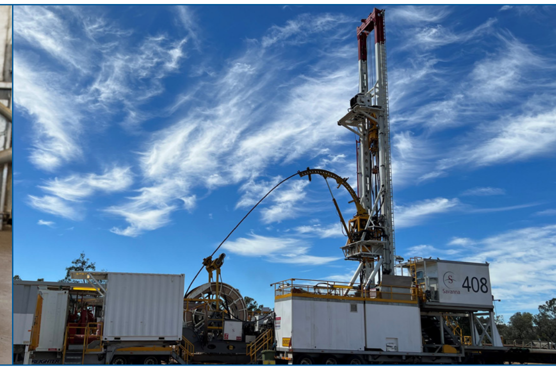
2024

FOCUS DISCIPLINE GROWTH

Annual Report 2024

TOTAL ENERGY SERVICES INC.

Total Energy Services Inc. ("Total Energy" or the "Company") 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, the rental and transportation of equipment used in the drilling, completion and production of oil and natural gas wells, the fabrication, sale, rental and servicing of new and used natural gas compression and oil and natural gas process equipment and well servicing. Together these businesses provide a platform for building long-term shareholder value. Total Energy has achieved its growth by maintaining a disciplined acquisition strategy and undertaking strategic internal growth.

The shares of Total Energy are listed and trade on the Toronto Stock Exchange under the symbol TOT.

REPORT TO SHAREHOLDERS

2024 was a productive year for Total Energy. The Company generated record annual consolidated financial results as investments in equipment upgrades and the acquisition of Saxon Energy Services in Australia offset lower drilling and completion activity in the United States. Continued industry investment in growing North American LNG export capacity provided tailwinds to the Compression and Process Services segment.

The $50.1 million acquisition of Saxon was completed in March 2024 and substantially increased the Company's presence in the Australian land drilling market. The addition of 11 Saxon rigs brings Total Energy's Australian drilling rig fleet to 17 rigs, making the Company a leading player in the Australian land rig market. The Saxon acquisition also expanded the depth capacity of the Australian rig fleet thereby further diversifying the Company's customer base.

Concurrent with the acquisition of Saxon, Muhammad Yasir Nisar joined Total Energy as Assistant Vice President, Drilling Services. Prior to joining Total Energy, Mr. Nisar, a mechanical engineer, was employed by Schlumberger since 2006 in various roles of increasing responsibility within Schlumberger's global land drilling business, most recently as head of Saxon. Mr. Nisar, who has been assisting with the integration of Saxon and the completion of several Australian rig upgrades, will be relocating to Canada later this year where he will support Total Energy's global drilling and well servicing operations.

Total Energy remained focused on the safety and efficiency of its operations during 2024. Notably, the consolidated TRIF (total recordable injury frequency) for 2024 was 0.75, the lowest annual TRIF recorded since the Company began consolidating safety statistics in 2007.

While investing $136.1 million in net capital expenditures to grow and maintain its equipment fleet during 2024, Total Energy remained committed to providing its owners with industry leading shareholder returns. $35.2 million was allocated towards share repurchases and dividends during the year and the Company exited 2024 in a very strong financial position, with bank debt less cash of $72.5 million.

LOOKING FORWARD

Relatively strong oil prices and improving natural gas prices arising from increased domestic demand and increasing LNG export capacity are supportive of stable North American industry conditions. Strong Asian demand for LNG and a tight domestic natural gas market provide tailwinds for the Australian market. However, continued global political tensions, including threats of trade wars, and the resultant economic uncertainty give rise to caution. In such an environment, Total Energy remains focused on operating in a safe and efficient manner and exercising discipline in deploying capital.

Total Energy's preliminary 2025 capital expenditure budget of $61.9 million includes $27.6 million of maintenance capital that is required to sustain current operating levels. An additional $34.3 million is being directed towards equipment upgrades and other compelling growth opportunities within our existing operating segments. A strong financial position will allow the Company to pursue additional investment opportunities as they might arise.

Finally, I would like to welcome Golden (Gurmeet) Bhatia to Total Energy. Ms. Bhatia joined the Company in January 2025 as Corporate Controller following a successful 20 year career at ATCO. Golden replaced Ashley Ting who left to pursue another opportunity. Ms. Bhatia brings significant accounting, tax, indigenous and international business experience to Total Energy and we are excited to have her join our team. On behalf of the Board of Directors of Total Energy, I would like to thank Ashley for her excellent service since she joined Total Energy in 2017 with the acquisition of Savanna Energy Services and wish her the very best.

Daniel Halyk.

DANIEL K. HALYK
President and Chief Executive Officer

March 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards (IFRS) appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has prepared Management's Discussion and Analysis (MD&A). The MD&A is based upon Total Energy's financial results prepared in accordance with IFRS. The MD&A compares the audited financial results for the twelve months ended December 31, 2023 to December 31, 2024.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

MNP LLP, an independent firm of Chartered Accountants, was engaged, as appointed by the Board of Directors in June of 2021 to audit the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion. MNP LLP will stand for appointment by the shareholders of Total Energy Services Inc. at its next annual general meeting.

The Audit Committee of the Board of Directors of Total Energy Services Inc., which is comprised of three independent directors, has discussed the consolidated financial statements, including the notes thereto, with management and external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendations of the Audit Committee.

Daniel Halyk

DANIEL K. HALYK
President and Chief Executive Officer

YULIYA GORBACH, CPA(CA), ACCA
V.P. Finance and Chief Financial Officer

March 6, 2025

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Total Energy Services Inc.:

Opinion

We have audited the consolidated financial statements of Total Energy Services Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill Impairment Analysis

Key Audit Matter Description

We refer to notes 2(f), 3(g), 10 and 11. As at December 31, 2024, the Company has recorded goodwill of $4,053,000. Goodwill is required to be tested for impairment annually and an impairment is recognized if the carrying amount of the cash generating unit ("CGU" or "CGU's") exceeds its recoverable amount. Management has determined the recoverable amount of the CGU's based on their value in use which incorporates the following significant assumptions:

- Future cash flows based on forecasted earnings before interest, tax, depreciation and amortization; and
- Discount rate

The recoverable amount of the Company's Rentals and Transportation ("RTS") and Compression and Process Services ("CPS") CGU's requires significant judgment to be used by management. As a result, goodwill impairment analysis was considered a key audit matter. This resulted in an increased extent of audit effort, including the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing procedures in relation to the Goodwill Impairment Analysis. Our audit work in relation to this included, but was not restricted to, the following:

- We performed a retrospective review by comparing managements prior year expected future cash flows to the actual results to assess the Company's ability to accurately forecast.

- We evaluated the reasonableness of the future cash flow projections used to calculate each CGU's recoverable amount by comparing the estimated cash flows to historical results and by comparing certain assumptions used in the future cash flow projections to market data.
- We verified the mathematical accuracy of management's impairment model and supporting calculations.
- We performed a sensitivity analysis on key inputs into the future cash flow projections.
- We involved our internal valuations specialists to evaluate the appropriateness of the discount rate used and to develop a range of independent estimates to compare those to the discount rate used by the Company.
- We assessed the appropriateness of the disclosures relating to the impairment tests in the notes to the consolidated financial statements.

Business Acquisition

Key Audit Matter Description

We refer to notes 2(f), 3(a)(i) and 6. On March 7, 2024, the Company paid U.S. $37 million (CAD $50.1 million) to acquire all of the outstanding shares of Saxon Energy Services Australia Pty Ltd. ("Saxon").

Management has performed an assessment of the fair value of Saxon's assets and liabilities acquired as of March 7, 2024. Determining the fair values of the assets and liabilities acquired requires significant judgment to be used by management. As a result, the business acquisition was considered a key audit matter. This resulted in an increased extent of audit effort, including the involvement of valuation specialists.

Audit Response

We responded to this matter by performing procedures in relation to the determination of the fair values of the assets and liabilities acquired as part of the business acquisition. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained an understanding of the process used by management to determine the fair values and evaluated the appropriateness of the process used.
- We involved an independent valuation professional with specialized skills and knowledge who assisted in the evaluation of the appropriateness of the Company's assessment of fair value of the property, plant and equipment acquired.
- We performed testing over the working capital balances on the date of acquisition to assess the existence, completeness and valuation of the working capital components.
- We assessed the appropriateness of the disclosures relating to the impairment tests in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and,
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information, identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Bonnell.

MNP LLP

Calgary, Alberta
March 6, 2025

Chartered Professional Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	Note	**December 31, 2024**	December 31, 2023
ASSETS			
Current assets:			
Cash and cash equivalents	7	**$ 38,419**	$ 47,935
Accounts receivable	8	**149,048**	137,604
Inventory	9	**104,091**	98,179
Prepaid expenses and deposits		**17,640**	16,735
		309,198	300,453
Property, plant and equipment	10	**622,499**	557,152
Deferred income tax asset	15	**1,958**	–
Goodwill	11	**4,053**	4,053
		$ 937,708	$ 861,658
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	12	**$ 125,106**	$ 116,794
Deferred revenue		**47,225**	39,321
Contingent consideration	6	**2,878**	–
Income taxes payable	15	**4,508**	9,771
Dividends payable		**3,429**	3,198
Current portion of lease liabilities	14	**6,368**	5,880
Current portion of long-term debt	13	**40,947**	2,050
		230,461	177,014
Long-term debt	13	**70,000**	90,947
Lease liabilities	14	**9,171**	9,887
Deferred income tax liability	15	**57,033**	53,052
Shareholders' equity:			
Share capital	16	**239,269**	251,283
Contributed surplus		**5,279**	4,805
Accumulated other comprehensive loss		**(11,219)**	(25,506)
Non-controlling interest		**245**	521
Retained earnings		**337,469**	299,655
		571,043	530,758
		$ 937,708	$ 861,658

The notes on pages 11 to 41 are an integral part of these consolidated financial statements.

Approved by the Board of Total Energy Services Inc.

Director: Greg Melchin

Director: George Chow

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2024 and 2023
(in thousands of Canadian dollars except per share amounts)

	Note	2024	2023
REVENUE	19	$ 906,776	$ 892,396
Cost of services	20	681,359	678,246
Selling, general and administration	21	51,241	46,828
Other expense (income), net		1,465	(300)
Share-based compensation	17	2,539	2,186
Depreciation	10	90,330	80,814
Operating income		79,842	84,622
Gain on sale of property, plant and equipment	10	1,673	3,525
Finance costs, net	23	(8,156)	(17,425)
Net income before income taxes		73,359	70,722
Current income tax expense	15	8,828	17,217
Deferred income tax expense	15	3,806	11,911
Total income tax expense	15	12,634	29,128
Net income		$ 60,725	$ 41,594
Net income (loss) attributable to:			
Shareholders of the Company		$ 60,801	$ 41,625
Non-controlling interest		$ (76)	$ (31)
Earnings per share:			
Basic earnings per share	16	$ 1.56	$ 1.03
Diluted earnings per share	16	$ 1.53	$ 1.01

	2024	2023
Net income	$ 60,725	$ 41,594
Other Comprehensive Income (loss) (OCI):		
Foreign currency translation	14,287	(8,474)
Total other comprehensive income (loss) for the year	14,287	(8,474)
Total comprehensive income	$ 75,012	$ 33,120
Total comprehensive income (loss) attributable to:		
Shareholders of the Company	$ 75,088	$ 33,151
Non-controlling interest	$ (76)	$ (31)

The notes on pages 11 to 41 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2024 and 2023
(in thousands of Canadian dollars)

	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Non-controlling Interest	Retained earnings	Total Equity
Balance at December 31, 2022		$ 261,109	$ 3,590	$ (17,032)	$ 552	$ 273,804	$ 522,023
Net income (loss)		–	–	–	(31)	41,625	41,594
Other comprehensive loss		–	–	(8,474)	–	–	(8,474)
Transactions with shareholders, recorded directly in equity							
Dividends ($0.32 per common share)		–	–	–	–	(12,850)	(12,850)
Repurchase of common shares	16	(10,155)	–	–	–	(3,432)	(13,587)
Issue of share capital from exercise of stock options	17	329	(150)	–	–	(313)	(134)
Share options expired	17	–	(821)	–	–	821	–
Share-based compensation	17	–	2,186	–	–	–	2,186
		(9,826)	1,215	–	–	(15,774)	(24,385)
Balance at December 31, 2023		$ 251,283	$ 4,805	$ (25,506)	$ 521	$ 299,655	$ 530,758
Net income (loss)		–	–	–	(76)	60,801	60,725
Other comprehensive income		–	–	14,287	–	–	14,287
Transactions with shareholders, recorded directly in equity							
Dividends ($0.36 per common share)	16	–	–	–	–	(13,974)	(13,974)
Repurchase of common shares	16	(13,814)	–	–	–	(8,089)	(21,903)
Issue of share capital from exercise of stock options	17	1,800	(1,805)	–	–	(924)	(929)
Partnership distributions		–	–	–	(200)	–	(200)
Share-based compensation relating to stock options	17	–	2,279	–	–	–	2,279
		(12,014)	474	–	(200)	(22,987)	(34,727)
Balance at December 31, 2024		**$ 239,269**	**$ 5,279**	**$ (11,219)**	**$ 245**	**$ 337,469**	**$ 571,043**

The notes on pages 11 to 41 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2024 and 2023
(in thousands of Canadian dollars)

	Note	2024	2023
Cash provided by (used in):			
Operations:			
Net income		$ 60,725	$ 41,594
Add (deduct) items not affecting cash:			
Depreciation	10	90,330	80,814
Share-based compensation	17	2,539	2,186
Gain on sale of property, plant and equipment	10	(1,673)	(3,525)
Finance costs, net	23	8,156	17,425
Unrealized (gain) loss on foreign currencies translation		4,244	(4,420)
Current income tax expense	15	8,828	17,217
Deferred income tax expense	15	3,806	11,911
Income taxes recovered (paid)		(14,520)	119
Cashflow		162,435	163,321
Changes in non-cash working capital items:			
Accounts receivable	8	(11,444)	16,977
Inventory	9	(5,912)	(6,565)
Prepaid expenses and deposits		(905)	2,112
Accounts payable and accrued liabilities	12	13,842	(5,325)
Deferred revenue		7,904	(24,574)
		165,920	145,946
Investing:			
Purchase of property, plant and equipment	10	(91,090)	(75,242)
Cash paid on acquisition	6	(47,350)	–
Proceeds on disposal of property, plant and equipment		2,315	11,516
Changes in non-cash working capital items		3,248	(3,107)
		(132,877)	(66,833)
Financing:			
Advances of long-term debt	13	65,000	–
Repayment of long-term debt	13	(47,050)	(26,991)
Repayment of lease liabilities	14	(6,958)	(5,912)
Payment of dividends	16	(13,743)	(12,142)
Repurchase of common shares	16	(21,474)	(13,587)
Shares issued on exercise of options	17	64	42
Partnership distributions		(200)	–
Interest paid		(18,198)	(6,649)
		(42,559)	(65,239)
Change in cash and cash equivalents		(9,516)	13,874
Cash and cash equivalents, beginning of year		47,935	34,061
Cash and cash equivalents, end of year		$ 38,419	$ 47,935

The notes on pages 11 to 41 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2024 and 2023
(Tabular amounts in thousands of Canadian dollars)

1. Reporting entity

Total Energy Services Inc. (the "Company") is incorporated under the Business Corporations Act (Alberta) and its head office is located in Calgary, Alberta at Suite 1000, 734 – 7th Avenue S.W. The consolidated financial statements include the accounts of the Company, its subsidiaries and aboriginal partnerships established in Canada, the United States of America (the "United States") and Australia.

