Canadian Energy
SERVICES

Q4

Year Ended December 31, 2014

as at March 12, 2015

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 audited consolidated financial statements and notes thereto of Canadian Energy Services & Technology Corp. ("CES" or the "Company") for the years ended December 31, 2014 and 2013, and CES' 2014 Annual Information Form. This MD&A is dated March 12, 2015, 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 certainty and predictability of future cash flows and earnings; the sufficiency of liquidity and capital resources to meet long-term payment obligations; the long-term capital investments required for CES to execute on its business plan; the amount of CES' non-acquisition related capital expenditures in 2015, including maintenance capital and discretionary expansion capital; the expected timing for completion of expansions at JACAM facilities; the commissioning date of the barite grinding facility in Corpus Christi; 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; the application of critical accounting estimates and judgements; the collectability of accounts receivable; the expected range of consolidated revenue and EBITDAC; CES' ability to increase its market share, including expectations that PureChem and JACAM will increase market-share in the oilfield consumable chemical market; supply and demand for CES' products and services, including expectations for growth in CES' production and speciality chemical sales; 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 Canadian Acquisitions, the acquisition of all of the oilfield chemical business assets of Southwest, and other acquisitions on the Company; 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, and the recent downturn in oilfield activity; a decline in activity in the WCSB, the Permian and other basins in which the Company operates; 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 recent 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 recent 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 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 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, 2014 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.

THREE-FOR-ONE STOCK SPLIT

On June 19, 2014, the Company's shareholders approved a three-for-one split of CES' outstanding common shares (the "Stock Split"). The Stock Split was effected in the form of the issuance of two additional common shares for each share owned by shareholders of record at the close of business on July 18, 2014. The Company's common shares commenced trading on a post-split basis on July 24, 2014, on both the Toronto Stock Exchange and the OTC Markets OTCQX Exchange. All share data and information related to the Company's stock-based compensation plans presented herein have been retroactively adjusted to give effect to the stock split.

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_2S 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_2S.

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.

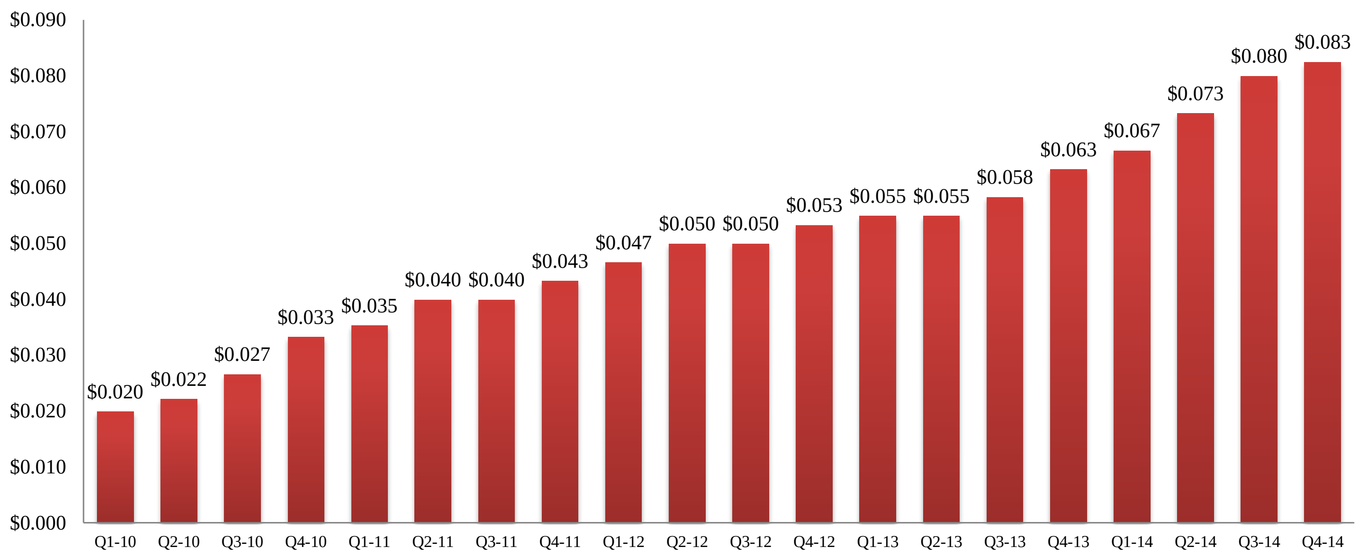
Two complimentary business divisions support the operations and augment the product offerings in the WCSB. Clear is CES' environmental division, providing environmental consulting and drilling fluids waste disposal services primarily to oil and gas producers active in the WCSB. EQUAL is CES' transport 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 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 December 31, 2014, the Company has increased its monthly dividend eleven times from $0.0067 per share to $0.0275 per share, which is 4.1 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 [1]



Notes:
[1]Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, all historical per share data has been retroactively adjusted to reflect the stock split.

NON-GAAP MEASURES

The accompanying 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. For the purposes of this MD&A, net income, as discussed throughout, represents the net income attributable to the shareholders of the Company, unless otherwise noted. The non-GAAP 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:

	Three Months Ended December 31,		Year Ended December 31,	
$000's	**2014**	2013	**2014**	2013
Net income	**18,816**	12,837	**67,704**	37,255
Add back (deduct):				
Depreciation in cost of sales	**6,867**	4,613	**23,617**	15,084
Depreciation and amortization in general and administrative expenses	**5,207**	4,004	**17,007**	11,856
Interest expense, net of interest income	**6,245**	4,961	**22,023**	17,545
Amortization of capitalized deferred financing costs	**194**	238	**1,332**	720
Current income tax expense (recovery)	**(5,108)**	6,516	**10,583**	9,179
Deferred income tax expense (recovery)	**10,285**	(1,241)	**13,941**	5,459
Stock-based compensation	**5,102**	4,242	**21,071**	12,535
Unrealized foreign exchange (gain) loss	**(155)**	40	**189**	2
Unrealized derivative loss	**267**	171	**383**	212
Loss (gain) on disposal of assets	**(158)**	101	**(678)**	(29)
EBITDAC	**47,562**	36,482	**177,172**	109,818

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.

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.

FINANCIAL HIGHLIGHTS

Summary Financial Results	Three Months Ended December 31,			Year Ended December 31,		
($000's, except per share amounts)	**2014**	2013	% Change	**2014**	2013	% Change
Revenue	**278,672**	200,569	39%	**972,705**	662,818	47%
Gross margin	**74,864**	55,060	36%	**265,491**	174,786	52%
Gross margin percentage of revenue	**27%**	27%		**27%**	26%	
Income before taxes	**24,213**	18,112	34%	**92,579**	51,893	78%
per share – basic [(2)]	***0.11***	*0.09*	*22%*	***0.44***	*0.27*	*63%*
per share - diluted [(2)]	***0.11***	*0.09*	*22%*	***0.43***	*0.26*	*65%*
Net income	**18,816**	12,837	47%	**67,704**	37,255	82%
per share – basic [(2)]	***0.09***	*0.06*	*50%*	***0.33***	*0.20*	*65%*
per share - diluted [(2)]	***0.08***	*0.06*	*33%*	***0.31***	*0.19*	*63%*
EBITDAC [(1)]	**47,562**	36,482	30%	**177,172**	109,818	61%
per share – basic [(2)]	***0.22***	*0.18*	*22%*	***0.85***	*0.58*	*47%*
per share - diluted [(2)]	***0.21***	*0.17*	*24%*	***0.82***	*0.55*	*49%*
Funds Flow From Operations [(1)]	**46,810**	25,006	87%	**144,962**	83,094	74%
per share – basic [(2)]	***0.22***	*0.12*	*83%*	***0.70***	*0.44*	*59%*
per share - diluted [(2)]	***0.21***	*0.12*	*75%*	***0.67***	*0.42*	*60%*
Dividends declared	**17,745**	12,730	39%	**63,224**	44,319	43%
per share [(2)]	***0.0825***	*0.0633*	*30%*	***0.3025***	*0.2317*	*31%*

Notes:
[1] Refer to "Non-GAAP Measures" for further detail
[2] Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, all historical per share data has been retroactively adjusted to reflect the stock split.

OVERVIEW OF FINANCIAL AND OPERATIONAL RESULTS

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

- CES generated revenue of $278.7 million during the three months ended December 31, 2014, compared to $200.6 million for the three months ended December 31, 2013, an increase of $78.1 million or 39%. Revenue for the year ended December 31, 2014, totaled $972.7 million, compared to revenues for the year ended December 31, 2013 of $662.8 million (2012 – $471.3 million), representing an increase of $309.9 million or 47% on a year-over-year basis. EBITDAC for the three months ended December 31, 2014, was $47.6 million as compared to $36.5 million for the three months ended December 31, 2013, representing an increase of $11.1 million or 30%. CES recorded EBITDAC per share of $0.22 ($0.21 diluted) for the three months ended December 31, 2014 versus EBITDAC per share of $0.18 ($0.17 diluted) in 2013, an increase of 22% (24% diluted). For the twelve month period ended December 31, 2014, EBITDAC totalled $177.2 million as compared to $109.8 million in 2013, representing an increase of $67.4 million or 61%. Year-to-date, CES recorded EBITDAC per share of $0.85 ($0.82 diluted) versus EBITDAC per share of $0.58 ($0.55 diluted) in 2013, an increase of 47% (49% diluted). For both the three and twelve months ended December 31, 2014, and as detailed below, all facets of the business in Canada and the US have made positive contributions to revenue and EBITDAC.

- Revenue generated in the US for the three months ended December 31, 2014 increased by $56.9 million or 47% compared to the three months ended December 31, 2013, from $121.6 million to $178.5 million. This year-over-year increase is primarily a result of the significant contribution to revenue growth from production and specialty chemicals sales by JACAM, including the addition of revenue related to the acquisition of Southwest, for which there were no associated revenues in the comparable period. Also contributing to the increase in US revenues is the organic growth experienced in AES Drilling Fluids and in particular AES Permian as this business division gained an increased share of the horizontal drilling market in west Texas. For the twelve month period ended December 31, 2014, revenue in the US was $599.7 million compared to $420.1 million, representing an increase of $179.6 million or 43%. The increase in revenues for the twelve months ended December 31, 2014 was due to the same reasons mentioned above as well as having the benefit of a full twelve months of revenue contribution from JACAM, which was acquired on March 1, 2013, and AES Permian, which was acquired on July 15, 2013.

- Revenue generated in Canada for the three months ended December 31, 2014 increased by $21.2 million or 27% compared to the three months ended December 31, 2013, from $79.0 million to $100.2 million. Q4 2014 saw an increase in sales over Q4 2013 in both drilling fluids and production and specialty chemicals. Purechem continued to experience organic growth and had revenue contribution from the acquisition of Canwell, for which there were no associated revenues in the comparable period. Although operating days in Q4 2014 were only up 1% over Q4 2013, CES benefited from the trend in Canada to drill longer reach horizontals in addition to the revenue contributions from the Rheotech acquisition, for which there were no associated revenues in the comparable period. For the twelve month period ended December 31, 2014, revenue in Canada was $373.0 million compared to $242.7 million for the same period last year, representing an increase of $130.3 million or 54%. The increase in revenues in Canada for the twelve months ended December 31, 2014 was due to the same reasons mentioned above.

- For the three month period ended December 31, 2014, CES recorded gross margin of $74.9 million or 27% of revenue, compared to gross margin of $55.1 million or 27% of revenue generated in the same period last year. For the twelve month period ended December 31, 2014, CES recorded gross margin of $265.5 million or 27% of revenue, compared to gross margin of $174.8 million or 26% of revenue in 2013. The annualized improvement in gross margin percentage is primarily a result of the growth of production and specialty chemicals in CES' overall sales mix. 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. Despite the growth of production and speciality chemical sales, the comparative Q4 2014 to Q4 2013 gross margin percentage is flat, as a result of year-end inventory valuation write-downs, as certain products, including oil based mud or "invert", were revalued to net realizable value to reflect current oil prices. In addition, in late Q4 2014 the Canadian business, in particular, experienced the beginning of price pressures related to the drop in oil prices as well as some cost inflation as a result of the falling Canadian dollar which increased the cost of certain inputs that are purchased in USD. In the current pricing environment these increases could not be passed on to the customers.

- CES recorded net income of $18.8 million for the three month period ended December 31, 2014 as compared to $12.8 million in the prior year. CES recorded net income per share of $0.09 ($0.08 diluted) for the three months ended December 31, 2014 versus $0.06 ($0.06 diluted) in 2013. CES recorded net income of $67.7 million for the twelve month period ended December 31, 2014 as compared to $37.3 million generated for the same period last year. Year-over-year net income per share for the twelve month period ended December 31, 2014 was $0.33 ($0.31 diluted) as compared with $0.20 ($0.19 diluted) per share for the same period in 2013. The respective year-over-year change in net income was impacted by positive financial contributions 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.

- On September 5, 2014, the Company entered into a new syndicated Senior Facility (the "Senior Facility") which allows the Company to borrow up to $200.0 million. The Senior Facility has a term to maturity of three years, maturing on December 31, 2017 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 $100.0 million to a maximum borrowing of $300.0 million. At December 31, 2014, the Company had a net draw of $60.9 million on the Senior Facility (December 31, 2013 – $84.0 million), net of capitalized transaction costs of $0.7 million (December 31, 2013 – $0.4 million). The maximum available draw on the Senior Facility at December 31, 2014, was $200.0 million (December 31, 2013 - $150.0 million). Further discussion on the Senior Facility is included in the Liquidity and Capital Resources section of this document.

- CES continues to maintain a strong statement of financial position or "balance sheet" with positive net working capital of $307.1 million as at December 31, 2014.

- During the fourth quarter of 2014, CES declared monthly dividends in aggregate dividends of $0.0825 per share. This compares to $0.0633 per share for the comparable quarter in 2013. During the fourth quarter of 2014, the Company's Payout Ratio averaged 41% as compared to 53% in 2013. For 2014, the payout ratio averaged 46%, compared to 56% in 2013.
- On July 3, 2014, CES successfully completed the private placement of $75.0 million of 7.375% senior unsecured notes due on April 17, 2020 at a premium price of $1,057.50 per $1,000.00 principal amount of Notes. The Additional Senior Notes

were issued under the indenture governing the Company's $225.0 million of Senior Notes and formed a single series with such previously issued Senior Notes.

- On July 11, 2014, the Company, through a syndicate of underwriters, completed a bought deal short-form prospectus offering of common shares. Pursuant to the Offering, the Company issued a total of 6,912,000 common shares, on a post-split basis, of the Company for gross proceeds of $75.2 million. Net proceeds, after offering expenses and underwriter's commission of approximately $3.3 million, were $71.9 million.

- On July 1, 2014, CES completed the acquisitions of all of the business assets of Rheotech Drilling Fluids Services Inc. ("Rheotech") and of all of the business assets of Canwell Enviro-Industries Ltd. ("Canwell") collectively the "Canadian Acquisitions". Rheotech and Canwell were Western Canadian Sedimentary Basin based private businesses selling oilfield chemical solutions. The Canadian Acquisitions are expected to strengthen the Company's position as a leading provider of drilling fluids and production and specialty chemicals in the WCSB.

- On September 5, 2014, through a US subsidiary, CES completed the acquisition of all of the oilfield chemical business assets of Southwest Treating Products, LLC. ("Southwest"). Southwest was a west Texas based private oilfield chemical company that provides production and specialty chemical solutions for a number of leading oil and natural gas companies. The acquisition of Southwest will accelerate the expansion of Company's US production and specialty chemicals operations into the west Texas Permian Basin and the Eagle Ford shale in south Texas.

RESULTS FOR THE PERIODS

	Three Months Ended December 31,			
($000's, except per share amounts)	**2014**	2013	$ Change	% Change
Revenue	**278,672**	200,569	78,103	39%
Cost of sales	**203,808**	145,509	58,299	40%
Gross margin	**74,864**	55,060	19,804	36%
Gross margin percentage of revenue	**27%**	27%		
General and administrative expenses	**43,549**	31,482	12,067	38%
Finance costs	**7,102**	5,466	1,636	30%
Income before taxes	**24,213**	18,112	6,101	34%
Current income tax expense	**(5,108)**	6,516	(11,624)	(178%)
Deferred income tax expense (recovery)	**10,285**	(1,241)	11,526	929%
Net income	**19,036**	12,837	6,199	48%
Less: net income attributable to non-controlling interest	**220**	-	220	-
Net income attributable to shareholders of the Company	**18,816**	12,837	5,979	47%
Net income per share – basic [(1)]	***0.09***	*0.06*	*0.03*	*50%*
Net income per share – diluted [(1)]	***0.08***	*0.06*	*0.02*	*33%*
EBITDAC [(2)]	**47,562**	36,482	11,080	30%

Common Shares Outstanding	**2014**	2013	% Change
End of period [(1)]	**215,512,074**	201,321,384	7%
Weighted average			
- basic [(1)]	**214,875,446**	200,743,647	7%
- diluted [(1)]	**221,469,050**	208,733,503	6%

	As at		
Financial Position ($000's)	**December 31, 2014**	December 31, 2013	% Change
Net working capital	**307,081**	197,366	56%
Total assets	**1,088,080**	807,319	35%
Long-term financial liabilities [(3)]	**378,662**	322,766	17%
Shareholders' equity [(4)]	**540,037**	360,519	50%

Notes:

[1] Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, all historical per share data has been retroactively adjusted to reflect the stock split.
[2] Refer to the "Non-GAAP Measures" for further detail.
[3] Includes long-term portion of the Deferred acquisition consideration, the Senior Facility, the Senior Notes, vehicle and equipment financing, and finance leases.
[4] Represents shareholders' equity attributable to the shareholders of the Company.

