Canadian Energy
SERVICES

Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2014 and 2013

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

	As at	
	June 30, 2014	December 31, 2013
ASSETS		
Current assets		
Accounts receivable	**183,336**	207,106
Financial derivative asset	**121**	-
Income taxes receivable	**6,183**	3,805
Inventory	**104,912**	87,621
Prepaid expenses	**5,449**	7,795
	300,001	306,327
Property and equipment (note 3)	**168,440**	146,291
Intangible assets	**80,212**	84,315
Deferred income tax asset	**5**	5
Goodwill	**271,057**	270,381
	819,715	807,319
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**72,396**	88,066
Financial derivative liability	**-**	171
Dividends payable (note 7)	**5,100**	4,362
Income taxes payable	**174**	405
Current portion of deferred acquisition consideration	**10,913**	10,878
Current portion of long-term debt (note 4)	**1,731**	1,955
Current portion of finance lease obligations	**4,383**	3,124
	94,697	108,961
Deferred acquisition consideration	**12,764**	12,723
Long-term debt (note 4)	**313,116**	306,838
Finance lease obligations	**5,055**	3,205
Deferred income tax liability	**19,567**	15,073
	445,199	446,800
Commitments (note 8)		
Shareholders' equity		
Common shares (note 5)	**352,660**	342,532
Contributed surplus	**16,564**	13,387
Deficit	**(10,821)**	(10,349)
Accumulated other comprehensive income	**16,113**	14,949
	374,516	360,519
	819,715	807,319

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

Canadian Energy Services & Technology Corp.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	**2014**	2013
Revenue	**189,785**	130,666	**421,095**	279,975
Cost of sales	**141,521**	99,251	**308,384**	210,499
Gross margin	**48,264**	31,415	**112,711**	69,476
General and administrative expenses	**31,758**	22,916	**64,904**	44,208
Operating profit	**16,506**	8,499	**47,807**	25,268
Finance costs	**4,745**	4,921	**10,624**	8,236
Income before taxes	**11,761**	3,578	**37,183**	17,032
Current income tax expense (recovery)	**1,604**	(796)	**4,666**	1,835
Deferred income tax expense	**1,698**	2,515	**4,566**	3,379
Net income	**8,459**	1,859	**27,951**	11,818
Other comprehensive gain (loss):				
Unrealized foreign exchange gain (loss) on translation of foreign operations	**(16,684)**	13,102	**1,164**	14,337
Comprehensive income (loss)	**(8,225)**	14,961	**29,115**	26,155
Net income per share (note 5)				
Basic	**0.04**	0.01	**0.14**	0.06
Diluted	**0.04**	0.01	**0.13**	0.06

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

Canadian Energy Services & Technology Corp.

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

	Six Months Ended June 30,	
	2014	2013
COMMON SHARES		
Balance, beginning of period	**342,532**	215,571
Consideration for business combinations	**-**	61,036
Issued pursuant to stock-based compensation (note 5)	**9,600**	7,032
Issued pursuant to property and equipment acquisition (note 11)	**60**	-
Issued pursuant to stock dividend and stock settled director fee (note 5)	**468**	-
Balance, end of period	**352,660**	283,639
CONTRIBUTED SURPLUS		
Balance, beginning of period	**13,387**	8,051
Reclassified pursuant to stock-based compensation (note 5)	**(6,570)**	(3,827)
Stock-based compensation expense (note 5)	**9,747**	4,692
Balance, end of period	**16,564**	8,916
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance, beginning of period	**14,949**	(4,917)
Unrealized foreign exchange gain on translation of foreign operations	**1,164**	14,337
Balance, end of period	**16,113**	9,420
DEFICIT		
Balance, beginning of period	**(10,349)**	(3,285)
Net income	**27,951**	11,818
Dividends declared (note 7)	**(28,423)**	(20,098)
Balance, end of period	**(10,821)**	(11,565)
	374,516	290,410

