase in share-based compensation expense resulting from an increase in the market price of Company's shares at December 31, 2025.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operating Activities and Cashflow

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Cash provided by operating activities	\$ 60,931	\$ 38,743	57%	\$ 200,086	\$ 165,920	21%
Per share (diluted)	\$ 1.62	\$ 1.00	62%	\$ 5.27	\$ 4.18	26%
Cashflow	\$ 47,269	\$ 43,413	9%	\$ 171,975	\$ 162,435	6%
Per share (diluted)	\$ 1.26	\$ 1.12	13%	\$ 4.53	\$ 4.10	10%

The changes in cash provided by operating activities were due primarily to changes in the working capital requirements of the various business segments. Cash flow increased during the three and 12 months ending December 31, 2025 as compared to the same period in 2024 as a result of higher EBITDA. Cash flow generated from operating activities increased for the three and 12 months ended December 31, 2025 as compared to the same periods in 2024 primarily due to an increase in fabrication revenue in the CPS segment resulting from a substantial year over year increase in period end fabrication sales backlog and deployment of upgraded rigs at higher day rates in Australia.

Investing Activities

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Net cash used in investing activities	\$ (6,175)	\$ (25,454)	(76%)	\$ (71,802)	\$ (132,877)	(46%)
Proceeds from sale of PP&E	\$ 20,521	\$ 610	3,264%	\$ 24,431	\$ 2,315	955%
Purchase of PP&E and Acquisition	\$ (15,786)	\$ (26,052)	(39%)	\$ (93,712)	\$ (138,440)	(32%)

Net cash used in investing activities in the fourth quarter of 2025 was \$19.3 million lower than 2024 due to higher proceeds from the sale of PP&E and a decrease in the purchase of PP&E. Net cash used in investing activity decreased during 2025 as compared to 2024 due primarily to \$47.4 million cash paid on the acquisition of Saxon in March of 2024 and a \$22.1 million increase in proceeds on disposal of PP&E realized in 2025. This decrease was partially offset by \$8.4 million increase in purchases of PP&E, net of change in non-cash working capital balances, related primarily to the purchase of certain Oklahoma rental assets in June 2025 and the upgrade of drilling equipment. Proceeds from the sale of 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.

The following summarizes PP&E purchases by segment for the three months and the year ended December 31, 2025.

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
CDS	\$ 10,736	\$ 12,955	(17%)	\$ 54,949	\$ 43,717	26%
RTS	1,300	5,522	(76%)	16,576	12,964	28%
CPS	1,164	2,913	(60%)	4,794	18,176	(74%)
WS	2,582	4,648	(44%)	17,338	16,219	7%
Corporate	4	14	(71%)	55	14	293%
Purchase of PP&E	\$ 15,786	\$ 26,052	(39%)	\$ 93,712	\$ 91,090	3%

"nm" - calculation not meaningful

During the three and 12 months ended December 31, 2025 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, including purchase of Oklahoma rental assets in June 2025, additions to the compression rental fleet in the CPS segment and service rig recertifications and upgrades in the WS segment. Included in 2025 capital expenditures were approximately \$16.6 million of capital commitments carried forward from 2024.

During the three and 12 months ended December 31, 2024 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 and service rig recertifications and upgrades in the WS segment. Included in 2024 capital expenditures was approximately \$14.2 million of capital commitments carried forward from 2023.

Capital spending for the three and 12 months ended December 31, 2025 was funded by cash flow and \$20.5 million and \$24.4 million, respectively, of proceeds from the sale of PP&E.

Financing Activities

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Net cash used in financing activities	\$ (52,206)	\$ (36,749)	42%	\$ (107,066)	\$ (42,559)	152%

During 2025 net cash used in financing activities related primarily to the repayment of a \$40.4 million mortgage loan that matured in April 2025 together with \$0.8 million of accrued interest related thereto as well as \$14.6 million of dividend payments and \$24.2 million of share repurchases under the Company's normal course issuer bid. The mortgage loan repayment was financed by \$11.2 million cash on hand and a \$30 million draw on the Company's primary revolving credit facility. During 2024 the net cash used in financial activities included a net \$49.5 million draw of long-term debt during the first quarter of 2024 that was used to fund the acquisition of Saxon, \$21.5 million of share repurchases, \$13.7 million of dividend payments and the payment of \$10.9 million of interest relating to the Canada Revenue Agency's ("CRA") re-assessment of certain of the Company's income tax filings related to its conversion from an income trust to a corporation in 2009.

