

FORM 51-102F4

BUSINESS ACQUISITION REPORT

Item 1 Identity of Company

1.1 Name and Address of Company

Total Energy Services Inc. ("**Total Energy**" or the "**Company**")
Suite 2550, 300 – 5th Avenue S.W.
Calgary, Alberta T2P 3C4

1.2 Executive Officer

The name and business telephone number of an executive officer of the Company who is knowledgeable about the Acquisition (as defined below) and this report is:

Cam Danyluk
Vice President, Legal and General Counsel
Phone: (403) 698-8445

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On June 20, 2017, in accordance with the terms and conditions of the amalgamation agreement dated May 19, 2017 (the "**Amalgamation Agreement**") between Savanna Energy Services Corp. ("**Savanna**"), Total Energy and 2043224 Alberta Ltd. ("**Subco**") and pursuant to Section 181 of the *Business Corporations Act* (Alberta), Savanna amalgamated with Subco (the "**Amalgamation**"), a wholly-owned subsidiary of Total Energy.

Savanna is a Calgary, Alberta-based oilfield services provider with its business focused in the drilling, well services and oilfield equipment rental segments of the oilfield services industry and with operations in Canada, the United States and Australia. Subco was incorporated by Total Energy for the sole purpose of completing the Amalgamation with Savanna.

Pursuant to the Amalgamation, the amalgamated corporation (named "Savanna Energy Services Corp."), became a wholly-owned subsidiary of Total Energy and the Amalgamation constituted the subsequent acquisition transaction proposed by Total Energy pursuant to the Offer (as defined below) whereby Total Energy would acquire the remaining approximately 14% of the issued and outstanding common shares of Savanna (the "**Savanna Shares**") not already owned by it.

Pursuant to the Amalgamation, each holder (each, a "**Savanna Shareholder**") of Savanna Shares (other than Total Energy) received 0.1300 of a common share of Total Energy (each whole share, a "**Total Share**") and one (1) Series A redeemable preferred share of Total Energy (each, a "**Total Redeemable Preferred Share**") for each Savanna Share held. Immediately following the issuance of the certificate of amalgamation in relation to the Amalgamation, each Total Redeemable Preferred Share was redeemed for \$0.20 in cash (together with the Total Shares issuable under the Amalgamation, the "**Amalgamation Consideration**") per Total Redeemable Preferred Share. The Amalgamation Consideration was the same consideration that was available to Savanna Shareholders under the Offer.

Pursuant to Total Energy's offer (the "**Offer**") to purchase all of the issued and outstanding Savanna Shares dated December 9, 2016, as amended, and related purchases of Savanna Shares through the facilities of the Toronto Stock Exchange (the "**TSX**") by the Company prior to the expiry of the Offer, as of April 27, 2017, the Company owned approximately 85.82% of the outstanding Savanna Shares (the "**Acquired Shares**"). On June 19, 2017, the Company filed a business acquisition report for its acquisition of the Acquired Shares (the "**Initial BAR**").

The Savanna Shares were delisted from the TSX at the close of trading on June 23, 2017. As of July 7, 2017, Savanna ceased to be a reporting issuer (or equivalent) under applicable Canadian securities laws in each of the provinces of Canada in which it was a reporting issuer (or equivalent).

Additional information in respect of the Amalgamation is contained in the management information circular and proxy statement of Savanna dated May 19, 2017 (the "**Circular**"), a copy of which has been filed on SEDAR under Savanna's profile at www.sedar.com. The Initial BAR and the Circular (other than the financial statements contained therein and specifically referenced in Item 3 of this report) do not form part of, and are not incorporated by reference in, this report.

2.2 Acquisition Date

The effective date of the Amalgamation was June 20, 2017 (the "**Effective Date**").

2.3 Consideration

The aggregate consideration for the Amalgamation was comprised of 2,181,294 Total Shares issued to Savanna Shareholders and an aggregate of \$3,355,837.20 in cash payments to Savanna Shareholders.

The cash portion of the aggregate consideration for the Amalgamation was financed through cash on hand and from the Company's credit facility.