The Company provides a variety of products and services to the energy and other resource industries primarily in Canada, the United States and Australia, including contract drilling services, the rental and transportation of equipment used in energy and other industrial operations, the fabrication, sale, rental and servicing of gas compression and process equipment and well servicing.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee and are presented in thousands of Canadian dollars. The material accounting policies adopted in the preparation of the consolidated financial statements are set out in Note 3. Unless otherwise stated, these policies have been consistently applied to all the periods presented. The consolidated financial statements include the accounts of the Company, its subsidiaries and the limited partnerships partially owned by the Company. The Company's partners' shares in the equity and net loss of the limited partnerships partially owned by the Company are reported as non-controlling interests. All inter-company transactions, balances, revenues and expenses have been eliminated. The Company's net income or loss and cash flows include the results of any acquisitions from their effective dates.

The consolidated financial statements were authorized for issue by the Board of Directors on March 6, 2025.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for forward foreign exchange contracts which are measured at fair value.

(c) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. Transactions of the Company's individual entities are recorded in their own functional currency based on the primary economic environment in which they operate. All financial information presented in dollars has been rounded to the nearest thousand except for share and per share amounts.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected.

(e) 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 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 has been met. The Company considers whether a present obligation exists, the probability of loss and whether a reliable estimate can be formulated.

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

The Company makes judgments regarding the determination of its reportable segments, including aggregation criteria (as appropriate), for segmented reporting. The operating segments that exhibit similar long-term financial performance and economic characteristics (similar products and services, production processes, class and type of customer, distribution methods and channels, regulatory environment, etc.) are aggregated in a single reportable segment. Operating segments that do not exhibit similar long-term performance and economic characteristics are presented in a separate reportable segment when their revenue, assets or absolute value of profit or loss exceeds prescribed quantitative thresholds.

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.

(f) Key sources of estimation uncertainty

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these 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 dismantling 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 accounts for its equipment manufacturing contract revenue over time. This method requires estimates of the stage of completion of the contract to date as a proportion of the total work to be performed.

As it 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 it pertains to accounts receivable the Company is required to estimate expected credit losses based on historic collection trends and experiences with customers.

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

The Company's estimate of share-based compensation is dependent upon estimates of future 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 and discount 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.

3. Material accounting policy information

The material accounting policies set out below have been applied consistently by the Company, its subsidiaries and partnerships to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations and goodwill

The Company measures goodwill as the fair value of the consideration transferred, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net income or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Goodwill is measured at cost less accumulated impairment losses.

(ii) Subsidiaries and partnerships

Subsidiaries and partnerships are entities owned and controlled by the Company. The financial statements of subsidiaries and partnerships are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies have been changed when necessary to align them with the policies adopted by the Company.

(iii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) The Canadian dollar is the presentation currency of the Company. Each of the Company's subsidiaries determines its functional currency, and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Canadian operations is the Canadian dollar, the functional currency of the United States operations is the United States dollar and the functional currency of the Australian operations is the Australian dollar.

(ii) Assets and liabilities of foreign operations having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date, and revenues and expenses at average rates during the period. Gains or losses on translation are included as a component of shareholders' equity in accumulated other comprehensive loss.

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in net income or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported on a net basis.

(c) Financial instruments

(i) *Classification*

The classification of the Company's financial assets, financial liabilities and forward foreign exchange contracts depends on the Company's business model for managing the financial assets, financial liabilities or forward foreign exchange contracts and the contractual terms of the cash flows.

(ii) *Non-derivative financial assets*

The Company initially recognizes accounts receivable and deposits on the date that they originate. All other financial assets (including assets designated at fair value through net income or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

Financial instrument	Initial measurement	Subsequent measurement
Cash and cash equivalents	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost

Cash and cash equivalents comprise cash balances and cash deposits with original maturities of three months or less.

The Company initially recognizes accounts receivables on the date that they originate. At each reporting date, the Company assesses the expected credit losses associated with its non-derivative financial assets. Expected credit losses are measured as the difference between the cash flows that are due to the Company and the cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition. For trade receivables, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables. The loss allowance incorporates historical loss information and is adjusted for current economic and credit conditions (see note 24).

(iii) Non-derivative financial liabilities

The Company initially recognizes debt on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities:

Financial instrument	Initial measurement	Subsequent measurement
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Dividends payable	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iv) Forward foreign exchange contracts

The Company may enter into certain forward foreign exchange contracts in order to manage the exposure to market risk from fluctuations in currency exchange rates. The contracts are not used for trading or speculative purposes. The Company has not designated its forward foreign exchange contracts as effective accounting hedges, and thus not applied hedge accounting, even though it considers certain financial contracts to be economic hedges. As a result, forward foreign exchange contracts are classified as fair value through profit or loss and are recorded on the consolidated statement of financial position at estimated fair value. Transaction costs are recognized in net income or loss when incurred.

(v) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized on a net basis in net income or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment (repair and maintenance) are recognized in net income or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in net income or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment for all assets. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives are as follows:

	Useful life	Residual value	Basis of depreciation
Buildings	20 years	–	straight-line
Shop machinery and equipment	5 years	–	straight-line
Rental equipment	3 – 20 years	0% to 25%	straight-line
Automotive equipment	3 – 10 years	0% to 25%	straight-line
Leased assets	Over lease term	–	straight-line
Drilling rigs and related equipment	3 – 25 years	0% to 25%	straight-line
Service rigs and related equipment	3 – 12 years	–	straight-line
Furniture, fixtures and other	3 – 5 years	–	straight-line

Depreciation methods, useful lives and residual values are reviewed at a minimum at the end of each financial year-end and adjusted if appropriate.

(e) Leased assets

Under IFRS 16, leases in scope are recognized on the Company's consolidated statement of financial position with a right-of-use asset and corresponding lease obligation initially measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date the lease commenced. The right-of-use assets are included in property, plant and equipment on the consolidated statement of financial position and are depreciated over the shorter of either the asset's estimated useful life or the term of the lease. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. As lease payments are recognized, the lease obligation is reduced.

When the Company acts as a lessor, at inception, the Company evaluates the classification as either a finance or operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When acting as a sub-lessor, the Company accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease then the Corporation classifies the sub-lease as an operating lease.

Minimum lease payments made under lease liabilities are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under leases out of scope of IFRS 16 are recognized in net income or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(f) Inventory

Parts and raw materials inventory, work-in-progress and finished goods are valued at the lower of cost and net realizable value; the cost for parts and raw materials is determined on a weighted average basis; the cost of work-in-progress and finished goods includes the cost of direct materials, labour and an allocation of manufacturing overhead, all on a specific item basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completing and selling.

(g) Impairment

(i) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated annually.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into CGUs, being the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

The share appreciation rights are settled in cash and recorded accordingly as a liability. For share appreciation rights granted, the Company recognizes compensation expense in operating costs in the statements of income, equal to the fair value at the grant date, recognized over the term of the vesting period, with a corresponding credit to liability. At each reporting period, the liability is re-measured at fair value with any changes recorded in share-based compensation.

(i) Revenue from contracts with customers

The Company enters into a variety of contracts and recognizes revenue when performance obligations have been fulfilled. The following describes the recognition of revenue for each of the Company's contracts, which is consistent with its reportable operating segments outlined in Note 5.

Contract Drilling

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

Well Servicing

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

Rentals and Transportation

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

Compression and Process Services

The Company enters into contracts that involve the design, manufacture, installation, start-up and service of compression and process equipment. Performance obligations for these contracts are satisfied over time and are measured by reference to labour hours incurred to date as a proportion of total expected labour hours over the amount specified in the contract. Revenues and costs only begin to be recognized when the Company can reasonably measure its progress towards complete satisfaction of the contract. Any foreseeable losses on such projects are charged to operations when determined and work in progress is presented as part of accounts receivable. If payments received from a customer exceed the revenue recognized, the difference increases the deferred revenue balance. Parts and service performance obligations are satisfied at a point in time or over time at the monthly, daily, hourly or job rates specified in the contract.

In the course of its ordinary activities the Company undertakes certain transactions that do not generate revenue and are incidental to its main revenue generating activities. Such transactions are not intended or expected to result in a material increase in equity. The Company presents the results of such incidental transactions by netting any income with related expenses arising on the same transaction.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(k) Finance income and finance costs

Finance income is comprised of interest income on outstanding cash balances and other interest income. Finance income is recognized as it accrues in net income or loss.

Finance costs are comprised of interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net income or loss using the effective interest method.

(l) Income tax

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable net income nor loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Earnings per share

Basic earnings per share is calculated based on the weighted average number of shares outstanding. Diluted earnings per share includes the weighted average number of shares outstanding plus additional shares from the assumed exercise of in-the-money stock options. The number of additional shares related to stock options is calculated by assuming proceeds from the exercise of the stock options are used to buy back common shares at the average market price. The additional shares is the difference between the exercised options and the assumed number acquired.

(n) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Board of Directors and senior corporate management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors and senior corporate management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items are comprised mainly of corporate assets (primarily the Company's headquarters), head office expenses, including share-based compensation, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and acquisitions.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels are based on the amount of subjectivity associated with the inputs in the fair value determination and are as follows:

Level I — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II — Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level III — Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of property, plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(b) Accounts receivable

The fair value of accounts receivable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

(Tabular amounts in thousands of Canadian dollars)

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(d) Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility), the weighted average expected life of the instruments (based on historical experience and general option holder behavior), the expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

5. Operating segments

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

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

As at and for the year ended December 31, 2024	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate[(1)]	Total
Revenue	$ 319,612	$ 78,587	$ 413,944	$ 94,633	$ –	$ 906,776
Cost of services	234,409	38,833	333,330	74,787	–	681,359
Selling, general and administration	9,516	8,971	15,775	5,420	11,559	51,241
Other income	–	–	–	–	1,465	1,465
Share-based compensation	–	–	–	–	2,539	2,539
Depreciation	47,292	20,465	10,823	9,907	1,843	90,330
Operating income (loss)	28,395	10,318	54,016	4,519	(17,406)	79,842
Gain (loss) on sale of property, plant and equipment	283	969	312	109	–	1,673
Finance costs, net	(66)	(275)	(423)	(80)	(7,312)	(8,156)
Net income (loss) before income taxes	28,612	11,012	53,905	4,548	(24,718)	73,359
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	423,165	163,591	267,342	76,439	7,171	937,708
Total liabilities	82,208	26,212	104,385	5,088	148,772	366,665
Capital expenditures	43,717	12,964	18,176	16,219	14	91,090

Year ended December 31, 2024	Canada	United States	Australia	International	Total
Revenue	$ 414,238	$ 341,323	$ 148,261	$ 2,954	$ 906,776
Non-current assets[(2)]	364,380	139,969	122,203	–	626,552

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

(2) Includes property, plant and equipment and goodwill.

(Tabular amounts in thousands of Canadian dollars)

As at and for the year ended December 31, 2023	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate[1]	Total
Revenue	$ 287,333	$ 84,906	$ 417,646	$ 102,511	$ –	$ 892,396
Cost of services	201,363	46,210	352,079	78,594	–	678,246
Selling, general and administration	10,988	8,634	13,416	4,448	9,342	46,828
Other income	(65)	(35)	25	–	(225)	(300)
Share-based compensation	–	–	–	–	2,186	2,186
Depreciation	37,775	19,731	10,350	11,944	1,014	80,814
Operating income (loss)	37,272	10,366	41,776	7,525	(12,317)	84,622
Gain (loss) on sale of property, plant and equipment	663	807	1,691	364	–	3,525
Finance costs, net	(65)	(113)	(463)	(74)	(16,710)	(17,425)
Net income (loss) before income taxes	37,870	11,060	43,004	7,815	(29,027)	70,722
Goodwill	–	2,514	1,539	–	–	4,053
Total assets	364,968	169,847	255,055	69,398	2,390	861,658
Total liabilities	64,810	29,502	93,980	6,383	136,225	330,900
Capital expenditures	46,810	7,223	14,452	6,516	241	75,242

Year ended December 31, 2023	Canada	United States	Australia	International	Total
Revenue	$ 419,618	$ 381,396	$ 91,382	$ –	$ 892,396
Non-current assets[2]	384,448	129,817	46,940	–	561,205

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

(2) Includes property, plant and equipment and goodwill.

(Tabular amounts in thousands of Canadian dollars)

6. Business acquisition

On January 17, 2024 the Company's wholly owned subsidiary Savanna Energy Services Pty Ltd. ("Savanna Australia") entered into an agreement with SLB Australia Holdings Pty Ltd. ("SLB") to acquire all of the shares of Saxon Energy Services Australia Pty Ltd. ("Saxon") for U.S. $37.0 million (CAD $50.1 million) cash (the "Acquisition"). This Acquisition was completed on March 7, 2024 (the "Effective Acquisition Date").

