Canadian Energy SERVICES

Q3

Three and Nine Months Ended September 30, 2014

as at November 13, 2014

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 and nine months ended September 30, 2014, and the audited consolidated financial statements and notes thereto of Canadian Energy Services & Technology Corp. for the years ended December 31, 2013 and 2012, and CES' 2013 Annual Information Form. This MD&A is dated November 13, 2014, 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 sufficiency of liquidity and capital resources to meet long-term payment obligations; management's opinion of the impact of any potential litigation or disputes; potential outcomes of the CRA's intent to challenge the Canadian tax consequences of the Conversion; the application of critical accounting estimates and judgements; the collectability of accounts receivable; the expected range of consolidated revenue and EBITDAC; CES' ability to increase its market share; supply and demand for CES' products and services; industry activity levels; commodity prices; treatment under governmental regulatory and taxation regimes; expectations regarding expansion of services in Canada and the United States; development of new technologies; expectations regarding CES' growth opportunities in Canada and the United States; the effect of the JACAM Acquisition, the AES Permian Acquisition, and other acquisitions on the Company; expectations regarding the performance or expansion of CES' operations; expectations regarding demand for CES' services and technology; investments in research and development and technology advancements; access to debt and capital markets; and competitive conditions.

CES' actual results could differ materially from those anticipated in the forward-looking information as a result of the following factors: general economic conditions in Canada, the United States, and internationally; fluctuations in demand for consumable fluids and chemical oilfield services; 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; 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, 2013 and "Risks and Uncertainties" in this MD&A.

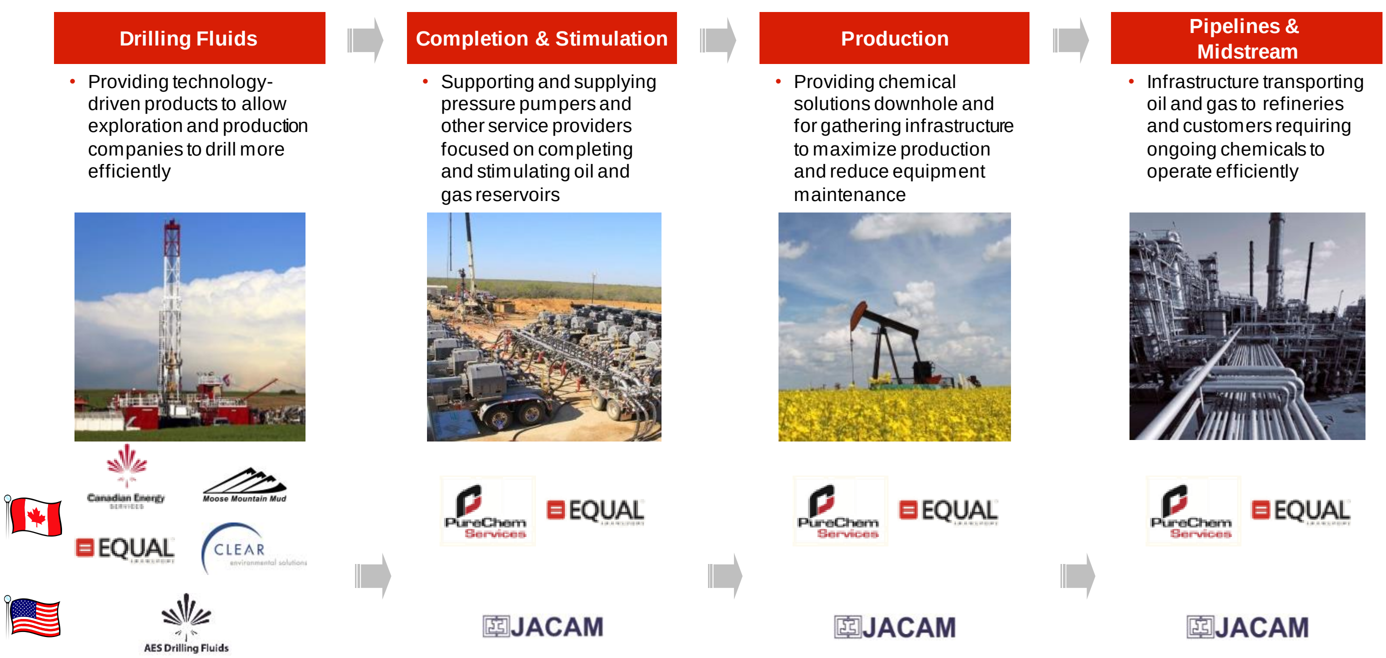
Without limiting the foregoing, the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

THREE-FOR-ONE STOCK SPLIT

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

BUSINESS OF CES

CES is a leading provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield. This includes total solutions at the drill-bit, at the point of completion and stimulation, at the wellhead and pump-jack, and finally through to the pipeline and midstream market. At the drill-bit, CES' designed drilling fluids encompass the functions of cleaning the hole, stabilizing the rock drilled, controlling subsurface pressures, enhancing drilling rates, and protecting potential production zones while conserving the environment in the surrounding surface and subsurface area. At the point of completion and stimulation, CES' designed chemicals form a critical component of fracking solutions or other forms of well stimulation techniques. The shift to horizontal drilling and multi-stage fracturing with long horizontal well completions has been responsible for significant growth in the drilling fluids and completion and stimulation chemicals markets. At the wellhead and pump-jack, CES' designed production and specialty chemicals provide down-hole solutions for production and gathering infrastructure to maximize production and reduce costs of equipment maintenance. Key solutions include corrosion inhibitors, demulsifiers, H_2S scavengers, paraffin control products, surfactants, scale inhibitors, biocides and other specialty products. Further, specialty chemicals are used throughout the pipeline and midstream industry to aid in hydrocarbon movement and manage transportation and processing challenges including corrosion, wax build-up and H_2S.



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

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

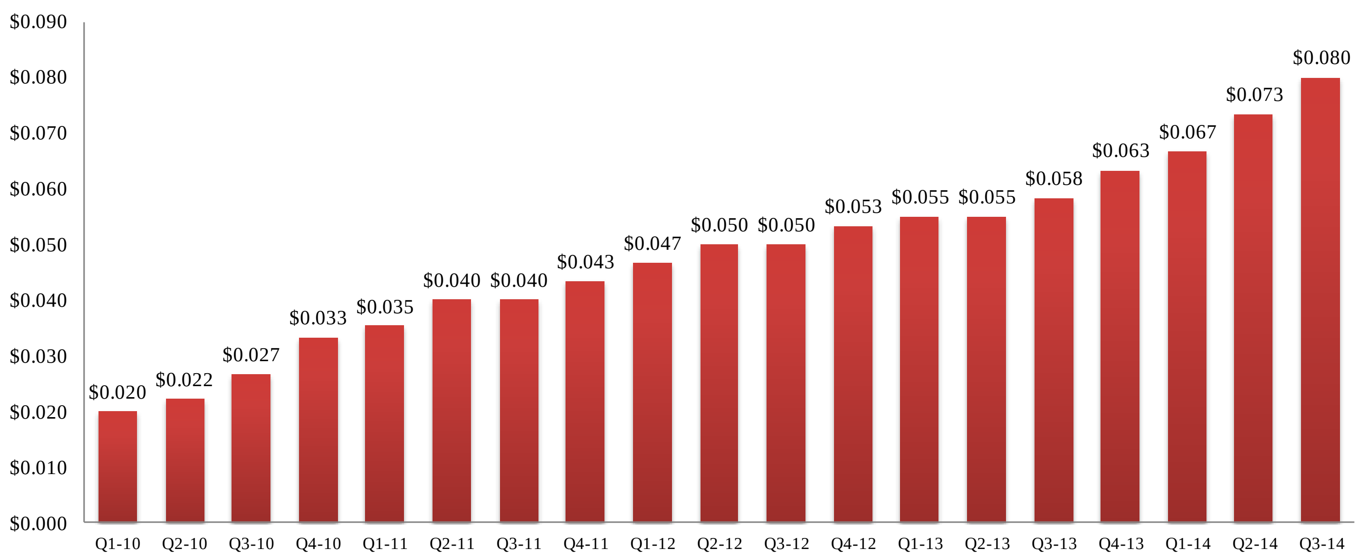
Two complimentary business divisions support the operations and augment the product offerings in the WCSB. Clear is CES' environmental division, providing environmental consulting and drilling fluids waste disposal services primarily to oil and gas producers active in the WCSB. EQUAL is CES' transport division, providing its customers with trucks and trailers specifically designed to meet the demanding requirements of off-highway oilfield work in the WCSB. EQUAL transports and handles oilfield produced fluids and supports the oilfield chemical business by hauling, handling, managing and warehousing products. EQUAL operates from two terminals and yards located in Edson, Alberta and Carlyle, Saskatchewan.

Led by JACAM's state of the art laboratory in Sterling, Kansas, CES operates four separate lab facilities across North America which also includes Houston, Texas; Carlyle, Saskatchewan; and Calgary, Alberta. CES' main chemical manufacturing and reacting facility is located in Sterling, Kansas and its Canadian chemical blending facility is located in Carlyle, Saskatchewan. CES also leverages third party partner relationships to drive innovation in the consumable fluids and chemicals business.