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	**2014**	2013
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net income for the period	**8,459**	1,859	**27,951**	11,818
Adjustments for:				
Depreciation and amortization	**9,145**	6,098	**17,988**	10,943
Stock-based compensation	**5,560**	2,550	**9,747**	4,692
Non-cash expenses	**(52)**	430	**360**	536
Deferred income tax expense	**1,698**	2,515	**4,566**	3,379
Gain on disposal of assets	**(86)**	(78)	**(322)**	(122)
Change in non-cash working capital (note 9)	**30,172**	6,173	**(9,934)**	(13,133)
	54,896	19,547	**50,356**	18,113
FINANCING ACTIVITIES:				
Proceeds from the JACAM Acquisition Bridge Facility	**-**	-	**-**	160,000
Repayment of the JACAM Acquisition Bridge Facility	**-**	(160,000)	**-**	(160,000)
Repayment of promissory note payable	**-**	(10,255)	**-**	(10,255)
Repayment of long-term debt and finance leases	**(1,615)**	(1,184)	**(3,031)**	(2,384)
Net proceeds from Senior Notes issuance	**-**	219,652	**-**	219,652
Increase (decrease) in Senior Facility	**(23,581)**	(50,481)	**7,022**	(16,433)
Shareholder dividends	**(14,549)**	(10,363)	**(27,232)**	(19,756)
Issuance of shares, net of issuance costs	**1,702**	2,487	**3,030**	3,205
	(38,043)	(10,144)	**(20,211)**	174,029
INVESTING ACTIVITIES:				
Investment in property and equipment	**(16,400)**	(8,627)	**(29,453)**	(17,460)
Investment in intangible assets	**(937)**	(1,284)	**(1,873)**	(1,320)
Business combinations	**-**	-	**-**	(174,290)
Proceeds on disposal of property and equipment	**484**	508	**1,181**	928
	(16,853)	(9,403)	**(30,145)**	(192,142)
CHANGE IN CASH	**-**	-	**-**	-
Cash, beginning of period	**-**	-	**-**	-
Cash, end of period	**-**	-	**-**	-
SUPPLEMENTARY CASH FLOW DISCLOSURE				
Interest paid	**9,006**	1,251	**9,821**	4,405
Income taxes paid	**5,328**	12,236	**7,366**	13,648

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. These unaudited condensed consolidated financial statements of the Company as at and for the three and six months ended June 30, 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.

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.

2. Basis of Presentation

Statement of Compliance

These unaudited condensed consolidated financial statements have been prepared by management of the Company in accordance with International Accounting Standard ("IAS") 34, *"Interim Financial Reporting"*, following the same accounting principles and methods of computation as outlined in the Company's consolidated financial statements for the year ended December 31, 2013, with the exception of certain amendments to accounting standards or new interpretations issued by the International Accounting Standards Board, which were adopted effective January 1, 2014. 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.

These unaudited condensed consolidated financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2013. These unaudited condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on August 13, 2014.

Recent Accounting Pronouncements

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.

3. Property and Equipment

Property and equipment are comprised of the following balances:

	As at June 30, 2014			As at December 31, 2013		
$000's	**Cost**	**Accumulated Depreciation**	**Carrying Value**	Cost	Accumulated Depreciation	Carrying Value
Buildings	**50,253**	**(4,496)**	**45,757**	45,657	(3,438)	42,219
Trucks and trailers	**34,351**	**(12,011)**	**22,340**	30,305	(9,435)	20,870
Vehicles	**25,665**	**(8,264)**	**17,401**	21,019	(6,735)	14,284
Tanks	**23,875**	**(3,268)**	**20,607**	21,898	(2,505)	19,393
Field equipment	**22,954**	**(7,703)**	**15,251**	16,589	(6,088)	10,501
Aircraft	**22,535**	**(1,920)**	**20,615**	18,466	(1,315)	17,151
Processing equipment	**18,135**	**(2,415)**	**15,720**	13,632	(1,630)	12,002
Computer equipment	**5,073**	**(2,194)**	**2,879**	4,673	(1,733)	2,940
Land	**4,422**	**-**	**4,422**	3,724	-	3,724
Leasehold improvements	**3,882**	**(1,693)**	**2,189**	3,449	(1,342)	2,107
Furniture and fixtures	**2,127**	**(868)**	**1,259**	1,800	(700)	1,100
	213,272	**(44,832)**	**168,440**	181,212	(34,921)	146,291

