



**Canadian Energy**  
SERVICES

**PRESS RELEASE  
FOR IMMEDIATE DISTRIBUTION**

**May 8, 2013**

**Canadian Energy Services & Technology Corp. Announces Results for the First Quarter Ended March 31, 2013 and Declares Cash Dividend**

**Canadian Energy Services & Technology Corp.** ("CES" or the "Company") (TSX: CEU) is pleased to report on its financial and operating results for the three months ended March 31, 2013. Further, CES announced today that it will pay a cash dividend of \$0.055 per common share on June 14, 2013 to the shareholders of record at the close of business on May 31, 2013.

During Q1 2013, CES made significant strides forward in its strategic vision of being a leading provider of technically advanced consumable chemical solutions throughout the full life cycle of the oilfield. As previously announced, CES completed the acquisition of the business assets of JACAM Chemicals Company, Inc. and its subsidiaries (the "JACAM Acquisition") on March 1, 2013. The JACAM Acquisition has further vertically integrated the business, expanded CES' product offerings across the oilfield spectrum, provided a significant platform of infrastructure and new customers in the US, and increased CES' ability to deliver technically advanced science based solutions to its customers.

CES generated gross revenue of \$149.3 million during the first quarter of 2013, compared to \$156.6 million for the three months ended March 31, 2012, a decrease of \$7.2 million or 5% on a year-over-year basis. Revenue in Canada was \$67.4 million for the three months ended March 31, 2013 compared to \$79.5 million for the three months ended March 31, 2012, representing a decrease of \$12.1 million or 15%. The year-over-year change in Canadian revenue is a result of decreased activity levels and customer spending in Canada. Lower commodity prices and high oil price differentials resulted in Canadian operators scaling back spending levels in Q1 2013 relative to Q1 2012. Although not as busy as Q1 2012, the combination of the ProDrill acquisition completed in late Q4 2012; PureChem making positive financial contributions; and the general pick-up of activity in the traditionally robust winter drilling season had the Canadian business performing well. Revenue generated in the US for the three months ended March 31, 2013 was \$81.9 million as compared to the first quarter of 2012 with revenue of \$77.1 million, representing an increase of \$4.8 million or 6% on a year-over-year basis. The year-over-year increase is largely attributable to the JACAM Acquisition. In addition to the financial contribution JACAM made in the month of March; the shift in activity in the US to new work in the Eagle Ford; the addition of significant work in the Mississippi Lime as a result of the Mega Fluids acquisition; and a pick-up of activity in other regions has the US business back on track and well positioned to grow.

Net income before interest, taxes, amortization, gains and losses on disposal of assets, goodwill impairment, unrealized foreign exchange gains and losses, unrealized derivative gains and losses, and stock-based compensation ("EBITDAC") for the three months ended March 31, 2013 was \$23.6 million as compared to \$24.8 million for the three months ended March 31, 2012, representing a slight decrease of \$1.2 million or 5%. CES recorded EBITDAC per share of \$0.40 (\$0.39 diluted) for the three months ended March 31, 2013 versus EBITDAC per share of \$0.45 (\$0.43 diluted) in 2011, a decrease of 11% (9% diluted).

Based on the financial results achieved in Q1 2013, CES' is reaffirming its expected guidance issued in March 2013. CES' expected range of consolidated gross revenue for 2013 will be approximately \$580.0 million to \$620.0 million and expected consolidated EBITDAC will be approximately \$95.0 million to \$105.0 million. CES' balance sheet remains strong and its financial flexibility was greatly enhanced with the successful placement in April of \$225.0 million aggregate principal amount 7.375% Senior Unsecured Notes.

CES also announced today that it has declared a cash dividend of \$0.055 per common share to shareholders of record on May 31, 2013. CES expects to pay this dividend on or about June 14, 2013.

With respect to the first quarter results, CES will host a conference call / webcast at 10 am MST (12 pm EST) on Thursday, May 9, 2013.

