



# **Canadian Energy**

SERVICES

## **Condensed Consolidated Financial Statements**

**For the Three and Nine Months Ended September 30, 2015 and 2014**

**Canadian Energy Services & Technology Corp.**  
Condensed Consolidated Statements of Financial Position (unaudited)  
(stated in thousands of Canadian dollars)

	As at	
	September 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets		
Cash	21,216	-
Accounts receivable	169,018	274,485
Financial derivative asset	1,724	-
Income taxes receivable	15,937	5,520
Inventory	129,947	141,485
Prepaid expenses and deposits	10,359	23,594
	<b>348,201</b>	<b>445,084</b>
Property and equipment (note 3)	246,302	210,775
Intangible assets	96,174	99,340
Deferred income tax asset	853	11
Other assets	4,519	-
Goodwill	369,436	332,870
	<b>1,065,485</b>	<b>1,088,080</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	64,622	105,104
Financial derivative liability	444	554
Dividends payable (note 9)	6,027	5,927
Income taxes payable	732	141
Current portion of deferred acquisition consideration (note 8)	8,103	18,485
Current portion of long-term debt (note 4)	-	884
Current portion of finance lease obligations	7,196	6,908
	<b>87,124</b>	<b>138,003</b>
Deferred acquisition consideration	3,800	10,851
Long-term debt (note 4)	298,482	360,024
Finance lease obligations	7,029	7,787
Deferred income tax liability	42,575	31,021
	<b>439,010</b>	<b>547,686</b>
Commitments (note 10)		
Shareholders' equity		
Common shares (note 6)	478,885	459,053
Contributed surplus	23,786	21,315
Deficit	(37,565)	(5,869)
Accumulated other comprehensive income	161,281	65,538
Equity attributable to shareholders of the Company	<b>626,387</b>	<b>540,037</b>
Non-controlling interest	88	357
	<b>626,475</b>	<b>540,394</b>
	<b>1,065,485</b>	<b>1,088,080</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

## Canadian Energy Services & Technology Corp.

Condensed Consolidated Statements of Income and Comprehensive Income (unaudited)  
(stated in thousands of Canadian dollars, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenue	<b>187,757</b>	272,938	<b>584,656</b>	694,033
Cost of sales	<b>146,499</b>	195,022	<b>449,903</b>	503,406
Gross margin	<b>41,258</b>	77,916	<b>134,753</b>	190,627
General and administrative expenses	<b>38,593</b>	40,119	<b>110,568</b>	105,023
Operating profit	<b>2,665</b>	37,797	<b>24,185</b>	85,604
Finance costs	<b>3,972</b>	6,614	<b>14,621</b>	17,238
Other income (note 8)	<b>(5,812)</b>	-	<b>(11,628)</b>	-
Income before taxes	<b>4,505</b>	31,183	<b>21,192</b>	68,366
Current income tax (recovery) expense	<b>(6,417)</b>	11,025	<b>(8,143)</b>	15,691
Deferred income tax expense (recovery)	<b>4,469</b>	(910)	<b>6,969</b>	3,656
Net income	<b>6,453</b>	21,068	<b>22,366</b>	49,019
Net income (loss) attributable to:				
Shareholders of the Company	<b>6,457</b>	20,937	<b>22,126</b>	48,888
Non-controlling interest	<b>(4)</b>	131	<b>240</b>	131
	<b>6,453</b>	21,068	<b>22,366</b>	49,019
Other comprehensive gain (loss):				
Unrealized foreign exchange gain (loss) on translation of foreign operations attributable to:				
Shareholders of the Company	<b>46,263</b>	27,220	<b>95,708</b>	28,384
Non-controlling interest	<b>(8)</b>	-	<b>35</b>	-
Comprehensive income	<b>52,708</b>	48,288	<b>118,109</b>	77,403
Comprehensive income (loss) attributable to:				
Shareholders of the Company	<b>52,720</b>	48,157	<b>117,834</b>	77,272
Non-controlling interest	<b>(12)</b>	131	<b>275</b>	131
	<b>52,708</b>	48,288	<b>118,109</b>	77,403
Net income per share (note 6)				
Basic	<b>0.03</b>	0.10	<b>0.10</b>	0.24
Diluted	<b>0.03</b>	0.09	<b>0.10</b>	0.23