Liquidity and Capital Resources

The Company had a working capital surplus of \$108.0 million as at December 31, 2025 compared to \$78.7 million as at December 31, 2024. As at December 31, 2025 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 million revolving syndicated credit facility (the "Credit Facility"). Following several renewals and at the request of the Company the Credit Facility was reduced to \$170 million and the maturity date extended to January 10, 2029. The Credit Facility includes a Canadian \$18 million operating line, an Australian \$2 million operating line and a Canadian \$150 million revolving facility. 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 bears interest at the banks' Canadian prime rate plus 0.25% to 1.25%, bankers' acceptances, letters of credit, 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. In January of 2024, term CORRA rates have replaced bankers' acceptances and SOFR rates have replaced LIBOR, with no changes in pricing or premiums. At December 31, 2025, the applicable interest rate on amounts drawn on the Credit Facility was 4.08% (2024: 5.23%) and the standby rate was 0.25% (2024: 0.25%). Letters of credit ("LOC") of \$0.3 million were outstanding at December 31, 2025 (2024: \$0.3 million) which reduces the amount of credit available under the Credit Facility by an equivalent amount.

At December 31, 2025 amounts owing under the Credit Facility were denominated in Canadian dollars.

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 December 31, 2025 \$2.4 million Canadian dollars of LOCs were outstanding under the LOC Facility (December 31, 2024: \$2.5 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 December 31, 2025 this facility was undrawn and fully available.

Mortgage Loan (2025 maturity) was a loan that matured on April 29, 2025 that was amortized over 20 years with blended monthly principal and interest payments of approximately \$279,800. This loan bore interest at a fixed rate of 3.10% and was secured by certain of the Company's real estate. This loan was repaid in full (\$40.4 million plus accrued and unpaid interest) on April 29, 2025 by utilizing available cash and the Credit Facility.

At December 31, 2025 the Company's long-term debt consisted of the following:

	December 31, 2025	
	interest rate	Principal Amount
Credit Facility	4.08%	\$ 55,000

At December 31, 2025 amounts owing under the Credit Facility 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:

	December 31, 2025	Threshold
Twelve-month trailing Bank EBITDA to interest expense	44.40	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	0.03	maximum 3.00

The Company was in compliance with all of its Credit Facility and other debt covenants at December 31, 2025. For further information regarding Credit Facility compliance requirements and details on the Company's borrowings, please refer to note 14 to the 2025 Financial Statements.

The Company expects that cash and cash equivalents, cash flow from operating activities and existing and available credit facilities will be sufficient to fund its presently anticipated requirements for investments in working capital and capital assets as well as required debt and lease liability payments.

Dividends

On January 12, 2026 the Board of Directors increased the dividend by 20% to \$0.12 per share for the quarter ended March 31, 2026. On March 6, 2025 the Board of Directors increased the dividend by 11% and declared a dividend of \$0.10 per share for the quarter ended March 31, 2025.

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.

CONTRACTUAL OBLIGATIONS

At December 31, 2025 the Company had the following contractual obligations:

	Payments due by year					
	Total	2026	2027	2028	2029	2030 and after
Long-term debt and bank indebtedness	\$ 55,000	\$ -	\$ -	\$ -	\$ 55,000	\$ -
Commitments ⁽¹⁾	89	71	14	3	1	-
Lease liabilities	27,142	6,906	5,006	3,047	948	11,235
Purchase obligations ⁽²⁾	61,053	61,053	-	-	-	-
Total contractual obligations	\$ 143,284	\$ 68,030	\$ 5,020	\$ 3,050	\$ 55,949	\$ 11,235

(1) Commitments are described in Note 26 to the 2025 Financial Statements.

