



CES ENERGY SOLUTIONS CORP. ANNOUNCES Q2 2020 RESULTS

CES Energy Solutions Corp. (“CES” or the “Company”) (TSX: CEU) (OTC - Nasdaq Intl: CESDF) announced today the Company’s results for the three and six months ended June 30, 2020.

During the second quarter, the oil and gas industry continued to be significantly impacted by a reduction to global demand caused by the coronavirus (“COVID-19”) pandemic, and uncertainty surrounding production level decisions amongst OPEC+ members. Global commodity prices fell sharply in mid-March, and conditions continued to deteriorate throughout the second quarter of 2020, resulting in production shut-ins and reduced drilling and completion activity in all major basins in North America. Through these challenging and unprecedented conditions, CES continued to demonstrate its financial resilience, strong balance sheet, and commitment to preserving its industry leading position to build upon as market conditions stabilize and potentially improve in the future. Despite the challenges presented, CES’ overall liquidity position and balance sheet strength significantly improved in the second quarter, as the Company once again displayed its defensible business model and counter cyclical balance sheet at low points of the cycle.

CES generated revenue of \$159.5 million during Q2 2020 and Adjusted EBITDAC of \$8.2 million, and revenue of \$508.9 million and Adjusted EBITDAC of \$59.3 million for the six months ended June 30, 2020 (“H1 2020”). The net draw on CES’s Senior Facility declined by \$92.6 million from a net draw of \$92.9 million as at March 31, 2020 to \$0.3 million as at June 30, 2020, driven by strong cash flow generation achieved through a combination of working capital harvest, continued inventory management, and cost containment measures. As at June 30, 2020, CES’ Total Debt was \$327.5 million, of which \$290.0 million related to the Company’s Senior Notes which mature on October 21, 2024, compared to Total Debt at March 31, 2020 of \$426.6 million. This deleveraging trend has continued into the third quarter and currently, CES has a net cash balance of approximately \$40.0 million and an undrawn Senior Facility.

CES believes that continued focus on ensuring employee safety, preserving quality of operations, balance sheet strength, and liquidity will allow the Company to best serve high quality customers during this challenging environment and continue to successfully gain attractive market share. Moreover, while some of our peers have had to take steps to reduce exposure to or withdraw from key market segments, our solid financial position will enable CES to maintain and strengthen our talent base and strategic infrastructure which will continue to improve our competitive position in a recovery.

The financial results reported for 2020 also reflect the importance of CES’ geographic positioning and strategic commitment to the US market which generated 76.4% of the Company’s overall revenue in Q2 2020. These results demonstrate the significance of CES’ diversification through operating efficiencies and capitalizing on the completed infrastructure buildout in both the US

and Canada. As activity levels declined significantly during Q2 2020, CES has been able to maintain and grow its commitment to a strong and high quality customer base in both operating regions.

Revenue for both the three and six month periods ended June 30, 2020 was significantly affected by the global economic impacts of COVID-19 and low commodity price environment, which resulted in production shut-ins, deferred completions and significant declines in drilling activity in North America.

Revenue generated in the US in Q2 2020 was \$121.8 million compared to \$236.8 million in Q2 2019, a decrease of \$115.0 million or 48.6%. US revenues in the quarter were negatively impacted by lower activity levels across all operating divisions. US land drilling activity fell by 61% from Q2 2019 to Q2 2020 as operators quickly curtailed 2020 capex spending in order to preserve capital and avoid uneconomic completions. In this challenging environment, CES was able to maintain its US Drilling Fluids Market Share at 13% when compared to Q2 2019. Further, the Company realized a decline in production and frac related chemical sales as many customers reverted to production shut-ins and deferred completions during the quarter.

Revenue generated in Canada decreased 50.5% to \$37.7 million in Q2 2020, respectively, over the 2019 comparative period. Both the production chemicals and drilling fluids businesses in Canada saw significant declines in industry activity levels and experienced pricing pressure from customers. Peak drilling activity levels were considerably lower than previous year highs and rig counts in Canada began dropping in mid-March as customers curtailed spending, shut in some existing production, and scaled back drilling in order to preserve capital.