Savanna Shareholders in the United States who either resided in the State of New York or who resided in the State of Utah and were not "exempt institutional investors" under the laws of the State of Utah (together, "**Non-Exempt Shareholders**") were not entitled to receive Total Shares or Total Redeemable Preferred Shares under the Amalgamation. Arrangements were made for Computershare Investor Services Inc. (the "**Depository**"), the depository for the Amalgamation, to sell, or cause to be sold (through a broker in Canada and on the TSX), the Total Shares that a Non-Exempt Shareholder would otherwise be entitled to upon completion of the Amalgamation. After completion of such sales of Total Shares, the Depository distributed the aggregate net proceeds of sale, after expenses, commissions and applicable withholding taxes, pro rata, among the Non-Exempt Shareholders, together with the aggregate Total Redeemable Preferred Share redemption amount to which each Non-Exempt Shareholder was entitled. Such sales of Total Shares on behalf of Non-Exempt Shareholders were completed as soon as practicable after the Effective Date and were done in a manner intended to maximize consideration to be received from the sale of Total Shares and to minimize any adverse impact of the sale on the market for the Total Shares.

2.4 Effect on Financial Position

The Company does not have any current plans or proposals for material changes in the Company's business affairs or the affairs of the acquired businesses which may have a significant effect on the results of operations and financial position of the Company. The expected effects of the

Amalgamation on the Company's financial position are outlined in the unaudited pro forma consolidated financial statements referred to under Item 3 below.

2.5 Prior Valuations

To the knowledge of the Company, there has been no valuation opinion obtained within the last twelve months by Savanna or the Company required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company in connection with the Amalgamation.

2.6 Parties to Transaction

Savanna was an associate and affiliate of the Company as a result of the Company's acquisition of approximately 85.82% of the outstanding Savanna Shares prior to the Effective Date.

2.7 Date of Report

September 1, 2017.

Item 3 Financial Statements

Attached as Schedule "A" to this report are the following financial statements (collectively, the "Pro Forma Statements"):

- (a) the unaudited pro forma consolidated statement of comprehensive loss of the Company as at and for the three months ended March 31, 2017, including pro forma earnings per share calculations; and
- (b) the unaudited pro forma consolidated statement of comprehensive loss of the Company for the year ended December 31, 2016, including pro forma earnings per share calculations.

Pursuant to the requirements set out in Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* with respect to multiple investments in the same business, the pro forma financial statements provided in Schedule "A" aggregate the Company's multiple investments in Savanna and are tested on a combined basis. Therefore, the pro forma financial statements provide information based on the indirect acquisition of 100% of the Savanna Shares on a consolidated basis with Total Energy. The Initial BAR provided financial information based on the acquisition of approximately 86% of the Savanna Shares by Total Energy prior to the date of the Initial BAR.

The following financial statements of Savanna, together with the notes thereto, filed with the various securities commissions or similar authorities in each of the provinces of Canada where Savanna is a reporting issuer and available on SEDAR under Total's profile at www.sedar.com, are incorporated by reference and form part of this report.

- (a) the audited consolidated financial statements of Savanna as at and for the years ended December 31, 2016 and December 31, 2015; and
- (b) the unaudited consolidated interim financial statements of Savanna as at and for the three months ended March 31, 2017 and 2016.

The auditors of Savanna have not given their consent to include their audit reports in this report.

Caution Regarding Unaudited Pro Forma Consolidated Financial Statements

The Pro Forma Statements have been prepared using certain of the Company's and Savanna's historical financial statements, as more particularly described in the Pro Forma Statements. In preparing the Pro Forma Statements, the Company has not independently verified the Savanna information. The Pro Forma Statements are not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected therein occurred on the dates indicated. Actual amounts recorded upon the finalization of the purchase price allocation under the Amalgamation may differ from the amounts reflected in the Pro Forma Statements.

Since the Pro Forma Statements were developed to retroactively show the effect of a transaction that was expected to occur at a later date, and even though they were prepared following generally accepted practice using reasonable assumptions, the Pro Forma Statements reflect limitations inherent in the very nature of pro forma data. The data contained in the Pro Forma Statements represents only a simulation of the potential financial impact of the Amalgamation and related adjustments which are preliminary in nature. Undue reliance should not be placed on the Pro Forma Statements. The assumptions and estimates underlying Pro Forma Statements may be materially different from the Company's actual experience going forward.

