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 12, 2020 and focuses on information and key statistics from the audited consolidated financial statements of the Company for the year ended December 31, 2019 (the "2019 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 2019 Financial Statements, the Company's 2019 Annual Report, the Annual Information Form ("AIF") for the year ended December 31, 2019 and the cautionary statement regarding forward-looking information and statements below. Additional information relating to Total Energy, including the Company's AIF, may be found on SEDAR at www.sedar.com.

Unless otherwise indicated, all dollar amounts presented herein are in thousands of Canadian dollars except per share amounts which are presented in Canadian dollars.

FINANCIAL HIGHLIGHTS

	Three months ended December 31			Year ended December 31		
	2019	2018	Change	**2019**	2018	Change
Revenue [5]	**$ 151,500**	$ 219,846	(31%)	**$ 757,398**	$ 851,809	(11%)
Operating income [4]	**14,468**	10,748	35%	**16,802**	36,558	(54%)
EBITDA [1]	**35,805**	29,153	23%	**107,679**	114,666	(6%)
Cashflow	**36,896**	23,070	60%	**111,727**	101,490	10%
Net income	**8,593**	8,570	–	**10,091**	24,215	(58%)
Attributable to shareholders	**8,523**	8,555	–	**10,527**	24,458	(57%)
Per Share Data (Diluted)						
EBITDA [1]	**$ 0.79**	$ 0.63	25%	**$ 2.36**	$ 2.49	(5%)
Cashflow	**$ 0.82**	$ 0.50	64%	**$ 2.45**	$ 2.20	11%
Attributable to shareholders:						
Net income	**$ 0.19**	$ 0.19	–	**$ 0.23**	$ 0.53	(57%)

				December 31		
Financial Position at				**2019**	2018	Change
Total Assets				**$ 997,161**	$ 1,078,124	(8%)
Long-Term Debt and Lease Liabilities (excluding current portion)				**248,448**	286,319	(13%)
Working Capital [2]				**103,234**	124,967	(17%)
Net Debt [1]				**145,214**	161,352	(10%)
Shareholders' Equity				**543,142**	560,576	(3%)
Common shares (000's) [3]						
Basic and diluted	**45,262**	45,933	(1%)	**45,553**	46,122	(1%)

(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 16 to the Financial Statements.

(4) Included in operating income for the year ended December 31, 2019 is $7.9 million of incremental non-recurring and $2.0 million of incremental recurring depreciation expense resulting from a change in depreciation estimates in the RTS segment effective July 1, 2019 (see "Critical Accounting Estimates" for further details).

(5) Included in revenue for the three months and the year ended December 31, 2019 is US$13.5 million (approximately $17.6 million Canadian Dollars) of payment received by Company's wholly-owned subsidiary Savanna Drilling LLC in regard to the early termination of contracts for the three drilling rigs operating in the United States in October of 2017.

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.

Contract Drilling Services: At December 31, 2019, the Company operated a total fleet of 107 drilling rigs. The rig fleet is supported by an extensive fleet of owned top drives, walking systems, pumps and other ancillary equipment. Composition of the Company's drilling rig fleet is as follows:

By Type	
Triples	3
AC doubles	13
Mechanical doubles	45
Australian shallow	5
TDS and singles	41
	107

By Geography	
Canada	82
United States	20
Australia	5
	107

Rentals and Transportation Services: Total Energy's RTS business is presently conducted from 13 locations in western Canada and three locations in the United States. At December 31, 2019, this segment had approximately 10,590 pieces of major rental equipment (excluding access matting), a fleet of 87 heavy trucks and a significant inventory of small rental equipment and access matting.

Compression and Process Services: The Company fabricates a full range of natural gas compression equipment as well as select oil and natural gas process equipment. At December 31, 2019 the CPS segment occupied approximately 246,000 square feet of production facilities located in Calgary, Alberta and a 100,000 square foot production facility in Weirton, West Virginia. As at December 31, 2019 the CPS segment also had a network of 11 branch locations throughout western Canada and the United States from which its natural gas compression parts and service business is conducted. This segment had 50,200 horsepower of compression in its rental fleet at December 31, 2019.

Well Servicing: At December 31, 2019, the Company operated a total fleet of 83 well servicing rigs across western Canada, northwest United States and Australia. Composition of the Company's service rig fleet is as follows:

By Type	
Singles	38
Doubles	32
Australian spec	9
Flush-by	4
	83

By Geography	
Canada	57
United States	14
Australia	12
	83

SELECTED FINANCIAL INFORMATION

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.

	Year ended December 31,		
(in thousands of dollars except per share amounts)	**2019**	2018	2017
Revenue	**$ 757,398**	$ 851,809	$ 604,662
Cash provided by operations	**73,055**	115,705	64,384
Cashflow	**111,727**	101,490	76,571
Net income (loss)	**10,091**	24,215	(3,703)
Attributable to shareholders	**10,527**	24,458	(1,916)
Per share (basic and diluted)	**0.23**	0.53	(0.05)
Dividends declared per share	**0.24**	0.24	0.24
Total assets	**997,161**	1,078,124	1,066,781
Long term liabilities (excluding current lease liabilities, current portion of long-term debt and deferred tax liability)	**248,448**	287,893	260,579

OVERALL PERFORMANCE

Total Energy's results for the three months and the year ended December 31, 2019 reflect relatively stable industry activity levels in the United States and Australia offset by a significant decrease in drilling and completion activity in Canada as compared to 2018. Negatively impacting the Company's results for the fourth quarter and 2019 was approximately $1.4 million and $3.6 million of equipment relocation expenses in the CDS and RTS segments as the Company consolidated U.S. drilling operations and continued to relocate underutilized rental equipment from Canada to the U.S. Also negatively impacting financial results for the year ended December 31, 2019 was $7.9 million of non-recurring and $2.0 million of recurring incremental depreciation expense resulting from a change in depreciation estimates in the RTS segment effective July 1, 2019. Included in the financial results for the three months and the year ended December 31, 2019 was, respectively, $2.1 million and $3.9 million of other expense relating to unrealized foreign exchange losses from translation of working capital balances of foreign subsidiaries as compared to unrealized gains of $2.7 million and $5.6 million, respectively, in the fourth quarter and the year ended December 31, 2018. Included in revenue for the three months and the year ended December 31, 2019 is US$13.5 million (approximately $17.6 million Canadian dollars) received by the Company's wholly-owned subsidiary Savanna Drilling, LLC ("SDUS") in regard to the early termination of contracts in October of 2017 for three drilling rigs operating in the United States.