In light of the increasingly challenging global oilfield market and the initiatives acted on by the Company to right-size the business, CES recorded the following items during Q2 2020 and H1 2020, which negatively impacted net income and EBITDAC and are considered to be non-recurring:

- Within cost of sales, the Company recorded \$1.2 million and \$12.3 million, respectively, of inventory write-downs as certain commodity-based products were revalued to net realizable value to reflect current prices;
- Within general and administrative expenses, the Company recorded \$1.5 million and \$2.6 million, respectively, in additional bad debt allowances; and
- Within cost of sales and general and administrative expenses, the Company recorded \$1.3 million and \$2.0 million, respectively, in restructuring costs.

Excluding the items noted above, CES achieved Adjusted EBITDAC of \$8.2 million in Q2 2020, compared to \$41.5 million in Q2 2019 and Adjusted EBITDAC of \$59.3 million in H1 2020 compared to \$85.2 million for the respective 2019 period.

In Q1 2020, CES demonstrated increased Adjusted EBITDAC margins over 2019 levels despite weakening industry conditions in the latter part of the quarter. As industry conditions worsened in the second quarter, CES' Adjusted EBITDAC margin fell to 5.1% in Q2 2020 from 14.6% in Q1 2020. CES has responded to the falling activity levels and pricing pressure by significantly rationalizing costs and headcount in Canada and the US in the second quarter, along with the implementation of a number of cost cutting measures with respect to discretionary spending, compensation, and travel and entertainment expenses. The Company expects pricing pressure and margin compression to continue in this low commodity price environment as customers are increasingly focused on managing near-term cash lifting costs. In light of the uncertainty surrounding current market conditions, as activity levels fluctuate, CES will continue to diligently manage its cost base through reductions in personnel and overhead costs, compensation levels and discretionary spending as required.

In the second quarter, the Company applied and qualified for the Federal Government's Canada Emergency Wage Subsidy ("CEWS"), whereby the Company would be eligible for a subsidy of 75 percent of Canadian employee's wages, subject to a limit of \$847 per employee per week and certain additional limitations. Included within Adjusted EBITDAC, during the three months ended June 30, 2020, the Company received CEWS program benefits in the amount of \$6.3 million as a reduction to wage expense with \$3.3 million and \$3.0 million allocated to cost of sales and general and administrative expenses, respectively. The CEWS program has been instrumental in allowing CES to mitigate further Canadian personnel reductions while navigating uncertainty

surrounding the severity and duration of current market conditions. Further, in a July 17, 2020 news release from the Government of Canada, it was announced that the CEWS program would be extended until December 19, 2020. While details regarding the program are being finalized, CES expects to participate in the program through to the end of the year.

Net loss for Q2 2020 was \$24.9 million, compared to net income of \$8.4 million in Q2 2019. Net income decreased from Q2 2019 to Q2 2020 primarily due to the factors outlined above, offset by lower interest expense due to working capital harvest, which reduced the average draw balance on the Senior Facility and a reduction in stock based compensation expense. For H1 2020, net loss was \$250.6 million compared to net income of \$10.6 million for the six months ended June 30, 2019. For the six month comparative periods, net loss was further impacted by a \$248.9 million goodwill impairment recorded by the Company in Q1 2020 and the associated deferred income tax recovery of \$14.5 million.

As at June 30, 2020, CES had a Net Working Capital Surplus of \$301.5 million, which represents a \$115.8 million reduction from \$417.3 million at March 31, 2020. This reduction in working capital is primarily driven by the reduction in activity levels experienced across the Company's operating divisions, and was further amplified by the Company's focus on working capital optimization over the last twelve months. With this working capital harvest, CES generated \$104.0 million in cash provided by operating activities during the three months ended June 30, 2020, and primarily used this cash to reduce the Company's Total Debt position in the quarter which as outlined above, fell from \$426.6 million at March 31, 2020 to \$327.5 million at June 30, 2020.