CES' business model is relatively asset light and requires limited re-investment capital to grow. As a result, CES has been able to capitalize on the growing market demand for drilling fluids and production and specialty chemicals in North America while generating free cash flow. The Company returns much of this free cash flow back to shareholders through its monthly dividend.

From the period of January 1, 2010, to September 30, 2014, the Company has increased its monthly dividend eleven times from \$0.0067 per share to \$0.0275 per share, which is 4.1 times greater on a per share basis. Following the 2013 JACAM Acquisition and with the organic growth of the PureChem business in Canada, the Company has diversified its revenue stream and built a revenue and cash flow base in longer-term, more predictable, production and midstream markets. This increase in both scale and diversity of the Company's operations has resulted in increased certainty of future cash flows from its businesses, thereby positioning CES to provide a more reliable and growing dividend stream to investors.

QUARTERLY DIVIDEND GROWTH [1]



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

NON-GAAP MEASURES

The accompanying interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain supplementary information and measures not recognized under IFRS are also provided in this MD&A where management believes they assist the reader in understanding CES' results. These measures are calculated by CES on a consistent basis unless otherwise specifically explained. These measures do not have a standardized meaning under IFRS and may therefore not be comparable to similar measures used by other issuers. For the purposes of this MD&A, net income, as discussed throughout, represents the net income attributable to the shareholders of the Company, unless otherwise noted. The non-GAAP measures are further defined for use throughout this MD&A as follows:

EBITDAC – is defined as net income before interest, taxes, depreciation and amortization, gains and losses on disposal of assets, amortization of capitalized deferred financing costs, goodwill impairment, unrealized foreign exchange gains and losses, unrealized derivative gains and losses, and stock-based compensation. EBITDAC is a metric used to assess the financial performance of an entity's operations. Management believes that this metric assists in determining the ability of CES to generate cash from operations. EBITDAC is calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2014**	2013	**2014**	2013
Net income	**20,937**	12,600	**48,888**	24,418
Add back (deduct):				
Depreciation in cost of sales	**6,136**	4,221	**16,750**	10,471
Depreciation and amortization in general and administrative expenses	**4,426**	3,159	**11,800**	7,852
Interest expense, net of interest income	**5,824**	4,920	**15,778**	12,584
Amortization of capitalized deferred financing costs	**635**	159	**1,138**	482
Current income tax expense	**11,025**	828	**15,691**	2,663
Deferred income tax expense (recovery)	**(910)**	3,321	**3,656**	6,700
Stock-based compensation	**6,222**	3,601	**15,969**	8,293
Unrealized foreign exchange (gain) loss	**201**	(45)	**345**	(39)
Unrealized derivative (gain) loss	**407**	(166)	**116**	41
Gain on disposal of assets	**(198)**	(8)	**(520)**	(130)
EBITDAC	**54,705**	32,590	**129,611**	73,335

Funds Flow From Operations – is defined as cash flow from operations before changes in non-cash operating working capital and represents the Company's after tax operating cash flows. This measure is not intended to be an alternative to cash provided by operating activities as provided in the consolidated statements of cash flows, comprehensive income, or other measures of financial performance calculated in accordance with IFRS. Funds Flow From Operations assists management and investors in analyzing operating performance and leverage.

Distributable Earnings – is defined as Funds Flow From Operations less Maintenance Capital (the definition of Maintenance Capital is under "Operational Definitions"). Distributable Earnings is a measure used by management and investors to analyze the amount of funds available to distribute to shareholders before consideration of funds required for growth purposes.

Payout Ratio – is defined as dividends declared as a percentage of Distributable Earnings.

Cash Gross Margin **–** represents gross margin under IFRS adjusted to exclude non-cash expenses recorded in cost of sales including depreciation as it relates to assets associated with operations and operating related activities, and gains and losses on disposal of assets. Management believes that this metric assists in demonstrating the cash operating margin of the Company.

Cash General and Administrative Costs – represents general and administrative costs under IFRS adjusted to exclude non-cash expenses recorded in general and administrative costs such as stock-based compensation and depreciation and amortization as it relates to assets not associated with operations and operating related activities. Management believes that this metric assists in demonstrating the cash general and administrative expenses of the Company.

Cash Interest Expense – represents interest expense under IFRS adjusted to exclude non-cash interest expense related to the amortization of deferred financing costs on both the Senior Notes and the Senior Facility. Management believes that this metric assists in demonstrating the cash interest expenses of the Company.

OPERATIONAL DEFINITIONS

Operational terms used throughout this MD&A include:

Expansion Capital – represents the amount of capital expenditure that has been or will be incurred to grow or expand the business or would otherwise improve the productive capacity of the operations of the business.

Maintenance Capital – represents the amount of capital expenditure that has been or will be incurred to sustain the current level of operations.

Canadian Market Share – CES estimates its market share in Canada for its drilling fluids operations by comparing, on a semi-weekly basis, active rigs where CES was contracted to provide services to the total active rigs for Western Canada. The number of total active rigs for Western Canada is based on Canadian Association of Oilwell Drilling Contractors ("CAODC") published data for Western Canada.

US Market Share – CES estimates its market share in the US for its drilling fluids operations by comparing, on a semi-weekly basis, active rigs where CES was contracted to provide services to the total active land rigs in the United States. The number of total active rigs in the United States is based on the weekly land based Baker Hughes North American Rotary Rig Count.

Operating Days – For its drilling fluids operations, CES estimates its Operating Days, which are revenue generating days, by multiplying the average number of active rigs where CES was providing drilling fluid services by the number of days in the period.

FINANCIAL HIGHLIGHTS

Summary Financial Results	Three Months Ended September 30,			Nine Months Ended September 30,		
($000's, except per share amounts)	**2014**	2013	% Change	**2014**	2013	% Change
Revenue	**272,938**	182,274	50%	**694,033**	462,249	50%
Gross margin	**77,916**	50,250	55%	**190,627**	119,726	59%
Gross margin percentage of revenue	**29%**	28%		**27%**	26%	
Income before taxes	**31,183**	16,749	86%	**68,366**	33,781	102%
per share – basic [2]	***0.15***	*0.09*	*67%*	***0.33***	*0.18*	*83%*
per share - diluted [2]	***0.14***	*0.08*	*75%*	***0.32***	*0.17*	*88%*
Net income	**20,937**	12,600	66%	**48,888**	24,418	100%
per share – basic [2]	***0.10***	*0.06*	*67%*	***0.24***	*0.13*	*85%*
per share - diluted [2]	***0.09***	*0.06*	*50%*	***0.23***	*0.13*	*77%*
EBITDAC [1]	**54,705**	32,590	68%	**129,611**	73,335	77%
per share – basic [2]	***0.26***	*0.17*	*53%*	***0.63***	*0.39*	*62%*
per share - diluted [2]	***0.25***	*0.16*	*56%*	***0.60***	*0.38*	*58%*
Funds Flow From Operations [1]	**37,862**	26,842	41%	**98,152**	58,088	69%
per share – basic [2]	***0.18***	*0.14*	*29%*	***0.48***	*0.31*	*55%*
per share - diluted [2]	***0.17***	*0.13*	*31%*	***0.46***	*0.30*	*53%*
Dividends declared	**17,056**	11,491	48%	**45,479**	31,589	44%
per share [2]	***0.080***	*0.058*	*38%*	***0.220***	*0.168*	*31%*

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

OVERVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Highlights for the three and nine months ended September 30, 2014, in comparison to the three and nine months ended September 30, 2013, for CES are as follows:

- During the third quarter of 2014, the Company completed three strategic acquisitions. On July 1, 2014, CES completed the acquisitions of all of the business assets of Rheotech Drilling Fluids Services Inc. ("Rheotech") and of all of the business assets of Canwell Enviro-Industries Ltd. ("Canwell") collectively (the "Canadian Acquisitions"). Rheotech and Canwell were Western Canadian Sedimentary Basin based private businesses selling oilfield chemical solutions. The Canadian Acquisitions are expected to strengthen the Company's position as a leading provider of drilling fluids and production and specialty chemicals in the WCSB. On September 5, 2014, through a US subsidiary, CES completed the acquisition of all of the oilfield chemical business assets of Southwest Treating Products, LLC. ("Southwest"). Southwest was a west Texas based private oilfield chemical company that provides production and specialty chemical solutions for a number of leading oil and natural gas companies. The acquisition of Southwest will accelerate the expansion of Company's US production and specialty chemicals operations into the west Texas Permian Basin and the Eagle Ford shale in south Texas.

- CES generated revenue of $272.9 million during the three months ended September 30, 2014, compared to $182.3 million for the three months ended September 30, 2013, an increase of $90.7 million or 50%. Year-to-date, revenue totaled $694.0 million, compared to $462.2 million for the nine months ended September 30, 2013, representing an increase of $231.8 million or 50% on a year-over-year basis. EBITDAC for the three months ended September 30, 2014, was $54.7 million as compared to $32.6 million for the three months ended September 30, 2013, representing an increase of $22.1 million or 68%. CES recorded EBITDAC per share of $0.26 ($0.25 diluted) for the three months ended September 30, 2014 versus

EBITDAC per share of $0.17 ($0.16 diluted) in 2013, an increase of 53% (56% diluted). For the nine month period ended September 30, 2014, EBITDAC totalled $129.6 million as compared to $73.3 million in 2013, representing an increase of $56.3 million or 77%. Year-to-date, CES recorded EBITDAC per share of $0.63 ($0.60 diluted) versus EBITDAC per share of $0.39 ($0.38 diluted) in 2013, an increase of 62% (58% diluted). For both the three and nine months ended September 30, 2014, and as detailed below, all facets of the business in Canada and the US have made positive contributions to revenue and EBITDAC.

