MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of Canadian Energy Services & Technology Corp. ("CES" or the "Company") for the three months ended March 31, 2015, and the audited consolidated financial statements and notes thereto of CES for the years ended December 31, 2014 and 2013, and CES' 2014 Annual Information Form. This MD&A is dated May 14, 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 duration of spring break-up; 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 or maintain 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 and expected growth in the consumable chemicals market; 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 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 oil and natural gas price environment; ability to integrate technological advances and match advances of competitors; availability of capital; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; the ability to successfully integrate and achieve synergies from the Company's acquisitions; changes in legislation and the regulatory environment, including uncertainties with respect to 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.

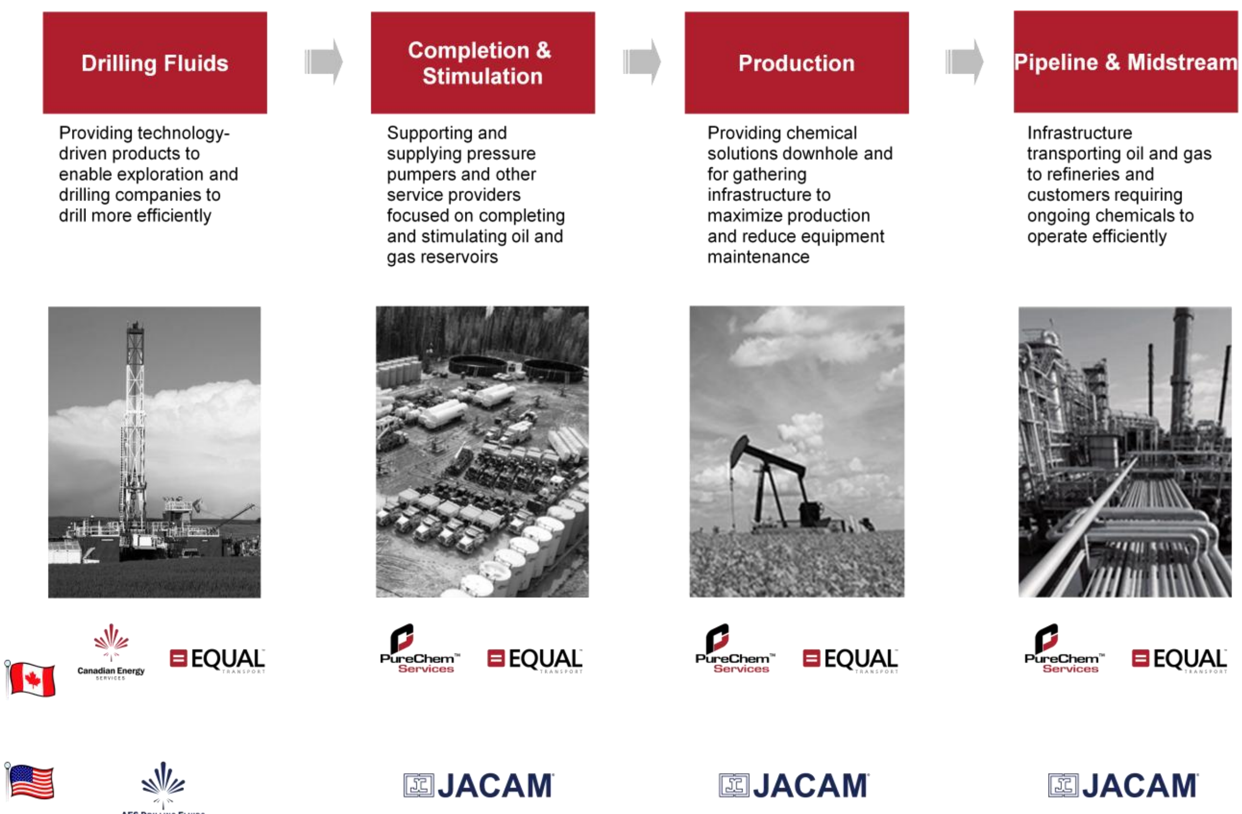
Without limiting the foregoing, the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

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, 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, 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.

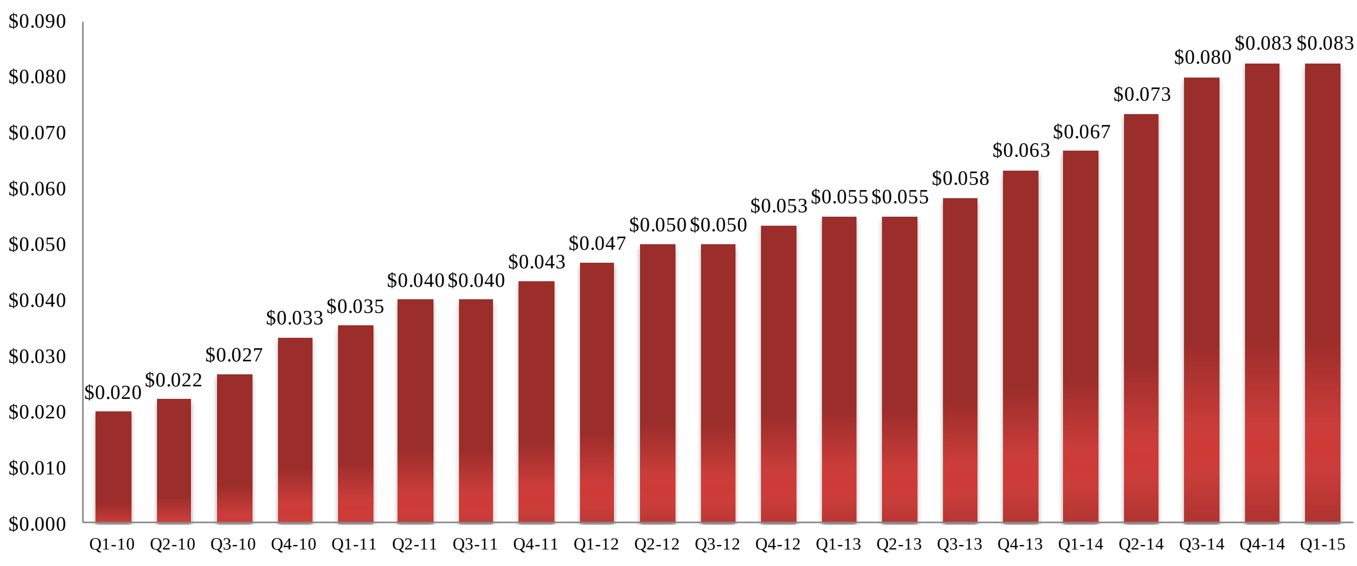
Two complimentary business divisions support the operations and augment the product offerings in the WCSB. Clear is CES' environmental division, providing environmental consulting and drilling fluids waste disposal services primarily to oil and gas producers active in the WCSB. EQUAL is CES' transport 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 March 31, 2015, 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. The 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 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 attributable to the shareholders of the Company 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 March 31,	
$000's	**2015**	2014
Net income	**13,911**	19,492
Add back (deduct):		
Depreciation in cost of sales	**7,620**	5,130
Depreciation and amortization in general and administrative expenses	**5,607**	3,713
Interest expense, net of interest income	**6,034**	4,901
Amortization of capitalized deferred financing costs	**332**	244
Current income tax expense	**427**	3,062
Deferred income tax expense	**2,005**	2,868
Stock-based compensation	**5,168**	4,187
Unrealized foreign exchange gain	**(81)**	(20)
Unrealized derivative loss	**221**	181
Gain on disposal of assets	**(187)**	(236)
EBITDAC	**41,057**	43,522

