

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of CES Energy Solutions Corp. ("CES" or the "Company") for the three months ended March 31, 2022 and 2021, and CES' 2021 Annual Information Form. Readers should also refer to the "Forward-looking Information & Statements" legal advisory and the sections regarding "Non-GAAP Measures and Other Financial Measures" and "Operational Definitions" at the end of this MD&A. This MD&A is dated May 12, 2022, and incorporates all relevant Company information to that date. Amounts are stated in Canadian dollars unless otherwise noted.

USE OF NON-GAAP MEASURES AND OTHER FINANCIAL 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 CES' financial performance, financial position and cash flow. These non-GAAP measures and other financial measures do not have a standardized meaning prescribed under International Financial Reporting Standards ("IFRS"), and therefore may not be comparable to similar measures presented by other entities. Securities regulations require that non-GAAP financial measures are clearly defined, qualified and reconciled with their most closely comparable GAAP measure. Please refer to the section titled "Non-GAAP Measures and Other Financial Measures" for further information on the definition, calculation and reconciliation of the non-GAAP measures and other financial measures contained in this MD&A.

BUSINESS OF CES

CES is a leading provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield. This includes total solutions at the drill-bit, at the point of completion and stimulation, at the wellhead and pump-jack, and finally through to the pipeline and midstream market. Key solutions include corrosion inhibitors, demulsifiers, H₂S scavengers, paraffin control products, surfactants, scale inhibitors, biocides and other specialty products. Further, specialty chemicals are used throughout the pipeline and midstream industry to aid in hydrocarbon movement and manage transportation and processing challenges including corrosion, wax build-up and H₂S.

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

FINANCIAL HIGHLIGHTS

| (\$000s, except per share amounts) | Three Months Ended March 31, | | |
|---|------------------------------|-------------|---------|
| | 2022 | 2021 | %Change |
| Revenue | | | |
| United States ⁽²⁾ | 248,796 | 168,047 | 48 % |
| Canada ⁽²⁾ | 152,485 | 92,579 | 65 % |
| Total Revenue | 401,281 | 260,626 | 54 % |
| Net income | 10,250 | 5,122 | 100 % |
| <i>per share – basic</i> | 0.04 | 0.02 | 101 % |
| <i>per share - diluted</i> | 0.04 | 0.02 | 102 % |
| Adjusted EBITDAC ⁽³⁾ | 42,457 | 34,358 | 24 % |
| Adjusted EBITDAC ⁽³⁾ % of Revenue | 10.6 % | 13.2 % | (2.6)% |
| Cash provided by (used in) operating activities | (12,435) | (5,782) | 115 % |
| Funds Flow From Operations ⁽⁴⁾ | 33,119 | 25,742 | 29 % |
| Capital expenditures | | | |
| Expansion Capital ⁽²⁾ | 5,240 | 2,036 | 157 % |
| Maintenance Capital ⁽²⁾ | 3,275 | 943 | 247 % |
| Total capital expenditures | 8,515 | 2,979 | 186 % |
| Dividends declared | 4,078 | — | nmf |
| <i>per share</i> | 0.016 | — | nmf |
| Common Shares Outstanding | | | |
| End of period | 254,863,235 | 254,415,334 | |
| Weighted average - basic | 254,024,573 | 255,244,854 | |
| Weighted average - diluted | 260,718,253 | 263,748,333 | |

| <i>Financial Position (\$000s)</i> | As at | | |
|--|----------------|-------------------|---------|
| | March 31, 2022 | December 31, 2021 | %Change |
| Total assets | 1,162,218 | 1,087,598 | 7 % |
| Long-term financial liabilities ⁽¹⁾ | 467,641 | 423,077 | 11 % |
| Total Debt ⁽⁵⁾ | 487,207 | 439,392 | 11 % |
| Working Capital Surplus ⁽⁵⁾ | 506,227 | 459,754 | 10 % |
| Net Debt ⁽⁵⁾ | (19,020) | (20,362) | (7)% |
| Shareholders' equity | 484,517 | 486,675 | — % |

¹Includes long-term portion of the Senior Facility, the Senior Notes, lease obligations, deferred acquisition consideration and cash settled incentive obligations.

²Supplementary financial measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results. Refer to "Non-GAAP Measures and Other Financial Measures" for further detail.

³Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for Adjusted EBITDAC is Net income. Refer to the section entitled "Non-GAAP Measures and Other Financial Measures" contained within this MD&A.