The Acquisition has been accounted for as a business combination using the acquisition method whereby the net assets acquired and liabilities assumed are recorded at fair value. The preliminary purchase price allocation is based on management's best estimates of fair values of Saxon's assets and liabilities as at the Effective Acquisition Date. Future adjustments to estimates may be required.

	March 7, 2024
Trade accounts receivable and accrued receivables	$ 10,478
Inventory	3,824
Property, plant and equipment	48,532
Deferred tax asset	1,775
Accounts payable and other liabilities	(14,554)
Net assets acquired	50,055
Cash paid on acquisition	47,350
Contingent consideration	2,705
Total consideration	$ 50,055

The fair values of trade accounts receivable and other current assets, and accounts payable and other liabilities approximate their carrying values due to the short-term maturity of the instruments. Fair value of property plant and equipment was determined by utilizing current market information for similar equipment, adjusted for the specific design, mechanical condition and marketability of such equipment. Key assumptions underlying managements' estimate of fair value include expectations as to future market conditions in the oil and gas industry, expected useful lives of equipment, discount rates, recoverability of available tax pools and collectability of accounts receivable.

Depreciation of property, plant and equipment acquired was recognized in the consolidated statement of comprehensive income from the Effective Acquisition Date and is consistent with the Company's existing depreciation estimates.

Acquisition costs of $0.5 million have been charged to selling, general and administration expenses in the consolidated statement of comprehensive income for the year ended December 31, 2024.

Contingent consideration, less any claims that might arise, is payable on March 7, 2025 in cash.

Saxon contributed $65.8 million to consolidated revenues and $2.8 million to consolidated net income from the Effective Acquisition Date to December 31, 2024.

Had the acquisition occurred on January 1, 2024, Saxon would have contributed $79.5 million to consolidated revenues and $4.6 million to consolidated net income.

(Tabular amounts in thousands of Canadian dollars)

7. Cash and cash equivalents

Cash and cash equivalents represent cash in bank.

8. Accounts receivable

	December 31 2024	December 31 2023
Trade receivables, net of allowance for doubtful accounts	**$ 117,020**	$ 102,917
Accrued and other receivables	**32,028**	34,687
	$ 149,048	$ 137,604

The Company's exposure to credit and currency risks, and impairment losses related to trade receivables is disclosed in note 24. Included in accrued and other receivables is $12.3 million (2023: $16.3 million) of amounts pertaining to contracts in progress as at December 31, 2024.

9. Inventory

	December 31 2024	December 31 2023
Finished goods	**$ 935**	$ 935
Work-in-progress	**31,217**	39,065
Parts and raw materials	**71,939**	58,179
	$ 104,091	$ 98,179

For the year ended December 31, 2024, finished goods, work-in-progress and parts and raw materials of $312.5 million (December 31, 2023: $332.4 million) are included in cost of services (note 20).

(Tabular amounts in thousands of Canadian dollars)

10. Property, plant and equipment

	Land and buildings	Rental equipment	Automotive equipment	Leased assets	Shop machinery and equipment	Drilling rigs and related equipment	Service rigs and related equipment	Furniture, fixtures and other	Total
Cost									
As at December 31, 2022	$ 121,001	$ 349,013	$ 49,286	$ 34,177	$ 23,592	$ 529,979	$ 119,368	$ 10,378	$ 1,236,794
Additions	351	19,555	2,744	7,404	153	45,936	5,895	608	82,646
Disposals	–	(8,352)	(3,045)	(583)	–	(3,352)	(1,162)	–	(16,494)
Derecognition of assets	–	(779)	–	(3,503)	–	(6,097)	(267)	(1,097)	(11,743)
Effect of changes in foreign exchange rates	(133)	(2,193)	(165)	(374)	(147)	(3,497)	(1,737)	(29)	(8,275)
As at December 31, 2023	$ 121,219	$ 357,244	$ 48,820	$ 37,121	$ 23,598	$ 562,969	$ 122,097	$ 9,860	$ 1,282,928
Acquisition	–	–	–	252	–	48,280	–	–	48,532
Additions	276	27,204	6,167	6,128	1,088	41,615	14,238	502	97,218
Disposals	(180)	(4,325)	(717)	(1,299)	(43)	(1,045)	(93)	–	(7,702)
Derecognition of assets	–	(1,024)	–	(1,093)	–	–	–	(269)	(2,386)
Effect of changes in foreign exchange rates	477	8,590	428	1,126	567	9,129	110	71	20,498
As at December 31, 2024	**$ 121,792**	**$ 387,689**	**$ 54,698**	**$ 42,235**	**$ 25,210**	**$ 660,948**	**$ 136,352**	**$ 10,164**	**$ 1,439,088**
Accumulated Depreciation									
As at December 31, 2022	$ 40,264	$ 197,545	$ 39,714	$ 21,340	$ 18,461	$ 260,797	$ 82,306	$ 8,852	$ 669,279
Depreciation expense	4,652	20,308	1,944	5,118	681	37,099	10,461	551	80,814
Disposals	–	(1,425)	(2,545)	(512)	–	(2,972)	(1,049)	–	(8,503)
Derecognition of assets	–	(779)	–	(3,503)	–	(6,097)	(267)	(1,097)	(11,743)
Effect of changes in foreign exchange rates	(55)	(724)	(120)	(228)	(85)	(1,725)	(1,131)	(3)	(4,071)
As at December 31, 2023	$ 44,861	$ 214,925	$ 38,993	$ 22,215	$ 19,057	$ 287,102	$ 90,320	$ 8,303	$ 725,776
Depreciation expense	4,300	21,061	1,730	6,104	545	46,593	8,571	1,426	90,330
Disposals	(154)	(3,887)	(718)	(1,178)	(43)	(1,014)	(66)	–	(7,060)
Derecognition of assets	–	(1,024)	–	(1,093)	–	–	–	(269)	(2,386)
Effect of changes in foreign exchange rates	205	2,987	320	718	326	5,089	280	4	9,929
As at December 31, 2024	**$ 49,212**	**$ 234,062**	**$ 40,325**	**$ 26,766**	**$ 19,885**	**$ 337,770**	**$ 99,105**	**$ 9,464**	**$ 816,589**
Net Book Value									
As at December 31, 2022	$ 80,737	$ 151,468	$ 9,572	$ 12,837	$ 5,131	$ 269,182	$ 37,062	$ 1,526	$ 567,515
As at December 31, 2023	$ 76,358	$ 142,319	$ 9,827	$ 14,906	$ 4,541	$ 275,867	$ 31,777	$ 1,557	$ 557,152
As at December 31, 2024	**$ 72,580**	**$ 153,627**	**$ 14,373**	**$ 15,469**	**$ 5,325**	**$ 323,178**	**$ 37,247**	**$ 700**	**$ 622,499**

As at December 31, 2024, there was $14.1 million (December 31, 2023: $23.8 million) of property plant and equipment under construction. The Company has not capitalized any borrowing costs as there were no borrowing costs directly attributable to the acquisition and construction of property, plant and equipment.

Included in leased assets as at December 31, 2024 was $7.0 million net book value (December 31, 2023: $6.1 million net book value) of assets relating to building leases and $8.5 million net book value (December 31, 2023: $8.8 million net book value) of assets relating to vehicle leases. Included in leased assets depreciation expense for the year ended December 31, 2024 was $3.3 million of right of use assets depreciation expense relating to building leases (2023: $3.1 million). Additions of right of use leased assets relating to buildings were $3.8 million (2023: $1.4 million).

(Tabular amounts in thousands of Canadian dollars)

At each reporting period, the Company reviews the carrying value of its property, plant and equipment for indicators of impairment. Based on a stable industry environment during 2024, no indications of impairment were identified during the year ended December 31, 2024.

11. Goodwill

For the purpose of impairment testing, goodwill is allocated to the Company's operating segments which represent the lowest level within the Company at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each cash generating unit are as follows:

	December 31, 2024	December 31, 2023
Rentals and Transportation Services	**$ 2,514**	$ 2,514
Compression and Process Services	**1,539**	1,539
	$ 4,053	$ 4,053

The recoverable amount of the cash-generating units was based on its value-in-use. As the carrying amount of the unit was determined to be lower than its recoverable amount no impairment was recorded (2023: nil).

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the CGU.

Unless indicated otherwise, value-in-use in 2024 was determined similarly as in 2023. The calculation of the value-in-use was based on the following key assumptions.

- Cash flows were projected based on past experience, actual operating results, current market conditions and a 15 year horizon in both 2024 and 2023.
- An after-tax discount rate of 9.43% (2023: 9.77%) was applied in determining the recoverable amount of the unit.
- The expectation is that activity levels will remain relatively stable in 2025 and thereafter.

The values assigned to the key assumptions represent management's assessment of future trends in the energy service industry and are based on both external sources and internal sources (historical data). A 10% change in any of the key assumptions would not change the outcome of management's assessment of impairment.

12. Accounts payable and accrued liabilities

	December 31, 2024	December 31, 2023
Trade payables	**$ 50,158**	$ 43,395
Wages and salaries payables and related accruals	**16,088**	13,314
Accrued costs and other payables	**58,860**	60,085
	$ 125,106	$ 116,794

Included in accrued costs and other payables is $4.9 million (2023: $2.2 million) relating to contracts in progress as at December 31, 2024.

(Tabular amounts in thousands of Canadian dollars)

13. Long-term debt

At December 31, 2024 the Company's long-term debt consisted of the following:

	December 31, 2024		December 31, 2023	
	Interest rate	**Principal amount**	Interest rate	Principal amount
Credit Facility	**5.23%**	**$ 70,000**	7.09%	$ 50,000
Mortgage loan (2025 maturity)	**3.10%**	**40,947**	3.10%	42,997
	4.45%	**110,947**	5.25%	92,997
Less current portion		**40,947**		2,050
		$ 70,000		$ 90,947

At December 31, 2024 amounts owing under the Credit Facility were denominated in Canadian dollars.

On June 19, 2017 the Company entered into a three-year $225 million revolving syndicated credit facility (the "Credit Facility"). Following several renewals and at the request of the Company the Credit Facility was reduced to $170 million and the maturity date extended to November 10, 2026. The Credit Facility includes a Canadian $18 million operating line, an Australian $2 million operating line and a Canadian $150 million revolving facility. The Company has the option to increase such facility by $75 million subject to certain terms and conditions, including the agreement of the lenders to increase their commitments. The Credit Facility bears interest at the banks' Canadian prime rate plus 0.25% to 1.25%, bankers' acceptances, letters of credit, LIBOR or BBSY advances plus a 1.5% to 2.5% 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 0.5% per annum is paid quarterly on the unused portion of the facility depending on certain financial ratios of the Company. In January of 2024, term CORRA rates have replaced bankers' acceptances and SOFR rates have replaced LIBOR, with no changes in pricing or premiums. At December 31, 2024, the applicable interest rate on amounts drawn on the Credit Facility was 5.23% and the standby rate was 0.25%. Letters of credit ("LOC") of $0.3 million were outstanding at December 31, 2024 (2023: $0.3 million) which reduces the amount of credit available under the Credit Facility by an equivalent amount.

In August of 2018 a U.S. $20 million letter of credit facility was established (the "LOC Facility"). LOCs 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 million. At December 31, 2024 $2.5 million Canadian dollars of LOCs were outstanding under the LOC Facility (December 31, 2023: $3.9 million).

In addition to the Credit Facility, a subsidiary of the Company has established a $5 million revolving operating credit facility with a member of the Credit Facility lenders' syndicate. At December 31, 2024 this facility was undrawn and fully available.

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

	December 31, 2024	Threshold
Twelve-month trailing Bank EBITDA to interest expense	**25.81**	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	**0.25**	maximum 3.00

(Tabular amounts in thousands of Canadian dollars)

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

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

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

The Credit Facility is secured by a general security agreement over all the present and future property of the Company and its subsidiaries.

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

At December 31, 2024 the Company was in compliance with all debt covenants.

14. Lease liabilities

	December 31, 2024	December 31, 2023
Lease liability	**$ 15,539**	$ 15,767
Less current portion	**6,368**	5,880
Long-term lease liability, end of year	**$ 9,171**	$ 9,887

The Company has entered into various agreements with third parties for the purpose of financing certain automotive equipment and for the purposes of renting real estate properties. The leases bear interest at rates ranging from 1.76% to 7.32% (December 31, 2023: 1.75% to 7.36%) and mature on various dates up to 2029.

In 2024, interest of $1.0 million (December 31, 2023 – $0.9 million) relating to lease liabilities has been included in finance costs (note 23). The changes in lease liabilities during the period were as follows:

	December 31, 2024	December 31, 2023
Lease liabilities at the beginning of the period	**$ 15,767**	$ 14,426
Leases entered into during the period (note 10)	**6,128**	7,404
Right of use assets acquired (note 10)	**252**	–
Lease principal payments	**(6,958)**	(5,912)
Effect of changes in foreign exchange rates	**350**	(151)
Lease liabilities at the end of the period	**$ 15,539**	$ 15,767

(Tabular amounts in thousands of Canadian dollars)

	Minimum lease payments		Present value of minimum lease payments	
	December 31 2024	December 31 2023	**December 31 2024**	December 31 2023
Not later than one year	**$ 7,136**	$ 7,698	**$ 6,368**	$ 5,880
Later than one year and not later than five years	**10,095**	13,887	**9,171**	9,887
Later than 5 years	**–**	–	**–**	–
	17,231	21,585	**15,539**	15,767
Less: future finance charges	**(1,692)**	(5,818)	**–**	–
Present value of minimum lease payments	**$ 15,539**	$ 15,767	**$ 15,539**	$ 15,767

Included in lease liability at December 31, 2024 was $8.1 million relating to building right of use assets (2023: $7.2 million).