4. Long-Term Debt

The Company has a syndicated Senior Facility (the "Senior Facility") which allows the Company to borrow up to $150,000. The Senior Facility has a term to maturity of three years, maturing on October 2, 2016 and may be extended by one year upon the agreement of the lenders and the Company. In addition, subject to certain terms and conditions, the Company may increase its Senior Facility by $50,000 to a maximum borrowing of $200,000. 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 0.34% to 0.51%. The applicable pricing margins are based on a sliding scale of senior funded debt to EBITDA ratio. The obligations and indebtedness under the Senior Facility are secured by all of the assets of CES and its subsidiaries.

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

- The ratio of Total Funded Debt to EBITDA on a rolling four-quarter basis shall not exceed 4.00 to 1.00.
- The ratio of Senior Funded Debt to trailing EBITDA must not exceed 2.50 to 1.00 calculated on a rolling four-quarter basis.
- The 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 Funded Debt is defined as all funded obligations, liabilities, and indebtedness excluding deferred income tax liabilities and deferred tax credits, office leases, and other leases characterised as operating leases.
- Senior Funded Debt is defined as Total 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 June 30, 2014, the Company was in compliance with the terms and covenants of its lending agreements. The Company's debt covenant calculations as June 30, 2014, are as follows:

	As at	
$000's	**June 30, 2014**	December 31, 2013
Total Funded Debt to EBITDA Ratio (Must be < 4.00:1.00)		
Maximum Total Funded Debt	**327,846**	319,083
EBITDA for the four quarters ended	**143,977**	109,818
Ratio	**2.28**	2.91
Maximum Senior Funded Debt to EBITDA Ratio (Must be < 2.50:1.00)		
Maximum Senior Funded Debt	**102,846**	94,083
EBITDA for the four quarters ended	**143,977**	109,818
Ratio	**0.71**	0.86
Minimum EBITDA to Interest Expense (Must be > 3.00:1.00)		
EBITDA for the four quarters ended	**143,977**	109,818
Interest Expense	**19,835**	17,836
Ratio	**7.26**	6.16

As of June 30, 2014, the maximum available draw on the Senior Facility was $150,000 (December 31, 2013 - $150,000) and the Company had a draw of $90,884 (December 31, 2013 – $84,001), net of capitalized transaction costs of $270 (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.

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

	As at	
$000's	**June 30, 2014**	December 31, 2013
Senior Facility	**91,155**	84,385
Senior Notes	**225,000**	225,000
Vehicle financing loans	**1,467**	2,207
Equipment financing loans	**786**	1,162
	318,408	312,754
Less net unamortized debt issue costs	**(3,561)**	(3,961)
Less current portion of long-term debt	**(1,731)**	(1,955)
Long-term debt	**313,116**	306,838

Vehicle financing loans are secured by each related vehicle and incur interest at rates up to 8.19%, with a weighted average rate of approximately 6.19%, and have termination dates ranging from July 2014 to May 2017. 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 three and six months ended June 30, 2014, the Company recorded $5,312 and $10,458, respectively, (2013 – $4,838 and $7,987, respectively) in interest expense related to its long-term debt and lease balances, including the amortization of capitalized transaction costs.

