

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 November 8, 2021 and focuses on information and key statistics from the unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2021 (the "Interim Financial Statements") and pertains to known risks and uncertainties relating to the energy services sector. This discussion should not be considered all-inclusive as it does not include all changes regarding general economic, political, governmental and environmental conditions.

This MD&A should be read in conjunction with the Company's Interim Financial Statements, the Company's 2020 Annual Report, the Annual Information Form ("AIF") for the year ended December 31, 2020 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

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Revenue	\$ 118,881	\$ 77,240	54%	\$ 296,947	\$ 282,278	5%
Operating income (loss)	6,415	(5,894)	nm	(3,093)	(32,526)	(90%)
EBITDA ⁽¹⁾	27,015	17,869	51%	63,448	61,658	3%
Cashflow	26,253	19,810	33%	58,047	55,514	5%
Net income (loss)	4,279	(4,602)	nm	(1,464)	(28,723)	(95%)
Attributable to shareholders	4,278	(4,618)	nm	(1,409)	(28,711)	(95%)
Per Share Data (Diluted)						
EBITDA ⁽¹⁾	\$ 0.60	\$ 0.40	50%	\$ 1.41	\$ 1.37	3%
Cashflow	\$ 0.58	\$ 0.44	32%	\$ 1.29	\$ 1.23	5%
Attributable to shareholders:						
Net income (loss)	\$ 0.09	\$ (0.10)	nm	\$ (0.03)	\$ (0.64)	(95%)
Common shares (000's) ⁽³⁾						
Basic	44,921	45,081	0%	44,737	45,083	(1%)
Diluted	45,164	45,081	0%	44,965	45,083	0%
Financial Position at				Sept 30	Dec 31	Change
				2021	2020	
Total Assets				\$ 822,898	\$ 849,579	(3%)
Long-Term Debt and Lease Liabilities (excluding current portion)				201,967	238,937	(15%)
Working Capital ⁽²⁾				138,383	138,940	0%
Net Debt ⁽¹⁾				63,584	99,997	(36%)
Shareholders' Equity				497,356	510,987	(3%)

(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 5 to the Interim Financial Statements.

nm – Calculation not meaningful

BUSINESS OF THE COMPANY

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

Contract Drilling Services: At September 30, 2021, the Company operated a total fleet of 95 drilling rigs. The rig fleet is supported by an extensive fleet of owned top drives, walking systems, pumps and other ancillary equipment. Composition of the Company’s drilling rig fleet is as follows:

By Type		By Geography	
AC triples	3	Canada	77
AC doubles	13	United States	13
Mechanical doubles	35	Australia	5
Australian shallow	5		95
TDS and singles	39		
	95		

Rentals and Transportation Services: Total Energy’s RTS business is presently conducted from 12 locations in western Canada and three locations in the United States. At September 30, 2021, this segment had approximately 9,410 pieces of major rental equipment (excluding access matting), a fleet of 80 heavy trucks and an 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 oil, natural gas and other process equipment. At September 30, 2021 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 September 30, 2021 the CPS segment also had a network of 13 branch locations throughout western Canada and the United States from which its natural gas compression parts and service business is conducted. This segment had 54,100 horsepower of compression in its rental fleet at September 30, 2021.

Well Servicing: At September 30, 2021, 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		By Geography	
Singles	38	Canada	57
Doubles	32	United States	14
Australian specification	9	Australia	12
Flush-by	4		83
	83		

OVERALL PERFORMANCE

Total Energy's results for the third quarter and first nine months of 2021 reflect improving North American industry conditions, led by Canada, from the difficult industry environment that began in March of 2020 and continued into the first quarter of 2021 as a result of the COVID-19 pandemic and resultant decreases in economic activity and demand for oil and natural gas. As social mobility restrictions began to ease globally over the past several months, global oil and natural gas demand has continued to recover, resulting in improved oil and natural gas prices. Higher commodity prices contributed to improved year over year North American industry activity levels which in turn contributed to a realization of operating income in the third quarter of 2021, which the Company has not achieved since the collapse in oil prices in April of 2020. Activity levels in Australia were lower for the first nine months of 2021 compared to 2020. Wet field conditions combined with reduced capital expenditure programs that began in the third quarter of 2020 in response to the decline in global crude oil and natural gas prices contributed to the decline in Australia. Additionally, two Australian drilling rigs were removed from service in the third quarter of 2020 for recertification and upgrades. The first rig was completed and commenced operations in late April of 2021 and the second rig commenced operations in late July of 2021.

Included in the financial results for the three and nine months ended September 30, 2021 was \$0.5 million and \$2.7 million, respectively, of unrealized foreign exchange gains from the translation of intercompany working capital balances of foreign subsidiaries. For the three and nine months ended September 30, 2020 results included \$0.6 million of unrealized foreign exchange losses and \$6.8 million of unrealized foreign exchange gains, respectively. Negatively impacting financial results for the first nine months of 2020 was \$26.3 million of non-recurring depreciation expense as a result of the change in CDS depreciation estimates effective April 1, 2020.

The Company's financial condition remains strong, with a positive working capital balance of \$138.4 million as at September 30, 2021, consistent with December 31, 2020. Shareholders' equity decreased by \$13.6 million from December 31, 2020 due to the realization of a \$1.4 million net loss in the first nine months of 2021, a \$8.0 million other comprehensive loss arising from currency translation of foreign subsidiaries' financial statements as a result of the appreciation of the Canadian dollar relative to the U.S. and Australian dollars during the first nine months of 2021 and a \$4.7 million decrease as a result of the repurchase and cancellation of shares under the Company's normal course issuer bid.