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 *($000's, except per share amounts)*	Three Months Ended March 31, 2015	2014	% Change
Revenue	**233,762**	231,310	1%
Gross margin	**57,231**	64,447	(11%)
Gross margin percentage of revenue	**24%**	28%	
Income before taxes	**16,509**	25,422	(35%)
per share – basic [2]	***0.08***	*0.13*	*(38%)*
per share - diluted [2]	***0.07***	*0.12*	*(42%)*
Net income [3]	**13,911**	19,492	(29%)
per share – basic [2]	***0.06***	*0.10*	*(40%)*
per share - diluted [2]	***0.06***	*0.09*	*(33%)*
EBITDAC [1]	**41,057**	43,522	(6%)
per share – basic [2]	***0.19***	*0.22*	*(14%)*
per share - diluted [2]	***0.19***	*0.21*	*(10%)*
Funds Flow From Operations [1]	**34,764**	35,566	(2%)
per share – basic [2]	***0.16***	*0.18*	*(11%)*
per share - diluted [2]	***0.16***	*0.17*	*(6%)*
Dividends declared	**17,848**	13,488	32%
per share [2]	***0.0825***	*0.0667*	*24%*

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.
[3] Represents net income attributable to the shareholders of the Company

OVERVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Highlights for the three months ended March 31, 2015, in comparison to the three months ended March 31, 2014, for CES are as follows:

- CES generated revenue of $233.8 million during the three months ended March 31, 2015, compared to $231.3 million for the three months ended March 31, 2014, an increase of $2.5 million or 1%. Gross revenue was negatively affected by a precipitous drop-off in drilling activity in Q1 2015, and an overall reduction in gross revenues due to price discounting across all business units in response to customer demands in the current low commodity price environment. Offsetting these negative factors was the year-over-year growth of the JACAM and PureChem business units and the positive translation effect on US source revenues due to the devaluation of the Canadian Dollar ("CAD") versus the US Dollar ("USD").

- Revenue generated in the US for the three months ended March 31, 2015 increased by $32.3 million or 26% compared to the three months ended March 31, 2014, from $124.4 million to $156.7 million. This increase is a result of the significant contribution to revenue growth from increased production and specialty chemicals sales by JACAM. Revenue from the US drilling fluids business remained flat in Q1 2015 in comparison to Q1 2014. Despite current market conditions and the decline in the overall US rig count, some of the Company's larger US customers continued to remain active drillers in Q1 2015, which is reflected in the growth in the Company's US Market Share and CES' US Operating Days falling less than industry metrics. The Company's US revenues were also positively impacted on translation by weakness in the CAD throughout Q1 2015.

- Revenue generated in Canada for the three months ended March 31, 2015 decreased by $29.9 million or 28% compared to the three months ended March 31, 2014, from $106.9 million to $77.1 million. Gross revenue was negatively affected by the steep drop-off in drilling activity in Q1 2015, peak activity levels did not reach previous year highs and rig counts in

Canada began dropping in mid-January as customers curtailed spending and stopped drilling leading to an early "spring break-up". In addition, CES responded proactively to its customers' demand for lower service costs in the current low commodity price environment and discounted work that lowered gross revenues. Offsetting this was year-over-year growth in production and specialty chemical sales as PureChem continued to take market-share in Canada.

- For the three month period ended March 31, 2015, CES recorded gross margin of $57.2 million or 24% of revenue, compared to gross margin of $64.4 million or 28% of revenue generated in the same period last year. The decline in gross margin is a result of the margin compression experienced in both Canada and US throughout the quarter. CES quickly responded to changing activity levels at the drill-bit by rationalizing costs and headcount, but these cost reduction initiatives did not offset the price compression experienced as a result of the discounting performed across all business units. In addition, the Canadian business' gross margin was negatively impacted by cost inflation of all USD inputs as the CAD weakened considerably throughout the quarter and in the current commodity price environment these higher costs could not be passed on to the customer.

- EBITDAC for the three months ended March 31, 2015, was $41.1 million as compared to $43.5 million for the three months ended March 31, 2014, representing a decrease of $2.5 million or 6%. CES recorded EBITDAC per share of $0.19 ($0.19 diluted) for the three months ended March 31, 2015 versus EBITDAC per share of $0.22 ($0.21 diluted) in 2014, a decrease of 14% (10% diluted). Year over year, the Company's EBITDAC is negatively impacted by the factors discussed above.

