



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*The following management's discussion and analysis ("MD&A") of the financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of Canadian Energy Services & Technology Corp. ("CES" or the "Company") for the three months ended March 31, 2014, and the audited consolidated financial statements and notes thereto of Canadian Energy Services & Technology Corp. for the years ended December 31, 2013 and 2012, and CES' 2013 Annual Information Form. This MD&A is dated May 13, 2014, and incorporates all relevant Company information to that date. Amounts are stated in Canadian dollars unless otherwise noted.*

*Certain statements in this MD&A may constitute forward-looking information or forward-looking statements (collectively referred to as "forward-looking information") which involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CES, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this MD&A, such information uses such words as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", and other similar terminology. This information reflects CES' current expectations regarding future events and operating performance and speaks only as of the date of the MD&A. Forward-looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed below. The management of CES believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information and statements contained in this document speak only as of the date of the document, and CES assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws or regulations.*

*In particular, this MD&A contains forward-looking information pertaining to the following: future estimates as to dividend levels; the potential means of funding dividends; the intention to make future dividend payments; the seasonality of CES' business and anticipated reduction in exposure to the effects of spring break-up in the WCSB; the sufficiency of liquidity and capital resources to meet long-term payment obligations; management's opinion of the impact of any potential litigation or disputes; the application of critical accounting estimates and judgements; the collectability of accounts receivable; the expected range of consolidated revenue and EBTDAC; CES' ability to increase its marketshare; supply and demand for CES' products and services; industry activity levels; commodity prices; treatment under governmental regulatory and taxation regimes; expectations regarding expansion of services in Canada and the United States; development of new technologies; expectations regarding CES' growth opportunities in Canada and the United States; the effect of the JACAM Acquisition and the AES Permian Acquisition on the Corporation; expectations regarding the performance or expansion of CES' operations; expectations regarding demand for CES' services and technology; investments in research and development and technology advancements; access to debt and capital markets; and competitive conditions.*

*CES' actual results could differ materially from those anticipated in the forward-looking information as a result of the following factors: general economic conditions in Canada, the United States, and internationally; fluctuations in demand for consumable fluids and chemical oilfield services; volatility in market prices for oil, natural gas, and natural gas liquids and the effect of this volatility on the demand for oilfield services generally; competition; liabilities and risks, including environmental liabilities and risks inherent in oil and natural gas operations; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; ability to integrate technological advances and match advances of competitors; availability of capital; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; the ability to successfully integrate and achieve synergies from the Company's acquisitions; changes in legislation and the regulatory environment, including uncertainties with respect to programs to reduce greenhouse gas and other emissions and regulations restricting the use of hydraulic fracturing; reassessment and audit risk associated with the Conversion and other tax filing matters; changes to the fiscal regimes applicable to entities operating in the WCSB and the US; access to capital and the liquidity of debt markets; fluctuations in foreign exchange and interest rates, and the other factors considered under "Risk Factors" in CES' Annual Information Form for the year ended December 31, 2013 and "Risks and Uncertainties" in this MD&A.*

*Without limiting the foregoing, the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.*

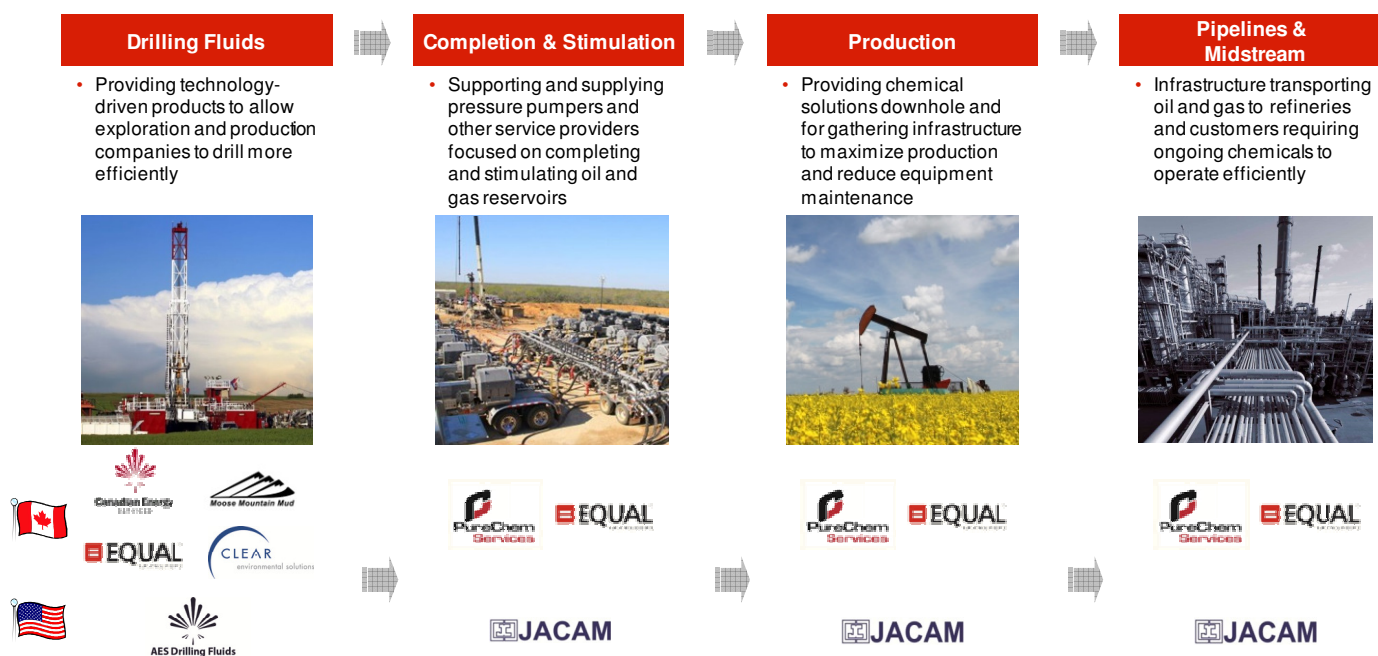
# Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

## BUSINESS OF CES

CES is a leading provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield. This includes total solutions at the drill-bit, at the point of completion and stimulation, at the wellhead and pump-jack, and finally through to the pipeline and midstream market. At the drill-bit, CES' designed drilling fluids encompass the functions of cleaning the hole, stabilizing the rock drilled, controlling subsurface pressures, enhancing drilling rates, and protecting potential production zones while conserving the environment in the surrounding surface and subsurface area. At the point of completion and stimulation, CES' designed chemicals form a critical component of fracking solutions or other forms of well stimulation techniques. The shift to horizontal drilling and multi-stage fracturing with long horizontal well completions has been responsible for significant growth in the drilling fluids and completion and stimulation chemicals markets. At the wellhead and pump-jack, CES' designed production and specialty chemicals provide down-hole solutions for production and gathering infrastructure to maximize production and reduce costs of equipment maintenance. Key solutions include corrosion inhibitors, demulsifiers, H<sub>2</sub>S scavengers, paraffin control products, surfactants, scale inhibitors, biocides and other specialty products. Further, specialty chemicals are used throughout the pipeline and midstream industry to aid in hydrocarbon movement and manage transportation and processing challenges including corrosion, wax build-up and H<sub>2</sub>S.



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. In Canada, CES operates under the trade names Canadian Energy Services, Moose Mountain Mud (“MMM”), PureChem Services (“PureChem”), Clear Environmental Solutions (“Clear”), and EQUAL Transport (“EQUAL”). In the US, CES operates under the trade names AES Drilling Fluids (“AES”), AES Drilling Fluids Permian (“AES Permian”), and JACAM Chemicals (“JACAM”).

The Canadian Energy Services, MMM, AES, and AES Permian brands are focused on the design and implementation of drilling fluids systems for oil and gas producers. The JACAM and PureChem brands are vertically integrated manufacturers of advanced production and specialty chemicals for the wellhead and pump-jack, drilling related chemicals, technically advanced fluids for completions and stimulations, and chemical solutions for the pipeline and midstream markets.

Two complimentary business divisions support the operations and augment the product offerings in the WCSB. Clear is CES' environmental division, providing environmental consulting and drilling fluids waste disposal services primarily to oil and gas producers active in the WCSB. EQUAL is CES' transport division, providing its customers with trucks and trailers specifically designed to meet the demanding requirements of off-highway oilfield work in the WCSB. EQUAL transports and handles oilfield produced fluids and supports the oilfield chemical business by hauling, handling, managing and warehousing products. EQUAL operates from two terminals and yards located in Edson, Alberta and Carlyle, Saskatchewan.