(2) Purchase obligations are described in Note 26 to the 2025 Financial Statements. As at December 31, 2025 purchase obligations primarily relate to commitments to purchase inventory in the CPS segment.

OFF-BALANCE SHEET ARRANGEMENTS

During 2025 and 2024, the Company had no off-balance sheet arrangements other than short-term leases.

TRANSACTIONS WITH RELATED PARTIES

During 2025 and 2024 the Company had no material transactions with related parties.

OUTSTANDING COMPANY SHARE DATA

As at the date of this MD&A, the Company had 36,437,539 common shares outstanding.

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

Outstanding at December 31, 2025	Exercise Price	Remaining life (years)	Exercisable at December 31, 2025
258,333	\$ 3.72	0.60	258,333
705,000	7.46	1.60	705,000
80,000	6.42	1.80	80,000
1,255,000	10.06	2.60	820,000
2,298,333	\$ 8.42	2.04	1,863,333

OUTLOOK

During the fourth quarter of 2025, oil prices remained relatively weak due to continued global political and economic uncertainty. Consolidation of oil and natural gas producers and energy infrastructure limitations continue to weigh on North American drilling and completion activity, particularly in the United States. Expansion of the Trans Mountain pipeline and the startup of the LNG Canada liquified natural gas export terminal in July 2025 has partially mitigated the negative impact of these factors on industry activity levels in Canada. Relatively strong natural gas prices realized by Australian producers continue to support stable industry conditions in Australia. Investment in North American energy infrastructure, including investment directed towards increasing LNG export capacity and natural gas fueled power generation, remained strong during the fourth quarter of 2025 and the outlook for continued investment in those areas remains positive at this time.

In the context of global economic uncertainty and uncertain commodity and equity markets, the Company is cautious and will manage its business and affairs in a manner to protect its balance sheet and financial liquidity. At the same time, the Company will continue to use its financial strength to capitalize on compelling investment opportunities that often arise during periods of market weakness and uncertainty as well as to fund shareholder returns through dividends and share buy-backs.

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 2025 other than as described below.

Industry Conditions

In the context of significant global economic uncertainty and commodity price volatility, North American oil and gas producers remain measured in their capital expenditure programs and visibility for future activity levels is limited. While capital discipline and a commitment to shareholder returns by oil and gas producers has moderated activity levels over the past several years, it has also served to stabilize North American drilling and completion activity relative to prior industry cycles, particularly in Canada. In addition, the severity of the downturn in 2020 and early 2021 resulted in substantial and ongoing consolidation and rationalization of the North American energy service industry that continues to support improved market conditions despite lower industry activity levels. Significant investment to increase North American LNG export capacity and increase natural gas fueled power generation has resulted in strong demand for the products and services provided by the CPS segment as evidenced by the significant increase in the fabrication sales backlog during 2025. Industry conditions in Australia are currently expected to remain stable for the foreseeable future.

Credit Risk

Relatively stable oil and gas prices have 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 stability 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 counterpart that accounted for over 10% of the consolidated revenue during the fourth quarter of 2025. The Company did not have significant exposure to any individual customer or counter party that accounted for over 10% of consolidated revenue in 2025 other than one major oil and gas producing company. The Company did not have significant exposure to any individual customer or counterpart that accounted for over 10% of the consolidated revenue during the three and 12 months ended December 31, 2024.

The Company's allowance for doubtful accounts receivable at December 31, 2025 was \$1.8 million, which is \$0.2 million higher as compared to the balance at December 31, 2024.

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 2025.

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 its 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 either are not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1 Presentation of Financial Statements. IFRS 18 sets out the requirements for presentation and disclosures in financial statements with focus on the income statement and reporting of management-defined performance measures (often referred to as non-GAAP measures). The new standard is effective for annual periods beginning on or after January 1, 2027, with retrospective effect, and with earlier application permitted. The Company is assessing the impact of the standard to its consolidated financial statements, with a focus on specific developments in its industry.