15. Income tax

The components of the net deferred income tax liability at December 31, 2024 and 2023 are as follows:

	December 31 2024	December 31 2023
Deferred income tax assets:		
Non-capital losses	**$ 14,122**	$ 14,331
Long-term leave provision	**2,029**	1,364
Unrealized foreign exchange on working capital balances	**255**	(62)
Other	**652**	(106)
Deferred income tax liabilities:		
Property, plant and equipment	**(72,133)**	(68,579)
Net deferred income tax liabilities	**$ (55,075)**	$ (53,052)
Deferred income tax assets, net	**1,958**	–
Deferred income tax liabilities, net	**(57,033)**	(53,052)
Net deferred income tax liabilities	**$ (55,075)**	$ (53,052)

By Country:

	December 31, 2024	December 31, 2023
Deferred income tax asset:		
Australia	**$ 1,958**	$ –
Deferred income tax liabilities:		
Canada	**$ (36,589)**	$ (35,011)
United States	**(20,444)**	(16,255)
Australia	**–**	(1,786)
Net deferred income tax liabilities	**$ (55,075)**	$ (53,052)

The business and operations of the Company are complex and the Company has executed a number of significant financings, reorganizations, acquisitions and other material transactions over the course of its history. The computation of income taxes payable as a result of these transactions involves many complex factors as well as the Company's interpretation of relevant tax legislation and regulations. The Company's management believes that the provision for income tax is adequate and in accordance with IFRS and applicable legislation and regulations. However, tax filing positions are subject to review by taxation authorities who may successfully challenge the Company's interpretation of the applicable tax legislation and regulations.

(Tabular amounts in thousands of Canadian dollars)

At December 31, 2024, the Company had $9.7 million (2023: $16.0 million) of unrecognized tax benefits relating to non-capital losses that, if recognized, would have a favorable impact on the Company's effective income tax rate in future periods.

At December 31, 2024, the Company's non-capital losses available to carry forward totaled $94.8 million (2023: $121.6 million), of which $39.9 million relate to Canadian entities (2023: $59.7 million), $36.3 million relate to United States entities (2023: $49.4 million) and $18.6 million to Australian entities (2023: $12.5 million). The unused tax losses, which begin to expire in 2028, may be applied to reduce future taxable income and future income taxes payable.

Movement in temporary differences during the period:

	Dec 31, 2022	Recognized in net income	Dec 31, 2023	**Recognized in net income**	**Recorded on acquisition**	**Foreign exchange translation in OCI**	**Dec 31, 2024**
Deferred income tax assets:							
Non-capital losses	$ 32,390	$ (18,059)	$ 14,331	**$ (209)**	**$ –**	**$ –**	**$ 14,122**
Long-term leave provision	1,348	16	1,364	**665**	**–**	**–**	**2,029**
Unrealized foreign exchange on intercompany working capital balances	125	(187)	(62)	**317**	**–**	**–**	**255**
Other	(58)	(48)	(106)	**758**	**–**	**–**	**652**
Deferred income tax liabilities:							
Property, plant and equipment	(74,946)	6,367	(68,579)	**(5,337)**	**1,775**	**8**	**(72,133)**
Deferred tax expense	$ (41,141)	$ (11,911)	$ (53,052)	**$ (3,806)**	**$ 1,775**	**$ 8**	**$ (55,075)**

Income tax expense differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates. The reasons for the differences are as follows:

	2024	2023
Net income before income taxes	**$ 73,359**	$ 70,722
Income tax rate	**23%**	23%
Expected income tax expense	**$ 16,873**	$ 16,266
Changes in taxes resulting from:		
Non-deductible (non-taxable) items	**2,328**	1,572
Utilization of tax losses not previously recognized	**(7,868)**	(5,014)
Prior period income tax re-assessment	**–**	16,203
Other	**1,301**	101
Total income tax expense	**$ 12,634**	$ 29,128

On February 2, 2024, the Company received a judgement from the Tax Court of Canada ruling in favor of Canada Revenue Agency (the "CRA") reassessments of certain of the Company's income tax filings related to its conversion from an income trust to a corporation in 2009. As a result, the Company recorded $16.2 million of income tax expense and $10.6 million of interest and penalties in 2023.

(Tabular amounts in thousands of Canadian dollars)

16. Share capital

(a) Common share capital

Common shares of Total Energy Services Inc.

(i) Authorized:

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

(ii) Common shares issued:

	Number of shares (thousands)	Amount
Balance, December 31, 2022	41,500	$ 261,109
Repurchased and cancelled	(1,614)	(10,155)
Share options exercised	89	329
Balance, December 31, 2023	39,975	$ 251,283
Repurchased and cancelled	**(2,197)**	**(13,814)**
Share options exercised	**322**	**1,800**
Balance, December 31, 2024	**38,100**	**$ 239,269**

During the year ended December 31, 2024, 2,197,364 common shares (year ended December 31, 2023: 1,614,151) were repurchased and cancelled under the Company's normal course issuer bid at an average price of $9.97 per share including commissions and share repurchase taxes (2023: $8.42 per share).

(b) Per share amounts

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

	2024	2023
Net income for the year attributable to shareholders	**$ 60,801**	$ 41,625
Weighted average number of shares outstanding – basic	**39,080**	40,409
Earnings per share – basic	**$ 1.56**	$ 1.03
Net income for the year attributable to shareholders	**$ 60,801**	$ 41,625
Weighted average number of shares outstanding – basic	**39,080**	40,409
Share option dilution	**582**	738
Weighted average number of shares outstanding – diluted	**39,662**	41,147
Earnings per share – diluted	**$ 1.53**	$ 1.01

For the year ended December 31, 2024, 1,305,000 options (2023: 2,120,000) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

During 2024, the Company declared dividends of $14.0 million (2023: $12.9 million) or $0.36 per common share (2023: $0.32).

(Tabular amounts in thousands of Canadian dollars)

17. Share-based compensation

On May 21, 2015, the Company implemented a share option plan which was drafted to comply with the policies of the Toronto Stock Exchange ("TSX"). Under the plan, options to acquire common shares of the Company may be granted to officers and employees of the Company. The terms of the plan (the "TSX Plan") are outlined below.

The aggregate number of common shares issuable upon the exercise of options outstanding under the TSX Plan at any time may not exceed 10% of the issued and outstanding common shares and the aggregate number of common shares issuable to any one officer or employee of the Company may not exceed 5% of the total number of issued and outstanding common shares. The period to which an option granted under the TSX Plan is exercisable may not exceed ten years from the date such option is granted. The price at which common shares may be acquired upon the exercise of an option is determined with reference to the weighted average closing price of the common shares for the five business days immediately prior to the date of grant on which a board lot of common shares trades on the TSX.

Share option transactions during 2024 and 2023 were as follows:

	Weighted average exercise price	Number of Options
Balance, December 31, 2022	$ 6.90	3,181,664
Granted	10.06	1,380,000
Expired	13.54	(300,000)
Exercised	2.81	(89,151)
Surrendered	3.65	(62,516)
Balance, December 31, 2023	7.61	4,109,997
Exercised	**4.37**	**(322,364)**
Surrendered	**7.99**	**(931,967)**
Forfeited	**8.44**	**(128,333)**
Balance, December 31, 2024	**$ 7.82**	**2,727,333**

The share options issued vest 1/3 on the first, second and third anniversary from the grant date and expire five years from the date of grant. The options expire on various dates ranging from August 11, 2025 to August 10, 2028.

There were 322,364 options exercised during 2024 (2023: 89,151). During 2024, the weighted average market price at the time of exercise of options was $10.67 per share (2023: $9.70 per share).

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

Outstanding at December 31, 2024	Exercise Price	Remaining life (years)	Exercisable at December 31, 2024
124,000	**$ 2.31**	**0.60**	**124,000**
453,333	**3.72**	**1.60**	**453,333**
765,000	**7.46**	**2.60**	**500,000**
80,000	**6.42**	**2.80**	**50,000**
1,305,000	**10.06**	**3.60**	**435,000**
2,727,333	**$ 7.82**	**2.83**	**1,562,333**

(Tabular amounts in thousands of Canadian dollars)

Outstanding at December 31, 2023	Exercise Price	Remaining life (years)	Exercisable at December 31, 2023
740,000	$ 9.51	0.40	740,000
296,665	2.31	1.60	296,665
55,000	3.50	2.00	36,667
676,666	3.72	2.60	438,336
46,666	4.49	2.70	23,333
825,000	7.46	3.60	265,000
90,000	6.42	3.80	30,000
1,380,000	10.06	4.60	–
4,109,997	$ 7.61	3.02	1,830,001

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value of the share options granted. No share options were granted in 2024. The average per share fair value of the options granted during 2023 was $2.77 per option using the following assumptions:

	December 31, 2023
Expected volatility	38.35% - 47.54%
Annual dividend yield	3.18%
Risk free interest rate	3.93% - 4.37%
Forfeitures	9.86%
Expected life (years)	3 to 5 years

For the year ended December 31, 2024, the Company recognized share-based compensation expense of $2.5 million (2023: $2.2 million).

18. Share Appreciation Rights (SARs)

On August 8, 2024 the Company implemented a share appreciation rights plan (“SAR”). A SAR entitles the holder to receive a cash payment equal to the difference between the stated exercise price and the market price of the company’s common shares on the date the SAR is exercised and is accounted for as a cash-settled award. SARs have a five-year life and vest annually over a three-year period.

The number of SARs expected to vest are measured at fair value at each reporting period on a mark-to-market basis. The recognition and valuation of SARs results in share-based compensation expense and a corresponding liability, which was included in accounts payable and accrued liabilities.

	Weighted average exercise price	Number of SARs
Balance, December 31, 2023	–	–
Granted	$ 9.42	1,140,000
Balance, December 31, 2024	**$ 9.42**	**1,140,000**

Outstanding SARs expire on August 8, 2029.

(Tabular amounts in thousands of Canadian dollars)

19. Revenue

	2024	2023
Rendering of services	$ 547,699	$ 536,679
Sale of goods	359,077	355,717
	$ 906,776	$ 892,396

20. Cost of services

	2024	2023
Wages and salaries	$ 238,977	$ 238,165
Inventory	312,451	332,353
Repair and maintenance	95,619	84,948
Fuel and travel	22,839	16,272
Rent and services	2,565	1,991
Other	8,908	4,517
	$ 681,359	$ 678,246

21. Selling, general and administration

	2024	2023
Wages and salaries	$ 36,194	$ 33,226
Professional and legal	4,067	4,162
Marketing and risk management	4,612	4,372
Travel and fuel	1,747	1,609
Rent and services	1,941	1,338
Other	2,680	2,121
	$ 51,241	$ 46,828

22. Employee compensation

	2024	2023
Cost of services	$ 238,977	$ 238,165
Selling, general and administration	36,194	33,226
Share-based compensation	2,539	2,186
	$ 277,710	$ 273,577

23. Finance costs, net

	2024	2023
Interest on long-term debt	$ 6,813	$ 6,027
Interest on re-assessment (Note 15)	387	10,539
Interest on lease liabilities	956	859
	$ 8,156	$ 17,425

(Tabular amounts in thousands of Canadian dollars)

24. Financial risk management and financial instruments overview

Capital management

The Company's capital management strategy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of the Company's business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying businesses. The Company seeks to maintain an appropriate balance between the level of long-term debt and shareholders' equity to ensure access to the capital markets to fund growth and working capital having regard to the cyclical nature of the energy services industry. Historically the Company has maintained a conservative ratio of long-term debt to long-term debt plus equity. As at December 31, 2024 and 2023 these ratios were as follows:

	December 31, 2024	December 31, 2023
Long-term debt (including current portion)	**$ 110,947**	$ 92,997
Shareholders' equity	**571,043**	530,758
Total capitalization	**$ 681,990**	$ 623,755
Long-term debt to capitalization ratio	**0.16**	0.15

As at December 31, 2024, the Company was subject to externally imposed minimum capital requirements relating to the Credit Facility and Mortgage loan (2025 maturity) as described in note 13. The Company monitored these requirements to ensure compliance with them. As at December 31, 2024 and 2023 the Company was in compliance with all external minimum capital requirements.

Financial instruments

The Company's financial instruments as at December 31, 2024, include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable and long-term debt. The fair value of cash and cash equivalents, accounts receivable, deposits and accounts payable, dividends payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity. The discounted future cash repayments of the Company's Mortgage loan (2025 maturity) are calculated using prevailing market rates of a similar debt instrument as at the reporting date. The net present value of future cash repayments of the Mortgage loan (2025 maturity) and related interest at the prevailing market rate of 5.73% for a similar debt instrument at December 31, 2024 was $40.6 million (December 31, 2023: market rate of 5.86%, $41.5 million). The carrying value and Company`s liability with respect to the Mortgage loan (2025 maturity) is $40.9 million.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

(Tabular amounts in thousands of Canadian dollars)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's trade accounts receivable. The carrying amount of cash and cash equivalents and accounts receivable included on the consolidated statement of financial position represent the maximum credit exposure.

The vast majority of the Company's trade receivable are customers involved in the oil and gas industry, and the ultimate collection of the accounts receivable is dependent on both industry related factors and customer specific factors. Industry related factors that may affect collection include commodity prices and access to capital. Customer specific factors that may affect collection include realized commodity prices, the success of drilling programs, well reservoir decline rates and access to capital. The Company continuously monitors the recoverability of accounts receivable balances and subject to agreed payment terms and generally considers the balance to be overdue when it ages over 90 days. As at December 31, 2024, $5.0 million, or 3% of accounts receivable (2023: $8.3 million or 6%) were more than 90 days overdue, which includes $1.6 million of doubtful accounts for which a provision has been recognized (December 31, 2023: $1.1 million).

The ageing of accounts receivable is in the range of expectations given current market conditions.

The movement in the Company's allowance for doubtful accounts was as follows:

	Allowance for doubtful accounts
Balance at December 31, 2022	$ 1,646
Provisions and revisions	(501)
Balance at December 31, 2023	$ 1,145
Provisions and revisions	**408**
Balance at December 31, 2024	**$ 1,553**

The Company did not have significant exposure to any individual customer or counter party in 2024 and 2023. Concentration of credit risk on the Company's trade receivables exists in the oil and gas industry as a whole.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, to the extent reasonably possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable costs or losses or risking harm to the Company's reputation. As at December 31, 2024, the Company maintained credit facilities which were available to a maximum of $175 million and mortgage debt of $40.9 million (December 31, 2023: of $175 million and $43.0 million, respectively) to ensure the Company has sufficient working capital to operate its business.

