MANAGEMENT'S DISCUSSION AND ANALYSIS

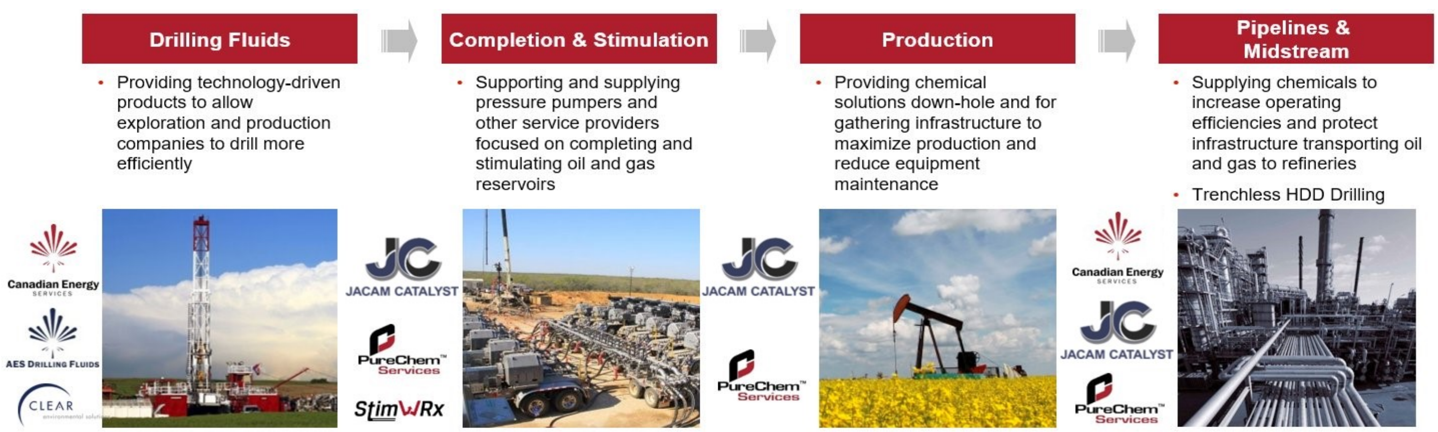
The following management's discussion and analysis ("MD&A") of the financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of CES Energy Solutions Corp. ("CES" or the "Company") for the three months ended March 31, 2021 and 2020, and CES' 2020 Annual Information Form. Readers should also refer to the "Forward-looking Information & Statements" legal advisory and the sections regarding "Non-GAAP Measures" and "Operational Definitions" at the end of this MD&A. This MD&A is dated May 12, 2021, and incorporates all relevant Company information to that date. Amounts are stated in Canadian dollars unless otherwise noted.

USE OF NON-GAAP MEASURES

This MD&A contains certain financial measures that are not recognized by Canadian generally accepted accounting principles ("GAAP"), and which are used by management to evaluate the performance of CES and its business segments. Since certain non-GAAP financial measures do not have a standardized meaning, securities regulations require that non-GAAP financial measures are clearly defined, qualified and reconciled with their nearest GAAP measure. Please refer to the section titled NON-GAAP MEASURES on page 15 for further information on the definition, calculation and reconciliation of the non-GAAP financial measures contained in this MD&A.

BUSINESS OF CES

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



Oilfield Knowledge + Vertically Integrated Technology + Manufacturing = Competitive Advantage

Vertically Integrated Manufacturing

JACAM CATALYST | SUPERIOR WEIGHTING PRODUCTS | SIALCO MATERIALS LTD | PureChem Services

CES operates in all major basins throughout the United States (“US”), including the 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 Catalyst LLC (“Jacam 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”).

Following a series of transformative acquisitions, including the purchase of Jacam Chemicals ("Jacam") in 2013 and Catalyst Oilfield Services ("Catalyst") in 2016, the Company has been focused on integrating these businesses into its existing operations and driving efficiencies and organic growth. On December 31, 2020, the Company completed an internal organization, which combined the retail businesses of Jacam and Catalyst to form Jacam Catalyst, LLC.

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; Grande 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 Grande Prairie, Alberta. CES also leverages third party partner relationships to drive innovation in the consumable fluids and chemicals business.

FINANCIAL HIGHLIGHTS

($000s, except per share amounts)	Three Months Ended March 31, **2021**	2020	%Change
Revenue			
United States	**168,047**	227,958	(26)%
Canada	**92,579**	121,489	(24)%
Total Revenue	**260,626**	349,447	(25)%
Net income (loss)	**5,122**	(225,720)	(102)%
per share – basic	***0.02***	*(0.86)*	(102)%
per share - diluted	***0.02***	*(0.86)*	(102)%
Adjusted EBITDAC(2)	**34,358**	51,132	(33)%
Adjusted EBITDAC(2) % of Revenue	*13.2 %*	*14.6 %*	(1.4)%
Cash provided by operating activities	**(5,782)**	12,337	(147)%
Funds Flow From Operations(2)	**27,413**	44,525	(38)%
Capital expenditures			
Expansion Capital(2)	**2,333**	6,840	(66)%
Maintenance Capital(2)	**646**	5,521	(88)%
Total capital expenditures	**2,979**	12,361	(76)%
Dividends declared	—	2,948	(100)%
per share	—	*0.0113*	(100)%
Common Shares Outstanding			
End of period	**254,415,334**	262,026,924	
Weighted average - basic	**255,244,854**	262,711,372	
Weighted average - diluted	**263,748,333**	262,711,372	

Financial Position ($000s)	As at **March 31, 2021**	December 31, 2020	%Change
Total assets	**882,198**	857,888	3 %
Long-term financial liabilities(1)	**303,072**	298,776	1 %
Total Debt, net of cash(2)	**321,360**	299,677	7 %
Working Capital Surplus(2)	**303,093**	273,313	11 %
Net Debt(2)	**18,267**	26,364	(31)%
Shareholders' equity	**446,158**	455,663	(2)%

[1]*Includes long-term portion of the Senior Facility, the Senior Notes, lease obligations and cash settled incentive obligations.*
[2]*Refer to "Non-GAAP Measures" or "Operational Definitions" for further detail.*

Highlights for the three months ended March 31, 2021 in comparison to the three months ended March 31, 2020 for CES are as follows:

- Q1 2021 demonstrated continued progress from pandemic-related industry headwinds with strengthening demand for oil and gas, improving customer economics and stabilizing industry sentiment bolstered by COVID-19 vaccine deployment. CES was able to leverage its established infrastructure and strong industry positioning to capitalize on these positive developments as demonstrated by significant sequential improvements in financial results. CES achieved these results despite temporary lost revenues and supply chain disruptions across the Gulf Coast petrochemical complex related to Winter Storm Uri. Results for Q1 were also affected by the strengthening of the Canadian dollar, negatively impacting US dollar source revenue on translation.

- The financial results reported for the quarter also continue to reflect the importance of CES' geographic positioning and strategic commitment to the US market, which generated 64% of the Company's overall revenue in Q1 2021. 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 in Q1 2021 as compared to Q1 2020, CES has been able to maintain and grow its commitment to a strong and high quality customer base in both operating regions, as outlined below.

- In Q1 2021, CES generated revenue of $260.6 million, representing a sequential increase of $47.8 million or 22% from Q4 2020 revenue of $212.8 million and a decrease of $88.8 million or 25% compared to $349.4 million in revenue for Q1 2020. Q1 2021 revenue represents another sequential quarterly increase but continues to be affected by the global economic impacts of COVID-19 and reduced capital spending by customers on a year over year basis.

    - Revenue generated in the US during Q1 2021 was $168.0 million representing an increase of $30.8 million or 22% from Q4 2020 and a decrease of $59.9 million or 26% from the Q1 2020 comparative period. US revenues were impacted by temporary lower activity levels and lost revenues resulting from Winter Storm Uri during the quarter. Although US land drilling activity in Q1 2021 was approximately 50% lower than Q1 2020 levels, activity levels improved by approximately 27% on a sequential quarterly basis. CES was able to participate in this improved drilling environment and also increase its US Drilling Fluids Market Share to 22%, a record for the Company and up from the previous record of 20% in Q4 2020.