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**Canadian Energy Services & Technology Corp.**  
Condensed Consolidated Statements of Changes in Equity (unaudited)  
(stated in thousands of Canadian dollars)

	Nine Months Ended September 30,	
	2015	2014
<b>COMMON SHARES</b>		
Balance, beginning of period	<b>459,053</b>	342,532
Issued pursuant to the Offering, net of share issue costs and taxes	-	72,718
Consideration for business combinations	-	24,712
Issued pursuant to stock-based compensation (note 7)	<b>19,804</b>	13,699
Issued pursuant to property and equipment acquisition	-	60
Issued pursuant to stock dividend and stock settled director fee	<b>28</b>	475
Balance, end of period	<b>478,885</b>	454,196
<b>CONTRIBUTED SURPLUS</b>		
Balance, beginning of period	<b>21,315</b>	13,387
Reclassified pursuant to stock-based compensation (note 6)	<b>(16,512)</b>	(10,132)
Stock-based compensation expense (note 7)	<b>18,983</b>	15,969
Balance, end of period	<b>23,786</b>	19,224
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Balance, beginning of period	<b>65,538</b>	14,949
Unrealized foreign exchange gain on translation of foreign operations	<b>95,743</b>	28,384
Balance, end of period	<b>161,281</b>	43,333
<b>DEFICIT</b>		
Balance, beginning of period	<b>(5,869)</b>	(10,349)
Net income attributable to shareholders of the Company	<b>22,126</b>	48,888
Dividends declared (note 9)	<b>(53,822)</b>	(45,479)
Balance, end of period	<b>(37,565)</b>	(6,940)
<b>NON-CONTROLLING INTEREST</b>		
Balance, beginning of period	<b>357</b>	-
Net income attributable to non-controlling interest	<b>240</b>	131
Distributions declared to non-controlling interest	<b>(509)</b>	-
Balance, end of period	<b>88</b>	131
	<b>626,475</b>	509,944

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## Canadian Energy Services & Technology Corp.

Condensed Consolidated Statements of Cash Flows (unaudited)  
(stated in thousands of Canadian dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES:</b>				
Net income	6,453	21,068	22,366	49,019
Adjustments for:				
Depreciation and amortization	13,906	10,562	40,240	28,550
Stock-based compensation (note 7)	7,309	6,222	18,983	15,969
Non-cash (income) expenses	(1,120)	1,118	(788)	1,478
Deferred income tax expense (recovery)	4,469	(910)	6,969	3,656
Loss (gain) on disposal of assets	170	(198)	(138)	(520)
Other income (note 8)	(5,812)	-	(11,628)	-
Change in non-cash working capital (note 11)	(16,406)	(46,677)	107,500	(56,611)
	<b>8,969</b>	<b>(8,815)</b>	<b>183,504</b>	<b>41,541</b>
<b>FINANCING ACTIVITIES:</b>				
Repayment of long-term debt and finance leases	(2,104)	(1,851)	(7,026)	(4,882)
Net proceeds from Senior Notes issuance	-	79,509	-	79,509
Decrease in Senior Facility	-	(71,873)	(60,015)	(64,851)
Shareholder dividends	(17,988)	(16,267)	(53,722)	(43,499)
Issuance of shares, net of issuance costs	1,626	72,395	3,292	75,425
Distributions to non-controlling interest	-	-	(509)	-
	<b>(18,466)</b>	<b>61,913</b>	<b>(117,980)</b>	<b>41,702</b>
<b>INVESTING ACTIVITIES:</b>				
Investment in property and equipment	(10,111)	(13,897)	(37,029)	(43,350)
Investment in intangible assets	(548)	(2,634)	(1,915)	(4,507)
Investment in other assets	(4,519)	-	(4,519)	-
Deferred acquisition consideration	(7,623)	(715)	(7,623)	(715)
Business combinations	-	(36,583)	-	(36,583)
Proceeds on disposal of property and equipment	1,374	731	4,365	1,912
	<b>(21,427)</b>	<b>(53,098)</b>	<b>(46,721)</b>	<b>(83,243)</b>
Effect of foreign exchange on cash	2,866	-	2,413	-
<b>CHANGE IN CASH</b>	<b>(28,058)</b>	<b>-</b>	<b>21,216</b>	<b>-</b>
Cash, beginning of period	49,274	-	-	-
Cash, end of period	<b>21,216</b>	<b>-</b>	<b>21,216</b>	<b>-</b>
<b>SUPPLEMENTARY CASH FLOW DISCLOSURE</b>				
Interest paid	27	711	12,135	10,532
Income taxes (recovered) paid	(26)	2,155	952	9,521