With the majority of free cash flow generated in the quarter being used to repay outstanding draws on the Company's Senior Facility, CES' net draw at June 30, 2020 was only \$0.3 million on its Senior Facility (December 31, 2019 - \$76.7 million; March 31, 2020 \$92.9 million). The maximum available draw on the Senior Facility at June 30, 2020 was \$170.0 million on the Canadian facility and US\$50.0 million on the US facility (December 31, 2019 - \$170.0 million and US\$50.0 million, respectively), and the facility does not mature until September 28, 2022.

Starting in mid-March of this year, the Company acted quickly on a number of proactive measures to preserve balance sheet strength through the downturn. Among these actions were initiatives relating to capex reductions, dividend suspension, and NCIB activity:

- In Q2 2020, CES incurred only \$5.1 million in capital expenditures, representing a 56.2% decrease from \$11.5 million in Q2 2019 and a 59.1% decrease from \$12.4 million in Q1 2020. Year-to-date, CES incurred \$17.4 million in capital expenditures, representing a decrease of 17% year over year. Current capital expenditures are primarily comprised of expansion of the lab capabilities just outside of Midland, Texas. In light of challenging market conditions, the Company has suspended all non-essential capital expenditures and expects 2020 capital expenditures, excluding amounts financed through leasing arrangements, to be up to \$30.0 million in 2020, compared to \$45.2 million in 2019, and representing a \$20.0 million or 40% reduction from the original 2020 capex plan of \$50.0 million.
- The Company reduced its monthly dividend on March 12, 2020 from \$0.06 per share to \$0.015 per share on an annualized basis. As industry conditions continued to deteriorate, CES suspended its monthly dividend on April 16, 2020. This decision will conserve approximately \$16.0 million on an annualized basis.
- CES suspended activity under the NCIB program in the second quarter of 2020 after using \$4.8 million to repurchase for cancellation 2,325,277 common shares in Q1 2020. On July 16, 2020 the Company announced the renewal of its previous NCIB, which allows for the repurchase and cancellation of up to 19,025,236 common shares, being 7.5% of the public float at the time of renewal before expiry on July 20, 2021. CES has not made any purchases under its NCIB programs subsequent to June 30, 2020 and will continue to evaluate utilizing the recently renewed program as industry conditions unfold and as our share price remains at these currently attractive levels.

Outlook

Continually evolving impacts on the global oil and gas industry resulting from COVID-19 and the public health containment measures implemented worldwide have resulted in significantly reduced global oil demand with oil prices experiencing record low levels during the second quarter of 2020. CES remains extremely cautious with its 2020 outlook and expects significantly reduced upstream activity across North America, reduced production levels, deferred completions, downward pressure on margins, and some customers potentially experiencing formal restructurings and bankruptcies. The high level of uncertainty surrounding the magnitude and duration of this downturn has resulted in customers announcing material reductions to their capital spending and shutting in existing production, therefore resulting in a corresponding reduction in demand for the Company's products and services. Although several producers have started bringing shut-in production back on-stream, CES has undertaken significant steps to rationalize its cost structure and will take additional appropriate actions as necessary. During the second quarter of 2020, CES applied for and received \$6.3 million in funding from the Canadian Federal Government's CEWS program thereby mitigating further personnel reductions while we navigate through this downturn.

CES believes it will benefit from its consumables business model and its ability to maintain a prudent cost structure in this low oil price environment. CES' counter cyclical leverage model allows the Company to remain resilient despite expected declines in industry activity. During the 2015-2016 downturn, CES saw a reduction in Working Capital Surplus of \$152.7 million from December 31, 2014 to June 30, 2016, and was able to reduce Total Debt outstanding, fully pay down the Senior Facility, and grow cash balances through the end of Q2 2016 to \$111.1 million. During the second quarter of 2020, CES harvested \$103.7 million of working capital reducing the Senior Facility from a net draw of \$92.9 million as at March 31, 2020 to a net draw of \$0.3 million. Currently, the Company's Senior Facility is undrawn and the Company has a net cash balance of \$40.0 million as working capital harvest has continued in Q3 2020.