Led by JACAM's state of the art laboratory in Sterling, Kansas, CES operates four separate lab facilities across North America which also includes Houston, Texas; Carlyle, Saskatchewan; and Calgary, Alberta. CES' main chemical manufacturing and

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

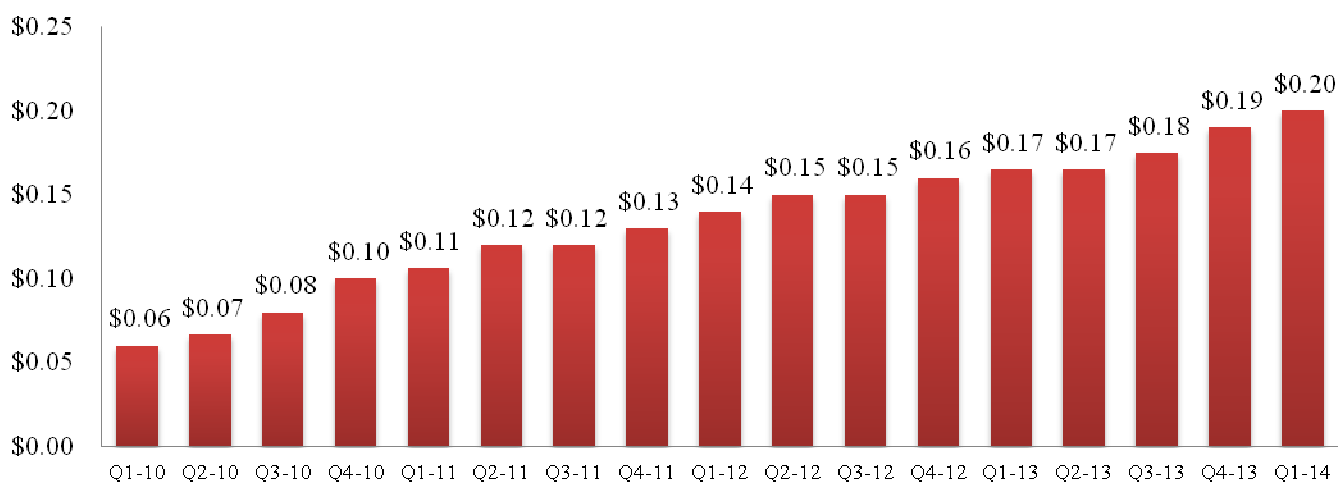
Three Months Ended March 31, 2014

reacting facility is located in Sterling, Kansas and its Canadian chemical blending facility is located in Carlyle, Saskatchewan. CES also leverages third party partner relationships to drive innovation in the consumable fluids and chemicals business.

CES' business model is relatively asset light and requires limited re-investment capital to grow. As a result, CES has been able to capitalize on the growing market demand for drilling fluids and production and specialty chemicals in North America while generating free cash flow. The Company returns much of this free cash flow back to shareholders through its monthly dividend.

From the period of January 1, 2010, to March 31, 2014, the Company has increased its monthly dividend nine times from \$0.02 per share to \$0.07 per share, which is 3.5 times greater on a per share basis. Following the 2013 JACAM Acquisition and with the organic growth of the PureChem business in Canada, the Company has diversified its revenue stream and built a revenue and cash flow base in longer-term, more predictable, production and midstream markets. This increase in both scale and diversity of the Company's operations has resulted in increased certainty of future cash flows from its businesses, thereby positioning CES to provide a more reliable and growing dividend stream to investors.

### QUARTERLY DIVIDEND GROWTH <sup>1</sup>



**Notes:**

<sup>1</sup>Pursuant to the three-for-one split of CES' outstanding common shares on July 13, 2011, all historical per share data has been retroactively adjusted to reflect the stock split.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

### NON-GAAP MEASURES

The accompanying interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain supplementary information and measures not recognized under IFRS are also provided in this MD&A where management believes they assist the reader in understanding CES' results. These measures are calculated by CES on a consistent basis unless otherwise specifically explained. These measures do not have a standardized meaning under IFRS and may therefore not be comparable to similar measures used by other issuers. These measures are further defined for use throughout this MD&A as follows:

**EBITDAC** – 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, and stock-based compensation. EBITDAC is a metric used to assess the financial performance of an entity's operations. Management believes that this metric assists in determining the ability of CES to generate cash from operations. EBITDAC is calculated as follows:

\$000's	Three Months Ended	
	March 31,	
	2014	2013
Net income	19,492	9,959
Add back (deduct):		
Depreciation in cost of sales	5,130	2,588
Depreciation and amortization in general and administrative expenses	3,713	2,257
Interest expense, net of interest income	4,901	3,084
Amortization of capitalized deferred financing costs	244	65
Current income tax expense	3,062	2,631
Deferred income tax expense	2,868	864
Stock-based compensation	4,187	2,142
Unrealized foreign exchange (gain) loss	(20)	32
Unrealized derivative loss	181	9
Gain on disposal of assets	(236)	(44)
EBITDAC	43,522	23,587

**Funds Flow From Operations** – is defined as cash flow from operations before changes in non-cash operating working capital and represents the Company's after tax operating cash flows. This measure is not intended to be an alternative to cash provided by operating activities as provided in the consolidated statements of cash flows, comprehensive income, or other measures of financial performance calculated in accordance with IFRS. Funds Flow From Operations assists management and investors in analyzing operating performance and leverage.

**Distributable Earnings** – is defined as Funds Flow From Operations less Maintenance Capital (the definition of Maintenance Capital is under "Operational Definitions"). Distributable Earnings is a measure used by management and investors to analyze the amount of funds available to distribute to shareholders before consideration of funds required for growth purposes.

**Payout Ratio** – is defined as dividends declared as a percentage of Distributable Earnings.

**Cash Gross Margin** – represents gross margin under IFRS adjusted to exclude non-cash expenses recorded in cost of sales including depreciation as it relates to assets associated with operations and operating related activities, and gains and losses on disposal of assets. Management believes that this metric assists in demonstrating the cash operating margin of the Company.

**Cash General and Administrative Costs** – represents general and administrative costs under IFRS adjusted to exclude non-cash expenses recorded in general and administrative costs such as stock-based compensation and depreciation and amortization as it relates to assets not associated with operations and operating related activities. Management believes that this metric assists in demonstrating the cash general and administrative expenses of the Company.

## **Canadian Energy Services & Technology Corp.**

Management's Discussion and Analysis

Three Months Ended March 31, 2014

---

**Cash Interest Expense** – represents interest expense under IFRS adjusted to exclude non-cash interest expense related to the amortization of deferred financing costs on both the Senior Notes and the Senior Facility. Management believes that this metric assists in demonstrating the cash interest expenses of the Company.

### **OPERATIONAL DEFINITIONS**

Operational terms used throughout this MD&A include:

**Expansion Capital** – represents the amount of capital expenditure that has been or will be incurred to grow or expand the business or would otherwise improve the productive capacity of the operations of the business.

**Maintenance Capital** – represents the amount of capital expenditure that has been or will be incurred to sustain the current level of operations.

**Canadian Market Share** – CES estimates its market share in Canada for its drilling fluids operations by comparing, on a semi-weekly basis, active rigs where CES was contracted to provide services to the total active rigs for Western Canada. The number of total active rigs for Western Canada is based on Canadian Association of Oilwell Drilling Contractors (“CAODC”) published data for Western Canada.

**US Market Share** – CES estimates its market share in the US for its drilling fluids operations by comparing, on a semi-weekly basis, active rigs where CES was contracted to provide services to the total active land rigs in the United States. The number of total active rigs in the United States is based on the weekly land based Baker Hughes North American Rotary Rig Count.

**Operating Days** – For its drilling fluids operations, CES estimates its Operating Days, which are revenue generating days, by multiplying the average number of active rigs where CES was providing drilling fluid services by the number of days in the period.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

### FINANCIAL HIGHLIGHTS

Summary Financial Results (\$000's, except per share amounts)	Three Months Ended March 31,		
	2014	2013	% Change
Revenue	231,310	149,309	55%
Gross margin	64,447	38,061	69%
Gross margin percentage of revenue	28%	25%	
Income before taxes	25,422	13,454	89%
<i>per share – basic</i>	0.38	0.23	65%
<i>per share - diluted</i>	0.36	0.22	64%
Net income	19,492	9,959	96%
<i>per share – basic</i>	0.29	0.17	71%
<i>per share - diluted</i>	0.28	0.16	75%
EBITDAC <sup>(1)</sup>	43,522	23,587	85%
<i>per share – basic</i>	0.65	0.40	63%
<i>per share - diluted</i>	0.62	0.39	59%
Funds Flow From Operations <sup>(1)</sup>	35,566	17,872	99%
<i>per share – basic</i>	0.53	0.30	77%
<i>per share - diluted</i>	0.51	0.29	76%
Dividends declared	13,488	9,712	39%
<i>per share</i>	0.20	0.17	18%

**Notes:**

<sup>1</sup> Refer to "Non-GAAP Measures" for further detail.

### OVERVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Highlights for the three months ended March 31, 2014, in comparison to the three months ended March 31, 2013, for CES are as follows:

- CES generated revenue of \$231.3 million during the three months ended March 31, 2014, compared to \$149.3 million for the three months ended March 31, 2013, an increase of \$82.0 million or 55%. EBITDAC for the three months ended March 31, 2014, was a record \$43.5 million as compared to \$23.6 million for the three months ended March 31, 2013, representing an increase of \$19.9 million or 85%. CES recorded EBITDAC per share of \$0.65 (\$0.62 diluted) for the three months ended March 31, 2014 versus EBITDAC per share of \$0.40 (\$0.39 diluted) in 2013, an increase of 63% (59% diluted). As detailed below, all facets of the business in Canada and the US have contributed to a record quarter for revenue and EBITDAC.
- Revenue generated in Canada for the three months ended March 31, 2014 increased by \$39.6 million or 59% compared to the three months ended March 31, 2013, from \$67.4 million to \$106.9 million. The increase in revenues for the three months ended March 31, 2014, was primarily a result of a year-over-year increase in market share and a shift to a higher percentage of the Company's drilling fluid systems being run in both the deep basin and the oilsands. In addition, PureChem has contributed significantly to the increase in revenues as it continued to build-out its production and specialty chemical sales.
- Despite some unusually severe winter weather conditions that hampered operators' activity levels, revenue generated in the US for the three months ended March 31, 2014 increased by \$42.4 million or 52% compared to the three months ended March 31, 2013, from \$81.9 million to \$124.4 million. This year-over-year increase is primarily a result of the continued integration of JACAM, which was acquired March 1, 2013 for which there were no associated revenues for January and February 2013, and AES Permian, which was acquired in July 2013 and for which there were no associated revenues in Q1 2013. JACAM has further vertically integrated CES' business, expanded CES' product offerings across the oilfield spectrum, provided a significant platform of infrastructure and new customers across the US, and increased CES' ability to

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

---

deliver technically advanced science based solutions to its customers. Also contributing to the increase in US revenues is organic growth derived from AES resulting in new work in the Rockies region, in the Eagle Ford, and in the Mid-Continent region, which has more than offset the reduced activity in the Marcellus shale region of the US.

