CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (in thousands of Canadian dollars)

	Note	June 30, 2020	December 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents		**$ 21,097**	$ 19,873
Accounts receivable		**70,368**	113,934
Inventory		**106,344**	105,672
Prepaid expenses and deposits		**6,464**	10,878
Income taxes receivable		**1,501**	4,403
Current portion of finance lease asset		**461**	664
		206,235	255,424
Property, plant and equipment		**681,578**	730,435
Income taxes receivable		**7,070**	7,070
Lease asset		**4**	179
Goodwill		**4,053**	4,053
		$ 898,940	$ 997,161
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 53,700**	$ 95,742
Deferred revenue		**10,122**	3,883
Dividends payable		**–**	2,710
Current portion of lease liabilities		**8,922**	8,270
Current portion of long-term debt	5	**2,523**	41,585
		75,267	152,190
Long-term debt	5	**246,794**	236,278
Lease liabilities		**8,744**	12,170
Deferred tax liability		**44,156**	53,381
Shareholders' equity:			
Share capital	6	**284,077**	284,510
Contributed surplus		**8,073**	7,528
Accumulated other comprehensive loss		**(11,881)**	(16,722)
Non-controlling interest		**606**	(236)
Retained earnings		**243,104**	268,062
		523,979	543,142
		$ 898,940	$ 997,161

The notes on pages 29 to 36 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)

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

		Three months ended June 30		Six months ended June 30	
	Note	**2020**	2019	**2020**	2019
REVENUE		**$ 70,770**	$ 212,695	**$ 205,038**	$ 434,685
Cost of services		**52,483**	180,861	**153,166**	360,839
Selling, general and administration		**5,756**	12,263	**16,341**	25,025
Other expense (income)		**536**	1,715	**(7,392)**	2,876
Share-based compensation	7	**264**	494	**669**	862
Depreciation		**48,892**	18,453	**68,886**	37,737
Operating income (loss)		**(37,161)**	(1,091)	**(26,632)**	7,346
Gain on sale of property, plant and equipment		**1,155**	184	**1,535**	1,878
Finance costs		**(2,518)**	(3,362)	**(5,957)**	(6,607)
Net income (loss) before income taxes		**(38,524)**	(4,269)	**(31,054)**	2,617
Current income tax expense		**957**	257	**2,293**	957
Deferred income tax recovery		**(10,636)**	(7,379)	**(9,226)**	(5,952)
Total income tax recovery		**(9,679)**	(7,122)	**(6,933)**	(4,995)
Net income (loss) for the period		**$ (28,845)**	$ 2,853	**$ (24,121)**	$ 7,612
Net income (loss) attributable to:					
Shareholders of the Company		**$ (28,765)**	$ 3,403	**$ (24,093)**	$ 8,163
Non-controlling interest		**(80)**	(550)	**(28)**	(551)
Income (loss) per share					
Basic and diluted	6	**$ (0.64)**	$ 0.07	**$ (0.53)**	$ 0.18

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Net income (loss) for the period	**$ (28,845)**	$ 2,853	**$ (24,121)**	$ 7,612
Foreign currency translation	**(5)**	(5,550)	**4,842**	(9,220)
Deferred tax effect	**(305)**	(182)	**(1)**	(572)
Total other comprehensive income (loss) for the period	**(310)**	(5,732)	**4,841**	(9,792)
Total comprehensive loss	**$ (29,155)**	$ (2,879)	**$ (19,280)**	$ (2,180)
Total comprehensive loss attributable to:				
Shareholders of the Company	**$ (29,075)**	$ (2,329)	**$ (19,252)**	$ (1,629)
Non-controlling interest	**(80)**	(550)	**(28)**	(551)

The notes on pages 29 to 36 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

As at and for the six months ended June 30, 2020 and 2019, and year ended December 31, 2019
Unaudited (in thousands of Canadian dollars)