CES has proactively managed both the duration and the flexibility of its debt. In August 2019, CES successfully amended and extended its Senior Facility to September 2022. In October 2017, CES successfully re-financed and reduced its coupon on its previously outstanding \$300.0 million Senior Notes by issuing new 6.375% Senior Notes which mature in October 2024. This provides the Company with an additional level of financial stability during the ongoing COVID-19 crisis and the related deterioration of the global crude oil market.

Although CES previously expected 2020 capital expenditures to be at or below 2019 levels, in light of recent developments in the global oil and gas markets, the Company has suspended all non-essential capital expenditures and currently expects 2020 capital expenditures to be up to \$30.0 million. CES will adjust these levels as required as conditions continue to unfold.

CES continues to believe that coming out of this downturn it can further grow its share of the oilfield consumable chemical markets in which it competes. CES also believes that competitor consolidations and business failures will provide further opportunities for CES in a recovery scenario. CES sees the consumable chemical market increasing its share of the oilfield spend as operators continue to: drill longer reach laterals and drill them faster; expand and optimize the utilization of pad drilling; increase the intensity and size of their fracs; and require increasingly technical and specialized chemical treatments to effectively maintain existing cash flow generating wells and treat growing production volumes and water cuts from new wells.

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 people and execution to increase market share. By being basic in the manufacture of the consumable chemicals it sells, CES continues to be price competitive and a technology leader. Operators require increasingly technical solutions and deeper customer-centric coverage models to meet their needs. CES believes that its unique value proposition makes it the premier independent provider of technically advanced consumable chemical solutions to the North American oilfield.

In its core businesses, CES will focus on profitably growing market share, controlling costs and managing working capital, developing or acquiring new technologies and making strategic investments as required to position the business to capitalize on current and future opportunities. CES remains committed to the safety of our employees, support of our customers, defense of our strong financial position, and preservation of shareholder value. CES' counter cyclical leverage model and capital light business will continue to demonstrate our resiliency to weather this challenging business environment while preparing the Company to excel as headwinds subside. The suspension of CES' dividend, accompanied by implemented cost reduction initiatives, will continue to preserve the strength of the Company's balance sheet while maintaining liquidity to fund existing operations and potential growth initiatives. CES will be protective of its balance sheet and prudent with its capital allocation, particularly in the current low oil price environment, and will revisit utilizing the recently renewed NCIB.

Conference Call Details

With respect to the second quarter results, CES will host a conference call / webcast at 9:00 am MT (11:00 am ET) on Friday, August 14, 2020.

*North American toll-free: 1-(800)-319-4610
International / Toronto callers: (416)-915-3239
Link to Webcast: <http://www.cesenergysolutions.com/>*

