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 CES Energy Solutions Corp. ("CES" or the "Company") for the three and nine months ended September 30, 2017, and the audited consolidated financial statements and notes thereto of CES for the years ended December 31, 2016 and 2015, and CES' 2016 Annual Information Form. This MD&A is dated November 9, 2017, 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 are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information contained in this document speaks only as of the date of the document, and CES assumes no obligation to publicly update or revise such information 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: the seasonality of CES' business; the anticipated reduction in exposure to the effects of spring break-up in the WCSB; the duration of spring break-up; the certainty and predictability of future cash flows and earnings; the expectation that cash interest costs, maintenance capital and dividends will be fully funded from EBITDAC; future estimates as to dividend levels; the potential means of funding dividends; the intention to make future dividend payments; the business strategy regarding cash dividend payments in the future; the amount of cash to be conserved based on the new dividend level and the ability to retain such cash to preserve the balance sheet and provide liquidity to fund future growth initiatives; the sufficiency of liquidity and capital resources to meet long-term payment obligations; potential M&A opportunities; the long-term capital investments required for CES to execute on its business plan; the amount of CES' non-acquisition related capital expenditures in 2017, including maintenance capital and discretionary expansion capital and the anticipated timing for spending such capital; the expected timing and cost for completion of expansions at the JACAM, Catalyst, and PureChem facilities; expectations regarding increased headcount and cost inflation related to General and Administrative Costs; 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 (as defined herein); the application of critical accounting estimates and judgements; the timing of adoption of new accounting standards and the potential impact of new accounting standards on CES' financial statements; the collectability of accounts receivable; the effectiveness of CES' credit risk mitigation strategies and the results of any U.S. trade credit insurance claims; management's opinion of the impact of self-insuring trade credit insurance; CES' ability to increase or maintain its market share, including expectations that PureChem and JACAM will increase market share in the oilfield consumable chemical market and Catalyst will increase market share of production and specialty chemicals in the Permian Basin; expectations regarding the number of Treatment Points in Canada; CES' ability to leverage third party partner relationships to drive innovation in the consumable fluids and chemicals business; supply and demand for CES' products and services, including expectations for growth in CES' production and specialty chemical sales and expected growth in the consumable chemicals market; expectations that CES will rationalize its drilling fluids cost structure; industry activity levels; commodity prices and related pricing pressure; any forward curves for commodity prices; treatment under governmental regulatory and taxation regimes; expectations regarding the impact of proposed changes to Alberta's oil and gas royalty regime; expectations regarding expansion of services in Canada and the U.S.; development of new technologies; expectations regarding CES' growth opportunities in Canada and the U.S.; the effect of acquisitions on the Company including the effect of the Catalyst and StimWrx Acquisitions (as defined herein); expectations regarding the performance or expansion of CES' operations; expectations regarding the diversification of operations away from the drill-bit; expectations that competitor consolidation and business failures will provide future opportunities to CES; expectations regarding demand for CES' services and technology; the potential for CES to expand its business as it relates to water usage and handling; investments in research and development and technology advancements; access to debt and capital markets and cost of capital; CES' ability to continue to comply with covenants in debt facilities; expectations regarding the impact of the refinancing of CES's Senior Notes; 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 U.S., and internationally; geopolitical risk; fluctuations in demand for consumable fluids and chemical oilfield services, and any downturn in oilfield activity; a decline in activity in the WCSB, the Permian and other basins in which the Company operates; a decline in frac related chemical sales; a decline in operator usage of chemicals on wells; an increase in the number of customer well shut-ins; volatility in market prices for oil, natural gas, and natural gas liquids and the effect of this volatility on the demand for oilfield services generally; the declines in prices for natural gas, natural gas liquids, and oil, and pricing differentials between world pricing and pricing in North America; competition, and pricing pressures from customers in the current commodity environment; currency risk as a result of fluctuations in value of the U.S. dollar; liabilities and risks, including environmental liabilities and risks inherent in oil and natural gas operations; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; the collectability of accounts receivable, particularly in the current low oil and natural gas price environment; ability to integrate technological advances and match advances of competitors; availability of capital; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; the ability to successfully integrate and achieve synergies from the Company's acquisitions; changes in legislation and the regulatory environment, including uncertainties with respect to oil and gas royalty regimes, programs to reduce greenhouse gas and other emissions and regulations restricting the use of hydraulic fracturing; pipeline capacity and other transportation infrastructure constraints; reassessment and audit risk associated with the Conversion and other tax filing matters; changes and proposed changes to U.S. policies including the potential for tax reform, and possible renegotiation of international trade agreements including NAFTA, ; divergence in climate change policies between Canada and the U.S.; potential changes to the crude by rail industry; 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, 2016 and "Risks and Uncertainties" in this MD&A.

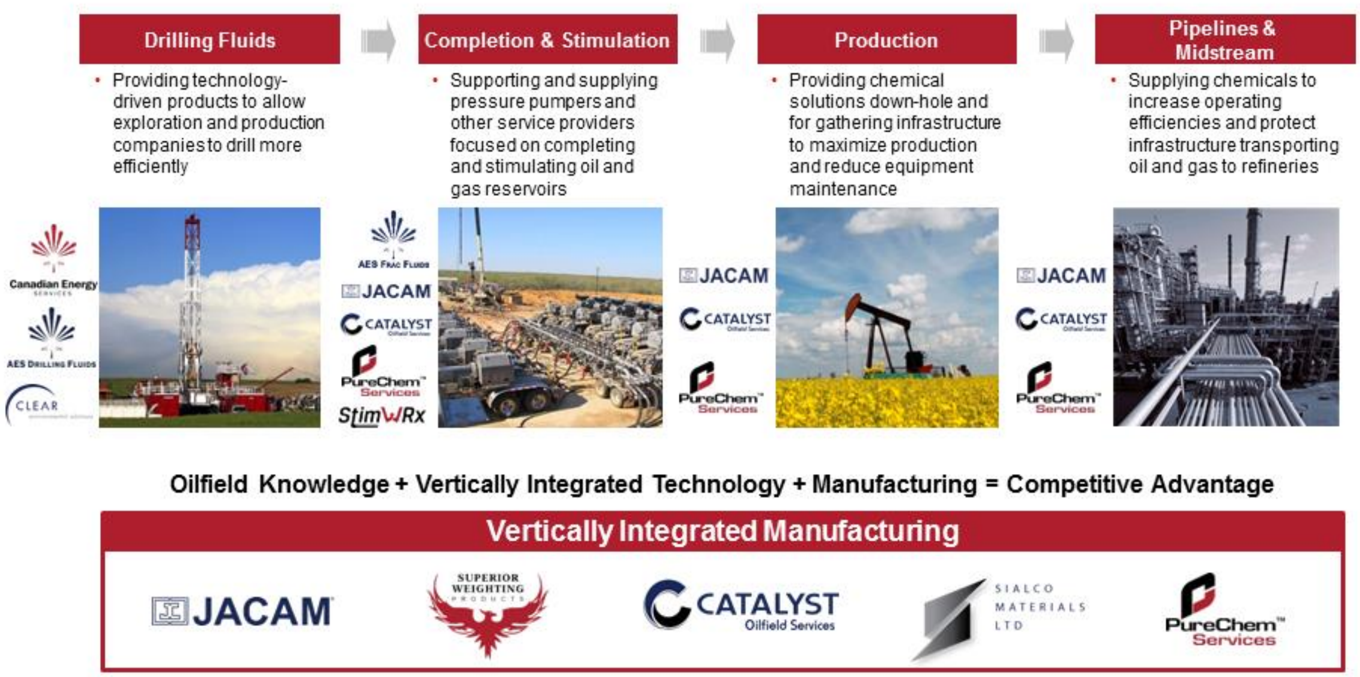
Without limiting the foregoing, the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

CORPORATE NAME CHANGE

Effective June 15, 2017, CES changed its corporate name from "Canadian Energy Services & Technology Corp." to "CES Energy Solutions Corp.". CES has significantly transformed its business since its initial public offering in March 2006, and has broadened its operational footprint across North America. The new company name avoids geographic reference, while incorporation of the CES acronym helps to maintain brand recognition.

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 fracturing solutions or other forms of remedial well stimulation techniques. The shift to horizontal drilling and multi-stage fracturing with long horizontal well completions has been responsible for significant growth in the drilling fluids and completion and stimulation chemicals markets. At the wellhead and pump-jack, CES' designed production and specialty chemicals provide down-hole solutions for production and gathering infrastructure to maximize production and reduce costs of equipment maintenance. Key solutions include corrosion inhibitors, demulsifiers, H_2S scavengers, paraffin control products, surfactants, scale inhibitors, biocides and other specialty products. Further, specialty chemicals are used throughout the pipeline and midstream industry to aid in hydrocarbon movement and manage transportation and processing challenges including corrosion, wax build-up and H_2S.



CES operates in the Western Canadian Sedimentary Basin ("WCSB") and in several basins throughout the United States ("US"), with an emphasis on servicing the ongoing major resource plays. In Canada, CES operates under the trade names Canadian Energy Services, PureChem Services ("PureChem"), StimWrx Energy Services Ltd. ("StimWrx"), Sialco Materials Ltd. ("Sialco"), and Clear Environmental Solutions ("Clear"). In the US, CES operates under the trade names AES Drilling Fluids ("AES"), AES Frac Fluids ("AES Frac"), Superior Weighting Products ("Superior Weighting"), JACAM Chemicals ("JACAM"), and Catalyst Oilfield Services ("Catalyst").

The Canadian Energy Services and AES brands are focused on the design and implementation of drilling fluids systems and completion solutions sold directly to oil and gas producers. The StimWrx brand provides near matrix stimulation and remediation of oil, gas, and injection wells in Western Canada. The Superior Weighting brand custom grinds minerals including barite, which is the weighting agent utilized in most drilling fluid systems. The JACAM, Catalyst, PureChem, and Sialco brands are vertically integrated manufacturers of advanced specialty chemicals. In addition to being basic in the manufacture of oilfield chemicals, JACAM, Catalyst, and PureChem have expanding distribution channels into the oilfield.

