

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

The following MD&A for Total Energy Services Inc. ("Total Energy" or the "Company") was prepared as at August 9, 2018 and focuses on information and key statistics from the unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2018 (the "Interim Financial Statements") and pertains to known risks and uncertainties relating to the energy services sector. This discussion should not be considered all-inclusive as it does not include all changes regarding general economic, political, governmental and environmental conditions.

This MD&A should be read in conjunction with the Company's Interim Financial Statements, the Company's 2017 Annual Report, the Annual Information Form ("AIF") for the year ended December 31, 2017 and the cautionary statement regarding forward-looking information and statements below. Additional information relating to Total Energy, including the Company's AIF, may be found on SEDAR at www.sedar.com. Unless otherwise indicated, all dollar amounts presented herein are in Canadian dollars.

FINANCIAL HIGHLIGHTS

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

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

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

(3) Basic and diluted shares outstanding reflect the weighted average number of common shares outstanding for the period. See note 6 to the Interim Financial Statements.

"nm" – calculation is not meaningful

BUSINESS OF THE COMPANY

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

Acquisition

During the second quarter of 2017, the Company completed the acquisition of Savanna Energy Services Corp. ("Savanna"). Results for the three and six months ended June 30, 2018 were materially impacted by such acquisition. For further information on the Savanna acquisition, please refer to note 5 to the 2017 Annual Financial Statements.

Contract Drilling Services: At June 30, 2018, the Company operated a total fleet of 116 drilling rigs. The rig fleet is supported by an extensive fleet of owned top drives, walking systems, pumps and other ancillary equipment. Composition of the Company's drilling rig fleet is as follows:

By Type		By Geography	
Triples	4	Canada	85
AC doubles	15	United States	26
Mechanical doubles	51	Australia	5
Australian shallow	5		116
TDS and singles	41		
	116		

Rentals and Transportation Services: Total Energy's RTS business is presently conducted from 24 locations in western Canada and two locations in the northwestern United States. At June 30, 2018, this segment had approximately 11,000 pieces of major rental equipment (excluding access matting), a fleet of 112 heavy trucks and a significant inventory of small rental equipment.

Compression and Process Services: The Company fabricates a full range of natural gas compression equipment as well as select oil and natural gas process equipment. At June 30, 2018 the CPS segment occupied approximately 187,000 square feet of production facilities located in Calgary, Alberta and a 100,000 square foot facility in Weirton, West Virginia. As at June 30, 2018 the CPS segment also had a network of 12 branch locations throughout western Canada and the United States from which its natural gas compression parts and service business is conducted. This segment had 43,800 horsepower of compression in its rental fleet at June 30, 2018.

Well Servicing: The Company entered the well servicing business through the acquisition of Savanna. At June 30, 2018, the Company operated a total fleet of 84 well servicing rigs across western Canada, northwest United States and Australia. Composition of the Company's service rig fleet is as follows:

By Type		By Geography	
Singles	38	Canada	57
Doubles	33	United States	15
Australian spec	9	Australia	12
Flush-by	4		84
	84		

OVERALL PERFORMANCE

Total Energy's results for the three months ended June 30, 2018 reflect improving industry activity levels in the United States and Australia as well as cost synergies arising from the integration of Savanna. Despite higher activity, operating margins remained under pressure, particularly within Canada where market conditions remain relatively challenging. The Company's results for the second quarter and first half of 2018 were materially impacted by the overall change in the scope and scale of the business arising from the acquisition of Savanna. Negatively impacting the Company's results for the first half of 2018 was approximately \$1.8 million of rig relocation expenses incurred by the Company's drilling operation in the United States as the Company undertook a strategic consolidation of its U.S. contract drilling operations.

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

Revenue

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

Cost of Services

Cost of services increased by 17% and 58% to \$156.4 million and \$320.3 million for the three and six months ended June 30, 2018, as compared to \$133.5 million and \$202.2 million for the same periods in 2017. The increase in costs of services during the second quarter and first half of 2018 was in line with higher activity levels in all business segments and the increased scale of operations arising from the acquisition of Savanna.

