



Canadian Energy SERVICES

**PRESS RELEASE
FOR IMMEDIATE DISTRIBUTION**

May 12, 2016

Canadian Energy Services & Technology Corp. Announces Results for the First Quarter Ended March 31, 2016 and Declares Cash Dividend

Canadian Energy Services & Technology Corp. ("CES" or the "Company") (TSX: CEU)(OTCQX: CESDF) is pleased to report on its financial and operating results for the three months ended March 31, 2016. Further, CES announced today that it will pay a cash dividend of \$0.0025 per common share on June 15, 2016 to the shareholders of record at the close of business on May 31, 2016.

CES generated revenue of \$137.1 million during the three months ended March 31, 2016, compared to \$233.8 million for the three months ended March 31, 2015, a decrease of \$96.7 million or 41%. For the three month period ended March 31, 2016, CES recorded Cash Gross Margin of \$32.6 million or 24% of revenue, compared to Cash Gross Margin of \$64.7 million or 28% of revenue generated in the same period last year. Adjusted EBITDAC for the three months ended March 31, 2016 was \$8.8 million as compared to EBITDAC of \$41.1 million for the three months ended March 31, 2015, representing a decrease of \$32.3 million or 79%.

CES' first quarter 2016 results are reflective of the extremely difficult industry conditions with reduced activity levels lowering revenue and price discounting resulting in margin compression.

Revenue generated in the US for the three months ended March 31, 2016 was \$89.8 million compared to \$156.7 million for the three months ended March 31, 2015, a decrease of \$66.9 million or 43%. Although JACAM's Treatment Points rose in Q1 2016 in comparison to Q1 2015, this growth was offset by a decline in frac related chemical sales, production chemical customers reducing their chemical usage on wells to try and "optimize" their chemical spend, and continued price discounting on all products as customers are increasingly focused on managing near-term cash lifting costs. US revenues in the quarter were also negatively impacted by lower activity levels and an increasingly difficult pricing environment for the drilling fluids business. The reduced activity levels left drilling fluids related revenues unable to cover the required fixed cost base to operate and made many regions in the US unprofitable.

Revenue generated in Canada for the three months ended March 31, 2016, was \$47.3 million compared to \$77.1 million for the three months ended March 31, 2015, a decrease of \$29.8 million or 39%. PureChem continued to gain market share in Canada and increased the number of Treatment Points during the quarter, however these gains were offset by price discounting, customers optimizing their chemical spend, and weaker frac related chemical sales. The drilling fluids business continues to experience intense pricing pressure from its customers and revenue was negatively affected by the continued decline in drilling activity in Canada throughout the quarter. Peak drilling activity levels were considerably lower than previous year highs and rig counts in Canada began dropping in mid-January as customers curtailed spending and stopped drilling in order to preserve capital.

CES has responded to the falling activity levels and continued pricing pressure by further rationalizing costs and headcount in Canada and the US, but these initiatives were weighted to the tail-end of Q1 2016 so the restructuring costs incurred in the quarter were far greater than the savings. During the first quarter of 2016, CES incurred over \$1.0 million in additional restructuring costs as a result of rationalization efforts in the drilling fluids businesses and corporate overhead. As a result of these staff reductions and compensation adjustments CES estimates it has created approximately \$20.0 million of annualized savings.

On March 29, 2016, CES successfully completed an amendment to its existing Senior Facility (“Amended Senior Facility”) resulting in relief of certain covenants to provide the financial flexibility required to endure this period of low commodity prices. As a result, CES’ balance sheet is well positioned to weather the current downturn in oilfield activity. We have cash on the balance sheet, a net nil draw on the \$150 million Amended Senior Facility, and the \$300 million of Senior Notes are not due until April 2020. Cash interest costs, maintenance capital, and dividends in 2016 should be fully funded from EBITDAC, leaving excess cash generation and available sources of capital to fund our growth capital and to fund M&A activity.

CES also announced today that it will pay a cash dividend of \$0.0025 per common share on June 15, 2016 to the shareholders of record at the close of business on May 31, 2016.

CES Q1 Results Conference Call

With respect to the first quarter results, CES will host a conference call / webcast at 9:00 am MST (11:00 am EST) on Friday, May 13, 2016.

*North American toll-free: 1-(877) 291-4570
International / Toronto callers: 647-788-4922
Link to Webcast: <http://www.canadianenergyservices.com/>*

Outlook

CES remains very cautious with its outlook as 2016 looks even more challenging than 2015, with no visibility to a turnaround in the current low oil price and weak natural gas price environment. The end result is that until commodity prices improve, CES sees weak upstream activity across North America and very thin margins to be realized on that work. In many cases revenues will only cover the cash field costs and not the related fixed costs and overheads. In addition, we have experienced an increase in bad debt expense, which we see likely to continue as some of our customers are forced into formal restructurings and bankruptcies. To address this CES has secured trade credit insurance over its US receivables, and will manage all its counter party credit risks with extreme caution. In addition, CES has undertaken significant steps to further rationalize its drilling fluids cost structure and will take additional appropriate actions as necessary. CES continues to see significant opportunities in its production and specialty chemical business. However, our customers are under extreme pressure to lower lifting costs. CES believes it has the technologies to help them achieve this, but to maintain and win work we are required to also lower prices, provide even more service, and in certain cases apply reduced treatment regimes, which temporarily reduce chemical usage. The current pricing environment is also making middlemen, or competitors who are 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. CES also believes that competitor consolidations and business failures will provide further opportunities for CES in a recovery scenario. In addition, CES sees water usage, including the challenges of access for fracturing, and handling costs, will become increasingly more important for the oil and gas industry as activity levels recover. CES is focused on using its knowledge and leading technologies to create opportunities and solutions to address these problems.

CES believes over time it can continue to grow its share of the oilfield consumable chemical market. CES’ strategy is to utilize its vertically integrated business model; its problem solving through science approach; its patented and proprietary technologies; and its superior execution to increase market share. CES believes that its unique value proposition in this increasingly complex operating environment makes it the premier independent provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield in North America.

CES 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 retaining accounts, rationalizing costs, monitoring and capturing opportunities, and making strategic investments as required to position the business to capitalize on the next positive cycle.

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 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, H₂S 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 H₂S.

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"), Sialco Materials Ltd. ("Sialco"), Clear Environmental Solutions ("Clear"), and EQUAL Transport ("EQUAL"). In the US, CES operates under the trade names AES Drilling Fluids ("AES"), AES Frac Fluids ("AES Frac"), Superior Weighting Products ("Superior Weighting") and JACAM Chemicals ("JACAM").

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 Superior Weighting brand custom grinds minerals including barite which is the weighting agent utilized in most drilling fluid systems. The JACAM, PureChem and Sialco brands are vertically integrated manufacturers of advanced specialty chemicals. In addition to being basic manufacturers of chemicals, JACAM and PureChem also have expanding distribution channels into the oilfield.

Two complementary business divisions support the operations and augment 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. EQUAL is CES' transport division, providing its customers with trucks and trailers specifically designed to meet the demanding requirements of off-highway oilfield work in the WCSB. EQUAL transports and handles oilfield produced fluids and supports the oilfield chemical business by hauling, handling, managing and warehousing products.

Led by JACAM's state of the art laboratory in Sterling, Kansas, CES operates seven separate lab facilities across North America: two in Houston, Texas; and one in each of Midland, Texas; 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. In the US, CES' main chemical manufacturing and reacting facility is located in Sterling, Kansas with additional chemical blending capabilities in Sonora, Texas. In Canada, CES has an additional 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.

Financial Highlights

(\$000's, except per share amounts)	Three Months Ended	
	March 31,	
	2016	2015
Revenue	137,149	233,762
Gross margin	23,910	57,231
Cash Gross Margin ⁽¹⁾	32,557	64,664
(Loss) income before taxes	(25,560)	16,509
<i>per share – basic</i>	(0.12)	0.08
<i>per share - diluted</i>	(0.12)	0.07
Net (loss) income ⁽²⁾	(23,593)	13,911
<i>per share – basic</i>	(0.11)	0.06
<i>per share - diluted</i>	(0.11)	0.06
Adjusted EBITDAC ⁽¹⁾	8,781	41,057
<i>per share – basic</i>	0.04	0.19
<i>per share - diluted</i>	0.04	0.19
Funds Flow From Operations ⁽¹⁾	2,338	34,764
<i>per share – basic</i>	0.01	0.16
<i>per share - diluted</i>	0.01	0.16
Dividends declared	5,079	17,848
<i>per share</i>	0.0230	0.0825

Shares Outstanding	Three Months Ended	
	March 31,	
	2016	2015
End of period	222,369,084	217,037,911
Weighted average		
- basic	220,928,336	216,131,621
- diluted	220,928,336	221,250,593

Financial Position (\$000's)	As at	
	March 31, 2016	December 31, 2015
Net working capital	199,879	230,222
Total assets	852,142	931,537
Long-term financial liabilities ⁽³⁾	307,970	309,900
Shareholders' equity ⁽⁴⁾	468,326	531,648

Notes:

¹ CES uses certain performance measures that are not recognizable under International Financial Reporting Standards ("IFRS"). These performance measures include net (loss) income before interest, taxes, depreciation and amortization, gains and losses on disposal of assets, goodwill impairment, unrealized foreign exchange gains and losses, unrealized derivative gains and losses, stock-based compensation and other gains and losses not considered reflective of underlying operations, adjusted for specific items that are considered to be non-recurring in nature ("Adjusted EBITDAC"), and Funds Flow From Operations. Management believes that these measures provide supplemental financial information that is useful in the evaluation of CES' operations. Readers should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with IFRS as an indicator of CES' performance. CES' method of calculating these measures may differ from that of other organizations and, accordingly, these may not be comparable. Please refer to the Non-GAAP measures section of CES' MD&A for the three months ended March 31, 2016.