    - Revenue generated in Canada during Q1 2021 was $92.6 million representing an increase of $17.0 million or 23% from Q4 2020 and a decrease of $28.9 million or 24% from the Q1 2020 comparative period. Both the production chemicals and drilling fluids businesses in Canada experienced year over year declines in industry activity levels from pre-pandemic levels, while participating in improving industry activity levels on a sequential basis and realizing modest improvements in pricing.

- CES achieved Adjusted EBITDAC of $34.4 million in Q1 2021, representing an increase of $9.7 million or 39% over $24.7 million in Q4 2020 and compared to $51.1 million in Q1 2020. Sequentially, Adjusted EBITDAC as a percentage of revenue of 13.2% achieved in Q1 2021 represented a significant improvement from the 11.6% recorded in Q4 2020 as the Company benefited from improved competitive positioning, the reversal of certain production shut-ins in both the US and Canada, improving drilling activity, increased market share, and modest improvements in pricing.

- Net income for Q1 2021 was $5.1 million compared to a net loss of $225.7 million in Q1 2020. For the comparative period net loss was impacted by a $248.9 million goodwill impairment and $12.9 million of inventory valuation write-downs, additional bad debt allowances and restructuring costs recorded in light of the challenging global oilfield market. Net income for Q1 2021 benefited from lower interest expense in the quarter due to lower debt levels and the recognition of a $1.7 million (2020 - nil) benefit from the CEWS program, partially offset by lower activity levels and associated revenues, as described above.

- As at March 31, 2021, CES had a Working Capital Surplus of $303.1 million, which represents a $29.8 million increase from $273.3 million at December 31, 2020, driven by increased activity levels across the Company's operating divisions. The Company continues to focus on working capital optimization and has benefited greatly through the pandemic from the high quality of its customers and diligent internal credit monitoring processes. CES generated $27.4 million in Funds Flow From Operations in Q1 2021, compared to $44.5 million in Q1 2020 and $17.2 million in Q4 2020, which excludes the impact of working capital investment and is reflective of the Company's cost rationalization efforts undertaken in 2020 and sequential improvements in market conditions in the quarter.

- As industry activity levels continued to improve, CES invested in working capital and remained disciplined on capital expenditures during the quarter, while retaining substantial liquidity and balance sheet strength. CES exited the quarter with a net draw of $4.1 million on its Senior Facility (December 31, 2020 - net cash balance of $18.3 million) and Total Debt of $321.4 million (December 31, 2020 -Total Debt, net of cash of $299.7 million), of which $288.0 million relates to Senior Notes which don't mature until October 21, 2024. Increases were driven primarily by the investment in working capital on higher activity levels across the business and by the repurchase of 6.3 million common shares for $9.5 million, at an average price of $1.50 per share, under the Company's NCIB program. As at the date of this MD&A, the Company had a net draw on its Senior Facility of approximately $5 million.

OUTLOOK

There has been increased economic optimism in the early part of 2021 as governments worldwide distribute the COVID-19 vaccines which could lead to lifting restrictions and spurring demand for fossil fuels above 2020 levels, tempered by the continued uncertainty around ongoing impacts from COVID-19 and the production policy decisions of the OPEC+ nations. As the global economic recovery continues to gain momentum, increased activity and demand may lead to improving commodity prices, production levels and drilling activity. CES remains cautious with its outlook for the remainder of the year and expects elevated upstream activity across North America albeit below pre-COVID levels. The uncertainty surrounding the magnitude and duration of this downturn has prompted customers to reduce their capital spending programs compared to pre-COVID levels thereby resulting in a corresponding reduction in demand for the Company’s products and services. During 2020, CES undertook significant steps to rationalize its cost structure. Due to improving industry conditions, in late 2020 and in Q1 2021 CES gradually began assessing cost structure reductions to support growth throughout the divisions. During Q1 2021 CES continued to receive modest funding from the Canadian Federal Government's CEWS program, recognizing an aggregate benefit of $1.7 million, thereby mitigating further personnel reductions while we navigate through this downturn. CES believes it will be able to continue to benefit from this program until September 2021, but is still reviewing the details of the recently announced extension qualification criteria and financial impact.

CES believes it will continue to benefit from its asset light, consumable chemical business model and its ability to maintain a prudent cost structure in this industry activity level environment. CES’ counter cyclical leverage model was tested during the pandemic and demonstrated its ability to remain resilient despite declines in industry activity. As industry activity has continued to improve, the Company made modest investments in working capital, and will continue to focus on working capital optimization and balance sheet strength and liquidity as the year progresses.

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.

CES expects 2021 capital expenditures to be up to $30.0 million, of which $10.0 million is expansion and $20.0 million is maintenance. CES plans to continue its disciplined and prudent approach to capital expenditures in 2021 and will adjust its plans as required to support growth throughout divisions as conditions continue to unfold.

CES continues to believe that coming out of this downturn it can continue to grow its share of the oilfield consumable chemical markets in which it competes. CES’ underlying business model is capex light and asset light, enabling generation of significant surplus free cash flow. As our customers increasingly regulate their business models to maintain spending within cash flows, we believe that CES will be able to leverage its established infrastructure, business model, and nimble customer-oriented culture to deliver superior products and services to the industry. CES demonstrated this ability during the depths of the downturn and expects to continue doing so as industry conditions continue to stabilize. CES also believes that competitor consolidations and business failures will provide further opportunities for CES in this 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 continue to use 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' vertically integrated business model enables it 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.

RESULTS FOR THE PERIODS

Revenue and Operating Activities

Geographical revenue information relating to the Company's activities and key operating metrics are as follows:

	Revenue		
	Three Months Ended March 31,		
$000s	**2021**	2020	% Change
United States	**168,047**	227,958	(26)%
Canada	**92,579**	121,489	(24)%
	260,626	349,447	(25)%

	Key Operating Metrics		
	Three Months Ended March 31,		
	2021	2020	% Change
US	**27,545**	30,937	(11)%
Canada	**7,027**	8,589	(18)%
Total Treatment Points[(1)]	**34,572**	39,526	(13)%
US	**7,264**	10,306	(30)%
Canada	**5,032**	7,610	(34)%
Total Operating Days[(1)]	**12,296**	17,916	(31)%
US	**81**	115	(30)%
Canada	**56**	85	(34)%
Total Average Rig Count[(1)]	**137**	200	(32)%
US industry rig count[(2)]	**377**	757	(50)%
Canadian industry rig count[(3)]	**152**	203	(25)%
US DF Market Share[(1)]	**22%**	15 %	7 %
Canadian DF Market Share[(1)]	**36%**	42 %	(6)%

[1] *Refer to "Operational Definitions" for further detail.*
[2] *Based on the monthly average of Baker Hughes published weekly land data for the United States in the referenced period.*
[3] *Based on the monthly average of CAODC published weekly data for Western Canada in the referenced period.*

Revenues for the three months ended March 31, 2021 in both the US and Canada were negatively affected by industry activity levels that continue to remain below pre-pandemic levels, as well as by temporary production shut-ins as a result of Winter Storm Uri in the southern US during the quarter. With the uncertain demand and pricing environment that persists as a result of COVID-19, customers continue to remain cautious with capital spending and operating activity. CES did, however, achieve sequential improvements in revenue and Adjusted EBITDAC in Q1 2021 as compared with Q4 2020 as industry activity levels continued to improve from the lows seen in 2020 and the Company continued to grow its market share in the US.