($000's, except per share amounts)	Year Ended December 31, 2014	2013	$ Change	% Change
Revenue	**972,705**	662,818	309,887	47%
Cost of sales	**707,214**	488,032	219,182	45%
Gross margin	**265,491**	174,786	90,705	52%
Gross margin percentage of revenue	**27%**	26%		
General and administrative expenses	**148,572**	103,861	44,711	43%
Finance costs	**24,340**	19,032	5,308	28%
Income before taxes	**92,579**	51,893	40,686	78%
Current income tax expense	**10,583**	9,179	1,404	15%
Deferred income tax expense	**13,941**	5,459	8,482	155%
Net income	**68,055**	37,255	30,800	83%
Less: net income attributable to non-controlling interest	**351**	-	351	-
Net income attributable to shareholders of the Company	**67,704**	37,255	30,449	82%
Net income per share – basic [(1)]	***0.33***	*0.20*	*0.13*	*65%*
Net income per share – diluted [(1)]	***0.31***	*0.19*	*0.12*	*63%*
EBITDAC [(2)]	**177,172**	109,818	67,354	61%

Common Shares Outstanding	**2014**	2013	% Change
End of period [(1)]	**215,512,074**	201,321,384	7%
Weighted average			
- basic [(1)]	**208,191,330**	190,486,020	9%
- diluted [(1)]	**216,191,326**	198,120,862	9%

Notes:
[1] Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, all historical per share data has been retroactively adjusted to reflect the stock split.
[2] Refer to the "Non-GAAP Measures" for further detail.

Revenue and Operating Activities
CES generated gross revenue of $278.7 million during the three months ended December 31, 2014, compared to $200.6 million for the three months ended December 31, 2013, an increase of $78.1 million or 39%. Revenue for the year ended December 31, 2014, totaled $972.7 million, compared to revenues for the year ended December 31, 2013 of $662.8 million, an increase of $309.9 million or 47%.

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

$000's	Revenue – Three Months Ended December 31, 2014	2013	Revenue – Year Ended December 31, 2014	2013
Canada	**100,217**	78,974	**373,002**	242,676
United States	**178,455**	121,595	**599,703**	420,142
Total	**278,672**	200,569	**972,705**	662,818

Revenue generated in Canada for the three months ended December 31, 2014 increased by $21.2 million or 27% compared to the three months ended December 31, 2013, from $79.0 million to $100.2 million. Q4 2014 saw an increase in sales over Q4 2013 in both drilling fluids and production and specialty chemicals. Purechem continued to experience organic growth and had revenue contribution from the acquisition of Canwell, for which there were no associated revenues in the comparable period. Although operating days in Q4 2014 were only up 1% over Q4 2013, CES benefited from the trend in Canada to drill longer reach horizontals and the revenue contributions from the Rheotech acquisition. At the drill-bit in Q4 2014, industry rig counts in

Canada increased by 4% as compared to Q4 2013 and CES' Operating Days increased by 1%. Drill-bit related Canadian Market Share remained flat at an estimated 35% in Q4 2014 to an estimated 35% in Q4 2013.

For the year-to-date period ended December 31, 2014, revenue in Canada was $373.0 million compared to $242.7 million in the same period last year, representing an increase of $130.3 million or 54%. This increase in revenues year-over-year was due to the same reasons mentioned in the paragraph above. Year-to-date, industry rig counts in Canada increased by 9% compared to the twelve months ended December 31, 2013 and CES' Operating Days increased by 19% compared to the twelve months ended December 31, 2013. Drill-bit-related Canadian Market Share increased from an estimated 31% in 2013 to an estimated 34% in 2014.

Included in revenue generated in Canada for the three months ended December 31, 2014, is $4.8 million (2013 – $6.2 million) of revenue generated by Clear, the Company's Environmental Services segment. Included in revenue generated in Canada for the year-to-date period ended December 31, 2014, is $19.0 million (2013 – $22.5 million) of revenue generated by Clear. The financial results of Clear are otherwise not material and as such have been aggregated with the consolidated results of the Company throughout this MD&A.

Revenue generated in the US for the three months ended December 31, 2014, increased by $56.9 million or 47% compared to the three months ended December 31, 2013, up from $121.6 million to $178.5 million. This year-over-year increase is primarily a result of the significant contribution to revenue growth from production and specialty chemicals sales by JACAM, including the addition of revenue related to the acquisition of Southwest, for which there were no associated revenues in the comparable period. Also contributing to the increase in US revenues is the organic growth experienced in AES Drilling Fluids and, in particular, AES Permian, as this business division gained an increased share of the horizontal drilling market in west Texas. At the drill-bit in Q4 2014, industry rig counts in the US increased by 9% as compared to Q4 2013 and the Company's US Operating Days increased by 16%. Drill-bit-related US Market Share increased from an estimated 8% in Q4 2013 to an estimated 9% in Q4 2014.

For the year-to-date period ended December 31, 2014, revenue in the US was $599.7 million compared to revenues of $420.1 million, representing an increase of $179.6 million or 43%, and the Company's US Operating Days increased by 25% for the year-to-date comparative period. The increase in US revenues for the twelve months ended December 31, 2014 was due to the same reasons mentioned in the paragraph above, as well as a having the benefit of a full twelve months of revenue contribution from JACAM, which was acquired on March 1, 2013, and AES Permian, which was acquired on July 15, 2013. Drill-bit-related US Market Share increased from an estimated 7% in 2013 to an estimated 8% in 2014.

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

	Three Months Ended December 31,			Year Ended December 31,		
	2014	2013	% Change	**2014**	2013	% Change
Canadian industry rig count [1]	**384**	370	4%	**370**	339	9%
US industry rig count [2]	**1,855**	1,697	9%	**1,809**	1,705	6%

Notes:
[1] Based on the quarterly average of CAODC published monthly data for Western Canada.
[2] Based on the quarterly average of Baker Hughes published land data for the United States.

	Three Months Ended December 31,			Year Ended December 31,		
	2014	2013	% Change	**2014**	2013	% Change
Canada	**12,198**	12,084	1%	**45,377**	38,137	19%
US	**15,465**	13,294	16%	**55,641**	44,494	25%
Total Operating Days [1]	**27,663**	25,378	9%	**101,018**	82,631	22%

Notes:
[1] Refer to "Operational Definitions" for further detail.

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

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	**2014**	2013
Top five customers as a % of total revenue	**26%**	27%	**26%**	33%
Top customer as a % of total revenue	**12%**	13%	**14%**	16%

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, operational labour, operational related depreciation, transportation, and all other related operational 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 December 31, 2014, CES recorded gross margin of $74.9 million or 27% of revenue, compared to gross margin of $55.1 million or 27% of revenue generated in the same period last year. For the year-to-date period ended December 31, 2014, CES recorded gross margin of $265.5 million or 27% of revenue, compared to gross margin of $174.8 million or 26% of revenue in 2013. The annualized improvement in gross margin percentage is primarily a result of the growth of production and specialty chemicals in CES' overall sales mix. 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. Despite the growth of production and specialty chemical sales, the comparative Q4 2014 to Q4 2013 gross margin percentage is flat, as a result of year-end inventory valuation write-downs of $3.1 million (2013 – nil), as certain products, including oil based mud or "invert", were revalued to net realizable value to reflect current oil prices. In addition, in late Q4 2014 the Canadian business, in particular, experienced the beginning of price pressures related to the drop in oil prices as well as some cost inflation as a result of the falling Canadian dollar which increased the cost of certain inputs that are purchased in US dollars. In the current pricing environment these increases could not be passed on to the customers.

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.

	Three Months Ended December 31,		Year Ended December 31,	
$000's	**2014**	2013	**2014**	2013
Gross margin	**74,864**	55,060	**265,491**	174,786
as a percentage of revenue	**27%**	27%	**27%**	26%
Add back (deduct):				
Depreciation included in cost of sales	**6,867**	4,613	**23,617**	15,084
Loss (gain) on disposal of assets included in cost of sales	**(158)**	101	**(678)**	(29)
Cash Gross Margin (1)	**81,573**	59,774	**288,430**	189,841
as a percentage of revenue	**29%**	30%	**30%**	29%

Notes:
[1] *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.

	Three Months Ended December 31,		Year Ended December 31,	
$000's	**2014**	2013	**2014**	2013
General and administrative expenses	**43,549**	31,482	**148,572**	103,861
as a percentage of revenue	**16%**	16%	**15%**	16%
Deduct non-cash expenses included in general & administrative expenses:				
Stock-based compensation	**5,102**	4,242	**21,071**	12,535
Depreciation & amortization	**5,207**	4,004	**17,007**	11,856
Cash General and Administrative Costs (1)	**33,240**	23,236	**110,494**	79,470
as a percentage of revenue	**12%**	12%	**11%**	12%

Notes:
[1] *Refer to "Non-GAAP Measures" for further detail.*

For the three month period ended December 31, 2014, CES recorded Cash General and Administrative Costs of $33.2 million or 12% of revenue, compared to Cash General and Administrative Costs of $23.2 million or 12% of revenue generated in the same period last year. For the twelve month period ended December 31, 2014, CES recorded Cash General and Administrative Costs of $110.5 million or 11% of revenue, compared to Cash General and Administrative Costs of $79.5 million or 12% of revenue in 2013. The increase in Cash General and Administrative Costs on an absolute basis is primarily due to the expansion of all facets of the business in Canada and the US as well as the Rheotech, Canwell, and Southwest Acquisitions, for which there were no associated costs in the comparable period in 2013. Cash General and administrative expenses as a percentage of revenue for the year ended December 31, 2014, has decreased year-over-year.

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:

	Three Months Ended December 31,		Year Ended December 31,	
$000's	**2014**	2013	**2014**	2013
Depreciation recorded in cost of sales:				
Depreciation expense on property and equipment	**6,867**	4,613	**23,617**	15,084
Depreciation and amortization recorded in G&A:				
Amortization expense on intangible assets	**4,523**	3,529	**14,721**	10,455
Depreciation expense on property and equipment	**684**	475	**2,286**	1,401
	5,207	4,004	**17,007**	11,856
Total depreciation and amortization expense	**12,074**	8,617	**40,624**	26,940

Depreciation of property and equipment and amortization of intangible assets totalled $12.1 million for the three month period ended December 31, 2014, as compared to $8.6 million for the same period in 2013. For the three months ended December 31, 2014, $6.9 million (Q4 2013 – $4.6 million) of depreciation of property and equipment was included in cost of sales and $5.2 million (Q4 2013 – $4.0 million) of depreciation and amortization was included in G&A, of which $4.5 million related to amortization of intangible assets (Q4 2013 – $3.5 million). For the twelve month period ending December 31, 2014, depreciation of property and equipment and amortization of intangible assets totalled $40.6 million, as compared to $26.9 million for the same period in 2013. Of this amount, $23.6 million (2013 - $15.1 million) was included in cost of sales and $17.0 million (2013 - $11.9 million) was included in G&A, of which $14.7 million related to amortization of intangible assets (2013 - $10.5 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 its operations in both Canada and the United States as well as the amortization of the Company's intangible assets associated with the acquisitions completed in both 2013 and 2014.

Finance Costs

Finance costs were $7.1 million for the three months ended December 31, 2014, as compared to $5.5 million during the same period last year. Year-to-date, CES incurred finance costs of $24.3 million, as compared to $19.0 million during 2013. The year-over-year increase is primarily as a result of interest related to the issuance of $75.0 million in Additional Senior Notes on July 3, 2014, partially offset by a decrease in interest incurred on the Senior Facility.

Interest expense

During the three and twelve months ended December 31, 2014, 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.

	Three Months Ended December 31,		Year Ended December 31,	
$000's	**2014**	2013	**2014**	2013
Total interest expense, net of interest income	**6,439**	5,199	**23,355**	18,265
Deduct non-cash interest expense:				
Amortization of debt issue costs	**194**	238	**1,332**	720
Cash Interest Expense (1)	**6,245**	4,961	**22,023**	17,545

Notes:
[1] *Refer to "Non-GAAP Measures" for further detail.*

The interest expense component of finance costs was $6.4 million for the three months ended December 31, 2014, compared to $5.2 million in the fourth quarter of 2013. For the twelve months ended December 31, 2014, interest expense included in finance costs was $23.4 million, as compared to $18.3 million for the same period in 2013, resulting in an increase of $5.1 million. The respective year-over-year increase is primarily a result of the interest expense of $19.0 million (2013 - $11.7 million) relating to the Senior Notes for the twelve months ended December 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 and twelve months ended December 31, 2014, include a net foreign exchange loss of $0.5 million and $0.4 million, respectively (2013 – a loss of $0.06 million and $0.5 million, respectively), primarily related to foreign exchange losses on the Company's US dollar denominated receivables.

Derivative Gains and Losses

Finance costs for the three and twelve months ended December 31, 2014, include net derivative losses of $0.1 million and $0.6 million, respectively (2013 – losses of $0.2 million and $0.2 million, respectively), relating to the Company's foreign currency derivative contracts. As of December 31, 2014, the Company had a financial derivative liability of net $0.6 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 December 31, 2014, the Company had entered into the following foreign exchange US dollar forward purchase contracts to manage its exposure to upcoming US dollar denominated purchases and financings pursuant to its Canadian and US operations, respectively:

Period	**Notional Balance $000's**	**Contract Type**	**Settlement**	**Average C$/US$ Exchange Rate**
January 2015	US$624	Deliverable Forward	Physical Purchase	$1.1470
February 2015	US$624	Deliverable Forward	Physical Purchase	$1.1479
March 2015	US$19,624	Deliverable Forward	Physical Purchase	$1.1571
Total	US$20,872			$1.1565

At December 31, 2014, the Company had entered into the following foreign exchange US dollar forward sale contracts to manage its exposure to upcoming US dollar denominated cash flows expected to, in part, fund a portion of any future monthly shareholder dividends:

Period	Notional Balance $000's	Contract Type	Settlement	Average C$/US$ Exchange Rate
January 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1117
February 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1191
March 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1253
April 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1140
May 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1063
June 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1057
July 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1064
August 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1196
September 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1202
October 2015	US$1,250	Deliverable Forward	Physical Sale	$1.1446
November 2015	US$600	Deliverable Forward	Physical Sale	$1.1688
December 2015	US$600	Deliverable Forward	Physical Sale	$1.1693
Total	US$15,050			$1.1211

Current and Deferred Income Taxes

Income tax expense is related to taxable income in Canada, the US, and Luxembourg. During the three and twelve months ended December 31, 2014, the Company recorded income tax expense of $5.2 million and $24.5 million, respectively, as compared to $5.3 million and $14.6 million, respectively, in 2013. The year-over-year decrease in current income tax expense is primarily related to US activity, in which increased operating income was largely offset by a prior year benefit booked in the current year and the IRS audit adjustment booked in 2013. The year-over-year increase in deferred income tax expense is primarily due to 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.

CES is currently under audit by the Canada Revenue Agency (the "CRA") with respect to its conversion from a publically traded limited partnership to a public corporation on January 1, 2010. The CRA has issued a proposal letter to the Company with respect to its 2010, 2011 and 2012 taxation years, stating its intention to disallow non-capital losses of approximately $57.7 million. The Company has not yet received any Notices of Reassessment relating to this matter. Management believes it will be successful in defending its position and as such, no amount has been provided for in the Company's December 31, 2014 financial statements with respect to this Conversion transaction. See also "Risks and Uncertainties – Income Tax Matters".

Net Working Capital

CES continued to maintain a strong statement of financial position or "balance sheet" as at December 31, 2014, with positive net working capital of $307.1 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 2013 and is comprised primarily of a $67.4 million increase in accounts receivable, $53.9 million increase in inventory, a $15.8 million increase in prepaid expenses and deposits, and a $1.7 million increase in income taxes receivable. These increases to working capital are partially offset by a $17.0 million increase in accounts payable and accrued liabilities and a $7.6 million increase in the current portion of deferred acquisition consideration.

Total Current Assets

Total current assets of CES increased from $306.3 million at December 31, 2013 to $445.1 million at December 31, 2014. The increase is primarily due to the increased scale of the Company's business represented by an increase of $67.4 million in accounts receivable, a $53.9 million increase in inventory, a $15.8 million increase in prepaid expenses and deposits, and a $1.7 million increase in income taxes receivable.

Total Long-Term Assets

Year-over-year, total long-term assets of CES increased by $142.0 million to $643.0 million at December 31, 2014 from $501.0 million at December 31, 2013. Specific long-term assets increased as follows: a $64.5 million increase in property and equipment; a $62.5 million increase in goodwill and; a $15.0 million increase in intangible assets (net of amortization and translation of US dollar-denominated intangible assets). The increase is primarily attributable to the long-term assets acquired through the Rheotech, Canwell, and Southwest Acquisitions, which collectively includes $6.2 million of property and equipment, $18.0 million in intangible assets, and $43.1 million of goodwill based on the Company's purchase price allocations.

Long-Term Financial Liabilities

CES had long-term debt totalling $360.0 million at December 31, 2014, compared to $306.8 million at December 31, 2013, an increase of $53.2 million. The year-over-year increase in long-term debt is primarily as a result of the issuance of $75.0 million in Additional Senior Notes on July 3, 2014, offset by decreased 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 December 31, 2014, long-term debt liabilities were comprised of the following balances:

	As at	
$000's	**December 31, 2014**	December 31, 2013
Senior Facility	**61,585**	84,385
Senior Notes	**300,000**	225,000
Vehicle financing loans	**628**	2,207
Equipment financing loans	**405**	1,162
	362,618	312,754
Less net unamortized debt issue costs	**(5,653)**	(3,961)
Less net unamortized debt premium	**3,943**	-
Less current portion of long-term debt	**(884)**	(1,955)
Long-term debt	**360,024**	306,838

At December 31, 2014, the Company had finance lease liabilities of $14.7 million, net of the current portion of $6.9 million, representing a total increase of $8.4 million from December 31, 2013. Future minimum lease payments outstanding under the Company's finance lease obligations are as follows:

$000's	
Less than 1 year	**7,554**
1-5 years	**8,176**
5+ years	**32**
Total lease payments	**15,762**
Amount representing implicit interest	**(1,067)**
Finance lease obligations	**14,695**
Less: current portion of finance lease obligations	**(6,908)**
Long-term finance lease obligations	**7,787**

During the three and twelve months ended December 31, 2014, the Company made long-term scheduled debt and lease repayments totalling $2.3 million and $7.2 million, respectively, on its finance leases, vehicle debt, and credit facilities.

