MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of CES Energy Solutions Corp. ("CES" or the "Company") for the three and nine months ended September 30, 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 November 11, 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 16 for further information on the definition, calculation and reconciliation of the non-GAAP financial measures contained in this MD&A.

DIVIDEND REINSTATEMENT

On August 12, 2021 the Company's Board of Directors approved a reinstatement of its dividend on a quarterly basis. Accordingly, CES paid a cash dividend of $0.016 per common share on October 15, 2021 to the shareholders of record at the close of business on September 30, 2021. CES' reinstated dividend returns additional value to shareholders while preserving the strength of the Company's balance sheet and maintaining ample liquidity to fund capital allocation options including potential growth initiatives. Further discussion on the Company's dividend is included in the Liquidity and Capital Resources section of this document.

BUSINESS OF CES

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

CES operates in 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 second quarter of 2021, CES also began to provide products and services in Oman through AES Drilling Fluids and to Nigeria through PureChem Services. 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 expanded 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

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s, except per share amounts)	**2021**	2020	%Change	**2021**	2020	%Change
Revenue						
United States	**196,966**	113,859	73 %	**540,270**	463,636	17 %
Canada	**117,429**	52,434	124 %	**288,356**	211,597	36 %
Total Revenue	**314,395**	166,293	89 %	**828,626**	675,233	23 %
Net income (loss)	**13,372**	(12,725)	nmf	**25,161**	(263,356)	nmf
per share – basic	***0.05***	*(0.05)*	nmf	***0.10***	*(1.00)*	nmf
per share - diluted	***0.05***	*(0.05)*	nmf	***0.10***	*(1.00)*	nmf
Adjusted EBITDAC[(2)]	**42,035**	18,212	131 %	**108,398**	77,517	40 %
Adjusted EBITDAC[(2)] % of Revenue	***13.4 %***	*11.0 %*	2.4 %	***13.1 %***	*11.5 %*	1.6 %
Cash provided by (used in) operating activities	**(45,883)**	40,300	(214)%	**(34,899)**	156,665	(122)%
Funds Flow From Operations[(2)]	**34,887**	10,342	237 %	**83,720**	55,159	52 %
Capital expenditures						
Expansion Capital[(2)]	**5,064**	2,604	94 %	**9,252**	13,326	(31)%
Maintenance Capital[(2)]	**4,735**	532	790 %	**7,996**	7,231	11 %
Total capital expenditures	**9,799**	3,136	212 %	**17,248**	20,557	(16)%
Dividends declared	**4,078**	—	— %	**4,078**	2,948	38 %
per share	***0.0160***	—	— %	***0.0160***	*0.0113*	42 %
Common Shares Outstanding						
End of period	**254,871,878**	262,567,958		**254,871,878**	262,567,958	
Weighted average - basic	**255,194,323**	264,841,429		**255,109,710**	263,760,203	
Weighted average - diluted	**263,284,730**	264,841,429		**263,608,982**	263,760,203	

	As at				
Financial Position ($000s)	**September 30, 2021**	June 30, 2021	%Change	December 31, 2020	%Change
Total assets	**992,511**	876,170	13 %	857,888	16 %
Long-term financial liabilities[(1)]	**356,610**	300,938	18 %	298,776	19 %
Total Debt, net of cash[(2)]	**372,108**	304,620	22 %	299,677	24 %
Working Capital Surplus[(2)]	**386,476**	305,321	27 %	273,313	41 %
Net Debt [(2)]	**(14,368)**	(702)	nmf	26,364	(154)%
Shareholders' equity	**471,190**	446,753	5 %	455,663	3 %

[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 and nine months ended September 30, 2021 in comparison to the three and nine months ended September 30, 2020 for CES are as follows:

- Financial results for Q3 2021 represent revenue and Adjusted EBITDAC levels that are within reaching distance of pre-pandemic levels in certain divisions. Third quarter revenue of $314.4 million and Adjusted EBITDAC of $42.0 million benefited from a rebound in energy demand and a constructive operating environment with rising activity levels relative to the comparative periods, representing increases of 89.1% and 130.8% over Q3 2020, respectively. CES realized improvements throughout its business lines amid strengthening industry conditions as it was able to leverage its established infrastructure, strong industry positioning committed employees, and strategic investments in key raw materials. The continued positive momentum demonstrated in Q3 has been supported by improvements in rig activity, higher volumes, pricing increases, and strategic procurement initiatives that are expected to continue through the balance of the year and in 2022. Q3 2021 and year to date results were also both affected by the strengthening of the Canadian dollar relative to comparative periods, negatively impacting US dollar source revenue on translation.

- The financial results reported for the quarter continue to reflect the importance of CES' geographic positioning and strategic commitment to the US market, which generated 62.6% of the Company's overall revenue in Q3 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 increased significantly in Q3 2021 as compared to Q3 2020, CES continues to maintain and grow its commitment to a strong and high quality customer base in both operating regions, as outlined below.

- In the third quarter, CES generated revenue of $314.4 million, an increase of $148.1 million or 89.1% compared to $166.3 million in revenue for Q3 2020 and a sequential increase of 24.0% compared to $253.6 in revenue for Q2 2021. For the nine months ended September 30, 2021, CES generated revenue of $828.6 million, an increase of $153.4 million or 22.7% from $675.2 million in the 2020 comparative period. As producers' capital spending improved and production levels increased, activity and industry rig counts have seen a significant uptick from the lows seen during the height of the COVID-19 pandemic in 2020.

