CES Energy Solutions

Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

CES Energy Solutions Corp.
Condensed Consolidated Statements of Financial Position (unaudited)
(stated in thousands of Canadian dollars)

	As at	
	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash	**-**	13,390
Accounts receivable	**276,431**	174,082
Financial derivative asset (note 11)	**-**	20
Income taxes receivable	**636**	1,605
Inventory	**161,907**	119,636
Prepaid expenses and deposits	**16,172**	10,746
	455,146	319,479
Property and equipment (note 4)	**273,793**	276,523
Intangible assets	**82,390**	90,734
Deferred income tax asset	**16,451**	11,473
Other assets (note 11)	**7,343**	6,245
Goodwill	**277,408**	274,505
	1,112,531	978,959
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**101,115**	81,701
Financial derivative liability (note 11)	**1,313**	588
Dividends payable (note 9)	**669**	656
Income taxes payable	**3,136**	2,372
Current portion of deferred acquisition consideration	**4,550**	4,615
Current portion of finance lease obligations	**7,582**	7,224
	118,365	97,156
Deferred acquisition consideration	**520**	-
Long-term debt (note 5)	**390,765**	298,770
Finance lease obligations	**10,804**	7,497
Deferred income tax liability	**9,210**	6,699
	529,664	410,122
Commitments (note 10)		
Shareholders' equity		
Common shares (note 7)	**652,957**	622,665
Contributed surplus	**29,778**	26,116
Deficit	**(215,693)**	(243,280)
Accumulated other comprehensive income	**115,825**	163,336
	582,867	568,837
	1,112,531	978,959

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

CES Energy Solutions Corp.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Revenue	**260,881**	145,140	**750,809**	380,022
Cost of sales	**197,005**	113,006	**568,614**	308,224
Gross margin	**63,876**	32,134	**182,195**	71,798
General and administrative expenses	**44,743**	34,902	**135,526**	105,847
Operating profit (loss)	**19,133**	(2,768)	**46,669**	(34,049)
Finance costs	**7,819**	4,470	**20,928**	21,228
Other (income) loss	**(42)**	(6)	**(84)**	175
Income (loss) before taxes	**11,356**	(7,232)	**25,825**	(55,452)
Current income tax expense (recovery) (note 6)	**(5,864)**	(736)	**(3,068)**	1,970
Deferred income tax expense (recovery)	**(2,217)**	4,891	**(4,667)**	3,155
Net income (loss)	**19,437**	(11,387)	**33,560**	(60,577)
Other comprehensive gain (loss) (items that may be subsequently reclassed to profit and loss):				
Unrealized foreign exchange loss on translation of foreign operations	**(25,319)**	8,636	**(47,551)**	(36,812)
Change in fair value of available for sale financial assets, net of tax	**19**	(19)	**40**	(12)
Comprehensive loss	**(5,863)**	(2,770)	**(13,951)**	(97,401)
Net income (loss) per share (note 7)				
Basic	**0.07**	(0.04)	**0.13**	(0.26)
Diluted	**0.07**	(0.04)	**0.12**	(0.26)

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

CES Energy Solutions Corp.

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

	Nine Months Ended September 30,	
	2017	2016
COMMON SHARES		
Balance, beginning of period	**622,665**	484,932
Issued pursuant to the Offering, net of share issue costs and taxes (note 7)	**-**	88,986
Consideration for business combinations, net of issuance costs (note 3)	**12,796**	25,204
Issued pursuant to stock-based compensation (note 8)	**17,477**	19,991
Issued pursuant to stock settled director fee	**19**	13
Balance, end of period	**652,957**	619,126
CONTRIBUTED SURPLUS		
Balance, beginning of period	**26,116**	29,430
Reclassified pursuant to stock-based compensation (note 7)	**(13,877)**	(19,380)
Stock-based compensation expense (note 8)	**17,539**	12,165
Balance, end of period	**29,778**	22,215
DEFICIT		
Balance, beginning of period	**(243,280)**	(167,994)
Net income (loss)	**33,560**	(60,577)
Dividends declared (note 9)	**(5,973)**	(8,771)
Balance, end of period	**(215,693)**	(237,342)
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of period	**163,336**	185,280
Unrealized foreign exchange loss on translation of foreign operations	**(47,551)**	(36,812)
Change in fair value of available-for-sale financial assets, net of tax	**40**	(12)
Balance, end of period	**115,825**	148,456
	582,867	552,455