- CES recorded net income of $13.9 million for the three month period ended March 31, 2015 as compared to $19.5 million in the prior year. CES recorded net income per share of $0.06 ($0.06 diluted) for the three months ended March 31, 2015 versus $0.10 ($0.09 diluted) in 2014. The respective year-over-year change in net income was negatively impacted by the factors discussed above, and is further impacted by increased stock-based compensation expense and increased depreciation and amortization.

- At March 31, 2015, the Company had a net draw of $36.4 million on the Senior Facility (December 31, 2014 – $60.9 million), net of capitalized transaction costs of $0.6 million (December 31, 2014 – $0.7 million). The maximum available draw on the Senior Facility at March 31, 2015, was $200.0 million (December 31, 2014 - $200.0 million). As at April 30, 2015, the Company had a net draw of $5.0 million on the Senior Facility. 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 $305.9 million as at March 31, 2015 (December 31, 2014 – $307.1 million).

- During the first quarter of 2015, CES declared monthly dividends totalling $0.0825 per share. This compares to $0.0667 per share for the comparable quarter in 2014. During the first quarter of 2015, the Company's Payout Ratio averaged 52% as compared to 39% in Q1 2014.

RESULTS FOR THE PERIODS

	Three Months Ended March 31,			
($000's, except per share amounts)	**2015**	2014	$ Change	% Change
Revenue	**233,762**	231,310	2,452	1%
Cost of sales	**176,531**	166,863	9,668	6%
Gross margin	**57,231**	64,447	(7,216)	(11%)
Gross margin percentage of revenue	**24%**	28%		
General and administrative expenses	**36,225**	33,146	3,079	9%
Finance costs	**4,497**	5,879	(1,382)	(24%)
Income before taxes	**16,509**	25,422	(8,913)	(35%)
Current income tax expense	**427**	3,062	(2,635)	(86%)
Deferred income tax expense	**2,005**	2,868	(863)	30%
Net income	**14,077**	19,492	(5,415)	(28%)
Less: net income attributable to non-controlling interest	**166**	-	166	-
Net income attributable to shareholders of the Company	**13,911**	19,492	(5,581)	(29%)
Net income per share – basic [(1)]	***0.06***	*0.10*	*(0.04)*	*(40%)*
Net income per share – diluted [(1)]	***0.06***	*0.09*	*(0.03)*	*(33%)*
EBITDAC [(2)]	**41,057**	43,522	(2,465)	(6%)

Common Shares Outstanding	**2015**	2014	% Change
End of period [(1)]	**217,037,911**	203,260,062	7%
Weighted average			
- basic [(1)]	**216,131,621**	201,975,414	7%
- diluted [(1)]	**221,250,593**	210,566,073	5%

	As at		
Financial Position ($000's)	**March 31, 2015**	December 31, 2014	% Change
Net working capital	**305,890**	307,081	-
Total assets	**1,109,023**	1,088,080	2%
Long-term financial liabilities [(3)]	**353,633**	378,662	(7%)
Shareholders' equity [(4)]	**602,378**	540,037	12%

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.

Revenue and Operating Activities
CES generated gross revenue of $233.8 million during the three months ended March 31, 2015, compared to $231.3 million for the three months ended March 31, 2014, an increase of $2.5 million or 1%.

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

	Revenue	
	Three Months Ended March 31,	
$000's	**2015**	2014
Canada	**77,078**	106,946
United States	**156,684**	124,364
Total	**233,762**	231,310

Revenue generated in Canada for the three months ended March 31, 2015 decreased by $29.9 million or 28% compared to the three months ended March 31, 2014, from $106.9 million to $77.1 million. Although PureChem continued to experience growth in production and specialty chemical sales, the Company's Canadian drilling fluids sales were negatively impacted by the abruptness of the fall in drilling activity in Canada throughout the quarter and reduced pricing levels achieved. The peak industry rig activity levels typically seen in Canada throughout the first quarter at the drill-bit, were down by 44% when compared to Q1 2014 as customers curtailed spending and stopped drilling early in the quarter. In line with the drop in industry rig counts, the Company experienced a corresponding 45% decline in Canadian Operating Days when comparing Q1 2015 to Q1 2014. The estimated Canadian Market Share of 34% in Q1 2015 remained consistent with the Company's 35% Market Share in Q1 2014 and Q4 2014. Over the long-term, the Company anticipates it will maintain its leading market share but future 2015 Canadian Market Share will likely fluctuate with the rapidly changing rig count environment that is being driven by volatility in our customers' risk appetite and spending levels. Further, the early spring break-up in Canada this year is expected to be protracted and, due to financial constraints of our customers, it is expected it will outlast the typical weather constraints before a pronounced resumption of drilling activity occurs.

Included in revenue generated in Canada for the three months ended March 31, 2015, is $3.0 million (2014 – $6.4 million) of revenue generated by Clear, the Company's Environmental Services segment. Clear's business is levered to drilling activity and as a result, also experienced a year-over-year drop. 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 March 31, 2015, increased by $32.3 million or 26% compared to the three months ended March 31, 2014, from $124.4 million to $156.7 million. This year-over-year increase is primarily a result of revenue growth from increased production and specialty chemicals sales at JACAM. Although JACAM's overall sales increased quarter-over-quarter, during Q1 in response to industry conditions and customer demands, the Company implemented discounting at JACAM, and these discounts will reduce revenue and margins on the JACAM business going forward. In addition, it should be noted that fracking related chemical sales declined in Q1 2015 as a result of lower completion activity which saw customers drawing down their frac chemical inventory levels. The Company expects to see frac chemical sales return if completion activity picks-up and customers re-stock inventory levels and there have been initial orders restarted in Q2 2015. Revenue from the US drilling fluids business remained flat in Q1 2015 in comparison to Q1 2014. Despite discounting in response to the current market conditions and the decline in the US rig count, some of the Company's larger US customers in the Eagle Ford and the Northeast (Marcellus and Utica) continued to remain active drillers in Q1 2015, which is reflected in the growth in the Company's US Market Share in Q1 2015. While the Company's US Operating Days declined by 9% from Q1 2014 to Q1 2015, total US rig counts declined 24% over the same period. Estimated drill bit related US Market Share was 10% in Q1 2015 versus 8% in Q1 2014. All of the Company's US revenues were positively impacted on translation by weakness in the CAD throughout Q1 2015.