Revenue

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Revenue	\$ 118,881	\$ 77,240	54%	\$ 296,947	\$ 282,278	5%

The global energy sector continued to recover from the dual shocks of the COVID-19 pandemic and the collapse in oil prices, as product demand and commodity prices began to strengthen in the second quarter of 2021. As a result, revenues in the third quarter and first nine months of 2021 improved relative to the same periods in 2020, driven by higher activity levels in North America that offset lower Australian activity.

Cost of Services and Gross Margin

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Cost of services	\$ 85,255	\$ 54,447	57%	\$ 219,435	\$ 207,613	6%
Gross margin	\$ 33,626	\$ 22,793	48%	\$ 77,512	\$ 74,665	4%
Gross margin, as a percentage of revenue	28%	30%	(7%)	26%	26%	-

The increase in costs of services during the third quarter and first nine months of 2021 relative to the same periods in 2020 is primarily due to increased activity in North America, partially offset by lower Australian activity. Reducing operating costs for the three and nine months ended September 30, 2021 was the recognition of \$4.0 million and \$16.5 million, respectively,

of funds from various COVID-19 relief programs as compared to \$6.4 million and \$10.0 million, respectively, for the same periods in 2020. Gross margin percentage for the three months ended September 30, 2021 was lower compared to the same period last year due to the combination of segment revenue mix, costs incurred to reactivate rigs in the U.S. and Australia and less COVID-19 relief funds recorded in 2021. For the nine months ended September 30, 2021 gross margin percentage was consistent with the same period last year due to segment revenue mix and the receipt of assistance from various COVID-19 relief programs.

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

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Selling, general and administration expenses	\$ 7,254	\$ 5,691	27%	\$ 19,862	\$ 22,032	(10%)

Selling, general and administration expenses increased in the third quarter of 2021 relative to the same period in 2020 primarily due to the restoration of employee remuneration to pre-COVID levels combined with a reduction in funds recognized under various COVID-19 relief programs and a \$0.8 million increase to the bad debt allowance. For the first nine months of 2021, selling, general and administrative expenses decreased compared to the same period in 2020 as a result of cost savings activities implemented following the start of the pandemic, which was partially offset by increased wages due to the restoration of remuneration to pre-COVID levels beginning in the second quarter of 2021 and a \$1.0 million increase to the bad debt allowance. Reducing costs for the three and nine months ended September 30, 2021, was \$0.5 million and \$1.9 million, respectively, of assistance recognized under various COVID-19 relief programs as compared to \$1.0 million and \$2.0 million, respectively, recognized during the same periods of 2020.

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 (Income) Expense

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Other (income) expense	\$ (474)	\$ 579	nm	\$ (2,654)	\$ (6,813)	(61%)

"nm" - calculation not meaningful

Other (income) expense arises from unrealized foreign exchange differences on translation of intercompany working capital balances of foreign subsidiaries. The strengthening of the Canadian dollar relative to the Australian dollar and the depreciation of the Canadian dollar relative to the U.S. dollar combined with the geographical composition of intercompany balances during the period gave rise to net unrealized foreign exchange gains for the three and nine months ended September 30, 2021. In the first nine months of 2020, an unrealized foreign exchange gain of \$6.8 million was primarily due to the strengthening of the Canadian dollar relative to the Australian dollar, partially offset by a strengthening U.S. dollar relative to the Canadian dollar and the corresponding impact on intercompany working capital balances.

Share-based Compensation Expense

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Share-based compensation expense	\$ 186	\$ 21	786%	\$ 576	\$ 690	(17%)

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 ended September 30, 2021 was higher relative to the same period in 2020 due to the grant of options during the period that was partially offset by previously granted options fully vesting. For the nine months ended September 30, 2021 relative to the same period in 2020, share-based compensation expense is lower due to previously granted options fully vesting in 2021.

Depreciation Expense

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Depreciation expense	\$ 20,245	\$ 22,396	(10%)	\$ 62,821	\$ 91,282	(31%)

The decrease in depreciation expense for the three and nine months ended September 30, 2021 compared to the same periods in 2020 is mostly due to a change in depreciation estimates in the CDS segment effective April 1, 2020 as well as certain assets reaching full depreciation. This change in depreciation estimates resulted in \$2.9 million of incremental recurring depreciation expense for the nine months of 2021 and \$26.3 million of non-recurring depreciation expense for the same period in 2020. See "Critical Accounting Estimates" below for further details.

Operating Income (Loss)

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Operating income (loss)	\$ 6,415	\$ (5,894)	nm	\$ (3,093)	\$ (32,526)	(90%)

"nm" - calculation not meaningful

Increased North American activity contributed to the realization of operating income in the third quarter of 2021 as compared to an operating loss for the same period of 2020. Included in operating income for the third quarter of 2021 was \$0.5 million of unrealized gain on foreign exchange translation of intercompany working capital as compared to a \$0.6 million unrealized loss in the comparable prior year period. In the third quarter of 2021 \$4.5 million of COVID-19 relief funds were recognized, as compared to \$7.4 million of COVID-19 funds recognized in the prior year comparable period. For the nine months ended September 30, 2021 operating losses were lower as compared to the same period in 2020. Included in the first nine months of 2020 was \$26.3 million of non-recurring depreciation expense as a result of a change in depreciation estimates in the CDS segment. Offsetting expenses for the first nine months of 2021 was \$18.4 million of COVID-19 relief funds as compared to \$12.0 million of funds recognized in the first nine months of 2020. Also included in the first nine months of 2021 was a \$2.7 million unrealized gain on foreign exchange translation of intercompany working capital as compared to a \$6.8 million unrealized gain on foreign exchange translation of intercompany working capital during the same period in 2020.