*The accompanying notes are an integral part of these consolidated financial statements.*

# Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(stated in thousands of Canadian dollars, except for share and per share amounts)

## 1. The Company

Canadian Energy Services & Technology Corp. (the “Company” or “CES”) is a company domiciled in Canada. These unaudited condensed consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2015 and 2014 comprise the Company and its subsidiaries (together referred to as the “Company” or “CES”).

CES’ core business is to design, implement, and manufacture technically advanced consumable fluids and specialty chemicals for the oil and gas industry. CES operates in the Western Canadian Sedimentary Basin (“WCSB”) and in several basins throughout the United States (“US”), with an emphasis on servicing the ongoing major resource plays. CES’ business units include: Canadian Energy Services, AES Drilling Fluids, AES Drilling Fluids Permian, PureChem Services, JACAM Chemicals, Clear Environmental Solutions, and EQUAL Transport.

## 2. Basis of Presentation

### Statement of Compliance

These unaudited condensed consolidated financial statements have been prepared by management of the Company in accordance with International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*”, following the same accounting principles and methods of computation as outlined in the Company’s consolidated financial statements for the year ended December 31, 2014. There were no new or amended accounting standards or interpretations adopted during the nine months ended September 30, 2015.

These unaudited condensed consolidated financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2014. These unaudited condensed consolidated financial statements were authorized for issue by the Company’s Board of Directors on November 12, 2015.

### Recent Accounting Pronouncements

There were no new or amended accounting standards or interpretations issued during the nine months ended September 30, 2015 that are applicable to the Company in future periods. A description of accounting standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2014.

## 3. Property and Equipment

Property and equipment are comprised of the following balances:

	As at September 30, 2015			As at December 31, 2014		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
<i>\$000's</i>						
Buildings	87,326	(9,158)	78,168	62,474	(6,074)	56,400
Trucks and trailers	56,298	(24,722)	31,576	48,479	(16,044)	32,435
Vehicles	39,017	(12,459)	26,558	34,247	(10,240)	24,007
Processing equipment	31,087	(5,895)	25,192	25,541	(3,634)	21,907
Tanks	31,368	(6,181)	25,187	27,890	(4,285)	23,605
Aircraft	25,833	(4,920)	20,913	23,588	(3,062)	20,526
Field equipment	34,338	(15,067)	19,271	26,939	(10,215)	16,724
Land	8,475	-	8,475	7,655	-	7,655
Leasehold improvements	8,802	(2,931)	5,871	5,195	(2,125)	3,070
Computer equipment	7,658	(4,356)	3,302	5,565	(2,899)	2,666
Furniture and fixtures	3,464	(1,675)	1,789	2,922	(1,142)	1,780
	<b>333,666</b>	<b>(87,364)</b>	<b>246,302</b>	<b>270,495</b>	<b>(59,720)</b>	<b>210,775</b>

## Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(stated in thousands of Canadian dollars, except for share and per share amounts)

### 4. Long-Term Debt

On September 30, 2015, the Company completed an amendment to its existing Senior Facility (“Amended Senior Facility”) which extended the term to maturity by one year to September 28, 2018. With the exception of the change to the Company’s debt covenants outlined below, the terms and conditions of the Amended Senior Facility remain consistent with the previous Senior Facility, allowing the Company to borrow up to \$200,000, with the option to borrow an additional \$100,000 subject to certain terms and conditions. Amounts drawn on the Amended Senior Facility incur interest at the bank’s prime rate or US base rate plus an applicable pricing margin ranging from 0.50% to 1.25% or the Canadian Bankers’ Acceptance rate or the LIBOR rate plus an applicable pricing margin ranging from 1.50% to 2.25%. The Amended Senior Facility has a standby fee ranging from 0.30% to 0.45%. The applicable pricing margins are based on a sliding scale of Senior Funded Debt to EBITDA ratio. The obligations and indebtedness under the Amended Senior Facility are secured by all of the assets of CES and its subsidiaries.