- Revenue generated in Canada for the three months ended September 30, 2014 increased by $49.0 million or 76% compared to the three months ended September 30, 2013, from $64.6 million to $113.6 million. The increase in revenues for the three months ended September 30, 2014, was primarily a result of the acquisitions of Rheotech and Canwell, for which there were no associated revenues in the comparable period, organic growth experienced at PureChem as it continues to expand in Canada and build-out its production and specialty chemical sales and increased activity in the drilling fluids business as a result of higher year over year activity levels. For the nine month period ended September 30, 2014, revenue in Canada was $272.8 million compared to $163.7 million for the same period last year, representing an increase of $109.1 million or 67%. The increase in revenues in Canada for the nine months ended September 30, 2014 was due to the same reasons mentioned above.

- Revenue generated in the US for the three months ended September 30, 2014 increased by $41.7 million or 35% compared to the three months ended September 30, 2013, from $117.6 million to $159.3 million. This year-over-year increase is primarily a result of the significant contribution to revenue growth from production and specialty chemicals sales by JACAM, including the addition of approximately one month of revenue related to the acquisition of Southwest, for which there were no associated revenues in the comparable period. Also contributing to the increase in US revenues is the organic growth experienced in AES Drilling Fluids and in particular AES Permian as this business division gains an increased share of the horizontal drilling market in west Texas. For the nine month period ended September 30, 2014, revenue in the US was $421.2 million compared to $298.5 million, representing an increase of $122.7 million or 41%. The increase in revenues for the nine months ended September 30, 2014 was due to the same reasons mentioned above as well as having the benefit of a full nine months of revenue contribution from JACAM, which was acquired on March 1, 2013, and AES Permian, which was acquired on July 15, 2013.

- For the three month period ended September 30, 2014, CES recorded gross margin of $77.9 million or 29% of revenue, compared to gross margin of $50.3 million or 28% of revenue generated in the same period last year. For the nine month period ended September 30, 2014, CES recorded gross margin of $190.6 million or 27% of revenue, compared to gross margin of $119.7 million or 26% of revenue in 2013. The increase in gross margin percentages is primarily a result of the continued integration of JACAM and the growth of the PureChem division in Canada combined with an increase in margins at the drill-bit resulting from increased sales volumes being allocated over the fixed cost base. Production and specialty chemical products are generally unique chemical solutions which result in higher gross margins. In contrast, the Company's drilling fluids product mix contains certain mined materials and other commoditized products that lower the overall margin of the drilling related sales.

- CES recorded net income of $20.9 million for the three month period ended September 30, 2014 as compared to $12.6 million in the prior year. CES recorded net income per share of $0.10 ($0.09 diluted) for the three months ended September 30, 2014 versus $0.06 ($0.06 diluted) in 2013. CES recorded net income of $48.9 million for the nine month period ended September 30, 2014 as compared to $24.4 million generated for the same period last year. Year-over-year net income per share for the nine month period ended September 30, 2014 was $0.24 ($0.23 diluted) as compared with $0.13 ($0.13 diluted) per share for the same period in 2013. The respective year-over-year change in net income was impacted by positive revenues contributions across all facets of the business in Canada and the US. This increase was partially offset by increased stock-based compensation expense and increased depreciation and amortization.

- On September 5, 2014, the Company entered into a new syndicated Senior Facility (the "Senior Facility") which allows the Company to borrow up to $200.0 million. The Senior Facility has a term to maturity of three years, maturing on 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. At September 30, 2014, the Company had a net draw of $18.5 million on the Senior Facility (December 31, 2013 – $84.0 million), net of capitalized transaction costs of $0.7 million (December 31, 2013 – $0.4 million). The maximum available draw on the Senior Facility at September 30, 2014, was $200.0 million (December 31, 2013 - $150.0 million). Further discussion on the Senior Facility is included in the Liquidity and Capital Resources section of this document.

- CES continues to maintain a strong statement of financial position or "balance sheet" with positive net working capital of $249.0 million as at September 30, 2014.

- During the third quarter of 2014, CES increased its monthly dividend for the eleventh time since January 1, 2010, to $0.0275 per share per month which resulted in aggregate dividends of $0.080 per share declared for the quarter. This compares to $0.058 per share for the comparable quarter in 2013. During the third quarter of 2014, the Company's Payout Ratio averaged 49% as compared to 45% in 2013. For the year-to-date period, the payout ratio averaged 49%, compared to 57% during the same period in 2013.

- On July 3, 2014, CES successfully completed the private placement of $75.0 million of 7.375% senior unsecured notes due on April 17, 2020 at a premium price of $1,057.50 per $1,000.00 principal amount of Notes. The Additional Senior Notes were issued under the indenture governing the Company's $225.0 million of Senior Notes and accordingly will form a single series with such previously issued Senior Notes.

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

RESULTS FOR THE PERIODS

	Three Months Ended September 30,			
($000's, except per share amounts)	**2014**	2013	$ Change	% Change
Revenue	**272,938**	182,274	90,664	50%
Cost of sales	**195,022**	132,024	62,998	48%
Gross margin	**77,916**	50,250	27,666	55%
Gross margin percentage of revenue	**29%**	28%		
General and administrative expenses	**40,119**	28,171	11,948	42%
Finance costs	**6,614**	5,330	1,284	24%
Income before taxes	**31,183**	16,749	14,434	86%
Current income tax expense	**11,025**	828	10,197	1232%
Deferred income tax expense (recovery)	**(910)**	3,321	(4,231)	(127%)
Net income	**21,068**	12,600	8,468	67%
Less: net income attributable to non-controlling interest	**131**	-	131	-
Net income attributable to shareholders of the Company	**20,937**	12,600	8,337	66%
Net income per share – basic [1]	***0.10***	*0.06*	*0.04*	*67%*
Net income per share – diluted [1]	***0.09***	*0.06*	*0.03*	*50%*
EBITDAC [2]	**54,705**	32,590	22,115	68%

Common Shares Outstanding	**2014**	2013	% Change
End of period [1]	**214,157,240**	199,639,527	7%
Weighted average			
- basic [1]	**212,194,898**	195,638,078	8%
- diluted [1]	**220,449,815**	203,948,642	8%

	As at		
Financial Position ($000's)	**September 30, 2014**	December 31, 2013	% Change
Net working capital	**249,033**	197,366	26%
Total assets	**1,038,545**	807,319	29%
Long-term financial liabilities [3]	**336,099**	322,766	4%
Shareholders' equity [4]	**509,813**	360,519	41%

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.

	Nine Months Ended September 30,			
($000's, except per share amounts)	**2014**	2013	$ Change	% Change
Revenue	**694,033**	462,249	231,784	50%
Cost of sales	**503,406**	342,523	160,883	47%
Gross margin	**190,627**	119,726	70,901	59%
Gross margin percentage of revenue	**27%**	26%		
General and administrative expenses	**105,023**	72,379	32,644	45%
Finance costs	**17,238**	13,566	3,672	27%
Income before taxes	**68,366**	33,781	34,585	102%
Current income tax expense	**15,691**	2,663	13,028	489%
Deferred income tax expense	**3,656**	6,700	(3,044)	(45%)
Net income	**49,019**	24,418	24,601	101%
Less: net income attributable to non-controlling interest	**131**	-	131	-
Net income attributable to shareholders of CES	**48,888**	24,418	24,470	100%
Net income per share – basic (1)	***0.24***	*0.13*	*0.11*	*85%*
Net income per share – diluted (1)	***0.23***	*0.13*	*0.10*	*77%*
EBITDAC (2)	**129,611**	73,335	56,276	77%

Common Shares Outstanding	**2014**	2013	% Change
End of period (1)	**214,157,240**	199,639,527	7%
Weighted average			
- basic (1)	**205,938,807**	187,029,238	10%
- diluted (1)	**214,506,925**	194,385,439	10%

Notes:

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

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

Revenue and Operating Activities

CES generated gross revenue of $272.9 million during the three months ended September 30, 2014, compared to $182.3 million for the three months ended September 30, 2013, an increase of $90.7 million or 50%. For the year-to-date period ending September 30, 2014, the Company recorded $694.0 million in revenues as compared to $462.2 million for the nine months ended September 30, 2013, an increase of $231.8 million or 50%.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2014**	2013	**2014**	2013
Canada	**113,633**	64,627	**272,785**	163,702
United States	**159,305**	117,647	**421,248**	298,547
Total	**272,938**	182,274	**694,033**	462,249

Revenue generated in Canada for the three months ended September 30, 2014 increased by $49.0 million or 76% compared to the three months ended September 30, 2013, from $64.6 million to $113.6 million. The increase in revenues for the three months ended September 30, 2014, was primarily a result of the acquisitions of Rheotech and Canwell, for which there were no associated revenues in the comparable period, organic growth experienced at PureChem as it continues to expand in Canada and build-out its production and specialty chemical sales, and increased activity in the drilling fluids business as a result of higher year over year activity levels. At the drill-bit in Q3 2014, industry rig counts in Canada increased by 12% as compared to Q3 2013 and CES' Operating Days increased by 33%. Drill-bit related Canadian Market Share increased from an estimated 31% in Q3 2013 to an estimated 36% in Q3 2014.