Gross margin, as a percentage of revenue, for the three and six months ended June 30, 2018 was 19% and 20% as compared to 14% and 15% for the same periods in 2017. Gross margin realized in the second quarter of 2018 was higher than the second quarter of 2017 due primarily to improved gross margins in the CDS and CPS segments. Negatively impacting gross margin was \$1.8 million of non-recurring expenses incurred by the CDS segment with the relocation of drilling equipment to Texas and Colorado from the north-eastern United States.

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

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 4% to \$14.0 million for the three months ended June 30, 2018, relative to the prior year comparable period. For the six months ended June 30, 2018, selling, general and administrative expenses increased by 24% to \$27.6 million relative to the same period in 2017. Such increase was due primarily to the acquisition of Savanna in the second quarter of 2017. As a percentage of revenue, selling, general and administrative expenses were 7% in the second quarter and first half of 2018 compared to 9% in the same periods of 2017. This 22% decrease is due primarily to synergies achieved with the integration of Savanna.

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

Share-based Compensation Expense

Share-based compensation expense arises from share options granted pursuant to the share option plan implemented in 2015. The increase in share-based compensation expense for the three and six months ended June 30, 2018 compared to the same periods in 2017 was due to the issuance of share options in 2018.

Depreciation Expense

Depreciation expense for the three and six months ended June 30, 2018 decreased by 5% and increased by 38% as compared to the same periods in 2017. The decrease in the second quarter of 2018 compared to 2017 was primarily due to lower utilization in the CDS segment. The increase in depreciation for the first half of 2018 relative to 2017 is due to the increase in property plant and equipment following the acquisition of Savanna. All of the Company's property, plant and equipment is depreciated on a straight-line basis with the exception of contract drilling equipment, which is depreciated on a utilization basis subject to a minimum annual depreciation expense equal to an annual utilization of 96 days.

Operating Income (Loss)

Operating income for the three and six months ended June 30, 2018 improved to \$4.0 million and \$11.5 million as compared to an operating loss of \$13.1 million and \$13.3 million for the comparable periods in 2017. The realization of operating income for 2018 was primarily a result of the contribution of the WS segment with the acquisition of Savanna and improved results from all business segments as compared to 2017. Negatively impacting operating income in the first half of 2018 was \$1.8 million of rig relocation expenses incurred by the CDS segment.

Gain on Sale of Property, Plant and Equipment

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

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

Finance Costs

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

Income Taxes and Net income

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

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

SEASONALITY

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

SUMMARY OF QUARTERLY RESULTS

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

TOTAL ENERGY SERVICES INC.
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	Financial Quarter Ended			
	June 30, 2017	March 31, 2017	Dec 31, 2016	Sept 30, 2016
Revenue	\$ 154,922	\$ 84,352	\$ 57,415	\$ 46,536
Operating loss	(13,105)	(241)	(4,296)	(3,012)
EBITDA ⁽¹⁾	6,577	7,942	3,554	4,816
Cashflow	10,903	7,821	2,827	6,076
Cash provided by (used in) operating activities	45,287	(5,301)	17,100	1,962
Net loss	(13,141)	(853)	(3,667)	(1,912)
Attributable to shareholders	(11,565)	(853)	(3,667)	(1,912)
Per share data (diluted)				
EBITDA ⁽¹⁾	\$ 0.15	\$ 0.25	\$ 0.11	\$ 0.16
Cashflow	0.25	0.25	0.09	0.20
Net income (loss) attributable to shareholders	(0.26)	(0.03)	(0.12)	(0.06)
Financial Position				
Total Assets	\$ 1,053,302	\$ 635,240	\$ 522,599	\$ 507,711
Long-Term Debt and Obligations Under Finance Leases (excluding current portion)	256,266	58,053	46,557	46,719
Working Capital ⁽²⁾	21,309	77,158	71,770	80,094
Net Debt ⁽¹⁾	234,957	nil	nil	nil
Shareholders' Equity	547,405	466,149	364,302	369,857
Common Shares (000's) ⁽³⁾				
Basic	43,718	31,448	30,920	30,940
Diluted	43,718	31,489	30,920	30,940

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

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

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

Aboriginal Partnerships

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

SEGMENTED RESULTS

Contract Drilling Services

(in thousands of dollars, unless otherwise indicated)