	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Non-controlling Interest	Retained earnings	Total Equity
Balance at December 31, 2018		$ 288,902	$ 6,384	$ (5,320)	$ 238	$ 270,372	$ 560,576
Net income (loss)		–	–	–	(436)	10,527	10,091
Other comprehensive loss		–	–	(11,402)	–	–	(11,402)
Transactions with shareholders, recorded directly in equity:							
Dividends to shareholders ($0.24 per common share)		–	–	–	–	(10,907)	(10,907)
Repurchase of common shares	6	(4,392)	–	–	–	(954)	(5,346)
Share-based compensation	7	–	1,499	–	–	–	1,499
Stock options expired		–	(355)	–	–	355	–
Dissolution of limited partnership		–	–	–	1,284	(1,284)	–
Purchase of partners' share in limited partnership		–	–	–	(81)	(47)	(128)
Partnership distributions		–	–	–	(1,241)	–	(1,241)
		(4,392)	1,144	–	(38)	(12,837)	(16,123)
Balance at December 31, 2019		$ 284,510	$ 7,528	$ (16,722)	$ (236)	$ 268,062	$ 543,142
Net loss		–	–	–	(28)	(24,093)	(24,121)
Other comprehensive income		–	–	4,841	–	–	4,841
Transactions with shareholders, recorded directly in equity:							
Repurchase of common shares	6	(433)	–	–	–	6	(427)
Share-based compensation	7	–	669	–	–	–	669
Stock options expired		–	(124)	–	–	124	–
Partnership distributions		–	–	–	(125)	–	(125)
Dissolution of limited partnership		–	–	–	995	(995)	–
		(433)	545	–	870	(865)	117
Balance at June 30, 2020		**$ 284,077**	**$ 8,073**	**$ (11,881)**	**$ 606**	**$ 243,104**	**$ 523,979**

	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Non-controlling Interest	Retained earnings	Total Equity
Balance at December 31, 2018		$ 288,902	$ 6,384	$ (5,320)	$ 238	$ 270,372	$ 560,576
Net income (loss)		–	–	–	(551)	8,163	7,612
Other comprehensive loss		–	–	(9,792)	–	–	(9,792)
Transactions with shareholders, recorded directly in equity:							
Dividends to shareholders ($0.12 per common share)		–	–	–	–	(5,477)	(5,477)
Repurchase of common shares	6	(2,253)	–	–	–	(1,049)	(3,302)
Partnership distributions		–	–	–	(500)	–	(500)
Purchase of partners' share in limited partnership		–	–	–	(81)	(47)	(128)
Share-based compensation	7	–	862	–	–	–	862
Share options expired		–	(355)	–	–	355	–
		(2,253)	507	–	(581)	(6,218)	(8,545)
Balance at June 30, 2019		$ 286,649	$ 6,891	$ (15,112)	$ (894)	$ 272,317	$ 549,851

The notes on pages 29 to 36 are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)