⁴Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for Funds flow from operations is Cash provided by (used in) operating activities. Refer to the section entitled "Non-GAAP Measures and Other Financial Measures" contained within this MD&A.

⁵Non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for Total Debt, Net Debt and Working Capital Surplus is Long-term financial liabilities. Refer to the section entitled "Non-GAAP Measures and Other Financial Measures" contained within this MD&A.

Highlights for the three months ended March 31, 2022 in comparison to the three months ended March 31, 2021 for CES are as follows:

- **Overview:** Revenue for the quarter was \$401.3 million, representing a sequential increase of \$33.5 million or 9% relative to CES' previous record of \$367.8 million in Q4 2021 and revenue of \$260.6 million in Q1 2021. Adjusted EBITDAC was \$42.5 million, compared to \$47.8 million in Q4 2021 and \$34.4 million in Q1 2021, as margins were temporarily impacted by a lag between pricing increases and product cost inflation up until the latter part of the quarter, when established price increases began to offset cost inflation. CES realized significant revenue growth 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. Margins were temporarily impacted by product cost inflation and a lag in pricing increases up until the latter part of the quarter. Improvements in rig activity, higher production volumes, pricing increases, and strategic procurement initiatives gained traction through the quarter and are expected to continue through the balance of 2022.
- **Revenue:** In the first quarter CES generated revenue of \$401.3 million, representing a sequential increase of \$33.5 million or 9.1% compared to Q4 2021 and an increase of 54% compared to Q1 2021. As producers' capital spending increased and production levels improved, activity and industry rig counts have seen a significant uptick from the comparative period which was still highly impacted by the COVID-19 pandemic.
 - **Revenue - US:** Revenue generated in the US during Q1 2022 was \$248.8 million, representing a sequential increase of 6% compared to Q4 2021 and an increase of 48% compared to Q1 2021. US revenues were positively impacted by increased industry activity and the return toward pre-pandemic production levels and beyond in areas such as the Permian Basin, while also benefiting from a favourable product mix. US land drilling activity in Q1 2022 improved by 13% on a sequential quarterly basis and by 63% from Q1 2021. CES continued its strong industry positioning, with a US Drilling Fluids Market Share of 18% for Q1 2022.
 - **Revenue - Canada:** Revenue generated in Canada during Q1 2022 was \$152.5 million, representing a sequential increase of 14% compared to Q4 2021 and an increase of 65% from Q1 2021. Canadian revenues benefited from a 21% increase in rig counts on a sequential quarterly basis and 38% as compared to Q1 2021, as well as strong production levels. Canadian Drilling Fluids Market Share for Q1 2022 was 35%.
- **Adjusted EBITDAC:** CES achieved Adjusted EBITDAC of \$42.5 million in Q1 2022, representing a decrease of 11.1% compared to Q4 2021 and an increase of 23.6% compared to Q1 2021. Adjusted EBITDAC as a percentage of revenue of 10.6% achieved in Q1 2022 was down from the 13.0% recorded in Q4 2021 and the 13.2% recorded in Q1 2021 as the Company worked to implement price increases to offset product costs throughout the quarter. Margins for the quarter experienced temporary compression as product and labour costs increased, the impact of which was partially offset by higher activity levels, preservation of prudent G&A levels, and realization of additional price increases toward the latter part of the quarter.
- **Net Income:** Net income for the three months ended March 31, 2022 was \$10.3 million compared to \$5.1 million in Q1 2021. Higher net income for the period was driven primarily by increased industry activity levels and associated revenues. CES no longer recognized a benefit from the Canada Emergency Wage Subsidy ("CEWS") program in Q1 2022, compared to \$1.7 million in Q1 2021.
- **Funds flow from Operations:** CES generated \$33.1 million in Funds flow from Operations in Q1 2022, in line with the \$33.5 million generated in Q4 2021 and up from the \$25.7 million generated in Q1 2021. Funds flow from Operations 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 relative to the comparative period.
- **Working Capital Surplus:** As at March 31, 2022, CES had a Working Capital Surplus of \$506.2 million, which has increased from \$459.8 million at December 31, 2021 as CES has strategically used its balance sheet to further 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. In addition, accounts receivable increased by 18% from December 31, 2021, to support significant increases in revenue and corresponding collection cycles. The Company continues to focus on working capital optimization and to benefit from the high quality of its customers and diligent internal credit monitoring processes.