Gain on Sale of Property, Plant and Equipment

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Gain on sale of property, plant and equipment	\$ 355	\$ 1,367	(74%)	\$ 3,720	\$ 2,902	28%
Proceeds on the sale of property, plant and equipment	\$ 711	\$ 2,125	(67%)	\$ 9,156	\$ 5,468	67%

Disposals of property, plant and equipment result from the rationalization, replacement and upgrade of older equipment in the Company's equipment fleet.

Equipment disposed of during the three and nine months ended September 30, 2021 included underutilized rental equipment, access matting, light duty vehicles, underutilized heavy trucks, compression rental units, decommissioned drilling rigs and ancillary drilling and well servicing equipment. Equipment disposed of during the three and nine months ended September 30, 2020 consisted of underutilized rental equipment, light duty vehicles, decommissioned drilling rigs and ancillary drilling equipment.

Finance Costs

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Finance costs	\$ 1,675	\$ 2,106	(20%)	\$ 5,254	\$ 8,063	(35%)

Finance costs for the three and nine months ended September 30, 2021 were lower than the prior year comparable periods due to lower effective interest rates combined with a lower year over year average outstanding balance on the Company's credit facilities.

Income Taxes and Net Income (Loss)

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Current income tax (recovery) expense	\$ (122)	\$ 14	nm	\$ (577)	\$ 2,307	nm
Deferred income tax expense (recovery)	938	(2,045)	nm	(2,586)	(11,271)	(77%)
Total income tax expense (recovery)	\$ 816	\$ (2,031)	nm	\$ (3,163)	\$ (8,964)	(65%)
Net income (loss)	\$ 4,279	\$ (4,602)	nm	\$ (1,464)	\$ (28,723)	(95%)

"nm" - calculation not meaningful

The change from a current income tax expense to a recovery for the third quarter and first nine months of 2021 compared to 2020 is primarily due to the occurrence of Australian operating losses in 2021 as compared to operating income for the same period in 2020.

The year over year change in deferred income tax was primarily a result of changes to temporary differences on the Company's property and equipment following a change in depreciation estimates in the CDS segment in 2020. The deferred income tax expense realized in the third quarter of 2021 was due primarily to the return to pre-tax profitability. The deferred tax recovery in 2020 includes the effect of the two percentage point decrease to the Alberta provincial corporate income tax rate substantially enacted effective July 1, 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 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			
	September 30 2021	June 30 2021	March 31 2021	December 31 2020
Revenue	\$ 118,881	\$ 84,876	\$ 93,190	\$ 83,472
Operating income (loss)	6,415	(4,089)	(5,419)	(4,013)
EBITDA ⁽¹⁾	27,015	19,716	16,717	19,546
Cashflow	26,253	16,462	15,332	18,431
Cash provided by operating activities	13,294	31,622	16,866	19,226
Net income (loss)	4,279	(2,136)	(3,607)	(1,732)
Attributable to shareholders	4,278	(2,108)	(3,579)	(1,739)
Per share data (diluted)				
EBITDA ⁽¹⁾	\$ 0.60	\$ 0.44	\$ 0.37	\$ 0.43
Cashflow	0.58	0.37	0.34	0.41
Net income (loss) attributable to shareholders	0.09	(0.05)	(0.08)	(0.04)
Financial Position				
Total Assets	\$ 822,898	\$ 811,615	\$ 831,963	\$ 849,579
Long-Term Debt and Lease Liabilities (excluding current portion)	201,967	210,132	229,627	238,937
Working Capital ⁽²⁾	138,383	127,201	135,347	138,940
Net Debt ⁽¹⁾	63,584	82,931	94,280	99,997
Shareholders' Equity	497,356	492,259	501,950	510,987
Common Shares (000's) ⁽³⁾				
Basic	44,921	44,830	45,072	45,081
Diluted	45,164	45,066	45,231	45,081

(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 5 to the Interim Financial Statements.

TOTAL ENERGY SERVICES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

	Financial Quarter Ended			
	September 30 2020	June 30 2020	March 31 2020	December 31 2019
Revenue	\$ 77,240	\$ 70,770	\$ 134,268	\$ 151,500
Operating income (loss)	(5,894)	(37,161)	10,529	14,468
EBITDA ⁽¹⁾	17,869	12,886	30,903	35,805
Cashflow	19,810	13,793	21,911	36,896
Cash provided by operating activities	14,391	36,162	16,343	40,545
Net income (loss)	(4,602)	(28,845)	4,724	8,593
Attributable to shareholders	(4,618)	(28,765)	4,672	8,523
Per share data (diluted)				
EBITDA ⁽¹⁾	\$ 0.40	\$ 0.29	\$ 0.69	\$ 0.79
Cashflow	0.44	0.31	0.49	0.82
Net income (loss) attributable to shareholders	(0.10)	(0.64)	0.10	0.19
Financial Position				
Total Assets	\$ 873,891	\$ 898,940	\$ 999,229	\$ 997,161
Long-Term Debt and Lease Liabilities (excluding current portion)	250,643	255,538	252,035	248,448
Working Capital ⁽²⁾	138,973	130,968	124,010	103,234
Net Debt ⁽¹⁾	111,670	124,570	128,025	145,214
Shareholders' Equity	517,067	523,979	552,995	543,142
Common Shares (000's) ⁽³⁾				
Basic and diluted	45,081	45,081	45,087	45,262

(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 5 to the Interim 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