*North American toll-free: 1-800-659-6164*  
*International / Toronto callers: 416-359-3126*  
*Link to Webcast: <http://www.canadianenergyservices.com/>*

## **Outlook**

Going forward, CES sees significant growth opportunities as a vertically integrated, full cycle provider of oilfield chemical solutions. Although revenue generated at the drill-bit and at the completions stage will remain subject to volatility, operators continue to drill more complex, deeper, and longer horizontal wells that require more chemicals and fluids in general, but also more technically advanced chemical solutions in order to be successfully drilled, cased and completed. Through both its PureChem and JACAM divisions, CES has vertically integrated manufacturing capabilities with unutilized throughput at both its Carlyle, SK and Sterling, KS plants. CES also has a full suite of technically advanced solutions of production chemicals for consumption at the wellhead or pump-jack, and specialty chemicals for the pipeline and mid-stream market. These markets are less volatile and are growing on a year-over-year basis as the volumes of produced hydrocarbons and the associated produced water increases. CES believes over time it can grow its market share within each of these sub-segments of the oilfield consumable chemical market. CES' strategy is to utilize its patented and proprietary technologies and superior execution to increase market share. CES believes that its unique value proposition in this increasingly complex operating environment makes it the premier independent provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield in North America.

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

Despite the decrease in activity in the WCSB, the EQUAL Transport division has remained profitable. It is expected this business will continue to be instrumental in supporting the core businesses and be economically viable.

As challenges faced by the oil and gas industry become more complex, advanced technologies are becoming increasingly important in driving success for operators. CES will continue to invest in research and development 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, Carlyle, Saskatchewan; Calgary, Alberta; and Houston, Texas. CES also leverages third party partner relationships to drive innovation in the consumable chemicals business.

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

## **Business of CES**

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

CES has been able to capitalize on the growing market demand for advanced consumable fluids and chemical solutions for drilling fluids, production chemicals, and other specialty chemicals used in the North American oil and gas industry. CES' business model is relatively asset light and requires limited re-investment capital to grow while generating significant free cash flow. CES returns much of this free cash flow back to shareholders through its monthly dividend.

CES operates in the Western Canadian Sedimentary Basin ("WCSB") and in various basins in the United States ("US"), with an emphasis on servicing the ongoing major resource plays. In Canada, CES operates under the trade names Canadian Energy Services, Moose Mountain Mud ("MMM"), PureChem Services ("PureChem"), Clear Environmental Solutions ("Clear"), and Equal Transport ("Equal"). In the US, CES operates under the trade names AES Drilling Fluids ("AES") and JACAM Chemicals ("JACAM").

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

CES' has two complimentary business segments that operate in the WCSB: Clear which provides environmental consulting and drilling fluids waste disposal services and EQUAL which provides its customers with trucks and trailers specifically designed to meet the demanding requirements of off-highway oilfield work. Beginning in 2013, the financial results of these two units are included in the consumable chemical solutions segment as based on the significant growth of this segment these distinct businesses are no longer individually material.

## Financial Highlights

<i>(\$000's, except per share amounts)</i>	Three Months Ended March 31,	
	2013	2012
Revenue	149,309	156,557
Gross margin <sup>(1)</sup>	38,061	37,358
Income before taxes	13,454	20,256
<i>per share – basic</i>	0.23	0.37
<i>per share - diluted</i>	0.22	0.35
Net income	9,959	13,702
<i>per share – basic</i>	0.17	0.25
<i>per share - diluted</i>	0.16	0.24
EBITDAC <sup>(1)</sup>	23,587	24,759
<i>per share – basic</i>	0.40	0.45
<i>per share - diluted</i>	0.39	0.43
Funds Flow From Operations <sup>(1)</sup>	17,872	17,828
<i>per share – basic</i>	0.30	0.32
<i>per share - diluted</i>	0.29	0.31
Dividends declared	9,712	7,741
<i>per share</i>	0.17	0.14

Shares Outstanding	Three Months Ended March 31,	
	2013	2012
End of period	62,657,836	55,381,861
Weighted average		
- basic	58,885,788	55,255,804
- diluted	60,735,878	57,102,551

<i>Financial Position (\$000's)</i>	March 31, 2013	December 31, 2012
Net working capital	(15,463)	114,899
Net working capital excluding bridge facility <sup>(3)</sup>	144,537	114,899
Total assets	655,168	354,642
Long-term financial liabilities <sup>(2)</sup>	105,624	71,575
Shareholders' equity	280,798	215,420