A summary of rig counts and Operating Days for the three months ended March 31, 2015, is as follows:

	Three Months Ended March 31,		
	2015	2014	% Change
Canadian industry rig count (1)	**291**	521	(44%)
US industry rig count (2)	**1,330**	1,744	(24%)

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 March 31,		
	2015	2014	% Change
Canada	**8,903**	16,070	(45%)
US	**11,646**	12,731	(9%)
Total Operating Days (1)	**20,549**	28,801	(29%)

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

For the three ended March 31, 2015, CES' top customers accounted for the following percentage of total revenue:

	Three Months Ended March 31,	
	2015	2014
Top five customers as a % of total revenue	**29%**	25%
Top customer as a % of total revenue	**14%**	13%

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 March 31, 2015, CES recorded gross margin of $57.2 million or 24% of revenue, compared to gross margin of $64.4 million or 28% of revenue generated in the same period last year. The decline in gross margin is largely as a result of the margin compression experienced in both Canada and US throughout the quarter and an increase in depreciation. The year-over-year increase in depreciation expense is primarily attributable to the Company's growing asset base throughout 2014. Depreciation recorded in the US was also negatively impacted on translation by weakness in the CAD throughout Q1 2015.

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 meaningful measure of the operating contribution to CES' free cash flow.

	Three Months Ended March 31,	
$000's	**2015**	2014
Gross margin	**57,231**	64,447
as a percentage of revenue	**24%**	28%
Add back (deduct):		
Depreciation included in cost of sales	**7,620**	5,130
Gain on disposal of assets included in cost of sales	**(187)**	(236)
Cash Gross Margin (1)	**64,664**	69,341
as a percentage of revenue	**28%**	30%

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

For the three month period ended March 31, 2015, CES recorded cash gross margin of $64.7 million or 28% of revenue, compared to cash gross margin of $69.3 million or 30% of revenue generated in the same period last year. The decline in cash gross margin is a result of the margin compression experienced in both Canada and US throughout the quarter. CES quickly responded to changing activity levels at the drill-bit by rationalizing costs and headcount, but these cost reduction initiatives did not offset the price compression experienced as a result of the discounting performed across all business units. The Company also incurred one-time severance costs in Q1 2015 related to reducing headcounts. In addition, the Canadian business' gross margin was negatively impacted by cost inflation of all USD inputs as the CAD weakened considerably throughout the quarter and in the current commodity price environment, these higher costs could not be passed on to the customer.

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 meaningful measure of the General and Administrative Expenses affecting CES' free cash flow.

	Three Months Ended March 31,	
$000's	**2015**	2014
General and administrative expenses	**36,225**	33,146
as a percentage of revenue	**15%**	14%
Deduct non-cash expenses included in general & administrative expenses:		
Stock-based compensation	**5,168**	4,187
Depreciation & amortization	**5,607**	3,713
Cash General and Administrative Costs (1)	**25,450**	25,246
as a percentage of revenue	**11%**	11%

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

For the three month period ended March 31, 2015, CES recorded Cash General and Administrative Costs of $25.5 million or 11% of revenue, consistent with Cash General and Administrative Costs of $25.2 million or 11% of revenue generated in the same period last year. The Company's G&A burden on an absolute basis increased with the growth of the Company's business throughout 2014 and into Q1 2015. The Company took necessary actions to reduce its G&A cost base in the current environment. These cost reduction measures included reduced headcounts, reduced compensation levels and reductions in discretionary spending that were offset by one-time severance costs incurred in the quarter. CES will continue to diligently manage its Cash General and Administrative Costs in light of current market conditions.

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 March 31,	
$000's	**2015**	2014
Depreciation recorded in cost of sales:		
Depreciation expense on property and equipment	**7,620**	5,130
Depreciation and amortization recorded in G&A:		
Amortization expense on intangible assets	**4,789**	3,212
Depreciation expense on property and equipment	**818**	501
	5,607	3,713
Total depreciation and amortization expense	**13,227**	8,843

Depreciation of property and equipment and amortization of intangible assets totalled $13.2 million for the three month period ended March 31, 2015, as compared to $8.8 million for the same period in 2014. For the three months ended March 31, 2015, $7.6 million (Q1 2014 – $5.1 million) of depreciation of property and equipment was included in cost of sales and $5.6 million (Q1 2014 – $3.7 million) of depreciation and amortization was included in G&A, of which $4.8 million related to amortization of intangible assets (Q1 2014 – $3.2 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 Canada and the United States as well as the amortization of the Company's intangible assets associated with the acquisitions completed in 2014. Depreciation recorded in the US was also negatively impacted on translation by weakness in the CAD throughout Q1 2015.

Finance Costs

For the three months ended March 31, 2015 and 2014, finance costs were comprised of the following:

	Three Months Ended March 31,	
$000's	**2015**	2014
Foreign exchange (gain) loss	**(274)**	418
Financial derivative (gain) loss	**(1,595)**	316
Amortization of debt issue costs and premium	**332**	244
Interest on debt, net of interest income	**6,034**	4,901
Finance costs	**4,497**	5,879

Finance costs were $4.5 million for the three months ended March 31, 2015, as compared to $5.9 million during the same period last year. The year-over-year decrease is primarily as a result of a net $1.6 million gain recorded on the Company's foreign currency derivative contracts as part of the Company's Q1 2015 hedging initiatives. This decrease in finance costs was partially offset by increased interest expense related to the issuance of an additional $75.0 million in Senior Notes in July 2014.

Interest expense
During the three months ended March 31, 2015, 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 March 31,	
$000's	**2015**	2014
Total interest expense, net of interest income	**6,366**	5,145
Deduct non-cash interest expense:		
Amortization of debt issue costs and premium	**332**	244
Cash Interest Expense (1)	**6,034**	4,901

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 March 31, 2015, compared to $5.1 million in the first quarter of 2014. The respective year-over-year increase is primarily as a result of the issuance of an additional $75.0 million in Senior Notes in July 2014. Total interest expense relating to the Company's Senior Notes during the three months ended March 31, 2015 is $5.1 million, as compared to $4.1 million in Q1 2014.