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

CES Energy Solutions Corp.
Condensed Consolidated Statements of Cash Flows (unaudited)
(stated in thousands of Canadian dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net income (loss)	**19,437**	(11,387)	**33,560**	(60,577)
Adjustments for:			**-**	
Depreciation and amortization	**15,030**	15,322	**48,003**	45,162
Stock-based compensation (note 8)	**6,555**	3,404	**17,539**	12,165
Other non-cash expenses	**1,032**	(161)	**1,428**	4,681
Deferred income tax expense (recovery)	**(2,217)**	4,891	**(4,667)**	3,155
Gain on disposal of assets	**(1,277)**	(364)	**(1,154)**	(1,212)
Other (income) loss	**(42)**	(6)	**(42)**	175
Change in non-cash working capital (note 12)	**(58,663)**	(18,641)	**(143,525)**	51,498
	(20,145)	(6,942)	**(48,858)**	55,047
FINANCING ACTIVITIES:				
Repayment of long-term debt and finance leases	**(2,228)**	(1,758)	**(6,780)**	(6,768)
Increase (decrease) in Senior Facility	**35,626**	(365)	**92,596**	(1,331)
Shareholder dividends	**(1,995)**	(1,924)	**(5,960)**	(12,085)
Issuance of shares, net of issuance costs	**1,017**	240	**3,570**	88,481
	32,420	(3,807)	**83,426**	68,297
INVESTING ACTIVITIES:				
Investment in property and equipment	**(12,325)**	(9,371)	**(40,786)**	(26,458)
Investment in intangible assets	**(908)**	(680)	**(2,547)**	(1,377)
Investment in other assets	**(1,313)**	(1,186)	**(1,635)**	(1,186)
Deferred acquisition consideration	**(4,515)**	(5,801)	**(4,515)**	(9,953)
Business combinations (note 3)	**-**	(61,718)	**(10,050)**	(61,718)
Insurance proceeds on replacement property and equipment	**-**	-	**1,475**	-
Proceeds on disposal of property and equipment	**6,786**	1,135	**10,101**	5,037
	(12,275)	(77,621)	**(47,957)**	(95,655)
Effect of foreign exchange on cash	**-**	201	**-**	(4,725)
		-		-
CHANGE IN CASH	**-**	(88,169)	**(13,390)**	22,964
Cash, beginning of period	**-**	111,133	**13,390**	-
Cash, end of period	**-**	22,964	-	22,964
SUPPLEMENTARY CASH FLOW DISCLOSURE				
Interest paid	**912**	1,893	**13,007**	13,503
Income taxes paid	**(6,039)**	(4,313)	**(4,687)**	(3,646)

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

1. The Company

CES Energy Solutions Corp. (the "Company" or "CES"), formerly Canadian Energy Services & Technology Corp., is a company domiciled in Canada. These unaudited condensed consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2017 and 2016 comprise the accounts of the Company and its subsidiaries (together referred to as the "Company" or "CES").

CES' core business is to design, implement, and manufacture technically advanced consumable fluids and specialty chemicals for the North American oil and gas industry. CES operates under the following trade names and brands: Canadian Energy Services, AES Drilling Fluids, AES Frac Fluids, PureChem Services, StimWrx Energy Services, Sialco Materials Ltd, JACAM Chemicals, Catalyst Oilfield Services, Superior Weighting Products, and Clear Environmental Solutions.

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

2. Basis of Presentation

Statement of Compliance

These unaudited condensed consolidated financial statements have been prepared by management of the Company in accordance with International Accounting Standard ("IAS") 34, *"Interim Financial Reporting"*, following the same accounting principles and methods of computation as outlined in the Company's consolidated financial statements for the year ended December 31, 2016. There were no new or amended accounting standards or interpretations adopted during the nine months ended September 30, 2017. 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.