- **Total Debt and Working Capital Surplus:** CES exited the quarter with a net draw on its Senior Facility of \$148.7 million (December 31, 2021 - \$110.1 million), and Total Debt of \$487.2 million (December 31, 2021 - \$439.4 million), of which \$288.0 million relates to Senior Notes which don't mature until October 21, 2024. At March 31, 2022, CES' Senior Facility had a maximum available draw of approximately C\$ equivalent \$262.5 million, providing ample liquidity to support increasing business activity levels. The increases realized during the quarter were primarily driven by required working capital build as described above, combined with dividends paid out during the quarter totaling \$4.1 million and the strategic acquisition of the business assets of Proflow Solutions LLC. Working Capital Surplus exceeded Total Debt at March 31, 2022 by \$19.0 million (December 31, 2021 - \$20.4 million). As at the date of this MD&A, the Company had a net draw on its Senior Facility of approximately \$162.0 million in support of working capital levels associated with strong revenue growth and continued strategic investment in surplus inventory levels.
- **Strategic Acquisition:** On February 1, 2022, through a US subsidiary, CES closed the acquisition of all of the business assets of Proflow Solutions LLC ("Proflow") for an aggregate purchase price of \$13.6 million, consisting of \$8.3 million in cash paid on the date of the acquisition, \$1.3 million in cash paid for other post close working capital adjustments, and \$4.1 million in deferred consideration to be settled on the first, second, and third anniversaries of the date of acquisition, subject to meeting certain requirements. Proflow is an oilfield chemical provider and service company that operates across the Gulf of Mexico providing production chemicals for the upstream oil and gas industry along with account management services. CES believes that the Proflow acquisition will accelerate expansion of US production and specialty chemicals operations into the offshore market with a particular focus in the Gulf of Mexico.

OUTLOOK

The global supply-demand balance for energy continues to be very constructive with demand surpassing pre-COVID levels and tempered supply increases governed by healthy returns, particularly in CES' North American target markets. As the global economic recovery has gained momentum, increased activity and demand have led to improving commodity prices, production levels and drilling activity. The ongoing military conflict in Ukraine has further exacerbated persistent global supply and demand imbalances, and is likely to create continued strength and volatility in global oil prices in the near term. We expect the strong activity levels to continue through the balance of 2022, moderated by ongoing challenges with availability of labour and supply chain constraints. CES is optimistic in its outlook for 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. While the challenges surrounding the global supply chain market are expected to persist throughout 2022, CES remains confident that a combination of proactive inventory procurement practices, targeted pricing increases and working capital focus will help to mitigate the impact of the elevated cost environment. 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.

CES expects 2022 capital expenditures to be approximately \$40.0 million, of which \$20.0 million is maintenance and \$20.0 million is earmarked for expansion, excluding amounts related to business acquisitions. CES plans to continue its disciplined and prudent approach to capital expenditures in 2022 and will adjust its plans as required to support growth throughout divisions.

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 and in February 2022, the Company proactively added \$30.0 million of incremental capacity to the Senior Facility. 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' underlying business model is capex light and asset light, enabling generation of significant surplus free cash flow. As our customers endeavor to maintain or grow production in the current environment, CES will 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.

RESULTS FOR THE PERIODS

Revenue and Operating Activities

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

| \$000s | Revenue | | |
|------------------------------|------------------------------|---------|----------|
| | Three Months Ended March 31, | | |
| | 2022 | 2021 | % Change |
| United States ⁽¹⁾ | 248,796 | 168,047 | 48 % |
| Canada ⁽¹⁾ | 152,485 | 92,579 | 65 % |
| | 401,281 | 260,626 | 54 % |

¹Supplementary financial measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results. Refer to "Non-GAAP Measures and Other Financial Measures" for further detail.

| | Key Operating Metrics | | |
|--|------------------------------|--------|----------|
| | Three Months Ended March 31, | | |
| | 2022 | 2021 | % Change |
| US | 27,596 | 27,545 | — % |
| Canada | 7,286 | 7,027 | 4 % |
| Total Treatment Points ⁽¹⁾ | 34,882 | 34,572 | 1 % |
| US | 9,880 | 7,264 | 36 % |
| Canada | 6,499 | 5,032 | 29 % |
| Total Operating Days ⁽¹⁾ | 16,379 | 12,296 | 33 % |
| US | 110 | 81 | 36 % |
| Canada | 73 | 56 | 30 % |
| Total Average Rig Count ⁽¹⁾ | 183 | 137 | 34 % |
| US industry rig count ⁽²⁾ | 615 | 377 | 63 % |
| Canadian industry rig count ⁽³⁾ | 209 | 152 | 38 % |
| US DF Market Share ⁽¹⁾ | 18 % | 22 % | (4)% |
| Canadian DF Market Share ⁽¹⁾ | 35 % | 37 % | (2)% |

¹Refer to "Operational Definitions" for further detail.