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Revenue	\$ 43,334	\$ 16,178	168%	\$ 97,645	\$ 73,373	33%
Canada	21,334	5,294	303%	47,975	31,031	55%
United States	11,754	2,325	406%	26,381	10,141	160%
Australia	10,246	8,559	20%	23,289	32,201	(28%)
Operating (loss) income	\$ 2,351	\$ (7,117)	nm	\$ (6,279)	\$ (42,316)	(85%)
Canada	1,316	(5,299)	nm	(4,203)	(33,099)	(87%)
United States	(314)	(2,892)	(89%)	(4,341)	(14,746)	(71%)
Australia	1,349	1,074	26%	2,265	5,529	(59%)
Operating days ⁽¹⁾	2,221	717	210%	4,994	3,323	50%
Canada	1,318	372	254%	2,965	1,901	56%
United States	610	127	380%	1,378	495	178%
Australia	293	218	34%	651	927	(30%)
Revenue per operating day ⁽¹⁾ , dollars	\$ 19,511	\$ 22,563	(14%)	\$ 19,552	\$ 22,080	(11%)
Canada	16,187	14,231	14%	16,180	16,324	(1%)
United States	19,269	18,307	5%	19,144	20,487	(7%)
Australia	34,969	39,261	(11%)	35,774	34,737	3%
Utilization	25%	8%	213%	19%	12%	58%
Canada	19%	5%	280%	14%	9%	56%
United States	51%	11%	364%	39%	11%	255%
Australia	64%	47%	36%	48%	68%	(29%)
Rigs, average for period	95	98	(3%)	97	103	(6%)
Canada	77	80	(4%)	79	81	(2%)
United States	13	13	–	13	17	(24%)
Australia	5	5	–	5	5	–

(1) Operating days include drilling and paid stand-by days.

nm – calculation not meaningful

North American drilling activity continued to significantly recover into the third quarter of 2021 as compared to 2020 as commodity prices continued to rise. In the U.S., market share gains contributed to a disproportionate increase in operating days relative to the overall increase in industry drilling activity. In Australia, results improved in the third quarter of 2021 as two drilling rigs returned to service after completing necessary recertifications and upgrades. During the third quarter of 2021 one drilling rig was removed from service in Australia to complete necessary recertifications and upgrades which are expected to be completed in the first quarter of 2022.

In Canada, revenues increased in both the three and nine months ended September 30, 2021 as compared to the same periods last year due to improved activity levels. Effective day rates for the third quarter of 2021 were higher compared to the same period last year due to the mix of rigs operating as well as modest rate increases. For the first nine months of the 2021, effective day rates were relatively lower as compared to the same period last year due to changes in the mix of rigs operating. The realization of operating income in the third quarter of 2021 was primarily due to the increased activity levels and was partially offset by a wage increase implemented in the second quarter of 2021. For the nine months ended September 30, 2021 operating losses decreased relative to the same period last year due primarily to increased activity levels that began in the second quarter of 2021. Negatively impacting financial results for the CDS segment for the nine months

ended September 30, 2020 was \$19.3 million of non-recurring depreciation expense on fully depreciated assets as a result of a change in CDS depreciation estimates.

In the US, revenues and operating losses improved for both the three and nine months ended September 30, 2021 relative to the same periods last year as a result of increased activity through a combination of market share gains and overall improvements in industry activity levels. Effective day rates in the third quarter of 2021 were higher compared to the same period last year due to the mix of rigs working and modest rate increases. Negatively impacting day rates in the third quarter of 2021 as compared to the same period of 2020 is the impact of foreign currency translation as the Canadian dollar appreciated relative to the U.S. dollar within the period. For the nine months ended September 30, 2021 effective day rates were lower than the same period last year, primarily due to the negative impact of foreign currency translation as the Canadian dollar appreciated relative to the U.S. dollar within the period. Operating losses decreased for the three and nine months ended September 30, 2021 due to increased activity compared to the same periods last year, a \$1.1 million recovery on the resolution of a property tax dispute in the third quarter of 2021 and a non-recurring \$6.4 million increase in 2020 depreciation expense as a result of a change in CDS depreciation estimates. Negatively impacting financial results for the three and nine months ended September 30, 2021 was \$0.4 million and \$1.4 million, respectively, of non-recurring expenses to reactivate idle rigs. Also impacting results for the three and nine months ended September 30, 2021 as compared to the same periods last year is the negative impact of the foreign currency translation as the Canadian dollar appreciated relative to the U.S. dollar within the periods.

In Australia, revenues for the third quarter of 2021 increased compared to the same period in 2020 due to higher activity levels as the two drilling rigs removed from service in the third quarter of 2020 for recertification and upgrades returned to service. One rig returned to service in late April of 2021 and the second in late July of 2021. Effective day rates in Australia for the third quarter were lower than the same period in 2020, mostly due to a combination of decrease in ancillary revenues, the mix of equipment operating and the impact of foreign currency translation as the Canadian dollar appreciated against the Australian dollar. Operating income for the three months ended September 30, 2021 increased relative to the same period in 2020 mostly due to increased activity. Negatively impacting operating income for the third quarter of 2021 was \$0.1 million of non-recurring mobilization costs incurred to bring the second rig back to service in late July of 2021. For the first nine months of the year, revenues and operating income decreased compared to the same period last year due to reduced activity as two drilling rigs were removed from service in the third quarter of 2020. Negatively impacting the first nine months of 2021 was \$0.2 million of non-recurring mobilization costs incurred to bring both rigs back in service. Included in the nine months ended September 30, 2020 was \$0.6 million of non-recurring depreciation expense on fully depreciated Australian assets recognized in the period as a result of a change in CDS depreciation estimates.