Clear is a complimentary business division that supports the operations and augments the product offerings in the WCSB. Clear is CES' environmental division, providing environmental consulting, water management services, and drilling fluids waste disposal services primarily to oil and gas producers active in the WCSB.

Led by JACAM's state of the art laboratory in Sterling, Kansas, CES now operates eight separate lab facilities across North America: two in Houston, Texas; two in Midland, Texas; and one in each of Carlyle, Saskatchewan; Delta, British Columbia; and Calgary, Alberta. In 2015, CES significantly expanded its laboratory capabilities in Calgary with the opening of its new laboratory and technology center. In the US, CES' main chemical manufacturing and reacting facility is located in Sterling, Kansas with additional low-temperature reacting and chemical blending capabilities in Midland, Texas and chemical blending capabilities in Sonora, Texas. In Canada, CES has a chemical manufacturing and reacting facility located in Delta, British Columbia with additional chemical blending capabilities located in Carlyle, Saskatchewan and Nisku, Alberta. 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. CES' current dividend level preserves the strength of the Company's balance sheet while providing liquidity to fund potential growth initiatives. CES will continue to be protective of its balance sheet and prudent with its cash dividend.

NON-GAAP MEASURES

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

EBITDAC – is defined as net income (loss) 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, stock-based compensation, and other gains and losses not considered reflective of underlying operations. 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,	
$000s	**2017**	2016	**2017**	2016
Net income (loss)	**19,437**	(11,387)	**33,560**	(60,577)
Add back (deduct):				
Depreciation on property and equipment in cost of sales	**9,141**	8,943	**27,499**	26,284
Depreciation on property and equipment in G&A	**1,269**	1,517	**3,961**	3,963
Amortization on intangible assets in G&A	**4,620**	4,862	**16,543**	14,915
Interest expense, net of interest income	**6,430**	5,632	**18,446**	16,998
Amortization of capitalized deferred financing costs	**297**	319	**940**	950
Current income tax expense (recovery)	**(5,864)**	(736)	**(3,068)**	1,970
Deferred income tax expense (recovery)	**(2,217)**	4,891	**(4,667)**	3,155
Stock-based compensation	**6,555**	3,404	**17,539**	12,165
Unrealized foreign exchange loss	**5**	63	**68**	79
Unrealized derivative loss (gain)	**719**	(558)	**745**	3,627
Gain on disposal of assets	**(1,277)**	(364)	**(1,154)**	(1,212)
Other finance costs	**-**	-	**169**	-
Other (income) loss	**(42)**	(6)	**(84)**	175
EBITDAC	**39,073**	16,580	**110,497**	22,492

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.

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 DF 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 DF 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.

Treatment Points – represents the average estimated number of unique wells or oilfield sites serviced monthly by CES in the referenced period with production and specialty chemicals.

FINANCIAL HIGHLIGHTS

Summary Financial Results	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s, except per share amounts)	**2017**	2016	% Change	**2017**	2016	% Change
Revenue	**260,881**	145,140	80%	**750,809**	380,022	98%
Gross margin	**63,876**	32,134	99%	**182,195**	71,798	154%
as a percentage of revenue	**24%**	22%		**24%**	19%	
Cash Gross Margin [(1)]	**71,740**	40,713	76%	**208,540**	96,870	115%
as a percentage of revenue	**27%**	28%		**28%**	25%	
Income (loss) before taxes	**11,356**	(7,232)	nmf	**25,825**	(55,452)	nmf
per share – basic	***0.04***	*(0.03)*	*nmf*	***0.10***	*(0.23)*	*nmf*
per share - diluted	***0.04***	*(0.03)*	*nmf*	***0.09***	*(0.23)*	*nmf*
Net income (loss)	**19,437**	(11,387)	nmf	**33,560**	(60,577)	nmf
per share – basic	***0.07***	*(0.04)*	*nmf*	***0.13***	*(0.26)*	*nmf*
per share - diluted	***0.07***	*(0.04)*	*nmf*	***0.12***	*(0.26)*	*nmf*
EBITDAC [(1)]	**39,073**	16,580	136%	**110,497**	22,492	391%
per share – basic	***0.15***	*0.06*	*150%*	***0.42***	*0.09*	*367%*
per share - diluted	***0.14***	*0.06*	*133%*	***0.41***	*0.09*	*356%*
Funds Flow From Operations [(1)]	**38,518**	11,699	229%	**94,667**	3,549	2567%
per share – basic	***0.14***	*0.05*	*180%*	***0.36***	*0.01*	*3500%*
per share - diluted	***0.14***	*0.05*	*180%*	***0.35***	*0.01*	*3400%*
Dividends declared	**2,000**	1,943	3%	**5,973**	8,771	(32%)
per share	***0.0075***	***0.0075***	*0%*	***0.0225***	*0.0380*	*(41%)*

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

OVERVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Highlights for the three and nine months ended September 30, 2017, in comparison to the three and nine months ended September 30, 2016 for CES are as follows:

- The financial results reported herein for the three months ended September 30, 2017 ("Q3 2017") and the nine months ended September 30, 2017 are reflective of the improvement in commodity prices that has led to a rebound in activity in the oil and gas industry. In contrast, although activity levels started to improve in the three months ended September 30, 2016 ("Q3 2016") from the lows experienced earlier in the year, the results for the three and nine months ended September 30, 2016, still presented challenging market conditions for the industry with both oil prices and activity levels bottoming in the first half of 2016. In Q3 2017 trough pricing levels continue to exist in CES' business lines, but the increase in activity has allowed CES to sell higher volumes of its products across its rationalized cost structure, and as a result, the financial results of CES in Q3 2017 and year-to-date are consistently improved in comparison to the results achieved in Q3 2016 and year-to-date 2016. Slightly offsetting these improvements are some negative financial effects of Hurricane Harvey experienced in Q3 2017, which have been outlined below.

- CES generated revenue of $260.9 million during Q3 2017, compared to $145.1 million for Q3 2016, an increase of $115.8 million or 80%. Year-to-date, revenue totalled $750.8 million as compared to $380.0 million for the nine months ended September 30, 2016, representing an increase of $370.8 million or 98%. EBITDAC for Q3 2017 was $39.1 million as compared to $16.6 million for Q3 2016, representing an increase of $22.5 million. Year-to-date, EBITDAC totalled $110.5 million as compared to $22.5 million for the nine months ended September 30, 2016, representing an increase of $88.0 million. Year-over-year, the Company's operating results benefited from increased activity levels due to the improved commodity price environment. Furthermore, Q3 2017 and year-to date include a full run-rate of results attributable to both the Permian based Catalyst Acquisition, completed in August 2016 and the StimWrx acquisition in Canada, completed in Q1

2017, where in the comparable periods there were only two months of results attributable to Catalyst and none attributable to StimWrx. As detailed below, in Q3 2017 and year-to-date, all facets of the business in the US and Canada have made positive contributions to revenue and EBITDAC.

- Revenue generated in the US for Q3 2017 was $168.9 million compared to $92.8 million for Q3 2016, an increase of $76.1 million or 82%. Year-to-date, revenue totaled $473.6 million, compared to $250.9 million for the nine months ended September 30, 2016, representing an increase of $222.7 million or 89% on a year-over-year basis. This year over year increase is as a result of the improved market conditions in 2017 with significant activity improvement in the drilling fluids business, and increased US Treatment Points, particularly in the Permian Basin as a result of the Catalyst Acquisition, for which there were only two months of associated revenues or Treatment Points in the comparable period in 2016. Offsetting these gains were the negative effects of Hurricane Harvey in Q3 2017, which caused a slowdown in activity in the Company's Eagle Ford shale operations deferring revenue by up to one week as operators suspended drilling operations, and there were location access issues resulting in delays in product deliveries. In addition, although our barite mill in Corpus Christi, Texas was spared from the brunt of the effects of Hurricane Harvey, operations were suspended for six days as the plant was without power and later in the month one of the two mills was down as a result of water damage. Furthermore, the Company's US source revenue was negatively impacted by the devaluation of the US Dollar ("USD") versus the Canadian Dollar ("CAD") in the current year on translation.

- Revenue generated in Canada for Q3 2017 was $92.0 million compared to $52.3 million for Q3 2016, an increase of $39.7 million or 76%. Year-to-date, revenue totaled $277.2 million, compared to $129.1 million for the nine months ended September 30, 2016, representing an increase of $148.1 million or 115% on a year-over-year basis. PureChem continued to gain market share in Canada in the production chemicals business as Canadian Treatment Points for Q3 2017 and year-to-date 2017 have increased 25% and 37%, respectively, from the comparative periods. During Q3 2017, the drilling fluids business increased its Operating Days by 70% over Q3 2016, in line with the increase in industry rig counts which increased by 74% over Q3 2016. The increase in revenues in Canada for the nine months ended September 30, 2017, was a result of improved market conditions and the expansion of our business in an environment experiencing increased activity levels and customer spending, and the contribution by StimWrx, which was acquired January 1, 2017, for which there were no associated revenues in the comparable periods.

- In Q3 2017, CES recorded Cash Gross Margin of $71.7 million or 27% of revenue, compared to Cash Gross Margin of $40.7 million or 28% of revenue generated in the same period last year. Year-to-date, CES recorded Cash Gross Margin of $208.5 million or 28% of revenue, compared to Cash Gross Margin of $96.9 million or 25% of revenue generated in the same period last year. Although activity levels have improved from 2016, the Company continues to sell its products and services at trough pricing levels. CES has been able to pass through many of its input cost increases but has yet to realize any meaningful price increases for its products. The improvement in Cash Gross Margin as a percentage of revenue year-to-date in 2017 is evidence of the operating leverage in our consumable chemicals business model, and is as a result of the positive effects of the cost reduction initiatives taken in 2016, combined with increased activity levels as CES has come off its fixed cost base. However, during Q3 2017, Cash Gross Margin was negatively impacted by financial effects of Hurricane Harvey. In addition to the revenue related effects outlined above, from a cost perspective supply shortages particularly with respect to diesel, a primary input in most drilling fluids products in Texas, resulted in inflated diesel prices in September 2017 that could not be passed onto customers in the quarter. Furthermore, the Company paid a transportation premium to diesel suppliers for alternate delivery routes during the storm in order to continue to receive product. Further details regarding the financial impact of Hurricane Harvey are discussed above. Refer to "Non-GAAP Measures" for further detail on Cash Gross Margin.