SCHEDULE "A"

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma consolidated financial statements give effect to the acquisition of all of the issued and outstanding Savanna Shares pursuant to the Offer and the Amalgamation. These unaudited pro forma consolidated financial statements have been prepared by applying pro forma adjustments to the historical consolidated financial statements of Total Energy. The unaudited pro forma consolidated statement of comprehensive loss as at and for the three-month period ended March 31, 2017 and as at and for the year ended December 31, 2016 give effect to the Offer and the Amalgamation as if such transactions had been completed on January 1, 2016. All pro forma adjustments and their underlying assumptions are described in the notes to the unaudited pro forma consolidated financial statements.

These unaudited pro forma consolidated financial statements have been prepared using certain financial statements of Total Energy and Savanna as more particularly described in the notes to such unaudited pro forma consolidated financial statements. In preparing these unaudited pro forma consolidated financial statements, management of Total Energy has made certain assumptions that affect the amounts reported in the unaudited pro forma consolidated financial statements. These unaudited pro forma consolidated financial statements are not intended to be indicative of the results that would have actually occurred, had the events reflected therein occurred on the dates indicated, and do not purport to project the future financial position of Total Energy. Any potential synergies and administrative cost savings that may be realized after consummation of the Amalgamation have been excluded from these unaudited pro forma consolidated financial statements. Readers are cautioned to not place undue reliance on these unaudited pro forma consolidated financial statements.

All amounts are in thousands of Canadian dollars, except where noted.

All capitalized terms not otherwise defined herein have the meanings given to them in business acquisition report of Total Energy dated September 1, 2017 (the "**Business Acquisition Report**").

TOTAL ENERGY SERVICES INC.
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2017
In thousands of Canadian dollars, except per share amounts
(unaudited)

	Total Energy Services Inc.	Savanna Energy Services Corp.	Adjustments	Notes	Pro Forma Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ -	\$ 25,434	(5,500)	2(b)	\$ 19,934
Accounts receivable	58,373	89,258	(1,000)	2(a)	146,631
Loans receivable	2,997	-	-		2,997
Inventory	50,993	6,893	(2,000)	2(a)	55,886
Income taxes receivable	4,861	1,010	-		5,871
Other assets	4,835	-	-		4,835
Prepaid expenses and deposits	5,197	2,395	(1,000)	2(a)	6,592
	127,256	124,990	(9,500)		242,746
Property, plant and equipment	377,773	682,283	(218,086)	2(a)	841,970
Long-term investment	118,613	-	(118,613)	2(e)	-
Income taxes receivable	7,070	-	-		7,070
Deferred tax asset	475	15,795	(15,795)	2(a)	475
Goodwill	4,053	-	-		4,053
	\$ 635,240	\$ 823,068	(361,994)		\$ 1,096,314
Liabilities & Shareholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 38,148	\$ 59,514	6,761	2(a)	\$ 104,423
Income taxes payable	-	2,194	-		2,194
Deferred revenue	6,374	1,487	-		7,861
Dividends payable	2,331	-	-		2,331
Current portion of obligations under finance leases	1,293	-	-		1,293
Current portion of long term debt	1,952	219,088	5,026	2(b)	226,066
	50,098	282,283	11,787		344,168
Long-term debt	56,556	57,415	26,830 (13,800)	2(a),(d) 2(e)	127,001
Obligations under finance leases	1,497	3,310	-		4,807
Deferred tax liability	60,940	18,445	(1,485) (18,445)	2(b) 2(c)	59,419
Shareholders' equity:			(36)	2(e)	
Share capital	193,198	1,046,933	(1,046,933) 200,429 (104,544)	2(a) 2(a) 2(e)	289,083
Contributed surplus	7,912	31,730	(31,730)	2(a)	7,912
AOCI	258	36,259	(36,259) (233)	2(a) 2(e)	25
Non-controlling interest	-	10,094	(6,961)	2(a)	3,133
Retained earnings	264,781	(663,401)	663,401 (4,015)	2(a) 2(b)	260,766
	466,149	461,615	(366,845)		560,919
	\$ 635,240	\$ 823,068	(361,994)		\$ 1,096,314