    - Revenue generated in the US during Q3 2021 was $197.0 million representing a sequential increase of $21.7 million or 12.4% from Q2 2021 and an increase of $83.1 million or 73.0% from the comparative period in 2020. US revenues were positively impacted by increased industry activity levels and the reversal of temporary production shut-ins year-over-year, along with a significant increase in bulk product sales in the production chemicals division. US land drilling activity in Q3 2021 has improved by 101.7% from Q3 2020 and by 11.0% on a sequential quarterly basis. For the nine months ended September 30, 2021, revenue generated in the US increased by 16.5% to $540.3 million relative to the 2020 comparative period. CES continues to participate in the improved drilling environment, with a US Drilling Fluids Market Share of 17.3% for Q3 2021.

    - Revenue generated in Canada during Q3 2021 was $117.4 million representing a sequential increase of $39.1 million or 49.9% on seasonally higher activity and associated revenue levels from Q2 2021, and an increase of $65.0 million or 124.0% from the 2020 comparative period. Canadian revenues benefited from increased rig counts on improvement in land drilling activity of 203.8% as compared to Q3 2020 and the reversal of temporary production shut-ins. For the nine months ended September 30, 2021, revenue generated in Canada increased 36.3% to $288.4 million relative to the 2020 comparative period.

- CES achieved Adjusted EBITDAC of $42.0 million in Q3 2021, representing an increase of $23.8 million or 130.8% over $18.2 million in Q3 2020. Adjusted EBITDAC as a percentage of revenue of 13.4% achieved in Q3 2021 represented a significant improvement from the 11.0% recorded in Q3 2020 and a sequential improvement from 12.6% in Q2 2021, as the Company benefited from strong competitive positioning, pricing increases, improved production levels and increased drilling activity in both the US and Canada. For the nine months ended September 30, 2021, CES achieved Adjusted EBITDAC of $108.4 million, compared to $77.5 million in the comparative 2020 period as a result of higher period over period revenues driven by the factors described above. Margins for both the three and nine month periods experienced pressure as product and labour costs rose substantially, the impact of which was somewhat contained as a result of higher activity levels, strategic surplus inventory purchasing and the preservation of G&A at prudent levels.

- Net income for the three months ended September 30, 2021 was $13.4 million compared to a net loss of $12.7 million in Q3 2020. Higher net income for the period was driven by higher industry activity levels and associated revenues, partially offset by rising product and labor costs during the quarter. The benefit recognized from the Canada Emergency Wage Subsidy ("CEWS") program in Q3 2021 was $0.7 million, compared to $5.6 million in Q3 2020. Net income for the nine months ended September 30, 2021 was $25.2 million compared to a net loss of $263.4 million for the comparative 2020 period. Net loss for the three and nine months ended September 30, 2020 was impacted by $0.9 million and $17.8 million, respectively, of inventory valuation write-downs, additional bad debt allowances and restructuring costs recorded in light of the challenging global oilfield market. For the nine months ended September 30, 2020, net loss was further impacted by a $248.9 million goodwill impairment.

- As at September 30, 2021, CES had a Working Capital Surplus of $386.5 million, which represents a significant increase from $305.3 million at June 30, 2021 as CES has strategically used its balance sheet to finance investments in inventory beyond normal carrying volumes, in order to meet the increasing needs of existing and new customers, manage cost inflation, and mitigate the effects of global supply chain constraints. Accounts receivable also increased by 31.4%, to support significant increases in revenue and corresponding collection cycles. 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 $34.9 million in Funds Flow From Operations in Q3 2021, compared to $23.1 million in Q2 2021 and $10.3 million in Q3 2020, which excludes the impact of working capital investment. and is reflective of strong surplus free cash flow generation amid continued improvements in market conditions in the quarter.

- On September 1, 2021, the Company completed an amendment and two year extension of its existing syndicated Senior Facility (the "Senior Facility"). The amendment took effect September 1, 2021 and will remain in effect until maturity on September 28, 2024, subject to certain terms and conditions, and the Senior Facility may be extended by one year upon agreement of the lenders and the Company. The Senior Facility is comprised of a Canadian facility of $145.0 million and a US facility of US$70.0 million. The principal amendment made to the Senior Facility was to shift availability to the US through an increase to the US facility from US$50.0 million to US$70.0 million and a corresponding reduction in the Canadian facility from $170.0 million to $145.0 million, for a total facility size of approximately C$ equivalent $232.5 million. The agreement also preserves the Company's ability to use proceeds under the Senior Facility to repurchase or redeem a portion of the Company's outstanding senior unsecured notes, subject to minimum liquidity requirements. Other terms and conditions from the amendment remain materially consistent with those of the previous Senior Facility.

- As industry activity levels continued to improve, CES remained disciplined on capital expenditures during the quarter, retaining substantial liquidity while also making strategic use of its balance sheet to finance key surplus raw materials purchases in a rapidly evolving supply chain environment in order to avoid constraints on key inputs and mitigate product cost inflation. CES exited the quarter with a net draw on its Senior Facility of $50.5 million (December 31, 2020 - net cash balance of $18.3 million) and Total Debt, net of cash, of $372.1 million (December 31, 2020 - $299.7 million), of which $288.0 million relates to Senior Notes which don't mature until October 21, 2024. CES' Senior Facility has a maximum available draw of approximately C$ equivalent $232.5 million providing ample liquidity to support increasing business activity levels. The increases realized during the quarter were primarily driven by strategic investments in working capital to support strong sequential revenue growth and strategic purchases of key raw material inventories, along with the repurchase of 863,400 common shares for $1.4 million, at an average price of $1.66 per share, under the Company's NCIB program. Working Capital Surplus exceeded Total Debt (net of cash) at September 30, 2021 by $14.4 million (December 31, 2020 - Net Debt of $26.4 million). As at the date of this MD&A, the Company had a net draw on its Senior Facility of approximately $81.0 million in support of working capital levels associated with strong revenue growth and continued strategic investment in surplus inventory levels.