Scheduled principal payments for the next five years at June 30, 2014, are as follows:

$000's	
2014 - 6 months	**915**
2015	**1,130**
2016	**91,363**
2017	**-**
2018	**-**
Total	**93,408**

5. 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:

	Six Months Ended June 30, 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 period	**201,321,384**	**342,532**	170,543,558	215,571
Issued pursuant to the Offering, net of share issue costs and taxes	**-**	**-**	6,330,000	33,472
Consideration for business combinations	**-**	**-**	18,877,863	74,200
Issued pursuant to stock-based compensation	**2,619,915**	**3,030**	4,702,681	7,008
Contributed surplus related to stock-based compensation	**-**	**6,570**	-	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	**59,952**	**468**	152,958	929
Balance, end of period	**204,008,616**	**352,660**	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.

c) Net income per share

In calculating the basic and diluted net income per share for the three and six months ended June 30, 2014 and 2013, the weighted average number of shares used in the calculation is shown in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
$000's, except share and per share amounts	**2014**	2013	**2014**	2013
Net income	**8,459**	1,859	**27,951**	11,818
Weighted average number of shares outstanding:				
Basic shares outstanding [1]	**203,533,809**	188,583,694	**202,758,916**	182,653,474
Effect of dilutive shares [2]	**8,693,214**	7,155,849	**8,726,641**	6,527,205
Diluted shares outstanding	**212,227,023**	195,739,543	**211,485,557**	189,180,679
Net income per share - basic [1]	**$0.04**	$0.01	**$0.14**	$0.06
Net income per share - diluted [2]	**$0.04**	$0.01	**$0.13**	$0.06

[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 net income per share amounts have been retroactively adjusted to effect the stock split.
[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 dilutive Shares Rights and Restricted Share Units outstanding have been retroactively adjusted to effect the stock split.

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

Excluded from the calculation of dilutive shares for both the three and six months ended June 30, 2014, are 1,080,000 Share Rights (2013 – nil) that are considered anti-dilutive.

6. 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 June 30, 2014, a total of 20,400,862 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 8,315,040 common shares remained available for grant. For the three and six months ended June 30, 2014, stock compensation expense of $5,560 and $9,747, respectively, (2013 – $2,550 and $4,692, respectively) was recorded in general and administrative expenses relating to the Company's stock-based compensation plans.

a) Share Rights Incentive Plan ("SRIP")

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

A summary of changes under the SRIP is presented below:

	Six Months Ended June 30, 2014		Year Ended December 31, 2013	
	Share Rights [(1)]	**Average Exercise Price** [(1)]	Share Rights [(1)]	Average Exercise Price [(1)]
Balance, beginning of period	**7,174,644**	**$3.84**	8,760,264	$2.55
Granted during the period	**1,368,000**	**10.41**	1,926,000	6.96
Exercised during the period	**(1,272,705)**	**2.38**	(3,257,403)	2.10
Forfeited during the period	**(108,000)**	**4.49**	(254,217)	3.27
Balance, end of period	**7,161,939**	**$5.34**	7,174,644	$3.84
Exercisable Share Rights, end of period	**2,492,895**	**$2.33**	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 six months ended June 30, 2014, were calculated using a Black-Scholes option pricing model using the following weighted average assumptions:

	Six Months Ended June 30, 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	**6.23%**
Dividend yield	**1.57%**
Expected volatility	**33.08%**
Weighted average fair value per Share Right [(1)]	**$2.31**

(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.

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

The following table summarizes information about the outstanding grants under the Company's SRIP as at June 30, 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	1,941,000	$1.98	1.18	1,941,000	$1.98
$2.76 - $3.64	1,912,395	3.55	3.11	508,395	3.52
$3.65 - $6.68	293,544	4.86	3.57	43,500	4.04
$6.69 - $7.41	1,647,000	7.25	4.46	-	-
$7.42 - $10.98	1,368,000	10.41	4.82	-	-
	7,161,939	$5.34	3.24	2,492,895	$2.33

[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:

	Six Months Ended June 30, 2014		Year Ended December 31, 2013	
	Restricted Share Units [1]	**Average Price [1]**	Restricted Share Units [1]	Average Price [1]
Balance, beginning of period	**4,972,498**	**$4.84**	2,224,530	$3.86
Granted during the period	**1,260,090**	**9.59**	3,888,861	5.14
Reinvested during the period	**70,732**	**5.36**	159,685	4.08
Vested during the period	**(1,347,204)**	**4.22**	(1,272,466)	3.97
Forfeited during the period	**(32,233)**	**3.56**	(28,112)	3.57
Balance, end of period	**4,923,883**	**$6.25**	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 six months ended June 30, 2014, was $9.59 per RSU. 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 six months ended June 30, 2014, was reduced by an estimated weighted average forfeiture rate of 2.1% per year at the date of grant.