The Company expects that cash and cash equivalents, and cash flow from operations, together with existing and available credit facilities, will be sufficient to fund its presently anticipated requirements for investments in working capital, capital assets, dividend payments and the Company's share repurchases.

(Tabular amounts in thousands of Canadian dollars)

The following maturity analysis shows the remaining contractual maturities for the Company's financial liabilities, including future interest payments:

As at December 31, 2024	**No later than 1 year**	**Later than 1 year and not later than 5 years**	**Later than 5 years**	**Total**
Accounts payable and accrued liabilities (note 12)	**$ 125,106**	**$ –**	**$ –**	**$ 125,106**
Long-term debt (note 13)	**43,381**	**77,017**	**–**	**120,398**
Deferred purchase price (note 6)	**2,878**	**–**	**–**	**2,878**
Lease liabilities (note 14)	**7,136**	**10,095**	**–**	**17,231**
Total	**$ 178,501**	**$ 87,112**	**$ –**	**$ 265,613**

As at December 31, 2023	No later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Accounts payable and accrued liabilities (note 12)	$ 116,794	$ –	$ –	$ 116,794
Long-term debt (note 13)	6,887	97,942	–	104,829
Lease liabilities (note 14)	7,698	13,887	–	21,585
Total	$ 131,379	$ 111,829	$ –	$ 243,208

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's net income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

- Foreign currency exchange rate risk

Transaction exposure

The Company is exposed to foreign currency exchange risk on revenues, capital expenditures, or financial instruments that are denominated in a currency other than the Company's functional currency (Canadian dollars). Where sales are denominated in a currency other than Canadian dollars, the Company may enter into forward currency contracts to mitigate its exposure to exchange rate fluctuations from the date of sale until the date of receipt of funds. The Company estimates that in its Canadian operations approximately 14% of its cost of services in 2024 were purchased using a foreign currency. Where foreign currency denominated purchases are made, it is the Company's practice to pay invoiced amounts within 15 days of receipt of invoice to reduce the Company`s exposure to foreign exchange risk. In addition, from time to time the Company purchases funds in the foreign currency to which the order is denominated to mitigate against foreign exchange rate changes from the date of ordering to when payment is made. Pricing to customers is also customarily adjusted to reflect changes in the Canadian dollar landed cost of imported goods. For the year ended December 31, 2024 the net amount of foreign exchange loss related to transaction exposure recorded in net income was $1.1 million (2023: foreign exchange gain of $0.8 million).

Translation exposure

Translation exposures arise from financial and non-financial items held by an entity (for example, a subsidiary) with a functional currency different from the Company's presentation currency. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation under IAS 21 is not fully eliminated.

(Tabular amounts in thousands of Canadian dollars)

The Company's sensitivity to foreign currency fluctuations is as follows: all else being equal, a hypothetical strengthening of 5% of each of the United States dollar and Australian dollar against the Canadian dollar would have increased (decreased) net income (loss) before income taxes and other comprehensive income as follows:

For the year ended December 31, 2024	United States Dollar	Australian Dollar	Total
Net income (loss) before income taxes	$ 233	$ (50)	$ 183
Other comprehensive income	7,499	5,551	13,050
	$ 7,732	**$ 5,501**	**$ 13,233**

For the year ended December 31, 2023	United States Dollar	Australian Dollar	Total
Net income (loss) before income taxes	$ 1,835	$ (462)	$ 1,373
Other comprehensive income	10,266	3,255	13,521
	$ 12,101	$ 2,793	$ 14,894

For a hypothetical 5% weakening of each of the United States dollar and Australian dollar against the Canadian dollar, there would be an equal and opposite effect on net income (loss) before income taxes and other comprehensive income (loss) to that presented above.

- Forward foreign exchange contracts

The notional principal amount of forward foreign exchange contracts outstanding as at December 31, 2024 was $26.0 million (December 31, 2023: $22.7 million). These contracts are short term in nature. The fair value of the forward foreign exchange contracts was determined using quoted forward rates for the identical contracts at December 31, 2024 (level 2 of fair value hierarchy with values based on quoted prices). The forward market exchange rate used to fair value these outstanding contracts as at December 31, 2024 was $1.43 Canadian dollar per United States dollar (December 31, 2023: $1.35 Canadian dollar). For the year ended December 31, 2024 the mark to market loss on foreign exchange contracts was $1.4 million (2023: $0.8 million gain) and is included in net income.

- Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on borrowings under existing and available credit facilities which utilize a combination of short-term fixed rates using 30 to 90-day CORRA and floating rates. For the year ended December 31, 2024, if interest rates had been 100 basis points lower with all other variables held constant, after-tax net income for the period would have been approximately $0.6 million higher (2023 – $0.6 million). An equal and opposite impact would have occurred to net income had interest rates been 100 basis points higher.

The Company had no interest rate swaps or financial contracts in place as at or during the year ended December 31, 2024.

The Company's Mortgage loan (2025 maturity) bears fixed interest rate and thus is not exposed to interest rate risk.

(Tabular amounts in thousands of Canadian dollars)

25. Commitments

The Company has operating lease commitments for short term and low dollar value real estate properties payable as follows:

	December 31, 2024	December 31, 2023
Less than one year	$ 93	$ 117
Between one and five years	–	8
	$ 93	$ 125

The Company also has purchase obligations of $21.6 million as at December 31, 2024 (December 31, 2023: $38.7 million) relating to commitments to purchase inventory.

26. Contingencies

In November of 2017 the Company received a Statement of Claim filed in the Alberta Court of Queen's Bench by Her Majesty the Queen in Right of Alberta, by its agent, Alberta Investment Management Corporation ("AIMCo") against the Company and Savanna Energy Services Corp. ("Savanna"), a wholly owned subsidiary of the Company. In early 2020 AIMCo amended its claim to remove the Company as a defendant. AIMCo's claim relates to Savanna's refusal to pay a $6 million change of control penalty (the "Additional Penalty") to AIMCo. The Company and Savanna have received legal advice that AIMCo's claim for the Additional Penalty is not enforceable and have filed a statement of defense. Savanna has also filed a third-party claim against its former directors that seeks indemnity in the event that AIMCo is successful in its claim against Savanna. Following the completion of discoveries, Savanna has filed a counterclaim against AIMCo and certain former directors of Savanna for $7.3 million.

27. Related parties

Key management of the Company includes directors, executive officers, general managers and the president of its operating divisions.

In addition to their salaries, the Company also provides non-cash benefits to key management, except directors (see note 17).

Key management personnel compensation is comprised of:

	December 31, 2024	December 31, 2023
Short-term employee benefits	$ 8,244	$ 5,703
Share-based compensation[(1)]	2,539	2,109
	$ 10,784	$ 7,812

(1) Represents the amortization of share-based compensation associated with key management as recorded in the consolidated financial statements.

At December 31, 2024 directors and officers of the Company own or control 9.4 percent of the voting shares of the Company (2023: 8.0 percent).

There have been no transactions over the reporting period with key management personnel (2023: nil), and no outstanding balances exist as at period end (2023: nil).

(Tabular amounts in thousands of Canadian dollars)

28. Subsidiaries

Significant subsidiaries and partnerships

	Country of Incorporation	Ownership Interest, %	
		2024	2023
Total Oilfield Rentals Ltd.	Canada	**100**	100
Bidell Gas Compression Ltd.	Canada	**100**	100
Opsco Process Corp.	Canada	**100**	100
TES Investments Ltd.	Canada	**100**	100
TES Services Inc.	United States	**100**	100
Total Oilfield Rentals Inc.	United States	**100**	100
Bidell Gas Compression Inc.	United States	**100**	100
TES Land Inc.	United States	**100**	100
TES Energy Services Pty Ltd.	Australia	**100**	100
Savanna Energy Services Pty Ltd.	Australia	**100**	100
Saxon Energy Services Australia Pty Ltd.	Australia	**100**	–
Savanna Well Servicing Inc.	Canada	**100**	100
Savanna Well Servicing Corp.	United States	**100**	100
Savanna Drilling Corp.	Canada	**100**	100
Savanna Drilling LLC	United States	**100**	100
BR Enterprises Limited Partnership	Canada	**100**	100
Savanna Energy Services Limited Partnership #6	Canada	**50**	50
Heart Lake First Nation Savanna Energy Services Limited Partnership	Canada	**50**	50

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

The following MD&A for Total Energy Services Inc. ("Total Energy" or the "Company") was prepared as at March 6, 2025 and focuses on information and key statistics from the audited consolidated financial statements of the Company for the year ended December 31, 2024 (the "2024 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 2024 Financial Statements, the Company's 2024 Annual Report, the Annual Information Form ("AIF") for the year ended December 31, 2024 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.sedarplus.ca.

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

FINANCIAL HIGHLIGHTS

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Revenue	**$ 246,816**	$ 213,758	15%	**$ 906,776**	$ 892,396	2%
Operating income	**15,892**	23,510	(32%)	**79,842**	84,622	(6%)
EBITDA[(1)]	**40,565**	45,276	(10%)	**171,845**	168,961	2%
Cashflow	**43,413**	44,457	(2%)	**162,435**	163,321	(1%)
Net income (loss)	**10,102**	(7,861)	nm	**60,725**	41,594	46%
Attributable to shareholders	**10,116**	(7,847)	nm	**60,801**	41,625	46%
Per share data (diluted)						
EBITDA[(1)]	**$ 1.04**	$ 1.11	(6%)	**$ 4.33**	$ 4.11	5%
Cashflow	**$ 1.12**	$ 1.09	3%	**$ 4.10**	$ 3.97	3%
Attributable to shareholders:						
Net income (loss)	**$ 0.26**	$ (0.19)	nm	**$ 1.53**	$ 1.01	51%
Common shares (000's)[(3)]						
Basic	**38,171**	39,975	(5%)	**39,080**	40,409	(3%)
Diluted	**38,828**	40,623	(4%)	**39,662**	41,147	(4%)

Financial Position at	December 31 **2024**	2023	Change
Total Assets	**$ 937,708**	$ 861,658	9%
Long-Term Debt and Lease Liabilities (excluding current portion)	**79,171**	100,834	(21%)
Working Capital[(2)]	**78,737**	123,439	(36%)
Net Debt[(1)]	**434**	–	nm
Shareholders' Equity	**571,043**	530,758	8%

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

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

(3) Basic and diluted shares outstanding reflect the weighted average number of common shares outstanding for the period. See note 16 to the 2024 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 December 31, 2024, the Company operated a total fleet of 105 drilling rigs. The acquisition of Saxon Energy Services Australia Pty Ltd. ("Saxon") on March 7, 2024 added 11 land drilling rigs to the Company's Australian fleet. 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	
AC triples	3
AC doubles	17
Mechanical doubles	35
TDS and singles	44
Australian shallow	6
	105

By Geography	
Canada	76
United States	12
Australia	17
	105

Rentals and Transportation Services: Total Energy's RTS business is presently conducted from 15 locations in western Canada and three locations in the United States. At December 31, 2024, this segment had approximately 7,820 pieces of major rental equipment (excluding access matting), a fleet of 68 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 December 31, 2024 the CPS segment occupied approximately 225,000 square feet of production facilities located in Calgary, Alberta and a 100,000 square foot production facility in Weirton, West Virginia. As at December 31, 2024 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 68,800 horsepower of compression in its rental fleet at December 31, 2024.

Well Servicing: At December 31, 2024, the Company operated a total fleet of 79 well servicing rigs across western Canada, northwest United States and Australia. The composition of the Company's service rig fleet is as follows:

By Type	
Singles	35
Doubles	31
Australian specification	9
Flush-by	4
	79

By Geography	
Canada	55
United States	12
Australia	12
	79

INDUSTRY OVERVIEW

The energy services industry is affected by numerous factors, including but not limited to, commodity prices, the availability and quality of competing equipment and services, access to qualified personnel and foreign exchange rates. The following table summarizes certain of these key factors:

	2024	2023	Change
Average Crude Oil Prices			
West Texas Intermediate, US$/bbl[(1)]	**76.55**	77.58	(1.3%)
Western Canadian Select, US$/bbl[(2)]	**61.50**	58.97	4.3%
Average Natural Gas Prices			
Henry Hub, US$ per MMBtu[(2)]	**2.22**	2.67	(16.9%)
AECO natural gas, CND$ per GJ[(2)]	**2.24**	2.74	(18.2%)
LNG Asia, US$ per MMBtu[(1)]	**11.78**	13.46	(12.5%)
U.S. Oil and Natural Gas Inventories (period end)			
Crude Inventories (MMbbls)[(3)]	**416.8**	436.6	(4.5%)
Natural Gas Storage (bcf)[(3)]	**3,413**	3,476	(1.8%)
Average Active Land Drilling Rig Counts			
United States[(4)]	**589**	622	(5.3%)
Canada[(5)]	**145**	108	34.3%
Foreign Exchange Rates (period end)[(6)]			
US$ to CAD$	**1.4398**	1.3226	8.9%
AUS$ to CAD$	**0.8915**	0.9001	(1%)

(1) FRED Economic data; https://fred.stlouisfed.org/series/DCOILWTICO
(2) Alberta Energy Regulator
(3) U.S. Energy Information Administration
(4) The American Oil&Gas Reporter; https://www.aogr.com/web-exclusives/us-rig-count/2025
(5) CAOEC; https://caoec.ca/rig_reports; and https://boereport.com/caoec-rig-count/
(6) Bank of Canada

bbl – barrel
MMbtu – one million British thermal units
GJ – gigajoule
MMbbls – millions of barrels
Bcf – billion cubic feet

Political and economic uncertainty, lower average North American oil and natural gas prices and significant consolidation among oil and natural gas producers contributed to a decrease in U.S. onshore drilling and completion activity in 2024 as compared to 2023. Despite such lower activity, investment in U.S. energy infrastructure remained relatively strong during 2024, particularly investment directed towards the ongoing expansion of North American liquified natural gas ("LNG") export capacity.