TOTAL ENERGY SERVICES INC.
PRO FORMA CONSOLIDATED STATEMENT COMPREHENSIVE LOSS
Three months ended March 31, 2017
In thousands of Canadian dollars, except per share amounts
(unaudited)

	Total Energy Services Inc.	Savanna Energy Services Corp.	Adjustments	Notes	Pro Forma Consolidated
Revenue	\$ 84,352	\$ 117,319	\$ -		\$ 201,671
Cost of services	68,715	99,199	-		167,914
Selling, general and administration	7,620	10,019	-		17,639
Share-based compensation	229	242	-		471
Other income and expenses	-	6,964	-		6,964
Depreciation	8,029	22,170	(7,086)	3(b)	23,113
Results from operating activities	(241)	(21,275)	7,086		(14,430)
Gain on sale of property, plant and equipment	154	-	-		154
Finance costs	(597)	(5,741)	(208)	3(e)	(6,546)
Net income (loss) before income taxes	(684)	(27,016)	6,878		(20,822)
Current income tax expense (recovery)	(4,729)	960	-		(3,769)
Deferred income tax expense (recovery)	4,898	(8,369)	1,857	3(c)	(1,614)
Total income tax (recovery) expense	169	(7,409)	1,857		(5,383)
Net income (loss) for the period	\$ (853)	\$ (19,607)	\$ 5,021		\$ (15,439)
Net income (loss) attributable to:					
Shareholders	(853)	(19,762)	5,059		(15,556)
Non-controlling interests	-	155	(38)		117
Earnings (loss) per share					
Basic earnings (loss) per share	\$ (0.03)	\$ (0.17)	-		\$ (0.40)
Diluted earnings (loss) per share	\$ (0.03)	\$ (0.17)	-		\$ (0.40)
Other Comprehensive loss					
Foreign currency translation adjustment	24	4,605	-		4,629
Changes in fair value of long-term investment	270	-			270
Deferred tax on changes in fair value of long-term investment	(36)	-			(36)
Foreign exchange loss on net investment hedge	-	-	-		-
Tax on foreign currency translation adjustment	-	(508)	-		(508)
Comprehensive loss	\$ (595)	\$ (15,510)	\$ 5,021		\$ (11,084)
Comprehensive loss attributable to:					
Shareholders	\$ (595)	\$ (15,665)	\$ 5,059		\$ (11,201)
Non-controlling interests	\$ -	\$ 155	\$ (38)		\$ 117

TOTAL ENERGY SERVICES INC.
PRO FORMA CONSOLIDATED STATEMENT COMPREHENSIVE LOSS
Year ended December 31, 2016
In thousands of Canadian dollars, except per share amounts
(unaudited)

	Total Energy Services Inc.	Savanna Energy Services Corp.	Adjustments	Notes	Pro Forma Consolidated
Revenue	\$ 197,800	\$ 323,900	\$ -		\$ 521,700
Cost of services	160,541	246,843	-		407,384
Selling, general and administration	22,924	29,595	-		52,519
Share-based compensation	1,311	189	-		1,500
Other income and expenses	-	8,101	-		8,101
Depreciation	28,134	93,607	(29,494)	3(b)	92,247
Results from operating activities	(15,110)	(54,435)	29,494		(40,051)
Gain on sale of property, plant and equipment	1,017	-	-		1,017
Finance income	547	-	-		547
Finance costs	(2,426)	(18,081)	(5,500)	3(a)	(26,839)
			(832)	3(e)	
Net income (loss) before income taxes	(15,972)	(72,516)	23,162		(65,326)
Current income tax expense (recovery)	1,950	(132)	-		1,818
Deferred income tax expense (recovery)	(6,008)	(14,129)	6,253	3(c)	(13,884)
Total income tax (recovery) expense	(4,058)	(14,261)	6,253		(12,066)
Net income (loss) for the period	\$ (11,914)	\$ (58,255)	\$ 16,909		\$ (53,260)
Net income (loss) attributable to:					
Shareholders	(11,914)	(56,004)	16,367		(51,551)
Non-controlling interests	-	(2,251)	542		(1,709)
Earnings (loss) per share					
Basic earnings (loss) per share	\$ (0.38)	\$ (0.61)	-		\$ (1.12)
Diluted earnings (loss) per share	\$ (0.38)	\$ (0.61)	-		\$ (1.12)
Other Comprehensive loss					
Foreign currency translation adjustment	-	(10,294)	-		(10,294)
Foreign exchange gain on net investment hedge	-	1,828	-		1,828
Tax on foreign currency translation adjustment	-	361	-		361
Comprehensive loss	\$ (11,914)	\$ (66,360)	\$ 16,909		\$ (61,365)
Comprehensive loss attributable to:					
Shareholders	\$ (11,914)	\$ (64,109)	\$ 16,367		\$ (59,656)
Non-controlling interests	\$ -	\$ (2,251)	\$ 542		\$ (1,709)