Financial Highlights

(\$000s, except per share amounts)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	%Change	2020	2019	%Change
Revenue						
United States	121,819	236,776	(49)%	349,776	461,669	(24)%
Canada	37,674	76,161	(51)%	159,164	184,256	(14)%
Total Revenue	159,493	312,937	(49)%	508,940	645,925	(21.2)%
Net (loss) income	(24,911)	8,361	nmf	(250,630)	10,559	nmf
<i>per share – basic</i>	(0.09)	0.03	nmf	(0.95)	0.04	nmf
<i>per share - diluted</i>	(0.09)	0.03	nmf	(0.95)	0.04	nmf
Adjusted EBITDAC ⁽²⁾	8,174	41,528	(80.3)%	59,303	85,241	(30)%
Adjusted EBITDAC ⁽²⁾ % of Revenue	5.1 %	13.3 %	(8.1)%	11.7 %	13.2 %	(1.5)%
Cash provided by operating activities	104,028	63,428	64 %	116,364	115,263	1 %
Funds Flow From Operations ⁽²⁾	293	30,814	(99)%	44,817	67,108	(33.2)%
Capital expenditures						
Expansion Capital ⁽²⁾	3,882	7,702	(50)%	10,722	15,567	(31)%
Maintenance Capital ⁽²⁾	1,178	3,841	(69)%	6,699	5,378	25 %
Total capital expenditures	5,060	11,543	(56)%	17,421	20,945	(17)%
Dividends declared	—	3,993	(100)%	2,948	7,988	(63)%
<i>per share</i>	—	0.0150	(100)%	0.0113	0.0300	(63)%
Common Shares Outstanding						
End of period	264,883,808	265,738,759		264,883,808	265,738,759	
Weighted average - basic	263,715,927	266,719,773		263,213,649	266,432,313	
Weighted average - diluted	263,715,927	273,085,762		263,213,649	272,576,812	

As at

Financial Position (\$000s)	June 30, 2020	March 31, 2020	%Change	December 31, 2019	%Change
Total assets	852,955	1,072,067	(20)%	1,219,772	(30)%
Long-term financial liabilities ⁽¹⁾	304,056	402,036	(24)%	385,865	(21)%
Total Debt ⁽²⁾	327,484	426,560	(25)%	407,631	(20)%
Working Capital Surplus ⁽²⁾	301,444	417,291	(28)%	369,628	(18)%
Net Debt ⁽²⁾	26,040	9,269	181 %	38,003	(31)%
Shareholders' equity	468,581	515,446	(9)%	679,310	(31)%

Notes:

¹Includes the Senior Facility, the Senior Notes, and lease obligations.

²CES uses certain performance measures or operational definitions that are not recognizable under International Financial Reporting Standards ("IFRS"). These performance measures include net income (loss) before interest, taxes, depreciation and amortization, finance costs, other gains and losses, and stock-based compensation ("EBITDAC"), Adjusted EBITDAC, Gross Margin (excluding depreciation), Funds Flow From Operations, Total Debt, Working Capital Surplus, Net Debt, Expansion Capital and Maintenance Capital. 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 and Operational Definitions Section of CES' MD&A for the three and six months ended June 30, 2020 for additional details regarding the calculation of these measures.

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, 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 all major basins throughout the United States ("US"), including Permian, Eagleford, Bakken, Marcellus and Scoop/Stack, as well as in the Western Canadian Sedimentary Basin ("WCSB") with an emphasis on servicing the ongoing major resource plays; Montney, Duvernay, Deep Basin and SAGD. In the US, CES operates under the trade names AES Drilling Fluids ("AES"), JACAM Chemicals ("JACAM"), Catalyst Oilfield Services ("Catalyst") and Superior Weighting Products ("Superior Weighting"). 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").

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. The StimWrx brand provides near matrix stimulation and remediation of oil, gas, and injection wells in Western Canada and the US. 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.

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 and water transfer services, and drilling fluids waste disposal services primarily to oil and gas producers active in the WCSB.

CES continues to invest in research and development of new technologies and in the top-end scientific talent that can develop and refine these technologies. CES operates nine separate lab facilities across North America: two in Houston, Texas; two in Midland, Texas; one in Sterling, Kansas; and one in each of Calgary, Alberta; Grand Prairie, Alberta; Carlyle, Saskatchewan; and Delta, British Columbia. In the US, CES' main chemical manufacturing and reacting facility is located in Sterling, Kansas with additional low-temperature reacting and chemical blending capabilities just outside of 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, Nisku, Alberta, and Grand Prairie, Alberta. CES also leverages third party partner relationships to drive innovation in the consumable fluids and chemicals business.