- CES recorded net income of $19.4 million in Q3 2017 as compared to a net loss of $11.4 million in the prior year. CES recorded net income per share of $0.07 ($0.07 diluted) in Q3 2017 versus a net loss per share of ($0.04) (($0.04) diluted) in Q3 2016. For the year-to-date period, CES recorded net income of $33.6 million compared to a net loss of $60.6 million in 2016. CES recorded net income per share of $0.13 ($0.12) diluted) for the nine months ended September 30, 2017 versus a net loss per share of ($0.26) (($0.26) diluted) in 2016. The respective year-over-year increase in net income (year-to-date) resulted from the factors discussed above offset by higher depreciation and amortization charges and stock-based compensation expenses. The year-over-year increase in net income in Q3 2017, compared to Q3 2016, resulted from the factors discussed above offset by higher stock-based compensation expenses and interest expense.

- At September 30, 2017, the Company had $300.0 million of outstanding principal on unsecured Senior Notes due on April 17, 2020 (December 31, 2016 - $300.0 million). The Senior Notes bear interest of 7.375% per annum and interest is payable on the Senior Notes semi-annually on April 17th and October 17th. The Company has the option to redeem all of its outstanding Senior Notes on or after April 17, 2017. At September 30, 2017, CES is in compliance with the terms and covenants of its Senior Notes.

- Subsequent to September 30, 2017, the Company successfully completed the private placement of $300.0 million of 6.375% senior unsecured notes due October 21, 2024 (the "6.375% Senior Notes") on October 20, 2017. The Company will use the net proceeds from the issuance of the 6.375% Senior Notes, along with amounts available under the Senior Facility, to repay its existing 7.375% Senior Notes on the redemption date, November 18, 2017. These transactions will decrease CES' annual interest costs, extend its debt maturity profile, and provide additional financing flexibility. Refer to the Liquidity and Capital Resources section of this MD&A for further discussion.

- On July 14, 2017, the Company completed an amendment and two year extension of its existing syndicated senior facility ("the Senior Facility"). All of the amendments will remain in effect until maturity of September 28, 2020, subject to certain terms and conditions, and may be extended by one year upon agreement of the lenders and the Company. The principal amendments to the Senior Facility include an increase in the available borrowing amount from $150.0 to $165.0 million, which addresses the needs of the Company's expanding US business, improved pricing on amounts drawn, and certain changes to the Company's debt covenants that are improvements for CES as detailed under the Liquidity and Capital Resources section of this MD&A.

- In response to increased activity levels requiring CES to build working capital, as at September 30, 2017, CES had a net draw of $91.3 on its existing Senior Facility (December 31, 2016 – net draw of nil). The maximum available draw on the Senior Facility at September 30, 2017, was $165.0 million (December 31, 2016 - $121.4 million). At September 30, 2017, CES is in compliance with the terms and covenants of its Senior Facility. As at the date of this MD&A, the Company had a net draw of $nil on its Senior Facility and a cash balance of approximately $190.0 million, as a result of the net proceeds on the 6.375% Senior Notes, which as discussed above will be used, along with amounts available under the Senior Facility to redeem the 7.375% Senior Notes on November 18, 2017.

- CES continues to maintain a strong statement of financial position or "balance sheet" with positive net working capital of $336.8 million as at September 30, 2017 (December 31, 2016 – $222.3 million). Although the Company experienced certain negative operational and financial effects from Hurricane Harvey in Q3 2017 as outlined above, there was no significant damage to any of the Company's facilities located in the affected regions.

- During Q3 2017, CES declared monthly dividends totalling $0.0075 per share as compared to $0.0075 per share for the same period in 2016. During Q3 2017, the Company's Payout Ratio averaged 6% as compared to 20% in Q3 2016. Further discussion on the Company's dividend is included in the Liquidity and Capital Resources section of this document.

RESULTS FOR THE PERIODS

	Three Months Ended September 30,			
($000s, except per share amounts)	**2017**	2016	$ Change	% Change
Revenue	**260,881**	145,140	115,741	80%
Cost of sales	**197,005**	113,006	83,999	74%
Gross margin	**63,876**	32,134	31,742	99%
Gross margin percentage of revenue	**24%**	22%		
General and administrative expenses	**44,743**	34,902	9,841	28%
Finance costs	**7,819**	4,470	3,349	75%
Other income	**(42)**	(6)	(36)	600%
Income (loss) income before taxes	**11,356**	(7,232)	18,588	nmf
Current income tax recovery	**(5,864)**	(736)	(5,128)	697%
Deferred income tax expense (recovery)	**(2,217)**	4,891	(7,108)	nmf
Net income (loss)	**19,437**	(11,387)	30,824	nmf
Net income (loss) per share – basic	***0.07***	*(0.04)*	*0.11*	*nmf*
Net income (loss) per share – diluted	***0.07***	*(0.04)*	*0.11*	*nmf*
EBITDAC [(1)]	**39,073**	16,580	22,493	136%

Common Shares Outstanding	**2017**	2016	% Change
End of period	**267,582,964**	261,665,788	2%
Weighted average			
- basic	**266,323,406**	258,964,524	3%
- diluted	**273,036,297**	258,964,524	5%

	As at		
Financial Position ($000s)	**September 30, 2017**	December 31, 2016	% Change
Net working capital	**336,781**	222,323	51%
Total assets	**1,112,531**	978,959	14%
Long-term financial liabilities [(2)]	**402,089**	306,267	31%
Shareholders' equity	**582,867**	568,837	2%

Notes:
[1] *Refer to the "Non-GAAP Measures" for further detail.*
[2] *Includes long-term portion of the deferred acquisition consideration, the Senior Facility, the Senior Notes, and finance lease obligations.*

	Nine Months Ended September 30,			
($000s, except per share amounts)	**2017**	2016	$ Change	% Change
Revenue	**750,809**	380,022	370,787	98%
Cost of sales	**568,614**	308,224	260,390	84%
Gross margin	**182,195**	71,798	110,397	154%
Gross margin percentage of revenue	**24%**	19%		
General and administrative expenses	**135,526**	105,847	29,679	28%
Finance costs	**20,928**	21,228	(300)	(1%)
Other (income) loss	**(84)**	175	(259)	nmf
Income (loss) before taxes	**25,825**	(55,452)	81,277	nmf
Current income tax expense (recovery)	**(3,068)**	1,970	(5,038)	nmf
Deferred income tax (recovery)	**(4,667)**	3,155	(7,822)	nmf
Net income (loss)	**33,560**	(60,577)	94,137	nmf
Net income (loss) per share – basic	***0.13***	*(0.26)*	*0.39*	*nmf*
Net income (loss) per share – diluted	***0.12***	*(0.26)*	*0.38*	*nmf*
EBITDAC (1)	**110,497**	22,492	88,005	391%

Common Shares Outstanding	**2017**	2016	% Change
End of period	**267,582,964**	261,665,788	2%
Weighted average			
- basic	**265,235,704**	236,903,075	12%
- diluted	**272,520,412**	236,903,075	15%

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

Revenue and Operating Activities
CES generated revenue of $260.9 million during the three months ended September 30, 2017, compared to $145.1 million for the three months ended September 30, 2016, an increase of $115.7 million or 80%. Year-to-date, gross revenue totaled $750.8 million, compared to $380.0 million for the nine months ended September 30, 2016, representing an increase of $370.8 million or 98% on a year-over-year basis.

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

	Revenue		Revenue	
	Three Months Ended September 30,		Nine Months Ended September 30,	
$000s	**2017**	2016	**2017**	2016
United States	**168,912**	92,816	**473,571**	250,916
Canada	**91,969**	52,324	**277,238**	129,106
	260,881	145,140	**750,809**	380,022

Revenue generated in the US for the three months ended September 30, 2017 increased by $76.1 million or 82% compared to the three months ended September 30, 2016, from $92.8 million to $168.9 million. For the nine month period ended September 30, 2017, revenue in the US was $473.6 million compared to $250.9 million for the same period in 2016, representing an increase of $222.7 million or 89%. This year over year increase is as a result of the improved market conditions in 2017 with significant activity improvement in the drilling fluids business, and increased US Treatment Points, particularly in the Permian Basin as a result of the Catalyst Acquisition, for which there were only two months of associated revenues and Treatment Points in the comparable period in 2016. As noted below, US Operating Days in Q3 2017 increased by 108% over Q3 2016, while Treatment Points increased by 31%. The Company achieved US DF Market Share for its drilling fluids business of 11% for the three and nine months ended September 30, 2017, respectively, consistent with 11% for the three and nine months ended September 30, 2016. Offsetting these gains were the negative effects of Hurricane Harvey in Q3 2017, which caused a slowdown in activity in the Company's Eagle Ford shale operations deferring revenue by up to one week as operators suspended drilling operations, and there were location access issues resulting in delays in product deliveries. In addition, although our barite mill in Corpus Christi, Texas was spared from the brunt of the effects of Hurricane Harvey, operations were suspended for six days as the plant was without power and later in the month one of the two mills was down as a result of water damage. Furthermore, the Company's US source revenue was negatively impacted by the devaluation of the US Dollar ("USD") versus the Canadian Dollar ("CAD") in the current year on translation when compared to prior year periods.