The Company's financial condition remains strong, with a positive working capital balance of $103.2 million as at December 31, 2019. The $21.7 million decrease in working capital since December 31, 2018 was due primarily to the classification of a $40.9 million mortgage loan maturing in 2020 as current in the second quarter of 2019. After returning $16.3 million to shareholders through $10.9 million of dividends and $5.3 million of share repurchases, shareholders' equity decreased by $17.4 million from December 31, 2018. Also contributing to the decrease of shareholder equity was an accumulated other comprehensive loss in 2019 as a result of the strengthening Canadian dollar since the beginning of 2019 and its impact on the translation of foreign subsidiary balances.

Revenue

	Three months ended December 31			Year ended December 31		
	2019	2018	Change	**2019**	2018	Change
Revenue	**$ 151,500**	$ 219,846	(31%)	**$ 757,398**	$ 851,809	(11%)

The decrease in revenue for the three months and the year ended December 31, 2019 relative to the same period in 2018 was the result of decreases in all segments primarily due to lower activity levels in Canada and reduced activity in the CPS segment. Included in revenue for the three months and the year ended December 31, 2019 is US$13.5 million (approximately $17.6 million Canadian dollars) received by the Company's wholly-owned subsidiary Savanna Drilling LLC in regard to the early termination of contracts in October of 2017 for three drilling rigs operating in the United States.

Cost of Services and Gross Margin

	Three months ended December 31			Year ended December 31		
	2019	2018	Change	**2019**	2018	Change
Cost of services	**$ 102,212**	$ 178,695	(43%)	**$ 597,336**	$ 686,688	(13%)
Gross margin	**$ 49,288**	$ 41,151	20%	**$ 160,062**	$ 165,121	(3%)
Gross margin, as a percentage of revenue	**33%**	19%	74%	**21%**	19%	11%

The decrease in costs of services during the three months ended December 31, 2019 relative to the same periods in 2018 is mostly due to the decreased activity in all business segments as a result of an industry slow-down primarily in Canada.

While the consolidated gross margin for the three months and the year ended December 31 was higher in 2019 compared to 2018 due to segment revenue mix and the receipt of a $17.6 million contract termination payment in the CDS segment, lower gross margins were realized in all segments other than the CDS segment on a year over year basis as a result of lower activity levels. Excluding the $17.6 million contract termination payment in the CDS segment, consolidated gross margin was lower in all segments in 2019 compared to 2018. Negatively impacting gross margin during the fourth quarter of 2019 was $1.4 million of expenses incurred by the RTS and WS segments with the relocation of equipment from Canada to the United States and repositioning of equipment within the United States. This was offset by a $0.4 million reduction in cost of services on adoption to IFRS 16 Leases. Negatively impacting gross margin for 2019 was $3.6 million of expenses incurred by the CDS, WS and RTS segments with the relocation of equipment. This was partially offset by a $2.4 million reduction in cost of services on adoption of IFRS 16 Leases.

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		
	2019	2018	Change	**2019**	2018	Change
Selling, general and administration expenses	**$ 11,778**	$ 14,758	(20%)	**$ 49,393**	$ 56,301	(12%)

Selling, general and administration expenses decreased in the three months and the year ended December 31, 2019 relative to the same periods in 2018 as a result of cost savings activities and a positive impact of $0.6 million and $2.4 million, respectively, on the adoption of IFRS 16 Leases.

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		
	2019	2018	Change	**2019**	2018	Change
Other expense (income)	**$ 2,070**	$ (2,730)	nm	**$ 3,928**	$ (5,634)	nm

"nm" – calculation not meaningful

Other expense (income) arises from unrealized foreign exchange differences on translation of intercompany working capital balances of foreign subsidiaries. A strengthening of the Canadian dollar relative to the US dollar during the periods gave rise to an unrealized foreign exchange loss for the fourth quarter and the 2019 year.

Share-based Compensation Expense

	Three months ended December 31			Year ended December 31		
	2019	2018	Change	**2019**	2018	Change
Share-based compensation expense	**$ 199**	$ 598	(67%)	**$ 1,499**	$ 2,396	(37%)

Share-based compensation expense arises from share options granted pursuant to the share option plan implemented in 2015. Share-based compensation expense for the three months and year ended December 31, 2019 was lower than the prior year comparable period due to certain options fully vesting in 2018.

Depreciation Expense

	Three months ended December 31			Year ended December 31		
	2019	2018	Change	**2019**	2018	Change
Depreciation expense	**$ 20,773**	$ 17,777	17%	**$ 88,440**	$ 75,500	17%

Depreciation expense for the three months and the year ended December 31, 2019 increased compared to the same periods in 2018. Included in 2019 depreciation expense in the fourth quarter and year is $1.2 million and $4.5 million of depreciation on assets recognized pursuant to IFRS 16. Also included in depreciation expense in 2019 is $7.9 million of non-recurring and $2.0 million of recurring incremental depreciation expense resulting from a change in depreciation estimates in the RTS segment effective July 1, 2019 (see "Critical Accounting Estimates" for further details). The $7.9 million of non-recurring depreciation expense related to the reduction in residual value for certain assets. These increases were partially offset by lower depreciation on reduced activity in the CDS segment. 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

	Three months ended December 31			Year ended December 31		
	2019	2018	Change	**2019**	2018	Change
Operating income	**$ 14,468**	$ 10,748	35%	**$ 16,802**	$ 36,558	(54%)

During the fourth quarter of 2019 the Company's wholly-owned subsidiary, SDUS, reached an agreement in regard to the early termination of contracts that occurred during 2017 for three drilling rigs operating in the United States. In October 2019 SDUS received a total of US$13.5 million (approximately $17.6 million Canadian dollars) for such early terminations that was recorded as revenue in the fourth quarter of 2019.