OUTLOOK

There has been continued optimism toward industry activity in 2021 to date as economic activity has resumed its growth trajectory and oil and gas demand has begun to return toward pre-COVID levels. As the global economic recovery continues to gain momentum, increased activity and demand have led to improving commodity prices, production levels and drilling activity. CES remains optimistic with its outlook for the remainder of the year and into 2022 as it expects to benefit from elevated upstream activity and improved pricing across North America by capitalizing on its established infrastructure, industry leading positioning, vertically integrated business model, and strategic procurement practices.

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 has made strategic investments in working capital to manage global supply chain challenges, and will continue to focus on working capital optimization and balance sheet strength and liquidity as the year progresses and into 2022.

CES has proactively managed both the duration and the flexibility of its debt. In September 2021, CES successfully amended and extended its Senior Facility to September 2024. 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.

CES expects 2021 capital expenditures to be approximately $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.

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 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 September 30,			Nine Months Ended September 30,		
$000s	**2021**	2020	% Change	**2021**	2020	% Change
United States	**196,966**	113,859	73 %	**540,270**	463,636	17 %
Canada	**117,429**	52,434	124 %	**288,356**	211,597	36 %
	314,395	166,293	89 %	**828,626**	675,233	23 %

	Key Operating Metrics					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	**2021**	2020	% Change
US	**26,937**	28,825	(7)%	**27,095**	29,469	(8)%
Canada	**6,322**	5,427	16 %	**6,565**	6,301	4 %
Total Treatment Points[(1)]	**33,259**	34,252	(3)%	**33,660**	35,770	(6)%
US	**7,731**	3,823	102 %	**22,814**	18,779	21 %
Canada	**4,984**	1,643	203 %	**12,715**	9,922	28 %
Total Operating Days[(1)]	**12,715**	5,466	133 %	**35,529**	28,701	24 %
US	**84**	42	100 %	**84**	69	21 %
Canada	**54**	18	200 %	**47**	37	27 %
Total Average Rig Count[(1)]	**138**	60	130 %	**130**	106	23 %
US industry rig count[(2)]	**486**	241	102 %	**434**	459	(5)%
Canadian industry rig count[(3)]	**161**	53	204 %	**134**	93	44 %
US DF Market Share[(1)]	**17%**	17 %	— %	**19 %**	15 %	4 %
Canadian DF Market Share[(1)]	**34%**	34 %	— %	**35 %**	40 %	(5)%

[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 CAOEC published weekly data for Western Canada in the referenced period.*

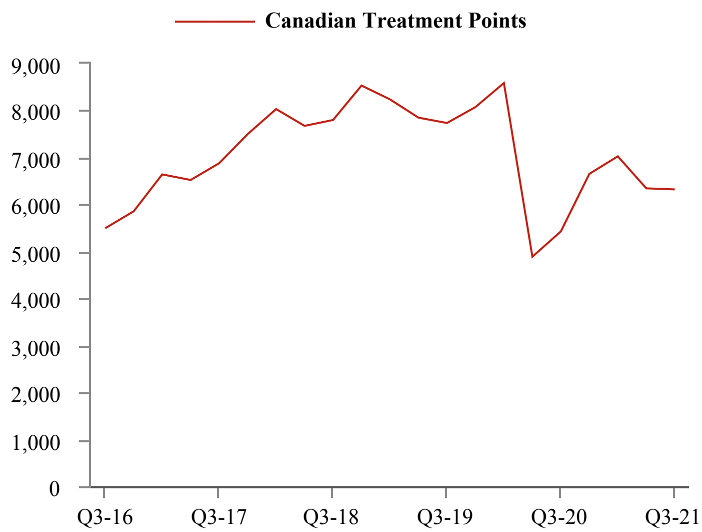
Increasing industry activity levels during Q3 2021 are approaching pre-pandemic levels, driven by a constructive energy demand environment. CES has been able to capitalize on these positive developments, with revenues for the three months ended September 30, 2021 representing an 89.1% increase as compared to Q3 2020, offset by the negative impact of the depreciation of USD on US revenue. Year to date, revenues for both the US and Canada increased 22.7% over the comparative 2020 period as activity levels in 2021 have significantly outpaced those seen in 2020, despite a strong first quarter in the comparative period.

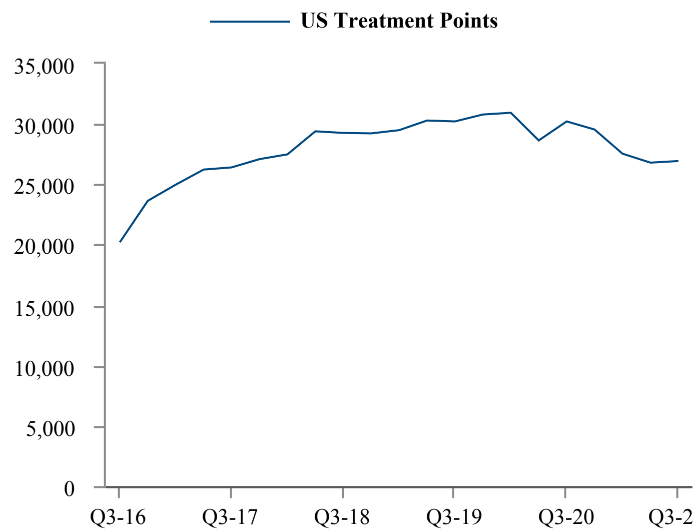
US average rig count increased 100.0% to 84 rigs in Q3 2021 compared to 42 in Q3 2020, and US Operating Days were up 102.2% relative to the comparable 2020 period. CES was able to participate in this improved drilling environment and maintained a US DF Market Share of 17.3% year over year. Despite the slight decline in US Treatment Points, the production chemicals business saw an increase in production and frac related chemical sales, as well as bulk product sales in Q3 2021 from the comparative 2020 period.