²Based on the monthly average of Baker Hughes published weekly land data for the United States in the referenced period.

³Based on the monthly average of CAOEC published weekly data for Western Canada in the referenced period.

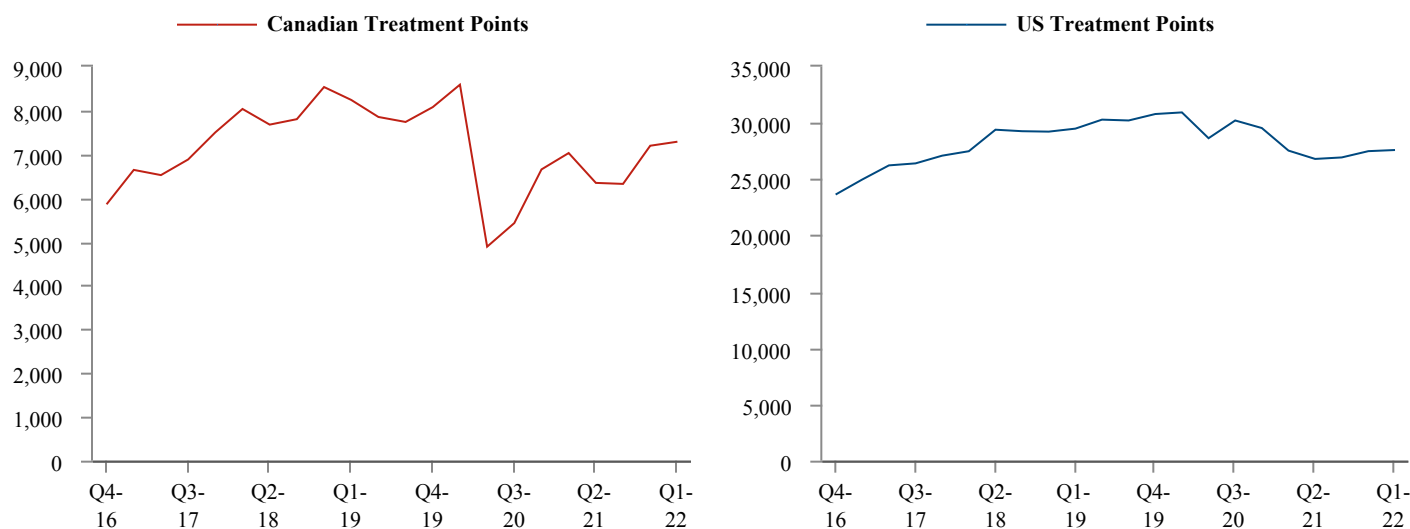
Industry activity levels during Q1 2022 showed another consecutive quarter of improvement driven by a constructive energy demand environment. CES has been able to capitalize on these positive developments, with revenues for the three months ended March 31, 2022 representing a 54.0% increase as compared to Q1 2021.

The US industry rig count increased by 63% from 377 rigs in Q1 2021 to 615 rigs in Q1 2022 as activity levels have increased substantially year over year. Correspondingly, CES' US average rig count increased 36% to 110 rigs in Q1 2022 compared to 81 rigs in Q1 2021, and US Operating Days were up 36% relative to Q1 2021. CES was able to participate in this improved drilling environment with US DF Market Share of 18% in the first quarter. The production chemicals business saw an increase in production and frac related chemical sales, as well as bulk product sales in Q1 2022 from Q1 2021 as actual volumes and revenues realized per treatment point continued to increase leading to higher contributions despite flat treatment points as compared to Q1 2021.