Shareholders' Equity

Shareholders' equity increased from $360.5 million at December 31, 2013 to $540.0 million at December 31, 2014. The increase in shareholders' equity is primarily attributable to the $72.7 million in shares issued pursuant to the Offering, net of share issue costs and taxes, $24.7 million relating to shares issued as consideration in conjunction with the Rheotech and Southwest acquisitions, $67.7 million in net income, $18.6 million relating to the issuance of equity under the Company's stock-based compensation plans, $21.1 million in contributed surplus related to stock-based compensation expense, a $50.6 million gain in accumulated other comprehensive income relating to the translation of the Company's wholly-owned US subsidiary, offset by $63.2 million of dividends declared by the Company during the period.

Acquisitions

On July 1, 2014, CES completed the acquisitions of all of the business assets of Rheotech and of all of the business assets of Canwell. Rheotech and Canwell were Western Canadian Sedimentary Basin based private businesses selling oilfield chemical solutions. The Canadian Acquisitions are expected to strengthen the Company's position as a leading provider of drilling fluids and production and specialty chemicals in the WCSB.

The aggregate purchase price of the Canadian Acquisitions was $56.5 million, consisting of $16.0 million of share consideration satisfied through the issuance of 1,456,422 common shares, on a post-split basis, of the Company, $40.5 million payable in cash, of which $23.4 million was paid on the respective closing date. Included in cash consideration payable is deferred acquisition consideration of $15.5 million, none of which was paid out in 2014, $0.4 million in other post close and deferred consideration, all of which was paid out in 2014, and $1.2 million in working capital adjustments.

On September 5, 2014, through a US subsidiary, CES completed the acquisition of all of the oilfield chemical business assets of Southwest. Southwest was a west Texas based private oilfield chemical company that provides production and specialty chemical solutions for a number of leading oil and natural gas companies. The acquisition of Southwest will accelerate the expansion of the Company's US production and specialty chemicals operations into the west Texas Permian Basin and the Eagle Ford shale in south Texas.

The aggregate purchase price was $21.5 million (US$19.7 million), consisting of $8.7 million (US$8.0 million) of share consideration satisfied through the issuance of 868,455 common shares of the Company, and $12.7 million (US$11.7 million) payable in cash, of which $11.6 million (US$10.7 million) was paid on the closing date. Included in cash consideration payable is $1.1 million (US$1.0 million) in other post close and deferred consideration.

Related Party Transactions

For the three and twelve months ended December 31, 2014, lease payments on equipment and office leases in the amount of $0.004 million and $0.036 million, respectively (2013 - $0.04 million and $0.1 million, respectively) were made for rental agreements CES had with companies controlled by an officer and insiders of the Company. During the year ended December 31, 2014, the Company acquired all remaining equipment leases from a company controlled by one of the Company's employees and insiders. The aggregate purchase price was $0.024 million.

During the year ended December 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 7,365 common shares, on a post-split basis, of the Company.

Included in general and administrative expenses is remuneration of the key management personnel of the Company, which includes directors and officers of the Company. For the year ended December 31, 2014, remuneration of $13.9 million included $9.1 million of salaries and cash-based compensation and $4.7 million of stock-based compensation costs (December 31, 2013 – $8.5 million and $6.3 million, respectively).

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.

QUARTERLY FINANCIAL SUMMARY

	Three Months Ended			
($000's, except per share amounts)	**Dec 31, 2014**	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
Revenue	**278,672**	272,938	189,785	231,310
Gross margin	**74,864**	77,916	48,264	64,447
Net income	**18,816**	20,937	8,459	19,492
per share– basic (2)	***0.09***	*0.10*	*0.04*	*0.10*
per share– diluted (2)	***0.08***	*0.09*	*0.04*	*0.09*
EBITDAC (1)	**47,562**	54,705	31,383	43,522
per share– basic (2)	***0.22***	*0.26*	*0.15*	*0.22*
per share– diluted (2)	***0.21***	*0.25*	*0.15*	*0.21*
Funds Flow From Operations (1)	**46,810**	37,862	24,724	35,566
per share– basic (2)	***0.22***	*0.18*	*0.12*	*0.18*
per share– diluted (2)	***0.21***	*0.17*	*0.12*	*0.17*
Dividends declared	**17,745**	17,056	14,935	13,488
per share (2)	***0.0825***	*0.0800*	*0.0730*	*0.0667*
Shares Outstanding				
End of period (2)	**215,512,074**	214,157,240	204,008,616	203,260,062
Weighted average – basic (2)	**214,875,446**	212,194,898	203,533,809	201,975,414
Weighted average – diluted (2)	**221,469,050**	220,449,815	212,227,023	210,566,073

	Three Months Ended			
($000's, except per share amounts)	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Revenue	200,569	182,274	130,666	149,309
Gross margin	55,060	50,250	31,415	38,061
Net income	12,837	12,600	1,859	9,959
per share– basic (2)	*0.06*	*0.06*	*0.01*	*0.06*
per share– diluted (2)	*0.06*	*0.06*	*0.01*	*0.05*
EBITDAC (1)	36,482	32,590	17,158	23,587
per share– basic (2)	*0.18*	*0.17*	*0.09*	*0.13*
per share– diluted (2)	*0.17*	*0.16*	*0.09*	*0.13*
Funds Flow From Operations (1)	25,006	26,842	13,374	17,872
per share– basic (2)	*0.12*	*0.14*	*0.07*	*0.10*
per share– diluted (2)	*0.12*	*0.13*	*0.07*	*0.10*
Dividends declared	12,730	11,491	10,386	9,712
per share (2)	*0.0633*	*0.0583*	*0.0550*	*0.0550*
Shares Outstanding				
End of period (2)	201,321,384	199,639,527	189,241,008	187,973,508
Weighted average – basic (2)	200,743,647	195,638,078	188,583,694	176,657,363
Weighted average – diluted (2)	208,733,503	203,948,642	195,739,543	182,207,633

Notes:
[1] Refer to the "Non-GAAP Measures" for further detail.
[2] Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, all historical per share data has been retroactively adjusted to reflect the stock split.

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.

SELECTED ANNUAL INFORMATION

	Year Ended December 31,				
($000's, except per share amounts)	**2014**	% Change	2013	% Change	2012
Revenue	**972,705**	47%	662,818	41%	471,299
Gross margin	**265,491**	52%	174,786	59%	110,167
Gross margin percentage of revenue	**27%**		26%		23%
Income before taxes	**92,579**	78%	51,893	18%	43,890
per share – basic [(2)]	***0.44***	*63%*	*0.27*	*3%*	*0.26*
per share - diluted [(2)]	***0.43***	*65%*	*0.26*	*3%*	*0.25*
Net income	**67,704**	82%	37,255	34%	27,869
per share – basic [(2)]	***0.33***	*65%*	*0.20*	*20%*	*0.17*
per share - diluted [(2)]	***0.31***	*63%*	*0.19*	*16%*	*0.16*
EBITDAC [(1)]	**177,172**	61%	109,818	69%	64,928
per share – basic [(2)]	***0.85***	*47%*	*0.58*	*49%*	*0.39*
per share - diluted [(2)]	***0.82***	*49%*	*0.55*	*46%*	*0.38*
Funds Flow From Operations [(1)]	**144,962**	74%	83,094	72%	48,234
per share – basic [(2)]	***0.70***	*59%*	*0.44*	*52%*	*0.29*
per share - diluted [(2)]	***0.67***	*60%*	*0.42*	*50%*	*0.28*
Dividends declared	**63,224**	43%	44,319	32%	33,476
per share [(2)]	***0.3025***	*31%*	*0.2317*	*16%*	*0.2000*

	As At December 31,				
Financial Position ($000's)	**2014**	% Change	2013	% Change	2012
Net working capital	**307,081**	56%	197,366	72%	114,899
Total assets	**1,088,080**	35%	807,319	128%	354,642
Long-term financial liabilities [(3)]	**378,662**	17%	322,766	351%	71,575
Shareholders' equity	**540,037**	50%	360,519	67%	215,420

Notes:

[1] *Refer to the "Non-GAAP Measures" for further detail.*

[2] *Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, all historical per share data has been retroactively adjusted to reflect the stock split.*

[3] *Includes long-term portion of the Deferred Acquisition Consideration, the Senior Facility, the Senior Notes, vehicle and equipment financing, and finance leases.*

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2014, the Company had net working capital of $307.1 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 2013 and is comprised primarily of a $67.4 million increase in accounts receivable, $53.9 million increase in inventory, a $15.8 million increase in prepaid expenses and deposits, and a $1.7 million increase in income taxes receivable. These increases to working capital are partially offset by a $17.0 million increase in accounts payable and accrued liabilities and a $7.6 million increase in the current portion of deferred acquisition consideration.

Senior Facility
On September 5, 2014, the Company entered into a new syndicated Senior Facility (the "Senior Facility") which allows the Company to borrow up to $200.0 million. The Senior Facility has a term to maturity of three years, maturing on December 31, 2017 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 $100.0 million to a maximum borrowing of $300.0 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 0.30% to 0.45%. The applicable pricing margins are based on a sliding scale of senior funded debt to EBITDA ratio. The obligations and indebtedness under the 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 Net Funded Debt to EBITDA calculated 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 quarterly ratio of EBITDA to interest expense must be more than 3.00 to 1.00 calculated on a rolling four-quarter basis.

The relevant definitions of key ratio terms as set forth in the Senior Facility agreement are as follows:
- EBITDA is defined as net income before interest, taxes, depreciation and amortization, gains and losses on disposal of assets, amortization of capitalized deferred financing costs, goodwill impairment, unrealized foreign exchange gains and losses, unrealized derivative gains and losses, and stock-based compensation.
- Total Net Funded Debt is defined as all funded obligations, liabilities, and indebtedness excluding deferred income tax liabilities and deferred tax credits, office leases, other leases characterised as operating leases, and accrued interest not yet due and payable.
- Senior Funded Debt is defined as Total Net Funded Debt minus the principal amount owing on the Company's Senior Notes.

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

As at December 31, 2014, and as of the date of this MD&A, CES was in compliance with the terms and covenants of its lending agreements. The Company's debt covenants are calculated as follows:

	As at	
$000's	**December 31, 2014**	December 31, 2013
Total Net Funded Debt to EBITDA Ratio (Must be < 4.00:1.00)		
Maximum Total Net Funded Debt	**377,313**	319,083
EBITDA for the four quarters ended	**177,172**	109,818
Ratio	**2.13**	2.91
Maximum Senior Funded Debt to EBITDA Ratio (Must be < 2.50:1.00)		
Maximum Senior Funded Debt	**77,313**	94,083
EBITDA for the four quarters ended	**177,172**	109,818
Ratio	**0.44**	0.86
Minimum EBITDA to Interest Expense (Must be > 3.00:1.00)		
EBITDA for the four quarters ended	**177,172**	109,818
Interest Expense	**22,133**	17,836
Ratio	**8.00**	6.16

At December 31, 2014, the Company had a net draw of $60.9 million on the Senior Facility (December 31, 2013 – $84.0 million), net of capitalized transaction costs of $0.7 million (December 31, 2013 – $0.4 million). The maximum available draw on the Senior Facility at December 31, 2014, was $200.0 million (December 31, 2013 - $150.0 million).

Senior Notes
On July 3, 2014, CES completed the private placement of $75.0 million of 7.375% senior unsecured notes (the "Additional Senior Notes") due on April 17, 2020 at a premium price of $1,057.50 per $1,000.00 principal amount of Notes. The Additional Senior Notes were issued under the indenture governing the Company's $225.0 million of Senior Notes and accordingly will form a single series with such previously issued Senior Notes. The Senior Notes contain certain early redemption options, whereby the Company can choose to redeem all of or a portion of at various redemption prices, which include the principal amount plus any accrued and unpaid interest to the applicable redemption date. Interest is payable on the Senior Notes semi-annually on April 17th and October 17th. The Senior Notes are unsecured, ranking equal in right of payment to all existing and future unsecured indebtedness, and have been guaranteed by the Company's current and future subsidiaries. Certain restrictions exist relating to items such as making restricted payments and incurring additional debt. During the three and twelve months ended December 31, 2014, the Company recorded $5.4 million and $19.0 million, respectively, in interest expense related to the Senior Notes.

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 $0.7 million at December 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 5.69%, and have termination dates ranging from January 2015 through April 2020. At December 31, 2014, outstanding vehicle and equipment finance lease obligations totalled $14.0 million as compared to $4.7 million at December 31, 2013.
- Vehicle financing loans are secured by each related vehicle at a weighted average interest rate of approximately 6.2% and have termination dates ranging from February 2015 to December 2016. At December 31, 2014, outstanding vehicle loans totalled $0.6 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 17.25% and a termination date of April 2015. At December 31, 2014, outstanding equipment loans totalled $0.4 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 December 31, 2014:

	Payments Due By Period (1)					
$000's	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	**Total**
Accounts payable and accrued liabilities	105,104	-	-	-	-	**105,104**
Dividends payable (2)	5,927	-	-	-	-	**5,927**
Deferred acquisition consideration	-	18,485	7,051	3,800	-	**29,336**
Senior Notes (4)	-	-	-	-	300,000	**300,000**
Interest on Senior Notes	-	22,125	22,125	66,375	11,063	**121,688**
Long-term debt at fixed interest rates (3)	251	633	149	-	-	**1,033**
Long-term debt at floating interest rates (3)	-	-	-	61,585	-	**61,585**
Finance lease obligations at fixed interest rates (3)	134	541	67	-	-	**742**
Finance lease obligations at floating interest rates (3)	1,060	5,173	5,042	2,256	422	**13,953**
Office operating leases	939	4,262	3,584	4,878	-	**13,663**
Total	113,415	51,219	38,018	138,894	311,485	**653,031**

Notes:
1 Payments denominated in foreign currencies have been translated at the year end exchange rate
2 Dividends declared as of December 31, 2014
3 Long-term debt and finance lease obligations reflect principal payments and excludes any associated interest portion
4 The Senior Notes are due on April 17, 2020

At the time of the release of this MD&A, and particularly in light of the successful equity Offering in July 2014, the issuance of Additional Senior Notes completed in July 2014, and the increased borrowing capacity under the Senior Facility, 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 additional capital 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 December 31, 2014, cash flow from operating activities was an inflow of $4.5 million compared to an outflow of $4.4 million during the three months ended December 31, 2013, with the increase 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 December 31, 2014, Funds Flow From Operations was $46.8 million, compared to a $25.0 million for the three months ended December 31, 2013.

	Three Months Ended December 31,		Year Ended December 31,	
$000's	**2014**	2013	**2014**	2013
Cash provided by (used in) operating activities	**4,479**	(4,410)	**46,020**	19,153
Adjust for:				
Change in non-cash operating working capital	**42,331**	29,416	**98,942**	63,941
Funds Flow From Operations [(1)]	**46,810**	25,006	**144,962**	83,094

Notes:
[1] *Refer to the "Non-GAAP Measures" for further detail.*

Cash Flows from Investing Activities
For the three months ended December 31, 2014, net cash outflows from investing activities totalled $29.0 million compared to $14.2 million for the three months ended December 31, 2013. The increase in net cash outflows for the three months ended December 31, 2014, is primarily as a result of the cash paid as an earn-out for deferred acquisition consideration in conjunction with the 2013 acquisition of AES Permian, and is also reflective of the growing business with the addition of Rheotech, Canwell, and Southwest, for which associated investing cash flows were not included in the comparative period in 2013.

For the three months ended December 31, 2014, $17.7 million was spent on property and equipment (net of $3.0 million in vehicle financing and leases). During the quarter, CES had $3.6 million of additions related to Maintenance Capital and $17.1 million of additions related to Expansion Capital including vehicle financing. Notable Maintenance Capital additions during the quarter ended December 31, 2014, include: $1.8 million in trucks and trailers, $1.4 million in vehicles, and $0.4 million of other maintenance additions. Notable expansion additions during the quarter ended December 31, 2014, include: $3.9 million for warehouse and facilities, $3.6 million in trucks and trailers, $3.2 million in vehicles, $2.1 for machinery and field equipment, $1.6 million for tanks, $0.8 million in processing equipment, $0.6 million in computer equipment, $0.6 million in leasehold improvements, and $0.7 million for other expansion additions.

Expansion Capital expenditures in Q4 2014 were modestly higher than historical comparables primarily as a result of a number of new capital projects undertaken as well as the ongoing expansion of the Company's existing operations. The Company is currently constructing a barite grinding facility, completing a second liquid mud plant in West Texas, and is continuing the expansion of its JACAM facilities. The Company also continued to invest in new warehouse 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:

	Three Months Ended December 31,		Year Ended December 31,	
$000's	**2014**	2013	**2014**	2013
Expansion Capital [1]	**17,104**	13,595	**66,293**	43,106
Maintenance Capital [1]	**3,620**	1,163	**8,606**	4,116
Total investment in property and equipment	**20,724**	14,758	**74,899**	47,222
Asset financing and leases	**(3,013)**	(1,257)	**(13,421)**	(5,662)
Capital expenditures	**17,711**	13,501	**61,478**	41,560
Change in non-cash investing working capital	**(858)**	(422)	**(1,275)**	(485)
Cash used for investment in property and equipment	**16,853**	13,079	**60,203**	41,075

Notes:
[1] *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 by the Company 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. For fiscal 2015, CES's expected non-acquisition related capital expenditures are estimated at this time to be approximately $50.0 million, of which an estimated $6.0 million will be for maintenance capital additions, and an estimated $44.0 million will be for discretionary expansion capital additions. The expected expansion capital expenditures are not all committed at this time and could be reduced if required. The expected expansion capital expenditures will be used to further expand CES' business platform and to further vertically integrate its operations.

Cash Flows from Financing Activities

For the three month period ended December 31, 2014, cash flows from financing activities totalled a cash inflow of $24.5 million compared to an inflow of $18.6 million during the comparative prior year period. This year-over-year increase is primarily as a result of increased draws on the Senior Facility of $13.6 million used to fund the Company's greater working capital needs when compared to 2013, offset by an increase in dividends declared.