The Canadian industry rig count increased by 203.8% from 53 to 161 rigs as customers resume drilling and completions activity, and correspondingly, the Company saw a 203.3% increase in Canadian Operating Days from Q3 2020 to Q3 2021. Canadian Treatment Points increased by 16.5% year over year as a result of the reversal of shut ins, and increased production volumes and frac related chemical sales.

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 Q3 2016. However, as outlined above, Q2 2020 onwards has 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 in February 2021.

Quarterly Treatment Points





Included in revenue generated in Canada for the three and nine months ended September 30, 2021 is $1.8 million and $4.5 million, respectively (2020 - $0.9 million and $3.3 million, respectively) 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 increase in Clear's revenue is attributable to the improvement in industry drilling activity in Canada as a result of the strong 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 September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Top five customers as a % of total revenue	**27 %**	22 %	**26 %**	23 %
Top customer as a % of total revenue	**10 %**	8 %	**12 %**	11 %

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 September 30,			Nine Months Ended September 30,		
$000s	**2021**	2020	Change	**2021**	2020	Change
Gross Margin	**68,045**	32,382	35,663	**185,528**	121,131	64,397
as a percentage of revenue	**22 %**	19 %	3 %	**22 %**	18 %	4 %
Add back (deduct):						
Depreciation included in cost of sales	**11,275**	12,441	(1,166)	**34,425**	39,892	(5,467)
Inventory valuation write-downs	—	—	—	—	12,283	(12,283)
Restructuring costs	—	108	(108)	—	1,523	(1,523)
Gain on sale of building	—	—	—	**(4,444)**	—	(4,444)
Adjusted Gross Margin[(1)]	**79,320**	44,931	34,389	**215,509**	174,829	40,680
as a percentage of revenue	**25 %**	27 %	(2)%	**26 %**	26 %	— %

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

For the three and nine months ended September 30, 2021, Adjusted Gross Margin was $79.3 million and $215.5 million, respectively, an increase from $44.9 million and $174.8 million, respectively, for the comparative 2020 periods. The increase in the three and nine months ended September 30, 2021 is attributed to increased industry activity over a partially fixed cost base, and includes the benefit of CES continuing to maintain a prudent cost structure, combined with the $0.3 million and $3.0 million, respectively (2020 - $2.9 million and $6.2 million, respectively) benefit from the CEWS program as an offset to compensation costs within cost of sales. These benefits are partially offset by pressure on margins as a result of rising product and labor costs in the global market. While CES has been strategic in its procurement process and certain pricing increases have been realized, generally they are still lagging product cost increases.

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. Adjusted G&A excludes stock-based compensation, which is not reflective of underlying operations, depreciation and amortization, and specific items that are considered to be non-recurring in nature.

	Three Months Ended September 30,			Nine Months Ended September 30,		
$000s	**2021**	2020	Change	**2021**	2020	Change
General and administrative expenses	**45,322**	35,970	9,352	**133,563**	128,056	5,507
as a percentage of revenue	**14 %**	22 %	(7)%	**16 %**	19 %	(3)%
Deduct:						
Stock-based compensation	**2,505**	2,540	(35)	**9,770**	8,593	1,177
Depreciation & amortization	**5,532**	5,905	(373)	**16,682**	18,138	(1,456)
Additional bad debt allowance	—	541	(541)	—	3,127	(3,127)
Restructuring costs	—	265	(265)	—	886	(886)
Adjusted General and Administrative Costs(1)	**37,285**	26,719	10,566	**107,111**	97,312	9,799
as a percentage of revenue	**12 %**	16 %	(4)%	**13 %**	14 %	(1)%

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

Adjusted General and Administrative Costs for the three and nine months ended September 30, 2021 increased by $10.6 million and $9.8 million over the comparable 2020 periods which is reflective of increased activity levels and the reversal of certain compensation-related rollbacks that were implemented in the lows of 2020. As a percentage of revenue, general and administrative expenses has decreased for the three and nine months ended September 30, 2021 as compared with the same periods in 2020, as the increase in revenue levels year over year have outpaced the increase in the fixed cost base. As activity levels and market conditions fluctuate, CES will continue to diligently manage its general and administrative cost base as needed. CES recorded a $0.3 million and $2.6 million benefit, respectively, for the three and nine months ended September 30, 2021 from the CEWS program as an offset to compensation costs within Adjusted General and Administrative Costs (2020 - $2.7 million and $5.6 million, respectively).

Stock-Based Compensation

Stock-based compensation expense decreased by 1.4% and increased by 13.7%, respectively, for the three and nine months ended September 30, 2021 in comparison to the same periods 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 increased price of the Company's common shares year over year.