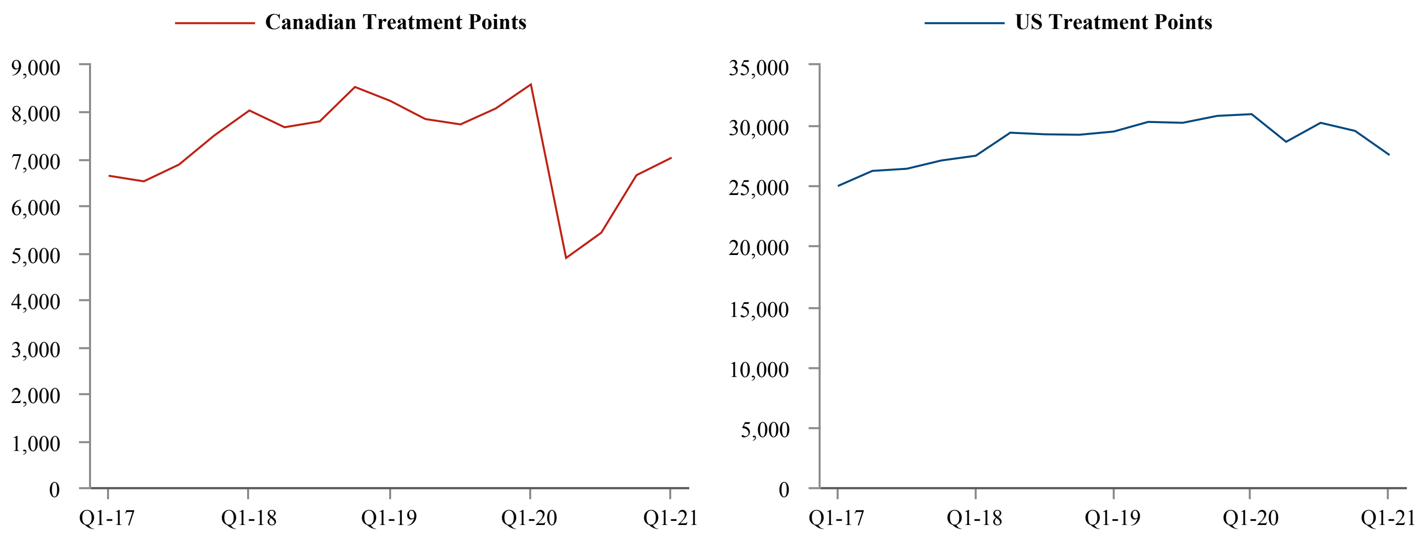
US average rig count decreased 30% to 81 rigs in Q1 2021 compared to 115 in Q1 2020 and US Operating Days were also down 30% for the comparable period. Despite the significant decline in industry activity, the Company's US DF Market Share increased to 22%, a record for the Company and up from the previous record of 20% in Q4 2020. The production chemicals business also saw a decline in production and frac related chemical sales with customers reducing frequency of chemical usage on wells to try and optimize their chemical spend, coupled with production shut-ins and lost revenue as a result of extreme weather in Texas. Sequentially, the US operations improved over Q4 2020 due to increased drilling activity levels, offset by the effects of extreme weather.

The Canadian industry rig count decreased by 25% from 203 to 152 rigs as customers curtailed spending and deferred completions, and correspondingly, the Company saw a 34% decrease in Canadian Operating Days from Q1 2020 to Q1 2021. Canadian Treatment Points declined by 18% year over year as production volumes remained low and frac related chemical sales also declined. CES'

Canadian operations improved sequentially over Q4 2020 due to increased drilling activity levels and the reversal of some temporary production shut-ins, the effects of which were mitigated by the continued COVID-19 related global economic slowdown.

Although absolute Treatment Points are a guiding indicator of activity levels for the production chemical business, these individual treated wells increasingly exhibit higher volumes of produced oil, natural gas, and associated water, which correspondingly requires higher volumes of production chemicals. These favourable characteristics are associated with increased measured depths and higher production volume attributes of many modern wells. As evidenced by the graphs below, until Q2 2020, Treatment Points have continued to generally trend upward since Q4 2016. However, as outlined above, Q2 2020 through Q1 2021 have been negatively impacted by the economic effects of COVID-19, the lower commodity price environment seen throughout 2020, and the impact of extreme weather in the southern US.

Quarterly Treatment Points



Included in revenue generated in Canada for the three months ended March 31, 2021 is $1.7 million (2020 - $2.1 million) of revenue generated by Clear, the Company's Environmental Services segment. Clear's business has evolved from being primarily levered to drilling activity to a vertically integrated environmental service provider. Clear provides environmental consulting, water management and water transfer services, as well as drilling fluids waste disposal services. Year over year, the decline in Clear's revenue is attributable to the decrease in industry drilling activity in Canada as a result of the low commodity price environment. The financial results of Clear are otherwise not material and as such have been aggregated with the consolidated results of the Company throughout this MD&A.

CES' top customers accounted for the following percentages of total revenue:

	Three Months Ended March 31,	
	2021	2020
Top five customers as a % of total revenue	**28 %**	27 %
Top customer as a % of total revenue	**13 %**	14 %

Cost of Sales and Gross Margin

Gross Margin represents the operating profit earned on revenue after deducting the associated costs of sales including cost of products, operational labour, operational related depreciation, transportation, and all other operational related costs. Margins vary due to a change in the type of products sold, the relative product mix, well type, geographic area, and nature of activity (i.e. drilling fluids, production and specialty chemicals, environmental, trucking, etc.). Generally, labour costs, although a significant component of cost of sales, have less of an impact on CES' margins than other cost elements such as product costs. Use of consultants and the variable component of compensation for employees provide CES with a means to manage seasonal activity swings as well as overall fluctuations in the demand for CES' products and services.

	Three Months Ended March 31,		
$000s	**2021**	2020	Change
Gross Margin	**57,596**	67,667	(10,071)
as a percentage of revenue	**22 %**	19 %	3 %
Add back (deduct):			
Depreciation included in cost of sales	**11,847**	13,980	(2,133)
Inventory valuation write-downs	—	11,068	(11,068)
Restructuring costs	—	394	(394)
Adjusted Gross Margin(1)	**69,443**	93,109	(23,666)
as a percentage of revenue	**27 %**	27 %	— %

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

Adjusted Gross Margin decreased from $93.1 million in Q1 2020 to $69.4 million in Q1 2021, but remained flat at 27% year over year, which reflects CES' reduced cost structure and market share gains in the US, combined with the $0.9 million (2020 - nil) benefit from the CEWS program as an offset to compensation costs within cost of sales.

General and Administrative Expenses ("G&A")

The table below details the calculation of Adjusted General and Administrative Costs relative to general and administrative expenses under IFRS, which management believes is a more meaningful measure of the general and administrative expenses affecting CES' profitability, as it excludes non-cash charges such as stock-based compensation and depreciation as well as specific items that are considered to be non-recurring in nature.

	Three Months Ended March 31,		
$000s	**2021**	2020	Change
General and administrative expenses	**44,193**	53,065	(8,872)
as a percentage of revenue	**17 %**	15 %	2 %
Deduct non-cash charges and non-recurring items:			
Stock-based compensation	**3,397**	3,574	(177)
Depreciation & amortization	**5,711**	6,072	(361)
Additional bad debt allowance	—	1,131	(1,131)
Restructuring costs	—	311	(311)
Adjusted General and Administrative Costs(1)	**35,085**	41,977	(6,892)
as a percentage of revenue	**13 %**	12 %	1 %

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

Relative to Q1 2020, general and administrative expenses in the first quarter of 2021 were not impacted by the non-recurring $1.1 million additional bad debt allowance and $0.3 million restructuring costs recorded in Q1 2020 in light of the low oil price environment. Excluding these items, Adjusted G&A Costs decreased by $8.3 million over the comparable 2020 period as the quarter benefited from a number of cost cutting measures implemented by the Company early in the second quarter of 2020 with respect to compensation and discretionary expenses. Further, CES recorded a $0.8 million benefit for the three months ended March 31, 2021 from the CEWS program as an offset to compensation costs within G&A. As a percentage of revenue, general and administrative expenses has increased for Q1 2021 as compared with the same period in 2020, as revenue levels fell significantly year over year. In light of the uncertainty surrounding current market conditions, as activity levels fluctuate, CES will continue to diligently manage its general and administrative cost base as needed.

Stock-Based Compensation

Stock-based compensation expense decreased 5% for the three months ended March 31, 2021 in comparison to the same period in 2020, as a result of the timing of equity-based and cash-based grants under the Company's stock-based compensation plans and the reduced price of the Company's common shares year over year.

Finance Costs

For the three months ended March 31, 2021 and 2020, finance costs were comprised of the following:

	Three Months Ended March 31,	
$000s	**2021**	2020
Interest on debt, net of interest income	**5,114**	6,613
Amortization of debt issue costs and premium	**310**	310
Foreign exchange (gain) loss	**(232)**	326
Financial derivative loss (gain)	**561**	(916)
Gain on repurchase of senior unsecured notes	**(12)**	—
Other finance costs	**2**	—
Finance costs	**5,743**	6,333

Interest expense

Finance costs for the three months ended March 31, 2021 include interest on debt, net of interest income, of $5.1 million (2020 - $6.6 million). Included in these amounts is interest on the Company's Senior Notes in the amount of $4.5 million for the three months ended March 31, 2021 down from the comparable 2020 period of $4.6 million as a result of the repurchases of Senior Notes undertaken during 2020 and Q1 2021. Further, CES' Senior Facility draw has come down significantly year-over-year, resulting in lower interest costs in Q1 2021 versus Q1 2020.