For the year-to-date period ended September 30, 2014, revenue in Canada was $272.8 million compared to $163.7 million in the same period last year, representing an increase of $109.1 million or 67%. This increase in revenues year-over-year was due to the same reasons mentioned in the paragraph above. Year-to-date, industry rig counts in Canada increased by 11% compared to the nine months ended September 30, 2013 and CES' Operating Days increased by 27% compared to the nine months ended September 30, 2013. Drill-bit-related Canadian Market Share increased from an estimated 31% in 2013 to an estimated 33% in 2014.

Included in revenue generated in Canada for the three months ended September 30, 2014, is $4.6 million (2013 – $5.4 million) of revenue generated by Clear, the Company's Environmental Services segment. Included in revenue generated in Canada for the year-to-date period ended September 30, 2014, is $14.2 million (2013 - $16.2 million) of revenue generated by Clear. The financial results of Clear are otherwise not material and as such have been aggregated with the consolidated results of the Company throughout this MD&A.

Revenue generated in the US for the three months ended September 30, 2014, increased by $41.7 million or 35% compared to the three months ended September 30, 2013, up from $117.6 million to $159.3 million. This year-over-year increase is primarily a result of the significant contribution to revenue growth from production and specialty chemicals sales by JACAM, including the addition of approximately one month of revenue related to the acquisition of Southwest, for which there were no associated revenues in the comparable period. Also contributing to the increase in US revenues is the organic growth experienced in AES Drilling Fluids and in particular AES Permian as this business division gains an increased share of the horizontal drilling market in west Texas. At the drill-bit in Q3 2014, industry rig counts in the US increased by 8% as compared to Q3 2013 and the Company's US Operating Days increased by 9%. Drill-bit-related US Market Share remained flat from an estimated 8% in Q3 2013 to an estimated 8% in Q3 2014.

For the year-to-date period ended September 30, 2014, revenue in the US was $421.2 million compared to revenues of $298.5 million, representing an increase of $122.7 million or 41%, and the Company's US Operating Days increased by 29% for the year-to-date comparative period. The increase in US revenues for the nine months ended September 30, 2014 was due to the same reasons mentioned in the paragraph above, as well as a having the benefit of a full nine months of revenue contribution from JACAM, which was acquired on March 1, 2013, and AES Permian, which was acquired on July 15, 2013. Drill-bit-related US Market Share increased from an estimated 7% in 2013 to an estimated 8% in 2014.

A summary of rig counts and Operating Days for the three and nine months ended September 30, 2014, is as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	% Change	**2014**	2013	% Change
Canadian industry rig count [1]	**377**	338	12%	**365**	328	11%
US industry rig count [2]	**1,842**	1,708	8%	**1,794**	1,708	5%

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 September 30,			Nine Months Ended September 30,		
	2014	2013	% Change	**2014**	2013	% Change
Canada	**12,680**	9,499	33%	**33,179**	26,053	27%
US	**14,086**	12,881	9%	**40,176**	31,200	29%
Total Operating Days [1]	**26,766**	22,380	20%	**73,355**	57,253	28%

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

For the three and nine months ended September 30, 2014, CES' top customers accounted for the following percentage of total revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	**2014**	2013
Top five customers as a % of total revenue	**26%**	29%	**25%**	36%
Top customer as a % of total revenue	**10%**	14%	**15%**	17%

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 September 30, 2014, CES recorded gross margin of $77.9 million or 29% of revenue, compared to gross margin of $50.3 million or 28% of revenue generated in the same period last year. For the year-to-date period ended September 30, 2014, CES recorded gross margin of $190.6 million or 27% of revenue, compared to gross margin of $119.7 million or 26% of revenue in 2013. In aggregate, production and specialty chemical product sales generally attract higher margins than the Company's drilling related products and services. The Company's drilling fluids product mix contains certain mined materials and other commoditized products that lower the overall margin of the drilling related sales. The increase in gross margin as a percentage of revenue is primarily a result of the vertical integration of JACAM and the continued organic growth of PureChem, resulting in improved margins on the CES manufactured products, combined with an increase in margins at the drill-bit resulting from increased sales volumes being allocated over the fixed cost base.

Depreciation, as it relates to assets associated with operations and operating related activities, and gains and losses on disposal of assets are included in cost of sales under IFRS. In order to calculate a Cash Gross Margin, these items are added back to the gross margin calculation. Cash Gross Margin is a more accurate measure of the operating contribution to CES' free cash flow.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2014**	2013	**2014**	2013
Gross margin	**77,916**	50,250	**190,627**	119,726
as a percentage of revenue	**29%**	28%	**27%**	26%
Add back (deduct):				
Depreciation included in cost of sales	**6,136**	4,221	**16,750**	10,471
Gain on disposal of assets included in cost of sales	**(198)**	(8)	**(520)**	(130)
Cash Gross Margin (1)	**83,854**	54,463	**206,857**	130,067
as a percentage of revenue	**31%**	30%	**30%**	28%

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

General and Administrative Expenses ("G&A")

The table below details the stock-based compensation and depreciation and amortization which are included in G&A under IFRS, and are deducted in the table from total G&A in order to calculate Cash General and Administrative Costs. Cash General and Administrative Costs is a more accurate measure of the General and Administrative Expenses affecting CES' free cash flow.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2014**	2013	**2014**	2013
General and administrative expenses	**40,119**	28,171	**105,023**	72,379
as a percentage of revenue	**15%**	15%	**15%**	16%
Deduct non-cash expenses included in general & administrative expenses:				
Stock-based compensation	**6,222**	3,601	**15,969**	8,293
Depreciation & amortization	**4,426**	3,159	**11,800**	7,852
Cash General and Administrative Costs (1)	**29,471**	21,411	**77,254**	56,234
as a percentage of revenue	**11%**	12%	**11%**	12%

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

For the three month period ended September 30, 2014, CES recorded Cash General and Administrative Costs of $29.5 million or 11% of revenue, compared to Cash General and Administrative Costs of $21.4 million or 12% of revenue generated in the same period last year. For the year-to-date period ended September 30, 2014, CES recorded Cash General and Administrative Costs of $77.3 million or 11% of revenue, compared to Cash General and Administrative Costs of $56.2 million or 12% of revenue in 2013. The increase in Cash General and Administrative Costs on an absolute basis is primarily due to the expansion of all facets of the business in Canada and the US as well as the Rheotech, Canwell, and Southwest Acquisitions, for which there were no associated costs in the comparable period in 2013. Year-over-year Cash General and Administrative Costs as a percentage of revenue has decreased.

For the three month period ended September 30, 2014, CES recorded general and administrative expenses of $40.1 million or 15% of revenue, compared to general and administrative expenses of $28.2 million or 15% of revenue generated in the same period last year. For the year-to-date period ended September 30, 2014, CES recorded general and administrative expenses of $105.0 million or 15% of revenue, compared to general and administrative expenses of $72.4 million or 16% of revenue in 2013. General and administrative expenses have increased on an absolute basis due to the same reasons mentioned above. General and administrative expenses for the year-to-date period ended September 30, 2014, as a percentage of revenue has decreased year-over-year.

Depreciation and Amortization

Depreciation and amortization expenses are included in both cost of sales and general and administrative expenses on the Company's consolidated statements of income and comprehensive income as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2014**	2013	**2014**	2013
Depreciation recorded in cost of sales:				
Depreciation expense on property and equipment	**6,136**	4,221	**16,750**	10,471
Depreciation and amortization recorded in G&A:				
Amortization expense on intangible assets	**3,516**	2,805	**9,525**	6,925
Depreciation expense on property and equipment	**910**	354	**2,275**	927
	4,426	3,159	**11,800**	7,852
Total depreciation and amortization expense	**10,562**	7,380	**28,550**	18,323

Depreciation of property and equipment and amortization of intangible assets totalled $10.6 million for the three month period ended September 30, 2014, as compared to $7.4 million for the same period in 2013. For the three months ended September 30, 2014, $6.1 million (Q3 2013 – $4.2 million) of depreciation of property and equipment was included in cost of sales and $4.4 million (Q3 2013 – $3.2 million) of depreciation and amortization was included in G&A, of which $3.5 million related to amortization of intangible assets (Q3 2013 – $2.8 million). For the year-to-date period ending September 30, 2014, depreciation of property and equipment and amortization of intangible assets totalled $28.6 million, as compared to $18.3 million for the same period in 2013. Of this amount, $16.8 million (2013 - $10.5 million) was included in cost of sales and $11.8 million (2013 - $7.9 million) was included in G&A, of which $9.5 million related to amortization of intangible assets (2013 - $6.9 million). The year-over-year increase in depreciation and amortization expense is primarily attributable to the Company's continued capital investment in the expansion of its operations in both Canada and the United States as well as the amortization of the Company's intangible assets associated with the acquisitions completed in both 2013 and 2014.