Revenue generated in Canada for the three months ended September 30, 2017 increased by $39.7 million or 76% compared to the three months ended September 30, 2016, from $52.3 million to $92.0 million. For the nine month period ended September 30, 2017, revenue in Canada was $277.2 million, compared to $129.1 million in the same period in 2016, representing an increase of $148.1 million or 115%. PureChem continued to gain market share in Canada for production chemicals as Canadian Treatment Points for Q3 2017 and year-to-date 2017 have increased 25% and 37%, respectively, from the comparative periods. During Q3 2017, the drilling fluids business increased its operating days by 70% over Q3 2016, which was in line with the increase in industry rig counts during the period. The increase in revenues in Canada for the nine months ended September 30, 2017, was a result of improved market conditions and the expansion of our business in an environment experiencing increased activity levels and customer spending, and the contribution by StimWrx, which was acquired January 1, 2017, for which there were no associated revenues in the comparable periods. The Company achieved Canadian DF Market Share for its drilling fluids business of 39% for the three and nine months ended September 30, 2017, respectively, as compared with 37% and 34% for the three and nine months ended September 30, 2016. CES expects to maintain its leading drilling fluids market share but future Canadian DF Market Share will continue to fluctuate with the rapidly changing rig count environment that is being driven by volatility in our customers' risk appetite and spending levels.

Included in revenue generated in Canada for the three and nine months ended September 30, 2017, is $2.6 million and $8.6 million, respectively, (2016 – $2.1 million and $4.2 million, respectively) of revenue generated by Clear, the Company's Environmental Services segment. Clear's business is levered to drilling activity and has been positively impacted by the industry rig activity levels at the drill-bit in Canada. Further contributing to the increase was the addition of new technology and service offerings around waste water management that were delivered at lower than historical margins for the business, resulting in increased revenue from the comparable periods. 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.

A summary of rig counts and Operating Days for the three and nine months ended September 30, 2017, is as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	**2017**	2016	% Change
Canadian industry rig count [(1)]	**190**	109	75%	**185**	102	82%
US industry rig count [(2)]	**929**	464	100%	**841**	463	82%

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,		
	2017	2016	% Change	**2017**	2016	% Change
Canada	**6,762**	3,985	70%	**19,930**	9,835	103%
US	**9,535**	4,594	108%	**25,336**	13,044	94%
Total Operating Days [(1)]	**16,297**	8,579	90%	**45,266**	22,879	98%

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

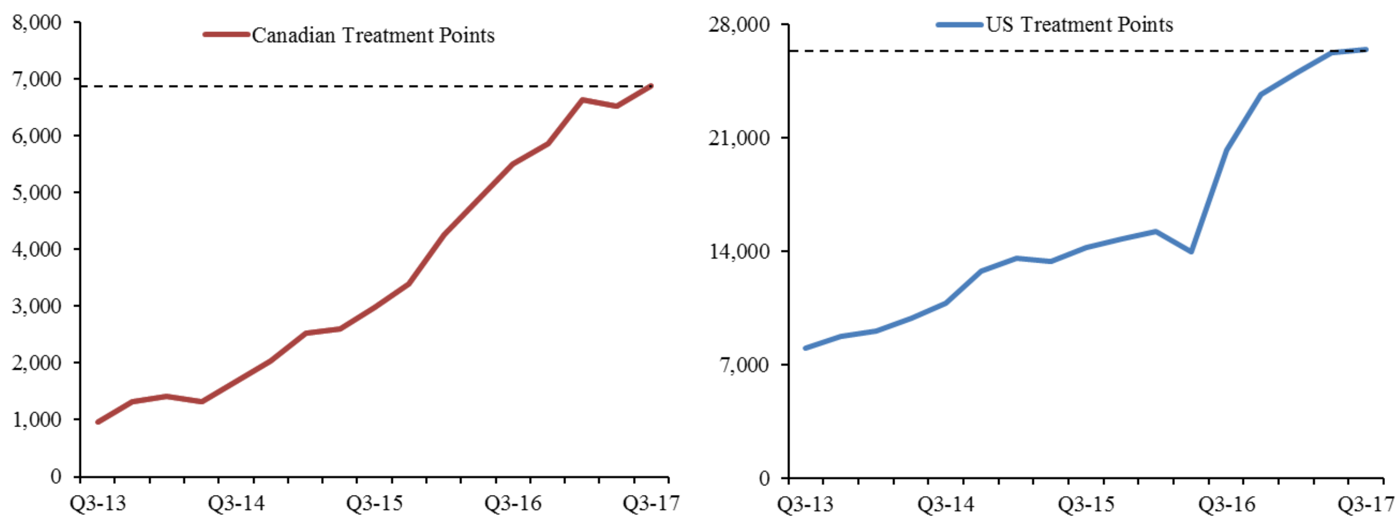
The following table summarizes estimated Treatment Points during the three and nine months ended September 30, 2017 as compared to the same period in 2016:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	**2017**	2016	% Change
Canada	**6,880**	5,495	25%	**6,682**	4,880	37%
US	**26,409**	20,212	31%	**25,872**	16,462	57%
Total Treatment Points (1)	**33,289**	25,707	29%	**32,554**	21,342	53%

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

As evidenced by the graphs below, US Treatment Points have continued to trend upwards since the JACAM Acquisition in March of 2013 and have increased considerably subsequent to the August 1, 2016, Catalyst Acquisition. Canadian Treatment Points have continued to trend upwards as the Company continues to gain market share, however treatment points dropped slightly from Q1 2017 to Q2 2017 as a result of spring break-up and weather related conditions that reduced the number of truck treatment and single event stimulation wells that could be serviced in the quarter. Coming out of spring break-up in Q3 2017, Canadian Treatment Points have increased and continued to trend upwards.

Quarterly Treatment Points



For the three and nine months ended September 30, 2017, CES' top customers accounted for the following percentage of total revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Top five customers as a % of total revenue	**29%**	23%	**28%**	22%
Top customer as a % of total revenue	**11%**	8%	**12%**	9%

Cost of Sales and Gross Margin
Gross margin represents the operating profit earned on revenue after deducting the associated costs of sales including cost of products, operational labour, operational related depreciation, transportation, and all other operational related 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, environmental, trucking, 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 manage seasonal activity swings as well as overall fluctuations in the demand for CES' products and services. Gross margin and Cash Gross Margin for the three and nine months ended September 30, 2017 and 2016 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000s	**2017**	2016	**2017**	2016
Gross margin	**63,876**	32,134	**182,195**	71,798
as a percentage of revenue	**24%**	22%	**24%**	19%
Add back (deduct):				
Depreciation included in cost of sales	**9,141**	8,943	**27,499**	26,284
Loss (gain) on disposal of assets included in cost of sales	**(1,277)**	(364)	**(1,154)**	(1,212)
Cash Gross Margin (1)	**71,740**	40,713	**208,540**	96,870
as a percentage of revenue	**27%**	28%	**28%**	25%

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

In Q3 2017, CES recorded Cash Gross Margin of $71.7 million or 27% of revenue, compared to Cash Gross Margin of $40.7 million or 28% of revenue generated in the same period last year. During Q3 2017, Cash Gross Margin was negatively impacted by financial effects of Hurricane Harvey. In addition to the revenue related effects outlined above, from a cost perspective supply shortages particularly with respect to diesel, a primary input in most drilling fluids products in Texas, resulted in inflated diesel prices in September 2017 that could not be passed onto customers in the quarter. Furthermore, the Company paid a transportation premium to diesel suppliers for alternate delivery routes during the storm in order to continue to receive product.

The improvement in Cash Gross Margin as a percentage of revenue for the nine month period ended September 30, 2017 over the same period in 2016, from 25% to 28% is a result of the positive effects of cost reduction initiatives taken in early 2016 combined with increased activity levels as CES has come off its fixed cost base in the drilling fluids businesses. Although activity levels have largely improved throughout the industry, pricing pressure from customers persists and the Company continues to sell its products and services at trough pricing levels. With the exception of the pass-through of certain cost increases like labour and commodity inputs, CES has yet to benefit from any broad based price increases to its customers.

General and Administrative Expenses ("G&A")

The table below details the calculation of Cash General and Administrative Costs, removing stock-based compensation and depreciation and amortization, which are included in general and administrative expenses under IFRS. Cash General and Administrative Costs is a more meaningful measure of the general and administrative expenses affecting CES' free cash flow.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000s	**2017**	2016	**2017**	2016
General and administrative expenses	**44,743**	34,902	**135,526**	105,847
as a percentage of revenue	**17%**	24%	**18%**	28%
Deduct non-cash expenses included in general & administrative expenses:				
Stock-based compensation	**6,555**	3,404	**17,539**	12,165
Depreciation & amortization	**5,889**	6,379	**20,504**	18,878
Cash General and Administrative Costs (1)	**32,299**	25,119	**97,483**	74,804
as a percentage of revenue	**12%**	17%	**13%**	20%

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

Cash General and Administrative Costs as a percentage of revenue for both Q3 2017 and year-to-date have decreased from the comparable periods due to an increase in revenues, resulting in the fixed costs of managing the business being distributed over a larger revenue base. In 2016, the Company took actions to rationalize Cash General and Administrative Costs. These cost reduction measures included reduced corporate and administrative headcounts, reduced compensation levels, and reductions in discretionary spending. As the industry rebounds it is expected that Cash General and Administrative Costs will rise as we add headcount and experience cost inflation. On an absolute basis, Cash General and Administrative Costs increased in Q3 2017 and year-to-date as compared to the same respective 2016 periods, as a result of the following: growth of the business resulting from increased industry activity and market share gains; increased variable compensation costs reflective of increased revenues across all major facets of the business; and both the Permian based Catalyst Acquisition, completed in August 2016 and the StimWrx acquisition in Canada, completed in January 2017, where in the comparable periods there were only two months of Cash General and Administrative Costs attributable to Catalyst and none attributable to StimWrx. Offsetting these increases is the positive impact of the stronger CAD versus USD on the translation of US source Cash General and Administrative Costs when compared to the 2016 respective periods, particularly in the current quarter.