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

The scope and scale of the contract drilling segment increased significantly in the second quarter of 2017 through the acquisition of Savanna. Prior to the Savanna acquisition, the CDS segment had 18 drilling rigs all located in Canada. In the fourth quarter of 2017, Total Energy determined to discontinue CDS operations in the northeastern United States. During the first half of 2018, \$1.8 million of non-recurring expenses were incurred to relocate drilling equipment to Texas and Colorado. Effective January 1, 2018 the Company determined to begin including CDS employee subsistence payments received from CDS customers in Canada as revenue, which has no impact on operating income. For the three and six months ended June 30, 2018 such payments amounted to \$1.0 million and \$4.4 million, or approximately \$1,800 and \$1,700 per operating day in Canada, respectively.

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

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

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

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

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

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

Rentals and Transportation Services

(in thousands of dollars, unless otherwise indicated)

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

The revenue reported from the RTS segment increased for the three and six months ended June 30, 2018 as compared to the same periods in 2017. This was due primarily to increased utilization and improved pricing primarily in the United States, a change in the mix of equipment utilized and an increase in the number of pieces of rental equipment following the acquisition of Savanna in the second quarter of 2017. During the first half of 2018, approximately 100 pieces of major rental equipment were relocated from Canada to the United States.

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

(in thousands of dollars, unless otherwise indicated)	RTS Canada	RTS U.S.	Total
Q2 2018			
Revenue	\$ 11,323	\$ 3,559	\$ 14,882
Operating income (loss)	\$ (3,138)	\$ 169	\$ (2,969)
Pieces of rental equipment	10,400	600	11,000
Rental equipment utilization	18%	34%	19%

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

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

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

Compression and Process Services

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

The revenue reported from the CPS segment increased for the three and six months ended June 30, 2018 as compared to the same periods in 2017. This was due primarily to higher international activity levels and increasing contribution from the Weirton, West Virginia facility. Demand from international customers accounts for the substantial increase in the fabrication sales backlog at June 30, 2018 compared to 2017. The timeline for conversion of the sales backlog into revenue varies from order to order and often changes due to factors outside of the Company's control.

The increase in operating income in the CPS segment during the three and six months ended June 30, 2018, as compared to the same periods in 2017 was due primarily to increased business activity in international markets, the continued ramp up of operations in Weirton and increased utilization of the compression rental fleet (which generates a higher operating income margin than other sources of CPS revenue).

Well Servicing

(in thousands of dollars, except revenue per hour)

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

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

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

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

(in thousands of dollars, except per hour amounts)

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

(in thousands of dollars, except per hour amounts)

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

Corporate

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operating Activities and Cashflow

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

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

Investing Activities

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

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

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

Financing Activities

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

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

Liquidity and Capital Resources

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

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

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

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

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

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

In addition to the Credit Facility, a subsidiary of the Company has established a \$5.0 million revolving operating credit facility with a member of the Credit Facility lenders' syndicate. At June 30, 2018 this facility was undrawn and fully available.

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

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

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

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

Dividends

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

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

Capital Spending

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

CONTRACTUAL OBLIGATIONS

At June 30, 2018, the Company had the following contractual obligations:

(in thousands of dollars)	Total	Payments due by year				
		2018	2019	2020	2021	2022 and after
Long-term debt	\$ 297,855	\$ 2,337	\$ 3,710	\$ 41,585	\$ 236,680	\$ 13,543
Commitments ⁽¹⁾	12,816	2,427	4,450	2,529	2,207	1,203
Finance leases	4,291	962	1,616	1,199	435	79
Purchase obligations ⁽²⁾	72,297	63,546	8,751	–	–	–
Total contractual obligations	\$ 387,259	\$ 69,272	\$ 18,527	\$ 45,313	\$ 239,322	\$ 14,825

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

(2) Purchase obligations are described in Note 26 to the 2017 Annual Financial Statements. As at June 30, 2018, purchase obligations primarily relate to commitments to purchase inventory in the CPS segment.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

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

FINANCIAL INSTRUMENTS

Fair values

The discounted future cash repayments of the Company's 5-year mortgage are calculated using prevailing market rates of a similar debt instrument as at the reporting date. The net present value of future cash repayments of the 5-year mortgage and related interest at the prevailing market rate of 4.23% for a similar debt instrument at June 30, 2018 was \$43.1 million (December 31, 2017: market rate of 4.04%, \$44.0 million). The carrying value and Company's liability with respect to the 5-year mortgage is \$44.0 million.