TOTAL ENERGY SERVICES INC.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

**As at and for the three months ended March 31, 2017 and for the year ended December 31, 2016
(unaudited)**

1. Basis of Presentation

The accompanying unaudited pro forma consolidated statement of financial position of Total Energy as at March 31, 2017 and the unaudited pro forma consolidated statement of comprehensive loss for the three month period ended March 31, 2017 and the year ended December 31, 2016 (collectively, the "**pro-forma statements**") have been prepared to reflect the acquisition of all of the issued and outstanding Savanna Shares pursuant to the Offer and the Amalgamation:

- Pursuant to the terms of the Offer, holders of Savanna Shares ("**Savanna Shareholders**") who validly tendered to the Offer received for each Savanna Share, 0.1300 of a Total Share plus \$0.20 cash. In addition, Total Energy acquired Savanna Shares in the open market for cash.
- Pursuant to the terms of the Amalgamation Agreement, the Savanna Shareholders received 0.1300 of a Total Share and one Total Redeemable Preferred Share for each Savanna Share held (other than Total Energy and Savanna dissenting Shareholders). Upon the completion of the Amalgamation, the amalgamated entity "Savanna Energy Services Corp.", became a wholly-owned subsidiary of Total Energy and the Total Redeemable Preferred Shares were redeemed for \$0.20 in cash per share.
- 15,151,754 Total Shares were issued, in aggregate, pursuant to the Offer and the Amalgamation. The aggregate consideration paid for the 118,351,951 Savanna Shares acquired by the Company was \$227.3 million, of which \$200.4 million relates to the issuance of 11,151,794 Total Shares and \$26.8 million in cash consideration.
- The number of Savanna Options at the date of the Business Acquisition Report is nil. The estimated number of in-the-money Savanna Warrants as at the date of the Business Acquisition Report is nil, based on the effective price of the Amalgamation of \$1.87 as of June 20, 2017.
- The long-term debt and bank indebtedness of Savanna has been assumed by Total Energy.
- The business acquisition has been accounted for using the purchase method.

The pro-forma statements have been prepared from information derived from, and should be read in conjunction with, the following:

- the unaudited interim consolidated financial statements of Total Energy as at and for the three months ended March 31, 2017;
- the audited consolidated financial statements of Total Energy as at and for the year ended December 31, 2016;
- the unaudited interim consolidated financial statements of Savanna as at and for the three months ended March 31, 2017; and
- the audited consolidated financial statements of Savanna as at and for the year ended December 31, 2016.

These unaudited pro forma consolidated financial statements have been prepared by management of the Company in accordance with International Financial Reporting Standards (IFRS) and National Instrument 51-102 –

Continuous Disclosure Obligations. The unaudited pro forma consolidated statement of financial position gives effect to the transactions and assumptions disclosed in note 2 as if they had occurred on March 31, 2017. The unaudited pro forma consolidated statement of comprehensive loss gives effect to the transactions and assumptions disclosed in note 3 as if they had occurred at January 1, 2016 for the three months ended March 31, 2017 and the year ended December 31, 2016.