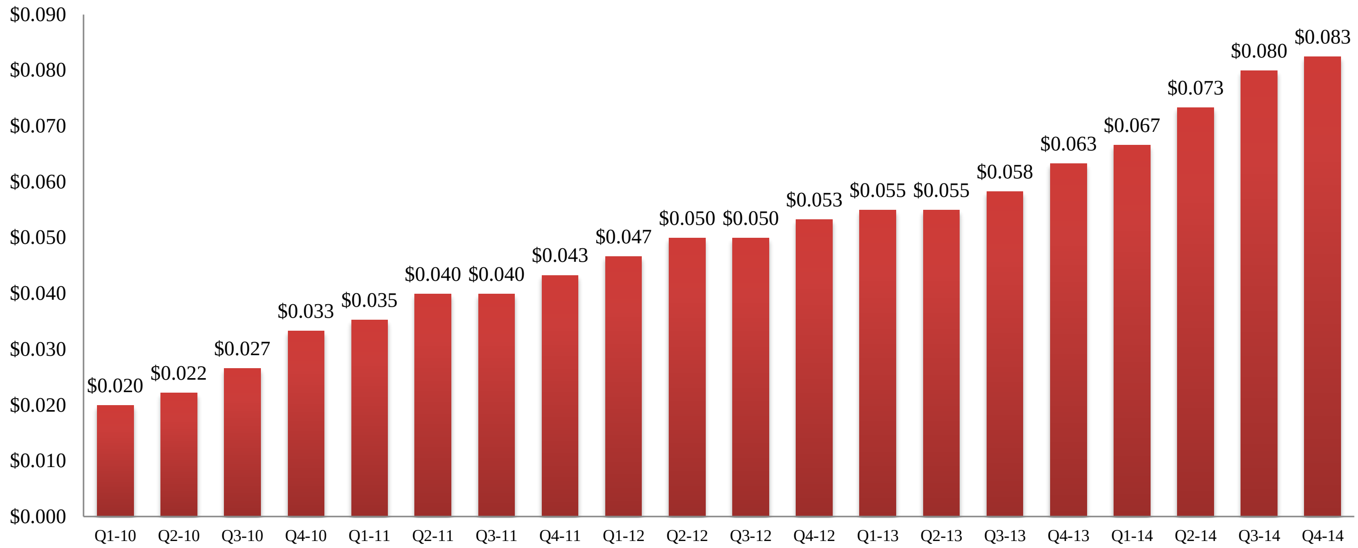
CES calculated Distributable Earnings based on Funds Flow From Operations and the Payout Ratio based on the level of dividends declared as follows:

	Three Months Ended December 31,		Year Ended December 31,	
$000's	**2014**	2013	**2014**	2013
Cash used in operating activities	**4,479**	(4,410)	**46,020**	19,153
Adjust for:				
Change in non-cash operating working capital	**42,331**	29,416	**98,942**	63,941
Funds Flow From Operations [1]	**46,810**	25,006	**144,962**	83,094
Maintenance Capital [2]	**(3,620)**	(1,163)	**(8,606)**	(4,116)
Distributable Earnings [1]	**43,190**	23,843	**136,356**	78,978
Dividends declared	**17,745**	12,730	**63,224**	44,319
Payout Ratio [1]	**41%**	53%	**46%**	56%

Notes:
[1] *Refer to the "Non-GAAP Measures" for further detail.*
[2] *Refer to the "Operational Definitions" for further detail.*

Distributable Earnings were $43.2 million for the three months ended December 31, 2014, compared with $23.8 million for the same period in 2013. During the three months ended December 31, 2014, CES declared monthly dividends of $0.0275 per share for a total of $0.0825 per share for the quarter. During the fourth quarter of 2014, the Payout Ratio was 41% compared to 53% for the fourth quarter of 2013.

QUARTERLY DIVIDEND GROWTH [1]



Notes:
[1] Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, all historical per share data has been retroactively adjusted to reflect the stock split.

Dividend Policy

The Company declared dividends to holders of common shares for the twelve months ended December 31, 2014, as follows:

$000's except per share amounts	**Dividend Record Date**	**Dividend Payment Date**	**Per Common Share [(1)]**	**Total**
January	Jan 31	Feb 14	$0.0217	**4,372**
February	Feb 28	Mar 14	$0.0217	**4,373**
March	Mar 28	Apr 15	$0.0233	**4,743**
April	Apr 30	May 15	$0.0233	**4,746**
May	May 30	Jun 13	$0.0250	**5,089**
June	Jun 30	Jul 15	$0.0250	**5,100**
July	Jul 31	Aug 15	$0.0250	**5,311**
August	Aug 29	Sep 15	$0.0275	**5,856**
September	Sep 30	Oct 15	$0.0275	**5,889**
October	Oct 31	Nov 14	$0.0275	**5,899**
November	Nov 28	Dec 15	$0.0275	**5,919**
December	Dec 31	Jan 15	$0.0275	**5,927**
Total dividends declared during the period			$0.3025	**63,224**

***Notes**:*
[1] Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, all historical per share data has been retroactively adjusted to reflect the stock split.

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, despite the challenging oil price environment which is anticipated to curtail activity and revenue in the near-term, CES intends to continue to make cash dividends to shareholders, but 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 December 31, 2014, the Company declared dividends to holders of common shares in the amount of $0.0275 per common share payable on February 13, 2015, and March 13, 2015, for shareholders of record on January 30, 2015, and February 27, 2015, respectively.

Shareholders' Equity

On June 19, 2014, the Company's shareholders approved a three-for-one split of CES' outstanding common shares (the "Stock Split"). The Stock Split was effected in the form of the issuance of two additional common shares for each share owned by shareholders of record at the close of business on July 18, 2014. All share data and information related to the Company's stock-based compensation plans presented herein have been retroactively adjusted to give effect to the stock split. As of December 31, 2014, CES had a total of 215,512,074 common shares outstanding. As of the date of this MD&A, CES had a total of 215,995,797 common shares outstanding.

Stock-based Compensation

As at December 31, 2014, a total of 21,551,207 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 11,113,378 common shares remained available for grant.

a) Share Rights Incentive Plan ("SRIP")

At December 31, 2014, a total of 6,344,044 Share Rights were outstanding (December 31, 2013 – 7,174,644) at a weighted average exercise price of $6.22 (assuming all SRIP's are exercised at their respective original exercise price) of which 2,612,500 were exercisable. As of the date of this MD&A, an aggregate of 6,236,044 Share Rights remaining outstanding, of which 2,546,500 are exercisable.

b) Restricted Share Unit Plan ("RSU")

At December 31, 2014, a total of 4,093,785 Restricted Share Units were outstanding (December 31, 2013 – 4,972,498) at a weighted average issuance price of $7.03, none of which were vested. As of the date of this MD&A, an aggregate of Restricted 3,741,226 Share Units remain outstanding, none of which have vested.

Commitments

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

$000's	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Office and facility rent	5,201	3,584	2,322	1,769	787	**13,663**

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, the possible disclosure of contingent assets and liabilities at the date of the 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' Consolidated Financial Statements relate to, but are not limited to, the following:

Accounts receivable
The Company maintains an allowance for doubtful accounts to provide for receivables which may ultimately be uncollectible. Accounts receivable are recorded at the estimated recoverable amount which requires management to estimate uncollectible accounts.

Inventories
The Company evaluates its inventory to ensure it is carried at the lower of average cost and net realizable value. Allowances are made against slow moving, obsolete, and damaged inventories and are charged to cost of sales. These allowances are assessed at each reporting date for adequacy. The reversal of any write-down of inventory arising from an increase in net realizable value shall be recognized as a reduction in cost of sales in the period in which the reversal occurred.

Property and equipment
Management estimates the useful lives and residual value of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence, and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment in the future.

Recoverability of asset carrying values
The Company assesses its property and equipment, including intangible assets and goodwill, for possible impairment at each reporting date or if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. The recoverability of the Company's asset carrying values is assessed at the CGU level. The determination of the CGUs is subject to management judgments taking into consideration: the nature of the underlying business operations, geographical proximity of operations, shared infrastructure, and exposure to market risk.

The assessment of any impairment of property and equipment, including intangible assets and goodwill, is dependent upon estimates of the recoverable amount that take into account factors such as economic and market conditions, timing of cash flows, the useful lives of assets, and their related salvage values. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is estimated using future cash flow projections, discounted to their present value, expected to arise from the CGU to which the goodwill relates. The required valuation methodology and underlying financial information that is used to determine value in use requires significant judgments to be made by management. These judgments include, but are not limited to, long term projections of future financial performance and the selection of appropriate discount rates used to determine the present value of future cash flows. The estimated future cash flows are dependent upon a number of factors including, among others, the levels of activity within the oil and natural gas industry. Actual activity cannot be predicted with certainty and, as such, actual results may differ from these estimates.

Derivatives
The fair value of outstanding derivatives is based on forward prices, discount rates, and forward foreign exchange rates as at the reporting date and may differ from what will eventually be realized. Changes in the fair value of the derivative contracts are recognized in net income. The actual gains and losses realized on eventual cash settlement will vary due to subsequent fluctuations in realized prices.

Stock-based compensation
The fair value of share rights granted is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the share right, expected volatility, actual and expected life of the share rights, expected dividends based on the dividend yield at the date of grant, anticipated forfeiture rate, and the risk-free interest rate. The Company

estimates volatility based on historical trading excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the Company's normal share price volatility. The expected life of the share rights is based on historical experience and general option holder behaviour. Management also makes an estimate of the number of share rights and restricted share units that will be forfeited and the rate is adjusted to reflect the actual number of share rights and restricted share units that vest. Consequently, the actual stock-based compensation expense associated with the Company's share-based compensation plans may vary from the amount estimated.

Income taxes
Deferred income tax assets and deferred income tax liabilities are recognized for the estimated tax consequences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases used in the computation of taxable income, measured at the tax rates that are expected to apply in the period in which the liability is settled or asset is realized based on the enacted or substantively enacted future income tax rates in effect at the end of the reporting period. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, the expected usage of existing tax pools and credits, and accordingly affect the amount of the deferred income tax assets and liabilities calculated at a point in time. These differences could materially impact net income.

The Company and its various subsidiaries are subject to corporate and other taxation in various federal, provincial and state jurisdictions in Canada, the United States, and Luxembourg. Corporate income tax and other returns are filed, and current income tax provisions are recorded, based upon the transactions entered into and recorded by the Company and are based on the estimates and calculations used by the Company during the normal course of business and in the preparation of these returns. For both the current and historical fiscal years, the Company's and its subsidiaries' income tax and other tax returns are subject to audit which could result in adjustments and potential litigation by the tax authorities, which in turn could affect the Company's tax provisions in future years. As applicable, the Company maintains provisions for uncertain tax positions that it believes are appropriate. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors at the reporting period. The Company reviews the adequacy of these provisions at the end of each reporting period and adjusts them as required. However, it is possible that, at some future date, current income tax liabilities are in excess of the Company's current income tax provisions as a result of these audits, adjustments, or litigation with tax authorities. These differences could materially impact net income.

Commitments and contingencies
Management estimates the inputs used in determining the various commitments and contingencies accrued in the consolidated statement of financial position.

Non-Controlling Interest
Effective July 1, 2014, the Company entered into an arrangement with an unrelated third party for the creation of Stim Rock, LLC. ("Stim Rock"). Stim Rock has been primarily formed for the purpose of marketing and selling chemicals used in the stimulation and fracturing markets, and services related thereto. The Company owns 51% of the outstanding shares and holds the majority voting rights. Management has exercised judgment in assessing its control of Stim Rock and has included the financial results of Stim Rock in its consolidated financial statements as at and for the year ended December 31, 2014.

RECENT ACCOUNTING PRONOUNCEMENTS

Future accounting policy changes
The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

On May 28, 2014, the International Accounting Standards Board issued International Financial Reporting Standard ("IFRS") 15, *"Revenue from Contracts with Customers"*, which is the result of the joint project with the Financial Accounting Standards Board. The new standard replaces the two main recognition standards IAS 18, *"Revenue"*, and IAS 11, *"Construction Contracts"*. The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2017. The Company is currently assessing the potential impact of the adoption of IFRS 15 on the Company's financial statements.

The International Accounting Standards Board ("IASB") has undertaken a three-phase project to replace IAS 39 *"Financial Instruments: Recognition and Measurement"* with IFRS 9 *"Financial Instruments"*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The Standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 9 on the Company's financial statements.

Changes in Accounting Policies
As of January 1, 2014, the Company adopted amendments to accounting standards and new interpretations issued by the International Accounting Standards Board in accordance with the transitional provisions of each amendment or interpretation. These are as follows: amendments to IAS 32*, "Financial Instruments: Presentation"*, and IAS 36, *"Impairment of Assets"*, and the adoption of International Financial Reporting Interpretation Committee 21, *"Levies"*. The adoption of these amendments and interpretations has 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.

At the end of the period covered by this MD&A, management, under the direction and supervision of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of CES' disclosure controls and procedures, as detailed by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* as required by Canadian securities laws. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in CES' annual filings and interim filings and other reports filed or submitted in accordance with Canadian securities laws is recorded, processed, summarized, and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of CES, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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. Management, under the direction and supervision of the President and Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the design and effectiveness of CES' internal control controls over financial reporting as at December 31, 2014. Based on their assessment Management determined that the internal controls over financial reporting were effective as at December 31, 2014.

There have been no changes to CES' internal controls over financial reporting during the three and twelve months ended December 31, 2014 that have materially affected, or are 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.

For information regarding the corporate governance policies and practices of CES, the reader should refer to CES' 2014 Annual Report, CES' Annual Information Form dated March 12, 2015 in respect of the year ended December 31, 2014, and CES' Information Circular in respect to the June 19, 2014 Annual General and Special Meeting of shareholders each of which are available on the CES' SEDAR profile at www.sedar.com.

RISKS AND UNCERTAINITIES 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; natural disasters such as floods, tornados, and hurricanes; oil, natural gas, and natural gas liquids commodity 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 somewhat 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 relatively 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 commodity 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. In particular, West Texas Intermediate ("WTI") crude prices have been on a steady decline since mid-2014 reaching a low of $44/bbl on market concerns of over-supply and OPEC's decision in November 2014 not to support oil prices through production cuts. WTI has recently levelled off in the $50/bbl range and Brent has been trading around $60/bbl. However, prices are likely to continue to see volatility in the face of both production and supply issues, geopolitical forces, and other macro-economic forces. The forward curves for 2015 and 2016 are trading below $70/bbl which is far below the $100/bbl pricing enjoyed by operators between July 2013 and July 2014. In addition, 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. Natural gas prices have remained relatively weak since their peak in 2008. Since mid-2012, there had been a modest recovery in natural gas prices in North America. However, cooler summer weather in 2014, followed up by a warmer winter heating season has resulted in higher gas storage inventory levels which has seen a corresponding retreat in natural gas prices throughout North America. The futures curve for Nymex Henry Hub is trading below $3.00 per MMBtu for 2015 and below $3.50 per MMBtu for 2016. In response to overall low commodity prices, drilling activity has slowed considerably and pricing pressure from customers has increased. Spring break-up in WCSB came early and it is uncertain when activity in WCSB will pick-up coming out of this traditionally slow time. In the US, the drilling rig count has been consistently falling week over week and it is unclear at what level it will bottom and for how long.

The Western Canadian drilling industry is subject to seasonality with activity usually peaking during the winter months in the first and fourth 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 recent slow-down in activity has loosened up the labour markets but top talent is still a key priority to attract and retain. 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.

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, reviewing and actively following up on older accounts, and insuring trade credit risks where deemed appropriate. 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 the current low oil and natural gas price environment persists, and if access to capital markets remains weak for CES' customers, 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.

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 fluctuations in 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 Additional Senior Notes and the equity Offering completed in July 2014, since the fall of 2014 there has been a retreat in the energy equity and debt markets as a result of low commodity prices. As such, 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 other 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 the Company's 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.

In August 2014, the Company received a proposal letter from the CRA which stated its intent to challenge the Canadian tax consequences of the Conversion. The CRA's position is based on the acquisition of control rules and the general anti-avoidance rules in the *Income Tax Act* (Canada). CES provided a response to the proposal letter in September 2014 and to date, no further correspondence has been received. If the CRA issues a Notice of Reassessment for the 2010, 2011 and 2012 taxation years, the Company would be required to pay 50 percent of the tax liability claimed by the CRA in order to appeal these reassessments. If the reassessments are issued and maintained on appeal, the estimated tax liability for the three years since the Conversion would amount to approximately $16.0 million in cash taxes. CES would have 90 days from the date of the Notice of Reassessment to prepare and file a Notice of Objection. If the CRA is not in agreement with the Company's Notice of Objection, CES will have the option to file an appeal with the Tax Court of Canada. If the Company is successful in appealing its reassessment in the Tax Court of Canada, then any amounts paid to the CRA in connection with the reassessment will be refunded plus interest. In the event CES is unsuccessful, then any remaining taxes payable plus interest and penalties will have to be remitted.

The impact of the CRA proposal on CES' tax provision has been considered by management and the Company remains confident that the tax returns as filed correctly reported the Canadian tax consequences of the Conversion transaction. If the proposed reassessments are issued by the CRA, management intends to vigorously defend CES' tax filing position. No amount has been provided for in the Company's December 31, 2014 financial statements related to the Conversion.

Reference should be made to CES' Annual Information Form dated March 12, 2015 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.

OUTLOOK

CES is cautious with its outlook for 2015, and at this time will not be releasing 2015 guidance. As a result of falling oil prices and weak natural gas prices, rig counts in both Canada and the US have been dropping throughout Q1 2015 with no clear visibility on how low they will go and for how long. In addition, pricing pressure from customers has been intense, as they attempt to rationalize their businesses in this challenging commodity price environment. The end result is CES will do less drilling fluids work for less money in 2015. CES' production and specialty chemical sales should see growth in this downturn as its expected PureChem and JACAM will continue to take market-share in a market that will continue to grow. Coming off record 2014 financial results and with a strong and flexible balance sheet, CES is well positioned to weather the current downturn in oilfield activity. In 2015 CES will focus on retaining accounts, rationalizing costs, monitoring and capturing opportunities, and making strategic investments as required to position the business to capitalize on the next positive cycle.