Finance Costs

Finance costs were $6.6 million for the three months ended September 30, 2014, as compared to $5.3 million during the same period last year. Year-to-date, CES incurred finance costs of $17.2 million, as compared to $13.6 million during 2013. The year-over-year increase is primarily as a result of interest incurred on the Senior Notes, partially offset by a decrease in interest incurred on the Senior Facility.

Interest expense

During the three and nine months ended September 30, 2014, interest expense included in finance costs consists of interest expense on vehicle financing loans, capitalized lease facilities, the Senior Facility, and the Senior Notes. Amortization of capitalized deferred financing costs on both the Senior Notes and the Senior Facility are included in interest expense under IFRS, and in the table below is deducted from total interest expense in order to calculate Cash Interest Expense.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2014**	2013	**2014**	2013
Total interest expense, net of interest income	**6,459**	5,079	**16,916**	13,066
Deduct non-cash interest expense:				
Amortization of debt issue costs	**635**	159	**1,138**	482
Cash Interest Expense (1)	**5,824**	4,920	**15,778**	12,584

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

The interest expense component of finance costs was $6.5 million for the three months ended September 30, 2014, compared to $5.1 million in the third quarter of 2013. For the nine months ended September 30, 2014, interest expense included in finance costs was $16.9 million, as compared to $13.1 million for the same period in 2013, resulting in an increase of $3.8 million. The respective year-over-year increase is primarily a result of the interest expense of $13.6 million (2013 - $7.6 million) relating to the Senior Notes for the nine months ended September 30, 2014. This increase is partially offset by a decrease in interest paid on the Senior Facility.

Foreign exchange gains and losses

Finance costs for the three and nine months ended September 30, 2014, include a net foreign exchange gain of $0.3 million and $0.1 million, respectively (2013 – a loss of $0.4 million and a loss of $0.5 million, respectively), primarily related to foreign exchange gains on the Company's US denominated receivables.

Derivative Gains and Losses

Finance costs for the three and nine months ended September 30, 2014, include net derivative losses of $0.5 million and $0.4 million, respectively (2013 – gain of $0.1 million and a loss of $0.04 million, respectively), relating to the Company's foreign currency derivative contracts. As of September 30, 2014, the Company had a financial derivative liability of net $0.3 million relating to its outstanding derivative contracts (December 31, 2013 – net liability of $0.2 million).

CES has a Board approved hedging and derivative policy that sets out the guidelines and parameters management follows when approaching its risk management strategies.

At September 30, 2014, the Company had entered into the following foreign exchange US dollar forward sale contracts to manage its exposure to a portion of expected upcoming US dollar denominated cash flows:

Period	Notional Balance $000's	Contract Type	Settlement	Average C$/US$ Exchange Rate
October 2014	US$1,200	Deliverable Forward	Physical Sale	$1.0739
November 2014	US$1,200	Deliverable Forward	Physical Sale	$1.0791
December 2014	US$1,200	Deliverable Forward	Physical Sale	$1.0876
January 2015	US$1,200	Deliverable Forward	Physical Sale	$1.1093
February 2015	US$1,200	Deliverable Forward	Physical Sale	$1.1178
March 2015	US$1,200	Deliverable Forward	Physical Sale	$1.1249
April 2015	US$1,200	Deliverable Forward	Physical Sale	$1.1117
May 2015	US$1,200	Deliverable Forward	Physical Sale	$1.1026
June 2015	US$1,200	Deliverable Forward	Physical Sale	$1.1018
July 2015	US$1,200	Deliverable Forward	Physical Sale	$1.1024
August 2015	US$1,200	Deliverable Forward	Physical Sale	$1.1176
September 2015	US$1,200	Deliverable Forward	Physical Sale	$1.1183
Total	US$14,400			$1.1039

Current and Deferred Income Taxes

Income tax expense is related to taxable income in Canada, the US, and Luxembourg. During the three and nine months ended September 30, 2014, the Company recorded income tax expense of $10.1 million and $19.3 million, respectively, as compared to $4.1 million and $9.4 million, respectively, in 2013. The year-over-year increase in income tax expense is primarily due to increased operating income and 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, and changes in jurisdictional apportionment.

Net Working Capital

CES continued to maintain a strong statement of financial position or "balance sheet" as at September 30, 2014, with positive net working capital of $249.0 million (December 31, 2013 - $197.4 million). The increase in working capital is primarily due to the increase in activity during 2014 as compared to 2013 and is comprised primarily of a $58.2 million increase in accounts receivable, $51.3 million increase in inventory, and a $7.5 million increase in prepaid expenses. These increases to working capital are partially offset by a $37.3 million increase in accounts payable and accrued liabilities, a $17.7 million increase in the current portion of deferred acquisition consideration, and a $2.6 million decrease in income taxes receivable.

Total Current Assets

Total current assets of CES increased from $306.3 million at December 31, 2013 to $420.6 million at September 30, 2014. The increase is primarily due to the increased scale of the Company's business represented by an increase of $58.2 million in accounts receivable, a $51.3 million increase in inventory, and a $7.5 million increase in prepaid expenses, offset by a $2.6 million decrease in income taxes receivable.

Total Long-Term Assets

Year-over-year, total long-term assets of CES increased by $116.9 million to $617.9 million at September 30, 2014 from $501.0 million at December 31, 2013. Specific long-term assets increased as follows: a $46.4 million increase in property and equipment; a $54.1 million increase in goodwill and; a $15.5 million increase in intangible assets (net of amortization and translation of US dollar-denominated intangible assets). The increase is primarily attributable to the long-term assets acquired through the Rheotech, Canwell, and Southwest Acquisitions, which collectively includes $6.2 million of property and equipment, $18.0 million in intangible assets, and $43.1 million of goodwill based on the Company's preliminary purchase price allocations.

Long-Term Financial Liabilities

CES had long-term debt totalling $318.0 million at September 30, 2014, compared to $306.8 million at December 31, 2013, an increase of $11.2 million. The year-over-year increase in long-term debt is primarily as a result of the issuance of the additional $75.0 million Senior Notes in July 2014, offset by decreased draws on the Senior Facility in the period. Additional discussion relating to the Company's Senior Facility is included in the Liquidity and Capital Resources section of this MD&A.

At September 30, 2014, long-term debt liabilities were comprised of the following balances:

	As at	
$000's	**September 30, 2014**	December 31, 2013
Senior Facility	**19,256**	84,385
Senior Notes	**300,000**	225,000
Vehicle financing loans	**1,127**	2,207
Equipment financing loans	**613**	1,162
	320,996	312,754
Less net unamortized debt issue costs	**(5,740)**	(3,961)
Less net unamortized debt premium	**4,131**	-
Less current portion of long-term debt	**(1,418)**	(1,955)
Long-term debt	**317,969**	306,838

At September 30, 2014, the Company had finance lease liabilities of $7.1 million, net of the current portion of $5.9 million, representing a total increase of $6.7 million from December 31, 2013.

	As at	
$000's	**September 30, 2014**	December 31, 2013
Finance lease obligations	**13,030**	6,329
Less current portion of finance lease obligations	**(5,901)**	(3,124)
Long-term finance lease obligations	**7,129**	3,205

During the three and nine months ended September 30, 2014, the Company made long-term scheduled debt and lease repayments totalling $1.9 million and $4.9 million, respectively, on its finance leases, vehicle debt, and credit facilities.

Shareholders' Equity

Shareholders' equity increased from $360.5 million at December 31, 2013 to $509.8 million at September 30, 2014. The increase in shareholders' equity is primarily attributable to the $72.7 million in shares issued pursuant to the Offering, net of share issue costs and taxes, $24.7 million relating to shares issued as consideration in conjunction with the Rheotech and Southwest acquisitions, $48.9 million in net income, $13.7 million relating to the issuance of equity under the Company's stock-based compensation plans, $5.8 million in contributed surplus related to stock-based compensation expense, a $28.4 million gain in accumulated other comprehensive income relating to the translation of the Company's wholly-owned US subsidiary, offset by $45.5 million of dividends declared by the Company during the period.

Acquisitions

During Q3, 2014, the Company completed three strategic acquisitions. On July 1, 2014, CES completed the acquisitions of all of the business assets of Rheotech and of all of the business assets of Canwell. Rheotech and Canwell were Western Canadian Sedimentary Basin based private businesses selling oilfield chemical solutions. The Canadian Acquisitions are expected to strengthen the Company's position as a leading provider of drilling fluids and production and specialty chemicals in the WCSB.

The aggregate purchase price of the Canadian Acquisitions was $56.5 million, consisting of $16.0 million of share consideration satisfied through the issuance of 1,456,422 common shares, on a post-split basis, of the Company, $40.5 million payable in cash, of which $23.4 million was paid on the respective closing date. Included in cash consideration payable is deferred acquisition consideration of $15.5 million, $0.4 million in other post close and deferred consideration, and $1.2 million in working capital adjustments.