Finance Costs

For the three and nine months ended September 30, 2021 and 2020, finance costs were comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000s	**2021**	2020	**2021**	2020
Interest on debt, net of interest income	**5,289**	5,395	**15,591**	17,679
Amortization of debt issue costs and premium	**417**	310	**1,038**	931
Foreign exchange loss (gain)	**612**	(295)	**597**	(193)
Financial derivative loss (gain)	**(500)**	645	**705**	241
Gain on repurchase of senior unsecured notes	—	(62)	**(12)**	(182)
Other finance costs	**(484)**	—	**(830)**	—
Finance costs	**5,334**	5,993	**17,089**	18,476

Interest expense

Finance costs for the three and nine months ended September 30, 2021 include interest on debt, net of interest income, of $5.3 million and $15.6 million, respectively (2020 - $5.4 million and $17.7 million, respectively). Average draws on CES' Senior Facility have been lower throughout 2021 relative to 2020, with correspondingly lower interest expenses as a result. Included in these amounts is interest on the Company's Senior Notes in the amount of $4.6 million and $13.7 million for the three and nine months ended September 30, 2021, respectively (2020 - $4.7 million and $13.8 million, respectively).

Foreign exchange gains and losses

Finance costs for the three and nine months ended September 30, 2021 include realized and unrealized net foreign exchange losses of $0.6 million for both periods (2020 - net gains of $0.3 million and $0.2 million, respectively), which are primarily related to the Company's USD denominated cash held in Canada.

Financial derivative gains and losses

Finance costs for the three and nine months ended September 30, 2021 include a realized and unrealized net derivative gain of $0.5 million and net loss of $0.7 million, respectively (2020 - net losses of $0.6 million and $0.2 million, respectively) relating to the Company's foreign currency derivative contracts. As of September 30, 2021, the Company had no financial derivative liability relating to 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.

Current and Deferred Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000s	**2021**	2020	**2021**	2020
Current income tax expense	**824**	636	**2,577**	1,602
Deferred income tax expense (recovery)	**3,339**	2,606	**7,375**	(11,880)
Total income tax expense (recovery)	**4,163**	3,242	**9,952**	(10,278)

Current income tax expense increased year over year due to changes in activity levels. The deferred income tax movement in Q3 2021 resulted from the expected reversal of temporary differences based on increased activity in the current year, as compared to the tax benefit recognized in the prior year due to the one time goodwill impairment charge recorded in the prior year.

Working Capital Surplus and Net Debt

As a result of pervasive supply chain constraints and long lead times in the industry, especially as it relates to commodity items, CES made strategic use of its balance sheet during the quarter to finance surplus inventory purchases beyond normal carrying volumes, and manage product shortages and rising costs. CES continues to preserve strong liquidity, and focuses on optimizing working capital in the context of its broader capital structure and maturity schedule on its debt commitments. The Company had a Working Capital Surplus of $386.5 million as at September 30, 2021 compared to $305.3 million as at June 30, 2021, and $273.3 million as at December 31, 2020. Accounts receivable increased during the quarter as a result of higher activity levels and corresponding collection cycles, along with the strengthening of USD working capital balances on translation as USDCAD appreciated from $1.2394 at June 30, 2021 to $1.2741 at September 30, 2021. As at September 30, 2021 CES' Working Capital Surplus of $386.5 million more than offset Total Debt, net of cash by $14.4 million as compared to Net Debt of $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 $25.4 million to $459.0 million as at September 30, 2021 as compared to December 31, 2020. This decrease is primarily attributed to a combined decrease of $22.0 million in Property and equipment and Intangible assets as a result of amortization and asset disposals more than offsetting capital additions during the period, as well as a $7.7 million decrease in the deferred income tax asset as outlined above. These were partially offset by an increase of $3.9 million in Other assets reflecting additional investments in CES' captive insurance entity made during the quarter.

Long-Term Financial Liabilities

CES had long-term debt, net of cash totaling $335.3 million as at September 30, 2021, compared to $266.4 million at December 31, 2020. The increase of $68.9 million was driven by strategic investments in working capital in light of cost inflation and supply chain concerns in the global market, as well as on higher activity levels generally. In addition, opportunistic share repurchases under the Company's NCIB totaled $11.7 million, partially offset by proceeds of $8.1 million from the sale and leaseback of a building. 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 and nine months ended September 30, 2021, CES paid rent of $0.02 million and $0.07 million, respectively (2020 - $nil and $0.03 million, respectively) 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							
	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019
Revenue								
United States	**196,966**	175,257	168,047	137,262	113,859	121,819	227,958	217,427
Canada	**117,429**	78,348	92,579	75,552	52,434	37,674	121,489	98,134
Revenue	**314,395**	253,605	260,626	212,814	166,293	159,493	349,447	315,561
Net income (loss)	**13,372**	6,667	5,122	40,453	(12,725)	(24,911)	(225,720)	11,910
per share– basic	***0.05***	*0.03*	*0.02*	*0.15*	*(0.05)*	*(0.09)*	*(0.86)*	*0.04*
per share– diluted	***0.05***	*0.03*	*0.02*	*0.15*	*(0.05)*	*(0.09)*	*(0.86)*	*0.04*
Adjusted EBITDAC [(1)]	**42,035**	32,005	34,358	24,651	18,212	8,173	51,132	39,653
per share– basic	***0.16***	*0.13*	*0.13*	*0.09*	*0.07*	*0.03*	*0.19*	*0.15*
per share– diluted	***0.16***	*0.12*	*0.13*	*0.09*	*0.07*	*0.03*	*0.19*	*0.15*
Dividends declared	**4,078**	—	—	—	—	—	2,948	3,970
per share	***0.0160***	—	—	—	—	—	*0.0113*	*0.0150*
Shares Outstanding								
End of period	**254,871,878**	255,525,375	254,415,334	258,264,857	262,567,958	264,883,808	262,026,924	263,956,291
Weighted average – basic	**255,194,323**	254,890,507	255,244,854	260,997,098	264,841,429	263,715,927	262,711,372	265,214,700
Weighted average – diluted	**263,284,730**	263,803,688	263,748,333	269,504,464	264,841,429	263,715,927	262,711,372	271,779,891

[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	**September 30, 2021**	December 31, 2020
Senior Facility	**51,151**	—
Senior unsecured notes due Oct 21, 2024 bearing interest at 6.375% payable semi-annually ("Senior Notes")	**287,954**	288,954
	339,105	288,954
Less: net unamortized debt issue costs	**(3,806)**	(4,269)
Long-term debt	**335,299**	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 planned strategic investments in working capital during the quarter, particularly with respect to inventory as the Company manages its procurement costs and timing. Despite the challenges presented by cost inflation in the current economic environment, CES continues to preserve its overall liquidity position and balance sheet strength. During the quarter, CES executed on opportunistic repurchases of 863,400 common shares for $1.4 million at an average price of $1.66 per share under the Company's NCIB program.