Included in operating income for the three months and the year ended December 31, 2019, respectively, was $2.1 million and $3.9 million unrealized losses on foreign exchange translation of intercompany working capital balances compared to unrealized gains of $2.7 million and $5.6 million in the same periods in 2018. Also negatively impacting operating income (loss) for the three months and the year ended December 31, 2019 was $1.4 million and $3.6 million of equipment relocation expenses incurred by the CDS, RTS and WS segments. An increase in depreciation expense arising from a change in accounting estimates in the RTS segment effective July 1, 2019 also negatively impacted operating income. Operating income, normalized for the items described above and the change of depreciation estimates, was $1.3 million and $16.6 million, respectively, for the three months and the year ended December 31, 2019, as compared to $8.0 million and $32.7 million for the same periods in 2018.

Gain on Sale of Property, Plant and Equipment

	Three months ended December 31			Year ended December 31		
	2019	2018	Change	**2019**	2018	Change
Gain on sale of property, plant and equipment	**$ 564**	$ 628	(10%)	**$ 2,437**	$ 2,608	(7%)
Proceeds on the sale of property, plant and equipment	**$ 1,573**	$ 3,790	(58%)	**$ 8,422**	$ 7,588	11%

Disposals of property, plant and 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.

Equipment disposed of in the fourth quarter of 2019 included underutilized rental and other older equipment. Equipment disposed of during 2019 consisted primarily of compression rental equipment purchased by customers in the ordinary course of business, seven decommissioned drilling rigs, older heavy trucks and underutilized rental equipment.

Finance Costs

	Three months ended December 31			Year ended December 31		
	2019	2018	Change	**2019**	2018	Change
Finance costs	**$ 3,233**	$ 3,485	(7%)	**$ 12,938**	$ 13,778	(6%)

Finance costs for the three months and the year ended December 31, 2019 were lower than the prior year comparable period mostly due to lower debt balances and lower applicable interest rates as a result of lower Canadian prime rate of interest during the respective periods. This was somewhat off-set by interest on leases of $0.2 million and $0.9 million, respectively, for the three months and the year ended December 31, 2019 arising from adoption of IFRS 16.

Income Taxes and Net Income

	Three months ended December 31			Year ended December 31		
	2019	2018	Change	**2019**	2018	Change
Current income tax recovery	**$ (235)**	$ (7,807)	(97%)	**$ (161)**	$ (2,070)	(92%)
Deferred income tax expense (recovery)	**$ 3,441**	$ 7,128	(52%)	**$ (3,629)**	$ 3,243	nm
Total income tax expense (recovery)	**$ 3,206**	$ (679)	nm	**$ (3,790)**	$ 1,173	nm
Net income	**$ 8,593**	$ 8,570	–	**$ 10,091**	$ 24,215	(58%)

"nm" – calculation not meaningful

The year over year changes in current income tax expense is primarily due to decreased profitability for the year ended December 31, 2019 as compared to 2018 in all segments except for the CDS segment.

On June 28, 2019 Bill 3 "Job Creation Tax Cut" came into force in Alberta pursuant to which the Alberta corporate income tax rate will be reduced from 12% to 8% by the end of 2021. This reduction in the Alberta corporate tax rate was the primary reason for the increase in the deferred income tax recovery in 2019.

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			
	Dec 13, 2019	Sept 30, 2019	June 30, 2019	March 31, 2019
Revenue	**$ 151,500**	$ 171,213	$ 212,695	$ 221,990
Operating income (loss)	**14,468**	(5,012)	(1,091)	8,437
EBITDA [1]	**35,805**	24,913	17,546	29,415
Cashflow	**36,896**	23,959	22,419	28,453
Cash provided (used) by operating activities	**40,545**	(21,800)	4,123	50,187
Net income (loss)	**8,593**	(6,114)	2,853	4,759
Attributable to shareholders	**8,523**	(6,159)	3,403	4,760
Per share data				
EBITDA [1]	**$ 0.79**	$ 0.55	$ 0.38	$ 0.64
Cashflow	**0.82**	0.53	0.49	0.62
Net income (loss) attributable to shareholders	**0.19**	(0.14)	0.07	0.10
Financial Position				
Total Assets	**$ 997,161**	$ 991,176	$ 1,026,564	$ 1,101,027
Long-Term Debt and Lease Liabilities (excluding current portion)	**248,448**	251,724	239,287	286,829
Working Capital [2]	**103,234**	85,778	74,283	117,914
Net Debt [1]	**145,214**	165,946	165,004	168,915
Shareholders' Equity	**543,142**	538,790	549,851	558,054
Common Shares (000's)[3]				
Basic and diluted	**45,262**	45,457	45,746	45,829

	Financial Quarter Ended			
	Dec 31, 2018	Sept 30, 2018	June 30, 2018	March 31, 2018
Revenue	$ 219,846	$ 232,925	$ 193,823	$ 205,215
Operating income	10,748	14,294	3,956	7,560
EBITDA (1)	29,153	34,632	23,226	27,655
Cashflow	23,070	34,799	22,472	21,149
Cash provided by (used in) operating activities	30,658	19,928	42,335	22,784
Net income	8,570	8,655	3,662	3,328
Attributable to shareholders	8,555	8,910	3,829	3,164
Per share data (diluted)				
EBITDA (1)	$ 0.63	$ 0.75	$ 0.50	$ 0.60
Cashflow	0.50	0.75	0.49	0.46
Net income attributable to shareholders	0.19	0.19	0.08	0.07
Financial Position				
Total Assets	$ 1,078,124	$ 1,063,813	$ 1,050,740	$ 1,065,499
Long-Term Debt and Lease Liabilities (excluding current portion)	286,319	295,545	295,914	247,087
Working Capital (2)	124,967	117,586	103,113	54,906
Net Debt (1)	161,352	177,959	192,801	192,181
Shareholders' Equity	560,576	549,238	551,612	550,732
Common Shares (000's) (3)				
Basic	45,933	46,099	46,223	46,238
Diluted	45,933	46,099	46,223	46,241

(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 16 to the 2019 Financial Statements.

Aboriginal Partnerships

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

SEGMENTED RESULTS

Contract Drilling Services

	Three Months Ended			Year Ended		
December 31	**2019**	2018	Change	**2019**	2018	Change
Revenue	**$ 59,688**	$ 47,254	26%	**$ 186,868**	$ 204,184	(8%)
Operating income (loss)	**$ 17,814**	$ (1,532)	nm	**$ 9,792**	$ (1,949)	nm
Operating spud to release days	**1,805**	2,152	(16%)	**7,202**	9,505	(24%)
Revenue per spud to release day, dollars	**$ 33,068**	$ 21,958	51%	**$ 25,947**	$ 21,482	21%

"nm" – calculation not meaningful

North American drilling activity during the fourth quarter and the year 2019 was lower compared to the same periods in 2018. Included in CDS results for 2019 was $0.9 million of net expenses incurred to relocate drilling equipment in the

United States as this segment consolidated its U.S. operations. In October of 2019 the Company received US$13.5 million (approximately $17.6 million Canadian dollars) as compensation for the early termination of contracts for three U.S. drilling rigs that occurred in October 2017. This amount is included in revenue for the segment in the fourth quarter of 2019.