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

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

Related Party Transactions

For the three and nine months ended September 30, 2014, lease payments on equipment and office leases in the amount of $0.004 million and $0.036 million, respectively (2013 - $0.044 million and $0.104 million, respectively) were made for rental agreements CES has with companies controlled by an officer and insiders of the Company. During the three months ended September 30, 2014, the Company acquired all remaining equipment leases from a company controlled by one of the Company's employees and insiders. The aggregate purchase price was $0.024 million.

During the nine months ended September 30, 2014, the Company acquired property and equipment from a company controlled by one of the Company's employees and insiders. The aggregate purchase price was $0.82 million, consisting of $0.76 million in cash paid on the date of the transaction and $0.06 million in share consideration satisfied through the issuance of 7,365 common shares, on a post-split basis, of the Company.

These transactions have been accounted for at the exchange amount being the amount agreed to by the related parties, which approximates the arm's length equivalent fair value.

QUARTERLY FINANCIAL SUMMARY

	Three Months Ended			
($000's, except per share amounts)	**Sep 30, 2014**	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Revenue	**272,938**	189,785	231,310	200,569
Gross margin	**77,916**	48,264	64,447	55,060
Net income	**20,937**	8,459	19,492	12,837
per share– basic (2)	***0.10***	*0.04*	*0.10*	*0.06*
per share– diluted (2)	***0.09***	*0.04*	*0.09*	*0.06*
EBITDAC (1)	**54,705**	31,383	43,522	36,482
per share– basic (2)	***0.26***	*0.15*	*0.22*	*0.18*
per share– diluted (2)	***0.25***	*0.15*	*0.21*	*0.17*
Funds Flow From Operations (1)	**37,862**	24,724	35,566	25,006
per share– basic (2)	***0.18***	*0.12*	*0.18*	*0.12*
per share– diluted (2)	***0.17***	*0.12*	*0.17*	*0.12*
Dividends declared	**17,056**	14,935	13,488	12,730
per share (2)	***0.080***	*0.073*	*0.067*	*0.063*
Shares Outstanding				
End of period (2)	**214,157,240**	204,008,616	203,260,062	201,321,384
Weighted average – basic (2)	**212,194,898**	203,533,809	201,975,414	200,743,647
Weighted average – diluted (2)	**220,449,815**	212,227,023	210,566,073	208,733,503

	Three Months Ended			
($000's, except per share amounts)	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012
Revenue	182,274	130,666	149,309	95,028
Gross margin	50,250	31,415	38,061	21,401
Net income	12,600	1,859	9,959	2,847
per share– basic (2)	*0.06*	*0.01*	*0.06*	*0.02*
per share– diluted (2)	*0.06*	*0.01*	*0.05*	*0.02*
EBITDAC (1)	32,590	17,158	23,587	10,050
per share– basic (2)	*0.17*	*0.09*	*0.13*	*0.06*
per share– diluted (2)	*0.16*	*0.09*	*0.13*	*0.06*
Funds Flow From Operations (1)	26,842	13,374	17,872	8,603
per share– basic (2)	*0.14*	*0.07*	*0.10*	*0.05*
per share– diluted (2)	*0.13*	*0.07*	*0.10*	*0.05*
Dividends declared	11,491	10,386	9,712	9,029
per share (2)	*0.058*	*0.055*	*0.055*	*0.053*
Shares Outstanding				
End of period (2)	199,639,527	189,241,008	187,973,508	170,543,559
Weighted average – basic (2)	195,638,078	188,583,694	176,657,363	168,580,591
Weighted average – diluted (2)	203,948,642	195,739,543	182,207,633	173,376,166

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

Seasonality of Operations

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

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2014, the Company had net working capital of $249.0 million (December 31, 2013 - $197.4 million). The increase in working capital balances is primarily due to the increased scale of the Company's business represented by an increase of $58.2 million in accounts receivable, a $51.3 million increase in inventory, and a $7.5 million increase in prepaid expenses. These increases to working capital are partially offset by a $37.3 million increase in accounts payable and accrued liabilities, a $17.7 million increase in the current portion of deferred acquisition consideration, and a $2.6 million decrease in income taxes receivable.

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 September 30, 2014, and as of the date of this MD&A, CES was in compliance with the terms and covenants of its lending agreements. The Company's debt covenants are calculated as follows:

	As at	
$000's	**September 30, 2014**	December 31, 2013
Total Net Funded Debt to EBITDA Ratio (Must be < 4.00:1.00)		
Maximum Total Net Funded Debt	**334,026**	319,083
EBITDA for the four quarters ended	**166,092**	109,818
Ratio	**2.01**	2.91
Maximum Senior Funded Debt to EBITDA Ratio (Must be < 2.50:1.00)		
Maximum Senior Funded Debt	**34,026**	94,083
EBITDA for the four quarters ended	**166,092**	109,818
Ratio	**0.20**	0.86
Minimum EBITDA to Interest Expense (Must be > 3.00:1.00)		
EBITDA for the four quarters ended	**166,092**	109,818
Interest Expense	**20,848**	17,836
Ratio	**7.97**	6.16

At September 30, 2014, the Company had a net draw of $18.5 million on the Senior Facility (December 31, 2013 – $84.0 million), net of capitalized transaction costs of $0.7 million (December 31, 2013 – $0.4 million). The maximum available draw on the Senior Facility at September 30, 2014, was $200.0 million (December 31, 2013 - $150.0 million).

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 $0.9 million at September 30, 2014, as compared to $1.6 million at December 31, 2013. The fixed interest rate leases are for terms ranging to March 2016 with interest on the lease facilities at a weighted average rate of 4.95%, resulting in monthly payments of approximately $0.07 million.
- Non-bank vehicle and equipment finance leases are secured by each related asset at a weighted average interest rate of approximately 5.68%, and have termination dates ranging from October 2014 through January 2020. At September 30, 2014, outstanding vehicle and equipment finance lease obligations totalled $12.1 million as compared to $6.3 million at December 31, 2013.
- Vehicle financing loans are secured by each related vehicle at a weighted average interest rate of approximately 6.02% and have termination dates ranging from November 2014 to August 2016. At September 30, 2014, outstanding vehicle loans totalled $1.1 million, as compared to $2.2 million at December 31, 2013.
- Equipment financing loans are secured by each related piece of equipment and have a weighted average interest rate of 17.25% and a termination date of April 2015. At September 30, 2014, outstanding equipment loans totalled $0.6 million, as compared to $1.2 million at December 31, 2013.

The following table details the remaining contractual maturities of the Company's financial liabilities as of September 30, 2014:

	Payments Due By Period (1)					
$000's	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	**Total**
Accounts payable and accrued liabilities	125,398	-	-	-	-	**125,398**
Dividends payable (2)	5,889	-	-	-	-	**5,889**
Deferred acquisition consideration	10,542	18,067	7,201	3,800	-	**39,610**
Senior Unsecured Notes	-	-	-	-	300,000	**300,000**
Long-term debt at fixed interest rates (3)	295	1,123	306	16	-	**1,740**
Long-term debt at floating interest rates (3)	-	-	-	19,256	-	**19,256**
Finance lease obligations at fixed interest rates (3)	132	643	167	-	-	**942**
Finance lease obligations at floating interest rates (3)	963	4,163	4,414	2,199	349	**12,088**
Office operating leases	853	3,760	3,941	4,885	-	**13,439**
Total	144,072	27,756	16,029	30,156	300,349	**518,362**

Notes:
[1] *Payments denominated in foreign currencies have been translated at the respective year end exchange rate*
[2] *Dividends declared as of September 30, 2014*
[3] *Long-term debt and finance lease obligations reflect principal payments and excludes any associated interest portion*

At the time of the release of this MD&A, and particularly in light of the successful equity Offering in July 2014, the issuance of additional Senior Notes completed in July 2014, and the increased borrowing capacity under the Senior Facility, management is satisfied that CES has sufficient liquidity and capital resources to meet the long-term payment obligations of its outstanding loans and commitments. CES assesses its requirements for capital on an ongoing basis and there can be no guarantee that CES will not have to obtain additional capital to finance the expansion plans of the business or to finance future working capital requirements. In the event that it 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 September 30, 2014, cash flow from operating activities was an outflow of $8.8 million compared to an inflow of $5.5 million during the three months ended September 30, 2013, with the increase being primarily as a result of the change in non-cash working capital. Funds Flow From Operations takes into consideration changes in non-cash working capital and represents the Company's after tax operating cash flows. For the three months ended September 30, 2014, Funds Flow From Operations was $37.9 million, compared to a $26.8 million for the three months ended September 30, 2013.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2014**	2013	**2014**	2013
Cash provided by (used in) operating activities	**(8,815)**	5,450	**41,541**	23,563
Adjust for:				
Change in non-cash operating working capital	**46,677**	21,392	**56,611**	34,525
Funds Flow From Operations (1)	**37,862**	26,842	**98,152**	58,088

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

Cash Flows from Investing Activities

For the three months ended September 30, 2014, net cash outflows from investing activities totalled $53.1 million compared to $30.4 million for the three months ended September 30, 2013. The increase in net cash outflows for the three months ended September 30, 2014, is primarily as a result of the cash paid for the Rheotech, Canwell, and Southwest acquisitions, and is also reflective of the growing business with the addition of Rheotech, Canwell, and Southwest, for which associated investing cash flows were not included in the comparative period in 2013.