Senior Facility

As at September 30, 2021, the Company had a net draw of $50.5 million on the Senior Facility (December 31, 2020 - net cash balance of $18.3 million), with capitalized transaction costs of $0.7 million (December 31, 2020 - $0.4 million). Transaction costs attributable to the Senior Facility are recorded as part of the Senior Facility and amortized to finance costs over the remaining term. As at September 30, 2021, the maximum available draw on the Senior Facility was $145.0 million on the Canadian facility and US$70.0 million on the US facility.

On September 1, 2021, the Company completed an amendment and two year extension of its existing syndicated Senior Facility (the "Senior Facility"). The amendment took effect September 1, 2021 and will remain in effect until maturity on September 28, 2024, subject to certain terms and conditions, and the Senior Facility may be extended by one year upon agreement of the lenders and the Company. The principal amendment made to the Senior Facility was to shift availability to the US through an increase to the US facility from US$50.0 million to US$70.0 million and a corresponding reduction in the Canadian facility from $170.0 million to $145.0 million, for a total facility size of approximately C$ equivalent $232.5 million. The agreement also preserves the Company's ability to use proceeds under the Senior Facility to repurchase or redeem a portion of the Company's outstanding senior unsecured notes, subject to minimum liquidity requirements. Other terms and conditions from the amendment remain materially consistent with those of the previous Senior Facility.

The Company's debt covenant calculations, as at September 30, 2021 and December 31, 2020, are as follows:

	As at	
$000s	**September 30, 2021**	December 31, 2020
Net Senior Debt	**71,795**	2,456
EBITDA for the four quarters ended	**121,687**	92,327
Ratio	**0.590**	0.027
Maximum	**2.500**	2.500
EBITDA for the four quarters ended	**121,687**	92,327
Interest Expense for the four quarters ended	**20,263**	22,155
Ratio	**6.005**	4.167
Minimum	**2.500**	2.500

Senior Notes

During the nine months ended September 30, 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 September 30, 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 September 30, 2021, the Company was in compliance with the terms and covenants of its lending agreements. For the three and nine months ended September 30, 2021, the Company recorded $5.7 million and $16.8 million, respectively (2020 - $5.7 million and $18.6 million, respectively) 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 September 30, 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	142,223	—	—	—	—	**142,223**
Dividends payable [2]	4,078	—	—	—	—	**4,078**
Income taxes payable	—	771	—	—	—	**771**
Senior Facility	—	—	—	51,151	—	**51,151**
Senior Notes [3]	—	—	—	287,954	—	**287,954**
Interest on Senior Notes	9,179	9,179	18,357	27,536	—	**64,251**
Lease obligations [4]	3,246	12,252	9,125	5,959	4,886	**35,468**
Commitments [5]	1,052	1,908	14	—	—	**2,974**
Other long-term liabilities	—	—	1,229	112	—	**1,341**
	159,778	24,110	28,725	372,712	4,886	**590,211**

[1] Payments denominated in foreign currencies have been translated using the September 30, 2021 exchange rate.
[2] Dividends declared as of September 30, 2021.
[3] The Senior Notes are due on October 21, 2024.
[4] Lease obligations reflect principal payments and excludes any associated interest portion.
[5] 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 and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,			Nine Months Ended September 30,		
$000's	**2021**	2020	Change	**2021**	2020	Change
Net cash provided by (used in)						
Operating Activities	**(45,883)**	40,300	(86,183)	**(34,899)**	156,665	(191,564)
Investing Activities	**(10,460)**	(1,060)	(9,400)	**(6,522)**	(16,106)	9,584
Financing Activities	**44,474**	(9,173)	53,647	**23,142**	(110,492)	133,634

Cash Flows from Operating Activities

For Q3 2021, cash flow used in operating activities totaled $45.9 million, compared to cash flow provided by operating activities of $40.3 million during the three months ended September 30, 2020, with the change being driven by investments in working capital in Q3 2021 on higher activity levels and strategic inventory procurement, as compared to the working capital harvest executed in Q3 2020 in light of the economic downturn and global pandemic.

Cash Flows from Investing Activities

For Q3 2021, net cash flows used in investing activities totaled $10.5 million, compared to $1.1 million during Q3 2020, with the increase being driven by higher capital expenditures as a result of improved industry conditions in the third quarter of 2021. During Q3 2020 CES also recognized proceeds on disposal of assets of $5.4 million, compared to $0.7 million in Q3 2021.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2021**	2020	**2021**	2020
Expansion Capital [(1)]	**5,064**	2,604	**9,252**	13,326
Maintenance Capital [(1)]	**4,735**	532	**7,996**	7,231
Total investment in property and equipment	**9,799**	3,136	**17,248**	20,557
Change in non-cash investing working capital	**(2,479)**	158	**(2,850)**	1,086
Cash used for investment in property and equipment	**7,320**	3,294	**14,398**	21,643

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

Expansion Capital expenditures in Q3 2021 were incurred to support increased activity levels in the quarter including: $2.0 incurred for the expansion of PureChem's Nisku plant capabilities, and $2.7 million incurred for equipment and tanks. Maintenance Capital additions during Q3 2021 include: $2.2 million incurred for warehouse and facilities, $1.6 million incurred for equipment and tanks, and $0.9 million incurred for vehicles, trucks and 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 approximately $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 the remainder of 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 Q3 2021, cash flows provided by financing activities totaled $44.5 million compared to cash flows used in financing activities of $9.2 million in Q3 2020. This year over year change is primarily due to the Company's draw on the Senior Facility in Q3 2021.