Rentals and Transportation Services

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Revenue	\$ 12,313	\$ 5,939	107%	\$ 26,101	\$ 27,554	(5%)
Canada	9,493	4,501	111%	19,409	17,197	13%
United States	2,820	1,438	96%	6,692	10,357	(35%)
Operating (loss) income	\$ (379)	\$ (3,641)	(90%)	\$ (7,380)	\$ (11,479)	(36%)
Canada	392	(2,725)	nm	(5,700)	(10,309)	(45%)
United States	(771)	(916)	(16%)	(1,680)	(1,170)	44%
Pieces of rental equipment	9,410	10,640	(12%)	9,410	10,640	(12%)
Canada	8,567	9,710	(12%)	8,567	9,710	(12%)
United States	843	930	(9%)	843	930	(9%)
Rental equipment utilization	13%	7%	86%	10%	9%	11%
Canada	13%	7%	86%	9%	7%	29%
United States	19%	6%	217%	14%	21%	(33%)
Heavy trucks	80	87	(8%)	80	87	(8%)
Canada	56	62	(10%)	56	62	(10%)
United States	24	25	(4%)	24	25	(4%)

nm – calculation not meaningful

Revenue from the RTS segment for the third quarter of 2021 increased as compared to the same period in 2020 as a result of higher utilization in both Canada and the United States as industry activity continued to increase from the extremely challenging economic conditions in North America that began in March of 2020. Certain project work in Canada was delayed in the first half of 2021 due to COVID-19 restrictions. Those projects re-commenced during the latter part of the second quarter and contributed to the significant year over year increase in third quarter RTS revenue. For the first nine months of 2021 relative to the same period in 2020, revenue in Canada was higher as activity levels began to recover later in the second quarter. In the U.S., revenues for the third quarter improved relative to the same period last year as industry conditions began to recover during the period. For the first nine months of 2021, U.S. revenue was lower as industry conditions did not recover to the same extent as in Canada.

In Canada, operating income was realized in the third quarter of 2021 and during the first nine months of 2021 operating losses decreased significantly as compared to the same prior year periods. Improved industry activity combined with significant reductions to the fixed cost structure and the recognition of funds from COVID-19 relief programs contributed to operating income in the third quarter of 2021. In the U.S., operating losses were lower in the third quarter of 2021 as compared to the same period in 2020 as a result of improved activity levels during the period. For the nine months ended September 30, 2021 operating losses were higher compared to the same period last year as United States activity levels did not begin to materially improve until the third quarter of 2021. This segment's relatively high fixed cost structure as compared to the Company's other business segments combined with the current inability to increase prices to the extent necessary to offset cost inflation continues to weigh on its financial performance during periods of low equipment utilization. Such fixed cost structure includes costs associated with its significant operating branch infrastructure, including maintenance and repairs, utilities, insurance, property taxes and other infrastructure costs.

Compression and Process Services

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Revenue	\$ 38,188	\$ 32,282	18%	\$ 106,001	\$ 103,238	3%
Canada	28,867	20,322	42%	80,925	73,911	9%
United States	9,321	11,960	(22%)	25,076	29,327	(14%)
Operating income	\$ 3,231	\$ 2,889	12%	\$ 8,592	\$ 9,224	(7%)
Canada	1,891	1,560	21%	4,599	7,554	(39%)
United States	1,340	1,329	1%	3,993	1,670	139%
Operating income, % of revenue	8%	9%	(11%)	8%	9%	(11%)
Canada	7%	8%	(13%)	6%	10%	(40%)
United States	14%	11%	27%	16%	6%	167%
Horsepower of equipment on rent at period end	28,605	35,400	(19%)	28,605	35,400	(19%)
Canada	12,080	17,300	(30%)	12,080	17,300	(30%)
United States	16,525	18,150	(9%)	16,525	18,150	(9%)
Rental equipment utilization during the period (HP)	53%	66%	(20%)	47%	67%	(30%)
Canada	37%	52%	(29%)	33%	53%	(38%)
United States	78%	94%	(17%)	71%	97%	(27%)
Sales backlog at period end, \$ million	\$ 95.5	\$ 37.0	158%	\$ 95.5	\$ 37.0	158%

Overall revenue and operating income reported from the CPS segment increased for the three months ended September 30, 2021 as compared to the same period in 2020. This was mostly due to an increase in Canadian fabrication sales. Fabrication sales bookings began a steady and significant decline starting in 2019. This decline was reversed during the fourth quarter of 2020 and the sales backlog continued its recovery during the third quarter of 2021, increasing by another \$38.0 million, or 66%, compared to the \$57.5 million backlog at June 30, 2021. 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. Negatively impacting operating income for the third quarter of 2021 was a \$0.8 million increase to the provision for bad debt expense.

For the nine months ended September 30, 2021 overall revenue increased compared to the same period last year. This is mostly due to increased Canadian fabrication sales as relatively lower utilization of the compression rental fleet in both Canada and the United States negatively impacted revenues for the period. Utilization of the rental fleet continued to recover during the first nine months of 2021 following the return of 6,500 horsepower of compression rental units in late 2020 with the bankruptcy of a U.S. customer. In the U.S., operating income increased in the first nine months of 2021 relative to the comparable prior year period mostly due to modestly improved pricing and the recognition of COVID-19 relief funds upon the forgiveness of a PPP loan received in 2020. Operating income in Canada declined by 39% primarily as a result of lower utilization of the compression rental fleet and a \$0.8 million increase to the provision for bad debt expense in the first nine months of 2021 compared to the prior year comparable period.