	Note	Three months ended June 30		Six months ended June 30	
		2020	2019	**2020**	2019
Cash provided by (used in):					
Operations:					
Net income (loss) for the period		**$ (28,845)**	$ 2,853	**$ (24,121)**	$ 7,612
Add (deduct) items not affecting cash:					
Depreciation		**48,892**	18,453	**68,886**	37,737
Share-based compensation		**264**	494	**669**	862
Gain on sale of property, plant and equipment		**(1,155)**	(184)	**(1,535)**	(1,878)
Finance costs		**2,518**	2,702	**5,957**	5,926
Unrealized loss (gain) on foreign currencies translation		**748**	1,175	**(7,828)**	1,574
Current income tax expense		**957**	257	**2,293**	957
Deferred income tax recovery		**(10,636)**	(7,379)	**(9,226)**	(5,952)
Income taxes recovered		**1,050**	4,048	**609**	4,034
Cashflow		**13,793**	22,419	**35,704**	50,872
Changes in non-cash working capital items:					
Accounts receivable		**37,486**	18,923	**43,099**	26,363
Inventory		**6,727**	11,327	**(672)**	351
Prepaid expenses and deposits		**2,825**	4,586	**6,327**	8,950
Accounts payable and accrued liabilities		**(27,955)**	(30,020)	**(38,192)**	(17,293)
Onerous leases		**–**	–	**–**	1,297
Deferred revenue		**3,286**	(23,112)	**6,239**	(16,230)
Cash provided by operating activities		**36,162**	4,123	**52,505**	54,310
Investing:					
Purchase of property, plant and equipment		**(7,944)**	(7,369)	**(10,190)**	(22,069)
Proceeds on sale of other assets		**–**	662	**–**	682
Proceeds on disposal of property, plant and equipment		**1,638**	3,230	**3,343**	5,900
Purchase of non-controlling interest		**–**	(128)	**–**	(128)
Changes in non-cash working capital items		**(690)**	(1,316)	**(1,998)**	913
Cash used in investing activities		**(6,996)**	(4,921)	**(8,845)**	(14,702)
Financing:					
Advances on long-term debt		**9,796**	–	**29,796**	–
Repayment of long-term debt	5	**(42,647)**	(5,683)	**(58,342)**	(16,534)
Repayment of lease liabilities		**(2,205)**	(1,815)	**(4,264)**	(3,896)
Dividends to shareholders		**–**	(2,746)	**(2,710)**	(5,498)
Repurchase of common shares		**–**	(2,460)	**(427)**	(3,302)
Partnership distributions		**(125)**	(500)	**(125)**	(500)
Interest paid		**(2,834)**	(1,881)	**(6,364)**	(6,651)
Cash used in financing activities		**(38,015)**	(15,085)	**(42,436)**	(36,381)
Change in cash and cash equivalents		**(8,849)**	(15,883)	**1,224**	3,227
Cash and cash equivalents, beginning of period		**29,946**	49,750	**19,873**	30,640
Cash and cash equivalents, end of period		**$ 21,097**	$ 33,867	**$ 21,097**	$ 33,867

The notes on pages 29 to 36 are an integral part of these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the six months ended June 30, 2020 and 2019
Unaudited (tabular amounts in thousands of Canadian dollars)

1. Reporting Entity

Total Energy Services Inc. (the "Company") is incorporated under the Business Corporations Act (Alberta) and its head office is located in Calgary, Alberta at Suite 800, 311 – 6th Avenue S.W. The condensed interim consolidated financial statements include the accounts of the Company, its subsidiaries and its wholly and partially owned partnerships established in Canada, the United States of America (the "United States") and Australia.

The Company provides a variety of products and services to the oil and natural gas industry primarily in Canada, the United States and Australia, including contract drilling services, the rental and transportation of equipment used in oil and natural gas drilling, completion and production processes, the fabrication, sale, rental and servicing of natural gas compression and oil and natural gas process equipment and well servicing.

2. Basis of Presentation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" of International Financial Reporting Standards ("IFRS") and using the accounting policies outlined in the Company's audited consolidated financial statements for the year ended December 31, 2019. These condensed interim consolidated financial statements do not include all the necessary annual disclosures and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019 (the "2019 Financial Statements").

These condensed interim consolidated financial statements were approved by the Board of Directors on August 11, 2020.

Seasonality

A significant portion of the Company's field operations are conducted in Canada where the ability to move heavy equipment is dependent on ground conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until such roads have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Company's activity levels and operating results in Canada. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support 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.

Change in Accounting Estimates

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

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

As a result of these changes in estimates which related primarily to the estimated useful life and method of depreciation, a non-recurring depreciation expense relating to now fully depreciated assets of $26.3 million was incurred during the three and six months ended June 30, 2020. In addition, recurring depreciation expense increased by $4.2 million for the three and six months ended June 30, 2020.

3. Government Grants

In response to the COVID-19 pandemic, various governments have established programs to assist companies through this challenging period. The Company has determined that it qualifies for certain programs and recognizes such government grants when there is a reasonable assurance the grant will be received. For the three and six month periods ended June 30, 2020 the Company received $4.5 million under the Canada Emergency Wage Subsidy program. This wage subsidy relates to operating and administrative expenses and has been recognized as a reduction of these expenses by $3.6 million and $0.9 million, respectively.