These unaudited condensed consolidated financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2016. These unaudited condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on November 9, 2017.

3. Business Combinations

StimWrx Energy Services, Ltd.

On January 5, 2017, CES completed the acquisition of all outstanding shares of StimWrx Energy Services Ltd. ("StimWrx"), herein referred to as the StimWrx Acquisition. StimWrx was a private company based out of Calgary, AB, that provides near matrix stimulation and remediation of oil, gas, and injection wells in Western Canada.

The effective date of the StimWrx Acquisition was January 1, 2017. The aggregate purchase price was $27,838 consisting of $10,050 in cash paid on the date of acquisition, $12,825 in share consideration satisfied through the issuance of 1,783,745 common shares of the Company, and $4,963 in cash for other post close working capital adjustments and deferred acquisition consideration. Included in the deferred acquisition consideration is $4,180 which is payable in cash as an earn-out upon the StimWrx division achieving certain EBITDA thresholds over a twelve month period post close. The common shares issued are subject to escrow provisions, with one-third of the escrowed shares being released, subject to customary industry exceptions and indemnities under the share purchase agreement, on each of the first, second, and third anniversaries of the closing of the StimWrx Acquisition. In conjunction with the StimWrx Acquisition, the Company recorded $147 in transaction costs to general and administrative expenses during the nine months ended September 30, 2017.

The Company's preliminary purchase price allocation for the StimWrx Acquisition is as follows:

Allocation of purchase price $000's	
Current assets	4,080
Property and equipment	8
Intangible assets	9,600
Goodwill	18,131
Total assets	**31,819**
Current liabilities	(2,687)
Deferred income tax liability	(1,294)
Total liabilities	**(3,981)**
Net assets acquired	**27,838**

Consideration given $000's	
Cash	10,050
Share consideration	12,825
Deferred acquisition consideration	4,963
Total consideration	**27,838**

From the date of this acquisition to September 30, 2017, StimWrx contributed an estimated $9,109 of revenue to the Company. The amount of profit or loss attributable to the acquisition from the date of acquisition to September 30, 2017, is not readily determinable. The goodwill recognized on the StimWrx Acquisition is primarily attributed to the assembled workforce, the synergies existing within the acquired businesses, and the synergies which will contribute to operational efficiencies within the rest of the Company.

4. Property and Equipment

Property and equipment are comprised of the following balances:

	As at September 30, 2017			As at December 31, 2016		
$000's	**Cost**	**Accumulated Depreciation**	**Carrying Value**	Cost	Accumulated Depreciation	Carrying Value
Buildings & leasehold improvements	**122,089**	**(23,769)**	**98,320**	121,829	(20,137)	101,692
Trucks and trailers	**67,950**	**(38,479)**	**29,471**	62,904	(33,975)	28,929
Processing equipment	**49,284**	**(11,268)**	**38,016**	48,635	(10,436)	38,199
Vehicles	**46,283**	**(16,961)**	**29,322**	39,739	(16,631)	23,108
Field equipment	**44,857**	**(24,304)**	**20,553**	43,071	(22,025)	21,046
Tanks	**39,614**	**(10,530)**	**29,084**	39,854	(9,076)	30,778
Aircraft	**23,190**	**(7,193)**	**15,997**	26,530	(7,772)	18,758
Office & computer equipment	**12,083**	**(9,235)**	**2,848**	11,851	(8,420)	3,431
Land	**10,182**	**-**	**10,182**	10,582	-	10,582
	415,532	**(141,739)**	**273,793**	404,995	(128,472)	276,523

5. Long-Term Debt

Senior Facility

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 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 $150,000 to $165,000, 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 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, the Company was in compliance with the terms and covenants of its lending agreements. The Company's debt covenant calculations as at September 30, 2017 and December 31, 2016, are 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

As of September 30, 2017, the maximum available draw on the Senior Facility was $165,000 (December 31, 2016 - $121,430). At September 30, 2017 the Company had a net draw of $91,263 (December 31, 2016 – $nil), with capitalized transaction costs of $717 (December 31, 2016 – $570). Transaction costs attributable to the Senior Facility are recorded as part of the Senior Facility and amortized to finance costs over the remaining term.