Well Servicing

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Revenue	\$ 25,046	\$ 22,841	10%	\$ 67,200	\$ 78,113	(14%)
Canada	10,843	5,674	91%	27,607	18,617	48%
United States	2,968	1,302	128%	7,055	6,522	8%
Australia	11,235	15,865	(29%)	32,538	52,974	(39%)
Operating income (loss)	\$ 2,844	\$ 3,575	(20%)	\$ 5,015	\$ 9,771	(49%)
Canada	1,567	138	1,036%	2,736	(1,327)	nm
United States	395	(151)	nm	447	(358)	nm
Australia	882	3,588	(75%)	1,832	11,456	(84%)
Service hours ⁽¹⁾	29,927	26,069	15%	81,060	89,096	(9%)
Canada	15,076	9,226	63%	40,501	28,969	40%
United States	4,147	1,896	119%	10,206	8,897	15%
Australia	10,704	14,947	(28%)	30,353	51,230	(41%)
Revenue per service hour, dollars	\$ 837	\$ 876	(4%)	\$ 829	\$ 877	(5%)
Canada	719	615	17%	682	643	6%
United States	716	687	4%	691	733	(6%)
Australia	1,050	1,061	(1%)	1,072	1,034	4%
Utilization ⁽²⁾	31%	23%	35%	28%	26%	8%
Canada	29%	18%	61%	26%	19%	37%
United States	32%	15%	113%	27%	23%	17%
Australia	40%	56%	(29%)	39%	65%	(40%)
Rigs, average for period	83	83	–	83	83	–
Canada	57	57	–	57	57	–
United States	14	14	–	14	14	–
Australia	12	12	–	12	12	–

(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.

"nm" – calculation not meaningful

Overall segment revenue in the third quarter of 2021 increased as compared to the same period in 2020, whereas overall revenues decreased for the first nine months of 2021 relative to the same period last year. North American results for the first nine months of 2021 improved compared to the same period in 2020 as the challenging market conditions following the outbreak of COVID-19 in March of 2020 began to ease. Increased well abandonment programs in Canada also contributed to the increase in North American activity during the first nine months of 2021 as compared to the same period last year. Activity in Australia, which began to moderate in the third quarter of 2020, continued to remain lower on a year over year basis during the third quarter of 2021.

Canadian revenue in the third quarter and first nine months of 2021 was higher than the same periods in 2020 due to substantially higher activity levels, driven in by improved industry activity levels and increased well abandonment activity arising from the federal government's \$1.7 billion well abandonment program implemented in 2020. Higher utilization in Canada combined with higher pricing and the mix of equipment operating contributed to improved financial results for the three and nine months ended September 30, 2021 as compared to the same periods in 2020.

In the United States, third quarter revenue increased in 2021 as compared to 2020 as service hours more than doubled. For the nine months ended September 30, 2021 revenue was also higher due to increased activity, which was partially offset by lower pricing as compared to the same period in 2020. Also negatively impacting the first nine months of 2021 as compared to the same period last year was the impact of foreign currency translation of foreign results as the Canadian dollar appreciated against the U.S. dollar within the period. Operating income was realized in both the third quarter and first nine months of 2021 as compared to operating losses in the same periods in 2020 due primarily to increased activity beginning in the second quarter of 2021.

In Australia lower revenue and operating income for the third quarter and first nine months of 2021 as compared to the same periods in 2020 was due primarily to lower industry activity levels that began in the third quarter of 2020 as customers reduced their capital spending. Extended wet weather conditions that restricted field operations for much of the first quarter of 2021 continued into the second quarter and also contributed to the decline in activity in the first nine months of 2021 as compared to the same period in 2020.

Corporate

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Operating loss	\$ (1,632)	\$ (1,600)	2%	\$ (3,041)	\$ 2,274	nm

"nm" - calculation not meaningful

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. Included in the Corporate segment for the three and nine months ended September 30, 2021 is \$0.5 million and \$2.7 million, respectively, of unrealized gains on the translation of working capital balances of foreign subsidiaries. This compares to a \$0.6 million unrealized loss and a \$6.8 million unrealized gain for the three and nine months ended September 30, 2020.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operating Activities and Cashflow

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Cash provided by operating activities	\$ 13,294	\$ 14,391	(8%)	\$ 61,782	\$ 66,896	(8%)
Per Share Data (Diluted), dollars	\$ 0.29	\$ 0.32	(9%)	\$ 1.37	\$ 1.48	(7%)
Cashflow	\$ 26,253	\$ 19,810	33%	\$ 58,047	\$ 55,514	5%
Per Share Data (Diluted), dollars	\$ 0.58	\$ 0.44	32%	\$ 1.29	\$ 1.23	5%

The changes in cash provided by operating activities were due primarily to changes in the working capital requirements of the various business segments. Cash flow increased in the three and nine months ended September 30, 2021 compared to the same periods in 2020 as a result of higher EBITDA. Given uncertain industry conditions, the Company's current priority is to maintain strong financial liquidity and continue to repay long-term debt.

Investing Activities

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Net cash used in investing activities	\$ (4,075)	\$ (793)	414%	\$ (7,732)	\$ (9,638)	(20%)
Proceeds from sale of PP&E	\$ 711	\$ 2,125	(67%)	\$ 9,156	\$ 5,468	67%
Purchase of PP&E	\$ (4,077)	\$ (2,108)	93%	\$ (17,230)	\$ (12,298)	40%

Proceeds from the sale of property, plant and equipment ("PP&E") are derived primarily from the disposal of equipment in the ordinary course of business and the replacement and upgrade of older equipment in the Company's fleet. During the third quarter and first nine months of 2021, equipment disposed of consisted primarily of light-duty vehicles, underutilized heavy trucks and rental equipment, access matting, compression rental units, decommissioned drilling rigs and ancillary drilling and well servicing equipment. For the third quarter and first nine months of 2020 equipment disposed of consisted primarily of underutilized rental equipment, light-duty vehicles, decommissioned drilling rigs and ancillary drilling equipment.