4. Segmented Information

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

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

As at and for the three months ended June 30, 2020	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate [1]	Total
Revenue	$ 14,170	$ 4,782	$ 30,212	$ 21,606	$ –	$ 70,770
Cost of services	11,674	3,159	22,910	14,740	–	52,483
Selling, general and administration	1,297	1,141	1,413	1,121	784	5,756
Other expense	–	–	–	–	536	536
Share-based compensation	–	–	–	–	264	264
Depreciation [2]	36,689	5,882	2,378	3,760	183	48,892
Operating income (loss)	(35,490)	(5,400)	3,511	1,985	(1,767)	(37,161)
Gain (loss) on sale of property, plant and equipment	665	383	(3)	(6)	116	1,155
Finance costs	(36)	(19)	(99)	(9)	(2,355)	(2,518)
Net income (loss) before income taxes	(34,861)	(5,036)	3,409	1,970	(4,006)	(38,524)
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	334,273	215,558	227,113	107,687	14,309	898,940
Total liabilities	59,669	15,474	35,754	5,210	258,854	374,961
Capital expenditures	$ 1,158	$ 319	$ 6,023	$ 436	$ 8	$ 7,944

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

(2) Effective July 1, 2019 the Company changed certain estimates relating to the useful life and residual value of equipment in the Rentals and Transportation Services segment. See note 9 to the 2019 Financial Statements for further details. Effective April 1, 2020 the Company changed certain estimates relating to the useful life and residual value of equipment in the Contract Drilling Services segment (see note 2 above).

As at and for the three months ended June 30, 2019	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate [1]	Total
Revenue	$ 33,621	$ 15,656	$ 132,927	$ 30,491	$ –	$ 212,695
Cost of services	28,698	10,019	119,485	22,659	–	180,861
Selling, general and administration	1,954	3,874	2,954	1,601	1,880	12,263
Other expense	–	–	–	–	1,715	1,715
Share-based compensation	–	–	–	–	494	494
Depreciation	7,504	4,738	1,926	4,100	185	18,453
Operating income (loss)	(4,535)	(2,975)	8,562	2,131	(4,274)	(1,091)
Gain (loss) on sale of property, plant and equipment	(961)	852	58	112	123	184
Finance costs	(91)	(34)	(108)	(6)	(3,123)	(3,362)
Net income (loss) before income taxes	(5,587)	(2,157)	8,512	2,237	(7,274)	(4,269)
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	403,267	244,586	229,541	125,031	24,139	1,026,564
Total liabilities	69,185	29,152	95,646	5,793	276,937	476,713
Capital expenditures	$ 2,799	$ 1,805	$ 1,080	$ 1,536	$ 149	$ 7,369

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

As at and for the six months ended June 30, 2020	**Contract Drilling Services**	**Rentals and Transportation Services**	**Compression and Process Services**	**Well Servicing**	**Corporate [1]**	**Total**
Revenue	**$ 57,195**	**$ 21,615**	**$ 70,956**	**$ 55,272**	**$ –**	**$ 205,038**
Cost of services	**44,131**	**13,776**	**56,321**	**38,938**	**–**	**153,166**
Selling, general and administration	**3,738**	**3,644**	**3,629**	**2,848**	**2,482**	**16,341**
Other income	**–**	**–**	**–**	**–**	**(7,392)**	**(7,392)**
Share-based compensation	**–**	**–**	**–**	**–**	**669**	**669**
Depreciation [2]	**44,525**	**12,033**	**4,671**	**7,290**	**367**	**68,886**
Operating income (loss)	**(35,199)**	**(7,838)**	**6,335**	**6,196**	**3,874**	**(26,632)**
Gain on sale of property, plant and equipment	**756**	**536**	**110**	**4**	**129**	**1,535**
Finance costs	**(78)**	**(42)**	**(197)**	**(18)**	**(5,622)**	**(5,957)**
Net income (loss) before income taxes	**(34,521)**	**(7,344)**	**6,248**	**6,182**	**(1,619)**	**(31,054)**
Goodwill	**–**	**2,514**	**1,539**	**–**	**–**	**4,053**
Total assets	**334,273**	**215,558**	**227,113**	**107,687**	**14,309**	**898,940**
Total liabilities	**59,669**	**15,474**	**35,754**	**5,210**	**258,854**	**374,961**
Capital expenditures	**$ 2,019**	**$ 842**	**$ 6,079**	**$ 1,238**	**$ 12**	**$ 10,190**