Sequentially quarter over quarter, the Company's Cash General and Administrative costs have remained consistent with the $32.9 million recorded in Q2 2017, and are down as a % of revenue from 14% in Q2 2017 to 12% in Q3 2017 as a result of the higher revenue base from increased activity.

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,	
$000s	**2017**	2016	**2017**	2016
Depreciation recorded in cost of sales:				
Depreciation expense on property and equipment	**9,141**	8,943	**27,499**	26,284
Depreciation and amortization recorded in G&A:				
Amortization expense on intangible assets	**4,620**	4,862	**16,543**	14,915
Depreciation expense on property and equipment	**1,269**	1,517	**3,961**	3,963
	5,889	6,379	**20,504**	18,878
Total depreciation and amortization expense	**15,030**	15,322	**48,003**	45,162

The year-to-date increase in depreciation and amortization expense compared to the comparable period in 2016 is primarily attributable to the Company's continued capital investment in the expansion of its operations in Canada and the US, as well as the amortization of the Company's property and equipment and intangible assets associated with the acquisition of Catalyst and StimWrx, for which there was only two months in the comparable periods in 2016 for Catalyst, and none for StimWrx. Offsetting these increases is the positive impact of the stronger CAD versus USD on the translation of US source depreciation and amortization costs when compared to the 2016 respective periods, particularly in the current quarter.

Finance Costs
For the three and nine months ended September 30, 2017 and 2016, finance costs were comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000s	**2017**	2016	**2017**	2016
Realized foreign exchange (gain) loss	**(151)**	(143)	**(736)**	1,659
Unrealized foreign exchange loss	**5**	63	**68**	79
Realized financial derivative (gain) loss	**518**	(843)	**1,296**	(2,085)
Unrealized financial derivative loss (gain)	**719**	(558)	**745**	3,627
Amortization of debt issue costs and premium	**297**	319	**940**	950
Interest on debt, net of interest income	**6,431**	5,632	**18,446**	16,998
Other finance costs	**-**	-	**169**	-
Finance costs	**7,819**	4,470	**20,928**	21,228

Foreign exchange gains and losses
Finance costs for the three and nine months ended September 30, 2017 include a realized and unrealized net foreign exchange gain totalling $0.1 million and $0.7 million, respectively (2016 – net gain of $0.1 million and net loss of $1.7 million, respectively), primarily related to foreign exchange gains on the Company's USD denominated payables and cash balances held in Canada.

Derivative gains and losses
Finance costs for the three and nine months ended September 30, 2017, include a realized and unrealized net derivative loss totalling $1.2 million and $2 million, respectively, (2016 – net gain of $1.4 million and a net loss of $1.6 million, respectively), relating to the Company's foreign currency derivative contracts. As of September 30, 2017, the Company had a financial derivative liability of net $1.3 million relating to its outstanding derivative contracts (December 31, 2016 – net asset of $0.02 million and liability of $0.6 million, respectively).

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, 2017 the Company had entered into the following foreign exchange USD forward purchase and option contracts to manage its exposure to upcoming USD denominated purchases pursuant to its Canadian and US operations:

Period	Notional Balance USD$000s	Contract Type	Settlement	Average USDCAD Exchange Rate
November 2017	US$5,000	Deliverable Forward	Physical Purchase	$1.2914
December 2017	US$5,000	Deliverable Forward	Physical Purchase	$1.2909
January 2018	US$4,000	Deliverable Forward	Physical Purchase	$1.3023
February 2018	US$4,000	Deliverable Forward	Physical Purchase	$1.3016
March 2018	US$3,000	Deliverable Forward	Physical Purchase	$1.2961
Total	US$21,000			$1.2960

Interest expense
Interest on debt, net of interest income in the table above, consists of interest expense on finance lease obligations, the Senior Facility and the Senior Notes, and excludes any non-cash amortization of debt issue costs and premium on both the Senior Notes and the Senior Facility. Finance costs for the three and nine months ended September 30, 2017 include interest on debt, net of interest income, of $6.4 million and $18.5 million, respectively (2016 –$5.6 million and $17.0 million, respectively). Year-over-year, interest expense has increased largely as a result of the increased net draw on the Senior Facility throughout 2017 to meet working capital demands as compared to 2016, thereby increasing interest incurred on outstanding borrowing.

Total interest expense relating to the Company's Senior Notes, and recorded within Interest on debt, net of interest income, in the table above, during the three and nine months ended September 30, 2017, is $5.4 million and $16.0 million, respectively, consistent with $5.4 million and $16.0 million in the respective 2016 periods.

Current and Deferred Income Taxes
Income tax expense is related to taxable income in Canada, the US, and Luxembourg. For the three and nine months ended September 30, 2017 and 2016, income tax expense (recovery) was comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2017**	2016	**2017**	2016
Current income tax expense (recovery)	**(5,864)**	(736)	**(3,068)**	1,970
Deferred income tax expense (recovery)	**(2,217)**	4,891	**(4,667)**	3,155
Total income tax expense (recovery)	**(8,081)**	4,155	**(7,735)**	5,125

The Company is currently under audit by the Canada Revenue Agency (the "CRA") with respect to its conversion from a publicly traded limited partnership to a public corporation on January 1, 2010 (the "Conversion"). The CRA has issued a proposal letter to the Company with respect to its 2010, 2011 and 2012 taxation years, stating its intention to disallow non-capital losses of approximately $57.7 million and capital losses of approximately $18.7 million. The Company has not received any Notices of Reassessment relating to this matter.

While the Company continues to believe its returns were correctly filed, it proposed a settlement offer to the CRA. Based on that settlement proposal, a current tax expense of $7.0 million was accrued for in the Company's December 31, 2016 consolidated financial statements for the estimated cash cost related to the resolution of this tax dispute on the Conversion. The tax expense related to the anticipated cost of settlement for the December 31, 2011 and December 31, 2012 taxation years. The statutory limitation date for reassessment of those years has now passed. The Company has since concluded, based on discussions with the CRA, that it is our understanding that the December 31, 2011 and 2012 taxation years are now statute-barred and are not open for reassessment. As a result, the Company has reversed the previous $7.0 million current tax accrual in the quarter ended September 30, 2017, resulting in a $nil current tax payable in the consolidated financial statements with respect to this particular matter. See also "Risks and Uncertainties – Income Tax Matters".

The year-over-year decrease in current income tax expense is primarily related the reversal of the accrual on the Conversion, partially offset by increased operating income in 2017. The year-over-year decrease in deferred income tax expense is primarily due to a combination of changes in the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, including the unrecognized deferred tax asset related to current year US tax losses in 2017.

Net Working Capital
At September 30, 2017, the Company had a net draw of $91.3 million on its Senior Facility. CES continued to maintain a strong statement of financial position or "balance sheet" as at September 30, 2017, with positive net working capital of $336.8 million (December 31, 2016 - $222.3 million). The increase in working capital from December 31, 2016 is primarily due to increased activity levels across all facets of the business and is comprised of the following: a $102.4 million increase in receivables, a $42.3 million increase in inventory, a $5.4 million increase in prepaid expenses, offset by a $13.4 million reduction in cash, a $19.4 million increase in accounts payable, a $0.9 million decrease in income taxes receivable and a $0.7 million increase in income taxes payable.

Total Long-Term Assets
Year-over-year, total long-term assets of CES decreased by $2.1 million to $657.4 million at September 30, 2017 from $659.5 million at December 31, 2016. This decrease in long-term assets is partially due to a decline in USD denominated long-term assets on translation as a result of a stronger CAD at September 30, 2017 compared to December 31, 2016, as well as nine months of amortization expense. These decreases are partially offset by the long-term assets acquired through the StimWrx Acquisition, which includes $9.6 million in intangible assets and $18.1 million of goodwill based on the Company's preliminary purchase price allocation. Although the Company experienced certain negative operational and financial effects from Hurricane Harvey in Q3 2017, there was no significant damage to any of the Company's facilities located in the affected regions.

Long-Term Financial Liabilities

CES had long-term debt totalling $390.8 million at September 30, 2017, compared to $298.8 million at December 31, 2016, an increase of $92.0 million. The increase in long-term debt is primarily as a result of the Company's increased borrowings on the Senior Facility during the period, as a result of the increased activity levels and the build-up of working capital to meet growing customer demands. 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, 2017, long-term debt liabilities were comprised of the following balances:

	As at	
$000s	**September 30, 2017**	December 31, 2016
Senior Facility	**91,980**	-
Senior Notes	**300,000**	300,000
	391,980	300,000
Less net unamortized debt issue costs	**(3,111)**	(3,683)
Add net unamortized debt premium	**1,896**	2,453
Long-term debt	**390,765**	298,770

At September 30, 2017, the Company had finance lease liabilities of $18.4 million, of which $7.6 million pertained to the current portion of the obligation, representing a total increase of $3.7 million from December 31, 2016.

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

$000s	
Less than 1 year	**6,921**
1-5 years	**12,427**
5+ years	**-**
Total lease payments	**19,348**
Amount representing implicit interest	**(962)**
Finance lease obligations	**18,386**
Less: current portion of finance lease obligations	**(7,582)**
Long-term finance lease obligations	**10,804**

During the three and nine months ended September 30, 2017, the Company made long-term scheduled debt and lease repayments totalling $ 2.2 million and $6.8 million, respectively, on its finance leases.

Shareholders' Equity

Shareholders' equity increased by $14.1 million from $568.8 million at December 31, 2016 to $582.9 million at September 30, 2017. The increase in shareholders' equity is primarily attributable to the issuance of $12.8 million in shares issued as consideration in conjunction with the StimWrx Acquisition, net of share issuance costs, $33.6 million net income for the period, $17.5 million in contributed surplus related to stock-based compensation expense, and $17.5 million relating to the issuance of equity under the Company's stock-based compensation plans. The increase was offset by a $6.0 million of dividends declared by the Company during the period, $13.9 million reclassified from contributed surplus for stock-based compensation plans, and a $47.6 million loss in accumulated other comprehensive income relating to the translation of the Company's wholly-owned USD denominated subsidiaries as CAD strengthened from December 31, 2016 to September 30, 2017.