Foreign exchange gains and losses

Finance costs for the three months ended March 31, 2021 include a realized and unrealized net foreign exchange gain of $0.2 million (2020 - net loss of $0.3 million). The net foreign exchange gain during Q1 2021 is primarily related to foreign exchange gains on the Company's USD denominated cash.

Financial derivative gains and losses

Finance costs for the three months ended March 31, 2021 include a realized and unrealized net derivative loss totaling $0.6 million (2020 - net gain of $0.9 million) relating to the Company's foreign currency derivative contracts. As of March 31, 2021, the Company had a financial derivative liability of net $0.2 million relating to its outstanding derivative contracts (December 31, 2020 - $1.1 million). CES has a Board approved hedging and derivative policy that sets out the guidelines and parameters management follows when approaching its risk management strategies.

At March 31, 2021, the Company had US$21.2 million outstanding in CAD forward purchase contracts at a weighted average exchange rate of $1.2692, maturing in April 2021, as a result of a USDCAD swaps entered into in March 2021, which allowed the Company to utilize excess USD cash flow to reduce previously outstanding CAD draws on the Senior Facility.

Current and Deferred Income Taxes

Income tax expense is related to taxable income in Canada, the US, Luxembourg, and Hungary.

	Three Months Ended March 31,	
$000s	**2021**	2020
Current income tax expense	**900**	339
Deferred income tax expense (recovery)	**1,701**	(14,693)
Total income tax expense (recovery)	**2,601**	(14,354)

Current income tax expense increased year over year due to changes in activity levels. The deferred income tax movement in Q1 2021 resulted from the expected reversal of temporary differences based on normal activity in the period, as compared to the tax benefit recognized in the prior year quarter due to the one time goodwill impairment charge recorded in that period.

Working Capital Surplus and Net Debt

CES continues to maintain a prudent balance sheet with strong liquidity and focus on working capital optimization. During Q1 2021, CES made modest investments in working capital as industry activity levels continue to improve. The Company had a Working Capital Surplus of $303.1 million as at March 31, 2021 compared to $273.3 million as at December 31, 2020. The increase in Working Capital Surplus at March 31, 2021 is attributable to a sequential increase in revenue relative to Q4 2020 and higher accounts receivable balances as expected. The increase was partially offset by improvements in inventory turnover as the business works through inventory on hand and maintains a conservative approach to inventory replenishment, along with the depreciation of USD working capital balances on translation as USDCAD declined from $1.2732 at December 31, 2020 to $1.2575 at March 31, 2021. CES' Total Debt continues to be primarily reflective of working capital investments, and as such, at March 31, 2021, the Company had Net Debt of $18.3 million as compared to $26.4 million at December 31, 2020. Refer to the "Non-GAAP Measures" for further details on the calculation of Net Debt.

Total Long-Term Assets

Total long-term assets of CES decreased by $17.6 million to $466.7 million as at March 31, 2021, down from $484.3 million as at December 31, 2020. This decrease is primarily attributed to the translation of the Company's USD denominated long-term assets, which were negatively impacted by the depreciation of the USD versus CAD on March 31, 2021 compared to December 31, 2020, as well as a decrease of $2.4 million in the deferred income tax asset.

Long-Term Financial Liabilities

CES had long-term debt totaling $288.4 million as at March 31, 2021, compared to long-term debt, net of cash of $266.4 million at December 31, 2020. The increase of $22.0 million was primarily attributable to borrowings on the Senior Facility during the quarter, driven by modest investments in working capital as activity levels increased, as well as opportunistic share repurchases under the Company's NCIB. Additional discussion relating to the Company's Senior Facility and other long-term financial liabilities is included in the Liquidity and Capital Resources section of this MD&A.

Related Party Transactions

During the three months ended March 31, 2021, CES paid rent of $0.03 million (2020 - $0.03 million) to an executive officer of the Company for use of a temporary rental property. These transactions have been accounted for at the exchange amount being the amount agreed to by the related parties, which approximates the arm's length equivalent fair value.

QUARTERLY FINANCIAL SUMMARY

The following is a summary of selected financial information of the Company for the last eight completed quarters:

	Three Months Ended							
	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Revenue								
United States	**168,047**	137,262	113,859	121,819	227,958	217,427	227,282	236,776
Canada	**92,579**	75,552	52,434	37,674	121,489	98,134	88,489	76,161
Revenue	**260,626**	212,814	166,293	159,493	349,447	315,561	315,771	312,937
Net income (loss)	**5,122**	40,453	(12,725)	(24,911)	(225,720)	11,910	7,637	8,361
per share– basic	***0.02***	*0.15*	*(0.05)*	*(0.09)*	*(0.86)*	*0.04*	*0.03*	*0.03*
per share– diluted	***0.02***	*0.15*	*(0.05)*	*(0.09)*	*(0.86)*	*0.04*	*0.03*	*0.03*
Adjusted EBITDAC (1)	**34,358**	24,651	18,212	8,173	51,132	39,653	42,233	41,528
per share– basic	***0.13***	*0.09*	*0.07*	*0.03*	*0.19*	*0.15*	*0.16*	*0.16*
per share– diluted	***0.13***	*0.09*	*0.07*	*0.03*	*0.19*	*0.15*	*0.15*	*0.15*
Dividends declared	**—**	—	—	—	2,948	3,970	3,984	3,993
per share	**—**	—	—	—	*0.0113*	*0.0150*	*0.0150*	*0.0150*
Shares Outstanding								
End of period	**254,415,334**	258,264,857	262,567,958	264,883,808	262,026,924	263,956,291	265,647,874	265,738,759
Weighted average – basic	**255,244,854**	260,997,098	264,841,429	263,715,927	262,711,372	265,214,700	265,762,689	266,719,773
Weighted average – diluted	**263,748,333**	260,997,098	264,841,429	263,715,927	262,711,372	271,779,891	272,971,478	273,085,762

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

Seasonality of Operations

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

LIQUIDITY AND CAPITAL RESOURCES

The Company's long-term debt is comprised of the following balances:

	As at	
$000s	**March 31, 2021**	December 31, 2020
Senior Facility	**4,443**	—
Senior unsecured notes due Oct 21, 2024 bearing interest at 6.375% payable semi-annually ("Senior Notes")	**287,954**	288,954
	292,397	288,954
Less: net unamortized debt issue costs	**(3,958)**	(4,269)
Long-term debt	**288,439**	284,685

CES' financial results demonstrate the Company's resiliency in a rapidly changing and unprecedented market, and emphasize the Company's ability to execute on set goals as they relate to balance sheet strength, liquidity, working capital optimization and free cash flow generation. As activity levels in the industry have continued to improve the Company made modest investments in working capital during the quarter, while still retaining its overall liquidity position and balance sheet strength. During the quarter CES executed on opportunistic repurchases of $1.0 million in outstanding Senior Notes for $0.99 million and 6,327,126 common shares for $9.5 million at an average price of $1.50 per share under the Company's NCIB program.

Senior Facility

The Company has a syndicated senior facility (the "Senior Facility"), which is comprised of a Canadian facility of $170.0 million and US facility of US$50.0 million. The Senior Facility matures on September 28, 2022, subject to certain terms and conditions, and may be extended by one year upon agreement of the lenders and the Company.

As at March 31, 2021, the maximum available draw on the Senior Facility was $170.0 million on the Canadian facility and US$50.0 million on the US facility. As at March 31, 2021, the Company had a net draw of $4.1 million (December 31, 2020 - net cash of $18.3 million), with capitalized transaction costs of $336 (December 31, 2020 - $392). Transaction costs attributable to the Senior Facility are recorded as part of the Senior Facility and amortized to finance costs over the remaining term.