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 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 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 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. 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 certainty and predictability of future cash flows and earnings; expectations that EBITDAC will exceed the sum of expenditures on interest, taxes and capital expenditures; expectations of capital expenditures in 2020; expectations regarding CES' ability to harvest working capital as activity levels decline based on historical performance and current circumstances; expectations that EBITDAC will provide sufficient free cash flow to pay down the Company's Senior Facility and add cash to the balance sheet; expectations regarding the impact of the COVID-19 pandemic on CES' operations and the oil and natural gas industry generally; CES' ability to execute on financial goals relating to its balance sheet, liquidity, working capital and cost structure; expectations regarding CES' ability to qualify and participate in the Canadian Government's CEWS program; expectations regarding reduced capital expenditures by CES' customers and the quantum of shut-in production by CES' customers; expectations that CES' financial position will provide a competitive advantage in a recovery; the sufficiency of liquidity and capital resources to meet long-term payment obligations; 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, that Catalyst will increase market-share of production and specialty chemicals in the Permian Basin, and that AES will increase drilling fluids market share in the Permian Basin; optimism with respect to future prospects for CES; impact of CES' vertically integrated business model on future financial performance; 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, expected growth in the consumable chemicals market; industry activity levels; commodity prices; uncertainty surrounding the duration and severity of a low oil and natural gas price environment; development of new technologies; expectations regarding CES' growth opportunities in Canada and the US; expectations regarding the performance or expansion of CES' operations and working capital optimization; expectations regarding end markets for production chemicals and drilling fluids in Canada and the US; expectations regarding the impact of production curtailment policies; expectations regarding demand for CES' services and technology; investments in research and development and technology advancements; access to debt and capital markets and cost of capital; expectations regarding capital allocation including the use of surplus free cash flow, the purchase of CES' common shares by CES pursuant to the NCIB, debt reduction through the repayment of the Company's Senior Facility or repurchases of the Company's Senior Notes, investments in current operations, issuing dividends, or market acquisitions; CES' ability to continue to comply with covenants in debt facilities; 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 the US, Canada, and internationally; geopolitical risk; fluctuations in demand for consumable fluids and chemical oilfield services, the severity of the downturn in oilfield activity; the severity of the decline in activity in the Permian, the WCSB, 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; a shift in types of wells drilled; 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, oil, and pricing differentials between world pricing; pricing in North America and pricing in Canada; impacts of production level decisions among OPEC+ members and the potential demand impacts of COVID-19; competition, and pricing pressures from customers in the current commodity environment; the degree and severity of the COVID-19 pandemic, including government laws and regulations implemented in response to the pandemic and the resulting impact on the demand for oil and natural gas; government support programs implemented in response to the COVID-19 pandemic and potential changes to the qualification criteria and amount of available support; political and societal unrest that may impact CES' operations as well as impact the market for oil and natural gas generally; currency risk as a result of fluctuations in value of the US 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; ability to protect the Company's proprietary technologies; 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, carbon pricing schemes, and regulations restricting the use of hydraulic fracturing; pipeline capacity and other transportation infrastructure constraints; government mandated production curtailments; reassessment and audit risk and other tax filing matters; changes and proposed changes to US policies including the potential for tax reform, and possible renegotiation of international trade agreements and the implementation of the Canada-United States-Mexico Agreement; international and domestic trade disputes, including restrictions on the transportation of oil and natural gas and regulations governing the sale and export of oil, natural gas and refined petroleum products; divergence in climate change policies between the US and Canada; potential changes to the crude by rail industry; changes to the fiscal regimes applicable to entities operating in the US and the WCSB; supply chain disruptions including those caused by global pandemics or disease or from political unrest and blockades; access to capital and the liquidity of debt markets; fluctuations in foreign exchange and interest rates; CES' ability to maintain adequate insurance at rates it considers reasonable and commercially justifiable; and the other factors considered under "Risk Factors" in CES' Annual Information Form for the year ended December 31, 2019 dated March 12, 2020, and "Risks and Uncertainties" in CES' MD&A for the three and six months ended June 30, 2020, dated August 13, 2020.

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