Related Parties

During the nine months ended September 30, 2017, CES sold property and equipment with an aggregate net book value of $1.1 million to a former employee and a former director of the Company, who at the time of the transactions were employees of the Company, and to companies controlled by the respective former employee and former director, for proceeds of $0.6 million. These transactions have been accounted for at the exchange amount being the amount agreed to by the related parties.

QUARTERLY FINANCIAL SUMMARY

($000s, except per share amounts)	Three Months Ended			
	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
Revenue	**260,881**	237,576	252,352	187,704
Gross margin	**63,876**	58,534	59,785	39,983
Net income (loss)	**19,437**	6,345	7,778	(3,973)
per share– basic	***0.07***	*0.02*	*0.03*	*(0.02)*
per share– diluted	***0.07***	*0.02*	*0.03*	*(0.02)*
EBITDAC [1]	**39,073**	35,317	36,107	23,134
per share– basic	***0.15***	*0.13*	*0.14*	*0.09*
per share– diluted	***0.14***	*0.13*	*0.13*	*0.09*
Funds Flow From Operations [1]	**38,518**	28,626	27,523	16,973
per share– basic	***0.14***	*0.11*	*0.10*	*0.06*
per share– diluted	***0.14***	*0.11*	*0.10*	*0.06*
Dividends declared	**2,000**	1,990	1,983	1,965
per share	***0.0075***	*0.0075*	*0.0075*	*0.0075*
Shares Outstanding				
End of period	**267,582,964**	265,614,138	264,825,562	262,300,999
Weighted average – basic	**266,323,406**	265,190,677	264,169,358	261,840,909
Weighted average – diluted	**273,036,297**	272,217,498	272,554,790	261,840,909

($000s, except per share amounts)	Three Months Ended			
	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015
Revenue	145,140	97,733	137,149	164,958
Gross margin	32,134	15,754	23,910	24,906
Net (loss) income	(11,387)	(25,597)	(23,593)	(114,402)
per share– basic	*(0.04)*	*(0.11)*	*(0.11)*	*(0.52)*
per share– diluted	*(0.04)*	*(0.11)*	*(0.11)*	*(0.52)*
EBITDAC [1]	16,580	(689)	6,601	8,473
per share– basic	*0.06*	-	*0.03*	*0.04*
per share– diluted	*0.06*	-	*0.03*	*0.04*
Funds Flow From Operations [1]	11,699	(10,488)	2,338	7,844
per share– basic	*0.05*	*(0.05)*	*0.01*	*0.04*
per share– diluted	*0.05*	*(0.05)*	*0.01*	*0.04*
Dividends declared	1,943	1,749	5,079	16,027
per share	*0.0075*	*0.0075*	*0.0230*	0.0730
Shares Outstanding				
End of period	261,665,788	253,867,856	222,369,084	220,424,818
Weighted average – basic	258,964,524	230,573,931	220,928,336	219,534,188
Weighted average – diluted	258,964,524	230,573,931	220,928,336	219,534,188

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

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

LIQUIDITY AND CAPITAL RESOURCES

Senior Facility
On July 14, 2017, the Company completed an amendment and two year extension of its existing syndicated senior facility. All of the amendments took effect July 14, 2017 and will remain in effect until maturity of September 28, 2020, subject to certain terms and conditions, and may be extended by one year upon agreement of the lenders and the Company. The principal amendments to the Senior Facility include an increase in the available borrowing amount from $150.0 to $165.0 million which is driven by an increase in the U.S. Operating Facility to address the needs of the Company's expanding US business, certain changes to the Company's debt covenants as outlined below, and improved pricing on amounts drawn. Other terms and conditions from the amendment remain consistent with those of the previous senior facility.

Amounts drawn on the amended Senior Facility incur interest at the bank's prime rate or US base rate plus an applicable pricing margin ranging from 0.45% to 1.00% or the Canadian Bankers' Acceptance rate or the LIBOR rate plus an applicable pricing margin ranging from 1.45% to 2.00%. The Senior Facility has a standby fee ranging from 0.29% to 0.40%. The applicable pricing margins are based on a sliding scale of Net Senior Debt to EBITDA ratio. The obligations and indebtedness under the Senior Facility are secured by all of the assets of CES and its subsidiaries.

Under the Senior Facility, CES is subject to the following financial covenants:

- The ratio of Net Senior Debt to trailing EBITDA must not exceed 2.50:1.00 (formerly 2.25:1.00) calculated on a rolling four-quarter basis; and
- The ratio of EBITDA to interest expense must be greater than 2.50:1.00 (formerly 2.00:1.00), calculated on a rolling four-quarter basis.

The previously restrictive covenant of Total Net Funded Debt to EBITDA has been permanently eliminated.

Additionally, at the option of the Company and subject to certain conditions, the Minimum EBITDA to Interest Expense threshold may be reduced to 1.50 for a period not in excess of three consecutive quarters, returning to the requisite 2.50 in the fourth quarter thereafter. This optional interest coverage step-down may only be utilized once prior to September 28, 2020.

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

- Net Senior Debt is defined as Total Net Funded Debt, as defined below, minus the principal amount owing on the Company's Senior Notes, any permitted vendor take-back debt, and all cash and cash equivalents.
- 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, stock-based compensation, and other gains and losses not considered reflective of underlying operations. EBITDA attributable to businesses acquired in the period are permitted to be added to EBITDA.
- 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 characterized as operating leases, and accrued interest not yet due and payable. Total Net Funded Debt is also reduced by any unencumbered cash and securities on deposit or invested with any of the members of the Company's banking syndicate.

The above noted definitions are not recognized under IFRS and are provided strictly for the purposes of the Company's Senior Facility covenant calculations.

As at September 30, 2017, CES was in compliance with the terms and covenants of its Senior Facility, calculated as follows:

	As at	
$000s	**September 30, 2017**	December 31, 2016
Net Senior Funded Debt	**114,042**	4,138
EBITDA for the four quarters ended	**134,839**	53,969
Ratio	**0.846**	0.077
Maximum	**2.500**	2.250
EBITDA for the four quarters ended	**134,839**	53,969
Interest Expense for the four quarters ended	**24,418**	23,189
Ratio	**5.522**	2.327
Minimum	**2.500**	1.500

Senior Notes
At September 30, 2017 the Company had $300.0 million of outstanding principal on unsecured Senior Notes due on April 17, 2020 (December 31, 2016 - $300.0 million). The Senior Notes bear interest of 7.375% per annum and interest is payable on the Senior Notes semi-annually on April 17th and October 17th. The Senior Notes contain certain early redemption options, whereby the Company can choose to redeem all of or a portion of at various redemption prices, which include the principal amount plus any accrued and unpaid interest to the applicable redemption date. The Company has the ability to redeem all of its outstanding Senior Notes on or after April 17, 2017. The Senior Notes are unsecured, ranking equal in right of payment to all existing and future unsecured indebtedness, and have been guaranteed by the Company's current and future subsidiaries. Certain restrictions exist relating to items such as making restricted payments and incurring additional debt. As at the date of this MD&A the Senior Notes were trading over par. At September 30, 2017, CES is in compliance with the terms and covenants of its Senior Notes.

Refinancing of Senior Notes
On October 20, 2017, the Company successfully completed the private placement of $300.0 million of 6.375% senior unsecured notes due October 21, 2024. The Company will use the net proceeds from the issuance of the 6.375% Senior Notes, along with amounts available under the Senior Facility, to repay its existing 7.375% Senior Notes. The redemption date in respect of the repayment of the 7.375% Senior Notes is November 18, 2017, (the "Redemption Date") and the redemption price for each $1,000.00 principal amount of the 7.375% Senior Notes is $1,043.35 (the "Redemption Price"), being equal to the aggregate of $1,036.88 for each $1,000.00 principal amount of the 7.375% Senior Notes redeemed, plus approximately $6.47 for each $1,000.00 principal amount in accrued and unpaid interest to, but not including, the Redemption Date. The Redemption Price will be due and payable on or after the Redemption Date upon presentation and surrender for redemption of the 7.375% Senior Notes at the offices of the trustee under the Trust Indenture.

The 6.375% Senior Notes contain certain early redemption options, whereby the Company can choose to redeem all of or a portion of at various redemption prices, which include the principal amount plus any accrued and unpaid interest to the applicable redemption date. The Company has the ability to redeem all of its outstanding 6.375% Senior Notes on or after October 21, 2020. Interest is payable on the 6.375% Senior Notes semi-annually on April 21 and October 21. The 6.375% Senior Notes are unsecured, ranking equal in right of payment to all existing and future unsecured indebtedness, and have been guaranteed by the Company's current and future subsidiaries. Certain restrictions exist relating to items such as making restricted payments and incurring additional debt.

These transactions will decrease CES' annual interest costs, extend its debt maturity profile, and provide additional financing flexibility.

Other Indebtedness
In addition to the above, CES has non-bank vehicle and equipment finance leases which are secured by each related asset at a weighted average interest rate of approximately 4.97%, and have termination dates ranging from October 2017 through August 2021. At September 30, 2017, outstanding vehicle and equipment finance lease obligations totalled $18.4 million as compared to $14.7 million at December 31, 2016.