The Company's debt covenant calculations, as at March 31, 2021 and December 31, 2020, are as follows:

	As at	
$000s	**March 31, 2021**	December 31, 2020
Net Senior Debt	**23,764**	2,456
EBITDA for the four quarters ended	**74,048**	92,327
Ratio	**0.321**	0.027
Maximum	**2.500**	2.500
EBITDA for the four quarters ended	**74,048**	92,327
Interest Expense for the four quarters ended	**20,774**	22,155
Ratio	**3.564**	4.167
Minimum	**2.500**	2.500

Senior Notes

During the three months ended March 31, 2021, the Company repurchased and canceled $1.0 million of its Senior Notes for an aggregate purchase price of $0.99 million resulting in a gain of $0.01 million recorded against finance costs and an associated annualized interest expense reduction of $0.01 million. At March 31, 2021, the Company had $288.0 million of remaining outstanding principal on its Senior Notes due October 21, 2024. The Senior Notes incur interest at a rate of 6.375% per annum and interest is payable on the Senior Notes semi-annually on April 21st and October 21st.

As at March 31, 2021, the Company was in compliance with the terms and covenants of its lending agreements. For the three months ended March 31, 2021, the Company recorded $5.5 million (2020 - $6.9 million) in interest expense related to its long-term debt and lease balances, including the amortization of debt issue costs.

Other Indebtedness

The following table details the remaining contractual maturities of the Company's financial liabilities as of March 31, 2021:

	Payments Due By Period[1]					
$000s	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	**Total**
Accounts payable and accrued liabilities	111,419	—	—	—	—	**111,419**
Income taxes payable	—	751	—	—	—	**751**
Senior Facility	—	—	—	4,443	—	**4,443**
Senior Notes [2]	—	—	—	287,954	—	**287,954**
Interest on Senior Notes	9,179	9,179	18,357	36,714	—	**73,429**
Lease obligations [3]	3,625	14,663	7,909	3,784	1,368	**31,349**
Commitments [4]	874	1,550	94	—	—	**2,518**
Other long-term liabilities	—	—	959	613	—	**1,572**
	125,097	26,143	27,319	333,508	1,368	**513,435**

[1] *Payments denominated in foreign currencies have been translated using the March 31, 2021 exchange rate.*
[2] *The Senior Notes are due on October 21, 2024.*
[3] *Lease obligations reflect principal payments and excludes any associated interest portion.*
[4] *Commitments include amounts relating to short-term leases, leases of low-value assets, variable payments associated with long-term leases, and capital commitments.*

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

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

Summary of Statements of Cash Flows

The following table summarizes the Company's Statements of Cash Flows for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,		
$000's	**2021**	2020	Change
Net cash provided by (used in)			
Operating Activities	**(5,782)**	12,337	(18,119)
Investing Activities	**(1,228)**	(11,782)	10,554
Financing Activities	**(11,241)**	(555)	(10,686)

Cash Flows from Operating Activities

For Q1 2021, cash outflows from operating activities totaled $5.8 million, compared to cash inflows from operating activities of $12.3 million during the three months ended March 31, 2020 with the change being driven by reduced activity levels year over year, partially offset by a reduced cost structure and CEWS benefits recognized of $1.7 million during Q1 2021 (2020 - nil).

Cash Flows from Investing Activities

For Q1 2021, net cash outflows from investing activities totaled $1.2 million, as compared to the outflow of $11.8 million from investing activities during Q1 2020, with the decrease being reflective of the Company's capital expenditure reductions year over year. In Q1 2021, total investment in property and equipment was $3.0 million versus $12.4 million in Q1 2020.

Details of cash used for investment in property and equipment are as follows:

	Three Months Ended March 31,	
$000's	**2021**	2020
Expansion Capital [1]	**2,333**	6,840
Maintenance Capital [1]	**646**	5,521
Total investment in property and equipment	**2,979**	12,361
Change in non-cash investing working capital	**(294)**	436
Cash used for investment in property and equipment	**2,685**	12,797

[1]*Refer to the "Operational Definitions" for further detail.*

Expansion Capital expenditures in Q1 2021 were incurred to support increased activity levels in the quarter including: $0.9 million incurred for field, lab and processing equipment, $0.6 million incurred for tank expansions, and $0.4 million incurred for warehouse and facilities. Maintenance Capital additions during Q1 2021 include: $0.2 million incurred for vehicles and $0.1 million for tanker trailers.

Historically, the long-term capital investments required for CES to execute its business plan are not significant in relation to the total revenue and EBITDAC generated by the Company and the majority of capital expenditures are made at the discretion of CES based on the timing and the expected overall return on the investment. CES expects 2021 capital expenditures, excluding amounts financed under lease arrangements, to be up to $30.0 million, of which $10.0 million is expansion and $20.0 million is maintenance. CES plans to continue its disciplined and prudent approach to capital expenditures in 2021 and will adjust its plans as required to support growth throughout divisions and as conditions continue to unfold.

Cash Flows from Financing Activities
For Q1 2021, cash flows used in financing activities totaled $11.2 million compared to $0.6 million in Q1 2020. This year over year change is primarily due to the repurchase of common shares through the Company's NCIB program for $9.5 million and the repurchase of Senior Notes for $1.0 million, partially offset by the reduction in the Company's draw on the Senior Facility year-over-year and the suspension of the Company's dividend program during 2020.

NCIB and Dividend
Management and the Board of Directors review the appropriateness of dividends and share repurchases on a monthly basis taking into account, among other considerations, the applicable solvency requirements under corporate legislation; current and anticipated industry conditions; and, particularly, growth opportunities requiring Expansion Capital, management's forecast of Distributable Earnings, its forecasted Dividend Payout Ratio, and forecasted capital to be deployed opportunistically under its NCIB. At this time, CES has suspended its monthly dividend to shareholders. In August 2020, after a brief suspension period CES resumed NCIB activity to opportunistically repurchase common shares as our share price remained at attractive levels. CES continues to monitor the Company's share price and associated activity levels under the NCIB as industry conditions unfold.

NCIB
Under the Company's current NCIB, the Company may repurchase for cancellation up to 19,025,236 common shares, being 7.5% of the public float of common shares at the time of renewal. The NCIB will terminate on July 20, 2021 or such earlier date as the maximum number of common shares are purchased pursuant to the NCIB or the NCIB is completed or is terminated at the Company's election.

A summary of the Company's NCIB program for the three months ended March 31, 2021 and the year ended December 31, 2020 is as follows:

$000s except for share and per share amounts	**Three Months Ended March 31, 2021**	Year Ended December 31, 2020
Number of shares	**6,327,126**	9,440,577
Cash outlay	**9,474**	11,251
Average price per share	**$1.50**	$1.19

Since the July 16, 2020 commencement of the Company's current NCIB program, the Company repurchased 13,442,426 common shares up to March 31, 2021, at an average price of $1.18 per share for a total amount of $15.9 million.

Since inception of the Company's NCIB programs on July 17, 2018, and up to March 31, 2021, the Company has repurchased 26,369,306 common shares at an average price of $2.03 per share for a total amount of $53.4 million.

Subsequent to March 31, 2021, the Company has repurchased 508,400 additional shares at a weighted average price of $1.55 for a total of $0.8 million.

Dividend
CES suspended its monthly dividend on April 16, 2020, conserving approximately $16.0 million on an annualized basis. The suspension of CES' dividend, accompanied by several cost reduction initiatives, helped to preserve the strength of the Company's balance sheet while maintaining liquidity to fund existing operations and potential growth initiatives. CES will continue to be protective of its balance sheet and prudent with its capital allocation.

Share Capital and Stock-Based Compensation Plans
A summary of the Company's common shares and stock-based compensation plans outstanding is as follows:

	May 12, 2021	March 31, 2021	December 31, 2020
Common shares outstanding	254,362,636	254,415,334	258,264,857
Restricted Share Unit Plan ("RSU")	9,290,772	9,735,074	8,432,088
Share Rights Incentive Plan ("SRIP")	4,847,400	4,874,400	5,344,400
Phantom Share Unit Plan ("PSU")	4,722,466	4,722,466	4,726,795

Stock-based compensation - cash-settled transactions
CES adopted a Phantom Share Unit ("PSU") plan effective June 23, 2020. PSUs are awarded to non-executive employees and entitle the holder to the cash-equivalent of the five day volume weighted average share price of the Company's common shares plus reinvested notional dividends upon maturity. The PSUs generally vest over 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 PSUs will be entitled to the dividend equivalents in the form of additional PSUs on each dividend payment date, to be held in the PSU account until such time as the awards have vested.