Foreign exchange gains and losses
Finance costs for the three months ended March 31, 2015, include a net foreign exchange gain of $0.3 million (2014 – a loss of $0.4 million), primarily related to foreign exchange gains on the Company's USD denominated receivables and cash balances in Canada.

Derivative gains and losses
Finance costs for the three months ended March 31, 2015, include net derivative gains of $1.6 million (2014 – losses of $0.3 million), relating to the Company's foreign currency derivative contracts. As of March 31, 2015, the Company had a financial derivative asset of net $0.8 million and a financial derivative liability of $1.6 million relating to its outstanding derivative contracts (December 31, 2014 – net liability of $0.6 million).

CES has a Board approved hedging and derivative policy that sets out the guidelines and parameters management follows when approaching its risk management strategies. At March 31, 2015, the Company had entered into the following foreign exchange USD forward purchase contracts to manage its exposure to upcoming USD dividend payments and USD denominated purchases pursuant to its Canadian and US operations:

Period	Notional Balance $000's	Contract Type	Settlement	Average USDCAD Exchange Rate
April 2015	US$804	Deliverable Forward	Physical Purchase	$1.2485
May 2015	US$180	Deliverable Forward	Physical Purchase	$1.2544
June 2015	US$180	Deliverable Forward	Physical Purchase	$1.2548
July 2015	US$1,530	Deliverable Forward	Physical Purchase	$1.2107
August 2015	US$1,480	Deliverable Forward	Physical Purchase	$1.2115
September 2015	US$1,580	Deliverable Forward	Physical Purchase	$1.2123
October 2015	US$1,680	Deliverable Forward	Physical Purchase	$1.2132
November 2015	US$1,380	Deliverable Forward	Physical Purchase	$1.2146
December 2015	US$1,280	Deliverable Forward	Physical Purchase	$1.2162
January 2016	US$2,080	Deliverable Forward	Physical Purchase	$1.2480
February 2016	US$1,680	Deliverable Forward	Physical Purchase	$1.2489
March 2016	US$1,680	Deliverable Forward	Physical Purchase	$1.2622
April 2016	US$1,500	Deliverable Forward	Physical Purchase	$1.2538
Total	US$17,034			$1.2318

At March 31, 2015, the Company had entered into the following foreign exchange USD forward sale contracts to manage its exposure to upcoming USD denominated cash flows expected to, in part, fund a portion of any future monthly shareholder dividends paid out in CAD:

Period	Notional Balance $000's	Contract Type	Settlement	Average USDCAD Exchange Rate
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$10,850			$1.1221

In addition to the forward sale contracts noted above, the Company had also entered into zero-cost collars with the option to sell US$0.6 million on a monthly basis from November 2015 to March 2016, with a USDCAD strike price of $1.1083 and a participation rate of $1.4000.

Current and Deferred Income Taxes
For the three months ended March 31, 2015 and 2014, income tax expense was comprised of the following:

	Three Months Ended March 31,	
$000's	**2015**	2014
Current income tax expense	**427**	3,062
Deferred income tax expense	**2,005**	2,868
Total income tax expense	**2,432**	5,930

Income tax expense is related to taxable income in Canada, the US, and Luxembourg. During the three months ended March 31, 2015, the Company recorded income tax expense of $2.4 million, as compared to $5.9 million in 2014. The year-over-year decrease in current income tax expense is primarily related to decreased operating income in 2015, partially offset by realized foreign exchange gains. The year-over-year decrease 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 March 31, 2015 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 March 31, 2015, with positive net working capital of $305.9 million (December 31, 2014 - $307.1 million). The slight decrease in working capital is primarily due to the decrease in activity during Q1 2015 as compared to Q4 2014 and is comprised primarily of a $14.8 million reduction in prepaid expenses and an $11.9 million reduction in accounts receivable. These decreases to working capital are partially offset by a $23.0 million reduction in accounts payable and a $2.4 million increase in inventory. It should be noted that in light of current market conditions, CES has placed trade credit insurance over its 2015 generated US receivables, subject to certain conditions and limitations customary for insurance of that nature.

Total Current Assets
Total current assets of CES decreased from $445.1 million at December 31, 2014 to $422.5 million at March 31, 2015. The decrease is primarily due to a reduction in prepaid expenses by $14.8 million, as well as a reduction in accounts receivable by $11.9 million.

Total Long-Term Assets
Year-over-year, total long-term assets of CES increased by $43.5 million to $686.5 million at March 31, 2015 from $643.0 million at December 31, 2014. The increase is primarily attributable to the increase in USD denominated long-term assets on translation as a result of the weakening CAD, as well as an increase in property and equipment of $4.0 million (net of amortization and translation of USD denominated property and equipment).

Long-Term Financial Liabilities
CES had long-term debt totalling $335.5 million at March 31, 2015, compared to $360.0 million at December 31, 2014, a decrease of $24.5 million. The year-over-year decrease in long-term debt is primarily as a result of the decrease in the Company's draw on the Senior Facility during the period, which is evidence of working capital coming back to the Company as a result of the slowdown in Canadian drilling activity experienced in Q1 2015. Additional discussion relating to the Company's Senior Facility is included in the Liquidity and Capital Resources section of this MD&A.

At March 31, 2015, long-term debt liabilities were comprised of the following balances:

	As at	
$000's	**March 31, 2015**	December 31, 2014
Senior Facility	**37,032**	61,585
Senior Notes	**300,000**	300,000
Vehicle financing loan	**31**	628
Equipment financing loans	**181**	405
	337,244	362,618
Less net unamortized debt issue costs	**(5,327)**	(5,653)
Less net unamortized debt premium	**3,760**	3,943
Less current portion of long-term debt	**(203)**	(884)
Long-term debt	**335,474**	360,024

At March 31, 2015, the Company had finance lease liabilities of $13.8 million, net of the current portion of $6.6 million, representing a total decrease of $0.9 million from December 31, 2014. Future minimum lease payments outstanding under the Company's finance lease obligations are as follows:

$000's	
Less than 1 year	**5,740**
1-5 years	**8,933**
5+ years	**55**
Total lease payments	**14,728**
Amount representing implicit interest	**(950)**
Finance lease obligations	**13,778**
Less: current portion of finance lease obligations	**(6,631)**
Long-term finance lease obligations	**7,147**

During the three months ended March 31, 2015, the Company made long-term scheduled debt and lease repayments totalling $3.0 million, on its finance leases, vehicle debt, and credit facilities.