The unaudited pro forma consolidated financial statements may not be indicative of the results that actually would have occurred if the events reflected therein had taken place on the dates indicated or of the results which may be obtained in the future. In preparing these unaudited pro forma consolidated financial statements, no adjustments have been made to reflect the expected operating synergies and administrative cost savings that could result from the operations and combined assets.

Accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are in accordance with those disclosed in Total Energy's audited consolidated financial statements as at and for the year ended December 31, 2016.

In the opinion of management of Total Energy, the unaudited pro forma consolidated financial statements include all material adjustments necessary for a fair presentation of the consolidated financial statements of the Company after giving effect to the Offer and the Amalgamation.

2. Pro Forma Consolidated Statement of Financial Position Assumptions and Adjustments

The unaudited pro-forma consolidated statement of financial position as at March 31, 2017 gives effect to the following assumptions and adjustments as if they occurred on December 31, 2016.

- a) The unaudited pro forma consolidated statement of financial position reflects the acquisition of all of the outstanding Savanna Shares and completion of other necessary arrangements related to the Offer and the Amalgamation. Under the terms of the Offer, Savanna Shareholders received for each Savanna Share 0.1300 of a Total Share plus \$0.20 cash. Under the terms of the Amalgamation Agreement, the Savanna Shareholders (other than Total Energy and Savanna dissenting Shareholders) received 0.1300 of a Total Share and one Total Redeemable Preferred Share for each Savanna Share held. Upon the completion of the Amalgamation, the amalgamated entity "Savanna Energy Services Corp.", became a wholly-owned subsidiary of Total Energy and the Total Redeemable Preferred Shares were redeemed for \$0.20 in cash per share. The number of Total Shares, in aggregate, issued pursuant to the Offer and the Amalgamation was 15,151,754.

The completion of the Offer and the Amalgamation has resulted in 46,071,754 Total Shares being issued and outstanding on a diluted basis in accordance with the assumptions outlined above as disclosed in note 3(d) below. The transactions under the Offer and the Amalgamation have been accounted for using the purchase method whereby the assets acquired and liabilities assumed were recorded at their fair values. The following table summarizes the estimated preliminary allocation of the purchase price based on management's preliminary estimates of the fair value of Savanna's assets and liabilities:

	\$000
Shares	\$ 200,429
Cash	26,830
	<u>\$ 227,259</u>
Cash	25,434
Accounts receivable	88,258
Inventory	4,893
Income taxes	1,010

	\$000
Prepaid expenses and deposits	1,395
Property, plant and equipment	464,197
Accounts payable and other liabilities	(69,956)
Long-term debt	(284,839)
Non-controlling interest	(3,133)
	<u>\$ 227,259</u>

The fair values of assets and liabilities were estimated as follows:

- Savanna's March 31, 2017 book value was estimated to be fair value, for the following accounts: cash and cash equivalents, accounts receivable adjusted for doubtful accounts, inventory adjusted for the obsolete items, income taxes receivable, prepaid expenses and deposits adjusted for unrecoverable items, accounts payable and accrued liabilities adjusted for additional liabilities relating to change of control payments of Savanna and other items, income taxes payable, current portion of long-term debt, deferred revenue, long-term debt adjusted for deferred financing costs, and obligations under finance leases;
- Fair value of property plant and equipment ("**PP&E**") was determined by utilizing current market information for similar equipment, adjusted for the specific design, mechanical condition, location and marketability of such equipment;
- Total Energy expects to update its estimates when Total Energy completes the detailed determination of assets acquired and liabilities assumed, the process of which is currently under way; and
- non-controlling interest ("**NCI**") was initially measured at the NCI's proportionate share of the net identifiable assets acquired.

The purchase price allocation has been determined from information that was available to the management of Total Energy as at June 30, 2017 and, due to ongoing detailed determination of fair values of assets acquired and liabilities assumed, the adjustments to the purchase price allocation might be required; the purchase price allocation that will be finalised upon completion of the detailed determination of fair values and might be materially different from the values set out herein.