The following summarizes the operating results for the CDS segment by geographic area for the three months and year ended December 31, 2019.

Q4 2019	Drilling Canada	Drilling U.S.	Drilling Australia	**Total**
Revenue	$ 16,075	$ 31,055	$ 12,558	**$ 59,688**
Operating income (loss)	$ (1,926)	$ 17,470	$ 2,270	**$ 17,814**
Spud to release days	902	564	339	**1,805**
Revenue per spud to release day, dollars	$ 17,822	$ 55,062	$ 37,044	**$ 33,068**
Utilization % (spud to release)	12%	31%	74%	**18%**

Q4 2018	Drilling Canada	Drilling U.S.	Drilling Australia	Total
Revenue	$ 21,389	$ 14,186	$ 11,679	$ 47,254
Operating income (loss)	$ (280)	$ (3,092)	$ 1,840	$ (1,532)
Spud to release days	1,208	640	304	2,152
Revenue per spud to release day, dollars	$ 17,706	$ 22,166	$ 38,418	$ 21,958
Utilization % (spud to release)	15%	29%	66%	21%

2019	Drilling Canada	Drilling U.S.	Drilling Australia	**Total**
Revenue	$ 62,398	$ 72,710	$ 51,760	**$ 186,868**
Operating income (loss)	$ (8,994)	$ 10,148	$ 8,638	**$ 9,792**
Spud to release days	3,602	2,253	1,347	**7,202**
Revenue per spud to release day, dollars	$ 17,324	$ 32,273	$ 38,426	**$ 25,947**
Utilization % (spud to release)	12%	28%	74%	**18%**

2018	Drilling Canada	Drilling U.S.	Drilling Australia	Total
Revenue	$ 92,878	$ 60,151	$ 51,155	$ 204,184
Operating income (loss)	$ (640)	$ (12,527)	$ 11,218	$ (1,949)
Spud to release days	5,433	2,840	1,232	9,505
Revenue per spud to release day, dollars	$ 17,095	$ 21,180	$ 41,522	$ 21,482
Utilization % (spud to release)	17%	30%	68%	22%

The overall increase in CDS segment revenue during the fourth quarter of 2019 relative to the same period in 2018 is primarily a result of a US$13.5 million (approximately $17.6 million Canadian dollars) contract cancellation payment received by SDUS, increased utilization in Australia and slightly higher pricing in North America. Partially offsetting that was lower utilization in Canada, where continued challenging industry conditions were exacerbated by the implementation of an oil production curtailment by the Alberta government in early 2019 as well as lower operating days in the U.S. Lower revenues for the year ended 2019 as compared to 2018 were primarily due to lower utilization in Canada and U.S.

For 2019 Australian utilization increased due to an additional rig commencing operations as compared to the same period in 2018. Effective day rates in Australia were lower in the fourth quarter of 2019 as compared to the same period in 2018 primarily due to a decrease in rental and ancillary revenue which was partially offset by increased spud to release days. For the year 2019, the effective day rate was impacted by a combination of lower contracted pricing and lower camp and other ancillary revenue. Also negatively impacting U.S. and Australian results was the translation of foreign financial results into Canadian dollars given the depreciation of the U.S. and Australian currencies relative to the Canadian dollar during 2019.

Rentals and Transportation Services

	Three Months Ended			Year Ended		
December 31	**2019**	2018	Change	**2019**	2018	Change
Revenue	**$ 15,907**	$ 19,959	(20%)	**$ 65,446**	$ 76,615	(15%)
Operating loss	**$ (4,496)**	$ (858)	424%	**$ (21,411)**	$ (4,980)	330%
Pieces of rental equipment	**10,590**	10,600	0%	**10,590**	10,600	0%
Heavy trucks	**87**	90	(3%)	**87**	90	(3%)
Rental equipment utilization	**13%**	27%	(52%)	**16%**	23%	(30%)

The revenue reported from the RTS segment for the fourth quarter and the year 2019 decreased as compared with the same periods in 2018 due to poor market conditions in Canada, which was partially offset by a larger U.S. equipment fleet operating at higher utilization as compared to 2018.

Operating loss in the fourth quarter and 2019 year increased as compared to the same periods in 2018 primarily due to challenging market conditions in Canada combined with higher depreciation expense in the second half of 2019 resulting from changes to accounting estimates on the useful life and residual values of RTS equipment. As a result of this estimate change, $7.9 million of non-recurring depreciation expense was recognized on now fully depreciated equipment. An additional $2.0 million of recurring depreciation expense was also incurred in the second half of 2019 as a result of these accounting estimate changes. Also negatively impacting RTS results for the fourth quarter and the year 2019 was $1.0 million and $2.3 million, respectively, of expenses incurred with the relocation of underutilized equipment from Canada to the United States. Excluding the relocation expenses and non-recurring depreciation, the operating loss was $3.5 million and $11.1 million for the fourth quarter and the year ended 2019, respectively.

This segment's relatively high fixed cost structure as compared to the Company's other business segments combined with the inability to increase prices to the extent necessary to offset cost inflation in Canada contributed to the operating loss for the quarter and the year 2019. 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. 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.

The following summarizes the operating results for the RTS segment by geographic area for the three months and the year ended December 31, 2019.