NON-GAAP MEASURES

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

For the three months ended March 31, 2021 and 2020, the Company has not adjusted EBITDAC, Gross Margin, or General and Administrative Costs for any non-recurring items that would be considered to be a direct impact of the COVID-19 pandemic, such as increased costs of compliance with public health measures. The non-GAAP measures as calculated in the tables below reflect certain non-recurring items that are related to the significant downturn in the oil and natural gas market and the resulting slowdown in industry activity. While this slowdown is directly related to the impact of the COVID-19 pandemic on oil and gas markets, these adjustments are not as a result of direct impacts of COVID-19 on our operations.

The non-GAAP measures used in this MD&A, with IFRS measures, are the most appropriate measures for reviewing and understanding the Company's financial results. The non-GAAP measures are further defined for use throughout this MD&A as follows:

EBITDAC - is a non-GAAP term that has been reconciled to net income (loss) for the financial periods, being the most directly comparable measure calculated in accordance with IFRS. EBITDAC is defined as net income before interest, taxes, depreciation and amortization, finance costs, other income (loss) and stock-based compensation, which are not reflective of underlying operations. EBITDAC includes government relief subsidies received to help mitigate the impact of the COVID-19 pandemic. EBITDAC is a metric used to assess the financial performance of an entity's operations. Management believes that this metric provides an indication of the results generated by the Company's business activities prior to how these activities are financed, how the Company is taxed in various jurisdictions, and how the results are impacted by foreign exchange and non-cash charges. This non-GAAP financial measure is also used by management as a key performance metric supporting decision making and assessing divisional results.

Adjusted EBITDAC - is defined as EBITDAC noted above, adjusted for specific items that are considered to be non-recurring in nature. Management believes that this metric is relevant when assessing normalized operating performance.

EBITDAC and Adjusted EBITDAC are calculated as follows:

	Three Months Ended March 31,	
$000s	**2021**	2020
Net income (loss)	**5,122**	(225,720)
Add back (deduct):		
Depreciation on property and equipment in cost of sales	**11,847**	13,980
Depreciation on property and equipment in G&A	**1,799**	2,213
Amortization on intangible assets in G&A	**3,912**	3,859
Current income tax expense	**900**	339
Deferred income tax (recovery) expense	**1,701**	(14,693)
Stock-based compensation	**3,397**	3,574
Finance costs	**5,743**	6,333
Other income	**(63)**	(562)
Impairment of goodwill	—	248,905
EBITDAC	**34,358**	38,228
Add back (deduct):		
Inventory valuation write-downs	—	11,068
Additional bad debt allowance	—	1,131
Restructuring costs	—	705
Adjusted EBITDAC	**34,358**	51,132

Adjusted Gross Margin - is a non-GAAP term that has been reconciled to Gross Margin for the financial periods, being the most directly comparable measure calculated in accordance with IFRS. It represents Gross Margin under IFRS adjusted to exclude depreciation included in cost of sales as it relates to assets associated with operations and operating related activities, as well as adjusted for specific items that are considered to be non-recurring in nature. Management believes that this metric assists in determining CES' profitability prior to charges for depreciation. This non-GAAP financial measure is also used by management to quantify the operating costs inherent in the Company's business activities, prior to operational related depreciation.

Adjusted Gross Margin is calculated as follows:

	Three Months Ended March 31,	
$000s	**2021**	2020
Gross Margin	**57,596**	67,667
as a percentage of revenue	**22 %**	19 %
Add back (deduct):		
Depreciation included in cost of sales	**11,847**	13,980
Inventory valuation write-downs	—	11,068
Restructuring costs	—	394
Adjusted Gross Margin	**69,443**	93,109
as a percentage of revenue	**27 %**	27 %

Adjusted General & Administrative Costs - is a non-GAAP term that has been reconciled to General and Administrative expenses for the financial periods, being the most directly comparable measure calculated in accordance with IFRS. It represents general and administrative costs under IFRS adjusted to exclude non-cash expenses recorded in general and administrative costs such as stock-based compensation and depreciation and amortization as it relates to assets not associated with operations and operating related activities, as well as adjusted for specific items that are considered to be non-recurring in nature. Management believes that this metric assists in demonstrating CES' profitability prior to non-cash charges, such as depreciation and amortization and stock based compensation, as well as non-recurring items. This non-GAAP financial measure is also used by management to quantify the administrative costs incurred in managing the Company's business activities prior to certain non-cash charges such as stock-based compensation and non-operational related depreciation.

	Three Months Ended March 31,	
$000's	**2021**	2020
General and administrative expenses	**44,193**	53,065
as a percentage of revenue	**17 %**	15 %
Deduct non-cash charges and non-recurring items:		
Stock-based compensation	**3,397**	3,574
Depreciation & amortization	**5,711**	6,072
Additional bad debt allowance	—	1,131
Restructuring costs	—	311
Adjusted General and Administrative Costs	**35,085**	41,977
as a percentage of revenue	**13 %**	12 %

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

	Three Months Ended March 31,	
$000s	**2021**	2020
Cash provided by (used in) operating activities	**(5,782)**	12,337
Adjust for:		
Change in non-cash operating working capital	**33,195**	32,188
Funds Flow From Operations	**27,413**	44,525

Working Capital Surplus - Working Capital Surplus is calculated as current assets less current liabilities, excluding the current portion of finance lease obligations. Management believes that this metric is a key measure to assess operating performance and leverage of the Company and uses it to monitor its capital structure.

Net Debt and Total Debt - Net Debt represents Total Debt, which includes the non-current portion of deferred acquisition consideration, the Senior Facility, the Senior Notes, both current and non-current portions of lease obligations, offset by the Company's cash position, less Working Capital Surplus. Management believes that these metrics are key measures to assess liquidity of the Company and use them to monitor its capital structure.

Total Debt, Working Capital Surplus, and Net Debt are calculated as follows:

	As at	
$000's	**March 31, 2021**	December 31, 2020
Long-term financial liabilities[(1)]	**303,072**	298,776
Current portion of finance lease obligations	**18,288**	19,152
Total Debt	**321,360**	317,928
Cash	**—**	(18,251)
Total Debt, net of cash	**321,360**	299,677
Deduct Working Capital Surplus:		
Current assets	**415,512**	355,288
Current liabilities[(2)]	**(112,419)**	(81,975)
Working Capital Surplus	**303,093**	273,313
Net Debt	**18,267**	26,364

[1]*Includes long-term portion of the Senior Facility, the Senior Notes, lease obligations, and cash settled incentive obligations.*
[2]*Excludes current portion of lease liabilities.*

OPERATIONAL DEFINITIONS

Operational terms used throughout this MD&A include:

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

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

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

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

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

Average Rig Count - For its drilling fluids operations, CES estimates its Average Rig Count, which is the average monthly number of active rigs where CES was providing drilling fluids in the referenced period.

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

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

As a routine element of the financial statement preparation process, management is required to make estimates and assumptions based on information available as at the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, and the possible disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses for the period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The current fluctuation in market conditions introduce additional uncertainties, risks and complexities in management's determination of the estimates and assumptions used to prepare CES' financial results. As the COVID-19 pandemic and volatility in financial markets is an evolving situation, management cannot reasonably estimate the length or severity of the impact on CES. As such, actual results may differ from estimates and the effect of such differences may be material.The impacts of such estimates are pervasive throughout the condensed consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. The most significant estimates in CES' condensed consolidated financial statements have been set out in the Company's MD&A for the year ended December 31, 2020, and its audited annual consolidated financial statements and notes thereto for the year ended December 31, 2020, and in Note 3 of the condensed consolidated financial statements for the three months ended March 31, 2021.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies can be found in Note 3 of the consolidated financial statements for the year ended December 31, 2020. There have been no new standards or interpretations issued during 2021 that significantly impact the Company.

CORPORATE GOVERNANCE

Disclosure Controls and Procedures ("DC&P")

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

Internal Controls over Financial Reporting ("ICFR")

Management of CES is responsible for establishing and maintaining ICFR for CES to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no changes to CES' internal controls over financial reporting during the three months ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

While the President and Chief Executive Officer and Chief Financial Officer believe that CES' DC&P and ICFR provide a reasonable level of assurance that they are effective, they do not expect that the DC&P or ICFR will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met

For information regarding the corporate governance policies and practices of CES, the reader should refer to CES' 2020 Annual Report, CES' Annual Information Form dated March 11, 2021 in respect of the year ended December 31, 2020, and CES' Information Circular in respect of the June 22, 2021 Annual General and Special Meeting of shareholders each of which are available on the CES' SEDAR profile at www.sedar.com.