In conjunction with the Amended Senior Facility, CES is subject to the following financial covenants:

- The ratio of Total Net Funded Debt to EBITDA calculated on a rolling four-quarter basis shall not exceed 4.50 to 1.00.
- The ratio of Senior Funded Debt to trailing EBITDA must not exceed 2.50 to 1.00 calculated on a rolling four-quarter basis.
- The quarterly ratio of EBITDA to interest expense must be more than 3.00 to 1.00 calculated on a rolling four-quarter basis.

The relevant definitions of key ratio terms as set forth in the Amended Senior Facility agreement are as follows:

- EBITDA is defined as net income before interest, taxes, depreciation and amortization, gains and losses on disposal of assets, amortization of capitalized deferred financing costs, goodwill impairment, unrealized foreign exchange gains and losses, unrealized derivative gains and losses, stock-based compensation, and other gains and losses not considered reflective of underlying operations.
- Total Net Funded Debt is defined as all funded obligations, liabilities, and indebtedness excluding deferred income tax liabilities and deferred tax credits, office leases, other leases characterised as operating leases, and accrued interest not yet due and payable.
- Senior Funded Debt is defined as Total Net Funded Debt minus the principal amount owing on the Company’s Senior Notes.

The above noted definitions are not recognized under IFRS and are provided strictly for the purposes of the debt covenant calculations.

As at September 30, 2015, the Company was in compliance with the terms and covenants of its lending agreements. The Company’s debt covenant calculations as at September 30, 2015 and as at December 31, 2014, are as follows:

\$000's	As at	
	September 30, 2015	December 31, 2014
Total Net Funded Debt to EBITDA Ratio (Must be < 4.50:1.00)		
Total Net Funded Debt	314,225	377,313
EBITDA for the four quarters ended	132,790	177,172
Ratio	2.37	2.13
Senior Funded Debt to EBITDA Ratio (Must be < 2.50:1.00)		
Senior Funded Debt	14,225	77,313
EBITDA for the four quarters ended	132,790	177,172
Ratio	0.11	0.44
EBITDA to Interest Expense (Must be > 3.00:1.00)		
EBITDA for the four quarters ended	132,790	177,172
Interest Expense for the four quarters ended	23,915	22,133
Ratio	5.55	8.00

As of September 30, 2015, the maximum available draw on the Amended Senior Facility was \$200,000 (December 31, 2014 - \$200,000) and the Company had a draw of \$nil (December 31, 2014 – a net draw of \$60,916), with capitalized transaction costs of \$595 (December 31, 2014 – \$669). Transaction costs attributable to the Amended Senior Facility are recorded as part of

## Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(stated in thousands of Canadian dollars, except for share and per share amounts)

long-term debt and amortized to finance costs over the remaining term.

The Company's long-term debt is comprised of the following balances:

<i>\$000's</i>	As at	
	September 30, 2015	December 31, 2014
Amended Senior Facility	-	61,585
Senior Notes	300,000	300,000
Vehicle financing loan	-	628
Equipment financing loans	-	405
	300,000	362,618
Less net unamortized debt issue costs	(4,906)	(5,653)
Less net unamortized debt premium	3,388	3,943
Less current portion of long-term debt	-	(884)
Long-term debt	298,482	360,024

For the three and nine months ended September, 2015, the Company recorded \$5,968 and \$18,663, respectively, (2014 – \$6,557 and \$17,015, respectively) in interest expense related to its long-term debt and lease balances, including the amortization of capitalized transaction costs.

### 5. Income Taxes

CES is subject to federal, provincial, and state income taxes in Canada, the US, and Luxembourg based on the taxable income or loss including the transactions entered into and recorded by the Company and based on the estimates and calculations used by the Company during the normal course of business to the extent that income is not sheltered by existing tax pools.

In August 2014, the Company received a proposal letter from the Canada Revenue Agency (the "CRA") which stated its intent to challenge the Canadian tax consequences of the Company's conversion from a publicly-traded Canadian limited partnership to a publicly-traded corporation (the "Conversion"). The CRA's position is based on the acquisition of control rules and the general anti-avoidance rules in the Income Tax Act (Canada). If the CRA issues notices of reassessment in respect of the Company's 2010, 2011, and 2012 taxation years, CES would be required to remit to the CRA 50% of the tax liability claimed by the CRA despite the appeal of such reassessments. If such reassessments were issued and maintained on appeal, CES would be obligated to remit cash taxes of approximately \$16,000 for the three taxation years, plus applicable interest. CES provided a response to the proposal letter in September 2014 and a further submission in June 2015. At this time, the CRA has not yet issued a response to CES' submission.

The impact of the CRA proposal on CES' tax provision has been considered by management and the Company remains confident that the tax returns as filed correctly reported the Canadian tax consequences of the Conversion transaction. If the proposed reassessments are issued by the CRA, management intends to vigorously defend CES' tax filing position. No amount has been accrued in the Company's September 30, 2015 unaudited condensed consolidated financial statements related to the Conversion.

### 6. Share Capital

#### a) Authorized

The Company is authorized to issue an unlimited number of common shares.

#### b) Issued and outstanding

On June 19, 2014, the Company's shareholders approved a three-for-one split of CES' outstanding common shares (the "Stock Split"). The Stock Split was effected in the form of the issuance of two additional common shares for each share owned by shareholders of record at the close of business on July 18, 2014. All share data and information related to the Company's stock-based compensation plans presented herein have been retroactively adjusted to give effect to the stock split.



## Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(stated in thousands of Canadian dollars, except for share and per share amounts)

A summary of the changes to common share capital is presented below:

	Nine Months Ended September 30, 2015		Year Ended December 31, 2014	
	Number of Shares	Amount	Number of Shares <sup>(1)</sup>	Amount
<i>Common Shares (\$000's except number of shares)</i>				
Balance, beginning of period	215,512,074	459,053	201,321,384	342,532
Issued pursuant to the Offering, net of share issue costs and taxes	-	-	6,912,000	72,715
Consideration for business combinations	-	-	2,324,877	24,712
Issued pursuant to stock-based compensation	3,651,565	3,292	4,885,149	5,409
Contributed surplus related to stock-based compensation	-	16,512	-	13,143
Issued pursuant to property and equipment acquisition	-	-	7,365	60
Issued pursuant to stock dividend and stock settled director fee	4,670	28	61,299	482
Balance, end of period	219,168,309	478,885	215,512,074	459,053

<sup>(1)</sup> Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of common shares outstanding has been retroactively adjusted to effect the stock split.

### c) Net income per share

In calculating the basic and diluted net income per share for the three and nine months ended September 30, 2015 and 2014, the weighted average number of shares used in the calculation is shown in the table below:

\$000's, except share and per share amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income <sup>(1)</sup>	6,457	20,937	22,126	48,888
Weighted average number of shares outstanding:				
Basic shares outstanding <sup>(2)</sup>	218,237,459	212,194,898	217,278,371	205,938,807
Effect of dilutive shares <sup>(3)</sup>	6,307,633	8,254,917	5,916,109	8,568,118
Diluted shares outstanding	224,545,092	220,449,815	223,194,480	214,506,925
Net income per share - basic <sup>(2)</sup>	\$0.03	\$0.10	\$0.10	\$0.24
Net income per share - diluted <sup>(3)</sup>	\$0.03	\$0.09	\$0.10	\$0.23

<sup>(1)</sup> Represents net income attributable to the shareholders of the Company.

<sup>(2)</sup> Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of common shares outstanding and net income per share amounts have been retroactively adjusted to give effect to the stock split.

<sup>(3)</sup> Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of dilutive Share Rights and Restricted Share Units outstanding have been retroactively adjusted to give effect to the stock split.

Excluded from the calculation of dilutive shares for the three and nine months ended September 30, 2015, are 9,635,000 Share Rights (2014 – 1,440,000 and 1,539,000, respectively) that are considered anti-dilutive.

## 7. Stock-Based Compensation

Pursuant to the Stock Split, for each Share Right and Restricted Share Unit outstanding, an additional two Share Rights or Restricted Share Units were issued at an exercise price reduced to one-third of the original exercise price. The Company's stock-based compensation plans have been retroactively adjusted to give effect to the stock split as reflected in the information below.

As at September 30, 2015, a total of 21,916,831 common shares were reserved for issuance under the Company's Share Rights Incentive Plan, Restricted Share Unit Plan, and Stock Settled Director Fee Program, of which 5,658,397 common shares remained available for grant. For the three and nine months ended September 30, 2015, stock compensation expense of \$7,309 and \$18,983, respectively, (2014 – \$6,222 and \$15,969, respectively) was recorded in general and administrative expenses relating to the Company's stock-based compensation plans.

### a) Share Rights Incentive Plan ("SRIP")

CES' SRIP provides incentives to the employees, officers, and directors of the Company by issuing options to acquire common shares. Share Rights generally vest as to one-third on each of the first, second, and third anniversary dates of the grant, or such other vesting schedule as determined by the Board of Directors, and expire no later than five years after the date of the grant.

## Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(stated in thousands of Canadian dollars, except for share and per share amounts)

Under the SRIP, employees may elect to exercise the Share Rights at an adjusted exercise price in which the option exercise price will be adjusted downwards by the cumulative dividends paid by the Company.

A summary of changes under the SRIP is presented below:

	<b>Nine Months Ended September 30, 2015</b>		Year Ended December 31, 2014	
	<b>Share Rights</b>	<b>Average Exercise Price</b>	Share Rights <sup>(1)</sup>	Average Exercise Price <sup>(1)</sup>
Balance, beginning of period	<b>6,344,044</b>	<b>\$6.22</b>	7,174,644	\$3.84
Granted during the period	<b>6,485,000</b>	<b>6.91</b>	1,879,500	10.23
Exercised during the period	<b>(1,387,400)</b>	<b>2.37</b>	(2,419,100)	2.24
Forfeited during the period	<b>(186,000)</b>	<b>7.01</b>	(291,000)	5.74
Balance, end of period	<b>11,255,644</b>	<b>\$7.06</b>	6,344,044	\$6.22
Exercisable Share Rights, end of period	<b>2,447,144</b>	<b>\$6.03</b>	2,612,500	\$3.72

<sup>(1)</sup> Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of Share Rights outstanding and average exercise prices have been retroactively adjusted to give effect to the stock split.

The compensation costs for Share Rights granted during the nine months ended September 30, 2015, were calculated using a Black-Scholes option pricing model using the following weighted average assumptions:

	<b>Nine Months Ended September 30, 2015</b>
Risk-free interest rate	<b>0.68%</b>
Expected average life of Share Rights	<b>2.6 years</b>
Share Right term	<b>5.0 years</b>
Annual forfeiture rate	<b>7.01%</b>
Dividend yield	<b>2.54%</b>
Expected volatility	<b>44.70%</b>
Weighted average share price	<b>\$6.91</b>
Weighted average fair value per Share Right	<b>\$1.70</b>

The following table summarizes information about the outstanding grants under the Company's SRIP as at September 30, 2015:

Range of exercise prices	Share Rights Outstanding		Share Rights Exercisable		
	Share Rights	Weighted average exercise price	Weighted average term remaining in years	Share Rights	Weighted average exercise price
\$2.06 - \$2.75	67,500	\$2.06	0.01	67,500	\$2.06
\$2.76 - \$3.64	1,199,400	3.56	1.87	1,115,400	3.56
\$3.65 - \$6.68	671,744	5.96	4.01	160,244	5.09
\$6.69 - \$7.41	7,535,000	7.00	4.36	504,000	7.25
\$7.42 - \$10.98	1,782,000	10.30	3.64	600,000	10.31
	<b>11,255,644</b>	<b>\$7.06</b>	<b>3.94</b>	<b>2,447,144</b>	<b>\$6.03</b>

### b) Restricted Share Unit ("RSU") Plan

CES' RSU Plan provides incentives to eligible employees, officers, and directors of the Company through the issuance of RSUs. The RSUs generally vest from one year, and up to three years, on the anniversary from the date of grant, subject to other such vesting schedules or conditions as determined by the Board of Directors. Throughout the vesting period, holders of Restricted Shares will be entitled to the dividend equivalents in the form of additional Restricted Shares on each dividend payment date, to be held in the RSU account until such time as the awards have vested.

## Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(stated in thousands of Canadian dollars, except for share and per share amounts)

A summary of changes under the RSU plan is presented below:

	Nine Months Ended September 30, 2015		Year Ended December 31, 2014	
	Restricted Share Units	Average Price	Restricted Share Units <sup>(1)</sup>	Average Price <sup>(1)</sup>
Balance, beginning of period	4,093,785	\$7.03	4,972,498	\$4.84
Granted during the period	3,035,552	5.83	1,985,688	9.72
Reinvested during the period	185,295	6.61	162,752	6.16
Vested during the period	(2,264,165)	6.86	(2,466,049)	4.68
Forfeited during the period	(47,677)	6.29	(411,104)	4.16
Cancelled during the period	-	-	(150,000)	3.93
Balance, end of period	5,002,790	\$6.37	4,093,785	\$7.03

<sup>(1)</sup> Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of RSUs outstanding and average prices have been retroactively adjusted to give effect to the stock split.

The weighted average fair value of RSUs granted during the nine months ended September 30, 2015, was \$5.83 per RSU (nine months ended September 30, 2014 - \$9.80), with a weighted average forfeiture rate of 2.4%. The stock-based compensation costs for RSUs granted are based on the five day volume weighted average share price at the date of grant.

### 8. Other Income

During the three months ended September 30, 2015, the Company recorded a recovery of \$5,812 related to deferred consideration that is no longer payable because certain earn-out thresholds relating to the 2013 Venture Mud acquisition were not achieved. Year to date, the total deferred consideration recovery recorded by the Company is \$11,628.

### 9. Dividends

The Company declared dividends to holders of common shares for the nine months ended September 30, 2015, as follows:

<i>\$000's except per share amounts</i>	Dividend Record Date	Dividend Payment Date	Per Common Share	Total
January	Jan 30	Feb 13	\$0.0275	5,939
February	Feb 27	Mar 13	\$0.0275	5,940
March	Mar 31	Apr 15	\$0.0275	5,969
April	Apr 30	May 15	\$0.0275	5,976
May	May 29	Jun 15	\$0.0275	5,983
June	Jun 30	Jul 15	\$0.0275	5,990
July	Jul 31	Aug 14	\$0.0275	5,993
August	Aug 31	Sep 15	\$0.0275	6,005
September	Sep 30	Oct 15	\$0.0275	6,027
Total dividends declared during the period			\$0.2475	53,822

Subsequent to September 30, 2015, the Company declared dividends to holders of common shares in the amount of \$0.0275 per common share payable on November 13, 2015, for shareholders of record on October 30, 2015.

### 10. Commitments

The Company has commitments with payments due as follows:

<i>\$000's</i>	2015 - 3 months	2016	2017	2018	2019	Total
Office and facility rent	1,817	5,249	3,288	2,362	1,083	13,799

*Payments denominated in foreign currencies have been translated using the appropriate September 30, 2015 exchange rate*

The Company is involved in litigation and disputes arising in the normal course of operations. Management is of the opinion

## Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(stated in thousands of Canadian dollars, except for share and per share amounts)

that any potential litigation will not have a material adverse impact on the Company's financial position or results of operations and, therefore, the commitment table does not include any provisions for outstanding litigation and potential claims.