Q4 2019	RTS Canada	RTS U.S.	Total
Revenue	$ 8,147	$ 7,760	**$ 15,907**
Operating (loss) income	$ (5,367)	$ 871	**$ (4,496)**
Pieces of rental equipment	9,710	880	**10,590**
Rental equipment utilization	10%	42%	**13%**

Q4 2018	RTS Canada	RTS U.S.	Total
Revenue	$ 14,711	$ 5,248	$ 19,959
Operating (loss) income	$ (2,082)	$ 1,224	$ (858)
Pieces of rental equipment	9,950	650	10,600
Rental equipment utilization	27%	40%	27%

2019	RTS Canada	RTS U.S.	Total
Revenue	$ 38,657	$ 26,789	**$ 65,446**
Operating (loss) income	$ (24,189)	$ 2,778	**$ (21,411)**
Pieces of rental equipment	9,710	880	**10,590**
Rental equipment utilization	14%	38%	**16%**

2018	RTS Canada	RTS U.S.	Total
Revenue	$ 60,225	$ 16,390	$ 76,615
Operating (loss) income	$ (7,468)	$ 2,488	$ (4,980)
Pieces of rental equipment	9,950	650	10,600
Rental equipment utilization	23%	37%	23%

RTS Canada revenue decreased in the three months and the year ended December 31, 2019 compared to the same periods in 2018 due to lower industry activity and a smaller fleet of equipment following the disposal and relocation to the United States of underutilized equipment. Lower revenue combined with high fixed costs resulted in increased operating losses in 2019. Also contributing to increased operating losses was $7.5 million of non-recurring depreciation expense and $2.0 million of increased recurring depreciation expense as a result of the change in accounting estimates for residual values and useful life of RTS equipment. Excluding the non-recurring depreciation expense of $7.5 million, RTS Canada's operating loss was $5.4 million and $16.7 million, respectively, for the three months and the year ended December 31, 2019.

RTS U.S. revenue for the three months and the year ended December 31, 2019 increased compared to the same periods in 2018 due to increased utilization of a larger equipment fleet. Also contributing to the improved results was stronger pricing and a change in the mix of equipment utilized. Negatively impacting operating income in fourth quarter and 2019 year was, respectively, $1.0 million and $2.3 million of equipment relocation expenses as well as $0.4 million of non-recurring depreciation expense as a result of change in accounting estimates in both periods. Excluding these expenses, operating income in RTS U.S. was $1.9 million and $5.5 million, respectively for the three months and the year ended December 31, 2019.

Effective August 15, 2019 the Company, through a wholly-owned United States subsidiary, acquired certain oilfield transportation assets for $2.3 million (US$1.7 million). The Company financed the acquisition utilizing cash on hand and existing credit facilities.

Compression and Process Services

	Three Months Ended			Year Ended		
December 31	**2019**	2018	Change	**2019**	2018	Change
Revenue	**$ 40,666**	$ 115,582	(65%)	**$ 366,738**	$ 420,664	(13%)
Operating income	**$ 1,939**	$ 11,244	(83%)	**$ 27,869**	$ 39,588	(30%)
Operating income, % of revenue	**5%**	10%	(50%)	**8%**	9%	(11%)
Sales backlog at period end, $ million	**$ 48.6**	$ 222.9	(78%)	**$ 48.6**	$ 222.9	(78%)
Horsepower of equipment on rent at period end	**34,800**	34,800	0%	**34,800**	34,800	0%
Rental equipment utilization during the period (HP)	**72%**	70%	3%	**69%**	60%	15%

The revenue reported from the CPS segment decreased for the three months and the year ended December 31, 2019 as compared to the same periods in 2018. Contributing to this decrease was lower fabrication sales bookings in 2019 as compared to 2018 driven by lower industry activity. 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. Operating income for the fourth quarter and 2019 year decreased compared to the same periods in 2018. The decrease was primarily due to the reduced activity levels and the resultant reduction in the absorption of overhead costs due to lower production levels. This decrease was partially offset by increased utilization of the compression rental fleet (which generates higher comparative operating margin percentage as compared to other lines of services).

Well Servicing

	Three Months Ended			Year Ended		
December 31	**2019**	2018	Change	**2019**	2018	Change
Revenue	**$ 35,239**	$ 37,051	(5%)	**$ 138,346**	$ 150,346	(8%)
Operating income	**$ 4,166**	$ 4,592	(9%)	**$ 14,744**	$ 17,329	(15%)
Operating income, % of revenue	**12%**	12%	–	**11%**	12%	(8%)
Service hours (1)	**42,175**	42,382	–	**158,142**	164,414	(4%)
Revenue per service hour	**$ 836**	$ 874	(4%)	**$ 875**	$ 914	(4%)
Utilization (2)	**41%**	41%	–	**38%**	40%	(5%)

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

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

Overall revenue and operating income for the fourth quarter and the year 2019 was lower compared with the same periods in 2018 due to a combination of lower activity as well as lower per hour revenue due to the mix of equipment utilized.

The following summarizes the operating results for the WS segment by geographic area for the three months and the year ended December 31, 2019.

Q4 2019	WS Canada	WS U.S.	WS Australia	**Total**
Revenue	$ 11,893	$ 3,417	$ 19,929	**$ 35,239**
Operating income (loss)	$ 643	$ (763)	$ 4,286	**$ 4,166**
Operating income, % of revenue	5%	nm	22%	**12%**
Service hours [1]	18,387	4,716	19,072	**42,175**
Revenue per service hour, dollars	$ 647	$ 725	$ 1,045	**$ 836**
Utilization % [2]	35%	37%	72%	**41%**

"nm" – calculation not meaningful

Q4 2018	WS Canada	WS U.S.	WS Australia	Total
Revenue	$ 12,700	$ 2,853	$ 21,498	$ 37,051
Operating income (loss)	$ 532	$ (282)	$ 4,342	$ 4,592
Operating income, % of revenue	4%	nm	20%	12%
Service hours [1]	19,467	3,624	19,291	42,382
Revenue per service hour, dollars	$ 652	$ 787	$ 1,114	$ 874
Utilization % [2]	37%	28%	73%	41%

"nm" – calculation not meaningful

2019	WS Canada	WS U.S.	WS Australia	**Total**
Revenue	$ 44,242	$ 14,150	$ 79,954	**$ 138,346**
Operating income (loss)	$ 419	$ (232)	$ 14,557	**$ 14,744**
Operating income (loss), % of revenue	1%	nm	18%	**11%**
Service hours [1]	66,995	17,961	73,186	**158,142**
Revenue per service hour, dollars	$ 660	$ 788	$ 1,092	**$ 875**
Utilization % [2]	32%	35%	70%	**38%**

"nm" – calculation not meaningful

2018	WS Canada	WS U.S.	WS Australia	Total
Revenue	$ 46,929	$ 13,944	$ 89,473	$ 150,346
Operating income	$ 692	$ 541	$ 16,096	$ 17,329
Operating income, % of revenue	1%	4%	18%	12%
Service hours [1]	72,343	18,306	73,765	164,414
Revenue per service hour, dollars	$ 649	$ 762	$ 1,213	$ 914
Utilization % [2]	35%	36%	70%	40%

(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.