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

OUTSTANDING COMPANY SHARE DATA

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

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

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

OUTLOOK

Industry Conditions

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

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

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

RISK FACTORS AND RISK MANAGEMENT

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

Industry Conditions

While oil prices have increased from the lows of 2016, they remain somewhat volatile and North American natural gas prices remain low by historical standards. As a result, there continues to be significant uncertainty and volatility in the oil and gas industry, particularly in Canada where oil and natural gas drilling and completion activity remains relatively low. These stagnant activity levels have resulted in continued price competition for the products and services provided by the Company, particularly in Canada within the CDS, RTS and WS segments. While the Company has been proactive in managing its operating cost structure to adapt to the current environment, continued stagnant industry activity levels may require additional substantive measures be taken to preserve the Company's financial strength and flexibility.

Credit Risk

As a result of the challenging oil and natural gas market conditions, particularly in Canada, the Company continues to face heightened counterparty credit risk as a substantial portion of the Company's dealings are with entities involved in the oil and gas industry. In regards to accounts receivable, the Company remains focused on actively managing credit risk.

Specifically, management has remained diligent in assessing credit levels granted to customers, monitoring the aging of receivables and taking proactive steps to collect outstanding balances.

The Company did not have significant exposure to any individual customer or counter party for the three months ended June 30, 2018. For the first half of 2018 the Company did not have significant exposure to any individual customer or counter party other than two major oil and gas companies which each accounted for over 10% of revenue during the period. No other customer accounted for more than 10% of revenue during these periods. Concentration of credit risk on the Company's trade accounts receivable exists in the oil and gas industry.

Government Regulation

Total Energy's business and the business of its customers are subject to significant and evolving laws and government regulations, including in the areas of environment, labor and health and safety. For example, the implementation of a "carbon tax" and changes to employment standards in Alberta have increased the Company's cost of services in that jurisdiction. Political intervention in the regulation of energy infrastructure construction has also created additional risk and uncertainty which in turn has resulted in reduced capital expenditures and industry activity in Canada.

CRITICAL ACCOUNTING ESTIMATES

Management is responsible for applying judgment in preparing accounting estimates. Certain estimates and related disclosures included within the financial statements are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments. An accounting estimate is considered critical only if it requires the Company to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and different estimates the Company could have used would have a material impact on Total Energy's financial condition, changes in financial condition or results of operations.

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

Critical Judgments in Applying Accounting Policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

The Company's assets are aggregated into cash-generating units for the purpose of calculating impairment. Cash generating units ("CGU" or "CGUs") are based on management's judgments and assessment of the CGU's ability to generate independent cash inflows. Judgments are also required to assess when impairment indicators exist and impairment testing is required.

The Company is required to exercise judgment in assessing whether the criteria for recognition of a provision or a contingency have been met. The Company considers whether a present obligation exists, probability of loss and if a reliable estimate can be formulated.

The Company's functional currency is based on the primary economic environment in which it operates and is based on an analysis of several factors including which currency principally affects sales prices of products sold by the Company, which currency influences the main expenses of providing services, in which currency the Company keeps 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 uses the percentage-of-completion method in accounting for its equipment manufacturing contract revenue. Use of the percentage-of-completion method requires estimates of the stage of completion of the contract to date as a proportion of the total work to be performed.

As pertains to property, plant and equipment the Company is required to estimate the residual value and useful lives of assets for purposes of depreciation.

As pertains to accounts receivable the Company is required to estimate allowances for doubtful accounts based on historic collection trends and experiences with customers.

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of property, plant and equipment and intangible assets being acquired.

The Company's estimate of share-based compensation is dependent upon estimates of historic volatility and forfeiture rates.

The Company's estimate of the fair value of forward foreign exchange contracts is dependent on estimated forward prices / rates and volatility in those prices / rates.