### 11. Supplemental Information

The changes in non-cash working capital were as follows:

\$000's	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Decrease (increase) in current assets				
Accounts receivable	(25,294)	(60,008)	115,547	(38,486)
Inventory	10,909	(26,516)	24,163	(43,801)
Prepaid expenses and deposits	(4,237)	(9,516)	14,574	(7,166)
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	2,657	50,064	(47,457)	33,259
	(15,965)	(45,976)	106,827	(56,194)
<i>Relating to:</i>				
Operating activities	(16,406)	(46,677)	107,500	(56,611)
Investing activities	441	701	(673)	417

For the three and nine months ended September 30, 2015 and 2014, changes in non-cash working capital relating to investing activities have been included in "Investment in property and equipment" on the Consolidated Statements of Cash Flows.

### 12. Geographical Information

Geographical information relating to the Company's activities is as follows:

\$000's	Revenue			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Canada	67,229	113,633	179,661	272,785
United States	120,528	159,305	404,995	421,248
Total	187,757	272,938	584,656	694,033

\$000's	Long-Term Assets <sup>(1)</sup>	
	September 30, 2015	December 31, 2014
Canada	178,535	176,111
United States	537,896	466,874
Total	716,431	642,985

<sup>(1)</sup> Includes: Property and equipment, intangible assets, other assets and goodwill

# Canadian Energy Services & Technology Corp.

## Information

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### STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange  
Trading Symbol: CEU

### OTCQX

Trading Symbol: CESDF

### BOARD OF DIRECTORS

Kyle D. Kitagawa<sup>1,4</sup>  
Chairman

D. Michael G. Stewart<sup>1,4</sup>

John M. Hooks<sup>2,4</sup>

Rodney L. Carpenter<sup>3</sup>

Burton J. Ahrens<sup>1,4</sup>

Colin D. Boyer<sup>2,3</sup>

Philip J. Scherman<sup>1</sup>

Thomas J. Simons

Jason H. West<sup>3</sup>

<sup>1</sup>Member of the Audit Committee

<sup>2</sup>Member of the Compensation Committee

<sup>3</sup>Member of the Health, Safety and Environment  
Committee

<sup>4</sup>Member of the Governance Committee

### OFFICERS

Thomas J. Simons  
President & Chief Executive Officer

Craig F. Nieboer, CA  
Chief Financial Officer

Kenneth E. Zinger  
Canadian President & Chief Operating Officer

Kenneth D. Zandee  
Vice President, Marketing

Jason D. Waugh  
Vice President

James M. Pasieka  
Corporate Secretary

### AUDITORS

Deloitte LLP  
Chartered Accountants, Calgary, AB

### BANKERS

Scotiabank Canada, Calgary, AB

### SOLICITORS

McCarthy Tetrault, LLP, Calgary, AB  
Crowe & Dunlevy, Oklahoma City, OK

### REGISTRAR & TRANSFER AGENT

Computershare Investor Services Inc.  
Calgary, AB and Toronto, ON

### CORPORATE OFFICE

Suite 1400, 700 – 4<sup>th</sup> Avenue SW  
Calgary, AB T2P 3J4  
Phone: 403-269-2800  
Toll Free: 1-888-785-6695  
Fax: 403-266-5708

### CANADIAN BUSINESS UNITS

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Calgary, AB T2P 3J4  
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Toll Free: 1-888-785-6695  
Fax: 403-266-5708

Clear Environmental Solutions  
Suite 720, 736 – 8<sup>th</sup> Avenue SW  
Calgary, AB T2P 1H4  
Phone: 403-263-5953  
Fax: 403-229-1306

EQUAL Transport  
18029 – Highway 10 East  
Edson, AB T7E 1V6  
Phone: 780-728-0067  
Fax: 780-728-0068

### US BUSINESS UNITS

AES Drilling Fluids  
Suite 230, 11767 Katy Freeway  
Houston, TX 77079  
Phone: 281-556-5628  
Fax: 281-589-7150

AES Permian Drilling Fluids  
4605 Fielder Street  
Midland, TX 79707  
Phone: 432-684-7101  
Fax: 432-570-7114

JACAM Chemical Company  
205 S. Broadway  
Sterling, KS 67579  
Phone: 620-278-3355  
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