Dividend Policy

On August 12, 2021 the Company's Board of Directors approved the reinstatement of a quarterly dividend. Accordingly, CES paid a cash dividend of $0.016 per common share on October 15, 2021 to the shareholders of record at the close of business on September

30, 2021 (2020 - nil). During Q3 2021, the Company's Dividend Payout Ratio averaged 16% as compared to nil in Q3 2020.

CES will continue to be protective of its balance sheet and provide liquidity to fund potential growth initiatives by being prudent with its cash dividend going forward, particularly if the volatility in the oil price environment continues. Through the course of the year, dividends declared as a proportion of net income and Distributable Earnings will vary based on the Company’s financial performance. During periods of relatively strong financial performance, typically associated with higher activity levels, dividends declared as a percentage of net income and Distributable Earnings will decrease, and likewise, during periods of relatively weaker financial performance dividends declared as a percentage of net income and Distritbutable Earnings will increase. Dividends are funded by cash provided by operating activities. During periods of insufficient cash availability, due to relatively weaker financial performance or changes in the level of working capital, dividends may be funded by available cash or through CES’ credit facilities.

Management and the Board of Directors review the appropriateness of dividends on a quarterly 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 under its NCIB. At this time, CES intends to continue to pay cash dividends to shareholders. In addition, future expansion, investments, acquisitions, or future share-buy backs under CES’ NCIB program may be funded internally by allocating a portion of cash flow in conjunction with, or in replacement of, external sources of capital such as debt or the issuance of equity. To the extent that CES deploys cash flow to finance these activities, the amount of cash dividends to shareholders may be affected. Alternatively, to the extent that CES’ sustainable operating after tax cash flow improves, the amount of cash dividends to shareholders may be increased. Over the long-term, CES’ business model has historically shown it can support a proportion of cash flow from operations being paid out as a dividend or through share-buy backs as the long-term Expansion Capital investments and Maintenance Capital expenditures required for CES to execute its business plan have not been significant in relation to the total revenue and EBITDAC generated.

NCIB

On July 15, 2021, CES announced the renewal of its previous NCIB, which ended on July 20, 2021. Under the Company's renewed NCIB, effective July 21, 2021, the Company may repurchase for cancellation up to 11,754,973 common shares, being 7.5% of the public float of common shares at the time of renewal. The renewed NCIB will terminate on July 20, 2022 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 and nine months ended September 30, 2021 and the year ended December 31, 2020 is as follows:

$000s except for share and per share amounts	**Three Months Ended September 30, 2021**	Nine Months Ended September 30, 2021	Year Ended December 31, 2020
Number of shares	**863,400**	7,698,926	9,440,577
Cash outlay	**1,429**	11,691	11,251
Average price per share	**$1.66**	$1.52	$1.19

Since the July 15, 2021 commencement of the Company's current NCIB program, the Company repurchased 532,200 common shares up to September 30, 2021, at an average price of $1.60 per share for a total amount of $0.9 million.

Since inception of the Company's NCIB programs on July 17, 2018, and up to September 30, 2021, the Company has repurchased 27,741,106 common shares at an average price of $2.00 per share for a total amount of $55.6 million.

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

	November 11, 2021	September 30, 2021	December 31, 2020
Common shares outstanding	256,216,355	254,871,878	258,264,857
Restricted Share Unit Plan (“RSU”)	6,298,456	8,037,828	8,432,088
Phantom Share Unit Plan (“PSU”)	5,908,948	5,844,985	4,726,795
Share Rights Incentive Plan (“SRIP”)	2,633,400	2,655,000	5,344,400

NON-GAAP MEASURES

The accompanying condensed 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 and nine months ended September 30, 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 for 2020 reflect certain non-recurring items that were related to the significant downturn in the oil and natural gas market and the resulting slowdown in industry activity. While this slowdown was directly related to the impact of the COVID-19 pandemic on oil and gas markets, these adjustments were 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 September 30,		Nine Months Ended September 30,	
$000s	**2021**	2020	**2021**	2020
Net income (loss)	**13,372**	(12,725)	**25,161**	(263,356)
Add back (deduct):				
Depreciation on property and equipment in cost of sales	**11,275**	12,441	**34,425**	39,892
Depreciation on property and equipment in G&A	**1,735**	2,079	**5,318**	6,491
Amortization on intangible assets in G&A	**3,797**	3,826	**11,364**	11,647
Current income tax expense	**824**	636	**2,577**	1,602
Deferred income tax expense (recovery)	**3,339**	2,606	**7,375**	(11,880)
Stock-based compensation	**2,505**	2,540	**9,770**	8,593
Finance costs	**5,334**	5,993	**17,089**	18,476
Other income	**(146)**	(98)	**(237)**	(672)
Impairment of goodwill	**—**	—	**—**	248,905
EBITDAC	**42,035**	17,298	**112,842**	59,698
Add back (deduct):				
Inventory valuation write-downs	**—**	—	**—**	12,283
Additional bad debt allowance	**—**	541	**—**	3,127
Restructuring costs	**—**	373	**—**	2,409
Gain on sale of building	**—**	—	**(4,444)**	—
Adjusted EBITDAC	**42,035**	18,212	**108,398**	77,517

Distributable Earnings - is defined as Cash provided by operating activities, adjusted for change in non-cash operating working capital less Maintenance Capital (the definition of Maintenance Capital is under “Operational Definitions”) and repayment of lease obligations. Distributable Earnings is a measure used by management and investors to analyze the amount of funds available to distribute to shareholders as dividends or through the NCIB program before consideration of funds required for growth purposes.