Expansion of the Trans Mountain oil pipeline and the anticipated completion of the LNG Canada LNG export terminal in mid-2025, which will result in 1.8 billion cubic feet per day of incremental demand for Canadian natural gas, contributed to relatively stable industry activity levels in 2024 as compared to 2023. The weakening of the Canadian dollar relative to the U.S. dollar during 2024 also contributed to stable Canadian industry activity levels as Canadian producers generally receive U.S. dollars for the sale of their production while a significant portion of their production expenses are incurred in Canadian dollars.

Relatively strong prices realized by Australian natural gas producers resulted in continued stable industry conditions during 2024.

OVERALL PERFORMANCE

Selected annual financial information derived from the audited consolidated financial statements of the Company for the three most recently completed financial years is set forth below and is prepared in accordance with IFRS.

	Year ended December 31		
(in thousands of dollars except per share amounts)	**2024**	2023	2022
Revenue	**$ 906,776**	$ 892,396	$ 759,813
Operating income	**79,842**	84,622	49,343
Cash provided by operations	**165,920**	145,946	143,401
Cashflow	**162,435**	163,321	130,795
Net income	**60,725**	41,594	37,999
Attributable to shareholders	**60,801**	41,625	38,008
Per share (diluted)	**$ 1.53**	$ 1.01	$ 0.88
Dividends declared per share	**$ 0.36**	$ 0.32	$ 0.18
Total assets	**937,708**	861,658	878,615
Long term liabilities (excluding current lease liabilities, current portion of long-term debt and deferred tax liability)	**79,171**	100,834	127,628

Total Energy's results for the fourth quarter and the year ended December 31, 2024 reflect relatively stable industry conditions in Canada and Australia and lower drilling and completion activity levels in the United States. Included in the results for the fourth quarter and the year ended 2024 is the contribution from Saxon from March 7, 2024 when the acquisition of Saxon was completed.

Revenue in the fourth quarter of 2024 was higher as compared to the fourth quarter of 2023. The acquisition of Saxon and increased activity in the CPS segment offset lower North American CDS segment activity as well as lower U.S. activity in the RTS and Well Servicing segments. Wet weather conditions negatively impacted fourth quarter drilling and completion activity in Australia.

Revenue for 2024 was higher than in 2023 due to relatively stable industry activity in Canada and Australia and the addition of Saxon that was partially offset by lower drilling and completion activity in the United States. 2024 operating income decreased compared to 2023 due to lower U.S. drilling and completion activity throughout the year, a reduction in Australian drilling and completion activity in the fourth quarter of 2024 due to extended wet weather conditions, non-recurring expenses related to the reactivation of several upgraded Canadian and Australian drilling and service rigs as well as a $1.8 million increase in unrealized foreign exchange loss and a $2.3 million decrease in realized foreign exchange gain as compared to 2023. These negative impacts on 2024 operating income were partially offset by improved profitability in the CPS segment.

The Company's financial condition remains strong, with a positive working capital balance of $78.7 million as at December 31, 2024, which was $44.7 million lower than December 31, 2023. This decrease is due to a $38.9 million increase in the current portion of long-term debt following the reclassification of a mortgage loan maturing in April of 2025 from long term to current and a $7.9 million increase in deferred revenue due to increased activity in the CPS segment. Shareholders' equity increased by $40.3 million during 2024 due to the realization of $60.7 million of net income and $14.3 million of other comprehensive income relating to foreign currency translation, which was partially offset by $21.9 million of share repurchases under the Company's normal course issuer bid and $14.0 million of declared dividends.

Revenue

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Revenue	**$ 246,816**	$ 213,758	15%	**$ 906,776**	$ 892,396	2%

Revenue for the fourth quarter of 2024 was higher than the same period last year due to increased activity in the CPS segment, increased CDS segment revenue resulting from the acquisition of Saxon and increased WS segment activity levels in Canada and Australia following the reactivation of several upgraded service rigs. Revenue in 2024 was higher compared to 2023 due to the acquisition of Saxon, which increase was offset partially by decreased drilling and completion activity levels in the U.S.

Cost of Services and Gross Margin

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Cost of services	**$ 190,267**	$ 155,976	22%	**$ 681,359**	$ 678,246	–
Gross margin	**$ 56,549**	$ 57,782	(2%)	**$ 225,417**	$ 214,150	5%
Gross margin, as a percentage of revenue	**23%**	27%	(15%)	**25%**	24%	4%

The increase in fourth quarter cost of services for 2024 as compared to 2023 was primarily due to a change in the segmental revenue mix. Specifically, a four percent year over year increase in the relative revenue contribution of the CPS segment negatively impacted the consolidated gross margin as the CPS segment historically generates a lower gross margin percentage compared to the other business segments. Also negatively impacting the consolidated gross margin for the fourth quarter of 2024 were extended activity shutdowns in Australia due to wet weather conditions and expenses incurred in Canada and Australia related to the reactivation of several upgraded drilling and service rigs.

The increase in the cost of services in 2024 compared to 2023 was due primarily to higher activity levels in the CDS segment following the acquisition of Saxon. As a percentage of revenue, gross margin increased slightly in 2024 compared to 2023 primarily due to an increase in the gross margin generated by the CPS segment.

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

Selling, General and Administration Expenses

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Selling, general and administration expenses	**$ 13,729**	$ 13,242	4%	**$ 51,241**	$ 46,828	9%

Selling, general and administration expenses for the fourth quarter and year ended December 31, 2024 were higher than in the same periods in 2023 due to cost-of-living wage increases, higher profit-based incentive compensation in certain segments as a result of higher profitability and legal fees incurred in respect of the acquisition of Saxon and preparation for an appeal of a Canadian income tax reassessment related to the Company's conversion from an income trust in 2009.

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

Other expense (income)

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Other expense (income)	**$ 2,185**	$ (92)	nm	**$ 1,465**	$ (300)	nm

"nm" - calculation not meaningful

Other expense (income) arises from unrealized foreign exchange differences on translation of intercompany working capital balances between foreign subsidiaries. During the fourth quarter and 2024, a net unrealized foreign exchange loss was generated due to period end depreciation of the Canadian dollar relative to the U.S. dollar and appreciation of the Canadian dollar relative to the Australian dollar combined with the geographical mix of foreign currency denominated intercompany balances. The movement of net unrealized foreign exchange gains and losses in the comparable periods will depend on the geographical mix of foreign currency denominated intercompany balances combined with the impact of fluctuations in period end currency exchange rates.

Share-based Compensation Expense

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Share-based compensation expense	**$ 599**	$ 729	(18%)	**$ 2,539**	$ 2,186	16%

Share-based compensation expense arises from share options granted pursuant to the share option plan implemented in 2015. Share-based compensation expense also reflects the impact share price changes have on the mark-to-market adjustments related to share appreciation rights ("SARs") granted pursuant to the Company's SARs plan implemented in 2024.

Share-based compensation expense for the fourth quarter of 2024 was lower than same period last year due to a combination of share option forfeitures and certain share options vesting. Share-based compensation expense for 2024 compared to the same period last year was higher due to the issuance of share options in the third quarter of 2023.

Depreciation Expense

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Depreciation expense	**$ 24,144**	$ 20,393	18%	**$ 90,330**	$ 80,814	12%

The increase in depreciation expense for both the three months and year ended December 31, 2024 as compared to the same periods in 2023 is due to additions to property, plant and equipment during 2023 and 2024, including the addition of property, plant and equipment from the acquisition of Saxon.

Operating Income

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Operating income	**$ 15,892**	$ 23,510	(32%)	**$ 79,842**	$ 84,622	(6%)

Operating income for the fourth quarter and 2024 decreased as compared to 2023 due primarily to reduced U.S. drilling and completion activity, lower Australian drilling and completion activity in the fourth quarter of 2024 due to extended wet weather conditions, expenses related to the reactivation of several upgraded drilling and service rigs in Canada and Australia and a $4.1 million negative year over year change in the impact of realized and unrealized foreign exchange differences on operating income. These negative impacts were partially offset by improved profitability in the RTS and CPS segments during the fourth quarter of 2024 and improved CPS segment profitability in 2024.

Gain on Sale of Property, Plant and Equipment

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Gain on sale of property, plant and equipment	**$ 529**	$ 1,373	(61%)	**$ 1,673**	$ 3,525	(53%)
Proceeds on the sale of property, plant and equipment	**$ 610**	$ 5,106	(88%)	**$ 2,315**	$ 11,516	(80%)

Disposals of property, plant and equipment ("PP&E") result from the rationalization, replacement and upgrade of older equipment in the Company's equipment fleet.

Equipment and property disposed of during the fourth quarter of 2024 included underutilized rental equipment and light duty vehicles. Equipment disposed during 2024 included real estate, underutilized rental equipment, a heavy truck, ancillary drilling equipment and light duty vehicles.

Equipment disposed during 2023 included underutilized rental equipment and heavy trucks, compression rental equipment, ancillary drilling and well servicing equipment and light duty vehicles.

Finance Costs

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Finance costs, net	**$ 1,838**	$ 12,235	(85%)	**$ 8,156**	$ 17,425	(53%)

Excluding $10.5 million of non-recurring interest included in finance costs for the fourth quarter of 2023 that related to a Canadian income tax reassessment, finance costs for the three and twelve months ended December 31, 2024 were higher as compared to the prior year comparable periods due to higher outstanding debt that was partially offset by lower interest rates on the variable rate portion of such debt.

Income Taxes and Net Income

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Current income tax expense	**$ 1,738**	$ 17,077	(90%)	**$ 8,828**	$ 17,217	(49%)
Deferred income tax expense	**2,743**	3,432	(20%)	**3,806**	11,911	(68%)
Total income tax expense	**$ 4,481**	$ 20,509	(78%)	**$ 12,634**	$ 29,128	(57%)
Net income	**$ 10,102**	$ (7,861)	nm	**$ 60,725**	$ 41,594	46%

"nm" - calculation not meaningful

In the fourth quarter of 2023 the Company recorded $16.2 million of current income tax expense following Canadian income tax reassessments for certain prior periods. Excluding the effect of this non-recurring current income tax provision, current income tax expense for the fourth quarter of 2024 was higher as compared to 2023 due to higher pre-tax income. The lower deferred income tax expense in 2024 as compared to 2023 is primarily due to a year over year decrease in available loss carry forwards in certain jurisdictions.

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 historically 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			
	December 31 2024	September 30 2024	June 30 2024	March 31 2024
Revenue	**$ 246,816**	$ 241,940	$ 213,334	$ 204,686
Operating income	**15,892**	27,308	14,612	22,030
EBITDA[1]	**40,565**	50,543	37,447	43,290
Cashflow	**43,413**	48,091	38,094	32,837
Cash provided by operating activities	**38,743**	60,353	29,187	37,637
Net income (loss)	**10,102**	19,706	15,454	15,463
Attributable to shareholders	**10,116**	19,731	15,472	15,482
Per share data (diluted)				
EBITDA[1]	**$ 1.04**	$ 1.28	$ 0.93	$ 1.06
Cashflow	**1.12**	1.22	0.95	0.80
Net income attributable to shareholders	**0.26**	0.50	0.39	0.38
Financial Position				
Total Assets	**$ 937,708**	$ 963,743	$ 936,356	$ 941,690
Long-Term Debt and Lease Liabilities (excluding current portion)	**79,171**	104,997	100,983	149,847
Working Capital[2]	**78,737**	97,274	71,816	124,398
Net Debt[1]	**434**	7,723	29,167	25,449
Shareholders' Equity	**571,043**	561,211	549,999	543,967
Common Shares (000's)[3]				
Basic	**38,171**	38,802	39,329	39,971
Diluted	**38,828**	39,489	40,060	40,796

	Financial Quarter Ended			
	December 31 2023	September 30 2023	June 30 2023	March 31 2023
Revenue	$ 213,758	$ 232,016	$ 208,845	$ 237,777
Operating income	23,510	23,691	9,401	28,020
EBITDA[1]	45,276	44,955	30,255	48,475
Cashflow	44,457	40,784	29,408	48,672
Cash provided by operating activities	50,364	21,939	43,902	29,741
Net income (loss)	(7,861)	19,237	6,180	24,038
Attributable to shareholders	(7,847)	19,231	6,201	24,040
Per share data (diluted)				
EBITDA[1]	$ 1.11	$ 1.10	$ 0.74	$ 1.15
Cashflow	1.09	1.00	0.72	1.16
Net income (loss) attributable to shareholders	(0.19)	0.47	0.15	0.57
Financial Position				
Total Assets	$ 861,658	$ 894,325	$ 888,117	$ 910,408
Long-Term Debt and Lease Liabilities (excluding current portion)	100,834	111,159	111,244	122,714
Working Capital[2]	123,439	127,566	108,577	111,312
Net Debt[1]	–	–	2,667	11,402
Shareholders' Equity	530,758	542,528	529,954	534,576
Common Shares (000's)[3]				
Basic	39,975	40,149	40,325	41,322
Diluted	40,623	40,961	41,048	42,048

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

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

(3) Basic and diluted shares outstanding reflect the weighted average number of common shares outstanding for the period. See note 16 to the 2024 Financial Statements.