- For the three month period ended March 31, 2014, CES recorded gross margin of \$64.4 million or 28% of revenue, compared to gross margin of \$38.1 million or 25% of revenue generated in the same period last year. The increase in gross margin percentages is primarily a result of the continued integration of JACAM and the growth of the PureChem division in Canada, combined with an increase in margins at the drill-bit resulting from sales of higher-margin products. Production and specialty chemical products are generally unique chemical solutions which result in higher gross margins. In contrast, the Company's drilling fluids product mix contains certain mined materials and other commoditized products that lower the overall margin of the drilling related sales.
- CES recorded net income of \$19.5 million for the three month period ended March 31, 2014 as compared to \$10.0 million in the prior year. CES recorded net income per share of \$0.29 (\$0.28 diluted) for the three months ended March 31, 2014 versus \$0.17 (\$0.16 diluted) in 2013. The respective year-over-year change in net income was positively impacted by increased revenues across all facets of the business in Canada and the US. This increase was partially offset by increased stock-based compensation expense and increased depreciation and amortization.
- CES continues to maintain a strong statement of financial position or "balance sheet" with positive net working capital of \$240.8 million and a draw of \$115.8 million, net of capitalized transaction cost of \$0.3 million, on the \$150.0 million Senior Facility as at March 31, 2014.
- During the first quarter of 2014, CES increased its dividend for the ninth time since January 1, 2010, resulting in monthly dividends in aggregate of \$0.20 per share declared for the quarter. This compares to \$0.165 per share for the comparable quarter in 2013. During the first quarter of 2014, the Payout Ratio averaged 39% as compared to 57% in 2013.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

### RESULTS FOR THE PERIODS

(\$000's, except per share amounts)	Three Months Ended March 31,			
	2014	2013	\$ Change	% Change
Revenue	231,310	149,309	82,001	55%
Cost of sales	166,863	111,248	55,615	50%
Gross margin	64,447	38,061	26,386	69%
Gross margin percentage of revenue	28%	25%		
General and administrative expenses	33,146	21,292	11,854	56%
Finance costs	5,879	3,315	2,564	77%
Income before taxes	25,422	13,454	11,968	89%
Current income tax expense	3,062	2,631	431	16%
Deferred income tax expense	2,868	864	2,004	232%
Net income	19,492	9,959	9,533	96%
Net income per share – basic	0.29	0.17	0.12	71%
Net income per share – diluted	0.28	0.16	0.12	75%
EBITDAC <sup>(1)</sup>	43,522	23,587	19,935	85%

Common Shares Outstanding	2014	2013	% Change
End of period	67,753,354	62,657,836	8%
Weighted average			
- basic	67,325,138	58,885,788	14%
- diluted	70,188,691	60,735,878	16%

Financial Position (\$000's)	As at		% Change
	March 31, 2014	December 31, 2013	
Net working capital	240,755	197,366	22%
Total assets	872,083	807,319	8%
Long-term financial liabilities <sup>(2)</sup>	355,446	322,766	10%
Shareholders' equity	390,377	360,519	8%

#### Notes:

<sup>1</sup> Refer to the "Non-GAAP Measures" for further detail.

<sup>2</sup> Includes long-term portion of the Deferred Acquisition Consideration, Senior Facility, the Senior Notes, vehicle and equipment financing, and finance leases.

#### Revenue and Operating Activities

CES generated gross revenue of \$231.3 million during the three months ended March 31, 2014, compared to \$149.3 million for the three months ended March 31, 2013, an increase of \$82.0 million or 55%.

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

\$000's	Revenue	
	Three Months Ended March 31,	
	2014	2013
Canada	106,946	67,377
United States	124,364	81,932
Total	231,310	149,309

Revenue generated in Canada for the three months ended March 31, 2014 increased by \$39.6 million or 59% compared to the three months ended March 31, 2013, up from \$67.4 million to \$106.9 million. Drill-bit related activity saw an increase in work in both the deep basin and the oilsands, resulting in higher revenue per Operating Day, and PureChem continued to build-out its



## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

production and specialty chemical sales. At the drill-bit in Q1 2014, industry rig counts in Canada increased by 5% compared to Q1 2013, and despite this marginal increase in industry activity, CES' Operating Days increased by 26%. As a result of this increase in Operating Days, drill-bit related Canadian Market Share increased from an estimated 29% in Q1 2013 to an estimated 35% in Q1 2014.

Despite some unusually severe winter weather conditions that hampered operators' activity levels, revenue generated in the US for the three months ended March 31, 2014, increased by \$42.4 million or 52% compared to the three months ended March 31, 2013, up from \$81.9 million to \$124.4 million. Revenue generated at the drill-bit was up in Q1 2014 over Q1 2013 reflecting the result of the AES Permian Acquisition, for which there was no associated revenue in the comparable period in 2013, partially offset by reduced activity levels in the Marcellus shale region,. At the drill-bit in Q1 2014, industry rig counts in the US increased by 2% compared to Q1 2013, and despite marginal increases in industry activity, the Company's US Operating Days increased by 31% in the first quarter of 2014 compared to the first quarter of 2013. Drill-bit-related US Market Share increased from an estimated 6% to an estimated 8% in Q1 2014.

A summary of rig counts and Operating Days for the three months ended March 31, 2014, is as follows:

	Three Months Ended March 31,		
	2014	2013	% Change
Canadian industry rig count <sup>(1)</sup>	521	496	5%
US industry rig count <sup>(2)</sup>	1,744	1,706	2%

**Notes:**

<sup>1</sup> Based on the quarterly average of CAODC published monthly data for Western Canada.

<sup>2</sup> Based on the quarterly average of Baker Hughes published land data for the United States.

	Three Months Ended March 31,		
	2014	2013	% Change
Canada	16,070	12,731	26%
US	12,731	9,708	31%
Total Operating Days <sup>(1)</sup>	28,801	22,439	28%

**Notes:**

<sup>1</sup> Refer to "Operational Definitions" for further detail.

For the three months ended March 31, 2014, CES' top customers accounted for the following percentage of total revenue:

	Three Months Ended March 31,	
	2014	2013
Top five customers as a % of total revenue	25%	40%
Top customer as a % of total revenue	13%	19%

### Cost of Sales and Gross Margin

Gross margin represents the profit earned on revenue after deducting the associated costs of sales including cost of products, field labour, field related depreciation, transportation, and all other related field costs. Margins vary due to a change in the type of products sold, the relative product mix, well type, geographic area, and nature of activity (i.e. drilling fluids, production and specialty chemicals, trucking, environmental, etc.). Generally, labour costs have less of an impact on CES' margins than other cost elements such as product costs. Use of consultants and the variable component of compensation for employees provide CES with a means to better manage seasonal activity swings as well as overall fluctuations in the demand for CES' products and services.

For the three month period ended March 31, 2014, CES recorded gross margin of \$64.4 million or 28% of revenue, compared to gross margin of \$38.1 million or 25% of revenue generated in the same period last year. In aggregate, production and specialty chemical product sales generally attract higher margins than the Company's drilling related products and services. The

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

Company's drilling fluids product mix contains certain mined materials and other commoditized products that lower the overall margin of the drilling related sales. The increase in gross margin as a percentage of revenue is primarily a result of the vertical integration of JACAM and the continued organic growth of PureChem, resulting in improved margins on the CES manufactured products, combined with an increase in margins at the drill-bit resulting from increased sales volumes being allocated over the fixed cost base.

Depreciation, as it relates to assets associated with operations and operating related activities, and gains and losses on disposal of assets are included in cost of sales under IFRS. In order to calculate a Cash Gross Margin, these items are added back to the gross margin calculation. Cash Gross Margin is a more accurate measure of the operating contribution to CES' free cash flow.

\$000's	Three Months Ended March 31,	
	2014	2013
Gross margin	64,447	38,061
as a percentage of revenue	28%	25%
Add back (deduct):		
Depreciation included in cost of sales	5,130	2,588
Gain on disposal of assets included in cost of sales	(236)	(44)
Cash Gross Margin <sup>(1)</sup>	69,341	40,605
as a percentage of revenue	30%	27%

**Notes:**

<sup>1</sup> Refer to "Non-GAAP Measures" for further detail.

### General and Administrative Expenses ("G&A")

The table below details the stock-based compensation and depreciation and amortization which are included in G&A under IFRS, and are deducted in the table from total G&A in order to calculate Cash General and Administrative Costs. Cash General and Administrative Costs is a more accurate measure of the General and Administrative Expenses affecting CES' free cash flow.

\$000's	Three Months Ended March 31,	
	2014	2013
General and administrative expenses	33,146	21,292
as a percentage of revenue	14%	14%
Deduct non-cash expenses included in general & administrative expenses:		
Stock-based compensation	4,187	2,142
Depreciation & amortization	3,713	2,257
Cash General and Administrative Costs <sup>(1)</sup>	25,246	16,893
as a percentage of revenue	11%	11%

**Notes:**

<sup>1</sup> Refer to "Non-GAAP Measures" for further detail.

For the three month period ended March 31, 2014, CES recorded Cash General and Administrative Costs of \$25.2 million or 11% of revenue, compared to Cash General and Administrative Costs of \$16.9 million or 11% of revenue generated in the same period last year. The increase in Cash General and Administrative Costs on an absolute basis is primarily due to general and administrative expenses associated with the businesses acquired pursuant to the JACAM Acquisition, for which there were no associated costs for January and February 2013, and the AES Permian Acquisition, for which there are no associated costs in the comparable period in 2013. Year-over-year Cash General and Administrative Costs as a percentage of revenue remained flat.

For the three month period ended March 31, 2014, CES recorded general and administrative expenses of \$33.1 million or 14% of revenue, compared to general and administrative expenses of \$21.3 million or 14% of revenue generated in the same period last year. General and administrative expenses as a percentage of revenue remained flat year-over-year.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

### *Depreciation and Amortization*

Depreciation and amortization expenses are included in both cost of sales and general and administrative expenses on the Company's consolidated statements of income and comprehensive income as follows:

\$000's	Three Months Ended March 31,	
	2014	2013
Depreciation recorded in cost of sales:		
Depreciation expense on property and equipment	5,130	2,588
Depreciation and amortization recorded in G&A:		
Amortization expense on intangible assets	3,212	2,020
Depreciation expense on property and equipment	501	237
	3,713	2,257
Total depreciation and amortization expense	8,843	4,845

Depreciation of property and equipment and amortization of intangible assets totalled \$8.8 million for the three month period ended March 31, 2014, as compared to \$4.8 million for the same period in 2013. For the three months ended March 31, 2014, \$5.1 million (Q1 2013 – \$2.6 million) of depreciation of property and equipment was included in cost of sales and \$3.7 million (Q1 2013 – \$2.3 million) of depreciation and amortization was included in G&A, of which \$3.2 million related to amortization of intangible assets (Q1 2013 – \$2.0 million). The year-over-year increase in depreciation and amortization expense is primarily attributable to the Company's continued capital investment in the expansion of operations in both Canada and the United States as well as the amortization of the Company's intangible assets associated with the Company's acquisitions in the year ended December 31, 2013.

### *Finance Costs*

Finance costs were \$5.9 million for the three months ended March 31, 2014, as compared to \$3.3 million during the same period last year. The year-over-year increase is primarily as a result of interest incurred on the Senior Notes, offset by a decrease in interest incurred on the Senior Facility.

### *Interest expense*

During the three months ended March 31, 2014, the Company's interest expense included in finance costs consists of interest expense on vehicle financing loans, capitalized lease facilities, the Senior Facility, and the Senior Notes. Amortization of capitalized deferred financing costs on both the Senior Notes and the Senior Facility are included in interest expense under IFRS, and in the table below is deducted from total interest expense in order to calculate Cash Interest Expense.

\$000's	Three Months Ended March 31,	
	2014	2013
Total interest expense, net of interest income	5,145	3,150
Deduct non-cash interest expense:		
Amortization of debt issue costs	244	65
Cash Interest Expense <sup>(1)</sup>	4,901	3,085

### *Notes:*

<sup>1</sup> Refer to "Non-GAAP Measures" for further detail.

The interest expense component of finance costs was \$5.1 million for the three months ended March 31, 2014, compared to \$3.2 million in the first quarter of 2013. The respective year-over-year increase is primarily a result of the interest expense of \$4.1 million relating to the Senior Notes for the three months ended March 31, 2014. This increase is partially offset by a decrease in interest paid on the Senior Facility.

### *Foreign exchange gains and losses*

Finance costs for the three months ended March 31, 2014, include a net foreign exchange loss of \$0.4 (Q1 2013 – a loss of \$0.1 million), primarily related to foreign exchange losses on the Company's US denominated receivables.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

### *Derivative Gains and Losses*

Finance costs for the three months ended March 31, 2014, include net derivative losses of \$0.3 million (Q1 2013 – a loss of \$0.002 million), relating to the Company's foreign currency derivative contracts. As of March 31, 2014, the Company had a financial derivative liability of net \$0.4 million relating to its outstanding derivative contracts (December 31, 2013 – net liability of \$0.2 million).

CES has a Board approved hedging and derivative policy that sets out the guidelines and parameters management follows when approaching its risk management strategies.

At March 31, 2014, the Company had entered into the following foreign exchange US dollar forward sale contracts to manage its exposure to a portion of expected upcoming US dollar denominated cash flows:

<b>Period</b>	<b>Notional Balance \$000's</b>	<b>Contract Type</b>	<b>Settlement</b>	<b>Average C\$/US\$ Exchange Rate</b>
April 2014	US\$700	Deliverable Forward	Physical Sale	\$1.0377
May 2014	US\$700	Deliverable Forward	Physical Sale	\$1.0365
June 2014	US\$700	Deliverable Forward	Physical Sale	\$1.0480
July 2014	US\$700	Deliverable Forward	Physical Sale	\$1.0493
August 2014	US\$700	Deliverable Forward	Physical Sale	\$1.0500
September 2014	US\$700	Deliverable Forward	Physical Sale	\$1.0513
October 2014	US\$700	Deliverable Forward	Physical Sale	\$1.0521
November 2014	US\$700	Deliverable Forward	Physical Sale	\$1.0605
December 2014	US\$700	Deliverable Forward	Physical Sale	\$1.0748
January 2015	US\$900	Deliverable Forward	Physical Sale	\$1.1086
February 2015	US\$1,000	Deliverable Forward	Physical Sale	\$1.1177
March 2015	US\$1,000	Deliverable Forward	Physical Sale	\$1.1262
<b>Total</b>	<b>US\$9,200</b>			<b>\$1.0722</b>

### *Current and Deferred Income Taxes*

Income tax expense is related to taxable income in Canada, the US, and Luxembourg. During the three months ended March 31, 2014, the Company recorded income tax expense of \$5.9 million as compared to \$3.5 million in 2013. The year-over-year increase in income tax expense is primarily due to increased operating income and a combination of changes in the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

### *Net Working Capital*

CES continued to maintain a strong statement of financial position or "balance sheet" as at March 31, 2014, with positive net working capital of \$240.8 million (December 31, 2013 - \$197.4 million). The increase in working capital is primarily due to the increase in activity during 2014 as compared to Q4 2013. The increase in working capital balances is comprised primarily of a \$37.2 million increase in accounts receivable, a \$6.6 million increase in inventory, a \$2.6 million reduction in accounts payable and accrued liabilities, and a \$0.2 million reduction in income taxes payable. These increases to working capital are partially offset by a \$1.3 million decrease in income taxes receivable, a \$0.2 million decrease in prepaid expenses, and a \$0.4 million increase in the current portion of deferred acquisition consideration related to the AES Permian Acquisition.

### *Total Current Assets*

Total current assets of CES increased from \$306.3 million at December 31, 2013 to \$348.6 million at March 31, 2014. The increase is primarily due to the organic growth of the Company in 2014. These changes resulted in an increase in accounts receivable of \$37.2 million, an increase in inventory of \$6.6 million, offset by a decrease in income taxes receivable of \$1.3 million, and a decrease in prepaid expenses of \$0.2 million.

### *Total Long-Term Assets*

Year-over-year, total long-term assets of CES increased by \$22.4 million to \$523.4 million at March 31, 2014 from \$501.0 million at December 31, 2013. The increase is primarily attributable to a \$14.0 million increase in property and equipment and an \$8.5 million increase in intangible assets and goodwill primarily as a result of the translation of US dollar-denominated balances.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

### Long-Term Financial Liabilities

CES had long-term debt totalling \$338.2 million at March 31, 2014, compared to \$306.8 million at December 31, 2013, an increase of \$31.4 million. The year-over-year increase in long-term debt is primarily as a result of increased draws on the Senior Facility in the period. Additional discussion relating to the Company's Senior Facility is included in the Liquidity and Capital Resources section of this MD&A.

At March 31, 2014, long-term debt liabilities were comprised of the following balances:

\$000's	As at	
	March 31, 2014	December 31, 2013
Senior Facility	116,144	84,385
Senior Notes	225,000	225,000
Vehicle financing loans	1,837	2,207
Equipment financing loans	1,016	1,162
	<b>343,997</b>	312,754
Less net unamortized debt issue costs	(3,743)	(3,961)
Less current portion of long-term debt	(2,018)	(1,955)
Long-term debt	<b>338,236</b>	306,838

At March 31, 2014, the Company had finance lease liabilities of \$7.8 million, net of the current portion of \$3.8 million, representing an increase of \$1.5 million from December 31, 2013.

\$000's	As at	
	March 31, 2014	December 31, 2013
Finance lease obligations	7,806	6,329
Less current portion of finance lease obligations	(3,820)	(3,124)
Long-term finance lease obligations	<b>3,986</b>	3,205

During the three months ended March 31, 2014, the Company made long-term scheduled debt and lease repayments totalling \$1.4 million on its finance leases, vehicle debt, and credit facilities.

### Shareholders' Equity

Shareholders' equity increased from \$360.5 million at December 31, 2013 to \$390.4 million at March 31, 2014. The increase in shareholders' equity is primarily attributable to \$19.5 million in net income, \$1.3 million relating to the issuance of equity under the Company's stock-based compensation plans, \$4.2 million in contributed surplus related to stock based compensation expense, a \$17.8 million gain in accumulated other comprehensive income relating to the translation of the Company's wholly-owned US subsidiary, offset by \$13.5 million of dividends declared by the Company during the period.

### Related Party Transactions

During the three months ended March 31, 2014, the Company made principal payments on equipment purchased from the spouse of one of the Company's directors in the amount of \$0.2 million (Q1 2013 - \$0.4 million). As at March 31, 2014, the Company had an outstanding liability of \$1.0 million (December 31, 2013 - \$1.2 million) for the remaining payments.

For the three months ended March 31, 2014, lease payments on equipment and office leases in the amount of \$0.03 million (Q1 2013 - \$0.02 million) were made for rental agreements CES has with companies controlled by a director and insiders of the Company.

During the three months ended March 31, 2014, the Company acquired property and equipment from a company controlled by one of the Company's employees and insiders. The aggregate purchase price was \$0.82 million, consisting of \$0.76 million in cash paid on the date of the transaction and \$0.06 million in share consideration satisfied through the issuance of 2,455 common shares of the Company.

These transactions have been accounted for at the exchange amount being the amount agreed to by the related parties, which approximates the arm's length equivalent fair value.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

### QUARTERLY FINANCIAL SUMMARY

(\$000's, except per share amounts)	Three Months Ended			
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013
Revenue	<b>231,310</b>	200,569	182,274	130,666
Gross margin	<b>64,447</b>	55,060	50,250	31,415
Net income	<b>19,492</b>	12,837	12,600	1,859
<i>per share– basic</i>	<b>0.29</b>	0.19	0.19	0.03
<i>per share– diluted</i>	<b>0.28</b>	0.18	0.19	0.03
EBITDAC <sup>(1)</sup>	<b>43,522</b>	36,482	32,590	17,158
<i>per share– basic</i>	<b>0.65</b>	0.55	0.50	0.27
<i>per share– diluted</i>	<b>0.62</b>	0.52	0.48	0.26
Funds Flow From Operations <sup>(1)</sup>	<b>35,566</b>	25,006	26,842	13,374
<i>per share– basic</i>	<b>0.53</b>	0.37	0.41	0.21
<i>per share– diluted</i>	<b>0.51</b>	0.36	0.39	0.20
Dividends declared	<b>13,488</b>	12,730	11,491	10,386
<i>per share</i>	<b>0.20</b>	0.19	0.18	0.17
<i>Shares Outstanding</i>				
End of period	<b>67,753,354</b>	67,107,128	66,546,509	63,080,336
Weighted average – basic	<b>67,325,138</b>	66,914,549	65,212,693	62,861,231
Weighted average – diluted	<b>70,188,691</b>	69,577,834	67,982,881	65,246,514

(\$000's, except per share amounts)	Three Months Ended			
	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012
Revenue	149,309	95,028	115,585	104,129
Gross margin	38,061	21,401	27,885	23,523
Net income	9,959	2,847	7,952	3,368
<i>per share – basic</i>	0.17	0.05	0.14	0.06
<i>per share - diluted</i>	0.16	0.05	0.14	0.06
EBITDAC <sup>(1)</sup>	23,587	10,050	17,326	12,793
<i>per share – basic</i>	0.40	0.18	0.31	0.23
<i>per share - diluted</i>	0.39	0.17	0.30	0.22
Funds Flow From Operations <sup>(1)</sup>	17,872	8,603	13,073	8,730
<i>per share – basic</i>	0.30	0.15	0.23	0.16
<i>per share - diluted</i>	0.29	0.15	0.23	0.15
Dividends declared	9,712	9,029	8,367	8,339
<i>per share – basic</i>	0.17	0.16	0.15	0.15
<i>Shares Outstanding</i>				
End of period	62,657,836	56,847,853	55,873,073	55,681,662
Weighted average – basic	58,885,788	56,193,530	55,749,999	55,567,426
Weighted average – diluted	60,735,878	57,792,055	57,356,168	57,327,933

**Notes:**

<sup>1</sup> Refer to the "Non-GAAP Measures" for further detail.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

---

### *Seasonality of Operations*

The Western Canadian drilling industry is subject to seasonality with activity usually peaking during the winter months in the first and last quarters of any given calendar year. As temperatures rise in the spring, the ground thaws and becomes unstable, resulting in government road bans which severely restrict activity in the second quarter. These seasonal trends typically lead to quarterly fluctuations in Canadian operating results and working capital requirements which should be considered in any quarter over quarter analysis of the Company. The overall seasonality of the Company's operations has, and will continue to become less pronounced as a result of expansion in the US and increased diversification of operations away from the drill-bit.

## **LIQUIDITY AND CAPITAL RESOURCES**

At March 31, 2014, the Company had net working capital of \$240.8 million (December 31, 2013 - \$197.4 million). The increase in working capital is primarily due to the increase in activity during 2014 as compared to Q4 2013. The increase in working capital balances is comprised primarily of a \$37.2 million increase in accounts receivable, a \$6.6 million increase in inventory, a \$2.6 million reduction in accounts payable and accrued liabilities, and a \$0.2 million reduction in income taxes payable. These increases to working capital are partially offset by a \$1.3 million decrease in income taxes receivable, a \$0.2 million decrease in prepaid expenses, and a \$0.4 million increase in the current portion of deferred acquisition consideration related to the AES Permian Acquisition.

### *Senior Facility*

The Company has a syndicated Senior Facility (the "Senior Facility") which allows the Company to borrow up to \$150.0 million. The Senior Facility has a term to maturity of three years, maturing on October 2, 2016 and may be extended by one year upon the agreement of the lenders and the Company. In addition, subject to certain terms and conditions, the Company may increase its Senior Facility by \$50.0 million to a maximum borrowing of \$200.0 million. Amounts drawn on the 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 Senior Facility has a standby fee ranging from 0.34% to 0.51%. The applicable pricing margins are based on a sliding scale of senior funded debt to EBITDA ratio. The obligations and indebtedness under the Senior Facility are secured by all of the assets of CES and its subsidiaries.

In conjunction with the Senior Facility, the following are the financial covenants imposed on CES:

- The ratio of total funded debt to EBITDA on a rolling four-quarter basis shall not exceed 4.00 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 principal balance owing on the Senior Notes is not included in the calculation of senior funded debt.
- The quarterly ratio of EBITDA to interest expense must be more than 3.00 to 1.00 calculated on a rolling four-quarter basis.

At March 31, 2014, the Company had a net draw of \$115.8 million on the Senior Facility (December 31, 2013 – \$84.0 million), net of capitalized transaction costs of \$0.3 million (December 31, 2013 – \$0.4 million). The maximum available draw on the Senior Facility at March 31, 2014, was \$150.0 million (December 31, 2013 - \$150.0 million).

As at March 31, 2014, and as of the date of this MD&A, CES was in compliance with the terms and covenants of its lending agreements.

### *Other Indebtedness*

In addition to the above, CES has the following loan and leasing facilities:

- Bank leasing facilities of which the Company had an outstanding balance owing on these lease facilities of \$1.3 million at March 31, 2014, as compared to \$1.6 million at December 31, 2013. The fixed interest rate leases are for terms ranging to March 2016 with interest on the lease facilities at a weighted average rate of 4.95%, resulting in monthly payments of approximately \$0.07 million.
- Non-bank vehicle and equipment finance leases are secured by each related asset at a weighted average interest rate of approximately 5.85%, and have termination dates ranging from May 2014 through June 2019. At March 31, 2014, outstanding vehicle and equipment finance lease obligations totalled \$7.0 million as compared to \$6.3 million at December 31, 2013.
- Vehicle financing loans are secured by each related vehicle at a weighted average interest rate of approximately 6.07% and have termination dates ranging from August 2014 to December 2016. At March 31, 2014, outstanding vehicle loans totalled \$1.8 million, as compared to \$2.2 million at December 31, 2013.
- Equipment financing loans are secured by each related piece of equipment and have a weighted average interest rate of

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

17.25% and a termination date of April 2015. At March 31, 2014, outstanding equipment loans totalled \$1.0 million, as compared to \$1.2 million at December 31, 2013.

The following table details the remaining contractual maturities of the Company's financial liabilities as of March 31, 2014:

<i>\$000's</i>	Payments Due By Period <sup>(1)</sup>					<b>Total</b>
	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	
Accounts payable and accrued liabilities	85,486	-	-	-	-	<b>85,486</b>
Dividends payable <sup>(2)</sup>	4,743	-	-	-	-	<b>4,743</b>
Deferred acquisition consideration	-	11,306	10,834	2,390	-	<b>24,530</b>
Senior Unsecured Notes	-	-	-	-	225,000	<b>225,000</b>
Long-term debt at fixed interest rates <sup>(3)</sup>	317	1,701	786	49	-	<b>2,853</b>
Long-term debt at floating interest rates <sup>(3)</sup>	-	-	-	116,144	-	<b>116,144</b>
Finance lease obligations at fixed interest rates <sup>(3)</sup>	129	662	542	-	-	<b>1,333</b>
Finance lease obligations at floating interest rates <sup>(3)</sup>	459	2,570	2,399	928	117	<b>6,473</b>
Office operating leases	694	3,228	3,346	3,538	-	<b>10,806</b>
<b>Total</b>	<b>91,828</b>	<b>19,467</b>	<b>17,907</b>	<b>123,049</b>	<b>225,117</b>	<b>477,368</b>

**Notes:**

<sup>1</sup> Payments denominated in foreign currencies have been translated at the respective year end exchange rate

<sup>2</sup> Dividends declared as of March 31, 2014

<sup>3</sup> Long-term debt and finance lease obligations reflect principal payments and excludes any associated interest portion

At the time of the release of this MD&A, management is satisfied that CES has sufficient liquidity and capital resources to meet the long-term payment obligations of its outstanding loans and commitments. CES assesses its requirements for capital on an ongoing basis and there can be no guarantee that CES will not have to obtain additional capital to finance the expansion plans of the business or to finance future working capital requirements. In the event that it is required, based on the market conditions at the time, it may be difficult to issue additional equity or increase credit capacity and the cost of any new capital may exceed historical norms and/or impose more stringent covenants and/or restrictions on CES. CES continues to focus on evaluating credit capacity, credit counterparties, and liquidity to ensure its ability to be able to meet its ongoing commitments and obligations.