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 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 and are growing on a year-over-year basis as the volumes of produced hydrocarbons and the associated produced water increases.

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 now operates four separate lab facilities across North America which also includes Houston, Calgary, and Carlyle. CES also leverages third party partner relationships to drive innovation.

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.

CES is very pleased with its record 2014 financial results and, despite the activity pullback as a result of low oil and natural gas prices, remains very optimistic about the long-term growth prospects of its business. 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, 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 moving 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 and the organo clay plant in 2014, and with the build-out of hydrogenation capabilities to be completed in 2015.

In addition to the integration initiatives and the financial contribution JACAM continues to make, CES sees other significant opportunities in the US as it continues to leverage its platform product suite and infrastructure. In particular, the AES Permian Acquisition, completed in July 2013, and the acquisition of Southwest, completed in September 2014, has filled the last remaining geographical hole on the US map for CES. The Permian has been the most active oil and gas basin in North America and is continuing to transition to a horizontal drilling market. In the long-run, CES expects to capitalize on this opportunity through its unique product offerings, the establishment of two oil based mud plants in the Permian, and the commissioning of AES' new barite grinding facility in Corpus Christi, which is expected to be on-line late in Q3 2015.

The Clear Environmental Solutions division continues to complement CES' core drilling fluids business and has maintained consistently strong financial 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. Although activity levels will be down in 2015, it is expected this business will continue to be instrumental in supporting the core businesses and be economically viable.

On the corporate level, CES continually assesses integrated business opportunities that will keep CES competitive and enhance profitability. All acquisitions must meet CES' stringent financial and operational metrics.

As always, and particularly in this difficult environment, CES will 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. Information is also accessible on CES's web site at www.canadianenergyservices.com.

MANAGEMENT'S REPORT

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards and for the consistency therewith of all other financial and operating data presented in this annual report.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial and management information.

Independent auditors appointed by the shareholders have examined the consolidated financial statements. The Audit and Governance Committee, consisting of four independent, non-management directors, is responsible to review these statements with management and the auditors and to report to the Board of Directors. The Board of Directors is responsible to review and approve the consolidated financial statements.

"Thomas J. Simons"
Thomas J. Simons
President & Chief Executive Officer
March 12, 2015

"Craig F. Nieboer"
Craig F. Nieboer
Chief Financial Officer
March 12, 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Canadian Energy Services & Technology Corp.:

We have audited the accompanying consolidated financial statements of Canadian Energy Services & Technology Corp., which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canadian Energy Services & Technology Corp. as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "Deloitte LLP"

Chartered Accountants

March 12, 2015
Calgary, Canada

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

	As at	
	December 31, 2014	December 31, 2013
ASSETS		
Current assets		
Accounts receivable	**274,485**	207,106
Income taxes receivable	**5,520**	3,805
Inventory (note 5)	**141,485**	87,621
Prepaid expenses and deposits	**23,594**	7,795
	445,084	306,327
Property and equipment (note 6)	**210,775**	146,291
Intangible assets (note 7)	**99,340**	84,315
Deferred income tax asset (note 13)	**11**	5
Goodwill (note 7)	**332,870**	270,381
	1,088,080	807,319
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**105,104**	88,066
Financial derivative liability (note 19)	**554**	171
Dividends payable (note 17)	**5,927**	4,362
Income taxes payable	**141**	405
Current portion of deferred acquisition consideration (notes 4 and 19)	**18,485**	10,878
Current portion of long-term debt (note 8)	**884**	1,955
Current portion of finance lease obligations (note 9)	**6,908**	3,124
	138,003	108,961
Deferred acquisition consideration (notes 4 and 19)	**10,851**	12,723
Long-term debt (note 8)	**360,024**	306,838
Finance lease obligations (note 9)	**7,787**	3,205
Deferred income tax liability (note 13)	**31,021**	15,073
	547,686	446,800
Commitments (note 18)		
Shareholders' equity		
Common shares (note 14)	**459,053**	342,532
Contributed surplus (note 16)	**21,315**	13,387
Deficit	**(5,869)**	(10,349)
Accumulated other comprehensive income	**65,538**	14,949
Equity attributable to shareholders of the Company	**540,037**	360,519
Non-controlling interest (note 3)	**357**	-
	540,394	360,519
	1,088,080	807,319

APPROVED ON BEHALF OF THE BOARD:

"Thomas J. Simons"
Thomas J. Simons
President & Chief Executive Officer and Director

"D. Michael Stewart"
D. Michael Stewart
Director & Chairman, Audit and Governance Committee

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

Canadian Energy Services & Technology Corp.

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

	Year Ended December 31,	
	2014	2013
Revenue	**972,705**	662,818
Cost of sales (notes 5 and 10)	**707,214**	488,032
Gross margin	**265,491**	174,786
General and administrative expenses (note 11)	**148,572**	103,861
Operating profit	**116,919**	70,925
Finance costs (note 12)	**24,340**	19,032
Income before taxes	**92,579**	51,893
Current income tax expense (note 13)	**10,583**	9,179
Deferred income tax expense (note 13)	**13,941**	5,459
Net income	**68,055**	37,255
Net income attributable to:		
Shareholders of the Company	**67,704**	37,255
Non-controlling interest (note 3)	**351**	-
	68,055	37,255
Other comprehensive gain:		
Unrealized foreign exchange gain on translation of foreign operations attributable to:		
Shareholders of the Company	**50,589**	19,866
Non-controlling interest (note 3)	**6**	-
Comprehensive income	**118,650**	57,121
Comprehensive income attributable to:		
Shareholders of the Company	**118,293**	57,121
Non-controlling interest (note 3)	**357**	-
	118,650	57,121
Net income per share (note 14)		
Basic	**0.33**	0.20
Diluted	**0.31**	0.19

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

Canadian Energy Services & Technology Corp.

Consolidated Statements of Changes in Equity
(stated in thousands of Canadian dollars)

	Year Ended December 31,	
	2014	2013
COMMON SHARES		
Balance, beginning of year	**342,532**	215,571
Issued pursuant to the Offering, net of share issue costs and taxes (note 14)	**72,715**	33,472
Consideration for business combinations (note 4)	**24,712**	74,200
Issued pursuant to stock-based compensation (note 14)	**18,552**	14,207
Issued pursuant to property and equipment acquisition (note 23)	**60**	4,153
Issued pursuant to stock dividend and stock settled director fee (note 14)	**482**	929
Balance, end of year	**459,053**	342,532
CONTRIBUTED SURPLUS		
Balance, beginning of year	**13,387**	8,051
Reclassified pursuant to stock-based compensation (note 14)	**(13,143)**	(7,199)
Stock-based compensation expense (note 15)	**21,071**	12,535
Balance, end of year	**21,315**	13,387
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of year	**14,949**	(4,917)
Unrealized foreign exchange gain on translation of foreign operations	**50,589**	19,866
Balance, end of year	**65,538**	14,949
DEFICIT		
Balance, beginning of year	**(10,349)**	(3,285)
Net income attributable to shareholders of the Company	**67,704**	37,255
Dividends declared (note 17)	**(63,224)**	(44,319)
Balance, end of year	**(5,869)**	(10,349)
NON-CONTROLLING INTEREST		
Balance, beginning of year	**-**	-
Net income attributable to non-controlling interest (note 3)	**351**	-
Unrealized foreign exchange gain on translation of foreign operations	**6**	-
Balance, end of year	**357**	-
	540,394	360,519

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

Canadian Energy Services & Technology Corp.
Consolidated Statements of Cash Flows
(stated in thousands of Canadian dollars)

	Year Ended December 31,	
	2014	2013
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net income	**68,055**	37,255
Adjustments for:		
Depreciation and amortization	**40,624**	26,940
Stock-based compensation	**21,071**	12,535
Non-cash expenses	**1,949**	934
Deferred income tax expense	**13,941**	5,459
Gain on disposal of assets	**(678)**	(29)
Change in non-cash working capital (note 21)	**(98,942)**	(63,941)
	46,020	19,153
FINANCING ACTIVITIES:		
Proceeds from the JACAM Acquisition Bridge Facility	**-**	160,000
Repayment of the JACAM Acquisition Bridge Facility	**-**	(160,000)
Repayment of promissory note payable	**-**	(10,255)
Repayment of long-term debt and finance leases	**(7,210)**	(4,856)
Net proceeds from Senior Notes issuance (note 8)	**79,450**	219,652
Increase (decrease) in Senior Facility	**(22,117)**	15,261
Shareholder dividends	**(61,207)**	(42,168)
Issuance of shares, net of issuance costs	**77,264**	39,946
	66,180	217,580
INVESTING ACTIVITIES:		
Investment in property and equipment	**(60,203)**	(41,075)
Investment in intangible assets	**(6,309)**	(3,181)
Deferred acquisition consideration	**(11,237)**	(827)
Business combinations (note 4)	**(36,985)**	(193,840)
Proceeds on disposal of property and equipment	**2,534**	2,190
	(112,200)	(236,733)
CHANGE IN CASH	**-**	-
Cash, beginning of year	**-**	-
Cash, end of year	**-**	-
SUPPLEMENTARY CASH FLOW DISCLOSURE		
Interest paid	**22,123**	14,273
Income taxes paid	**12,552**	20,007

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

1. The Company

Canadian Energy Services & Technology Corp. (the "Company" or "CES") is a company domiciled in Canada and was incorporated under the Canada Business Corporations Act on November 13, 1986. CES' principal place of business is located at Suite 1400, 700 – 4th Avenue SW, Calgary, Alberta, Canada T2P 3J4. The consolidated financial statements of the Company as at and for the years ended December 31, 2014 and 2013 comprise the Company and its subsidiaries (together referred to as the "Company" or "CES").

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

2. Basis of Presentation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were authorized for issue by the Company's Board of Directors on March 12, 2015.

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis using the historical cost convention except for the following items in the statement of financial position:

(i) derivative financial instruments are measured at fair value; and
(ii) financial instruments at fair value through profit or loss are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. All financial information presented in dollars has been rounded to the nearest thousand except for share and per share amounts.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the statement of financial position date. Gains and losses on translation of monetary items are recognized in the statement of income and comprehensive income in finance costs, except for those foreign exchange gains or losses arising from assets and liabilities of a foreign operation, which are recognized in other comprehensive income ("OCI") in the cumulative translation reserve.

Assets and liabilities of subsidiaries having a functional currency different from the Company's presentation currency of Canadian dollars are translated at the rate of exchange at the reporting date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in OCI.

3. Significant Accounting Policies

a) Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company balances and transactions are eliminated on consolidation.

b) Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on an average cost basis, and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Any inventory write-downs are included in cost of sales.

c) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets.

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

Gains and losses on the disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized within cost of sales on the statement of income and comprehensive income.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The costs of the day-to-day servicing of property and equipment, including repairs and maintenance, are recognized in net income as incurred.

Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Computer equipment	3 years
Vehicles	3-5 years
Trucks and trailers	3-5 years
Field equipment	5-20 years
Processing equipment	5-15 years
Leasehold improvements	3-5 years
Furniture and fixtures	5 years
Aircraft	5-20 years
Buildings	10-20 years
Tanks	15-20 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted prospectively if appropriate. The Company reviews its property and equipment at each reporting date to determine whether there is any indication of impairment.

d) Leased assets

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

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

Other leases are operating leases and the leased assets and corresponding lease obligations are not recognized in the Company's statement of financial position. Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease.

e) Identifiable intangible assets

The Company's intangible assets include customer relationships, proprietary software, and patents with finite useful lives. Costs attributable to intangible assets are capitalized if future economic benefits are reasonably assured. Intangible assets are initially recorded at cost and are amortized using the straight-line method through net income over their estimated useful lives when the realization of economic benefits begins. The estimated useful lives are as follows:

Customer relationships	5-10 years
Software	3 years
Patents and other intangibles	10-20 years

Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate.

f) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed based on their fair values as of the acquisition date. Goodwill acquired through a business combination is allocated to each cash generating unit ("CGU"), or group of CGUs, that is expected to benefit from the business combination. Each of these CGUs represents the lowest level within the Company at which the associated goodwill is monitored for management purposes.

g) Impairment

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

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit). This allocation reflects the lowest level at which that goodwill is monitored for internal reporting purposes. The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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

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

h) Provisions

Provisions are recognized in accrued liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value as applicable. The Company performs reviews to identify onerous contracts and, where applicable, records provisions for such contracts.

i) Revenue recognition

The Company's revenue is comprised of the sale of products and the provision of services. Revenue on the sale of product is recognized at the time evidence of an arrangement exists, title to the product and risk of loss transfers to the customer, the price is fixed and determinable, and collection is reasonably assured. Revenue on the provision of services is recognized as the services are performed, when the price is fixed and determinable, and collection is reasonably assured. The Company's contract terms do not include a provision for significant post-service delivery obligations.

j) Stock-based compensation

The Company uses the fair value method to account for share rights granted to employees, officers, and directors of the Company for grants under the Company's Share Rights Incentive Plan. Compensation expense for share rights granted is based on the estimated fair value, using a Black-Scholes option pricing model, at the time of grant. Restricted share units are awarded to employees officers and directors of the Company and entitle the holder to a number of common shares plus reinvested notional dividends. Compensation expense for restricted share units is based on the estimated fair value of the award at the date of grant, calculated using a five day volume weighted average share price. Compensation expense associated with the share-based compensation plans is recognized in net income over the vesting period of the respective plans with a corresponding increase to contributed surplus. CES estimates the forfeiture rate for its share-based compensation plans at the date of grant based on the number of awards expected to vest taking into consideration past experience and future expectations and are adjusted upon actual vesting.

k) Finance costs

Finance costs are comprised of interest expense on borrowings, financial derivative gains and losses, foreign currency gains and losses resulting from foreign currency transactions which are translated into the Company's functional currency, and the amortization of capitalized deferred financing costs.

l) Borrowing costs

Borrowing costs attributable to the acquisition, construction, or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized as finance costs in the statement of income and comprehensive income, using the effective interest method, in the period in which they are incurred.

m) Income taxes

CES is subject to federal, provincial, and state income taxes in Canada, the United States, and Luxembourg to the extent they are not sheltered by existing tax pools. Income tax expense comprises current and deferred income tax. Current income tax and deferred income tax are recognized in net income, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current income tax expense is the expected tax payable or receivable on the taxable income or loss for the year based upon the transactions entered into and recorded by the Company and based on the estimates and calculations used during the normal course of business. Current income tax expense is recorded using tax rates enacted or substantively enacted at the reporting date and any adjustment to taxes payable in respect of previous years.

Deferred income tax expense and recoveries are recognized in respect of unused tax losses and tax credits as well as for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates which are expected to apply to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred income tax liability is generally recognized for all taxable temporary differences. Deferred income tax liabilities are not recognized on the following:

- taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future;
- temporary differences that arise from goodwill which is not deductible for tax purposes; and
- the initial recognition of an asset or liability in a transaction which is not a business combination.

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

Future income tax inflows and outflows are subject to estimation in terms of both timing and the amount of future taxable earnings. Should these estimates change, the carrying value of the corresponding income tax assets or liabilities will change.

n) Derivative financial instruments

Derivative financial instruments are used by the Company to manage its exposure to various market risks. The Company's policy is not to utilize derivative financial instruments for speculative or trading purposes. These derivative instruments are classified as held for trading and are recorded at fair values on the consolidated statement of financial position as either an asset or liability with changes in fair value recognized in the consolidated statements of income and comprehensive income. Realized gains and losses from financial derivatives are recognized as they occur. Unrealized gains and losses are recognized in the consolidated statements of income and comprehensive income at each respective reporting period. The fair value of these transactions is based upon the estimated amounts that would have been paid to or received from counterparties to settle the outstanding transactions with reference to the estimated forward prices as of the reporting date.

o) Financial instruments

i) Non-derivative financial assets:

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

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

The Company has the following non-derivative financial assets:

a. financial assets at fair value through profit or loss; and
b. loans and receivables.

Financial assets and liabilities at fair value through profit or loss

A financial asset or liability is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets and liabilities are designated as fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in net income as incurred. Financial assets and liabilities designated as fair value through profit or loss are measured at fair value and their changes therein are recognized in net income. The only instruments held by the Company classified in this category are derivative financial instruments (note 3 (n)).

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. The Company's accounts receivable and deposits are classified as loans and receivables.

ii) Non-derivative financial liabilities:

All financial liabilities, including liabilities designated at fair value through profit or loss, are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities; dividends payable; finance lease obligations; long-term debt; and deferred acquisition consideration. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

p) Net income per share

Basic net income per share is based on the income attributable to common shareholders for the period divided by the weighted average number of common shares outstanding during the period. The diluted net income per share is based on the weighted average number of common shares outstanding during the period plus the effects of dilutive share equivalents which include the outstanding Share Rights and Restricted Share Units. Diluted net income per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares.

q) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and debt incurred or assumed at the acquisition date. Costs directly attributable to the acquisition are expensed in the period incurred. The fair value of the assets and liabilities acquired is determined and compared to the fair value of the consideration paid. If the fair value of the consideration paid exceeds the fair value of the net assets, then goodwill is recognized.

r) Significant accounting judgments and estimates
The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual outcomes may differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Management has made significant assumptions about the future and other sources of estimation uncertainty at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ. Assumptions made relate to, but are not limited to, the following:

Accounts receivable
The Company maintains an allowance for doubtful accounts to provide for receivables which may ultimately be uncollectible. Accounts receivable are recorded at the estimated recoverable amount which requires management to estimate uncollectible accounts.

Inventories
The Company evaluates its inventory to ensure it is carried at the lower of average cost and net realizable value. Allowances are made against slow moving, obsolete, and damaged inventories and are charged to cost of sales. These allowances are assessed at each reporting date for adequacy. The reversal of any write-down of inventory arising from an increase in net realizable value shall be recognized as a reduction in cost of sales in the period in which the reversal occurred.

Property and equipment
Management estimates the useful lives and residual value of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence, and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company’s property and equipment in the future.