² Represents net (loss) income attributable to the shareholders of the Company

³ Includes long-term portion of the Deferred acquisition consideration, the Amended Senior Facility, the Senior Notes, vehicle and equipment financing, and finance leases

⁴ Represents shareholders' equity attributable to the shareholders of the Company.

Cautionary Statement

Except for the historical and present factual information contained herein, the matters set forth in this press release, may constitute forward-looking information or forward-looking statements (collectively referred to as “forward-looking information”) which involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CES, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this press release, such forward-looking information uses such words as “may”, “would”, “could”, “will”, “intend”, “expect”, “believe”, “plan”, “anticipate”, “estimate”, and other similar terminology. This information reflects CES’ current expectations regarding future events and operating performance and speaks only as of the date of this press release. Forward-looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed below. The management of CES believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information and statements contained in this document speak only as of the date of the document, and CES assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws or regulations. The material assumptions in making forward-looking statements include, but are not limited to, assumptions relating to demand levels and pricing for the oilfield consumable chemical offerings of the Company; fluctuations in the price and demand for oil and natural gas; anticipated activity levels of the Company’s significant customers; commodity pricing; general economic and financial market conditions; the successful integration of recent acquisitions; the Company’s ability to finance its operations; levels of drilling and other activity in the WCSB, the Permian and other US basins, the effects of seasonal and weather conditions on operations and facilities; changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; and other unforeseen conditions which could impact the Company’s business of supplying oilfield consumable chemistry to the Canadian and US markets and the Company’s ability to respond to such conditions.

In particular, this press release 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 interest costs, maintenance capital and dividends will be fully funded from EBITDAC, with excess cash generated and available sources of capital to fund growth capital and M&A activity; future estimates as to dividend levels; the potential means of funding dividends; the intention to make future dividend payments; 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 2016, including maintenance capital and discretionary expansion capital and the anticipated timing for spending such capital; the expected timing for completion of expansions at JACAM facilities; management’s opinion of the impact of any potential litigation or disputes; potential outcomes of the CRA’s intent to challenge the Canadian tax consequences of the Conversion; the application of critical accounting estimates and judgements; the collectability of accounts receivable; the effectiveness of CES’ credit risk mitigation strategies and the results of any U.S. trade credit insurance claims; CES’ ability to increase or maintain its market share, including expectations that PureChem and JACAM will increase market share in the oilfield consumable chemical market; supply and demand for CES’ products and services, including expectations for growth in CES’ production and speciality chemical sales and expected growth in the consumable chemicals market; expectations that CES will rationalize its drilling fluids cost structure; estimated annualized savings as a result of staff reductions, compensation adjustments, and reduced dividend payments; industry activity levels; commodity prices and 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 United States; development of new technologies; expectations regarding CES’ growth opportunities in Canada and the United States; the effect of acquisitions on the Company including the effect of the Sialco Acquisition; expectations regarding the performance or expansion of CES’ operations; 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 handling; investments in research and development and technology advancements; access to debt and capital markets; and competitive conditions.

CES’ actual results could differ materially from those anticipated in the forward-looking information as a result of the following factors: general economic conditions in Canada, the United States, and internationally; geopolitical risk; fluctuations in demand for consumable fluids and chemical oilfield services, and the recent downturn in oilfield activity; a decline in activity in the WCSB, the Permian and other basins in which the Company operates; volatility in market prices for oil, natural gas, and natural gas liquids and the effect of this volatility on the demand for oilfield services generally; the declines in prices for oil, and pricing differentials between world pricing and pricing in North America; competition, and pricing pressures from customers in the current commodity environment; currency risk as a result of recent fluctuations in value of the U.S. dollar; liabilities and risks, including environmental liabilities and risks inherent in oil and natural gas operations; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; the collectability of accounts receivable, particularly in the current low oil and natural gas price environment; ability to integrate technological advances and match advances of competitors; availability of capital; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; the ability to successfully integrate and achieve synergies from the Company’s acquisitions; changes in legislation and the regulatory environment, including uncertainties with respect to 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 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, 2015 and “Risks and Uncertainties” in CES’ MD&A. dated May 12, 2016.

CES has filed its first quarter 2016 unaudited condensed consolidated financial statements and notes thereto as at and for the three months ended March 31, 2016, and accompanying management discussion and analysis in accordance with National Instrument 51-102 - *Continuous Disclosure Obligations* adopted by the Canadian securities regulatory authorities. Additional information about CES will be available on CES' SEDAR profile at www.sedar.com and CES' website at www.CanadianEnergyServices.com.

For further information, please contact:

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

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

Or by email at: info@ceslp.ca

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