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

(2) Effective July 1, 2019 the Company changed certain estimates relating to the useful life and residual value of equipment in the Rentals and Transportation Services segment. See note 9 to the 2019 Financial Statements for further details. Effective April 1, 2020 the Company changed certain estimates relating to the useful life and residual value of equipment in the Contract Drilling Services segment (see note 2 above).

As at and for the six months ended June 30, 2019	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate [1]	Total
Revenue	$ 79,325	$ 34,063	$ 254,002	$ 67,295	$ –	$ 434,685
Cost of services	66,619	21,877	222,805	49,538	–	360,839
Selling, general and administration	4,153	7,534	6,602	3,361	3,375	25,025
Other expense	–	–	–	–	2,876	2,876
Share-based compensation	–	–	–	–	862	862
Depreciation	15,698	9,259	4,260	8,301	219	37,737
Operating income (loss)	(7,145)	(4,607)	20,335	6,095	(7,332)	7,346
Gain (loss) on sale of property, plant and equipment	(887)	981	1,462	112	210	1,878
Finance costs	(193)	(56)	(213)	(12)	(6,133)	(6,607)
Net income (loss) before income taxes	(8,225)	(3,682)	21,584	6,195	(13,255)	2,617
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	403,267	244,586	229,541	125,031	24,139	1,026,564
Total liabilities	69,185	29,152	95,646	5,793	276,937	476,713
Capital expenditures	$ 5,594	$ 9,372	$ 3,485	$ 3,218	$ 400	$ 22,069

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

The Company's operations are carried on in the following geographic locations:

Three months ended June 30, 2020	**Canada**	**United States**	**Australia**	**Other**	**Total**
Revenue	**$ 24,765**	**$ 14,542**	**$ 31,412**	**$ 51**	**$ 70,770**
Non-current assets [1]	**448,723**	**170,282**	**66,630**	**–**	**685,635**

Three months ended June 30, 2019	Canada	United States	Australia	Other	Total
Revenue	$ 69,184	$ 108,314	$ 33,920	$ 1,277	$ 212,695
Non-current assets [1]	515,439	167,900	75,300	–	758,639

Six months ended June 30, 2020	**Canada**	**United States**	**Australia**	**Other**	**Total**
Revenue	**$ 96,205**	**$ 47,161**	**$ 61,619**	**$ 53**	**$ 205,038**
Non-current assets [1]	**448,723**	**170,282**	**66,630**	**–**	**685,635**

Six months ended June 30, 2019	Canada	United States	Australia	Other	Total
Revenue	$ 164,639	$ 182,862	$ 85,859	$ 1,325	$ 434,685
Non-current assets [1]	515,439	167,900	75,300	–	758,639

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

5. Long-term Debt

At June 30, 2020 the Company's long-term debt consisted of the following:

	June 30, 2020	
	Interest rate	Principal Amount
Credit Facility	2.92%	$ 185,000
Mortgage loan (2025 maturity)	3.10%	49,699
Mortgage loan (2041 maturity)	3.05%	14,618
		249,317
Less current portion		2,523
		$ 246,794

At June 30, 2020 amounts owing under the Credit Facility were denominated in Canadian dollars.

On June 19, 2017 the Company entered into a three-year $225 million revolving syndicated credit facility (the "Credit Facility"). On April 25, 2018 the Credit Facility was increased by $65 million to $290 million. On 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 June 30, 2020, the applicable interest rate on amounts drawn on the Credit Facility was 2.92% and the standby rate was 0.40%. Letters of credit ("LOC") of $0.5 million were outstanding at June 30, 2020 (2019: $0.3 million) which reduces the amount of credit available under the Credit Facility by an equivalent amount.