Recoverability of asset carrying values
The Company assesses its property and equipment, including intangible assets and goodwill, for possible impairment at each reporting date or if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. The recoverability of the Company’s asset carrying values is assessed at the CGU level. The determination of the CGUs is subject to management judgments taking into consideration: the nature of the underlying business operations, geographical proximity of operations, shared infrastructure, and exposure to market risk.

The assessment of any impairment of property and equipment, including intangible assets and goodwill, is dependent upon estimates of the recoverable amount that take into account factors such as economic and market conditions, timing of cash flows, the useful lives of assets, and their related salvage values. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. Value in use is estimated using future cash flow projections, discounted to their present value, expected to arise from the CGU to which the goodwill relates. The required valuation methodology and underlying financial information that is used to determine value in use requires significant judgments to be made by management. These judgments include, but are not limited to, long term projections of future financial performance and the selection of appropriate discount rates used to determine the present value of future cash flows. The estimated future cash flows are dependent upon a number of factors including, among others, the levels of activity within the oil and natural gas industry. Future activity cannot be predicted with certainty and, as such, actual results may differ from these estimates.

Derivatives
The fair value of outstanding derivatives is based on forward prices, discount rates, and forward foreign exchange rates as at the reporting date and may differ from what will eventually be realized. Changes in the fair value of the derivative contracts are

recognized in net income. The actual gains and losses realized on eventual cash settlement will vary due to subsequent fluctuations in realized prices.

Stock-based compensation
The fair value of share rights granted is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the share right, expected volatility, actual and expected life of the share rights, expected dividends based on the dividend yield at the date of grant, anticipated forfeiture rate, and the risk-free interest rate. The Company estimates volatility based on historical trading excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the Company's normal share price volatility. The expected life of the share rights is based on historical experience and general option holder behaviour. Management also makes an estimate of the number of share rights and restricted share units that will be forfeited and the rate is adjusted to reflect the actual number of share rights and restricted share units that vest. Consequently, the actual stock-based compensation expense associated with the Company's share-based compensation plans may vary from the amount estimated.

Income taxes
Deferred income tax assets and deferred income tax liabilities are recognized for the estimated tax consequences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases used in the computation of taxable income, measured at the tax rates that are expected to apply in the period in which the liability is settled or asset is realized based on the enacted or substantively enacted future income tax rates in effect at the end of the reporting period. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, the expected usage of existing tax pools and credits, and accordingly affect the amount of the deferred income tax assets and liabilities calculated at a point in time. These differences could materially impact net income.

The Company and its various subsidiaries are subject to corporate and other taxation in various federal, provincial and state jurisdictions in Canada, the United States, and Luxembourg. Corporate income tax and other returns are filed, and current income tax provisions are recorded, based upon the transactions entered into and recorded by the Company and are based on the estimates and calculations used by the Company during the normal course of business and in the preparation of these returns. For both the current and historical fiscal years, the Company's and its subsidiaries' income tax and other tax returns are subject to audit which could result in adjustments and potential litigation by the tax authorities, which in turn could affect the Company's tax provisions in future years. As applicable, the Company maintains provisions for uncertain tax positions that it believes are appropriate. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors at the reporting period. The Company reviews the adequacy of these provisions at the end of each reporting period and adjusts them as required. However, it is possible that, at some future date, current income tax liabilities are in excess of the Company's current income tax provisions as a result of these audits, adjustments, or litigation with tax authorities. These differences could materially impact net income.

Commitments and contingencies
Management estimates the inputs used in determining the various commitments and contingencies accrued in the consolidated statement of financial position.

Non-Controlling Interest
Effective July 1, 2014, the Company entered into an arrangement with an unrelated third party for the creation of Stim Rock, LLC. ("Stim Rock"). Stim Rock has been primarily formed for the purpose of marketing and selling chemicals used in the stimulation and fracturing markets, and services related thereto. The Company owns 51% of the outstanding shares and holds the majority voting rights. Management has exercised judgment in assessing its control of Stim Rock and has included the financial results of Stim Rock in its consolidated financial statements as at and for the year ended December 31, 2014.

s) Recent Accounting Pronouncements
Future accounting policy changes
The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

On May 28, 2014, the International Accounting Standards Board issued International Financial Reporting Standard ("IFRS") 15, *"Revenue from Contracts with Customers"*, which is the result of the joint project with the Financial Accounting Standards Board. The new standard replaces the two main recognition standards IAS 18, *"Revenue"*, and IAS 11, *"Construction Contracts"*. The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2017. The Company is currently assessing the potential impact of the adoption of IFRS 15 on the Company's financial statements.

The International Accounting Standards Board ("IASB") has undertaken a three-phase project to replace IAS 39 *"Financial Instruments: Recognition and Measurement"* with IFRS 9 *"Financial Instruments"*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The Standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 9 on the Company's financial statements.

Changes in Accounting Policies
As of January 1, 2014, the Company adopted amendments to accounting standards and new interpretations issued by the International Accounting Standards Board in accordance with the transitional provisions of each amendment or interpretation. These are as follows: amendments to IAS 32, *"Financial Instruments: Presentation"*, and IAS 36, *"Impairment of Assets"*, and the adoption of International Financial Reporting Interpretation Committee 21, *"Levies"*. The adoption of these amendments and interpretations has not had a material impact on the accounting policies, methods of computation, or presentation applied by the Company.

4. Business Combinations

a) Canadian Acquisitions
On July 1, 2014, CES completed the acquisitions of all of the business assets of Rheotech Drilling Fluids Services Inc. ("Rheotech") and of all of the business assets of Canwell Enviro-Industries Ltd. ("Canwell") collectively (the "Canadian Acquisitions"). Rheotech and Canwell were Western Canadian Sedimentary Basin based private businesses selling oilfield chemical solutions. The Canadian Acquisitions are expected to strengthen the Company's position as a leading provider of drilling fluids and production and specialty chemicals in the WCSB.

The aggregate purchase price of the Canadian Acquisitions was $56,485, consisting of $16,000 of share consideration satisfied through the issuance of 1,456,422 common shares, on a post-split basis, of the Company, $40,485 payable in cash, of which $23,398 was paid on the respective closing date. Included in cash consideration payable is deferred acquisition consideration of $15,500 which is payable in cash as an earn-out if and when certain of the business assets acquired achieves certain sales thresholds over a thirty-six month period post close, none of which was paid out in 2014, $402 in other post close and deferred consideration, all of which was paid out in 2014, and $1,185 in working capital adjustments. The purchase price allocations were based upon the respective fair values as of the acquisition date. In conjunction with the Canadian Acquisitions, the Company recorded $165 in transaction costs to general and administrative expenses.

The Company's combined purchase price allocation for the Canadian Acquisitions is as follows:

Allocation of purchase price $000's	
Current assets	10,664
Property and equipment	3,824
Intangible assets	13,212
Goodwill	31,032
Total assets	**58,732**
Current liabilities	(1,356)
Current portion of lease liabilities	(27)
Non-current portion of lease liabilities	(31)
Deferred income tax liability	(833)
Total liabilities	**(2,247)**
Net assets acquired	**56,485**

Consideration given $000's	
Cash	23,398
Share consideration	16,000
Contingent consideration	15,500
Consideration payable post-close	402
Working capital adjustment	1,185
Total consideration	**56,485**

From the respective dates of the Canadian Acquisitions to December 31, 2014, the companies acquired contributed in aggregate an estimated $42,273 of revenue to the Company. The amount of profit or loss attributable to the Canadian Acquisitions from the date of acquisition to December 31, 2014, and the amount of revenue or profit or loss attributable to the Canadian Acquisitions as if the business combinations had been completed on January 1, 2014, is not readily determinable.

The goodwill recognized on the Canadian Acquisitions is primarily attributed to the assembled workforce, the synergies existing within the acquired businesses, and the synergies which will contribute to operational efficiencies within the rest of the Company. Of the goodwill acquired, 75% is expected to be deducted for Canadian tax purposes at a rate of 7% per year.

b) Southwest Acquisition

On September 5, 2014, through a US subsidiary, CES completed the acquisition of all of the oilfield chemical business assets of Southwest Treating Products, LLC. ("Southwest"). Southwest was a west Texas based private oilfield chemical company that provides production and specialty chemical solutions for a number of leading oil and natural gas companies. The acquisition of Southwest will accelerate the expansion of Company's US production and specialty chemicals operations into the west Texas Permian Basin and the Eagle Ford shale in south Texas. The effective date of the Southwest acquisition was September 1, 2014.

The aggregate purchase price was $21,474 (US$ 19,676), consisting of $8,712 (US$8,000) of share consideration satisfied through the issuance of 868,455 common shares, on a post-split basis, of the Company, $12,762 (US$11,676) payable in cash, of which $11,644 (US$10,653) was paid on the closing date. Included in cash consideration payable is $1,118 (US$1,023) in other post close and deferred consideration. The purchase price allocation was based upon the fair values as of the respective acquisition date. In conjunction with this acquisition, the Company recorded $62 in transaction costs to general and administrative expenses.

The Company's purchase price allocation for the Southwest acquisition is as follows:

Allocation of purchase price $000's	
Current assets	3,611
Property and equipment	2,368
Intangible assets	4,782
Goodwill	12,040
Total assets	**22,801**
Current liabilities	(1,284)
Current portion of lease liabilities	(21)
Non-current portion of lease liabilities	(22)
Net assets acquired	**21,474**

Consideration given $000's	
Cash	11,644
Share consideration	8,712
Consideration payable post-close	1,118
Total consideration	**21,474**

From the date of this acquisition to December 31, 2014, Southwest contributed an estimated $5,275 of revenue to the Company. The amount of profit or loss attributable to the acquisition from the date of acquisition to December 31, 2014, and the amount of revenue or profit or loss attributable to the acquisition as if the business combination had been completed on January 1, 2014, is not readily determinable.

The goodwill recognized on the Southwest acquisition is primarily attributed to the assembled workforce, the synergies existing within the acquired businesses, and the synergies which will contribute to operational efficiencies within the rest of the Company. The goodwill is expected to be deducted straight-line over 15 years for US tax purposes.

2013 Acquisitions
a) JACAM
On March 1, 2013, through a US subsidiary, CES completed the acquisition of all of the business assets of JACAM Chemicals Company, Inc. and its subsidiaries (the "JACAM Acquisition") in order to expand the Company's advanced consumable fluids and specialty chemicals business in the US. JACAM Chemicals Company, Inc. was a private company that manufactures and distributes oilfield related specialty chemicals. JACAM designs and manufactures its products in Sterling, Kansas and provides its products and delivers its services to a large number of companies in the oil and natural gas business throughout the US.

The aggregate purchase price was $245,611 (US$240,000) consisting of $174,290 (US$170,000) in cash paid on the date of acquisition, $61,036 (US$60,000) in share consideration satisfied through the issuance of 16,363,635 common shares, on a post-split basis, of the Company, and a $10,285 (US$10,000) promissory note. The common shares issued to JACAM Chemicals Company, Inc. are subject to escrow provisions, with one-third of the escrowed shares being released, subject to industry standard exceptions including a change of control of CES as well as subject to indemnities under the asset purchase agreement, on each of the first, second, and third anniversaries of the closing of the JACAM Acquisition. The promissory note incurred interest at a rate of 0.21% per annum and was repaid on April 18, 2013. In conjunction with this acquisition, the Company recorded $867 in transaction costs to general and administrative expenses.

The Company's purchase price allocation was as follows:

Allocation of purchase price $000's	
Current assets	25,899
Property and equipment	41,749
Intangible assets	67,224
Goodwill	117,662
Total assets	**252,534**
Current liabilities	(6,127)
Current portion of lease liabilities	(42)
Non-current portion of lease liabilities	(132)
Deferred income tax liability	(622)
Total liabilities	**(6,923)**
Net assets acquired	**245,611**

Consideration given $000's	
Cash	174,290
Share consideration	61,036
Promissory note payable	10,285
Total consideration	**245,611**

The goodwill recognized on the JACAM acquisition is primarily attributed to the assembled workforce, the synergies existing within the acquired businesses, and the synergies which will contribute to operational efficiencies within the rest of the Company.

b) Venture Mud

On July 15, 2013, through a US subsidiary, CES completed the acquisition of the drilling fluid business assets of Venture Mud One, L.P. ("Venture Mud") and certain additional assets from affiliates of Venture Mud including VM Transports, LLC, Venture Services LLC, and Venture Services RM, LLC (the "AES Permian Acquisition"). Venture Mud was a West Texas based private drilling fluids company that provides drilling fluid solutions for a number of oil and natural gas companies with a focus on the Permian Basin.

The effective date of the AES Permian Acquisition was July 1, 2013. The aggregate purchase price was $57,142 (US$54,357) consisting of $13,164 (US$12,667) in share consideration satisfied through the issuance of 2,514,228 common shares, on a post-split basis, of the Company, and $43,978 (US$41,960) payable in cash, of which $19,550 (US$18,533) was paid on July 15, 2013. Included in cash consideration payable is deferred acquisition consideration of $18,988 (US$18,000) which is payable in cash as an earn-out upon the AES Permian division achieving certain EBITDA thresholds over a twenty-four month period post close and $5,440 (US$5,157) in other post close and deferred consideration, of which US$9,000 and US$663, respectively, was paid out during 2014. The common shares issued to Venture Mud are subject to escrow provisions, with one-third of the escrowed shares being released, subject to industry standard exceptions including a change of control of CES as well as subject to indemnities under the asset purchase agreement, on each of the first, second, and third anniversaries of the closing of the AES Permian Acquisition. In conjunction with this acquisition, the Company recorded approximately $127 in transaction costs to general and administrative expenses.

The Company's purchase price allocation was as follows:

Allocation of purchase price $000's	
Current assets	8,074
Property and equipment	12,535
Intangible assets	6,115
Goodwill	32,490
Total assets	**59,214**
Current liabilities	(2,072)
Net assets acquired	**57,142**

Consideration given $000's	
Cash	19,550
Share consideration	13,164
Consideration payable post-close	5,440
Deferred acquisition consideration	18,988
Total consideration	**57,142**

The goodwill recognized on the AES Permian Acquisition is primarily attributed to the assembled workforce, the synergies existing within the acquired businesses, and the synergies which will contribute to operational efficiencies within the rest of the Company.

Deferred Acquisition Consideration
A summary of the changes to the Company's deferred acquisition consideration balance is presented below:

$000's	
Balance at December 31, 2013	23,601
Additions through business combinations	15,500
Settlements	(11,237)
Effect of movements in exchange rates	1,472
Balance at December 31, 2014	29,336
Current portion	18,485
Long-term portion	10,851

5. Inventory

The cost of inventory expensed in cost of sales for the year ended December 31, 2014, was $471,304 (2013 – $319,506). During the year ended December 31, 2014, the Company recorded $3,068 inventory valuation write-downs and $nil inventory valuation write-down reversals (2013 – $nil and $nil, respectively).

6. Property and Equipment

Property and equipment are comprised of the following balances:

$000's	Balance December 31, 2013	Additions through business combinations	Additions	Disposals	Effect of movements in exchange rates	Balance December 31, 2014
Cost:						
Buildings	45,657	887	12,054	-	3,876	62,474
Trucks and trailers	30,305	560	16,276	(1,059)	2,397	48,479
Vehicles	21,019	1,023	14,580	(3,785)	1,410	34,247
Tanks	21,898	-	4,597	(100)	1,495	27,890
Processing equipment	13,632	118	10,179	(8)	1,620	25,541
Aircraft	18,466	-	4,849	(819)	1,092	23,588
Field equipment	16,589	1,025	8,155	(177)	1,347	26,939
Land	3,724	2,326	1,286	-	319	7,655
Leasehold improvements	3,449	195	1,403	(25)	173	5,195
Computer equipment	4,673	36	615	(37)	278	5,565
Furniture and fixtures	1,800	22	994	(23)	129	2,922
	181,212	6,192	74,988	(6,033)	14,136	270,495

$000's	Balance December 31, 2013	Depreciation for the year	Disposals	Effect of movements in exchange rates	Balance December 31, 2014
Depreciation:					
Buildings	3,438	2,375	-	261	6,074
Trucks and trailers	9,435	6,507	(833)	935	16,044
Vehicles	6,735	5,808	(2,280)	(23)	10,240
Tanks	2,505	1,599	(16)	197	4,285
Processing equipment	1,630	1,799	-	205	3,634
Aircraft	1,315	1,886	(280)	141	3,062
Field equipment	6,088	3,745	(16)	398	10,215
Land	-	-	-	-	-
Leasehold improvements	1,342	717	(4)	70	2,125
Computer equipment	1,733	1,107	(29)	88	2,899
Furniture and fixtures	700	412	(12)	42	1,142
	34,921	25,955	(3,470)	2,314	59,720

$000's	Balance December 31, 2013	Balance December 31, 2014
Carrying amounts:		
Buildings	42,219	56,400
Trucks and trailers	20,870	32,435
Vehicles	14,284	24,007
Tanks	19,393	23,605
Processing equipment	12,002	21,907
Aircraft	17,151	20,526
Field equipment	10,501	16,724
Land	3,724	7,655
Leasehold improvements	2,107	3,070
Computer equipment	2,940	2,666
Furniture and fixtures	1,100	1,780
	146,291	210,775

$000's	Balance December 31, 2012	Additions through business combinations	Additions	Disposals	Effect of movements in exchange rates	Balance December 31, 2013
Cost:						
Buildings	17,119	14,957	12,833	(581)	1,329	45,657
Trucks and trailers	12,102	11,453	6,884	(569)	435	30,305
Vehicles	10,546	4,937	7,050	(2,008)	494	21,019
Tanks	13,928	4,350	2,880	-	740	21,898
Processing equipment	3,873	5,243	4,047	(1)	470	13,632
Aircraft	819	5,497	11,719	-	431	18,466
Field equipment	8,175	4,490	3,332	(90)	682	16,589
Land	2,106	1,339	319	(149)	109	3,724
Leasehold improvements	2,537	148	697	-	67	3,449
Computer equipment	1,412	1,562	1,588	(2)	113	4,673
Furniture and fixtures	1,071	308	422	(40)	39	1,800
	73,688	54,284	51,771	(3,440)	4,909	181,212

$000's	Balance December 31, 2012	Depreciation for the year	Disposals	Effect of movements in exchange rates	Balance December 31, 2013
Depreciation:					
Buildings	1,996	1,443	(63)	62	3,438
Trucks and trailers	5,535	3,998	(151)	53	9,435
Vehicles	3,580	3,988	(989)	156	6,735
Tanks	1,321	1,046	-	138	2,505
Processing equipment	586	1,005	-	39	1,630
Aircraft	131	1,161	-	23	1,315
Field equipment	3,619	2,372	(44)	141	6,088
Land	-	-	-	-	-
Leasehold improvements	805	503	-	34	1,342
Computer equipment	989	713	-	31	1,733
Furniture and fixtures	459	256	(29)	14	700
	19,021	16,485	(1,276)	691	34,921

$000's	Balance December 31, 2012	Balance December 31, 2013
Carrying amounts:		
Buildings	15,123	42,219
Trucks and trailers	6,567	20,870
Vehicles	6,966	14,284
Tanks	12,607	19,393
Processing equipment	3,287	12,002
Aircraft	688	17,151
Field equipment	4,556	10,501
Land	2,106	3,724
Leasehold improvements	1,732	2,107
Computer equipment	423	2,940
Furniture and fixtures	612	1,100
	54,667	146,291

Borrowing costs
For the year ended December 31, 2014, the Company capitalized borrowing costs attributable to the construction of qualifying assets in the amount of $370 (2013 – $139).