Dividend Payout Ratio - is defined as dividends declared as a percentage of Distributable Earnings.

Distributable Earnings and Dividend Payout Ratio are calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2021**	2020	**2021**	2020
Cash provided by (used in) operating activities	**(45,883)**	40,300	**(34,899)**	156,665
Adjust for:				
Change in non-cash operating working capital	**80,770**	(29,958)	**118,619**	(101,506)
Less: Maintenance Capital (2)	**(4,735)**	(532)	**(7,996)**	(7,231)
Less: Repayment of lease obligations	**(4,353)**	(5,575)	**(14,395)**	(17,672)
Distributable Earnings (1)	**25,799**	4,235	**61,329**	30,256
Dividends declared	**4,078**	—	**4,078**	2,948
Dividend Payout Ratio (1)	**16 %**	— %	**7 %**	10 %

1 Refer to the “Non-GAAP Measures” for further detail
2 Refer to the “Operational Definitions” for further detail

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 September 30,		Nine Months Ended September 30,	
$000s	**2021**	2020	**2021**	2020
Gross Margin	**68,045**	32,382	**185,528**	121,131
as a percentage of revenue	**22 %**	19 %	**22 %**	18 %
Add back (deduct):				
Depreciation included in cost of sales	**11,275**	12,441	**34,425**	39,892
Inventory valuation write-downs	**—**	—	**—**	12,283
Restructuring costs	**—**	108	**—**	1,523
Gain on sale of building	**—**	—	**(4,444)**	—
Adjusted Gross Margin	**79,320**	44,931	**215,509**	174,829
as a percentage of revenue	**25 %**	27 %	**26 %**	26 %

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. Adjusted G&A excludes stock-based compensation, which is not reflective of underlying operations, depreciation and amortization, as it relates to assets not associated with operations and operating related activities, and specific items that are considered to be non-recurring in nature. Management believes that this metric assists in demonstrating CES' profitability. Adjusted G&A is calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
$000's	**2021**	2020	**2021**	2020
General and administrative expenses	**45,322**	35,970	**133,563**	128,056
as a percentage of revenue	**14 %**	22 %	**16 %**	19 %
Deduct:				
Stock-based compensation	**2,505**	2,540	**9,770**	8,593
Depreciation & amortization	**5,532**	5,905	**16,682**	18,138
Additional bad debt allowance	**—**	541	**—**	3,127
Restructuring costs	**—**	265	**—**	886
Adjusted General and Administrative Costs	**37,285**	26,719	**107,111**	97,312
as a percentage of revenue	**12 %**	16 %	**13 %**	14 %

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 September 30,		Nine Months Ended September 30,	
$000s	**2021**	2020	**2021**	2020
Cash provided by operating activities	**(45,883)**	40,300	**(34,899)**	156,665
Adjust for:				
Change in non-cash operating working capital	**80,770**	(29,958)	**118,619**	(101,506)
Funds Flow From Operations	**34,887**	10,342	**83,720**	55,159

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 Senior Facility, the Senior Notes, both current and non-current portions of lease obligations, non-current portion of cash settled incentive 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	**September 30, 2021**	December 31, 2020
Long-term financial liabilities(1)	**356,610**	298,776
Current portion of finance lease obligations	**15,498**	19,152
Total Debt	**372,108**	317,928
Cash	—	(18,251)
Total Debt, net of cash	**372,108**	299,677
Deduct Working Capital Surplus:		
Current assets	**533,548**	355,288
Current liabilities(2)	**(147,072)**	(81,975)
Working Capital Surplus	**386,476**	273,313
Net Debt	**(14,368)**	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 Energy Contractors ("CAOEC") 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 and nine months ended September 30, 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 and nine months ended September 30, 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' Q3 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. While oil and gas prices have improved significantly since Q2 2020, the North American oil and gas industry continues to face uncertainty as a result of the ongoing COVID-19 pandemic.

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 significantly since the first half of 2020, the oil and gas industry continues to face uncertainty as a result of the ongoing COVID-19 pandemic. Although oil and gas operators have increased capital spending in response to improving prices, they continue to be cautious relative to previous market cycles. A 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 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 September 30, 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 availability and supply of materials has been consistent in the past; however as countries around the world emerge from the COVID-19 pandemic, there have been increasing supply chain issues and disruptions. Coupled with increasing demand from the Company's customers, periodic shortages of certain materials have been experienced and costs have been 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; expectations regarding improving industry conditions and the Company’s ability to generate free cash flow to sustain the quarterly dividend; expectations regarding improving industry conditions and the Company’s ability to generate free cash flow to sustain the quarterly dividend; 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 government support programs including but not limited to 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 2021, 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, the US and overseas; 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; oilfield 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; 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; 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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Kenneth E. Zinger

[1]Member of the Audit Committee
[2]Member of the Compensation, Corporate Governance and Nominating Committee
[3]Member of the Health, Safety and Environment Committee

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President, US Drilling Fluids

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President, US Production Chemicals

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