In August of 2018 a U.S. $20 million letter of credit facility was established (the "LOC Facility"). Letters of credit ("LOC") issued pursuant to the LOC Facility do not reduce availability under the Credit Facility. In April 2020 this facility was reduced at the request of the Company to U.S. $10 million. At June 30, 2020 $4.5 million Canadian dollars of LOCs were outstanding under the LOC Facility (2019: $4.4 million under the Credit Facility).

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, 2020	Threshold
Twelve-month trailing Bank EBITDA to interest expense	9.50	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	1.95	maximum 3.00

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

- Bank EBITDA is determined (on a 12-month trailing basis) as earnings before finance expenses, income taxes, depreciation, share-based compensation and certain non-recurring and non-cash income and expenses as defined in the credit agreement and excludes amounts from certain non-guarantor subsidiaries and the limited partnerships partially owned by the Company.

- Senior Debt is determined as total long-term debt (including the current portions thereof but excluding the mortgage loans and certain other obligations identified in the credit agreement) minus cash on hand.

The Credit Facility is secured by a general security agreement over all the present and future property of the Company and its subsidiaries. The Company was in compliance with all of its Credit Facility covenants at June 30, 2020.

In addition to the Credit Facility, a subsidiary of the Company has a $5.0 million revolving operating credit facility with a member of the Credit Facility lenders' syndicate. At June 30, 2020 this facility was undrawn and fully available.

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

Mortgage Loan (2041 maturity) is a loan maturing on December 31, 2041 and bears interest at a floating rate that was 3.05% at June 30, 2020. This loan is secured by certain of the Company's real estate.

At June 30, 2020 the Company was in compliance with all debt covenants.

6. Share Capital

(a) Common Share Capital

Common shares of Total Energy Services Inc.

(i) Authorized:

Unlimited number of common voting shares, without nominal or par value.
Unlimited number of preferred shares.

(ii) Common shares issued:

	Number of shares (thousands)	Amount
Balance, December 31, 2018	45,860	$ 288,902
Repurchased and cancelled	(710)	(4,392)
Balance, December 31, 2019	45,150	$ 284,510
Repurchased and cancelled	(69)	(433)
Balance, June 30, 2020	**45,081**	**$ 284,077**

During the six months ended June 30, 2020, 68,700 shares (June 30, 2019: 359,500) were repurchased under the Company's normal course issuer bid at an average price of $6.21 (June 30, 2019: $9.18) per share including commissions. The repurchased shares were cancelled.

(b) Per Share Amounts

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

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Net income (loss) for the period attributable to shareholders	**$ (28,765)**	$ 3,403	**$ (24,093)**	$ 8,163
Weighted average number of shares outstanding – basic and diluted	**45,081**	45,746	**45,084**	45,755
Earnings (loss) per share – basic and diluted	**$ (0.64)**	$ 0.07	**$ (0.53)**	$ 0.18

For the six months ended June 30, 2020, 3,780,001 share options (June 30, 2019: 4,110,000 options) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

7. Share-Based Compensation Plan

Share option transactions during 2020 and 2019 were as follows:

	Weighted average exercise price	Number of Options
Balance, December 31, 2018	$ 13.47	3,170,000
Granted	9.51	1,090,000
Forfeited	12.12	(201,666)
Expired	13.97	(123,334)
Balance, December 31, 2019	$ 12.35	3,935,000
Expired	9.51	(50,000)
Forfeited	10.87	(104,999)
Balance, June 30, 2020	**$ 12.38**	**3,780,001**

A total of 3,000,005 outstanding options were exercisable at June 30, 2020 at a weighted average price of $12.92 per option.

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value of the share options granted. The average per share fair value of the options granted during 2019 was $1.44 per option using the following assumptions:

	December 31, 2019
Expected volatility	24.21% - 27.16%
Annual dividend yield	2.52%
Risk free interest rate	1.46% - 1.50%
Forfeitures	11%
Expected life (years)	3 to 5 years

The share options issued during 2019 vest 1/3 on the first, second and third anniversary from the grant date and expire five years from the date of grant. The outstanding options expire on various dates ranging from July 29, 2020 to May 17, 2024.