Canadian revenue decreased in the fourth quarter of 2019 primarily due to lower utilization compared with the same period in 2018. Operating income for the fourth quarter of 2019 was consistent with the same period in 2018. Canadian revenue and operating income decreased for the year ended December 31, 2019 compared to the same periods in 2018 primarily due to lower utilization compared with 2018 as a result of challenging market conditions.

In the United States revenue increased compared to the same period in 2018 due to increased activity as three well servicing rigs were reactivated in the period. Operating income for the fourth quarter and 2019 year decreased compared to the same periods in 2018 primarily due to activity which was impacted by weather conditions that limited the mobilization of rigs. Also negatively impacting operating results of Well Servicing in the United States in the fourth quarter of 2019 was $0.4 million of expenses incurred to reactivate the three well servicing rigs.

Well servicing revenue in Australia for the fourth quarter of 2019 was lower compared to the same periods in 2018 due to decreased lower margin camp and other ancillary revenue, which in its turn positively contributed to higher operating income margin percentage. Operating income for the fourth quarter of 2019 was marginally lower as compared to the same period in 2018 due to lower utilization. For the year ended 2019 well servicing revenue and operating income in Australia was lower compared to the same period in 2018. Lower service hours combined with lower pricing, as well as lower camp and other ancillary revenue contributed to the decrease. Also negatively impacting U.S. and Australian results was the translation of foreign financial results into Canadian dollars given the depreciation of the U.S. and Australian currencies relative to the Canadian dollar during 2019.

Corporate

	Three months ended			Year ended		
December 31	**2019**	2018	Change	**2019**	2018	Change
Operating loss	**$ (4,955)**	$ (2,698)	84%	**$ (14,192)**	$ (13,430)	6%

Total Energy's Corporate segment includes activities related to the Company's corporate and public issuer affairs. This segment does not generate any revenue but provides sales, operating, financial, treasury, analytical and other management and support services to Total Energy's business segments and manages the corporate affairs of the Company, including matters related to its public listing. Included in the Corporate segment for the three months and the year ended December 31, 2019 is $2.1 million and $3.9 million, respectively, of unrealized losses on the translation of working capital balances of foreign subsidiaries as compared to $2.7 million and $5.6 million, respectively, of unrealized gains for the same periods in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operating Activities and Cashflow

	Three months ended			Year ended		
December 31	**2019**	2018	Change	**2019**	2018	Change
Cash provided by operating activities	**$ 40,545**	$ 30,658	32%	**$ 73,055**	$ 115,705	(37%)
Per Share Data (Diluted), dollars	**$ 0.90**	$ 0.67	34%	**$ 1.60**	$ 2.51	(36%)
Cashflow	**$ 36,896**	$ 23,070	60%	**$ 111,727**	$ 101,490	10%
Per Share Data (Diluted), dollars	**$ 0.82**	$ 0.50	64%	**$ 2.45**	$ 2.20	11%

The changes in cash provided by operating activities was due primarily to changes in the working capital requirements of the various business segments. Cash flow increased in the fourth quarter of 2019 compared to 2018 as a result of higher EBITDA in fourth quarter and higher income tax recoveries during the year as compared to the same period in 2018. The Company reinvests any remaining cash provided by operating activities after required long-term debt and lease liability 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

	Three months ended			Year ended		
December 31	**2019**	2018	Change	**2019**	2018	Change
Net cash used in investing activities	**$ (7,348)**	$ (6,361)	16%	**$ (39,209)**	$ (31,891)	23%
Proceeds from sale of PP&E	**$ 1,573**	$ 3,790	(58%)	**$ 8,422**	$ 7,588	11%
Purchase of PP&E	**$ (9,013)**	$ (12,128)	(26%)	**$ (49,313)**	$ (40,630)	21%

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 2019 equipment disposed consisted primarily of compression rental units previously on rent, decommissioned drilling rigs, underutilized older rental equipment and heavy trucks and older light-duty vehicles.

During the fourth quarter of 2019, $9.0 million of PP&E purchases were allocated as follows: $3.4 million in the CDS segment relating to the purchase of rig equipment and rig recertifications and upgrades, $2.2 million in the RTS segment relating primarily to purchases of rental and transportation equipment in the U.S. and rental equipment in Canada, $2.7 million in the CPS segment relating to additions to the compression rental fleet and $0.7 million in the WS segment relating to service rig recertifications and upgrades. During 2019, $49.3 million of PP&E purchases were allocated to the business segments as follows: $10.2 million in the CDS segment relating primarily to the purchase of rig equipment and rig recertifications and upgrades, $19.4 million in the RTS segment relating primarily to purchases of rental and transportation equipment in the U.S., $14.3 million in the CPS segment relating primarily to additions to the compression rental fleet, $4.9 million in the WS segment relating to service rig recertifications and upgrades and $0.5 million in Corporate relating to real estate development and information technology infrastructure upgrades.

Financing Activities

	Three months ended			Year ended		
December 31	**2019**	2018	Change	**2019**	2018	Change
Net cash used in financing activities	**$ (13,324)**	$ (18,071)	(26%)	**$ (44,613)**	$ (74,328)	(40%)

During the fourth quarter of 2019 $3.1 million of bank indebtedness was repaid and $1.1 million was spent to repurchase common shares, a $0.4 million decrease from the fourth quarter of 2018. During 2019 $5.0 million of long-term debt was voluntarily repaid in addition to $2.9 million of regular principal repayments on the Company's mortgage loans. During 2019, $5.3 million was spent purchasing shares under the Company's normal course issuer bid, a $1.2 million increase from 2018.