7. Dividends

The Company declared dividends to holders of common shares for the six months ended June 30, 2014, as follows:

$000's except per share amounts	Dividend Record Date	Dividend Payment Date	Per Common Share [(1)]	Total
January	Jan 31	Feb 15	$0.022	**4,372**
February	Feb 28	Mar 15	0.022	**4,373**
March	Mar 28	Apr 15	0.023	**4,743**
April	Apr 30	May 15	0.023	**4,746**
May	May 30	Jun 13	0.025	**5,089**
June	Jun 30	Jul 15	0.025	**5,100**
Total dividends declared during the period			$0.140	**28,423**

[(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 June 30, 2014, the Company declared dividends to holders of common shares in the amount of $0.025 per common share payable on August 15, 2014, for shareholders of record on July 31, 2014.

8. Commitments

The Company has commitments with payments due as follows:

$000's	2014 - 6 months	2015	2016	2017	2018	2019	Total
Office and facility rent	2,130	3,592	2,893	1,480	214	19	**10,328**

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.

9. Supplemental Information

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

	Three Months Ended June 30,		Six Months Ended June 30,	
$000's	**2014**	2013	**2014**	2013
Decrease (increase) in current assets				
Accounts receivable	**52,819**	36,153	**21,522**	(3,584)
Inventory	**(13,080)**	(854)	**(17,285)**	(3,206)
Prepaid expenses	**2,031**	1,431	**2,350**	1,323
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	**(11,428)**	(30,289)	**(16,805)**	(7,392)
	30,342	6,441	**(10,218)**	(12,859)
Relating to:				
Operating activities	**30,172**	6,173	**(9,934)**	(13,133)
Investing activities	**170**	268	**(284)**	274

For the three and six months ended June 30, 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.

10. Geographical Information

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

	Revenue		Revenue	
	Three Months Ended June 30,		Six Months Ended June 30,	
$000's	**2014**	2013	**2014**	2013
Canada	**52,205**	31,698	**159,152**	99,075
United States	**137,580**	98,968	**261,943**	180,900
Total	**189,785**	130,666	**421,095**	279,975

	Long-Term Assets [(1)]	
$000's	**June 30, 2014**	December 31, 2013
Canada	**122,426**	118,560
United States	**397,283**	382,427
Total	**519,709**	500,987

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

11. Related Parties

For the three and six months ended June 30, 2014, lease payments on equipment and office leases in the amount of $4 and $32, respectively (2013 - $36 and $53, respectively) were made for rental agreements CES has with companies controlled by a director and insiders of the Company.

During the six months ended June 30, 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.

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.

12. Subsequent Events

On July 3, 2014, CES completed a private placement of $75,000 of 7.375% senior unsecured notes due on April 17, 2020 (the "Notes") at a premium price of $1,057.50 per $1,000.00 principal amount of Notes. The 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.

On July 11, 2014, the Company, through a syndicate of underwriters, completed a bought deal short-form prospectus offering of common shares (the "Offering"). 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 $3,184, were $72,042.

STOCK EXCHANGE LISTINGS
The Toronto Stock Exchange
Trading Symbol: CEU

OTCQX
Trading Symbol: CESDF

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Chairman

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D. Michael G. Stewart[1,3]

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Rodney L. Carpenter[3]

Jason H. West

Burton J. Ahrens[1]

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

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Chief Financial Officer

Kenneth E. Zinger
Canadian President & Chief Operating Officer

Kenneth D. Zandee
Vice President, Marketing

Jason D. Waugh
Vice President

James M. Pasieka
Corporate Secretary

AUDITORS
Deloitte LLP
Chartered Accountants, Calgary, AB

BANKERS
HSBC Bank Canada, Calgary, AB

SOLICITORS
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