For the three months ended September 30, 2014, $14.6 million was spent on property and equipment (net of $4.5 million in vehicle financing and leases). During the quarter, CES had $2.9 million of additions related to Maintenance Capital and $16.2 million of additions related to Expansion Capital including vehicle financing. Notable Maintenance Capital additions during the quarter ended September 30, 2014, include: $2.1 million in vehicles, $0.4 million for machinery and field equipment, and $0.4 million of other maintenance additions. Excluding the property and equipment acquired through the Rheotech, Canwell, and Southwest acquisitions, notable expansion additions during the quarter ended September 30, 2014, include: $4.9 million in trucks and trailers, $2.9 million in vehicles, $2.9 million for warehouse and facilities, $2.7 for machinery and field equipment, $1.3 million in processing equipment, $0.7 million for tanks, and $0.8 million for other expansion additions.

Expansion Capital expenditures in Q3 2014 were higher than historical comparables primarily as a result of a number of new capital projects undertaken as well as the ongoing expansion of the Company's existing operations. The Company is currently constructing a barite grinding facility, completing a second liquid mud plant in West Texas, and is continuing the expansion of its JACAM facilities. The Company continues to invest in new warehouse and fluids storage facilities to service customers throughout North America, and the other necessary ancillary and supporting equipment required to support these facilities and the corresponding expanded operations.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2014**	2013	**2014**	2013
Expansion Capital [(1)]	**16,178**	10,713	**49,189**	29,511
Maintenance Capital [(1)]	**2,924**	1,141	**4,986**	2,953
Total investment in property and equipment	**19,102**	11,854	**54,175**	32,464
Asset financing and leases	**(4,504)**	(1,529)	**(10,408)**	(4,405)
Capital expenditures	**14,598**	10,325	**43,767**	28,059
Change in non-cash investing working capital	**(701)**	211	**(417)**	(63)
Cash used for investment in property and equipment	**13,897**	10,536	**43,350**	27,996

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 2014, CES's non-acquisition related capital expenditures are estimated to be approximately $65.0 million, of which an estimated $6.0 million will be maintenance capital additions, and an estimated $59.0 million will be for discretionary expansion capital additions. The expansion capital expenditures are expected to be used to further expand CES' business platform and to further vertically integrate our operations.

Cash Flows from Financing Activities

For the three month period ended September 30, 2014, cash flows from financing activities totalled a cash inflow of $61.9 million compared to an inflow of $25.0 million during the comparative prior year period. This year-over-year increase is reflective of the Company receiving $79.5 million and $72.4 million, respectively, in net proceeds relating to the issuance of the Additional Senior Notes and the completion of the Offering, offset by a decrease in the Senior Facility.

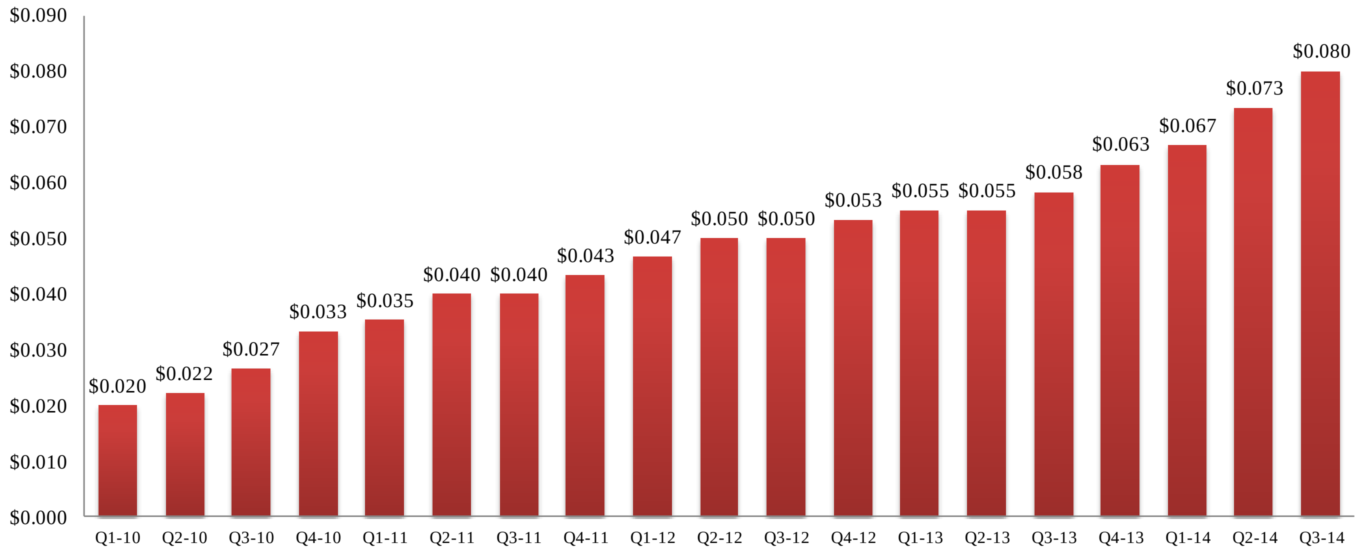
CES calculated Distributable Earnings based on Funds Flow From Operations and the Payout Ratio based on the level of dividends declared as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2014**	2013	**2014**	2013
Cash used in operating activities	**(8,815)**	5,450	**41,541**	23,563
Adjust for:				
Change in non-cash operating working capital	**46,677**	21,392	**56,611**	34,525
Funds Flow From Operations [(1)]	**37,862**	26,842	**98,152**	58,088
Maintenance Capital [(2)]	**(2,924)**	(1,141)	**(4,986)**	(2,953)
Distributable Earnings [(1)]	**34,938**	25,701	**93,166**	55,135
Dividends declared	**17,056**	11,491	**45,479**	31,589
Payout Ratio [(1)]	**49%**	45%	**49%**	57%

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

Distributable Earnings were $34.9 million for the three months ended September 30, 2014, compared with $25.7 million for the same period in 2013. During the three months ended September 30, 2014, CES declared monthly dividends of $0.025 per share for July and $0.0275 per share for August and September for a total of $0.08 per share for the quarter. During the third quarter of 2014, the Payout Ratio was 49% compared to 45% for the third quarter of 2013.

QUARTERLY DIVIDEND GROWTH [1]



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

Dividend Policy

In August of 2014, CES increased its dividend for the eleventh time since January 1, 2010. The Company declared dividends to holders of common shares for the nine months ended September 30, 2014, as follows:

$000's except per share amounts	Dividend Record Date	Dividend Payment Date	Per Common Share [(1)]	Total
January	Jan 31	Feb 14	$0.0217	**4,372**
February	Feb 28	Mar 14	$0.0217	**4,373**
March	Mar 28	Apr 15	$0.0233	**4,743**
April	Apr 30	May 15	$0.0233	**4,746**
May	May 30	Jun 13	$0.0250	**5,089**
June	Jun 30	Jul 15	$0.0250	**5,100**
July	Jul 31	Aug 15	$0.0250	**5,311**
August	Aug 29	Sep 15	$0.0275	**5,856**
September	Sep 30	Oct 15	$0.0275	**5,889**
Total dividends declared during the period			$0.2200	**45,479**

***Notes*:**

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

Through the course of the year, monthly dividends declared as a proportion of net income and distributable earnings will vary significantly based on the Company's financial performance. During periods of relatively strong financial performance, typically associated with higher activity levels at the drill-bit, dividends declared as a percentage of net income and cash flow from operations will decrease, and likewise, during periods of relatively weaker financial performance dividends declared as a percentage of net income and cash flow from operations will increase. Dividends are funded by cash provided by operating activities. During periods of insufficient cash availability, due to relatively weaker financial performance or changes in the level of working capital, dividends may be funded through CES' credit facilities.

Management and the Board of Directors review the appropriateness of dividends on a monthly basis taking into account applicable solvency requirements under corporate legislation; current and anticipated industry conditions; and, particularly, growth opportunities requiring Expansion Capital, and management's forecast of Distributable Earnings and the Payout Ratio. Although, at this time, CES intends to continue to make cash dividends to shareholders, 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 September 30, 2014, the Company declared dividends to holders of common shares in the amount of $0.0275 per common share payable on November 14, 2014, for shareholders of record on October 31, 2014.

Shareholders' Equity

On June 19, 2014, the Company's shareholders approved a three-for-one split of CES' outstanding common shares (the "Stock Split"). The Stock Split was effected in the form of the issuance of two additional common shares for each share owned by shareholders of record at the close of business on July 18, 2014. All share data and information related to the Company's stock-based compensation plans presented herein have been retroactively adjusted to give effect to the stock split. As of September 30, 2014, CES had a total of 214,157,240 common shares outstanding. As of the date of this MD&A, CES had a total of 214,510,845 common shares outstanding.