Liquidity and Capital Resources

The Company had a working capital surplus of $103.2 million as at December 31, 2019 compared to $125.0 million as at December 31, 2018. This decrease was due primarily to the classification of the $40.9 million mortgage loan maturing in 2020 as current and a higher current portion of lease liabilities relating to rental contracts recognized on the adoption of IFRS 16. As at December 31, 2019 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"). On April 25, 2018 the Credit Facility was increased by $65 million to $290 million. On May 31, 2019 the maturity date was extended to June 19, 2022. The Company has the option to increase such facility by $75 million subject to certain terms and conditions, including the agreement of the lenders to increase their commitments. The Credit Facility includes a Canadian $18.0 million operating line, an Australian $2.0 million operating line and a Canadian $270.0 million revolving facility. The Credit Facility bears interest at the banks' Canadian prime rate plus 0.25% to 2.75%, bankers' acceptance, letter of credit, LIBOR or BBSY advances plus a 1.5% to 4.0% stamping fee. The applicable interest rate within such ranges is dependent on certain financial ratios of the Company. A standby fee ranging from 0.25% to 0.8% per annum is paid quarterly on the unused portion of the facility depending on certain financial ratios of the Company. At December 31, 2019, the applicable interest rate on amounts drawn on the Credit Facility was 4.25% and the standby rate was 0.5%. Letters of credit ("LOC") of $0.1 million were outstanding at December 31, 2019 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"). Letters of credit ("LOC") issued pursuant to the LOC Facility do not reduce availability under the Credit Facility. At December 31, 2019 $4.4 million Canadian dollars of LOCs were outstanding under the LOC Facility (2018: $4.5 million under the Credit Facility).

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 December 31, 2019 this facility was undrawn and fully available.

At December 31, 2019 the Company's long-term debt consisted of the following:

	December 31, 2019	
	Interest rate	Principal Amount
Credit Facility	4.25%	$ 222,000
Mortgage loan (2020 maturity)	3.06%	40,905
Mortgage loan (2041 maturity)	4.55%	14,958
		277,863
Less current portion		41,585
		$ 236,278

At December 31, 2019 amounts owing under the Credit Facility and the two mortgage loans were denominated in Canadian dollars. The weighted average interest rate on the Company's debt at December 31, 2019 was 4.09%.

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, 2019	Threshold
Twelve-month trailing Bank EBITDA to interest expense	9.49	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	2.06	maximum 3.00

The Company was in compliance with all of its Credit Facility and other debt covenants at December 31, 2019. For further information regarding Credit Facility compliance requirements and details on the Company's borrowings, please refer to Note 13 to the 2019 Financial Statements.

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

Dividends

For the three months and the year ended December 31, 2019 the Company declared dividends of $2.7 million ($0.06 per share) and $10.9 million ($0.24 per share) which was consistent with the same periods in 2018.

For the year ended December 31, 2019 cash provided by operating activities and cashflow 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 months and the year ending December 31, 2019 consisted of $9.0 million and $49.3 million, respectively, of PP&E purchases. Capital spending was funded by cash flow and $8.4 million of proceeds from the sale of PP&E during 2019.

CONTRACTUAL OBLIGATIONS

At December 31, 2019 the Company had the following contractual obligations:

		Payments due by year				
	Total	2020	2021	2022	2023	2024 and after
Long-term debt and bank indebtedness	$ 277,863	$ 41,585	$ 680	$ 222,680	$ 680	$ 12,238
Commitments [(1)]	413	277	109	23	3	1
Lease liabilities, net of lease assets	19,597	7,606	6,016	2,875	1,337	1,763
Purchase obligations [(2)]	14,234	14,234	–	–	–	–
Total contractual obligations	$ 312,107	$ 63,702	$ 6,805	$ 225,578	$ 2,020	$ 14,002

(1) Commitments are described in Note 24 to the 2019 Financial Statements.

(2) Purchase obligations are described in Note 24 to the 2019 Financial Statements. As at December 31, 2019 purchase obligations primarily relate to commitments to purchase inventory in the CPS segment.

OFF-BALANCE SHEET ARRANGEMENTS

During 2019 and 2018, the Company had no off-balance sheet arrangements other than short-term leases.

TRANSACTIONS WITH RELATED PARTIES

During 2019 and 2018 the Company had no material transactions with related parties.

FINANCIAL INSTRUMENTS

Fair values

The discounted future cash repayments of the Company's mortgage loan due in 2020 are calculated using prevailing market rates of a similar debt instrument as at the reporting date. The net present value of future cash repayments of such mortgage and related interest at the prevailing market rate of 3.85% for a similar debt instrument at December 31, 2019 was $40.8 million (December 31, 2018: market rate of 4.05%, $42.4 million). The carrying value and Company`s liability with respect to this mortgage is $40.9 million.

OUTSTANDING COMPANY SHARE DATA

As at the date of this MD&A, the Company had 45,081,300 common shares outstanding.

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

Outstanding at December 31, 2019	Exercise Price	Remaining life (years)	Exercisable at December 31, 2019
1,070,000	$ 14.13	0.60	1,070,000
1,215,000	$ 12.69	2.50	810,004
60,000	$ 12.00	2.60	40,000
425,000	$ 13.54	3.20	175,000
150,000	$ 12.99	3.40	50,000
1,015,000	$ 9.51	4.40	–
3,935,000	$ 12.35	2.58	2,145,004

OUTLOOK

Industry Conditions

Economic, political and regulatory uncertainty continue to weigh on energy markets, particularly in Canada. As a result, energy investment has remained stagnant or, in the case of Canada, declined during 2019 compared to 2018. The recent outbreak of the COVID-19 virus and turmoil in global oil markets have led to a sharp decline in oil prices and are expected to result in lower industry activity levels in the near term. Pricing for the Company's products and services remains low by historical standards, particularly in Canada and higher activity levels will need to be sustained for some time before meaningful price recovery is achieved. Continued global economic uncertainty and volatility in global oil and natural gas prices and energy equity markets gives rise to caution regarding future activity levels.

During 2019 the Company took substantive action to reduce its fixed cost structure in the RTS segment, which included closing several branch locations in Canada and the Company expects to continue to rationalize Canadian operations particularly given the recent substantial decline in oil prices. Continued contraction of energy service industry capacity in Canada as a result of the protracted industry downturn that began in late 2014 is expected to contribute to a more balanced market over time. 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.

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 is expected to continue to drive activity in the future.

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 2019 other than as described below.