The following table details the remaining contractual maturities of the Company's financial liabilities as of September 30, 2017:

	Payments Due By Period [1]					
$000s	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	**Total**
Accounts payable and accrued liabilities	101,115	-	-	-	-	**101,115**
Dividends payable [2]	669	-	-	-	-	**669**
Income taxes payable	-	3,136	-	-	-	**3,136**
Deferred acquisition consideration	-	4,550	370	150	-	**5,070**
Senior Notes [4]	-	-	-	300,000	-	**300,000**
Interest on Senior Notes	11,063	11,063	22,125	22,125	-	**66,376**
Finance lease obligations at floating interest rates [3]	1,456	6,126	7,161	3,643	-	**18,386**
Office and facility rent, and other	3,085	6,172	4,894	5,127	3,572	**22,850**
	117,388	31,047	34,550	331,045	3,572	**517,602**

Notes:
[1] *Payments denominated in foreign currencies have been translated using the appropriate September 30, 2017 exchange rate*
[2] *Dividends declared as of September 30, 2017*
[3] *Finance lease obligations reflect principal payments and excludes any associated interest portion*
[4] *As at September 30, 2017, the Senior Notes were due on April 17, 2020. As outlined above, subsequent to September 30, 2017, the Company has called these notes as a result of the completion of the private placement for the 6.375% Senior Notes, and will be repaying the 7.375% Senior Notes on the Redemption Date, November 18, 2017.*

As of the date of this MD&A, management is satisfied that CES has sufficient liquidity and capital resources to meet the long-term payment obligations of its outstanding loans and commitments. CES assesses its requirements for capital on an ongoing basis and there can be no guarantee that CES will not have to obtain additional capital to finance the expansion plans of the business or to finance future working capital requirements. In the event that additional capital is required, based on the market conditions at the time, it may be difficult to issue additional equity or increase credit capacity and the cost of any new capital may exceed historical norms and/or impose more stringent covenants and/or restrictions on CES. CES continues to focus on evaluating credit capacity, credit counterparties, and liquidity to ensure its ability to be able to meet its ongoing commitments and obligations.

Cash Flows from Operating Activities

For the three months ended September 30, 2017, cash flow from operating activities was an outflow of $20.1 million compared to an outflow of $6.9 million during the three months ended September 30, 2016, with the decrease 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, 2017, Funds Flow From Operations was an inflow of $38.5 million, compared to an inflow of $11.7 million for the three months ended September 30, 2016. The increase in Funds Flow from Operations from Q3 2016 to Q3 2017 is largely as a result of the increase in activity in the quarter and resulting build-up of working capital, impacting operating cash flows during the third quarter.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2017**	2016	**2017**	2016
Cash provided by operating activities	**(20,145)**	(6,942)	**(48,858)**	55,047
Adjust for:				
Change in non-cash operating working capital	**58,663**	18,641	**143,525**	(51,498)
Funds Flow From Operations [1]	**38,518**	11,699	**94,667**	3,549

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

Cash Flows from Investing Activities
For the three months ended September 30, 2017, net cash outflows from investing activities totalled $12.3 million, a decrease from the $77.6 million outflow from investing activities during the three months ended September 30, 2016, primarily as a result the cash consideration paid for the acquisition of Catalyst in Q3 2016 of $61.7 million.

For the three months ended September 30, 2017, $12.3 million was spent on property and equipment (net of $4.1 million in vehicle finance leases). During the quarter, CES had $12.2 million of additions related to Expansion Capital including asset and vehicle financing. Notable expansion additions during the quarter ended September 30, 2017 include: $4.9 million for warehouse and facilities, $1.5 million for machinery and field equipment, $1.8 million for vehicles, $1.4 million in trucks and trailers, $1.4 million for tanks, $0.9 million for processing equipment, and $0.3 million for other expansion additions.

Expansion Capital expenditures in Q3 2017 were primarily related to the continued expansion of the JACAM, Catalyst, and PureChem facilities.

For the three months ended September 30, 2017, CES had $4.8 million of additions related to Maintenance Capital including asset and vehicle financing. Notable maintenance additions during the quarter ended September 30, 2017 include: $4.1 million for vehicles, $0.3 million for trucks and trailers, and $0.3 million for other maintenance additions. The increase in maintenance capital in Q3 2017 and year-to-date, over comparable periods in prior year, is primarily due to timing for the replacement of vehicles, in accordance with the Company's fleet policies.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2017**	2016	**2017**	2016
Expansion Capital [(1)]	**12,196**	8,871	**36,875**	26,480
Maintenance Capital [(1)]	**4,766**	1,743	**14,545**	3,110
Other capital expenditures [(2)]	**1,496**	-	**2,807**	-
Total investment in property and equipment	**18,458**	10,614	**54,227**	29,590
Asset financing and leases	**(4,073)**	(1,541)	**(11,401)**	(3,931)
Capital expenditures	**14,385**	9,073	**42,826**	25,659
Change in non-cash investing working capital	**(2,060)**	298	**(2,040)**	799
Cash used for investment in property and equipment	**12,325**	9,371	**40,786**	26,458

Notes:
[1] *Refer to the "Operational Definitions" for further detail.*
[2] *Other capital expenditures include amounts incurred for the reconstruction of the organoclay plant, for which all costs, except for deductibles totalling US$0.3 million, are fully insured.*

Historically, 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 2017, CES's expected non-acquisition related capital expenditures are estimated at this time to be approximately $68.0 million, of which an estimated $18.0 million will be maintenance capital additions, and an estimated $50.0 million will be for expansion capital additions.

Cash Flows from Financing Activities
For the three months ended September 30, 2017, cash flows from financing activities totalled a cash inflow of $32.4 million compared to a cash outflow of $3.8 million during the comparative prior year period. This year-over-year increase in cash inflows from financing activities is primarily due to the increased draws on the Senior Facility, offset by the Company's dividend payments and repayment of finance leases during the period.

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	**2017**	2016	**2017**	2016
Cash provided by operating activities	**(20,145)**	(6,942)	**(48,858)**	55,047
Adjust for:				
Change in non-cash operating working capital	**58,663**	18,641	**143,525**	(51,498)
Funds Flow From Operations (1)	**38,518**	11,699	**94,667**	3,549
less: Maintenance Capital (2)	**(4,766)**	(1,743)	**(14,545)**	(3,110)
Distributable Earnings (1)	**33,752**	9,956	**80,122**	439
Dividends declared	**2,000**	1,943	**5,973**	8,771
Payout Ratio (1)	**6%**	20%	**7%**	1998%

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

Distributable Earnings were $33.8 million for the three months ended September 30, 2017, compared with $10.0 million for the same period in 2016. During the three months ended September 30, 2017, CES declared monthly dividends totalling $0.0075 per share for the quarter. During the third quarter of 2017, the Payout Ratio was 6% as compared to 20% for the third quarter of 2016.

Dividend Policy
The Company declared dividends to holders of common shares for the nine months ended September 30, 2017, as follows:

$000s except per share amounts	**Dividend Record Date**	**Dividend Payment Date**	**Per Common Share**	**Total**
January	Jan 31	Feb 15	$0.0025	**660**
February	Feb 28	Mar 15	$0.0025	**661**
March	Mar 31	Apr 13	$0.0025	**662**
April	Apr 28	May 15	$0.0025	**662**
May	May 31	Jun 15	$0.0025	**664**
June	Jun 30	Jul 14	$0.0025	**664**
July	Jul 31	Aug 15	$0.0025	**664**
August	Aug 31	Sep 15	$0.0025	**667**
September	Sep 29	Oct 13	$0.0025	**669**
Total dividends declared during the period			$0.0225	**5,973**

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, 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 by available cash or 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. At this time, CES intends to continue to pay cash dividends to shareholders, but these dividends are not guaranteed. In addition, future expansion, investments, and acquisitions may be funded internally by withholding a portion of cash flow in conjunction with, or in replacement of, external sources of capital such as debt or the issuance of equity. To the extent that CES withholds cash flow to finance these activities, the amount of cash dividends to shareholders may be reduced. Alternatively, to the extent that CES' sustainable operating after tax cash flow improves, the amount of cash dividends to shareholders may be increased. Over the long-term, CES' business model has historically shown it can support a 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, 2017, the Company declared dividends to holders of common shares in the amount of $0.0025 per common share payable on November 15, 2017, for shareholders of record on October 31, 2017. CES will continue to be protective of its balance sheet and provide liquidity to fund potential growth initiatives by being prudent with its cash dividend going forward, particularly if the volatility in the oil price environment continues.

Shareholders' Equity
As of September 30, 2017, CES had a total of 267,582,964 common shares outstanding. As of the date of this MD&A, CES had a total of 267,775,291 common shares outstanding.

Stock-based Compensation,
As at September 30, 2017, a total of 26,758,296 common shares were reserved for issuance under the Company's Restricted Share Unit Plan, which has a sub-limit of 5% of common shares outstanding, Share Rights Incentive Plan, and Stock Settled Director Fee Program, of which 6,733,981 common shares remained available for grant.

a) Share Rights Incentive Plan ("SRIP")
At September 30, 2017, a total of 15,298,400 Share Rights were outstanding (December 31, 2016 – 14,045,400) at a weighted average exercise price of $6.35 (assuming all SRIP's are exercised at their respective original exercise price) of which 7,322,532 were exercisable. As of the date of this MD&A, an aggregate 15,061,400 Share Rights remaining outstanding, of which 7,131,332 are exercisable.

b) Restricted Share Unit Plan ("RSU")
At September 30, 2017, a total of 4,725,915 Restricted Share Units were outstanding (December 31, 2016 – 4,858,585) at a weighted average issuance price of $5.98, none of which have vested. As of the date of this MD&A, an aggregate of 4,707,761 Restricted Share Units remain outstanding.

Commitments
At September 30, 2017, CES had the following additional commitments not included as liabilities on its statement of financial position:

$000s	**2017 - 3 months**	**2018**	**2019**	**2020**	**2021**	**Total**
Office and facility rent, and other	3,085	6,527	4,473	2,705	1,691	**18,481**

Payments denominated in foreign currencies have been translated using the appropriate September 30, 2017 exchange rate

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 or potential claims.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES
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, 2016, and its audited annual consolidated financial statements and notes thereto for the year ended December 31, 2016.

RECENT ACCOUNTING PRONOUNCEMENTS

There were no new or amended accounting standards or interpretations adopted during the nine months ended September 30, 2017, that are material to the financial statements. A description of accounting standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2016.