Shareholders' Equity

Shareholders' equity increased from $540.0 million at December 31, 2014 to $602.4 million at March 31, 2015. The increase in shareholders' equity is primarily attributable to a $60.8 million gain in accumulated other comprehensive income relating to the translation of the Company's wholly-owned USD denominated subsidiaries, $13.9 million in net income, $10.0 million relating to the issuance of equity under the Company's stock-based compensation plans, $5.2 million in contributed surplus related to stock-based compensation expense, offset by $17.8 million of dividends declared by the Company during the period and $9.7 million reclassified from contributed surplus for stock-based compensation plans.

QUARTERLY FINANCIAL SUMMARY

	Three Months Ended			
($000's, except per share amounts)	**Mar 31, 2015**	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014
Revenue	**233,762**	278,672	272,938	189,785
Gross margin	**57,231**	74,864	77,916	48,264
Net income [1]	**13,911**	18,816	20,937	8,459
per share– basic [2]	***0.06***	*0.09*	*0.10*	*0.04*
per share– diluted [2]	***0.06***	*0.08*	*0.09*	*0.04*
EBITDAC [3]	**41,057**	47,562	54,705	31,383
per share– basic [2]	***0.19***	*0.22*	*0.26*	*0.15*
per share– diluted [2]	***0.19***	*0.21*	*0.25*	*0.15*
Funds Flow From Operations [3]	**34,764**	46,810	37,862	24,724
per share– basic [2]	***0.16***	*0.22*	*0.18*	*0.12*
per share– diluted [2]	***0.16***	*0.21*	*0.17*	*0.12*
Dividends declared	**17,848**	17,745	17,056	14,935
per share [2]	***0.0825***	*0.0825*	*0.0800*	*0.0730*
Shares Outstanding				
End of period [2]	**217,037,911**	215,512,074	214,157,240	204,008,616
Weighted average – basic [2]	**216,131,621**	214,875,446	212,194,898	203,533,809
Weighted average – diluted [2]	**221,250,593**	221,469,050	220,449,815	212,227,023

	Three Months Ended			
($000's, except per share amounts)	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013
Revenue	231,310	200,569	182,274	130,666
Gross margin	64,447	55,060	50,250	31,415
Net income	19,492	12,837	12,600	1,859
per share– basic [2]	*0.10*	*0.06*	*0.06*	*0.01*
per share– diluted [2]	*0.09*	*0.06*	*0.06*	*0.01*
EBITDAC [3]	43,522	36,482	32,590	17,158
per share– basic [2]	*0.22*	*0.18*	*0.17*	*0.09*
per share– diluted [2]	*0.21*	*0.17*	*0.16*	*0.09*
Funds Flow From Operations [3]	35,566	25,006	26,842	13,374
per share– basic [2]	*0.18*	*0.12*	*0.14*	*0.07*
per share– diluted [2]	*0.17*	*0.12*	*0.13*	*0.07*
Dividends declared	13,488	12,730	11,491	10,386
per share [2]	*0.0667*	*0.0633*	*0.0583*	*0.0550*
Shares Outstanding				
End of period [2]	203,260,062	201,321,384	199,639,527	189,241,008
Weighted average – basic [2]	201,975,414	200,743,647	195,638,078	188,583,694
Weighted average – diluted [2]	210,566,073	208,733,503	203,948,642	195,739,543

Notes:
[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, all historical per share data has been retroactively adjusted to reflect the stock split.
[3] Refer to the "Non-GAAP Measures" for further detail.

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

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2015, the Company had net working capital of $305.9 million (December 31, 2014 - $307.1 million). The slight decrease in working capital is primarily due to the decrease in activity during Q1 2015 as compared to Q4 2014 and is comprised primarily of a $14.8 million reduction in prepaid expenses and a $11.9 million reduction in accounts receivable. These decreases to working capital are partially offset by a $23.0 million reduction in accounts payable and a $2.4 million increase in inventory.

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 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 $100.0 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 March 31, 2015, 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	**March 31, 2015**	December 31, 2014
Total Net Funded Debt to EBITDA Ratio (Must be < 4.00:1.00)		
Maximum Total Net Funded Debt	**351,022**	377,313
EBITDA for the four quarters ended	**174,707**	177,172
Ratio	**2.01**	2.13
Maximum Senior Funded Debt to EBITDA Ratio (Must be < 2.50:1.00)		
Maximum Senior Funded Debt	**51,022**	77,313
EBITDA for the four quarters ended	**174,707**	177,172
Ratio	**0.29**	0.44
Minimum EBITDA to Interest Expense (Must be > 3.00:1.00)		
EBITDA for the four quarters ended	**174,707**	177,172
Interest Expense for the four quarters ended	**23,266**	22,133
Ratio	**7.51**	8.00

At March 31, 2015, the Company had a net draw of $36.4 million on the Senior Facility (December 31, 2014 – $60.9 million), net of capitalized transaction costs of $0.6 million (December 31, 2014 – $0.7 million). The maximum available draw on the Senior Facility at March 31, 2015, was $200.0 million (December 31, 2014 - $200.0 million). As at April 30, 2015, the Company had a net draw of $5.0 million on the Senior Facility.

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 $0.5 million at March 31, 2015, as compared to $0.7 million at December 31, 2014. The fixed interest rate leases are for terms ranging to March 2016 with interest on the lease facilities at a weighted average rate of 4.97%, 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 5.62%, and have termination dates ranging from April 2015 through June 2020. At March 31, 2015, outstanding vehicle and equipment finance lease obligations totalled $13.2 million as compared to $14.0 million at December 31, 2014.
- The vehicle financing loan is secured by the related vehicle and incurs interest at a rate of 4.49% with a termination date of August 2016. At March 31, 2015, outstanding vehicle loans totalled $0.03 million, as compared to $0.6 million at December 31, 2014.
- 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 March 31, 2015, outstanding equipment loans totalled $0.2 million, as compared to $0.4 million at December 31, 2014.