7. Intangible Assets and Goodwill

Intangible assets are comprised of the following balances:

$000's	Customer relationships	Software	Patents and other intangibles	Total intangibles	Goodwill
Cost:					
Balance at December 31, 2013	48,826	4,659	51,893	105,378	270,381
Additions through business combinations	17,200	2	792	17,994	43,072
Additions	-	5,993	487	6,480	-
Effect of movements in exchange rates	4,090	501	2,491	7,082	19,417
Balance at December 31, 2014	70,116	11,155	55,663	136,934	332,870
Amortization:					
Balance at December 31, 2013	14,519	1,594	4,950	21,063	-
Amortization for the year	8,673	1,651	4,396	14,720	-
Effect of movements in exchange rates	1,241	138	432	1,811	-
Balance at December 31, 2014	24,433	3,383	9,778	37,594	-
Carrying amount at December 31, 2014	**45,683**	**7,772**	**45,885**	**99,340**	**332,870**

$000's	Customer relationships	Software	Patents and other intangibles	Total intangibles	Goodwill
Cost:					
Balance at December 31, 2012	23,336	1,124	1,430	25,890	111,083
Additions through business combinations	23,663	1,045	48,630	73,338	150,843
Additions	-	2,349	750	3,099	-
Effect of movements in exchange rates	1,827	141	1,083	3,051	8,455
Balance at December 31, 2013	48,826	4,659	51,893	105,378	270,381
Amortization:					
Balance at December 31, 2012	8,739	834	396	9,969	-
Amortization for the year	5,271	714	4,470	10,455	-
Effect of movements in exchange rates	509	46	84	639	-
Balance at December 31, 2013	14,519	1,594	4,950	21,063	-
Carrying amount at December 31, 2013	34,307	3,065	46,943	84,315	270,381

Impairment testing for cash-generating units containing goodwill
For the purpose of impairment testing, goodwill is allocated to the Company's CGU's which represent the lowest level within the Company at which the goodwill is monitored for internal management purposes, which is not higher than the Company's operating segment.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	As at	
$000's	**December 31, 2014**	December 31, 2013
Canadian Operations	**89,762**	59,241
US Operations (1)	**243,108**	211,140
	332,870	270,381

(1) Amounts denominated in foreign currencies have been translated at the respective year-end exchange rates

The Company's impairment analysis as of December 31, 2014, indicated that the recoverable amount of the net assets for each CGU exceeded its respective carrying value and, therefore, no impairment was recorded. The recoverable amount of the CGU's was based on their value in use.

The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Management estimates discount rates for the sole purpose of the impairment analysis using pre-tax rates that reflect the estimated weighted average cost of capital of the Company. This discount rate has been calculated using an estimated risk free rate of return adjusted for the Company's estimated equity market risk premium and the Company's estimated cost of debt. An estimated pre-tax discount rate of 14% was used as at December 31, 2014 (December 31, 2013 – 14%). The growth rates represent management's current assessment of future trends in the service industry and are based on both external and internal sources, as well as historical data, and are determined for the purposes of this impairment analysis only. The Company prepares cash flow forecasts for the purpose of the impairment analysis for the upcoming year and subsequent five year period based on estimated variable rates ranging from a declining rate of 25% to a growth rate of 10% for the first five years and 3% for years thereafter. Future cash flows are based on various assumptions and judgments including actual performance of the business, management's estimates of future performance, and indicators of future service industry activity levels. It is unlikely that a change in a key assumption in the value-in-use calculation would cause the CGU's carrying amounts to exceed its recoverable amounts.

8. Long-Term Debt

On September 5, 2014, the Company entered into a new syndicated Senior Facility (the "Senior Facility") which allows the Company to borrow up to $200,000. The Senior Facility has a term to maturity of three years, maturing on September 30, 2017 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 $100,000 to a maximum borrowing of $300,000. 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 0.30% to 0.45%. The applicable pricing margins are based on a sliding scale of senior funded debt to EBITDA ratio. The obligations and indebtedness under the 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 Net Funded Debt to EBITDA calculated 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 quarterly ratio of EBITDA to interest expense must be more than 3.00 to 1.00 calculated on a rolling four-quarter basis.

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

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

- Senior Funded Debt is defined as Total Net Funded Debt minus the principal amount owing on the Company's Senior Notes.

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

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

	As at	
$000's	**December 31, 2014**	December 31, 2013
Total Net Funded Debt to EBITDA Ratio (Must be < 4.00:1.00)		
Maximum Total Net Funded Debt	**377,313**	319,083
EBITDA for the four quarters ended	**177,172**	109,818
Ratio	**2.13**	2.91
Maximum Senior Funded Debt to EBITDA Ratio (Must be < 2.50:1.00)		
Maximum Senior Funded Debt	**77,313**	94,083
EBITDA for the four quarters ended	**177,172**	109,818
Ratio	**0.44**	0.86
Minimum EBITDA to Interest Expense (Must be > 3.00:1.00)		
EBITDA for the four quarters ended	**177,172**	109,818
Interest Expense	**22,133**	17,836
Ratio	**8.00**	6.16

As of December 31, 2014, the maximum available draw on the Senior Facility was $200,000 (December 31, 2013 - $150,000) and the Company had a draw of $60,916 (December 31, 2013 – $84,001), net of capitalized transaction costs of $669 (December 31, 2013 – $384). Transaction costs attributable to the Senior Facility are recorded as part of the Senior Facility and amortized to finance costs over the remaining term.

Senior Notes
On July 3, 2014, CES completed the private placement of $75,000 of 7.375% senior unsecured notes (the "Additional Senior Notes") due on April 17, 2020 at a premium price of $1,057.50 per $1,000.00 principal amount of Notes. The Additional Senior Notes were issued under the indenture governing the Company's $225,000 of Senior Notes and accordingly will form a single series with such previously issued Senior Notes. The Senior Notes contain certain early redemption options, whereby the Company can choose to redeem all of or a portion of at various redemption prices, which include the principal amount plus any accrued and unpaid interest to the applicable redemption date. Interest is payable on the Senior Notes semi-annually on April 17^{th} and October 17^{th}. The Senior Notes are unsecured, ranking equal in right of payment to all existing and future unsecured indebtedness, and have been guaranteed by the Company's current and future subsidiaries. Certain restrictions exist relating to items such as making restricted payments and incurring additional debt. At December 31, 2014, the estimated fair value of the Senior Notes was $285,750 (December 31, 2013 – $233,719).

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

	As at	
$000's	**December 31, 2014**	December 31, 2013
Senior Facility	**61,585**	84,385
Senior Notes	**300,000**	225,000
Vehicle financing loans	**628**	2,207
Equipment financing loans	**405**	1,162
	362,618	312,754
Less net unamortized debt issue costs	**(5,653)**	(3,961)
Less net unamortized debt premium	**3,943**	-
Less current portion of long-term debt	**(884)**	(1,955)
Long-term debt	**360,024**	306,838

Vehicle financing loans are secured by each related vehicle and incur interest at rates up to 7.19%, with a weighted average rate of approximately 6.20%, and have termination dates ranging from February 2015 to December 2016. Equipment financing loans are secured by each related piece of equipment and incur interest at 17.25%, and have a termination date of April 2015.

For the year ended December 31, 2014, the Company recorded $23,455 (2013 – $18,113) in interest expense related to its long-term debt and lease balances, including the amortization of capitalized transaction costs.

Scheduled principal payments on the Company's long-term debt for the next five years at December 31, 2014, are as follows:

$000's	
2015	**884**
2016	**149**
2017	**61,585**
2018	**-**
2019	**-**
Total	**62,618**

Excluded from the above table is the outstanding $300,000 Senior Notes which are due on April 17, 2020.

9. Finance Leases

The Company leases equipment and vehicles under a number of finance lease agreements for which the underlying leased assets secure the lease obligations. The Company's fixed interest rate equipment leases are for terms ranging from September 2015 to March 2016 with a weighted average interest rate on the Company's lease facilities of 4.95%. The Company's vehicle leases are for terms ranging from January 2015 through April 2020 with interest rates of up to 9.03% and a weighted average interest rate of approximately 5.69%. The carrying value of assets under finance leases at December 31, 2014 totaled $18,003 (December 31, 2013 – $8,413), of which $15,463 relates to vehicles, $1,236 relates to tanks, $947 relates to trucks and trailers, and $357 relates to other machinery and field equipment. Amortization expense relating to assets under finance leases for the year ended December 31, 2014 totaled $3,334 (2013 – $1,869).

Future minimum lease payments outstanding under the Company's finance lease obligations are as follows:

$000's	
Less than 1 year	**7,554**
1-5 years	**8,176**
5+ years	**32**
Total lease payments	**15,762**
Amount representing implicit interest	**(1,067)**
Finance lease obligations	**14,695**
Less: current portion of finance lease obligations	**(6,908)**
Long-term finance lease obligations	**7,787**

10. Cost of Sales

Included in cost of sales for the year ended December 31, 2014, is depreciation charged on property and equipment of $23,617 (2013 – $15,084) and employee compensation and benefits of $108,180 (2013 – $70,254).

11. General and Administrative Expenses

Included in general and administrative expense for the year ended December 31, 2014, is depreciation charged on property and equipment and amortization charged on intangible assets of $17,007 (2013 – $11,856), stock-based compensation of $21,071 (2013 – $12,535), and employee compensation and benefits of $60,802 (2013 – $41,266).

12. Finance Costs

The Company recognized the following finance expenses in its consolidated statements of income and comprehensive income:

	Years Ended December 31,	
$000's	**2014**	2013
Foreign exchange loss	**413**	523
Financial derivative loss	**572**	244
Amortization of debt issue costs and premium	**1,332**	720
Interest on debt	**22,393**	17,684
Less: capitalized interest	**(370)**	(139)
Finance costs	**24,340**	19,032

13. Income Taxes

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

The provision for corporate income taxes consists of:

	Year Ended December 31,	
$000's	**2014**	2013
Current income tax expense		
Current year income tax expense	**12,563**	7,696
Prior year income tax expense adjustment	**(1,980)**	1,483
Total current income tax expense	**10,583**	9,179
Deferred income tax expense		
Origination and reversal of temporary differences	**12,228**	5,459
Adjustments for prior years	**1,713**	-
Total deferred income tax expense	**13,941**	5,459
Total income tax expense	**24,524**	14,638

The variation between the provision computed at the statutory income tax rate and the Company's provision is explained as follows:

	Year Ended December 31,	
$000's	**2014**	2013
Income before taxes	**92,579**	51,893
Combined Canadian statutory rate	**25.54%**	25.53%
Provision for income taxes computed at the Canadian statutory rate	**23,647**	13,255
Effects on taxes resulting from		
Non-deductible expenses	**1,572**	577
Stock-based compensation	**3,095**	2,117
Deductions for tax in excess of accounting, net	**(8,535)**	(5,330)
Adjustment of prior year taxes	**(348)**	1,483
Non-controlling interest	**(136)**	-
Recoverable witholding taxes	**-**	(291)
Reduction of future income tax due to rate changes	**-**	67
Income tax in jurisdictions with different tax rates	**5,229**	2,772
Other	-	(12)
Income tax expense	**24,524**	14,638

The components of deferred income tax assets and liabilities are as follows:

	As at	
$000's	**December 31, 2014**	December 31, 2013
Property and equipment	**24,152**	10,594
Goodwill and other intangible assets	**10,934**	9,022
Financing costs and other tax credits	**(840)**	(1,785)
Other temporary differences	**(3,199)**	(2,705)
Non-capital losses	**(99)**	(134)
Capital losses	**(5,501)**	(5,502)
Unrecognized tax benefit, net	**5,563**	5,578
Total, net deferred income tax (asset) liability	**31,010**	15,068
Deferred income tax asset	**11**	5
Deferred income tax liability	**31,021**	15,073

For the purposes of the preceding table, deferred income tax liabilities are shown net of offsetting deferred income tax assets where these occur in the same entity and jurisdiction. No deferred tax liability has been recognized as at December 31, 2014 on temporary differences associated with investments in subsidiaries where the Company can control the timing of the reversal of the temporary difference and the reversal is not probable in the foreseeable future.

As at December 31, 2014, the Company had select US state tax operating loss carry forwards of $2,046 (December 31, 2013 – $2,236), which expire between 2023 and 2024. No deferred tax benefit has been recognized on the select US state operating loss carry forwards of $1,238 (December 31, 2013 – $1,078) due to the uncertainty of the realization of these losses.

As at December 31, 2014, the Company also had capital loss carry forward pools of $21,538 (December 31, 2013 - $21,552), with an indefinite expiry period, that can only be used to offset capital gains in future years. Due to the uncertainty over realization of the respective pools, no deferred income tax asset has been recognized in relation to these capital loss carry forward pools.

In August 2014, the Company received a proposal letter from the Canada Revenue Agency (the "CRA") which stated its intent to challenge the Canadian tax consequences of the Company's conversion from a publicly-traded Canadian limited partnership to a publicly-traded corporation (the "Conversion"). The CRA's position is based on the acquisition of control rules and the general anti-avoidance rules in the Income Tax Act (Canada). If the CRA issues notices of reassessment in respect of the Company's 2010, 2011, and 2012 taxation years, CES would be required to remit to the CRA 50% of the tax liability claimed by the CRA in order to appeal such reassessments. If such reassessments are issued and maintained on appeal, CES will be obligated to remit cash taxes of approximately $16,000 for the three taxation years, plus applicable interest. CES provided a response to the proposal letter in September 2014 and to date, no further correspondence has been received.

The impact of the CRA proposal on CES' tax provision has been considered by management and the Company remains confident that the tax returns as filed correctly reported the Canadian tax consequences of the Conversion transaction. If the proposed reassessments are issued by the CRA, management intends to vigorously defend CES' tax filing position. No amount has been provided for in the Company's December 31, 2014 consolidated financial statements related to the Conversion.

14. Share Capital

a) Authorized

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

b) Issued and outstanding

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

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

	Year ended December 31, 2014		Year ended December 31, 2013	
Common Shares *($000's except number of shares)*	**Number of Shares [(1)]**	**Amount**	Number of Shares [(1)]	Amount
Balance, beginning of year	**201,321,384**	**342,532**	170,543,558	215,571
Issued pursuant to the Offering, net of share issue costs and taxes	**6,912,000**	**72,715**	6,330,000	33,472
Consideration for business combinations	**2,324,877**	**24,712**	18,877,863	74,200
Issued pursuant to stock-based compensation	**4,885,149**	**5,409**	4,702,681	7,008
Contributed surplus related to stock-based compensation	**-**	**13,143**	-	7,199
Issued pursuant to property and equipment acquisition	**7,365**	**60**	714,324	4,153
Issued pursuant to stock dividend and stock settled director fee	**61,299**	**482**	152,958	929
Balance, end of year	**215,512,074**	**459,053**	201,321,384	342,532

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

Prospectus Offering

On July 11, 2014, the Company, through a syndicate of underwriters, completed a bought deal short-form prospectus offering (the "Offering") of common shares. Pursuant to the Offering, the Company issued a total of 6,912,000 common shares, on a post-split basis, of the Company for gross proceeds of $75,226. Net proceeds, after offering expenses and underwriter's commission of approximately $3,371, were $71,854.

c) Net income per share

In calculating the basic and diluted net income per share for the year ended December 31, 2014 and 2013, the weighted average number of shares used in the calculation is shown in the table below:

	Year Ended December 31,	
$000's, except share and per share amounts	**2014**	2013
Net income [1]	**67,704**	37,255
Weighted average number of shares outstanding:		
Basic shares outstanding [2]	**208,191,330**	190,486,020
Effect of dilutive shares [3]	**7,999,996**	7,634,841
Diluted shares outstanding	**216,191,326**	198,120,861
Net income per share - basic [2]	**$0.33**	$0.20
Net income per share - diluted [3]	**$0.31**	$0.19

[1] Represents net income attributable to the shareholders of the Company.
[2] Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of common shares outstanding and net income per share amounts have been retroactively adjusted to effect the stock split.
[3] Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of dilutive Shares Rights and Restricted Share Units outstanding have been retroactively adjusted to effect the stock split.

Excluded from the calculation of dilutive shares for the year ended December 31, 2014, are 1,638,000 of Share Rights (2013 – 597,000) that are considered anti-dilutive.