RISKS AND UNCERTAINTIES AND NEW DEVELOPMENTS

CES' Q1 2021 financial results described herein demonstrated the Company's capabilities in the markets in which the Company operates along with a proven defensible balance sheet and business model through periods of low activity levels. The Q1 2021 results herein are a direct impact of the current low oil price environment largely attributable to the COVID-19 pandemic, which deteriorated significantly during the second quarter of 2020. While oil and gas prices have recovered somewhat since Q2 2020, the North American oil and gas industry continues to face significant headwinds. CES has undertaken significant steps to rationalize its cost structure and will take additional appropriate actions as necessary.

CES continued to ensure the ongoing safety of our employees and to maintain delivery of products and services to our customers while managing the impacts of the COVID-19 pandemic. We also continued to implement additional safety measures, which included social distancing protocols at all Company locations; restricting external visitors; restricting all non-essential business-related travel;

enhancing our workplace cleaning practices; conducting virtual meetings with our customers, stakeholders, and external parties; and working from home strategies for employees where possible. Our health and safety teams across North America continue to closely monitor the rapidly changing situation and directions from government health authorities to ensure the safety of our employees and the public and the reliability of our operations.

CES' customers are primarily North American oil and gas producers. Activity in the oil and gas industry is cyclical in nature. CES is directly affected by fluctuations in the level and complexity of oil and gas exploration and development activity carried on by its clients. In Canada, drilling activity is seasonal and, in turn, throughout North America it is directly affected by a variety of factors including: weather; natural disasters such as floods, tornadoes, and hurricanes; oil, natural gas, and natural gas liquids commodity prices; pipeline takeaway capacity; outcomes of major LNG projects; access to capital markets; government policies including, but not limited to, royalty, environmental, and industry regulations; and oil and natural gas demand fluctuations, which may be impacted by global political, military, economic, and social factors (such as the outbreak of a contagious disease or pandemic). Any prolonged or significant decrease in energy prices, economic activity or demand, or an adverse change in government regulations could have a significant negative impact on exploration and development drilling and completion activity in North America and, in turn, demand for CES' products and services.

As a provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield, the volatility in activity experienced at the drill-bit, fracturing and completion stages is somewhat muted by the long-term and less variable revenue generated by CES at the pump-jack and wellhead during the production stage and in the mid-stream, pipeline and transportation phases. As CES grows these facets of its business, the predictability of its earnings should also increase. The revenue and general market consumption of consumable chemicals in these market segments is more stable and predictable than the drilling fluids market, however a material reduction in the demand for oil and gas may impact the demand for consumable chemicals as operators shut-in production. In addition, CES is a relatively new entrant and is much smaller than the larger, more established competitors in this space. This presents opportunities as well as risks to the overall success CES may achieve in the production and specialty chemical space.

From mid-2014 to early 2016, oil and natural gas prices fell dramatically, resulting in a significant decrease in the level of industry activity in the WCSB and the US. While oil and natural gas prices improved from the first quarter of 2016 into 2019, the COVID-19 pandemic and production level decisions amongst OPEC+ members in the spring of 2020 collectively resulted in a sharp decline in commodity prices in the beginning of 2020. While oil and natural gas prices have improved since the first half of 2020, the oil and gas industry continues to face significant headwinds as a result of the ongoing COVID-19 pandemic and the resulting impact on demand for oil and natural gas. A continued and prolonged retracement of oil and natural gas prices to levels seen in April 2020, would likely affect oil and natural gas production levels and therefore continue to reduce the demand for drilling and oilfield services by operators, which could have a material adverse effect on CES' business, financial condition, results of operations and cash flows. In addition, in Canada many operators in the WCSB have been challenged by additional crude oil pricing differentials versus world benchmarks such as Brent and WTI , as well as government mandated production curtailments that were implemented to address these differentials. While there has been recent progress on pipeline projects in Canada, and in December 2020 government mandated production curtailments were suspended, there continues to be ongoing uncertainty around the ability for WCSB producers to reach markets given the status of several proposed pipeline projects, the potential for a change to US trade and climate policies, tax reform, and potential changes to the crude by rail industry in the face of several derailments. A continued decline in both the Canadian and US markets could result in material adverse changes to the accounting estimates and judgements made with respect to the Company's assessment of goodwill impairment on its remaining US goodwill balance, and the recognition of the Company's deferred tax assets.

The volatility in the financial markets has impacted the general availability of both credit and equity financing in the marketplace. World-wide political and economic risks seem to be intensifying and, although the US saw strong economic growth prior to COVID-19 disruptions, there are added risks and uncertainties around potential changes to US domestic and foreign policy as a result of the 2020 US election. Despite CES' successful re-financing of its $300.0 million Senior Notes in October 2017, in general since the fall of 2014, and further emphasized by recent developments in global oil and gas markets, there has been a retreat in the energy capital markets as a result of low commodity prices and perception regarding government policy and regulations. As such it may prove to be difficult under future market conditions to issue additional equity, maintain or increase credit capacity, or re-finance existing credit without significant costs. CES is also reliant on its Senior Facility to fund working capital and other growth initiatives. In the event CES' lenders are unable to, or choose not to continue to fund CES, it would impair CES' ability to operate until alternative sources of financing were obtained, as access to the Senior Facility is critical to the effective execution of CES' business plan. At March 31, 2021, CES is in compliance with terms and covenants of all of its lending agreements.

The ability of CES to sell and expand its services will also depend upon the ability to attract and retain qualified personnel as needed. As the industry recovered from the trough activity levels of 2016, the demand for skilled employees has been increasing and the supply of top quality, experienced talent has been limited. The unexpected loss of CES' key personnel, the inability to retain or recruit skilled personnel, or potential disruptions to our employees' ability to perform their duties as a result of unforeseen events such as natural disasters or impacts from global pandemics like COVID-19, could have an adverse effect on CES' results. CES addresses these risks by:

- attracting well trained and experienced professionals;
- offering competitive compensation at all levels;
- providing a variety of tools and technologies to enable employees to work remotely;
- ensuring a safe working environment with clearly defined standards and procedures; and
- offering its employees both internal and external training programs.

CES takes its health, safety, and environmental responsibilities seriously and has standards, policies, and procedures to address these risks. In addition, CES maintains insurance policies with respect to its operations providing coverage over what it considers to be material insurable risks. Although the Company maintains insurance policies, such insurance may not provide adequate coverage in all circumstances, nor are all such risks insurable. There can also be assurance that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. It is possible that the Company's insurance coverage will not be sufficient to address the costs arising out of the allocation of liabilities and risk of loss.

Significant changes in the oil and gas industry including economic conditions (including as a result of the COVID-19 pandemic), commodity prices, environmental regulations, government policy, pipeline takeaway capacity, and other factors may adversely affect CES' ability to realize the full value of its accounts receivable. In addition, a concentration of credit risk exists in trade accounts receivable since they are predominantly with companies operating in the WCSB in Canada and in the Texas, Mid-continent, Rockies, and Northeast regions of the US. CES continues to attempt to mitigate the credit risk associated with its customer receivables by performing credit checks as considered necessary, managing the amount and timing of exposure to individual customers, reviewing its credit procedures on a regular basis, reviewing and actively following up on older accounts, and insuring trade credit risks where deemed appropriate. CES does not anticipate any significant issues in the collection of its customer receivables at this time outside of those which have already been provided for, but is closely monitoring in light of ongoing developments in global oil and gas markets. However, if a low oil and natural gas price environment persists or worsens, particularly with respect to pricing differentials affecting producers in the WCSB, and if access to capital markets remains weak for CES' customers, there would be a risk of increased bad debts. It is not possible at this time to predict the likelihood, or magnitude, of this risk.

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

The Company's ability to provide services to its customers is also dependent upon the availability at reasonable prices of raw materials, which the Company purchases from various suppliers, most of whom are located in North America and increasingly from overseas. The Company believes alternate suppliers exist for all required raw materials. The availability and supply of materials has been consistent in the past; however in periods of high activity, periodic shortages of certain materials have been experienced and costs may be affected. In addition, disruptions to transportation networks, impacts from pandemics, shortages of transportation infrastructure (including container availability), or other disruptions to global supply chains may impact the Company's ability to deliver products and services to its customers. These disruptions, such as those seen generally as a result of the spread of COVID-19, may also impact global demand for oil and gas, which may in turn result in a reduction in drilling activity and production economics globally. CES continues to evaluate potential changes to customer activity levels and the potential impacts to our business.