Senior Notes

At September 30, 2017, the Company had $300,000 of outstanding principal on unsecured Senior Notes due on April 17, 2020. The Senior Notes incur interest at a rate 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.

The Company's long-term debt is 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

For the three and nine months ended September 30, 2017, the Company recorded $6,734 and $19,361, respectively, (2016 – $6,063 and $18,142, respectively) in interest expense related to its long-term debt and lease balances, including the amortization of capitalized transaction costs.

Scheduled principal payments on the Company's long-term debt for the next five years at September 30, 2017, are as follows:

$000s	
2017 - 6 months	-
2018	-
2019	-
2020	**391,980**
2021	-
	391,980

6. Income Taxes

CES is subject to federal, provincial, and state income taxes in Canada, the United States, and Luxembourg based on the taxable income or loss including the transactions entered into and recorded by the Company and based on the estimates and calculations used by the Company during the normal course of business to the extent that income is not sheltered by existing tax pools. As at September 30, 2017, there are unrecognized deferred income tax assets of $37,266 (December 31, 2016 - $37,791) which have not been recognized due to the uncertainty over realization of the respective tax pools.

In 2014, the Company received a proposal letter from the Canada Revenue Agency (the "CRA") with respect to its 2010, 2011, and 2012 taxation years, which stated its intent to challenge the Canadian tax consequences of the Company's conversion from a publicly-traded Canadian limited partnership to a publicly-traded corporation (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 yet 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 $7,000 was accrued for in the consolidated financial statements for the year ended December 31, 2016, 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. As a result, the Company has reversed the previous $7,000 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.

7. Share Capital

a) Authorized

The Company is authorized to issue an unlimited number of common shares.

b) Issued and outstanding
A summary of the changes to common share capital is presented below:

	Nine Months Ended September 30, 2017		Year Ended December 31, 2016	
***Common Shares** ($000s, except number of shares)*	**Number of Shares**	**Amount**	Number of Shares	Amount
Balance, beginning of period	**262,300,999**	**622,665**	220,424,818	484,932
Issued pursuant to the Offering, net of share issue costs and taxes	**-**	**-**	30,670,500	89,008
Consideration for business combinations,net of share issue costs	**1,783,745**	**12,796**	7,160,253	25,204
Issued pursuant to stock-based compensation	**3,495,451**	**3,600**	4,040,160	2,491
Contributed surplus related to stock-based compensation	**-**	**13,877**	-	21,010
Issued pursuant to stock settled director fee	**2,769**	**19**	5,268	20
Balance, end of period	**267,582,964**	**652,957**	262,300,999	622,665

Prospectus Offering
On June 8, 2016, the Company, through a syndicate of underwriters, completed a bought deal short-form prospectus offering (the "Offering") of common shares. Pursuant to the Offering, the Company issued a total of 30,670,500 common shares of the Company for gross proceeds of $92,012 million. Net proceeds, after offering expenses and underwriter's commission of approximately $4,141 million, were $87,902 million.

c) *Net income (loss) per share*
In calculating the basic and diluted net (loss) income per share for the three and nine months ended September 30, 2017 and 2016, the weighted average number of shares used in the calculation is shown in the table below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000s, except share and per share amounts	**2017**	2016	**2017**	2016
Net income (loss)	**19,437**	(11,387)	**33,560**	(60,577)
Weighted average number of shares outstanding:				
Basic shares outstanding	**266,323,406**	258,964,524	**265,235,704**	236,903,075
Effect of dilutive shares	**6,712,891**	-	**7,284,708**	-
Diluted shares outstanding	**273,036,297**	258,964,524	**272,520,412**	236,903,075
Net income (loss) per share - basic	**$0.07**	($0.04)	**$0.13**	($0.26)
Net income (loss) per share - diluted	**$0.07**	($0.04)	**$0.12**	($0.26)

Excluded from the calculation of dilutive shares for the three and nine months ended September 30, 2017, are 10,232,200 and 7,921,000 of Share Rights respectively (2016 – 14,129,744 of Share Rights and 4,869,407 of Restricted Share Units) that are considered anti-dilutive.