### Notes:

<sup>1</sup> CES uses certain performance measures that are not recognizable under International Financial Reporting Standards ("IFRS"). These performance measures include net income before interest, taxes, depreciation and amortization, gains and losses on disposal of assets, goodwill impairment, unrealized foreign exchange gains and losses, unrealized derivative gains and losses, and stock-based compensation ("EBITDAC"), gross margin, Funds Flow from Operations. Management believes that these measures provide supplemental financial information that is useful in the evaluation of CES' operations. Readers should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with IFRS as an indicator of CES' performance. CES' method of calculating these measures may differ from that of other organizations and, accordingly, these may not be comparable. Please refer to the Non-GAAP measures section of CES' MD&A for the three and twelve months ended December 31, 2012.

<sup>2</sup> Includes long-term portion of the Amended Senior Facility, vehicle financing loans, committed loans, and finance leases, excluding current portions.

<sup>3</sup> Adjusted to exclude the JACAM Acquisition Bridge Facility which was repaid on April 17, 2013 following the Company's completion of the Senior Unsecured Notes offering.

## Cautionary Statement

*Except for the historical and present factual information contained herein, the matters set forth in this news release, may constitute forward-looking information or forward-looking statements (collectively referred to as "forward-looking information") which involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CES, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this press release, such information uses such words as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", and other similar terminology. This information reflects CES' current expectations regarding future events and operating performance and speaks only as of the date of this press release. Forward-looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed below. The management of CES believes the material factors, expectations and assumptions reflected in the forward-looking information 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 press release speak only as of the date of the press release, 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 press release contains forward-looking information pertaining to the following: future estimates as to dividend levels, including the payment of a dividend to shareholders of record on May 31, 2013; capital expenditure programs for oil and natural gas exploration, development, production, processing and transportation; supply and demand for CES' products and services; industry activity levels; commodity prices; treatment under governmental regulatory and taxation regimes; dependence on equipment suppliers; dependence on suppliers of inventory and product inputs; equipment improvements; dependence on personnel; collection of accounts receivable; operating risk liability; expectations regarding market prices and costs; expansion of services in Canada, the United States, and internationally; development of new technologies; expectations regarding CES' growth opportunities in the United States; the effect of the JACAM Acquisition on the Corporation, the Corporation's plans to integrate JACAM with the operations of CES and management of CES' expectation of the effect of the JACAM Acquisition on CES' cash flow, revenues, EBITDAC and net income; expectations regarding the performance or expansion of CES' environmental and transportation operations; expectations regarding demand for CES' services and technology if drilling activity levels increase; 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; demand for consumable fluids and chemical oilfield services; volatility in market prices for oil, natural gas, and natural gas liquids and the effect of this volatility on the demand for oilfield services generally; competition; liabilities and risks, including environmental liabilities and risks inherent in oil and natural gas operations; sourcing, pricing, and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; ability to integrate technological advances and match advances of competitors; availability of capital; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; changes in legislation and the regulatory environment, including uncertainties with respect to programs to reduce greenhouse gas and other emissions and tax legislation; reassessment and audit risk associated with the corporate conversion; changes to the royalty regimes applicable to entities operating in Canada and the US; access to capital and the liquidity of debt markets; changes as a result of IFRS adoption; 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, 2011, and "Risks and Uncertainties" in CES' MD&A.*

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

CES has filed its Q1 2013 unaudited condensed consolidated financial statements and notes thereto as at and for the three months ended March 31, 2013, and accompanying management discussion and analysis in accordance with National Instrument 51-102 - *Continuous Disclosure Obligations* adopted by the Canadian securities regulatory authorities. Additional information about CES will be available on CES' SEDAR profile at [www.sedar.com](http://www.sedar.com) and CES' website at [www.CanadianEnergyServices.com](http://www.CanadianEnergyServices.com).

For further information, please contact:

Tom Simons  
President and Chief Executive Officer  
Canadian Energy Services & Technology Corp.  
(403) 269-2800

Craig F. Nieboer, CA  
Chief Financial Officer  
Canadian Energy Services & Technology Corp.  
(403) 269-2800

Or by email at: [info@ceslp.ca](mailto:info@ceslp.ca)

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