The following summarizes PP&E purchases by segment for the three and nine months ended September 30, 2021.

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
CDS	\$ 2,818	\$ 521	441%	\$ 12,557	\$ 2,540	394%
RTS	61	15	307%	341	857	(60%)
CPS	910	855	6%	3,491	6,934	(50%)
WS	288	717	(60%)	841	1,955	(57%)
Corporate	-	-	-	-	12	(100%)
Purchase of PP&E	\$ 4,077	\$ 2,108	93%	\$ 17,230	\$ 12,298	40%

During the third quarter and first nine months of 2021, PP&E purchases were as follows: drilling rig upgrades, recertifications and ancillary rig equipment purchases in the CDS segment, heavy truck recertifications and rental equipment in the RTS segment, additions to the compression rental fleet in the CPS segment and service rig recertifications and upgrades in the WS segment. Included in first nine months of 2021 capital expenditures was approximately \$1.1 million of capital commitments carried forward from 2020 (2020: \$3.7 million carried forward from 2019).

During the third quarter and first nine months of 2020, PP&E purchases included the following: rig equipment and rig recertification and upgrades in the CDS segment, rental equipment and information technology upgrades in the RTS segment, additions to the compression rental fleet in the CPS segment, service rig recertifications and upgrades in the WS segment.

Financing Activities

September 30	Three months ended			Nine months ended		
	2021	2020	Change	2021	2020	Change
Net cash used in financing activities	\$ (12,881)	\$ (9,842)	31%	\$ (51,477)	\$ (52,278)	(2%)

During the third quarter of 2021 the Company paid \$1.7 million of interest, repaid \$7.6 million of long-term debt, made \$1.1 million of lease liability payments and repurchased 582,900 shares under the Company's normal course issuer bid for \$2.5 million.

During the first nine months of 2021 the Company paid \$5.1 million of interest, repaid \$36.9 million of long-term debt, made \$4.7 million of lease liability payments and repurchased 1,112,000 million shares under the Company's normal course issuer bid for of \$4.7 million.

Liquidity and Capital Resources

The Company had a working capital surplus of \$138.4 million as at September 30, 2021 compared to \$138.9 million as at December 31, 2020. As at September 30, 2021 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 \$225.0 million revolving syndicated credit facility (the "Credit Facility"). On April 25, 2018 the Credit Facility was increased by \$65.0 million to \$290.0 million. On November 10, 2020, at the request of the Company the Credit Facility was reduced to \$250.0 million and the maturity date extended to November 10, 2023. The Company has the option to increase such facility by \$75.0 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 \$230.0 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 September 30, 2021, the applicable interest rate on amounts drawn on the Credit Facility was 2.67% and the standby rate was 0.40%. Letters of credit ("LOC") of \$0.4 million were outstanding at September 30, 2021 which reduces the amount of credit available under the Credit Facility by an equivalent amount.

In August of 2018 a U.S. \$20.0 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 of 2020 this facility was reduced at the request of the Company to U.S. \$10.0 million. At September 30, 2021 \$3.4 million Canadian dollars of LOCs were outstanding under the LOC Facility (December 31, 2020: \$3.7 million).

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 September 30, 2021 this facility was undrawn and fully available.

At September 30, 2021 the Company's long-term debt consisted of the following:

	September 30, 2021	
	Interest rate	Principal Amount
Credit Facility	2.67%	\$ 135,000
Mortgage loan (2025 maturity)	3.10%	47,390
Mortgage loan (2041 maturity)	3.05%	13,768
		\$ 196,158
Less current portion		2,596
		<u>\$ 193,562</u>

At September 30, 2021 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 September 30, 2021 was 2.80%.

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:

	September 30, 2021	Threshold
Twelve-month trailing Bank EBITDA to interest expense	14.45	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	1.60	maximum 3.00

The Company was in compliance with all of its Credit Facility and other debt covenants at September 30, 2021. For further information regarding Credit Facility compliance requirements and details on the Company's borrowings, please refer to note 4 to the Interim Financial Statements.

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

Dividends

The Company suspended payment of a dividend on March 12, 2020 given the sudden and material deterioration in industry conditions.

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

Capital Spending

Capital spending for the three and nine months ended September 30, 2021 consisted of \$4.1 million and \$17.2 million of PP&E purchases, respectively. Capital spending was funded by cash flow and \$0.7 million and \$9.2 million of proceeds from the sale of PP&E during the third quarter and first nine months of 2021, respectively.

CONTRACTUAL OBLIGATIONS

At September 30, 2021 the Company had the following contractual obligations:

	Payments due by year					
	Total	2021	2022	2023	2024	2025 and after
Long-term debt and bank indebtedness	\$ 196,158	\$ 641	\$ 2,611	\$ 137,671	\$ 2,730	\$ 52,505
Commitments ⁽¹⁾	146	38	90	17	1	-
Lease liabilities, net of lease assets	11,381	1,057	3,201	2,138	1,568	3,417
Purchase obligations ⁽²⁾	24,474	24,474	-	-	-	-
Total contractual obligations	\$ 232,159	\$ 26,210	\$ 5,902	\$ 139,826	\$ 4,299	\$ 55,922

(1) Commitments are described in Note 24 to the 2020 Financial Statements.

(2) Purchase obligations are described in Note 24 to the 2020 Financial Statements. As at September 30, 2021 purchase obligations primarily relate to commitments to purchase inventory in the CPS segment.