15. Stock-Based Compensation

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

As at December 31, 2014, a total of 21,551,207 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 11,113,378 common shares remained available for grant. For the year ended December 31, 2014, stock compensation expense of $21,071 (2013 – $12,535) was recorded in general and administrative expenses relating to the Company's stock-based compensation plans.

a) Share Rights Incentive Plan ("SRIP")

CES' SRIP provides incentives to the employees, officers, and directors of the Company by issuing options to acquire common shares. Share Rights generally vest as to one-third on each of the first, second, and third anniversary dates of the grant, or such other vesting schedule as determined by the Board of Directors, and expire no later than five years after the date of the grant. Under the SRIP, employees may elect to exercise the Share Rights at an adjusted exercise price in which the option exercise price will be adjusted downwards by the cumulative dividends paid by the Company.

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

A summary of changes under the SRIP is presented below:

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Share Rights (1)	**Average Exercise Price (1)**	Share Rights (1)	Average Exercise Price (1)
Balance, beginning of year	**7,174,644**	**$3.84**	8,760,264	$2.55
Granted during the year	**1,879,500**	**10.23**	1,926,000	6.96
Exercised during the year	**(2,419,100)**	**2.24**	(3,257,403)	2.10
Forfeited during the year	**(291,000)**	**5.74**	(254,217)	3.27
Balance, end of year	**6,344,044**	**$6.22**	7,174,644	$3.84
Exercisable Share Rights, end of year	**2,612,500**	**$3.72**	3,486,600	$2.26

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

The compensation costs for Share Rights granted during the year ended December 31, 2014, were calculated using a Black-Scholes option pricing model using the following weighted average assumptions:

	Year Ended December 31, 2014
Risk-free interest rate	**1.20%**
Expected average life of Share Rights	**3.25 years**
Share Right term	**5.0 years**
Annual forfeiture rate	**6.45%**
Dividend yield	**1.35%**
Expected volatility	**32.97%**
Weighted average share price (1)	**$10.23**
Weighted average fair value per Share Right (1)	**$2.30**

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

The following table summarizes information about the outstanding grants under the Company's SRIP as at December 31, 2014:

	Share Rights Outstanding			Share Rights Exercisable	
Range of exercise prices	Share Rights (1)	Weighted average exercise price (1)	Weighted average term remaining in years	Share Rights (1)	Weighted average exercise price (1)
$1.41 - $2.75	1,048,500	$2.03	0.73	1,048,500	$2.03
$2.76 - $3.64	1,592,500	3.55	2.61	932,500	3.54
$3.65 - $6.68	328,044	4.98	3.26	112,500	4.66
$6.69 - $7.41	1,557,000	7.25	3.96	519,000	7.25
$7.42 - $10.98	1,818,000	10.30	4.39	-	-
	6,344,044	$6.22	3.17	2,612,500	$3.72

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

b) Restricted Share Unit ("RSU") Plan

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

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

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Restricted Share Units [(1)]	**Average Price [(1)]**	Restricted Share Units [(1)]	Average Price [(1)]
Balance, beginning of year	**4,972,498**	**$4.84**	2,224,530	$3.86
Granted during the year	**1,985,688**	**9.72**	3,888,861	5.14
Reinvested during the year	**162,752**	**6.16**	159,685	4.08
Vested during the year	**(2,466,049)**	**4.68**	(1,272,466)	3.97
Forfeited during the year	**(411,104)**	**4.16**	(28,112)	3.57
Cancelled during the year	**(150,000)**	**3.93**	-	-
Balance, end of year	**4,093,785**	**$7.03**	4,972,498	$4.84

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

The weighted average fair value of RSUs granted during the year ended December 31, 2014, was $9.72 per RSU (2013 - $5.14). The stock-based compensation costs for RSUs granted are based on the five day volume weighted average share price at the date of grant. The amount of compensation expense recorded for the year ended December 31, 2014, was reduced by an estimated weighted average forfeiture rate of 2.24% per year at the date of grant.

16. Contributed Surplus

The Company's contributed surplus primarily relates to the Company's stock-based compensation plans and is comprised of the following balances:

$000's	**Year Ended December 31, 2014**	Year Ended December 31, 2013
Contributed surplus, beginning of year	**13,387**	8,051
Reclassified pursuant to stock-based compensation	**(13,143)**	(7,199)
Stock-based compensation expense	**21,071**	12,535
Contributed surplus, end of year	**21,315**	13,387

17. Dividends

The Company declared dividends to holders of common shares for the year ended December 31, 2014, as follows:

$000's except per share amounts	**Dividend Record Date**	**Dividend Payment Date**	**Per Common Share [(1)]**	**Total**
January	Jan 31	Feb 14	$0.0217	**4,372**
February	Feb 28	Mar 14	$0.0217	**4,373**
March	Mar 28	Apr 15	$0.0233	**4,743**
April	Apr 30	May 15	$0.0233	**4,746**
May	May 30	Jun 13	$0.0250	**5,089**
June	Jun 30	Jul 15	$0.0250	**5,100**
July	Jul 31	Aug 15	$0.0250	**5,311**
August	Aug 29	Sep 15	$0.0275	**5,856**
September	Sep 30	Oct 15	$0.0275	**5,889**
October	Oct 31	Nov 14	$0.0275	**5,899**
November	Nov 28	Dec 15	$0.0275	**5,919**
December	Dec 31	Jan 15	$0.0275	**5,927**
Total dividends declared during the period			$0.3025	**63,224**

(1) Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of common shares outstanding and dividends declared per common share have been retroactively adjusted to effect the stock split.

Subsequent to December 31, 2014, the Company declared dividends to holders of common shares in the amount of $0.0275 per common share payable on February 13, 2015 and March 13, 2015, for shareholders of record on January 30, 2015 and February 27, 2015, respectively.

18. Commitments

The Company has commitments with payments due as follows:

$000's	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Office and facility rent	5,201	3,584	2,322	1,769	787	**13,663**

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

The Company is involved in litigation and disputes arising in the normal course of operations. Management is of the opinion that any potential litigation will not have a material adverse impact on the Company's financial position or results of operations and, therefore, the commitment table does not include any provisions for outstanding litigation and potential claims.

19. Financial Instruments and Risk Management

a) Financial instrument measurement and classification

The classification of financial instruments remains consistent at December 31, 2014 with that as at December 31, 2013. The carrying values of accounts receivable, accounts payable and accrued liabilities, and dividends payable approximate fair value due to the short-term nature of these instruments. The carrying values of financial liabilities where interest is charged based on a variable rate approximates fair value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit premium. The carrying value of long-term debt and finance lease obligations where interest is charged at a fixed rate is not significantly different than fair value. The Senior Notes are recorded at their amortized cost and fair value disclosure of the Senior Notes is based on their estimated trading price on December 31, 2014. The estimated fair value of the Senior Notes is based on level 2 inputs as the inputs are observable through correlation with market data.

CES classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The fair value of the risk management contracts are estimated based on the mark-to-market method of accounting, using publicly quoted market prices or, in their absence, third-party market indications and forecasts priced on the last trading day of the applicable period.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The following table aggregates the Company's financial derivatives in accordance with the above hierarchy:

$000's	Carrying Value	Fair Value	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As at December 31, 2014					
Financial derivative liability	554	554	-	554	-
Total	554	554	-	554	-
As at December 31, 2013					
Financial derivative liability	171	171	-	171	-
Total	171	171	-	171	-

b) Credit risk
Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations to the Company. The Company manages credit risk by assessing the creditworthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accounts receivable are primarily comprised of balances from customers operating primarily in the oil and natural gas industry. Accordingly, the Company views the credit risks on these amounts as normal for the industry.

An analysis of accounts receivable, net of impairment provisions, which are past due but not impaired is as follows:

	As at	
$000's	**December 31, 2014**	December 31, 2013
Past due 61-90 days	**31,444**	18,414
Past due 91-120 days	**13,377**	5,862
Past 120 days	**7,452**	2,598
Total past due	**52,273**	26,874

The Company reduces an account receivable to its estimated recoverable amount. At December 31, 2014, the Company had recorded a provision of $1,735 (December 31, 2013 – $508) relating to accounts receivable which may not be collectible. The change in the provision for doubtful accounts is as follows:

	As at	
$000's	**December 31, 2014**	December 31, 2013
Balance, beginning of year	**508**	404
Additional allowance	**1,476**	276
Amounts used	**(249)**	(172)
Balance, end of year	**1,735**	508

c) Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk as result of funds borrowed at floating interest rates. The Company manages this risk by monitoring interest rate trends and forecasted economic conditions. As of December 31, 2014, the Company had not entered into any interest rate derivatives to manage its exposure to fluctuations in interest rates.

A 50 basis point increase or decrease is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower, and all other variables were held constant, the Company's net income would be approximately $372 lower/higher for the respective year ended December 31, 2014 (2013 – $554 lower/higher).

d) Foreign currency risk
Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company's foreign currency risk arises from its working capital balances denominated in foreign currencies and on the investment in its foreign operations. The Company uses the US dollar as its functional currency for the operations of AES Drillings Fluids Holdings, LLC and those in other foreign jurisdictions, as appropriate. The Company manages foreign currency risk by monitoring exchange rate trends and forecasted economic conditions and, as appropriate, through the use of financial derivatives. A 1% increase or decrease is used when reporting foreign currency risk internally and represents management's assessment of the reasonable change in foreign exchange rates. Excluding financial currency derivatives, for the year ended December 31, 2014, a 1% increase/decrease in the Canadian dollar vis-à-vis the US dollar is estimated to decrease/increase net income by approximately $893 (2013 – decrease/increase $383).

At December 31, 2014, the Company had entered into the following foreign exchange US dollar forward purchase contracts to manage its exposure to upcoming US dollar denominated purchases and financings pursuant to its Canadian and US operations, respectively:

Period	Notional Balance $000's	Contract Type	Settlement	Average C$/US$ Exchange Rate
January 2015	US$624	Deliverable Forward	Physical Purchase	$1.1470
February 2015	US$624	Deliverable Forward	Physical Purchase	$1.1479
March 2015	US$19,624	Deliverable Forward	Physical Purchase	$1.1571
Total	US$20,872			$1.1565

At December 31, 2014, the Company had entered into the following foreign exchange US dollar forward sale contracts to manage its exposure to upcoming US dollar denominated cash flows expected to, in part, fund a portion of any future monthly shareholder dividends:

Period	Notional Balance $000's	Contract Type	Settlement	Average C$/US$ Exchange Rate
January 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1117
February 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1191
March 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1253
April 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1140
May 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1063
June 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1057
July 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1064
August 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1196
September 2015	US$1,400	Deliverable Forward	Physical Sale	$1.1202
October 2015	US$1,250	Deliverable Forward	Physical Sale	$1.1446
November 2015	US$600	Deliverable Forward	Physical Sale	$1.1688
December 2015	US$600	Deliverable Forward	Physical Sale	$1.1693
Total	US$15,050			$1.1211

The fair value of these transactions is based upon the estimated amounts that would have been paid to or received from counterparties in order to settle the outstanding transactions with reference to the estimated forward prices as of the date of the consolidated statement of financial position. The contracts are transacted with counterparties with whom management has assessed credit risk and due to their relative short-term nature, management has determined that no adjustment for credit risk or liquidity risk is required in determining the estimated settlement price. The actual amounts realized will be based on the settlement prices at the time of settlement and will differ from these estimates. The Company has not designated any of these financial contracts as hedges and has therefore recorded the unrealized gains and losses on these contracts in the consolidated statement of financial position as assets or liabilities with changes in their fair value recorded in net income for the period.

For the year ended December 31, 2014, the Company recorded a realized loss of $189 (2013 – loss of $31) relating to all of its foreign currency derivative contracts. For the year ended December 31, 2014, the Company recorded an unrealized loss of $383 (2013 – unrealized loss of $212) relating to its foreign currency derivative contracts. As of December 31, 2014, the fair value of these outstanding risk management contracts result in a net financial derivative liability of $554 (December 31, 2013 – net liability of $171). At December 31, 2014, a 1% increase/decrease in the Canadian dollar vis-à-vis the US dollar is estimated to result in a change to net income of $68 (2013 – increase/decrease by $89) as a result of the change in fair value of these outstanding contracts.

e) Commodity price risk

Commodity price risk is the risk that the value of future cash flows will fluctuate as a result of changes in commodity prices. The Company is exposed both directly and indirectly to changes in underlying commodity prices, namely crude oil and natural gas. The prices of these commodities are significantly impacted by world economic events which impact the supply and demand of crude oil and natural gas. The Company is primarily impacted by the effects of changes in the prices of crude oil and natural gas which impact overall activity and the demand for the Company's products and services. In addition, through its operations, the Company purchases various minerals, chemicals, and oil-based products and is directly exposed to changes in the prices of these items. As of December 31, 2014, the Company had not entered into any commodity derivatives to manage its exposure to fluctuations in commodity prices.

f) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due and describes the Company's ability to access cash. The Company requires sufficient cash resources to finance operations, fund capital expenditures, repay debt, fund shareholder dividends, and settle other liabilities of the Company as they come due. The Company manages liquidity risk by maintaining a committed facility and through management of its operational cash flows.

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

	Payments Due By Period [1]					
$000's	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	**Total**
Accounts payable and accrued liabilities	105,104	-	-	-	-	**105,104**
Dividends payable [2]	5,927	-	-	-	-	**5,927**
Deferred acquisition consideration	-	18,485	7,051	3,800	-	**29,336**
Senior Notes [4]	-	-	-	-	300,000	**300,000**
Interest on Senior Notes	-	22,125	22,125	66,375	11,063	**121,688**
Long-term debt at fixed interest rates [3]	251	633	149	-	-	**1,033**
Long-term debt at floating interest rates [3]	-	-	-	61,585	-	**61,585**
Finance lease obligations at fixed interest rates [3]	134	541	67	-	-	**742**
Finance lease obligations at floating interest rates [3]	1,060	5,173	5,042	2,256	422	**13,953**
Office operating leases	939	4,262	3,584	4,878	-	**13,663**
Total	113,415	51,219	38,018	138,894	311,485	**653,031**

Notes:
1 *Payments denominated in foreign currencies have been translated at the year end exchange rate*
2 *Dividends declared as of December 31, 2014*
3 *Long-term debt and finance lease obligations reflect principal payments and excludes any associated interest portion*
4 *The Senior Notes are due on April 17, 2020*

20. Capital Management

For the year ended December 31, 2014, the Company considers capital to include shareholders' equity and long-term debt (including current portion). This remains consistent with the year ended December 31, 2013. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain and grow the business while incurring an acceptable level of risk while providing shareholders with a sustainable and prudent level of dividends.

The overall capitalization of the Company is as follows:

	As at	
$000's	**December 31, 2014**	December 31, 2013
Long-term debt [1]	**362,618**	312,754
Shareholders' equity	**540,037**	360,519
Total capitalization	**902,655**	673,273

(1) *Includes: Senior Notes and current portion of long-term debt*

Management of the Company sets the amount of capital in proportion to risk, and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, CES may adjust the level of dividends paid to shareholders, issue new shares, dispose of assets, repay debt, or incur new debt.

In addition to monitoring the externally financial covenants as detailed in note 8, the Company manages capital by analyzing working capital levels, forecasted cash flows, planned investments in property and equipment, and general economic conditions. As at December 31, 2014, the Company is in compliance with all of the financial requirements under all its lending agreements.

21. Supplemental Information

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

	Year Ended December 31,	
$000's	**2014**	2013
Decrease (increase) in current assets		
Accounts receivable	**(46,542)**	(77,956)
Inventory	**(43,603)**	(12,019)
Prepaid expenses and deposits	**(15,161)**	(2,921)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**7,639**	29,440
	(97,667)	(63,456)
Relating to:		
Operating activities	**(98,942)**	(63,941)
Investing activities	**1,275**	485

For the years ended December 31, 2014 and 2013, changes in non-cash working capital relating to investing activities have been included in "Investment in property and equipment" on the Consolidated Statements of Cash Flows.

22. Geographical Information

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

	Revenue	
	Year Ended December 31,	
$000's	**2014**	2013
Canada	**373,002**	242,676
United States	**599,703**	420,142
Total	**972,705**	662,818

	Long-Term Assets [(1)]	
$000's	**December 31, 2014**	December 31, 2013
Canada	**176,111**	118,560
United States	**466,874**	382,427
Total	**642,985**	500,987

[(1)] *Includes: Property and equipment, goodwill, and intangible assets*

23. Related Parties

For the year ended December 31, 2014, lease payments on equipment and office leases in the amount of $36 (2013 - $147) were made for rental agreements CES has with companies controlled by an officer and insiders of the Company. During the year ended December 31, 2014, the Company acquired all remaining equipment leases from a company controlled by one of the Company's employees and insiders. The aggregate purchase price was $24.

During the year ended December 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 $821, consisting of $761 in cash paid on the date of the transaction and $60 in share consideration satisfied through the issuance of 7,365 common shares, on a post-split basis, of the Company.

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

Included in general and administrative expenses is remuneration of the key management personnel of the Company, which includes directors and officers of the Company. For the year ended December 31, 2014, remuneration of $13,854 included $9,138 of salaries and cash-based compensation and $4,716 of stock-based compensation costs (December 31, 2013 – $8,533 and $6,257, respectively).

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.

24. Significant Subsidiaries
The Company operates through two significant subsidiaries based on geographic location:

Subsidiary Name	Country of Incorporation	Ownership Interest % December 31, 2014	Ownership Interest % December 31, 2013
Canadian Energy Services L.P.	Canada	**100%**	100%
AES Drilling Fluids Holdings, LLC	United States	**100%**	100%

25. Economic Dependence
For the year ended December 31, 2014, one customer accounted for 14% (2013 – 16%) of the Company's total revenue.

STOCK EXCHANGE LISTINGS
The Toronto Stock Exchange
Trading Symbol: CEU

OTCQX
Trading Symbol: CESDF

BOARD OF DIRECTORS
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Chairman

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Jason H. West[3]

Burton J. Ahrens[1]

[1]Member of the Audit and Governance Committee
[2]Member of the Compensation Committee
[3]Member of the Health, Safety and Environment Committee

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Craig F. Nieboer, CA
Chief Financial Officer

Kenneth E. Zinger
Canadian President & Chief Operating Officer

Kenneth D. Zandee
Vice President, Marketing

Jason D. Waugh
Vice President

James M. Pasieka
Corporate Secretary

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Chartered Accountants, Calgary, AB

BANKERS
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