The following table details the remaining contractual maturities of the Company's financial liabilities as of March 31, 2015:

	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	82,053	-	-	-	-	**82,053**
Dividends payable [2]	5,969	-	-	-	-	**5,969**
Deferred acquisition consideration	1,273	18,322	7,212	3,800	-	**30,607**
Senior Notes [4]	-	-	-	-	300,000	**300,000**
Interest on Senior Notes	11,063	11,063	22,125	66,374	11,063	**121,688**
Long-term debt at fixed interest rates [3]	185	18	9	-	-	**212**
Long-term debt at floating interest rates [3]	-	-	-	37,032	-	**37,032**
Finance lease obligations at fixed interest rates [3]	136	405	-	-	-	**541**
Finance lease obligations at floating interest rates [3]	1,024	5,066	4,842	1,926	379	**13,237**
Office operating leases	1,564	4,288	3,452	4,477	-	**13,781**
Total	103,267	39,162	37,640	113,609	311,442	**605,120**

Notes:
[1] *Payments denominated in foreign currencies have been translated at the year end exchange rate*
[2] *Dividends declared as of March 31, 2015*
[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, 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 March 31, 2015, cash flow from operating activities was an inflow of $57.2 million compared to an outflow of $4.5 million during the three months ended March 31, 2014, 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 March 31, 2015, Funds Flow From Operations was $34.8 million, compared to a $35.6 million for the three months ended March 31, 2014.

	Three Months Ended March 31,	
$000's	**2015**	2014
Cash provided by (used in) operating activities	**57,212**	(4,540)
Adjust for:		
Change in non-cash operating working capital	**(22,448)**	40,106
Funds Flow From Operations [1]	**34,764**	35,566

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

Cash Flows from Investing Activities
For the three months ended March 31, 2015, net cash outflows from investing activities totalled $13.5 million, which is consistent with the net outflow of $13.3 million for the three months ended March 31, 2014.

For the three months ended March 31, 2015, $14.5 million was spent on property and equipment (net of $0.5 million in vehicle financing and leases). During the quarter, CES had $0.2 million of additions related to Maintenance Capital and $13.5 million of additions related to Expansion Capital including vehicle financing. Notable expansion additions during the quarter ended March 31, 2015, include: $4.4 million for warehouse and facilities, $2.8 million in land improvements, $2.4 million in trucks and trailers, $2.2 million for machinery and field equipment, $1.0 million in vehicles, and $0.7 million for other expansion additions.

Expansion Capital expenditures in Q1 2015 were primarily related to the ongoing construction of a barite grinding facility, and the continued expansion of JACAM facilities.

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

	Three Months Ended March 31,	
$000's	**2015**	2014
Expansion Capital [(1)]	**13,534**	14,760
Maintenance Capital [(1)]	**217**	926
Total investment in property and equipment	**13,751**	15,686
Asset financing and leases	**(514)**	(3,087)
Capital expenditures	**13,237**	12,599
Change in non-cash investing working capital	**1,300**	454
Cash used for investment in property and equipment	**14,537**	13,053

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 maintenance capital additions, and an estimated $44.0 million will be for discretionary expansion capital additions of which an estimated $35.0 million has been either spent in Q1 or is committed to be spent over the remainder of calendar 2015. 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 March 31, 2015, cash flows from financing activities totalled a cash outflow of $43.7 million compared to an inflow of $17.8 million during the comparative prior year period. This year-over-year change is primarily as a result of the decreased total draw on the Senior Facility of $22.9 million which is evidence of working capital coming back to the Company as a result of the slowdown in Canadian drilling activity, as well as an increase in dividends declared.

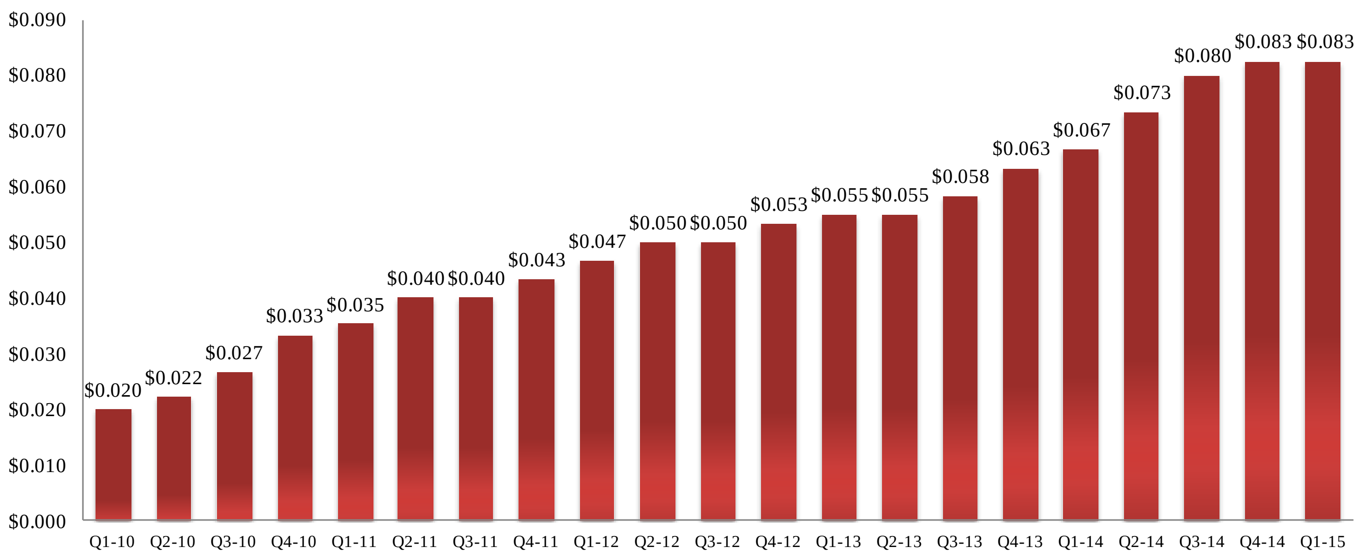
CES calculated Distributable Earnings based on Funds Flow From Operations and the Payout Ratio based on the level of dividends declared as follows:

	Three Months Ended March 31,	
$000's	**2015**	2014
Cash provided by (used in) operating activities	**57,212**	(4,540)
Adjust for:		
Change in non-cash operating working capital	**(22,448)**	40,106
Funds Flow From Operations [(1)]	**34,764**	35,566
Maintenance Capital [(2)]	**(217)**	(926)
Distributable Earnings [(1)]	**34,547**	34,640
Dividends declared	**17,848**	13,488
Payout Ratio [(1)]	**52%**	39%

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

Distributable Earnings were $34.5 million for the three months ended March 31, 2015, compared with $34.6 million for the same period in 2014. During the three months ended March 31, 2015, CES declared monthly dividends of $0.0275 per share for a total of $0.0825 per share for the quarter. During the first quarter of 2015, the Payout Ratio was 52% compared to 39% for the first quarter of 2015.

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 three months ended March 31, 2015, as follows:

$000's except per share amounts	**Dividend Record Date**	**Dividend Payment Date**	**Per Common Share**	**Total**
January	Jan 30	Feb 13	$0.0275	**5,939**
February	Feb 27	Mar 13	$0.0275	**5,940**
March	Mar 31	Apr 15	$0.0275	**5,969**
Total dividends declared during the period			$0.0825	**17,848**

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 March 31, 2015, the Company declared dividends to holders of common shares in the amount of $0.0275 per common share payable on May 15, 2015, for shareholders of record on April 30, 2015.

Shareholders' Equity
As of March 31, 2015, CES had a total of 217,037,911 common shares outstanding. As of the date of this MD&A, CES had a total of 217,329,779 common shares outstanding.

Stock-based Compensation
As at March 31, 2015, a total of 21,703,791 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 11,139,843 common shares remained available for grant.

a) Share Rights Incentive Plan ("SRIP")
At March 31, 2015, a total of 6,156,044 Share Rights were outstanding (December 31, 2014 – 6,344,044) at a weighted average exercise price of $6.29 (assuming all SRIP's are exercised at their respective original exercise price) of which 2,605,544 were exercisable. As of the date of this MD&A, an aggregate of 5,940,544 Share Rights remaining outstanding, of which 2,315,044 are exercisable.

b) Restricted Share Unit Plan ("RSU")
At March 31, 2015, a total of 4,407,900 Restricted Share Units were outstanding (December 31, 2014 – 4,093,785) at a weighted average issuance price of $6.50, none of which were vested. As of the date of this MD&A, an aggregate of 4,642,650 Restricted Share Units remain outstanding, none of which have vested.

Commitments
At March 31, 2015, CES had the following additional commitments not included as liabilities on its statement of financial position:

$000's	**2015 - 9 months**	**2016**	**2017**	**2018**	**2019**	**Total**
Office and facility rent	4,670	3,967	2,564	1,791	789	**13,781**

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Although estimates and assumptions must be made during the financial statement preparation process, it is management's opinion that none of the estimates or assumptions were highly uncertain at the time they were made. The most significant estimates in CES' condensed consolidated financial statements have been set out in the Company's MD&A for the year ended December 31, 2014, and its audited annual consolidated financial statements and notes thereto for the year ended December 31, 2014.

RECENT ACCOUNTING PRONOUNCEMENTS

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

CORPORATE GOVERNANCE

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

Internal Controls over Financial Reporting ("ICFR")
Management of CES is responsible for establishing and maintaining internal controls over financial reporting ("ICFR") for CES to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. There have been no changes to CES' internal controls over financial reporting during the three months ended March 31, 2015 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 of the June 19, 2014 Annual General and Special Meeting of shareholders each of which are available on 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 had been on a steady decline since mid-2014 reaching a low in Q1 2015 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 risen above the $50/bbl range and Brent has been trading above $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 2016 and 2017 are trading around $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 around $3.00 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. In 2015, the early spring break-up in Canada is expected to be protracted and due to financial constraints of our customers, it is expected it will outlast the typical weather constraints on a resumption of drilling activity. 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 and retain 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 USD; regulatory risks associated with environmental concerns; and the future impact of increased regulatory requirements.

The volatility in the financial markets over the past several 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 Notice of Reassessment has been received. If the CRA issues a Notice of Reassessment for each of the 2010, 2011 and 2012 taxation years, the Company would be required to pay 50 percent of the tax liability claimed by the CRA despite the appeal of these reassessments. If the reassessments are 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, or does not respond to it within 90 days, 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 March 31, 2015 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, 2014, 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 remains cautious with its outlook for 2015. As a result of falling oil prices and weak natural gas prices, rig counts in both Canada and the US have been dropping throughout the first four months of 2015 with no clear consensus on how low they will go and for how long. In Canada, the early spring break-up is expected to be protracted and due to financial constraints of our customers, it is expected it will outlast the typical weather constraints with respect to a resumption of drilling activity. In addition, pricing pressure from customers across all our business units 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 in 2015 and will do all of its work for less money in 2015. CES' production and specialty chemical business 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. 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.

Despite the activity pullback as a result of low oil and natural gas prices, CES 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.

From a manufacturing perspective, CES is undertaking further vertical integration initiatives at the JACAM facility with the build-out of hydrogenation capabilities to be completed in Q4 2015. CES also expects to commission the new barite grinding facility in Corpus Christi in Q3 2015 which will further vertically integrate the US drilling fluids business.

The Clear Environmental Solutions division continues to complement CES' core drilling fluids business and despite the pullback in drilling activity has consistently remained profitable. 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.

STOCK EXCHANGE LISTINGS
The Toronto Stock Exchange
Trading Symbol: CEU

OTCQX
Trading Symbol: CESDF

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