The Company's estimate of the fair value of other assets is based on the market prices quoted on the relevant stock exchanges. Such market prices are volatile and subject to change.

The deferred tax liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

STANDARDS ADOPTED IN THE PERIOD

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

IFRS 15 – Revenue from Contracts with Customers

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

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

Contract Drilling

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

Well Servicing

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

Rentals and Transportation

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

Compression and Process Services

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

IFRS 9 – Financial Instruments

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

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

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

FUTURE ACCOUNTING POLICIES CHANGES

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

Several new accounting pronouncements have been issued by the International Accounting Standards Board ("IASB") prior to 2018 that are applicable to, or may have a future impact on, the Company. Please see note 2 of the Company's Interim Financial Statements for the details of such pronouncements.

NON-IFRS MEASURES

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

EBITDA

(in thousands of Canadian dollars)	Three months ended		Six months ended	
June 30	2018	2017	2018	2017
Net income (loss)	\$ 3,662	\$ (13,141)	\$ 6,990	\$ (13,994)
Add back (deduct):				
Depreciation	18,645	19,611	38,245	27,640
Finance costs	3,497	6,646	7,353	7,243
Income tax recovery	(2,578)	(6,539)	(1,707)	(6,370)
EBITDA	\$ 23,226	\$ 6,577	\$ 50,881	\$ 14,519

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

NET DEBT

(in thousands of Canadian dollars)	As at June 30, 2018
Long-term debt	\$ 293,441
Obligations under finance leases	2,473
Add back (deduct):	
Current liabilities	150,725
Current assets	(253,838)
Net Debt	\$ 192,801

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

There have been no significant changes in the design of the Company's ICFR during the quarter ended June 30, 2018 that would materially affect, or is reasonably likely to materially affect the Company's ICFR.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain information and statements contained in this MD&A constitute forward-looking information, including the anticipated costs associated with the purchase of capital equipment, expectations concerning the nature and timing of growth within the various business divisions operated through affiliates of Total Energy, expectations respecting the competitive position of such business divisions, expectations concerning the financing of future business activities, statements as to future economic and operating conditions and expectations regarding the payment of dividends in the future. Readers should review the cautionary statement respecting forward-looking information that appears below.

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as “seek”, “plan”, “continue”, “estimate”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, “expect”, “may”, “anticipate” or “will” and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), the credit risk to which the Company is exposed in the conduct of its business, fluctuations in prevailing commodity prices or currency and interest rates, the competitive environment to which the various business divisions are, or may be, exposed in all aspects of their business, the ability of the Company's various business divisions to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Company's various business divisions to attract and maintain key personnel and other qualified employees, various environmental risks to which the Company's business divisions are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Company's business divisions operate, timing and costs associated with the acquisition of capital equipment, the impact of weather and other seasonal factors that affect business operations, availability of financial resources or third-party financing and the impact of new laws and regulations or changes in existing laws, regulations or administrative practices on the part of regulatory authorities, including without limitation taxation and environmental laws and regulations and changes in how such laws and regulations are interpreted and enforced. Forward-looking information respecting the anticipated costs associated with the purchase of capital equipment are based upon historical prices for various classes of equipment, expectations relating to the impact of inflation on the future cost of such equipment and management's views concerning the negotiating position of the Company and its affiliates. Forward-looking information concerning the nature and timing of growth within the various business divisions is based on the current budget of the Company (which is subject to change), factors that affected the historical growth of such business divisions, sources of historic growth opportunities and expectations relating to future economic and operating conditions. Forward-looking information concerning the future competitive position of the Company's business divisions is based upon the current competitive environment in which those business divisions operate, expectations relating to future economic and operating conditions, current and announced build programs and other expansion plans of other organizations that operate in the energy service business. Forward-looking information concerning the financing of future business activities is based upon the financing sources on which the Company and its predecessors have historically relied and expectations relating to future economic and operating conditions. Forward-looking information concerning future economic and operating conditions is based upon historical economic and operating conditions, opinions of third-party analysts respecting anticipated economic and operating conditions. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All of the forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in additional detail in this MD&A under the heading “Risk Factors” and in the Company's AIF. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise.