



Canadian Energy SERVICES

**PRESS RELEASE
FOR IMMEDIATE DISTRIBUTION**

May 11, 2017

Canadian Energy Services & Technology Corp. Announces Results for the First Quarter Ended March 31, 2017, Proposed Corporate Name Change and Declares Cash Dividend

Canadian Energy Services & Technology Corp. ("CES" or the "Company") (TSX: CEU)(OTCQX: CESDF) is pleased to report on its financial and operating results for the three months ended March 31, 2017 ("Q1 2017"). At its upcoming Annual General Meeting in June, CES will be proposing to shareholders the approval of a change in corporate name to CES Energy Solutions Corp. CES has significantly transformed its business since its initial public offering in March 2006, and has broadened its operational footprint across North America. The proposed new company name will avoid geographic reference, while the incorporation of the CES acronym will help to maintain brand recognition. This proposed name change is being implemented at the corporate level and CES plans to run its various divisional brands in the local markets and verticals as beforehand. Further, CES announced today that it will pay a cash dividend of \$0.0025 per common share on June 15, 2017 to the shareholders of record at the close of business on May 31, 2017.

The financial results reported for Q1 2017 are reflective of the improvement in commodity prices that has led to a rebound in activity in the oil and gas industry. In contrast, the three months ended March 31, 2016 ("Q1 2016") presented challenging market conditions for the industry with oil prices at historical lows and reduced activity levels. As the industry has rebounded, CES has gained market share in all of its segments by demonstrating to customers the benefits of CES' technologies, service, and attention to problem solving. Although trough pricing levels continue to exist, the increase in activity has allowed CES to sell higher volumes of its products across its rationalized cost structure, and as a result, the financial results of CES in Q1 2017 are consistently improved in comparison to the results achieved in Q1 2016.

CES generated revenue of \$252.4 million during Q1 2017, compared to \$137.1 million during Q1 2016, an increase of \$115.3 million or 84%. EBITDAC for Q1 2017 was \$36.1 million as compared to \$6.6 million for Q1 2016, representing an increase of \$29.5 million or 447%. Year-over-year, the Company's operating results benefited from increased activity due to the improved commodity price environment. Furthermore, Q1 2017 includes results attributable to the Permian based Catalyst Acquisition, completed in the third quarter of 2016, for which there were no associated results included in Q1 2016. As detailed below, in Q1 2017 all facets of the business in Canada and the US have made positive contributions to revenue and EBITDAC.

Revenue generated in the US for Q1 2017 was \$141.7 million compared to \$89.8 million for Q1 2016, an increase of \$51.8 million or 58%. This year over year increase is as a result of the improved market conditions in Q1 2017 with significant activity growth in the drilling fluids business, market share gains in drilling fluids and increased US Treatment Points particularly in the Permian Basin, as a result of the Catalyst Acquisition, for which there were no associated revenues or Treatment Points in the comparable period in 2016. In the drilling fluids business, the Company continued to grow market share in the US with 11% US Market Share in Q1 2017 compared to 10% in Q1 2016.

Revenue generated in Canada for Q1 2017 was \$110.7 million compared to \$47.3 million for Q1 2016, an increase of \$63.4 million or 134%. Throughout the quarter, PureChem continued to gain market share in Canada in production chemicals as Canadian Treatment Points have increased 56% from the comparative period. During Q1

2017, the drilling fluids business increased its operating days by 102% over Q1 2016, which outpaced the increase in industry rig counts which increased by 65% over Q1 2016. Furthermore, the Company benefited from a full winter drilling season this year, as compared to the early Spring break-up experienced in Q1 2016 when customers curtailed spending and prematurely stopped drilling in order to preserve capital.

Emerging from the downturn, CES' balance sheet is well positioned to capitalize on the improving oilfield activity. In Q1 2017, CES built positive net working capital and began to draw on its Senior Facility. As of the date hereof, the Company had a net draw of approximately \$50.0 million on its Senior Facility and its Senior Notes in the amount of \$300 million are not due until April 2020. In 2017, it is expected that EBITDAC will exceed expenditures on cash interest, capital expenditures, and dividends.

CES also announced today that it will pay a cash dividend of \$0.0025 per common share on June 15, 2017 to the shareholders of record at the close of business on May 31, 2017.

CES Q1 Results Conference Call Details

With respect to the first quarter results, CES will host a conference call / webcast at 9:00 am MT (11:00 am ET) on Friday, May 12, 2017.

*North American toll-free: 1-(877) 291-4570
International / Toronto callers: 647-788-4922
Link to Webcast: <http://www.canadianenergyservices.com/>*

Outlook

The past two years have been extremely challenging as CES has navigated through the protracted industry downturn. With the improvement in industry activity in the second half of 2016 and to date in 2017, CES is modestly optimistic with its outlook. If WTI can remain at or above the USD\$50/bbl mark, most of our customers initiatives are economic and activity should continue to improve in 2017 or at minimum not retrench to first half 2016 levels. As the industry has rebounded, CES has gained market share in all of its segments by demonstrating to customers the benefits of CES' technologies, service, and attention to problem solving. CES has yet to realize any meaningful price increases in the recovery. The improvement in financial performance is evidence of the operating leverage in our consumable chemicals business model, and is a direct result of the cost reduction initiatives taken in 2016, combined with increased activity levels as CES has come off its fixed cost base.

CES believes that over time it can continue to grow its share of the oilfield consumable chemical markets in which it competes. The Catalyst Acquisition in 2016 was another significant step forward in this regard as CES sees the Permian Basin having the most near-term opportunities for growth. CES' strategy is to utilize its decentralized management model; its vertically integrated manufacturing model; its problem solving through science approach; its patented and proprietary technologies; and its superior execution to increase market share. The downturn has made many middlemen, or competitors who are simply resellers of other company's products, redundant. By being basic in the manufacture of the consumable chemicals it sells, CES continues to be price competitive and a technology leader. Recent competitor consolidations and business failures will provide further opportunities for CES in this recovery period. CES believes that its unique value proposition makes it the premier independent provider of technically advanced consumable chemical solutions to the North American oilfield.

CES will continue to assess M&A opportunities that will improve CES' competitive position and enhance profitability. Any acquisitions must meet CES' stringent financial and operational metrics. In its core businesses, CES will focus on growing market share, controlling costs, developing or acquiring new technologies, and making strategic investments as required to position the business to capitalize on the industry rebound.

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 fracturing solutions or other forms of remedial 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, H₂S 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 H₂S.

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, PureChem Services ("PureChem"), StimWrx Energy Services Ltd. ("StimWrx"), Sialco Materials Ltd. ("Sialco"), Clear Environmental Solutions ("Clear"), and EQUAL Transport ("EQUAL"). In the US, CES operates under the trade names AES Drilling Fluids ("AES"), AES Frac Fluids ("AES Frac"), Superior Weighting Products ("Superior Weighting"), JACAM Chemicals ("JACAM"), and Catalyst Oilfield Services ("Catalyst").

The Canadian Energy Services and AES brands are focused on the design and implementation of drilling fluids systems and completion solutions sold directly to oil and gas producers. The StimWrx brand provides near matrix stimulation and remediation of oil, gas, and injection wells in Western Canada. The Superior Weighting brand custom grinds minerals including barite, which is the weighting agent utilized in most drilling fluid systems. The JACAM, Catalyst, PureChem, and Sialco brands are vertically integrated manufacturers of advanced specialty chemicals. In addition to being basic in the manufacture of oilfield chemicals, JACAM, Catalyst, and PureChem also have expanding distribution channels into the oilfield.

Two complementary business divisions support the operations and augment the product offerings in the WCSB. Clear is CES' environmental division, providing environmental consulting, water management services, 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 primarily supports the oilfield chemical business by hauling, handling, managing and warehousing products.

Led by JACAM's state of the art laboratory in Sterling, Kansas, CES now operates eight separate lab facilities across North America: two in Houston, Texas; two in Midland, Texas; and one in each of Carlyle, Saskatchewan; Delta, British Columbia; and Calgary, Alberta. In 2015, CES significantly expanded its laboratory capabilities in Calgary with the opening of its new laboratory and technology center. In the US, CES' main chemical manufacturing and reacting facility is located in Sterling, Kansas with additional low-temperature reacting and chemical blending capabilities in Midland, Texas and additional chemical blending capabilities in Sonora, Texas. In Canada, CES has a chemical manufacturing and reacting facility located in Delta, British Columbia with additional chemical blending capabilities located in Carlyle, Saskatchewan and Nisku, Alberta. CES also leverages third party partner relationships to drive innovation in the consumable fluids and chemicals business.

Financial Highlights

(\$000's, except per share amounts)	Three Months Ended March 31,	
	2017	2016
Revenue	252,352	137,149
Gross margin	59,785	23,910
Cash Gross Margin ⁽¹⁾	69,278	32,557
Income (loss) before taxes	7,604	(25,560)
<i>per share – basic</i>	0.03	(0.12)
<i>per share - diluted</i>	0.03	(0.12)
Net income (loss)	7,778	(23,593)
<i>per share – basic</i>	0.03	(0.11)
<i>per share - diluted</i>	0.03	(0.11)
EBITDAC ⁽¹⁾	36,107	6,601
<i>per share – basic</i>	0.14	0.03
<i>per share - diluted</i>	0.13	0.03
Funds Flow From Operations ⁽¹⁾	27,523	2,338
<i>per share – basic</i>	0.10	0.01
<i>per share - diluted</i>	0.10	0.01
Dividends declared	1,983	5,079
<i>per share</i>	0.0075	0.0230

Shares Outstanding	Three Months Ended March 31,	
	2017	2016
End of period	264,825,562	222,369,084
Weighted average		
- basic	264,169,358	220,928,336
- diluted	272,554,790	220,928,336

Financial Position (\$000's)	As at	
	March 31, 2017	December 31, 2016
Net working capital	267,687	222,323
Total assets	1,074,012	978,959
Long-term financial liabilities ⁽²⁾	352,494	306,267
Shareholders' equity	588,364	568,837

Notes:

¹CES uses certain performance measures that are not recognizable under International Financial Reporting Standards ("IFRS"). These performance measures include net income (loss) before interest, taxes, depreciation and amortization, gains and losses on disposal of assets, 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 ("EBITDAC"), and Funds Flow From Operations. Management believes that these measures provide supplemental financial information that is useful in the evaluation of CES' operations. Readers should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with IFRS as an indicator of CES' performance. CES' method of calculating these measures may differ from that of other organizations and, accordingly, these may not be comparable. Please refer to the Non-GAAP measures section of CES' MD&A for the three months ended March 31, 2017.

²Includes long-term portion of the deferred acquisition consideration, the Senior Facility, the Senior Notes, and vehicle and equipment finance leases

Cautionary Statement

Except for the historical and present factual information contained herein, the matters set forth in this press release, 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 press release, 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 press release. 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 are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information contained in this document speaks only as of the date of the document, and CES assumes no obligation to publicly update or revise such information to reflect new events or circumstances, except as may be required pursuant to applicable securities laws or regulations. The material assumptions in making forward-looking statements include, but are not limited to, assumptions relating to demand levels and pricing for the oilfield consumable chemical offerings of the Company; fluctuations in the price and demand for oil and natural gas; anticipated activity levels of the Company’s significant customers; commodity pricing; general economic and financial market conditions; the successful integration of recent acquisitions; the Company’s ability to finance its operations; levels of drilling and other activity in the WCSB, the Permian and other US basins, the effects of seasonal and weather conditions on operations and facilities; changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; and other unforeseen conditions which could impact the Company’s business of supplying oilfield consumable chemistry to the Canadian and US markets and the Company’s ability to respond to such conditions.

In particular, this press release contains forward-looking information pertaining to the following: the proposed name change to CES Energy Solutions Corp.; the seasonality of CES’ business; the anticipated reduction in exposure to the effects of spring break-up in the WCSB; the duration of spring break-up; the certainty and predictability of future cash flows and earnings; the expectation that cash interest costs, maintenance capital and dividends will be fully funded from EBITDAC; future estimates as to dividend levels; the potential means of funding dividends; the intention to make future dividend payments; the business strategy regarding cash dividend payments in the future; the amount of cash to be conserved based on the new dividend level and the ability to retain such cash to preserve the balance sheet and provide liquidity to fund future growth initiatives; the sufficiency of liquidity and capital resources to meet long-term payment obligations; potential M&A opportunities; the long-term capital investments required for CES to execute on its business plan; the amount of CES’ non-acquisition related capital expenditures in 2017, including maintenance capital and discretionary expansion capital and the anticipated timing for spending such capital; the expected timing and cost for completion of expansions at the JACAM, Catalyst, and PureChem facilities; management’s opinion of the impact of any potential litigation or disputes; potential outcomes of the CRA’s intent to challenge the Canadian tax consequences of the Conversion (as defined herein); the application of critical accounting estimates and judgements; the timing of adoption of new accounting standards and the potential impact of new accounting standards on CES’ financial statements; the collectability of accounts receivable; the effectiveness of CES’ credit risk mitigation strategies and the results of any U.S. trade credit insurance claims; management’s opinion of the impact of self-insuring trade credit insurance; CES’ ability to increase or maintain its market share, including expectations that PureChem and JACAM will increase market share in the oilfield consumable chemical market and Catalyst will increase market-share of production and specialty chemicals in the Permian Basin; CES’ ability to leverage third party partner relationships to drive innovation in the consumable fluids and chemicals business; supply and demand for CES’ products and services, including expectations for growth in CES’ production and specialty chemical sales and expected growth in the consumable chemicals market; expectations that CES will rationalize its drilling fluids cost structure; industry activity levels; commodity prices and related pricing pressure; any forward curves for commodity prices; treatment under governmental regulatory and taxation regimes; expectations regarding the impact of proposed changes to Alberta’s oil and gas royalty regime; expectations regarding expansion of services in Canada and the U.S.; development of new technologies; expectations regarding CES’ growth opportunities in Canada and the U.S.; the effect of acquisitions on the Company including the effect of the Catalyst and StimWrx Acquisitions; expectations regarding the performance or expansion of CES’ operations; expectations regarding the diversification of operations away from the drill-bit; expectations that competitor consolidation and business failures will provide future opportunities to CES; expectations regarding demand for CES’ services and technology; the potential for CES to expand its business as it relates to water usage and handling; investments in research and development and technology advancements; access to debt and capital markets and cost of capital; CES’ ability to continue to comply with covenants in debt facilities; 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 U.S., and internationally; geopolitical risk; fluctuations in demand for consumable fluids and chemical oilfield services, and any downturn in oilfield activity; a decline in activity in the WCSB, the Permian and other basins in which the Company operates; a decline in frac related chemical sales; a decline in operator usage of chemicals on wells; an increase in the number of customer well shut-ins; 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; the declines in prices for oil, and pricing differentials between world pricing and pricing in North America; competition, and pricing pressures from customers in the current commodity environment; currency risk as a result of fluctuations in value of the U.S. dollar; 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; the collectability of accounts receivable, particularly in the current low oil and natural gas price environment; 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 oil and gas royalty regimes, programs to reduce greenhouse gas and other emissions and regulations restricting the use of hydraulic fracturing; pipeline capacity and other transportation infrastructure constraints; reassessment and audit risk associated with the Conversion and other tax filing matters; changes and proposed changes to U.S. policies including the potential for tax reform, possible renegotiation of international trade agreements including NAFTA and potential Border Adjustment Tax; divergence in climate change policies between Canada and the U.S.; potential changes to the crude by rail industry; 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, 2016 and “Risks and Uncertainties” in CES’ MD&A dated May 11, 2017.

CES has filed its Q1 2017 unaudited condensed consolidated financial statements and notes thereto as at and for the three months ended March 31, 2017, and accompanying management discussion and analysis in accordance with National Instrument 51-102 - *Continuous Disclosure Obligations* adopted by the Canadian securities regulatory authorities. Additional information about CES will be available on CES' SEDAR profile at www.sedar.com and CES' website at www.CanadianEnergyServices.com.

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