OFF-BALANCE SHEET ARRANGEMENTS

During 2021 and 2020, the Company had no off-balance sheet arrangements other than short-term leases.

TRANSACTIONS WITH RELATED PARTIES

During 2021 and 2020 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 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 such mortgage and related interest at the prevailing market rate of 3.78% for a similar debt instrument at September 30, 2021 was \$46.4 million (December 31, 2020: market rate of 3.08%, \$48.8 million). The carrying value and Company's liability with respect to this mortgage is \$47.4 million.

OUTSTANDING COMPANY SHARE DATA

As at the date of this MD&A, the Company had 43,569,000 common shares outstanding.

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

Outstanding at September 30, 2021	Exercise Price	Remaining life (years)	Exercisable at September 30, 2021
1,175,000	\$ 12.69	0.70	1,175,000
60,000	12.00	0.90	60,000
300,000	13.54	1.40	200,000
840,000	9.51	2.60	560,002
650,000	2.31	3.90	216,667
55,000	3.50	4.30	-
800,000	3.72	4.90	-
70,000	4.49	5.00	-
3,950,000	\$ 8.27	2.66	2,211,669

OUTLOOK

Industry Conditions

The COVID-19 pandemic and the resultant historic decline in global economic activity and oil prices contributed to unprecedented challenges and uncertainty for the global energy industry during 2020 and into 2021. While oil prices have steadily recovered from the lows in April 2020 resulting from the price war between Saudi Arabia and Russia as well as the global economic shock due to the COVID-19 pandemic, industry activity remains subdued and industry conditions uncertain. As such, the Company remains cautious and continues to manage its business and affairs in a manner to protect its balance sheet and financial liquidity.

The severity of the recent downturn resulted in a substantial increase in bankruptcies and insolvencies among the Company's competitors and customers. While this led to short term challenges, it is expected to result in more balanced market conditions over the long-term in the various markets in which the Company competes as global energy supply and demand rebalances with normalized global economic activity.

Recent improvements in global oil and natural gas prices have stabilized industry conditions although current activity levels remain low relative to historical levels as producers generally remain disciplined and cautious in regards of their capital expenditure programs.

RISK FACTORS AND RISK MANAGEMENT

In the normal course of business, Total Energy is exposed to financial and operating risks that may potentially and materially impact its operating results. A discussion of the Company's business risks is set out in its AIF under the heading "Risk Factors" and is incorporated herein. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis. There have been no significant changes in risk and risk management in 2021 other than as described below.

Industry Conditions

The dual shocks of the COVID-19 pandemic and collapse in oil prices contributed to extremely negative industry conditions for the global energy industry that only recently have begun to ease. The Company's North American customers have significantly reduced near term capital spending resulting in current activity levels that are below historical levels experienced during periods of similar oil and natural gas prices. Activity levels in Australia moderated in the third quarter of 2020. While the Company has been proactive in managing its operating cost structure, capital expenditures and dividend policy to adapt to the current environment, a decrease in future industry activity levels may require additional substantive measures be taken to preserve the Company's financial strength and flexibility.

Credit Risk

A sustained increase in oil and gas prices has mitigated counterparty credit risk as a substantial portion of the Company's dealings are with entities involved in the oil and gas industry. Notwithstanding such improvement in the industry environment, the Company remains focused on actively managing credit risk. Specifically, management has remained diligent in assessing credit levels granted to customers, monitoring the aging of receivables and taking proactive steps to secure and collect outstanding balances.

The Company did not have significant exposure to any individual customer or counter party during the three and nine months ended September 30, 2021. In the third quarter and first nine months of 2020 the Company did not have significant exposure other than with two major oil and gas companies that accounted for over 10% of the consolidated revenue.

The Company increased its allowance for doubtful accounts receivable by \$1.0 million and wrote-off \$1.1 million against the allowance for doubtful accounts during the first nine months of 2021, bringing such allowance to an aggregate of \$1.9 million as at September 30, 2021.

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 2021.

Change in accounting estimates

During the second quarter of 2020, the Company conducted a review of its drilling equipment within its CDS 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 CDS assets, which are summarized as follows:

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

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 second quarter of 2020.

Critical Judgments in Applying Accounting Policies

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

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

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

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

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

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

Key Sources of Estimation Uncertainty

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

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

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

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

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

As pertains to accounts receivable the Company is required to estimate allowances for doubtful accounts based on expected future credit losses and experiences with customers.

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

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

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

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

FUTURE ACCOUNTING POLICIES CHANGES

Certain pronouncements were issued recently by the International Accounting Standards Board ("IASB") of the International Financial Reporting Standards ("IFRS") Interpretations Committee that are mandatory for accounting periods beginning in future years. Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates 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

September 30	Three months ended		Nine months ended	
	2021	2020	2021	2020
Net income (loss)	\$ 4,279	\$ (4,602)	\$ (1,464)	\$ (28,723)
Add back (deduct):				
Depreciation	20,245	22,396	62,821	91,282
Finance costs	1,675	2,106	5,254	8,063
Income tax expense (recovery)	816	(2,031)	(3,163)	(8,964)
EBITDA	\$ 27,015	\$ 17,869	\$ 63,448	\$ 61,658

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

Net Debt

	As at Sept 30, 2021
Long-term debt	\$ 193,562
Lease liabilities	8,405
Add back (deduct):	
Current liabilities	87,337
Current assets	(225,720)
Net Debt	\$ 63,584

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

Internal Control Over Financial Reporting ("ICFR")

There have been no significant changes in the design of the Company's ICFR during the quarter ended September 30, 2021 that would materially affect or is reasonably likely to materially affect the Company's ICFR.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as global economic conditions, changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), pandemics, 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.