Stock-based Compensation
As at September 30, 2014, a total of 21,415,724 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 9,302,434 common shares remained available for grant.

a) Share Rights Incentive Plan ("SRIP")
At September 30, 2014, a total of 7,251,439 Share Rights were outstanding (December 31, 2013 – 7,174,644) at a weighted average exercise price of $5.78 (assuming all SRIP's are exercised at their respective original exercise price) of which 2,834,395 were exercisable. As of the date of this MD&A, an aggregate of 7,207,439 Share Rights remaining outstanding, of which 2,790,395 are exercisable.

b) Restricted Share Unit Plan ("RSU")
At September 30, 2014, a total of 4,861,840 Restricted Share Units were outstanding (December 31, 2013 – 4,972,498) at a weighted average issuance price of $6.96, none of which were vested. As of the date of this MD&A, an aggregate of Restricted 4,568,319 Share Units remain outstanding, none of which have vested.

Commitments
At September 30, 2014, CES had the following additional commitments not included as liabilities on its statement of financial position:

$000's	**2014 - 3 months**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Office and facility rent	1,273	4,423	3,532	2,327	1,864	20	**13,439**

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, 2013, and its audited annual consolidated financial statements and notes thereto for the year ended December 31, 2013.

RECENT ACCOUNTING PRONOUNCEMENTS

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

Effective January 1, 2014, the Company adopted International Financial Reporting Interpretation Committee 21 *"Levies"*, as well as amendments to International Accounting Standards ("IAS") 32*, "Financial Instruments: Presentation",* and IAS 36, *"Impairment of Assets"*, the adoption of which have not had a material impact on the accounting policies, methods of computation, or presentation applied by the Company.

CORPORATE GOVERNANCE

Disclosure Controls and Procedures ("DC&P")

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

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 and nine months ended September 30, 2014 that have materially affected, or 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' 2013 Annual Report, CES' Annual Information Form dated March 13, 2014 in respect of the year ended December 31, 2013, 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 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 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 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. West Texas Intermediate ("WTI") crude prices have recently retreated below $80/bbl again and prices are likely to continue to see volatility in the face of macro-economic forces, and the forward curves are trading below $80/bbl. 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. In contrast to oil prices, natural gas prices have remained relatively weak since their peak in 2008. Since mid-2012, there has been a modest recovery in natural gas prices in North America. However, cooler summer weather and higher gas in storage numbers have seen a retreat in natural gas prices throughout North America. However, there is no clear direction on long-term future prices and the futures curve for Nymex Henry Hub is trading below $4.00 per MMBtu. There has yet to be any significant shift in capital to dry gas drilling as most operators are drilling for liquids rich gas in order to meet their internal rates of return hurdles. Despite optimism in the first half of 2014, activity could slow further if operators' access to capital is impaired or if the price of crude oil falls or the long-term price of natural gas does not recover to more robust levels.

The Western Canadian drilling industry is subject to seasonality with activity usually peaking during the winter months in the first and fourth quarters of any given calendar year. As temperatures rise in the spring, the ground thaws and becomes unstable, resulting in government road bans which severely restrict activity in the second quarter. These seasonal trends typically lead to quarterly fluctuations in Canadian operating results and working capital requirements which should be considered in any quarter over quarter analysis of the Company. As the drilling fluids business expands in the US, and as the production focused and infrastructure focused chemical business is built out, it is expected that the overall seasonality of the Company's operations will be less pronounced.

The ability of CES to sell and expand its services will also depend upon the ability to attract qualified personnel as needed. Over the past few years, the demand for skilled employees has been high and the supply has been limited. The 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, and reviewing and actively following up on older accounts. 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 lower natural gas prices persist, or if crude oil prices fall, or volatile capital markets return, there would be a risk of increased bad debts. It is not possible at this time to predict the likelihood, or magnitude, of this risk.

The provincial governments of Alberta, British Columbia, Manitoba, and Saskatchewan collect royalties on the production from Crown lands. These fiscal royalty regimes are reviewed and adjusted from time to time by the respective governments for appropriateness and competitiveness. The potential for future changes in these and other jurisdictions is a risk for the Canadian oilfield services sector.

CES' US footprint and size of operations continues to increase. US expansion provides CES with upside potential and reduces certain risks through diversification of operations. It also exposes the Company to additional specific risks including: integration risks of the acquired businesses; currency risk with added exposure to fluctuations in the US dollar; regulatory risks associated with environmental concerns; and the future impact of increased regulatory requirements.

The volatility in the financial markets over the past five years has impacted the general availability of both credit and equity financing in the marketplace. Economic and sovereign debt issues are ongoing in Europe and, although there is more optimism for stronger economic growth in the US, the strength and duration of the recovery remains uncertain. Despite CES' successful issuance of the Additional Senior Notes and the equity Offering completed in July 2014, the Fall of 2014 has seen a retreat in the energy equity markets. 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 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 our 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 Canada Revenue Agency (the "CRA") which stated its intent to challenge the Canadian tax consequences of the Conversion. The CRA's position is based on the acquisition of control rules and the general anti-avoidance rules in the *Income Tax Act* (Canada). CES provided a response to the proposal letter in September 2014 and to date, no further correspondence has been received. If the CRA issues a Notice of Reassessment for the 2010, 2011 and 2012 taxation years, the Company would be required to pay 50 percent of the tax liability claimed by the CRA in order to appeal this reassessment. If the reassessments are issued and maintained on appeal, the estimated tax liability for the three years since the Conversion would amount to approximately $16 million in cash taxes. CES would have 90 days from the date of the Notice of Reassessment to prepare and file a Notice of Objection. If the CRA is not in agreement with the Company's Notice of Objection, CES will have the option to file an appeal with the Tax Court of Canada. If the Company is successful in appealing its reassessment in the Tax Court of Canada, then any amounts paid to the CRA in connection with the reassessment will be refunded plus interest. In the event CES is unsuccessful, then any remaining taxes payable plus interest and penalties will have to be remitted. No amount has been provided for in the Company's September 30, 2014 financial statements related to the Conversion.

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.

Reference should be made to CES' Annual Information Form dated March 13, 2014 for the year ended December 31, 2013, and in particular to the heading "Risk Factors" for further risks associated with the business, operations, and structure of CES which is available on CES' SEDAR profile at www.sedar.com.

OUTLOOK

With record Q3 2014 financial results and a strong and flexible balance sheet that was greatly enhanced with the successful placement of $75.0 million of Senior Notes and $75.2 million of equity raised in July 2014, CES is increasing its expected 2014 guidance which was last updated on July 3, 2014. CES' consolidated gross revenue for 2014 is expected to range between $945.0 million to $965.0 million and consolidated EBITDAC is expected to range between $170.0 million to $178.0 million. The revised 2014 guidance reflects the positive growth that CES has experienced across all its business units in 2014. The material assumptions in making forward-looking statements include, but are not limited to, assumptions relating to demand levels and pricing for the oilfield chemistry offerings of the Company; fluctuations in the price and demand for oil and natural gas; anticipated activity levels of the Company's significant customers; commodity pricing; general economic and financial market conditions; timing and the financial contribution achieved from our 2014 planned capital expenditures; the successful integration of recent acquisitions; the Company's ability to finance its operations; levels of drilling and other activity in the Permian and other basins, the effects of seasonal and weather conditions on operations and facilities; changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; and other unforeseen conditions which could impact the Company's business of supplying oilfield chemistry to the Canadian and US markets and the Company's ability to respond to such conditions.

CES continues to make significant strides in advancing its strategic vision of being a leading, vertically integrated, full life cycle provider of technically advanced 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, completed and produced.

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, Texas; Calgary, Canada; and Carlyle, Saskatchewan. CES also leverages third party partner relationships to drive innovation.

CES believes over time it can grow its market share within each of these sub-segments of the oilfield consumable chemical market. CES' strategy is to utilize its patented and proprietary technologies and superior execution to increase market share. CES believes that its unique value proposition in this increasingly complex operating environment makes it the premier independent provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield in North America.

CES is very pleased with its record Q3 2014 financials and 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, initial steps have been undertaken to support AES operations with JACAM manufactured materials and to expand JACAM's market penetration via the established AES platform.

CES sees the opportunity for the unique JACAM products expanding as we move forward. From a manufacturing perspective, CES is undertaking further vertical integration initiatives at the JACAM facility with the completion of the solid chemistry line expansion and the organo clay plant in 2014, and with the build-out of hydrogenation capabilities to be completed in 2015.

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

The Canadian business is also performing very well with record revenues achieved in the first nine months of 2014. Despite the recent pull back in commodity prices, the Canadian business has positive momentum going into the remainder of 2014 and Q1 2015 with the accretive acquisitions of Rheotech and Canwell providing even more opportunities.

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

The EQUAL Transport division remains profitable. 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 our stringent financial and operational metrics.

At this time CES is not releasing its 2015 guidance. Despite continued robust activity levels in Q4 2014, and positive visibility into Q1 2015, CES is cautious with its outlook for 2015 as a whole in an environment of falling crude oil prices, the uncertainty of natural gas prices and, potentially, reduced access to debt or equity financing for our customers. Between now and early in the New Year many of CES' key customers will provide forward guidance on their planned 2015 capital expenditure programs and November will see a key meeting of the Organization of the Petroleum Exporting Countries. As such CES will defer releasing its 2015 guidance until early 2015 when it is anticipated that it will have a clearer view of the industry prospects for 2015.

As always, 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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