### Cash Flows from Operating Activities

For the three months ended March 31, 2014, cash flow from operating activities was an outflow of \$4.5 million compared to an outflow of \$1.4 million during the three months ended March 31, 2013, with the decrease being primarily as a result of the change in non-cash working capital. Funds Flow From Operations takes into consideration changes in non-cash working capital and represents the Company's after tax operating cash flows. For the three months ended March 31, 2014, Funds Flow From Operations was \$35.6 million, compared to a \$17.9 million for the three months ended March 31, 2013.

<i>\$000's</i>	Three Months Ended March 31,	
	<b>2014</b>	2013
Cash provided by operating activities	<b>(4,540)</b>	(1,434)
Adjust for:		
Change in non-cash operating working capital	<b>40,106</b>	19,306
<b>Funds Flow From Operations <sup>(1)</sup></b>	<b>35,566</b>	17,872

**Notes:**

<sup>1</sup> Refer to the "Non-GAAP Measures" for further detail.

### Cash Flows from Investing Activities

For the three months ended March 31, 2014, net cash outflows from investing activities totalled \$13.3 million compared to \$182.7 million for the three months ended March 31, 2013. The decrease in net cash outflows for the three months ended March



## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

31, 2014, is reflective of the cash consideration for the JACAM acquisition in the amount of \$174.3 million that was incurred in the comparative prior year period.

For the three months ended March 31, 2014, \$12.6 million was spent on property and equipment (net of \$3.1 million in vehicle financing and leases). During the quarter, CES had \$0.9 million of additions related to Maintenance Capital and \$14.8 million of additions related to Expansion Capital including vehicle financing. Notable Maintenance Capital additions during the quarter ended March 31, 2014, include: \$0.6 million in vehicles, \$0.2 million in trucks and trailers, and \$0.1 million of other maintenance additions. Notable expansion additions during the quarter ended March 31, 2014, include: \$4.5 million for warehouse and facilities, \$2.4 million for machinery and field equipment, \$2.0 million in trucks and trailers, \$1.8 million in vehicles, \$1.5 million for tanks, \$1.3 million in processing equipment, and \$1.3 million for other expansion additions.

Expansion Capital expenditures in Q1 2014 were higher than historical norms primarily as a result of a number of new capital projects undertaken including the ongoing expansion of the Company's existing operations. The Company is currently constructing a barite grinding facility and liquid mud plant in Texas and continuing the expansion of its JACAM facilities. The Company continues to invest in new warehouse facilities and fluids storage facilities to service customers throughout North America and the other necessary ancillary and supporting equipment required to support these facilities and the corresponding expanded operations.

Details of investment made in property and equipment are as follows:

\$000's	Three Months Ended	
	March 31,	
	2014	2013
Expansion Capital <sup>(1)</sup>	14,760	9,025
Maintenance Capital <sup>(1)</sup>	926	826
Total investment in property and equipment	15,686	9,851
Asset financing and leases	(3,087)	(1,012)
Capital expenditures	12,599	8,839
Change in non-cash investing working capital	454	(6)
Cash used for investment in property and equipment	13,053	8,833

**Notes:**

<sup>1</sup> Refer to the "Operational Definitions" for further detail.

In general, the long-term capital investments required for CES to execute its business plan are not significant in relation to the total revenue and EBITDAC generated and the majority of capital expenditures are made at the discretion of CES based on the timing and the expected overall return on the investment.

### **Cash Flows from Financing Activities**

For the three month period ended March 31, 2014, cash flows from financing activities totalled a cash inflow of \$17.8 million compared to an inflow of \$184.2 million during the comparative prior year period. This year-over-year decrease is reflective of the long-term debt financing undertaken in conjunction with the JACAM Acquisition in the comparative prior year period.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

CES calculated Distributable Earnings based on Funds Flow From Operations and the Payout Ratio based on the level of dividends declared as follows:

\$000's	Three Months Ended	
	March 31,	
	2014	2013
Cash used in operating activities	(4,540)	(1,434)
Adjust for:		
Change in non-cash operating working capital	40,106	19,306
Funds Flow From Operations <sup>(1)</sup>	35,566	17,872
Maintenance Capital <sup>(2)</sup>	(926)	(826)
Distributable Earnings <sup>(1)</sup>	34,640	17,046
Dividends declared	13,488	9,712
Payout Ratio <sup>(1)</sup>	39%	57%

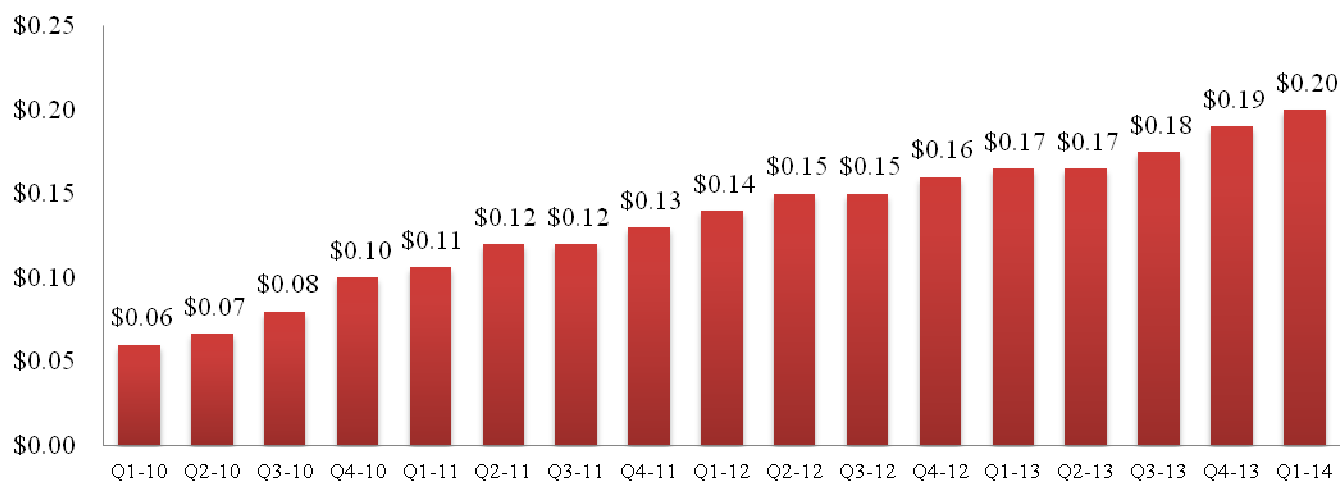
**Notes:**

<sup>1</sup> Refer to the "Non-GAAP Measures" for further detail.

<sup>2</sup> Refer to the "Operational Definitions" for further detail.

Distributable Earnings were \$34.6 million for the three months ended March 31, 2014, compared with \$17.0 million for the same period in 2013. During the three months ended March 31, 2014, CES declared monthly dividends of \$0.065 per share for January and February and \$0.07 per share for March for a total of \$0.20 per share for the quarter. During the first quarter of 2014, the Payout Ratio was 39% compared to 57% for the first quarter of 2013.

### QUARTERLY DIVIDEND GROWTH <sup>1</sup>



**Notes:**

<sup>1</sup> Pursuant to the three-for-one split of CES' outstanding common shares on July 13, 2011, all historical per share data has been retroactively adjusted to reflect the stock split.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

### **Dividend Policy**

In March of 2014, CES increased their dividend for the ninth time since January 1, 2010. The Company declared dividends to holders of common shares for the three months ended March 31, 2014, as follows:

<i>\$000's except per share amounts</i>	<b>Dividend Record Date</b>	<b>Dividend Payment Date</b>	<b>Per Common Share</b>	<b>Total</b>
January	Jan 31	Feb 15	\$0.065	<b>4,372</b>
February	Feb 28	Mar 15	0.065	<b>4,373</b>
March	Mar 28	Apr 15	0.070	<b>4,743</b>
Total dividends declared during the period			\$0.200	<b>13,488</b>

Through the course of the year, monthly dividends declared as a proportion of net income and distributable earnings will vary significantly based on the Company's financial performance. During periods of relatively strong financial performance, typically associated with higher activity levels at the drill-bit, dividends declared as a percentage of net income and cash flow from operations will decrease, and likewise, during periods of relatively weaker financial performance dividends declared as a percentage of net income and cash flow from operations will increase. Dividends are funded by cash provided by operating activities. During periods of insufficient cash availability, due to relatively weaker financial performance or changes in the level of working capital, dividends may be funded through CES' credit facilities.

Management and the Board of Directors review the appropriateness of dividends on a monthly basis taking into account applicable solvency requirements under corporate legislation; current and anticipated industry conditions; and, particularly, growth opportunities requiring Expansion Capital, and management's forecast of Distributable Earnings and the Payout Ratio. Although, at this time, CES intends to continue to make cash dividends to shareholders, these dividends are not guaranteed. In addition, future expansion, investments, and acquisitions may be funded internally by withholding a portion of cash flow in conjunction with, or in replacement of, external sources of capital such as debt or the issuance of equity. To the extent that CES withholds cash flow to finance these activities, the amount of cash dividends to shareholders may be reduced. Alternatively, to the extent that CES' sustainable operating after tax cash flow improves, the amount of cash dividends to shareholders may be increased. Over the long-term, CES' business model has historically shown it can support a large proportion of cash flow from operations being paid out as a dividend as the long-term Expansion Capital investments and Maintenance Capital expenditures required for CES to execute its business plan have not been significant in relation to the total revenue and EBITDAC generated.

Subsequent to March 31, 2014, the Company declared dividends to holders of common shares in the amount of \$0.07 per common share payable on May 15, 2014, for shareholders of record on April 30, 2014.

### **Shareholders' Equity**

As of March 31, 2014, CES had a total of 67,753,354 common shares outstanding. As of the date of this MD&A, CES had a total of 67,799,875 common shares outstanding.

### **Stock-based Compensation**

As at March 31, 2014, a total of 6,775,335 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 2,792,518 common shares remained available for grant.

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

At March 31, 2014, a total of 2,277,313 Share Rights were outstanding (December 31, 2013 – 2,391,548) at a weighted average exercise price of \$12.51 (assuming all SRIP's are exercised at their respective original exercise price) of which 968,965 were exercisable. As of the date of this MD&A, an aggregate of 2,216,813 Share Rights remaining outstanding, of which 923,465 are exercisable.

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

At March 31, 2014, a total of 1,506,571 Restricted Share Units were outstanding (December 31, 2013 – 1,657,500) at a weighted average issuance price of \$17.22, none of which were vested. As of the date of this MD&A, an aggregate of 1,508,087 Restricted Share Units remain outstanding, none of which have vested.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

### Commitments

At March 31, 2014, CES had the following additional commitments not included as liabilities on its statement of financial position:

<i>\$000's</i>	<b>2014 - 9 months</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
Office and facility rent	3,053	3,400	2,757	1,376	220	<b>10,806</b>

*Payments denominated in foreign currencies have been translated at the respective period end exchange rates*

As of the date of this MD&A, given its financial position, CES fully anticipates it will be able to meet these commitments.

The Company is involved in litigation and disputes arising in the normal course of operations. Management is of the opinion that any potential litigation it is aware of 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 any outstanding litigation and any potential claims.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

As a routine element of the financial statement preparation process, management is required to make estimates and assumptions based on information available as at the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, and the possible disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses for the period.

Although estimates and assumptions must be made during the financial statement preparation process, it is management's opinion that none of the estimates or assumptions were highly uncertain at the time they were made. The most significant estimates in CES' condensed consolidated financial statements have been set out in the Company's MD&A for the year ended December 31, 2013, and its audited annual consolidated financial statements and notes thereto for the year ended December 31, 2013.

## RECENT ACCOUNTING PRONOUNCEMENTS

During the three months ended March 31, 2014, there were no revised standards or amendments to IFRS issued. Effective January 1, 2014, the Company adopted International Financial Reporting Interpretation Committee 21 "*Levies*", as well as amendments to International Accounting Standards ("IAS") 32, "*Financial Instruments: Presentation*", and IAS 36, "*Impairment of Assets*", the adoption of which have not had a material impact on the accounting policies, methods of computation, or presentation applied by the Company.

## CORPORATE GOVERNANCE

### *Disclosure Controls and Procedures ("DC&P")*

Disclosure controls and procedures have been designed to provide reasonable assurance that information required to be reported by CES is gathered, recorded, processed, summarized and reported to senior management, including the President and Chief Executive Officer and Chief Financial Officer of CES, to allow timely decisions regarding required public disclosure by CES in its annual filings, interim filings, or other reports filed or submitted in accordance with Canadian securities legislation.

### *Internal Controls over Financial Reporting ("ICFR")*

Management of CES is responsible for establishing and maintaining internal controls over financial reporting ("ICFR") for CES 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. There have been no changes to CES' internal controls over financial reporting during the three months ended March 31, 2014 that have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

It should be noted that while the President and Chief Executive Officer and Chief Financial Officer believe that CES' disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

---

For information regarding the corporate governance policies and practices of CES, the reader should refer to CES' 2013 Annual Report, CES' Annual Information Form dated March 13, 2014 in respect of the year ended December 31, 2013, and CES' Information Circular in respect of the June 20, 2013 Annual General and Special Meeting of shareholders each of which are available on the CES' SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **RISKS AND UNCERTAINTIES AND NEW DEVELOPMENTS**

CES' customers are primarily North American oil and gas producers. Activity in the oil and gas industry is cyclical in nature. CES is directly affected by fluctuations in the level and complexity of oil and natural gas exploration and development activity carried on by its clients. In Canada, drilling activity is seasonal and, in turn, throughout North America it is directly affected by a variety of factors including: weather; oil, natural gas, and natural gas liquids prices; access to capital markets; and government policies including, but not limited to, royalty, environmental, and industry regulations. Any prolonged or significant decrease in energy prices, economic activity, or an adverse change in government regulations could have a significant negative impact on exploration and development drilling and completion activity in North America and, in turn, demand for CES' products and services.

As a provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield, the volatility in activity experienced at the drill-bit and completion stages is muted by the long-term and less variable revenue generated by CES at the pump-jack and wellhead during the production stage and in the mid-stream, pipeline and transportation phases. As CES grows these facets of its business, the predictability of its earnings should also increase. The revenue and general market consumption of consumable chemicals in these market segments is more stable and predictable than the drilling fluids market, and by all accounts the overall market continues to grow. However, CES is a relative new entrant and is much smaller than the larger more established competitors in this space. This presents opportunities as well as risks to the overall success CES may achieve in the production and specialty chemical space.

Oil, natural gas liquids and natural gas prices in North America continue to see volatility, and in general all trade at discounts to comparable world-wide bench-marks. This increases risk to CES' customers and reduces their available cash flow. West Texas Intermediate ("WTI") crude prices retreated below \$100/bbl in late 2013 and into the beginning of 2014. WTI has recently recovered above \$100/bbl, but prices are likely to continue to see volatility in the face of macro-economic forces, and the forward curves are trading below \$100/bbl. In addition, despite a recent tightening, many operators in the WCSB have been challenged by additional crude oil pricing differentials versus world benchmarks such as Brent and WTI. Furthermore, there is on-going uncertainty around the ability for WCSB producers to reach markets with regulatory approvals of several proposed pipeline projects in limbo and potential changes to the crude by rail industry in the face of several derailments. In contrast to oil prices, natural gas prices have remained relatively weak since their peak in 2008. Since mid-2012, there has been a modest recovery in natural gas prices in North America. Recently cold winter weather and lower gas in storage numbers have seen a spike in natural gas prices throughout North America. However, there is no clear upward direction on long-term future prices as evidenced by the futures curve for Nymex Henry Hub hovering around \$4.50 per MMBtu. There has yet to be any significant shift in capital to dry gas drilling as most operators are drilling for liquids rich gas in order to meet their internal rates of return hurdles. Despite more optimism in 2014, activity could slow further if operators' access to capital is impaired or if the price of crude oil falls or the long-term price of natural gas does not recover to more robust levels.

The Western Canadian drilling industry is subject to seasonality with activity usually peaking during the winter months in the first and first quarters of any given calendar year. As temperatures rise in the spring, the ground thaws and becomes unstable, resulting in government road bans which severely restrict activity in the second quarter. These seasonal trends typically lead to quarterly fluctuations in Canadian operating results and working capital requirements which should be considered in any quarter over quarter analysis of the Company. As the drilling fluids business expands in the US and as the production focused and infrastructure focused chemical business is built out, it is expected that the overall seasonality of the Company's operations will be less pronounced.

The ability of CES to sell and expand its services will also depend upon the ability to attract qualified personnel as needed. Over the past few years, the demand for skilled employees has been high and the supply has been limited. The unexpected loss of CES' key personnel or the inability to retain or recruit skilled personnel could have an adverse effect on CES' results. CES addresses this risk by:

- attracting well trained and experienced professionals;
- offering competitive compensation at all levels;
- ensuring a safe working environment with clearly defined standards and procedures; and
- offering its employees both internal and external training programs.

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

---

CES takes its health, safety, and environmental responsibilities seriously and has instituted standards, policies, and procedures to address these risks. In addition, CES maintains insurance policies with respect to its operations providing coverage over what it considers to be material insurable risks.

Significant changes in the oil and gas industry including economic conditions, environmental regulations, government policy, and other factors may adversely affect CES' ability to realize the full value of its accounts receivable. In addition, a concentration of credit risk exists in trade accounts receivable since they are predominantly with companies operating in the WCSB, Texas and the Mid-continent regions, and Northeast regions of the US. CES continues to attempt to mitigate the credit risk associated with its customer receivables by performing credit checks as considered necessary, managing the amount and timing of exposure to individual customers, reviewing its credit procedures on a regular basis, and reviewing and actively following up on older accounts. CES does not anticipate any significant issues in the collection of its customer receivables at this time outside of those which have already been provided for. However, if lower natural gas prices persist, or if crude oil prices fall, or volatile capital markets return, there would be a risk of increased bad debts. It is not possible at this time to predict the likelihood, or magnitude, of this risk.

The provincial governments of Alberta, British Columbia, Manitoba, and Saskatchewan collect royalties on the production from Crown lands. These fiscal royalty regimes are reviewed and adjusted from time to time by the respective governments for appropriateness and competitiveness. The potential for future changes in these and other jurisdictions, is a risk for the Canadian oilfield services sector.

With the JACAM Acquisition and the AES Permian Acquisition, CES' US footprint and size of operations continues to increase. US expansion provides CES with upside potential and reduces certain risks through diversification of operations. It also exposes the Company to additional specific risks including: integration risks of the acquired businesses; currency risk with added exposure to the US dollar; regulatory risks associated with environmental concerns; and the future impact of increased regulatory requirements.

The volatility in the financial markets over the past five years has impacted the general availability of both credit and equity financing in the marketplace. Economic and sovereign debt issues are ongoing in Europe and, although there is more optimism for stronger economic growth in the US, the strength and duration of the recovery remains uncertain. Despite CES' successful issuance of the Senior Notes in Q2 2013, and the successful Offering completed in August 2013, it may prove to be difficult under future market conditions to issue additional equity or increase credit capacity without significant costs. CES is also reliant on its Senior Facility to fund working capital and growth initiatives. In the event CES' lenders are unable to, or choose not to continue to fund CES, it would impair CES' ability to operate until alternative sources of financing were obtained, as access to the Senior Facility is critical to the effective execution of CES' business plan. To date, CES has not experienced any funding issues under any of its debt facilities.

The Company and its various subsidiaries are subject to corporate income and other taxation in various federal, provincial and state jurisdictions in Canada, the US, and Luxembourg. For the current and historical fiscal years, the Company's and its subsidiaries' income tax and other tax returns are subject to audits and reassessments by the various taxation authorities and where applicable, the Company adjusts previously recorded tax expense to reflect audit adjustments. We believe we have adequately provided for all income tax obligations. However, changes in facts, circumstances and interpretations as a result of income tax audits, reassessments, litigation with tax authorities or new tax legislation could result in an increase or decrease to our provision for income taxes. Although not quantifiable at this time, these differences could potentially have a material impact on future net income and the Company's effective tax rate.

Effective January 1, 2010, Canadian Energy Services L.P. (the "Partnership") and Canadian Energy Services Inc. (the "General Partner") completed a transaction with Nevaro Capital Corporation ("Nevaro") which resulted in the Partnership converting from a publicly-traded Canadian limited partnership to a publicly-traded corporation formed under the Canada Business Corporations Act (the "Conversion"). The Conversion resulted in the unitholders of the Partnership becoming shareholders of Canadian Energy Services & Technology Corp. ("CES" or the "Company") with no changes to the underlying business operations. CES undertook the Conversion as the limited partnership structure restricted the ability for CES to grow in the United States. Pursuant to the Limited Partnership Agreement in place, only persons who were residents in Canada, or, if partnerships were Canadian partnerships, in each case for purposes of the Tax Act, could own Class A Units of CES. CES proactively assessed several options available to expand its equity holding base beyond Canadian residents. In addition, in order to satisfy conditions of the Champion acquisition, CES was required to alter its legal structure. The resulting decision of CES was to pursue the Conversion. The steps pursuant to which the Conversion was effected were structured to be tax deferred to CES and unitholders based on current legislation. If amendments to existing legislation are proposed or announced, there is a risk that the tax

## Canadian Energy Services & Technology Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2014

---

consequences of the Conversion to CES and the unitholders may be materially different than the tax consequences contemplated. While CES is confident in its position, there is a possibility that regulators could challenge the tax consequences of the Conversion or prior transactions of Nevaro or legislation could be enacted or amended, resulting in different tax consequences than those contemplated. Such a challenge or legislation could potentially affect the availability or quantum of the tax basis or other tax accounts of CES. On March 4, 2010, the Minister of Finance (Canada) announced certain amendments to the Income Tax Act (Canada) to restrict the ability to utilize tax losses in transactions, which are similar to the Conversion, where units of a publicly-traded trust or partnership are exchanged for shares of a corporation. However, the amendments as announced are intended to apply to transactions undertaken after March 4, 2010, and as such should not apply to the Conversion. It should be noted that in Q4 2011 CES received a letter from the Canada Revenue Agency ("CRA") requesting information in order to review the Conversion. CES also received an additional verbal request for information in Q3 2012. CES provided the information requested by the CRA and to date has not had any further correspondence with the CRA.

Reference should be made to CES' Annual Information Form dated March 13, 2014 for the year ended December 31, 2013, and in particular to the heading "Risk Factors" for further risks associated with the business, operations, and structure of CES which is available on CES' SEDAR profile at [www.sedar.com](http://www.sedar.com).

## OUTLOOK

CES continues to make significant strides in advancing its strategic vision of being a leading provider of technically advanced consumable chemical solutions throughout the full life cycle of the oilfield. The integration of JACAM with the overall business is progressing successfully. JACAM products have been introduced into Canada on both the drilling fluids side and through PureChem with very positive results. In the US, initial steps have been undertaken to support AES operations with JACAM manufactured materials and to expand JACAM's market penetration via the established AES platform. CES sees the opportunity for the unique JACAM products expanding as we move forward. From a manufacturing perspective, CES is undertaking further vertical integration initiatives at the JACAM facility with the completion of the solid chemistry line expansion, the build-out of hydrogenation capabilities and the construction of an organo clay plant.

In addition to the integration initiatives and the financial contribution JACAM continues to make, CES sees other significant opportunities in the US as we continue to leverage our platform, product suite, and infrastructure. In particular, the AES Permian Acquisition, completed in July 2013, has filled the last remaining geographical hole on the US map for CES. The Permian is the busiest drilling basin in North America and is continuing to transition to a horizontal drilling market. CES expects to capitalize on this opportunity through its unique product offerings, the establishment of an oil based mud plant in the Permian which was commissioned in March 2014, and the commissioning of its new barite grinding facility in Corpus Christi which is expected to be on-line late in Q3.

The Canadian business is also performing very well with record revenues achieved in Q1, and has positive momentum going into the remainder of 2014. Canadian operators have been reporting improved cash flow numbers and have seen a rise in stock prices which should improve their access to the equity markets. This improved cash flow is likely to translate into higher activity levels in the back half of 2014 and into 2015. The first quarter of 2014 saw a continuation of the drilling related market-share gains realized in Q4 2013, with new customer wins mainly attributable to new technologies introduced over the past year. In addition, the PureChem division continues its successful build-out across western Canada with a growing customer base and revenues.

CES is reaffirming its expected 2014 guidance that was provided on November 7, 2013. CES' expected range of consolidated gross revenue for 2014 will be approximately \$760.0 million to \$820.0 million and expected consolidated EBITDAC will be approximately \$135.0 million to \$150.0 million. The 2014 guidance reflects the positive growth CES is experiencing across all its business units.

CES' balance sheet remains strong and its financial flexibility was greatly enhanced with the successful placement in April 2013 of \$225.0 million aggregate principal amount 7.375% Senior Notes, and the raising of \$35.0 million of equity in the successful Offering completed in August 2013.

Going forward, CES sees significant growth opportunities as a vertically integrated, full cycle provider of oilfield chemical solutions. Although revenue generated at the drill-bit and at the completions stage will remain subject to volatility, operators continue to drill more complex, deeper, and longer horizontal wells that require more chemicals and fluids in general, but also more technically advanced chemical solutions in order to be successfully drilled, cased and completed. Through both its JACAM and PureChem divisions, CES has vertically integrated manufacturing capabilities with unutilized throughput at both its Sterling, KS and Carlyle, SK plants. CES also has a full suite of technically advanced solutions of production chemicals for consumption at the wellhead or pump-jack, and specialty chemicals for the pipeline and mid-stream market. These markets are less volatile

## **Canadian Energy Services & Technology Corp.**

Management's Discussion and Analysis

Three Months Ended March 31, 2014

---

and are growing on a year-over-year basis as the volumes of produced hydrocarbons and the associated produced water increases. CES believes over time it can grow its market share within each of these sub-segments of the oilfield consumable chemical market. CES' strategy is to utilize its patented and proprietary technologies and superior execution to increase market share. CES believes that its unique value proposition in this increasingly complex operating environment makes it the premier independent provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield in North America.

The Clear Environmental Solutions division continues to complement CES' core drilling fluids business and has maintained consistently strong results. The Environmental Services division is focused on expanding its operational base in the WCSB by specializing in water management issues and is pursuing opportunities in the oil sands and horizontal drilling markets.

The EQUAL Transport division remains profitable. It is expected this business will continue to be instrumental in supporting the core businesses and be economically viable.

As challenges faced by the oil and gas industry become more complex, advanced technologies are becoming increasingly important in driving success for operators. CES will continue to invest in innovation to be a leader in technology advancements in the consumable oilfield chemical markets. With the addition of JACAM's state of the art laboratory in Sterling, Kansas, CES operates four separate lab facilities across North America which also includes, Houston, Texas; Carlyle, Saskatchewan; and Calgary, Alberta. CES also leverages third party partner relationships to drive innovation in the consumable chemicals business.

On a corporate level, CES continually assesses integrated business opportunities that will keep CES competitive and enhance profitability. However, all acquisitions must meet our stringent financial and operational metrics. CES will also closely manage its dividend levels and capital expenditures in order to preserve its financial strength, its low capital re-investment model and its strong liquidity position.

### **ADDITIONAL INFORMATION**

Additional information related to CES can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). Information is also accessible on CES's web site at [www.canadianenergyservices.com](http://www.canadianenergyservices.com).



## Canadian Energy Services & Technology Corp.

### Management's Discussion and Analysis Information

---

#### STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange  
Trading Symbol: CEU

#### OTCQX

Trading Symbol: CESDF

#### BOARD OF DIRECTORS

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

Colin D. Boyer<sup>1,2</sup>

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

D. Michael G. Stewart<sup>1,3</sup>

Thomas J. Simons

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

James (Jim) G. Sherman

Jason H. West

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

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

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

<sup>3</sup>Member of the Health, Safety and Environment  
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. Pasioka  
Corporate Secretary

#### AUDITORS

Deloitte LLP  
Chartered Accountants, Calgary, AB

#### BANKERS

HSBC Bank 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

PureChem Services  
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

Clear Environmental Solutions  
Suite 720, 736 – 8th 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

Moose Mountain Mud  
Box 32, Highway 9 South  
Carlyle, SK S0C 0R0  
Phone: 306-453-4411  
Fax: 306-453-4401

#### 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  
Fax: 620-278-2112

[www.canadianenergyservices.com](http://www.canadianenergyservices.com)