Aboriginal Partnerships

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

SEGMENTED RESULTS

Contract Drilling Services

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Revenue	**$ 83,878**	$ 74,700	12%	**$ 319,612**	$ 287,333	11%
Canada	**45,399**	51,337	(12%)	**174,880**	180,265	(3%)
United States	**4,366**	10,852	(60%)	**33,875**	58,893	(42%)
Australia	**34,113**	12,511	173%	**110,857**	48,175	130%
Operating income (loss)	**$ 5,765**	$ 13,784	(58%)	**$ 28,395**	$ 37,272	(24%)
Canada	**7,273**	11,864	(39%)	**22,868**	30,758	(26%)
United States	**(1,311)**	414	nm	**(125)**	2,018	nm
Australia	**(197)**	1,506	nm	**5,652**	4,496	26%
Operating days(1)	**2,490**	2,588	(4%)	**10,177**	10,311	(1%)
Canada	**1,650**	1,890	(13%)	**6,604**	6,913	(4%)
United States	**122**	356	(66%)	**1,155**	2,052	(44%)
Australia	**718**	342	110%	**2,418**	1,346	80%
Revenue per operating day(1), dollars	**$ 33,686**	$ 28,864	17%	**$ 31,405**	$ 27,867	13%
Canada	**27,515**	27,162	1%	**26,481**	26,076	2%
United States	**35,787**	30,483	17%	**29,329**	28,700	2%
Australia	**47,511**	36,582	30%	**45,847**	35,791	28%
Utilization	**26%**	30%	(13%)	**27%**	30%	(10%)
Canada	**24%**	27%	(11%)	**23%**	25%	(8%)
United States	**11%**	32%	(66%)	**26%**	47%	(45%)
Australia	**46%**	74%	(38%)	**44%**	74%	(41%)
Rigs, average for period	**105**	94	12%	**104**	94	11%
Canada	**76**	77	(1%)	**77**	77	–
United States	**12**	12	–	**12**	12	–
Australia	**17**	5	240%	**15**	5	200%

(1) Operating days include drilling and paid standby days.

"nm" - calculation not meaningful

CDS segment revenue for the fourth quarter and year ended December 31, 2024 increased compared to the same periods in 2023. This was driven by higher activity in Australia following the acquisition of Saxon. Also contributing to the increase was pricing gains realized from equipment upgrades, the relocation of a triple rig from the U.S. to Canada in 2023 and the addition of Saxon's heavier fleet in March of 2024. Segment operating income for the fourth quarter of 2024 was lower compared to 2023 primarily due to a decline in U.S. drilling activity that began in the third quarter of 2023 and continued throughout 2024, extended activity shutdowns in Australia due to wet weather conditions and expenses incurred with the reactivation of several upgraded rigs in Australia and Canada.

In Canada, revenue in the fourth quarter of 2024 was lower than 2023 due to lower activity levels. This was partially offset by marginally higher day rates arising from rig upgrades. Operating income for the fourth quarter of 2024 was lower compared to 2023 primarily due to lower operating days and expenses incurred with the reactivation of upgraded rigs. Compared to 2023, Canadian CDS segment revenue for 2024 was flat due to a decrease in days that was partially offset by increased pricing. Excluding a $4.1 million year over year negative impact on Canadian segment operating income arising from changes in realized and unrealized foreign exchange gains, CDS segment operating income was 14% lower in 2024 compared to 2023.

In the United States, revenue was lower for both the fourth quarter and 2024 compared to the same prior year periods due to decreased activity. Pricing for the fourth quarter and 2024 was higher compared to the same periods in 2023 due to a change in the mix of equipment operating and strengthening of the U.S. dollar relative to the Canadian dollar. Operating losses were realized for three and 12 months ended December 31, 2024 as a result of reduced activity levels.

In Australia, revenue was higher for both the fourth quarter and 2024 compared to the same periods last year. This increase in revenue was primarily due to the acquisition of Saxon on March 7, 2024 and the deployment of a new drilling rig in the third quarter of 2024. Operating income decreased in the fourth quarter of 2024 due primarily to rig shutdowns due to extended wet weather conditions and expenses related to the reactivation of upgraded rigs. 2024 operating income increased compared to 2023 due to the acquisition of Saxon, price increases on upgraded rigs and the deployment of a new rig in the third quarter of 2024.

Rentals and Transportation Services

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Revenue	**$ 18,973**	$ 19,544	(3%)	**$ 78,587**	$ 84,906	(7%)
Canada	**11,425**	11,134	3%	**48,869**	48,728	–
United States	**7,548**	8,410	(10%)	**29,718**	36,178	(18%)
Operating income	**$ 2,432**	$ 1,723	41%	**$ 10,318**	$ 10,366	–
Canada	**649**	202	221%	**4,508**	2,053	120%
United States	**1,783**	1,521	17%	**5,810**	8,313	(30%)
Operating income, % of revenue	**13%**	9%	44%	**13%**	12%	8%
Canada	**6%**	2%	200%	**9%**	4%	125%
United States	**24%**	18%	33%	**20%**	23%	(13%)
Pieces of rental equipment	**7,820**	7,700	2%	**7,820**	7,700	2%
Canada	**6,880**	6,790	1%	**6,880**	6,790	1%
United States	**940**	910	3%	**940**	910	3%
Rental equipment utilization	**19%**	18%	6%	**18%**	18%	–
Canada	**16%**	16%	–	**16%**	16%	–
United States	**38%**	33%	15%	**34%**	35%	(3%)
Heavy trucks	**68**	67	1%	**68**	67	1%
Canada	**47**	46	2%	**47**	46	2%
United States	**21**	21	–	**21**	21	–

Revenue from the RTS segment for the fourth quarter and 2024 decreased as compared to the same periods in 2023 due primarily to lower activity levels and the mix of equipment operating in the United States.

In Canada, the RTS segment had improved operating results during the three and 12 months ended December 31, 2024 as compared to the same periods in 2023. This was due to lower equipment re-activation costs and a change in the mix of equipment operating.

In the United States, fourth quarter operating income for 2024 increased compared to 2023. This was primarily due to lower equipment reactivation expenses and a change in the mix of equipment operating. The decrease in U.S. operating income for 2024 as compared to 2023 was due primarily to lower U.S. drilling and completion activity. This segment's relatively high fixed cost structure as compared to the Company's other business segments provides significant leverage to increased 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

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Revenue	**$ 116,397**	$ 95,439	22%	**$ 413,944**	$ 417,646	(1%)
Canada	**49,319**	45,760	8%	**169,207**	194,147	(13%)
United States	**67,078**	49,679	35%	**244,737**	223,499	10%
Operating income	**$ 14,429**	$ 10,691	35%	**$ 54,016**	$ 41,776	29%
Canada	**4,425**	2,116	109%	**13,458**	8,964	50%
United States	**10,004**	8,575	17%	**40,558**	32,812	24%
Operating income, % of revenue	**12%**	11%	9%	**13%**	10%	30%
Canada	**9%**	5%	80%	**8%**	5%	60%
United States	**15%**	17%	(12%)	**17%**	15%	13%
Horsepower of equipment on rent at period end	**50,988**	39,496	29%	**50,988**	39,496	29%
Canada	**17,298**	13,856	25%	**17,298**	13,856	25%
United States	**33,690**	25,640	31%	**33,690**	25,640	31%
Rental equipment utilization during the period (HP)	**76%**	67%	13%	**76%**	73%	4%
Canada	**72%**	76%	(5%)	**70%**	77%	(9%)
United States	**78%**	61%	28%	**79%**	70%	13%
Sales backlog at period end, $ million	**$ 189.0**	$ 162.8	16%	**$ 189.0**	$ 162.8	16%

Fourth quarter CPS segment revenue for 2024 was higher than 2023 due to increased fabrication, parts and service and rental activity in both Canada and the United States. CPS segment revenue decreased modestly in 2024 compared to 2023 due primarily to the allocation of significant fabrication capacity to rental fleet construction during the first quarter of 2024. Following the deployment of these newly constructed gas compression rental units, the consolidated rental fleet utilization for the three and 12 months ended December 31, 2024 increased compared to the same periods last year. The year end fabrication sales backlog increased to $189.0 million compared to the $162.8 million backlog at December 31, 2023. Sequentially the quarter-end fabrication sales backlog remained consistent with the $189.0 million backlog at September 30, 2024. The timeline for conversion of the sales backlog into revenue varies from order to order and often changes due to factors outside of the Company's control.

Operating income in both Canada and the U.S. increased during the three and 12 months ended December 31, 2024 compared to the same periods in 2023 as a result of improved fabrication sales margins and increased rental revenue. Also positively impacting results for 2024 compared to 2023 was the strengthening of the U.S. dollar relative to the Canadian dollar.

Well Servicing

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Revenue	**$ 27,568**	$ 24,075	15%	**$ 94,633**	$ 102,511	(8%)
Canada	**13,412**	12,377	8%	**49,209**	49,603	(1%)
United States	**1,820**	4,347	(58%)	**9,980**	22,749	(56%)
Australia	**12,336**	7,351	68%	**35,444**	30,159	18%
Operating income (loss)	**$ 420**	$ 1,117	(62%)	**$ 4,519**	$ 7,525	(40%)
Canada	**1,887**	1,339	41%	**6,928**	5,968	16%
United States	**(846)**	(524)	61%	**(1,751)**	1,547	nm
Australia	**(621)**	302	nm	**(658)**	10	nm
Service hours[(1)]	**25,673**	24,631	4%	**92,980**	106,551	(13%)
Canada	**14,028**	13,293	6%	**51,257**	52,281	(2%)
United States	**2,058**	4,707	(56%)	**11,301**	23,488	(52%)
Australia	**9,587**	6,631	45%	**30,422**	30,782	(1%)
Revenue per service hour, dollars	**$ 1,074**	$ 977	10%	**$ 1,018**	$ 962	6%
Canada	**956**	931	3%	**960**	949	1%
United States	**884**	924	(4%)	**883**	969	(9%)
Australia	**1,287**	1,109	16%	**1,165**	980	19%
Utilization[(2)]	**28%**	29%	(3%)	**26%**	31%	(16%)
Canada	**28%**	26%	8%	**26%**	26%	–
United States	**19%**	47%	(60%)	**26%**	59%	(56%)
Australia	**36%**	25%	44%	**29%**	29%	–
Rigs, average for period	**79**	79	–	**79**	79	–
Canada	**55**	56	(2%)	**55**	56	(2%)
United States	**12**	11	9%	**12**	11	9%
Australia	**12**	12	–	**12**	12	–

"nm" – calculation not meaningful

(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.

WS segment revenue increased during the fourth quarter of 2024 compared to the same period in 2023 due to the reactivation of several upgraded service rigs in Australia. Operating income decreased in the fourth quarter of 2024 as compared to the same period in 2023 due to lower well servicing activity in the U.S., extended activity shutdowns in Australia due to wet weather conditions and expenses related to the reactivation of several upgraded service rigs in Australia. Segment revenue and operating income decreased in 2024 as compared to 2023 as a result of lower activity levels in all jurisdictions and Australian rig reactivation costs.

Canadian revenue for the fourth quarter of 2024 was higher compared to 2023 due to increased activity levels and marginally improved pricing due to rig upgrades. For 2024, revenue in Canada was comparable to 2023. Operating income in Canada increased for the three months and the year ended December 31, 2024 as the negative impact of marginally lower annual service hours was offset by increased pricing received for upgraded rigs.

In the United States, fourth quarter and annual revenue for 2024 decreased as compared to the same periods in 2023 as a result of lower activity. Operating losses were realized in both the fourth quarter and for 2024 as a result of the substantial year over year decline in activity levels.

Australian fourth quarter revenue in 2024 increased relative to 2023 following the deployment of several upgraded rigs. Revenue for 2024 increased on a year-over-year basis due to higher pricing on upgraded equipment, which offset a modest decline in annual service hours. Extended wet weather conditions during the fourth quarter of 2024 and expenses incurred to reactivate several upgraded service rigs during the year resulted in operating losses for both the three months and year ended December 31, 2024 as compared to operating income being generated in the same periods in 2023.

Corporate

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Operating loss	**$ (7,154)**	$ (3,805)	88%	**$ (17,406)**	$ (12,317)	41%

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 services and support services to Total Energy's business segments and manages the corporate affairs of the Company. The increase in operating loss during the three months and year ended December 31, 2024 was primarily due to a $1.8 million increase in unrealized foreign exchange loss and a $2.3 million decrease in realized foreign exchange gain as compared to the same periods in 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operating Activities and Cashflow

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Cash provided by operating activities	**$ 38,743**	$ 50,364	(23%)	**$ 165,920**	$ 145,946	14%
Per share (diluted)	**$ 1.00**	$ 1.24	(19%)	**$ 4.18**	$ 3.55	18%
Cashflow	**$ 43,413**	$ 44,457	(2%)	**$ 162,435**	$ 163,321	(1%)
Per share (diluted)	**$ 1.12**	$ 1.09	3%	**$ 4.10**	$ 3.97	3%

The changes in cash provided by operating activities were due primarily to changes in the working capital requirements of the various business segments, including the working capital needs of Saxon since its acquisition on March 7, 2024. Cash flow decreased during the three months ended December 31, 2024 as compared to the same period in 2023 as a result of lower EBITDA, an increase in deferred revenue relating to increased activity in the CPS segment as well as the timing of working capital unwind. On a year-over-year basis, cashflow was flat mostly due to higher income taxes paid in the first half of 2024 arising from Canadian reassessments of certain of the Company's income tax filings related to its conversion from an income trust to a corporation in 2009. The Company's current priorities are to maintain strong financial liquidity, continue to repay long-term debt and enhance shareholder returns, including by the purchase and cancellation of shares under the normal course issuer bid and payment of a dividend.

Investing Activities

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Net cash used in investing activities	**$ (25,454)**	$ (16,104)	58%	**$ (132,877)**	$ (66,833)	99%
Proceeds from sale of PP&E	**$ 610**	$ 5,106	(88%)	**$ 2,315**	$ 11,516	(80%)
Purchase of PP&E and Acquisition	**$ (26,052)**	$ (15,611)	67%	**$ (138,440)**	$ (75,242)	84%

Net cash used in investing activities increased in the fourth quarter of 2024 compared to the same period last year due to increased investment in drilling and service rig upgrades and less proceeds being received from the disposal of PP&E. Net cash used in investing activities was $66.0 million higher in 2024 than 2023 due to $47.4 million cash paid on the acquisition of Saxon and a $15.8 million increase in purchases of PP&E. Proceeds from the sale of 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.

The following summarizes PP&E purchases by segment for the three months and year ended December 31, 2024.

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
CDS	**$ 12,955**	$ 6,282	106%	**$ 43,717**	$ 46,810	(7%)
RTS	**5,522**	1,446	282%	**12,964**	7,223	79%
CPS	**2,913**	7,669	(62%)	**18,176**	14,452	26%
WS	**4,648**	208	2,135%	**16,219**	6,516	149%
Corporate	**14**	6	133%	**14**	241	(94%)
Purchase of PP&E	**$ 26,052**	$ 15,611	67%	**$ 91,090**	$ 75,242	21%

During the fourth quarter and year ended December 31, 2024 PP&E purchases were as follows: drilling rig upgrades, recertifications and ancillary rig equipment purchases in the CDS segment, 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 2024 capital expenditures was approximately $14.2 million of capital commitments carried forward from 2023.