8. Financial Instruments

The Company's financial instruments as at June 30, 2020 include cash and cash equivalents, accounts receivable, lease assets, accounts payable and accrued liabilities, forward foreign exchange contracts, lease liabilities and long-term debt. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable and lease liabilities approximate their carrying amounts due to their short-terms to maturity.

The discounted future cash repayments of the Company`s mortgage loan (maturity 2025) are calculated using prevailing market rates of a similar debt instrument as at the reporting date. The net present value of future cash repayments of this mortgage loan and related interest at the prevailing market rate of 3.04% for a similar debt instrument at June 30, 2020 was $49.8 million (December 31, 2019: market rate of 3.85%, $40.8 million). The carrying value and Company`s liability with respect to the mortgage loan is $49.7 million.

9. Contingencies

In August of 2015 the Company was notified by the Canada Revenue Agency (the "CRA") that certain of the Company's income tax filings related to its conversion from an income trust to a corporation in 2009 were being re-assessed. Specifically, the CRA increased the Company's taxable income by $56.1 million and denied $1.7 million of investment tax credits claimed (the "Reassessment"). The Reassessment is based entirely on the CRA's proposed application of the general anti-avoidance rule ("GAAR") and gives rise to approximately $14.1 million of federal income tax payable. In September 2015 the Company paid one half of the reassessed amount, or $7.1 million, on account of the Reassessment as required pending appeal. On November 4, 2015, related provincial income tax reassessments totaling $5.6 million (including interest and penalties) were received.

The Company has received both legal and tax advice relating to its conversion from an income trust to a corporation indicating that its income tax filing position is strong. As such, the Company has filed notices of objection in response to the Reassessment and intends to vigorously defend its filing position and seek reimbursement from the CRA for the costs arising from having to defend such Reassessment to the fullest extent possible. The matter is expected to go to trial in 2021. Management believes that it will be successful in defending its tax filing position, and as such, the Company has not recognized any provision for the Reassessment at June 30, 2020. The $7.1 million paid on account of the Reassessment has been recorded as income tax receivable on the basis management believes it will be successful in defending the Company`s filing position. In the event the Company is not successful, an additional $16.3 million of cash may be owing and $23.4 million of income tax expense would be recognized.

In April of 2017 one of the Company's subsidiaries, Savanna Energy Services Corp. ("Savanna"), received a statement of claim from Western Energy Services Corp. ("Western") for payment of a termination fee in the amount of $20 million pursuant to an arrangement agreement between Savanna and Western dated March 8, 2017, as amended on March 14, 2017 (the "Arrangement Agreement"). Savanna terminated the Arrangement Agreement on March 28, 2017 following the acquisition by Total of over 50% of the outstanding common shares of Savanna in accordance with the terms and conditions of the Arrangement Agreement. Western is claiming Savanna was not entitled to terminate the Arrangement Agreement and therefore breached the Arrangement Agreement. Savanna has filed a statement of defense and has received legal advice that Western's claim is without merit. Management believes that Savanna will be successful in defending against the Western claim and, as such, the Company has not recognized any provision for such claim.

In November of 2017 the Company received a Statement of Claim filed in the Alberta Court of Queen's Bench by Her Majesty the Queen in Right of Alberta, by its agent, Alberta Investment Management Corporation ("AIMCo") against the Company and Savanna. In the beginning of 2020 AIMCo amended its claim to remove the Company as a defendant. AIMCo's claim relates to Savanna's refusal to pay a $6 million change of control penalty (the "Additional Penalty") to AIMCo. The Company and Savanna have received legal advice that AIMCo's claim for the Additional Penalty is not enforceable and have filed a statement of defense. Savanna has also filed a third party claim against its former directors that seeks indemnity in the event that AIMCo is successful in its claim against Savanna. Following the completion of discoveries, Savanna has determined to file a counterclaim against AIMCo and certain former directors of Savanna for $7.2 million.

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