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 Consolidated 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 Consolidated Financial Statements as follows, unless reconciled elsewhere:

EBITDA	Three months ended December 31		Year ended December 31	
	2025	2024	2025	2024
Net income	\$ 23,727	\$ 10,102	\$ 74,349	\$ 60,725
Add back:				
Depreciation	23,461	24,144	92,461	90,330
Finance costs, net	1,026	1,838	4,947	8,156
Income tax expense	8,065	4,481	23,313	12,634
EBITDA	\$ 56,279	\$ 40,565	\$ 195,070	\$ 171,845

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

Net Debt	As at December 31	
	2025	2024
Long-term debt	\$ 55,000	\$ 70,000
Lease liabilities	20,236	9,171
Add back (deduct):		
Current liabilities	262,895	230,461
Current assets	(370,918)	(309,198)
Net Debt (Asset)	\$ (32,787)	\$ 434

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 2025 Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer, together with other members of management (collectively, the "Officers"), have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that the information required to be disclosed by the Company and its consolidated divisions, subsidiaries and partnerships in its filings or other reports submitted by it under securities legislation is in compliance with the time periods specified in the securities legislation. These disclosure controls and procedures include controls and procedures which have been designed to ensure that the information required to be disclosed by the Company and its consolidated divisions and subsidiaries in its filings or other reports submitted by it under securities legislation is accumulated and communicated to the Officers and others within those entities to allow timely decisions regarding required disclosure.

Disclosure Controls and Procedures: The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is reported within the time periods specified under securities laws, and include controls and procedures that are designed to ensure that information is communicated to management of Total Energy, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. An evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual Financial and Interim Filings) was conducted as at December 31, 2025. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer of Total Energy have concluded that the design and operation of the Company's disclosure controls and procedures were effective as at December 31, 2025.

Internal Control Over Financial Reporting: The Chief Executive Officer and the Chief Financial Officer of Total Energy are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). The Chief Executive Officer and the Chief Financial Officer of Total Energy directed the assessment of the design and operating effectiveness of the Company's internal control over financial reporting as at December 31, 2025 and based on that assessment determined that the Company's internal control over financial reporting was, in all material respects, appropriately designed and operating effectively. There were no changes to internal controls over financial reporting that would materially affect, or be reasonably likely to materially affect, the Company's internal controls over financial reporting during the quarter and year ended December 31, 2025.

While the Officers have designed the Company's disclosure controls and procedures and internal controls over financial reporting, they expect that these controls and procedures will not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

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 security and economic conditions, changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), pandemics (including COVID-19 pandemic), 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, tariffs, 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 Chow¹
Chairman of the Board

Daniel Halyk
President and Chief Executive Officer

Glenn Dagenais^{2,3}

Tim McMillan^{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

Muhammad Yasir Nisar
Assistant Vice President, Drilling Services

Golden Bhatia
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

Royal Bank of Canada

The Toronto Dominion Bank

Alberta Treasury Branches

STOCK EXCHANGE LISTING

Toronto Stock Exchange

Common Shares: TOT

CANADIAN LOCATIONS

Brooks, AB • Calgary, AB • Clairmont, AB • Drayton Valley, AB • Drumheller, AB • Edson, AB • Fort McMurray, AB • Fox Creek, AB
Grande Prairie, AB • Lac La Biche, AB • Lacombe, AB • Leduc, AB • Lloydminster, AB • Medicine Hat, AB • Red Deer, AB • Rocky Mountain House, AB
Slave Lake, AB • Whitecourt, AB • Dawson Creek, BC • Fort St. John, BC • Swift Current, SK • Weyburn/Midale, SK

U.S. LOCATIONS

Denver, CO • Greeley, CO • Watford City, ND • El Reno, OK
Casper, WY • Gillette, WY • Weirton, WV • Midland, TX • Odessa, TX

AUSTRALIAN LOCATIONS

Brisbane, QLD • Toowoomba, QLD



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