During the three months and year ended December 31, 2023 PP&E purchases were as follows: drilling rig upgrades, recertifications and ancillary rig equipment purchases in the CDS segment, 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 2023 capital expenditures was approximately $4.0 million of capital commitments carried forward from 2022.

Capital spending for the three months and year ended December 31, 2024 was funded by cash flow and $0.6 million and $2.3 million, respectively, of proceeds from the sale of PP&E.

Financing Activities

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	**2024**	2023	Change
Net cash used in financing activities	**$ (36,749)**	$ (16,210)	127%	**$ (42,559)**	$ (65,239)	(35%)

During the fourth quarter of 2024 net cash used in financing activities was $20.5 million higher compared to the same period last year. This is primarily due to a $25.5 million repayment of long-term debt and $3.6 million of share repurchases under the Company's normal course issuer bid. For 2024, net cash used in financing activities was $22.7 million lower than in 2023. This change was primarily due to a net long-term debt advancement of $18.0 million during 2024 that was primarily used to fund the acquisition of Saxon, an $11.5 million increase in interest paid, a $7.9 million increase in share repurchases under the company's normal course issuer bid and a $1.6 million increase in dividend payments following a

13% dividend increase approved by the Board of Directors in the first quarter of 2024. Included in interest paid during 2024 is $10.9 million relating to reassessments of certain of the Company's Canadian income tax filings related to its conversion from an income trust to a corporation in 2009.

Liquidity and Capital Resources

The Company had a working capital surplus of $78.7 million as at December 31, 2024 compared to $123.4 million as at December 31, 2023. As at December 31, 2024 and the date of this MD&A, the Company was in compliance with all debt covenants.

On June 19, 2017 the Company entered into a three-year $225 million revolving syndicated credit facility (the "Credit Facility"). Following several renewals and at the request of the Company the Credit Facility was reduced to $170 million and the maturity date extended to November 10, 2026. The Credit Facility includes a Canadian $18 million operating line, an Australian $2 million operating line and a Canadian $150 million revolving facility. The Company has the option to increase such facility by $75 million subject to certain terms and conditions, including the agreement of the lenders to increase their commitments. The Credit Facility bears interest at the banks' Canadian prime rate plus 0.25% to 1.25%, bankers' acceptances, letters of credit, LIBOR or BBSY advances plus a 1.5% to 2.5% 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 0.5% per annum is paid quarterly on the unused portion of the facility depending on certain financial ratios of the Company. In January of 2024, term CORRA rates have replaced bankers' acceptances and SOFR rates have replaced LIBOR, with no changes in pricing or premiums. At December 31, 2024, the applicable interest rate on amounts drawn on the Credit Facility was 5.23% and the standby rate was 0.25%. Letters of credit ("LOC") of $0.3 million were outstanding at December 31, 2024 (2023: $0.3 million) which reduces the amount of credit available under the Credit Facility by an equivalent amount.

At December 31, 2024 amounts owing under the Credit Facility were denominated in Canadian dollars.

In August of 2018 a U.S. $20 million letter of credit facility was established (the "LOC Facility"). LOCs 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 million. At December 31, 2024 $2.5 million Canadian dollars of LOCs were outstanding under the LOC Facility (December 31, 2023: $3.9 million).

In addition to the Credit Facility, a subsidiary of the Company has established a $5 million revolving operating credit facility with a member of the Credit Facility lenders' syndicate. At December 31, 2024 this facility was undrawn and fully available.

At December 31, 2024 the Company's long-term debt consisted of the following:

	December 31, 2024		December 31, 2023	
	Interest rate	**Principal amount**	Interest rate	Principal amount
Credit Facility	**5.23%**	**$ 70,000**	7.09%	$ 50,000
Mortgage loan (2025 maturity)	**3.10%**	**40,947**	3.10%	42,997
	4.45%	**110,947**	5.25%	92,997
Less current portion		**40,947**		2,050
		$ 70,000		$ 90,947

At December 31, 2024 amounts owing under the Credit Facility and the mortgage loan were denominated in Canadian dollars.

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

	December 31, 2024	Threshold
Twelve-month trailing Bank EBITDA to interest expense	**25.81**	minimum 3.00
Total Senior Debt to twelve-month trailing Bank EBITDA	**0.25**	maximum 3.00

The Company was in compliance with all of its Credit Facility and other debt covenants at December 31, 2024. For further information regarding Credit Facility compliance requirements and details on the Company's borrowings, please refer to note 13 to the 2024 Financial Statements.

The Company expects that cash and cash equivalents, cash flow from operating activities and 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

On March 9, 2023 the Board of Directors increased the dividend by 33% and declared a dividend of $0.08 per share for the quarter ended March 31, 2023. On March 7, 2024 the Board of Directors increased the dividend by 13% to $0.09 per share. On November 6, 2024 the Board of Directors declared a dividend of $0.09 per share for the quarter ended December 31, 2024.

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.

CONTRACTUAL OBLIGATIONS

At December 31, 2024 the Company had the following contractual obligations:

	Payments due by year					
	Total	2025	2026	2027	2028	2029 and after
Long-term debt and bank indebtedness	$ 110,947	$ 40,947	$ 70,000	$ –	$ –	$ –
Commitments[1]	93	93	–	–	–	–
Lease liabilities	15,539	6,368	4,721	2,927	1,445	78
Purchase obligations[2]	21,621	21,621	–	–	–	–
Total contractual obligations	$ 148,200	$ 69,029	$ 74,721	$ 2,927	$ 1,445	$ 78

(1) Commitments are described in Note 25 to the 2024 Financial Statements.

(2) Purchase obligations are described in Note 25 to the 2024 Financial Statements. As at December 31, 2024 purchase obligations primarily relate to commitments to purchase inventory in the CPS segment.

OFF-BALANCE SHEET ARRANGEMENTS

During 2024 and 2023, the Company had no off-balance sheet arrangements other than short-term leases.

TRANSACTIONS WITH RELATED PARTIES

During 2024 and 2023 the Company had no material transactions with related parties.

OUTSTANDING COMPANY SHARE DATA

As at the date of this MD&A, the Company had 38,051,000 common shares outstanding.

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

Outstanding at December 31, 2024	Exercise Price	Remaining life (years)	Exercisable at December 31, 2024
124,000	$ 2.31	0.60	124,000
453,333	3.72	1.60	453,333
765,000	7.46	2.60	500,000
80,000	6.42	2.80	50,000
1,305,000	10.06	3.60	435,000
2,727,333	$ 7.82	2.83	1,562,333

OUTLOOK

The recovery in oil and natural gas prices that began in the second half of 2021 has resulted in improved industry conditions since the historic lows experienced during the COVID pandemic. However, producers remain disciplined in regard to their capital expenditure programs. Consolidation of oil and natural gas producers, particularly in the United States, and energy infrastructure limitations have also contributed to moderating North American drilling and completion activity.

Significant investment in North American energy infrastructure, including investment directed towards increasing LNG export capacity, provides some optimism as to future activity levels. The recent expansion of the Trans Mountain pipeline and the expected startup of the LNG Canada liquified natural gas export terminal in mid-2025 should improve the demand for energy services in Canada. While current indications are that global energy industry activity levels will remain stable on a seasonally adjusted basis, global economic and political uncertainty cause the Company to remain cautious and manage its business and affairs in a manner to protect its balance sheet and financial liquidity.

The severity of the downturn in 2020 and early 2021 resulted in substantial consolidation and rationalization of the North American energy service industry that has contributed to more favorable market conditions as activity levels recovered. Total Energy's significant investment in equipment upgrades since that downturn as well as the acquisition of Saxon in March of 2024 position the Company to benefit from stable or improving industry conditions.

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 2024 other than as described below.

Industry Conditions

The Company's Canadian customers modestly increased capital spending plans for 2024 although current capital spending levels remain below levels experienced during previous periods of similar oil and natural gas prices. Drilling and completion activity in the United States is below the levels experienced in 2023 with significant industry consolidation having negatively impacted industry activity levels. Significant investment to increase North American LNG export capacity has resulted in strong demand for the products and services provided by the CPS segment. Current indications are that North American and Australian activity will remain relatively stable in 2025 as compared to 2024.

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 an 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 that accounted for over 10% of the consolidated revenue in the fourth quarter and year ended December 31, 2024. The Company did not have significant exposure to any individual customer or counter party that accounted for over 10% of the consolidated revenue, other than one major oil and gas producing company in the fourth quarter of 2023.

The Company's allowance for doubtful accounts receivable at December 31, 2024 was $1.6 million, which is $0.5 million higher than the balance as at December 31, 2023.

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 were no material changes to the Company's Critical Accounting Estimates during 2024.

Critical Judgments in Applying Accounting Policies

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

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

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

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

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

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

Key Sources of Estimation Uncertainty

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

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

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

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

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

As pertains to accounts receivable the Company is required to estimate allowances for doubtful accounts based on 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

As described throughout this MD&A, the Company references the following financial measures that are not recognized under IFRS: EBITDA, operating income, cashflow, working capital and net debt. Management believes that, in addition to the amounts reported in the Consolidated Financial Statements, these measures are useful in assessing the Company's performance and liquidity. These measures are unlikely to be comparable to similar measures presented by other companies. The non-IFRS measures referenced in this MD&A reconcile to the IFRS measures reported in the Consolidated Financial Statements as follows, unless reconciled elsewhere:

EBITDA	Three months ended December 31		Year ended December 31	
	2024	2023	**2024**	2023
Net income	**$ 10,102**	$ (7,861)	**$ 60,725**	$ 41,594
Add back:				
Depreciation	**24,144**	20,393	**90,330**	80,814
Finance costs, net	**1,838**	12,235	**8,156**	17,425
Income tax expense	**4,481**	20,509	**12,634**	29,128
EBITDA	**$ 40,565**	$ 45,276	**$ 171,845**	$ 168,961

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

Net Debt	**As at December 31, 2024**
Long-term debt	**$ 70,000**
Lease liabilities	**9,171**
Add back (deduct):	
Current liabilities	**230,461**
Current assets	**(309,198)**
Net Debt	**$ 434**

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the 2024 Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer, together with other members of management (collectively, the "Officers"), have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that the information required to be disclosed by the Company and its consolidated divisions, subsidiaries and partnerships in its filings or other reports submitted by it under securities legislation is in compliance with the time periods specified in the securities legislation. These disclosure controls and procedures include controls and procedures which have been designed to ensure that the information required to be disclosed by the Company and its consolidated divisions and subsidiaries in its filings or other reports submitted by it under securities legislation is accumulated and communicated to the Officers and others within those entities to allow timely decisions regarding required disclosure.

Disclosure Controls and Procedures: The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is reported within the time periods specified under securities laws, and include controls and procedures that are designed to ensure that information is communicated to management of Total Energy, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. An evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual Financial and Interim Filings) was conducted as at December 31, 2024. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer of Total Energy have concluded that the design and operation of the Company's disclosure controls and procedures were effective as at December 31, 2024.

Internal Control Over Financial Reporting: The Chief Executive Officer and the Chief Financial Officer of Total Energy are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). The Chief Executive Officer and the Chief Financial Officer of Total Energy directed the assessment of the design and operating effectiveness of the Company's internal control over financial reporting as at December 31, 2024 and based on that assessment determined that the Company's internal control over financial reporting was, in all material respects, appropriately designed and operated effectively. There were no changes to internal controls over financial reporting that would materially affect, or be reasonably likely to materially affect, the Company's internal controls over financial reporting during the quarter and year ended December 31, 2024.

While the Officers have designed the Company's disclosure controls and procedures and internal controls over financial reporting, they expect that these controls and procedures will not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as global economic conditions, changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), pandemics (including COVID-19 pandemic), 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

George Chow [1]
Chairman of the Board

Daniel Halyk
President and Chief Executive Officer

Glenn Dagenais [2, 3]

Greg Melchin [1, 2]

Jessica Kirstine [1, 3]

Ken Mullen [2, 3]

[1] Member of the Compensation Committee
[2] Member of the Audit Committee
[3] Member of the Corporate Governance and Nominating Committee

MANAGEMENT TEAM

Daniel Halyk
President and Chief Executive Officer

Jeremy Busch-Howell
Vice President, Legal, General Counsel and Corporate Secretary

Yuliya Gorbach
Vice President, Finance and Chief Financial Officer

William Kosich
Vice President, Drilling Services

Brad Macson
Vice President, Operations

Muhammad Yasir Nisar
Assistant Vice President, Drilling Services

Golden Bhatia
Corporate Controller

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AUDITOR

MNP LLP

Calgary, Alberta

TRUSTEE, REGISTRAR AND TRANSFER AGENT

Computershare

Calgary, Alberta

LEGAL COUNSEL

Bennett Jones, LLP

Calgary, Alberta

BANKERS

Royal Bank of Canada

The Toronto Dominion Bank

Alberta Treasury Branches

STOCK EXCHANGE LISTING

Toronto Stock Exchange

Common Shares: TOT

CANADIAN LOCATIONS

Brooks, AB • Calgary, AB • Clairmont, AB • Drayton Valley, AB • Drumheller, AB • Edson, AB • Fort McMurray, AB • Fox Creek, AB
Grande Prairie, AB • Lac La Biche, AB • Leduc, AB • Lloydminster, AB • Medicine Hat, AB • Red Deer, AB • Rocky Mountain House, AB
Slave Lake, AB • Whitecourt, AB • Dawson Creek, BC • Fort St. John, BC • Swift Current, SK • Weyburn/Midale, SK

U.S. LOCATIONS

Denver, CO • Greeley, CO • Dickinson, ND • Watford City, ND
Casper, WY • Gillette, WY • Weirton, WV • Midland, TX • Odessa, TX • Williamsport, PA

AUSTRALIAN LOCATIONS

Brisbane, QLD • Toowoomba, QLD