- b) Cash and cash equivalents was reduced by a total of \$5.5 million for costs associated with the Offer and the Amalgamation. Costs associated with the combination transaction include the Company's remaining estimated expenses of \$5.5 million of legal, translation, filing, printing, mailing and other costs. The \$5.5 million of the expenses of the Offer will be expensed and are shown net of the tax impact at \$4.0 million as a decrease to retained earnings.

Transaction costs do not include costs associated with the \$20 million break fee, as claimed by Western Energy Services Inc. and a \$6 million change of control fee relating to Alberta Investment Management Corporation's ("**AIMCO**") second lien facility. The costs associated with the Offer and the Amalgamation are estimated based on available information and might change if and when additional information becomes available.

- c) It is expected that the acquisition of Savanna Shares pursuant to the Offer and the Amalgamation will give rise to an additional deferred tax asset. Such additional deferred tax asset, is not recognized in these unaudited pro forma consolidated financial statements due to uncertainty as to the probability of such asset utilization.
- d) Long-term debt was increased by \$26.9 million for the cash portion of the Offer and the Amalgamation. Total Energy funded the cash portion of the purchase consideration from its syndicated credit facility.
- e) At March 31, 2017, Total Energy owned 61,777,797 Savanna Shares, which represented approximately 52.3% of the total number of outstanding Savanna Shares. At March 31, 2017, the fair value of Savanna Shares owned by Total Energy was \$118.6 million. Amounts relating to this ownership are eliminated for these unaudited pro-forma financial statements purposes.
- f) For the purposes of these unaudited pro forma consolidated financial statements, the value of the 7,000,000 warrants issued to AIMCO is assumed to be immaterial.

3. Pro Forma Consolidated Statements of Comprehensive Loss Assumptions and Adjustments

- a) Increase to finance expenses to reflect the Offer and the Amalgamation costs as described in note 2(b) above.
- b) Depreciation has been adjusted to reflect the valuation of the Savanna PP&E. No adjustment for the difference in depreciation accounting policy was made, as determination of fair values and remaining useful life is not completed at this time.
- c) The deferred tax provision has been adjusted for the tax impact of the pro forma adjustments in the statements of comprehensive loss. These adjustments were made using the Company's effective corporate tax rate of 27%.
- d) The calculation of net earnings (loss) per share of the Company has been based on the weighted average number of Total Shares issued and outstanding and the number of Total Shares to be issued to Savanna Shareholders, as required to effect the Offer and the Amalgamation as disclosed in note 2(a).
- e) Finance expense has been adjusted to reflect interest associated with long-term debt used to finance the cash portion of consideration offered for the Savanna Shares described in notes 2(a) and 2(d).

The per share calculations are as follows:

Weighted Average Total Shares Outstanding at March 31, 2017	Total Shares
Total Shares issued and outstanding, prior to the completion of the Offer and the Amalgamation	38,844,000
Estimated Total Shares issued on the acquisition of Savanna after March 31, 2017	7,227,754
Weighted average Total Shares outstanding , on a pro forma basis	46,071,754
Dilutive effect of Total Energy stock options	-
Diluted weighted average Total Shares outstanding, on a pro-forma basis	46,071,754

Weighted Average Total Shares Outstanding for the three months ended March 31, 2017	Total Shares
Weighted average Total Energy shares issued and outstanding, prior to the completion of the Offer and the Amalgamation	31,448,000
Estimated Total Shares issued on the acquisition of Savanna after March 31, 2017	7,227,754
Weighted average Total Shares outstanding , on a pro forma basis	38,675,754
Dilutive effect of Total Energy stock options	-
Diluted weighted average Total Shares outstanding, on a pro-forma basis	38,675,754

Weighted Average Total Shares Outstanding for the year ended December 31, 2016	Total Shares
Weighted average Total Energy shares issued and outstanding, prior to the Offer and the Amalgamation	30,967,000
Estimated Total Shares issued on the acquisition of Savanna	15,151,754
Weighted average Total Shares outstanding , on a pro forma basis	46,118,754
Dilutive effect of Total Energy stock options	-
Diluted weighted average Total Shares outstanding, on a pro-forma basis	46,118,754