Industry Conditions

Despite having increased from the lows of 2016, oil prices remain volatile and North American natural gas prices remain low by historical standards. Global economic uncertainty and equity market volatility have contributed to the headwinds facing the energy industry, and the COVID-19 pandemic and recent developments in global oil markets have significantly exacerbated such headwinds. In addition, oil and natural gas producers in Canada face unique political and regulatory challenges that have contributed to a significant lack of pipeline and other energy export capacity. This infrastructure deficit has contributed to a significant decline in Canadian energy investment. Activity levels in the United States moderated somewhat over the course of 2019 while remaining relatively stable in Australia. While the Company has been proactive in managing its operating cost structure to adapt to the current environment, continued challenging industry activity levels may require additional substantive measures be taken to preserve the Company's financial strength and flexibility.

Credit Risk

As a result of the challenging oil and natural gas market conditions, particularly in 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 regard 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 secure and collect outstanding balances.

The Company did not have significant exposure to any individual customer or counter party in the fourth quarter of 2019, other than two major oil and gas producing companies that accounted for over 10% of the consolidated revenue. In 2019 the Company did not have significant exposure to any individual customer, with no single customer accounting for more than 10% of revenue during the year. 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, evolving and often unanticipated laws and government regulations, including in the areas of environment, labor, health and safety and taxation. 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 2019, other than the following:

Change in accounting estimates

During the third quarter of 2019, the Company conducted a review of its rentals and transportation equipment within its RTS segment. Such review was based on the current economic and operating environment and considered the operating history of these assets in order to assess their useful lives, pace of economic consumption and residual values. As a result of this review, effective July 1, 2019 certain changes were made to the Company's estimates of the useful life and residual values of various assets and are summarized as follows:

	Previous estimated useful lives, years	New estimated useful lives, years	Previous Residual Value	New Residual Value
Rental and transportation equipment				
Rental equipment	5 - 15	3 - 20	25% - 33%	0% - 25%
Transportation equipment	7	7 - 10	25%	25%

As a result of these changes in estimates, a non-recurring depreciation expense of $7.9 million was incurred during the second half of 2019 on salvage values of previously fully depreciated assets. In addition, recurring incremental depreciation expense increased by $2.0 million in 2019 as a result of this change in estimate.

Critical Judgments in Applying Accounting Policies

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

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

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

The Company's functional currency is based on the primary economic environment in which it operates and is based on an analysis of several factors including which currency principally affects sales prices of products sold by the Company, which currency influences the main expenses of providing services, in which currency the Company keeps it receipts from operating activities and in which currency the Company has received financing.

The Company makes judgments regarding the determination of its reportable segments, including aggregation criteria (as appropriate), for segmented reporting.

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings.

Key Sources of Estimation Uncertainty

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

Where impairment indicators exist or annually for goodwill, the recoverable amount of the asset or CGU is determined using the greater of fair value less costs to sell or value-in-use. Value-in-use calculations require assumptions for discount rates and estimations of the timing for events or circumstances that will affect future cash flows. Fair value less costs to sell requires management to make estimates of fair value using market conditions for similar assets as well as estimations for costs to sell taking into account dismantle and transportation costs.

The Company is required to estimate the amount of provisions and contingencies based on the estimated future outcome of the event.

The Company recognizes revenue over time in accounting for its equipment manufacturing contract revenue. Recognizing revenue over time requires estimates of the stage of completion of the contract to date as a proportion of the total work to be performed.

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

As pertains to accounts receivable the Company is required to estimate allowances for doubtful accounts based on 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, 2019 the Company adopted the following International Financial Reporting Standards:

IFRS 16

IFRS 16, published on January 13, 2016, supersedes International Accounting Standard ("IAS") 17 – Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases. IFRS 16 applies to reporting periods beginning on or after January 1, 2019.

The Company has adopted IFRS 16 effective January 1, 2019 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for the relevant periods. The Company applied the following practical expedients permitted under the new standard:

(i) Grandfather the assessment of which contracts contained leases under IFRS 16 to only those previously identified as leases under IAS 17 and related interpretations;

(ii) leases of low dollar value will continue to be expensed as incurred;

(iii) leases for which the lease term ends within 12 months of the date of initial application will continue to be expensed as incurred;

(iv) apply a single discount rate to a portfolio of leases with reasonably similar characteristics; and

(v) the Company may rely on the assessment of its onerous lease and adjust its right-of-use assets at the date of initial application by the amount of onerous lease recognized immediately before the date of initial application.

Historically office and shop leases were accounted for as operating leases under IAS 17 and were only recognized at the time of payment in either cost of services or selling, general and administrative expense. The Company treated vehicle leases as finance leases under IAS 17.

Under IFRS 16, those operating leases in scope were recognized on the Company's statement of financial position with a right-of-use asset and corresponding lease obligation representing 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 statement of financial position and are depreciated over the shorter of either the asset's estimated useful life or the term of the lease. The lease obligation is measured at amortized cost using the effective interest rate method. Under this method, finance charges are applied to accrete the lease obligation to the present value of future lease payments. As lease payments are recognized, the lease obligation is reduced.

As at January 1, 2019 the Company recognized approximately $13.2 million in right-of-use assets, $14.8 million of incremental lease obligations on transition and $1.6 million of finance lease assets on sub-leases.

Refer to note 3 of the Financial Statements for further details.

International Financial Reporting Interpretation Committee's Interpretation 23 – "Uncertainty over Income Tax Treatments" ("IFRIC 23")

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation requires the entity to use the most likely amount or the expected value of the tax treatment if it concludes that it is not probable that a particular tax treatment will be accepted. It requires an entity to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight. Adoption of IFRIC 23 did not have a material effect on the Company's consolidated financial statements.

FUTURE ACCOUNTING POLICIES CHANGES

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

NON-IFRS MEASURES

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

EBITDA

	Three months ended		Year ended	
December 31	**2019**	2018	**2019**	2018
Net income	**$ 8,593**	$ 8,570	**$ 10,091**	$ 24,215
Add back (deduct):				
Depreciation	**20,773**	17,777	**88,440**	75,500
Finance costs	**3,233**	3,485	**12,938**	13,778
Income tax expense (recovery)	**3,206**	(679)	**(3,790)**	1,173
EBITDA	**$ 35,805**	$ 29,153	**$ 107,679**	$ 114,666

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

Net Debt

	As at December 31, 2019
Long-term debt	**$ 236,278**
Lease liabilities	**12,170**
Add back (deduct):	
Current liabilities	**152,190**
Current assets	**(255,424)**
Net Debt	**$ 145,214**

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 2019 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, 2019. 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, 2019.

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, 2019 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 ended December 31, 2019.

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 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, 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.