The foregoing risks and uncertainties are not intended to be exhaustive. Reference should be made to CES' Annual Information Form dated March 11, 2021 for the year ended December 31, 2020, and in particular to the heading "Risk Factors" for further risks associated with the business, operations, and structure of CES, which is available on CES' SEDAR profile at www.sedar.com.

FORWARD-LOOKING INFORMATION & STATEMENTS

Certain statements in this MD&A may constitute forward-looking information or forward-looking statements (collectively referred to as "forward-looking information"), which involves known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of CES, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this MD&A, such information uses such words as “may”, “would”, “could”, “will”, “intend”, “expect”, “believe”, “plan”, “anticipate”, “estimate”, and other similar terminology. This information reflects CES’ current expectations regarding future events and operating performance and speaks only as of the date of the MD&A. Forward-looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed below. Management of CES believes the material factors, expectations and assumptions reflected in the forward-looking information are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information contained in this document speaks only as of the date of the document, and CES assumes no obligation to publicly update or revise such information to reflect new events or circumstances, except as may be required pursuant to applicable securities laws or regulations.

In particular, this MD&A contains forward-looking information pertaining to the following: the seasonality of CES’ business and the ability of CES to manage seasonal activity swings; the certainty and predictability of future cash flows and earnings; management’s proposed corporate strategy for the Company; ability of CES to manage overall fluctuations in demand for CES’ products and services; CES' ability to execute on financial goals relating to its balance sheet, liquidity, working capital and cost structure; expectations regarding the performance of CES' business model and counter cyclical balance sheet during downturns; expectations regarding CES' ability to qualify and participate in the Canadian Government's CEWS program; expectations regarding the impact of the COVID-19 pandemic on industry activity levels; expectations that CES will continue to remain open and fully operating during the COVID-19 pandemic; expectations regarding the availability and distribution of COVID-19 vaccines and the corresponding impact on government mandated travel and gathering restrictions, increased demand for fossil-fuels, improving commodity prices, increased production levels and drilling activity; the expectation that cash interest costs and maintenance capital will be funded from available cash or through CES' credit facilities; future estimates as to dividend levels; the business strategy regarding cash dividend payments in the future; the amount of cash to be conserved based on the suspension of the dividend and the ability to retain such cash to preserve the balance sheet and provide liquidity to fund future growth initiatives; the sufficiency of liquidity and capital resources to meet long-term payment obligations or other commitments not included as liabilities on its statement of financial position; 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 2020, including maintenance capital and discretionary expansion capital and the anticipated timing for spending such capital; the repurchase of CES’ common shares pursuant to the NCIB; management’s opinion of the impact of any potential litigation or disputes; the application of critical accounting estimates and judgements; the timing of adoption of new accounting standards and the potential impact of new accounting standards on CES’ financial statements; the collectability of accounts receivable; the effectiveness of CES’ credit risk mitigation strategies; CES’ ability to increase or maintain its market share; expectations regarding the number of Treatment Points in Canada and the US; 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, and the impact of such increased sales on operating leverage and cost structure; impact of new drilling techniques, longer reach laterals and the increased intensity and size of hydraulic fracturing; expectations that CES will rationalize its drilling fluids cost structure; industry activity levels including the impact of COVID-19 and divergence in activity levels between Canada and the US; commodity prices and related pricing pressure; any forward curves for commodity prices; treatment under governmental regulatory and taxation regimes; expectations regarding the impact of US tax reform; expectations regarding the impact of production curtailment policies in Alberta; expectations regarding the impact of governmental carbon pricing schemes; expectations regarding expansion of services in Canada and the US; development of new technologies; expectations regarding CES’ growth opportunities in Canada and the US; the effect of acquisitions on the Company; expectations regarding the performance or expansion of CES’ operations; expectations regarding end markets for production chemicals and drilling fluids in Canada and the US including anticipated volatility throughout 2021; expectations regarding the demand for oil and natural gas, reduced capital expenditures by CES' customers and the quantum of shut-in production by CES' customers as a result of the COVID-19 pandemic and production decisions from OPEC+ members and the corresponding impact on oil and natural gas prices; expectations regarding the diversification of operations away from the drill-bit; expectations regarding demand for CES’ services and technology; expectations that competitor consolidation and business failures will create opportunities for CES in a recovery; investments in research and development and technology advancements; access to debt and capital markets and cost of capital; CES’ ability to continue to comply with covenants in debt facilities; expectations regarding the impact of the refinancing of CES’ Senior Notes; and competitive conditions.

CES’ actual results could differ materially from those anticipated in the forward-looking information as a result of the following factors: general economic conditions in the US, Canada, and internationally; geopolitical risk; fluctuations in demand for consumable fluids and chemical oilfield services, 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, and oil, and pricing differentials between world pricing, pricing in North America, and pricing in Canada; 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, shipping containers, 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 and regulations restricting the use of hydraulic fracturing; pipeline capacity and other transportation infrastructure constraints; changes to government mandated production curtailments; reassessment and audit risk and other tax filing matters; changes and proposed changes to US policies including tax policies or policies relating to the oil and gas industry; 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; the impact of climate change policies in the regions which CES operates; the impact and speed of adoption of low carbon technologies; potential changes to the crude by rail industry; changes to the fiscal regimes applicable to entities operating in the US and WCSB; 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, 2020 and "Risks and Uncertainties" in this MD&A.

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

MARKET AND INDUSTRY DATA

Unless otherwise indicated, the market and industry data contained in this MD&A is based upon independent industry publications and websites or was based on estimates derived from the same along with the knowledge of and experience of management in the markets in which the Company operates. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. None of these sources have provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, CES. Actual outcomes may vary materially from those forecasted in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While the Company believes this data can be reasonably relied on, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from third party sources referred to in this MD&A or ascertained the underlying assumptions relied upon by such sources.

ADDITIONAL INFORMATION

Additional information related to CES can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Information is also accessible on CES' web site at www.cesenergysolutions.com.

STOCK EXCHANGE LISTINGS
The Toronto Stock Exchange
Trading Symbol: CEU

OTC
Trading Symbol: CESDF

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EXECUTIVE OFFICERS
Thomas J. Simons
President & Chief Executive Officer

Anthony M. Aulicino
Chief Financial Officer

Kenneth E. Zinger
Chief Operating Officer & President, Canadian Operations

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Vernon J. Disney
President, US Production Chemicals

CORPORATE SECRETARY
Matthew S. Bell

AUDITORS
Deloitte LLP
Chartered Professional Accountants, Calgary, AB

BANKERS
Scotiabank Canada, Calgary, AB

LEGAL COUNSEL
Stikeman Elliot, LLP, Calgary, AB
Crowe & Dunlevy, Oklahoma City, OK

REGISTRAR & TRANSFER AGENT
Computershare Investor Services Inc.
Calgary, AB and Toronto, ON

CORPORATE OFFICE
Suite 1400, 332 – 6th Avenue SW
Calgary, AB T2P 0B2
Phone: 403-269-2800
Toll Free: 1-888-785-6695
Fax: 403-266-5708

US BUSINESS UNITS
AES Drilling Fluids
Suite 230, 11767 Katy Freeway
Houston, TX 77079
Phone: 281-556-5628
Fax: 281-589-7150

Jacam Catalyst, LLC
11999 East Highway 158
Gardendale, TX 79758
Phone: 432-563-0727
Fax: 432-224-1038

CANADIAN BUSINESS UNITS
Canadian Energy Services and PureChem Services
Suite 1400, 700 – 4th Avenue SW
Calgary, AB T2P 3J4
Phone: 403-269-2800
Toll Free: 1-888-785-6695
Fax: 403-266-5708

Sialco Materials Ltd.
6605 Dennett Place
Delta, BC V4G 1N4
Phone: 604-940-4777
Toll Free: 1-800-335-0122
Fax: 604-940-4757

Clear Environmental Solutions
Suite 720, 736 – 8th Avenue SW
Calgary, AB T2P 1H4
Phone: 403-263-5953
Fax: 403-229-1306

www.cesenergysolutions.com