8. 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 a maximum of 5% of common shares outstanding, Share Rights Incentive Plan, and Stock Settled Director Fee Program ("the Plans"). As at September 30, 2017, 6,733,981 common shares remained available for grant under the Plans. For the three and nine months ended September 30, 2017, stock compensation expense of $6,555 and $17,539, respectively (2016 – $3,404 and $12,165, respectively), was recorded in general and administrative expenses relating to the Company's stock-based compensation plans.

a) Share Rights Incentive Plan ("SRIP")
CES' SRIP provides incentives to the employees, officers, and directors of the Company by issuing options to acquire common shares. Share Rights generally vest as to one-third on each of the first, second, and third anniversary dates of the grant, or such other vesting schedule as determined by the Board of Directors, and expire no later than five years after the date of the grant.

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

Under the SRIP, employees may elect to exercise the Share Rights at an adjusted exercise price in which the option exercise price will be adjusted downwards by the cumulative dividends paid by the Company.

A summary of changes under the SRIP is presented below:

	Nine Months Ended September 30, 2017		Year Ended December 31, 2016	
	Share Rights	**Average Exercise Price**	Share Rights	Average Exercise Price
Balance, beginning of period	**14,045,400**	**$6.26**	11,248,244	$7.07
Granted during the period	**3,281,400**	**5.99**	4,758,000	4.40
Exercised during the period	**(913,200)**	**3.94**	(694,344)	3.59
Expired during the period	**(90,000)**	**3.57**	(27,000)	3.44
Forfeited during the period	**(1,025,200)**	**6.04**	(1,239,500)	7.64
Balance, end of period	**15,298,400**	**$6.35**	14,045,400	$6.26
Exercisable Share Rights, end of period	**7,322,532**	**$7.15**	4,996,066	$7.18

The compensation costs for Share Rights granted during the nine months ended September 30, 2017, were calculated using a Black-Scholes option pricing model using the following weighted average assumptions:

	Nine Months Ended September 30, 2017
Risk-free interest rate	**1.09%**
Expected average life of Share Rights	**3.2 years**
Share Right term	**5.0 years**
Annual forfeiture rate	**7.87%**
Dividend yield	**0.22%**
Expected volatility	**54.70%**
Weighted average share price	**$5.99**
Weighted average fair value per Share Right	**$2.27**

The following table summarizes information about the outstanding grants under the Company's SRIP as at September 30, 2017:

	Share Rights Outstanding			Share Rights Exercisable	
Range of exercise prices	Share Rights	Weighted average exercise price	Weighted average term remaining in years	Share Rights	Weighted average exercise price
$3.10 - $4.83	3,882,200	4.18	3.78	1,206,200	4.22
$4.84 - $6.77	3,495,200	5.93	4.48	277,000	6.27
$6.78 - $7.07	4,596,000	6.92	2.62	3,019,666	6.92
$7.08 - $7.37	1,680,000	7.25	1.86	1,323,000	7.25
$7.38 - $10.98	1,645,000	9.81	1.91	1,496,666	10.04
	15,298,400	$6.35	3.18	7,322,532	$7.15

b) Restricted Share Unit ("RSU") Plan

CES' RSU Plan provides incentives to eligible employees, officers, and directors of the Company through the issuance of RSUs. The RSUs generally vest from one year, and up to three years, on the anniversary from the date of grant, subject to other such vesting schedules or conditions as determined by the Board of Directors. Throughout the vesting period, holders of Restricted Shares will be entitled to the dividend equivalents in the form of additional Restricted Shares on each dividend payment date, to be held in the RSU account until such time as the awards have vested.