CORPORATE GOVERNANCE

Disclosure Controls and Procedures ("DC&P")

DC&P 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 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 IFRS. There have been no changes to CES' internal controls over financial reporting during the nine months ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

While the President and Chief Executive Officer and Chief Financial Officer believe that CES' disclosure controls and procedures ("DC&P") and ICFR provide a reasonable level of assurance that they are effective, they do not expect that the DC&P or ICFR 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' 2016 Annual Report, CES' Annual Information Form dated March 9, 2017 in respect of the year ended December 31, 2016, and CES' Information Circular in respect to the June 15, 2017 Annual General and Special Meeting of shareholders each of which are available on the CES' SEDAR profile at www.sedar.com.

RISKS AND UNCERTAINTIES AND NEW DEVELOPMENTS

CES' customers are primarily North American oil and gas producers. Activity in the oil and gas industry is cyclical in nature. CES is directly affected by fluctuations in the level and complexity of oil and natural gas exploration and development activity carried on by its clients. In Canada, drilling activity is seasonal and, in turn, throughout North America it is directly affected by a variety of factors including: weather; natural disasters such as floods, tornados, and hurricanes; oil, natural gas, and natural gas liquids commodity prices; access to capital markets; and government policies including, but not limited to, royalty, environmental, and industry regulations. Any prolonged or significant decrease in energy prices, economic activity, or an adverse change in government regulations could have a significant negative impact on exploration and development drilling and completion activity in North America and, in turn, demand for CES' products and services.

As a provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield, the volatility in activity experienced at the drill-bit, fracturing and completion stages is somewhat muted by the long-term and less variable revenue generated by CES at the pump-jack and wellhead during the production stage and in the mid-stream, pipeline and transportation phases. As CES grows these facets of its business, the predictability of its earnings should also increase. The revenue and general market consumption of consumable chemicals in these market segments is more stable and predictable than the drilling fluids market, and by all accounts on a volume basis 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.

Despite the improvement in oil prices, in general oil, natural gas liquids and natural gas commodity prices in North America continue to see weakness, 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. Crude prices were depressed in 2016, with West Texas Intermediate ("WTI") reaching a low in February 2016 of USD$26.05/bbl, a price that was last seen in May 2003. Oil prices have improved since Q2 2016 but prices continue to see volatility in the face of both production and supply issues, geopolitical forces, and other macro-economic forces. The forward WTI curves for 2018 and 2019 are trading below USD$58/bbl which is far below the USD$100/bbl pricing enjoyed by operators in July 2014. In addition, many operators in the WCSB have been challenged by additional crude oil pricing differentials versus world benchmarks such as Brent and WTI. Furthermore, there is ongoing uncertainty around the ability for WCSB producers to reach markets given the status of several proposed pipeline projects, the potential for a change to US trade policies, tax reform, and potential changes to the crude by rail industry in the face of several derailments.

Natural gas prices have remained relatively weak since their peak in 2008. With gas in storage above five year averages, US pricing hubs have quoted spot prices trading around USD$2.50 - $2.75 per MMBtu, and the futures curve for Nymex Henry Hub is trading below or at USD$2.75 per MMBtu for 2018 and 2019. Canadian hub spot prices have been even more challenged with AECO trading below $1.00 per MMBtu, and the futures curve for AECO being more constructive but also trading below $2.75 per MMBtu for 2018 and 2019.

The volatility in the financial markets has impacted the general availability of both credit and equity financing in the marketplace. World-wide political and economic risks seem to be intensifying and, although there is more optimism for stronger economic growth in the US, there are added risks and uncertainties around the impact of new policies proposed by the recently elected Trump administration, including, but not limited to, the renegotiation of international trade agreements; the potential changes to US trade policies; and tax reform. Despite CES' successful re-financing of its $300 million Senior Notes in October 2017, in general since the fall of 2014 there has been a retreat in the energy capital markets as a result of low commodity prices. As such it may prove to be difficult under future market conditions to issue additional equity, maintain or increase credit capacity, or re-finance existing credit without significant costs. CES is also reliant on its Senior Facility to fund working capital and other growth initiatives. As noted in this MD&A CES has successfully renewed and extended its Senior Facility but 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. At September 30, 2017, CES is in compliance with terms and covenants of all of its lending agreements.

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. Due to financial constraints of our customers, this reduced level of activity will likely outlast the typical weather constraints on a resumption of drilling activity. As the drilling fluids business expands in the US, and as the production focused and infrastructure focused chemical business is built out, it is expected that the overall seasonality of the Company's operations will be less pronounced.

The ability of CES to sell and expand its services will also depend upon the ability to attract and retain qualified personnel as needed. As the industry recovers from the trough activity levels of 2016, the demand for skilled employees has been increasing and the supply of top quality, experienced talent 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. Although the Company maintains insurance policies, such insurance may not provide adequate coverage in all circumstances, nor are all such risks insurable. It is possible that the Company's insurance coverage will not be sufficient to address the costs arising out of the allocation of liabilities and risk of loss.

Significant changes in the oil and gas industry including economic conditions, environmental regulations, government policy, and other factors may adversely affect CES' ability to realize the full value of its accounts receivable. In addition, a concentration of credit risk exists in trade accounts receivable since they are predominantly with companies operating in the WCSB, Texas and the Mid-continent regions, and Northeast regions of the US. CES continues to attempt to mitigate the credit risk associated with its customer receivables by performing credit checks as considered necessary, managing the amount and timing of exposure to individual customers, reviewing its credit procedures on a regular basis, reviewing and actively following up on older accounts, and insuring trade credit risks where deemed appropriate. CES does not anticipate any significant issues in the collection of its customer receivables at this time outside of those which have already been provided for. However, if the low oil and natural gas price environment persists, and if access to capital markets remains weak for CES' customers, there would be a risk of increased bad debts. It is not possible at this time to predict the likelihood, or magnitude, of this risk.

The provincial governments of Alberta, British Columbia, Manitoba, and Saskatchewan collect royalties on the production from Crown lands. These fiscal royalty regimes are reviewed and adjusted from time to time by the respective governments for appropriateness and competitiveness. In addition, the Alberta Government has recently implemented a carbon levy. Initial indications are that the carbon levy is an additional cost for oil and gas producers in the province. However, the exact effect of the carbon levy and its impact on CES' business is indeterminable at this time. The potential for future changes in these and other jurisdictions for additional royalties, levies and other taxes, and other climate change related taxes is an on-going risk for the oilfield services sector.

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

The 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, new tax legislation, or changes in administrative positions of tax authorities, including proposed US tax reform, could result in an increase or decrease to the Company's provision for income taxes. Although not quantifiable at this time, these differences could potentially have a material impact on future net income and the Company's effective tax rate.

Effective January 1, 2010, Canadian Energy Services L.P. (the "Partnership") and Canadian Energy Services Inc. (the "General Partner") completed a transaction with Nevaro Capital Corporation ("Nevaro") which resulted in the Partnership converting from a publicly-traded Canadian limited partnership to a publicly-traded corporation formed under the Canada Business Corporations Act. The Conversion resulted in the unitholders of the Partnership becoming shareholders of CES 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 Income Tax Act (Canada), 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 at the relevant time.

In 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). The Company has not received any Notices of Reassessment relating to this matter. While the Company continues to believe its returns were correctly filed, it proposed a settlement offer to the CRA. Based on that settlement proposal, a current tax expense of $7.0 million was accrued in the Company's December 31, 2016 consolidated financial statements for the estimated cash cost related to the resolution of this tax dispute on the Conversion. The tax expense related to the anticipated cost of settlement for the December 31, 2011 and December 31, 2012 taxations years. The statutory limitation date for reassessment of those years has now passed. As a result, the Company has reversed the previous $7.0 million current tax accrual in the quarter ended September 30, 2017, resulting in a $nil current tax payable in the consolidated financial statements with respect to this particular matter.

Reference should be made to CES' Annual Information Form dated March 9, 2017 for the year ended December 31, 2016, 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

Calendar years 2015 and 2016 were extremely challenging as CES navigated through the protracted industry downturn. With the improvement in industry activity in the second half of 2016 and to date in 2017, CES continues to be modestly optimistic with its outlook. As the industry has rebounded, CES has gained market share in all of its segments by demonstrating to customers the benefits of CES' technologies, service, and attention to problem solving. CES has yet to realize any meaningful price increases in the recovery. The improvement in financial performance is evidence of the operating leverage in our consumable chemicals business model, and is a direct result of the cost reduction initiatives taken in 2016, combined with increased activity levels as CES has come off its fixed cost base.

CES believes that over time it can continue to grow its share of the oilfield consumable chemical markets in which it competes. The Catalyst Acquisition in 2016 was another significant step forward in this regard as CES sees the Permian Basin having the most near-term opportunities for growth. CES' strategy is to utilize its decentralized management model; its vertically integrated manufacturing model; its problem solving through science approach; its patented and proprietary technologies; and its superior execution to increase market share. The downturn has made many middlemen, or competitors who are simply resellers of other company's products, redundant. By being basic in the manufacture of the consumable chemicals it sells, CES continues to be price competitive and a technology leader. Recent competitor consolidations and business failures will provide further opportunities for CES in this recovery period. CES believes that its unique value proposition makes it the premier independent provider of technically advanced consumable chemical solutions to the North American oilfield.

Emerging from the downturn, CES' balance sheet is well positioned to capitalize on the improving oilfield activity. In Q3 2017, CES continued to build positive net working capital and as such increased its draw on its Senior Facility. In October 2017, CES successfully re-financed its $300.0 million Senior Notes by issuing new 6.375% Senior Notes which have an extended maturity into October 2024. In 2017 and 2018, it is expected that EBITDAC will exceed the sum of cash expenditures on interest, taxes, capital expenditures, and dividends.

CES will continue to assess M&A opportunities that will improve CES' competitive position and enhance profitability. Any acquisitions must meet CES' stringent financial and operational metrics. In its core businesses, CES will focus on growing market share, controlling costs, developing or acquiring new technologies, and making strategic investments as required to position the business to capitalize on the industry rebound.

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.cesenergysolutions.com.

STOCK EXCHANGE LISTINGS
The Toronto Stock Exchange
Trading Symbol: CEU

OTC
Trading Symbol: CESDF

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