A summary of changes under the RSU plan is presented below:

	Nine Months Ended September 30, 2017		Year Ended December 31, 2016	
	Restricted Share Units	**Average Price**	Restricted Share Units	Average Price
Balance, beginning of period	**4,858,585**	**$5.06**	4,892,227	$6.32
Granted during the period	**2,677,886**	**6.70**	3,489,701	4.38
Reinvested during the period	**18,244**	**5.50**	71,839	6.09
Vested during the period	**(2,582,251)**	**5.07**	(3,345,816)	6.06
Forfeited during the period	**(246,549)**	**5.09**	(249,366)	7.25
Balance, end of period	**4,725,915**	**$5.98**	4,858,585	$5.06

The stock-based compensation costs for RSUs granted are based on the five day volume weighted average share price at the date of grant. The amount of compensation expense recorded for the nine months ended September 30, 2017, was reduced by an estimated weighted average forfeiture rate of 4.1% per year at the date of grant.

9. Dividends

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**

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.

10. Commitments

The Company has commitments with payments due as follows:

$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

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

11. Financial Instruments and Risk Management

a) Financial instrument measurement and classification

The classification of financial instruments remains consistent at September 30, 2017 with that as at December 31, 2016. The carrying values of accounts receivable, accounts payable and accrued liabilities, and dividends payable approximate fair value due to the short-term nature of these instruments. The carrying values of financial liabilities where interest is charged based on a variable rate approximates fair value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit premium. The carrying value of long-term debt and finance lease obligations where interest is charged at a fixed rate is not significantly different than fair value. The Senior Notes are recorded at their amortized cost and fair value disclosure of the Senior Notes is based on their estimated trading price on September 30, 2017. The estimated fair value of the Senior Notes at September 30, 2017 is $322,619 (December 31, 2016 - $317,599) and is based on level 2 inputs as the inputs are observable through correlation with market data.

CES classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The fair value of the risk management contracts are estimated based on the mark-to-market method of accounting, using publicly quoted market prices or, in their absence, third-party market indications and forecasts priced on the last trading day of the applicable period.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The following table aggregates the Company's financial derivatives and investments available for sale in accordance with the above hierarchy:

$000s	Carrying Value	Fair Value	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As at September 30, 2017					
Financial derivative liability	(1,313)	(1,313)	-	(1,313)	-
Other assets	7,343	7,343	7,343	-	-
	6,030	6,030	7,343	(1,313)	-
As at December 31, 2016					
Financial derivative asset	20	20	-	20	-
Financial derivative liability	(588)	(588)	-	(588)	-
Other assets	6,245	6,245	6,245	-	-
	5,677	5,677	6,245	(568)	-

12. Supplemental Information

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000s	**2017**	2016	**2017**	2016
(Increase) decrease in current assets				
Accounts receivable	**(47,287)**	(31,602)	**(108,730)**	33,401
Inventory	**(19,425)**	547	**(48,167)**	10,521
Prepaid expenses and deposits	**(1,471)**	(4,682)	**(6,059)**	3,219
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	**11,580**	16,798	**21,471**	3,558
	(56,603)	(18,939)	**(141,485)**	50,699
Relating to:				
Operating activities	**(58,663)**	(18,641)	**(143,525)**	51,498
Investing activities	**2,060**	(298)	**2,040**	(799)

For the three and nine months ended September 30, 2017 and 2016, changes in non-cash working capital relating to investing activities have been included in "Investment in property and equipment" on the Consolidated Statements of Cash Flows.

13. Geographical Information

Geographical 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

	Long-Term Assets [1]	
$000s	**September 30, 2017**	December 31, 2016
Canada	**200,703**	166,850
United States	**440,231**	481,157
	640,934	648,007

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

14. Related Parties

During the nine months ended September 30, 2017, CES sold property and equipment with an aggregate net book value of $1,104 to a former employee and former director of the Company, who at the time of the transaction were employees of the Company, and to companies controlled by the respective former employee and former director, for proceeds of $576. These transactions have been accounted for at the exchange amount being the amount agreed to by the related parties.

15. Subsequent Event

Refinancing of Senior Notes

On October 20, 2017, the Company completed the private placement of $300,000 of 6.375% senior unsecured notes due October 21, 2024 (the "6.375% Senior Notes"). 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 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.

STOCK EXCHANGE LISTINGS
The Toronto Stock Exchange
Trading Symbol: CEU

OTC
Trading Symbol: CESDF

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