The Canadian industry rig count increased by 38% from 152 rigs in Q1 2021 to 209 rigs in Q1 2022 as customers resumed drilling and completions activity. Correspondingly, CES' Canadian average rig count increased 30% to 73 rigs in Q1 2022 compared to 56 rigs in Q1 2021, and Canadian Operating Days were up 29% relative to Q1 2021. Canadian Drilling Fluids Market Share for Q1 2022 was 35%. Canadian Treatment Points increased by 4% 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 Q4 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 months ended March 31, 2022 is \$3.2 million (three months ended March 31, 2021 - \$1.7 million) of revenue generated by Clear, the Company’s Environmental Services segment. Clear is a vertically integrated environmental service provider, providing 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 March 31, | |
|---|------------------------------|------|
| | 2022 | 2021 |
| Top five customers as a % of total revenue ⁽¹⁾ | 28 % | 28 % |
| Top customer as a % of total revenue ⁽¹⁾ | 9 % | 13 % |

¹Supplementary financial measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES’ results. Refer to “Non-GAAP Measures and Other Financial Measures” for further detail.

CES Energy Solutions Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2022

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.

The table below details the calculation of Adjusted Gross Margin relative to Gross Margin determined in accordance with IFRS.

| \$000s | Three Months Ended March 31, | | |
|---|------------------------------|--------|--------|
| | 2022 | 2021 | Change |
| Gross Margin | 74,690 | 57,596 | 17,094 |
| Gross Margin % of revenue ⁽¹⁾ | 19 % | 22 % | (3)% |
| Add back (deduct): | | | |
| Depreciation included in cost of sales | 12,052 | 11,847 | 205 |
| Adjusted Gross Margin ⁽²⁾ | 86,742 | 69,443 | 17,299 |
| Adjusted Gross Margin ⁽²⁾ % of revenue | 22 % | 27 % | (5)% |

¹Supplementary financial measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results. Refer to "Non-GAAP Measures and Other Financial Measures" for further detail.

²Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for Adjusted Gross Margin is Gross Margin. Refer to the section entitled "Non-GAAP Measures and Other Financial Measures" contained within this MD&A.

For the three months ended March 31, 2022, the increase in Adjusted Gross Margin was driven by increased industry activity over a largely fixed cost base. CES did not recognize a benefit from the CEWS program as an offset to compensation costs within cost of sales for Q1 2022, as compared to \$0.9 million for Q1 2021. As a percentage of revenue, Adjusted Gross Margin is lower for the three months ended March 31, 2022 relative to the comparative period as a result of pressure on margins due to rising product and labor costs driven by global supply chain constraints. While CES has been strategic in its procurement process and certain pricing increases have been realized, generally they still lagged product cost increases during the quarter.

General and Administrative Expenses ("G&A")

The table below details the calculation of Adjusted General and Administrative Costs ("Adjusted G&A") relative to general and administrative expenses under IFRS.

| \$000s | Three Months Ended March 31, | | |
|--|------------------------------|--------|--------|
| | 2022 | 2021 | Change |
| General and administrative expenses | 54,753 | 44,193 | 10,560 |
| G&A expenses % of revenue ⁽¹⁾ | 14 % | 17 % | (3)% |
| Deduct: | | | |
| Stock-based compensation | 4,643 | 3,397 | 1,246 |
| Depreciation & amortization | 5,825 | 5,711 | 114 |
| Adjusted General and Administrative Costs ⁽²⁾ | 44,285 | 35,085 | 9,200 |
| Adjusted G&A costs ⁽²⁾ % of revenue | 11 % | 13 % | (2)% |

¹Supplementary financial measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results. Refer to "Non-GAAP Measures and Other Financial Measures" for further detail.

²Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for Adjusted General and Administrative Costs is General and Administrative Expenses. Refer to the section entitled "Non-GAAP Measures and Other Financial Measures" contained within this MD&A.

Adjusted General and Administrative Costs for the three months ended March 31, 2022 increased by \$9.2 million over Q1 2021, 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, Adjusted G&A has decreased for the three months ended March 31, 2022 as compared with Q1 2021, as the increase in revenue levels year over year have outpaced the increase in the fixed cost base. For Q1 2022 CES no longer recognized a benefit from the CEWS program as an offset to compensation costs within Adjusted General and Administrative Costs, compared to \$0.8 million for Q1 2021.

Stock-Based Compensation

Stock-based compensation expense increased by 37%, from \$3.4 million in Q1 2021 to \$4.6 million in Q1 2022, 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 months ended March 31, 2022 and 2021, finance costs were comprised of the following:

| <i>\$000s</i> | Three Months Ended March 31, | |
|--|------------------------------|--------------|
| | 2022 | 2021 |
| Interest on debt, net of interest income | 5,827 | 5,114 |
| Amortization of debt issue costs and premium | 316 | 310 |
| Foreign exchange gain | (1,280) | (232) |
| Financial derivative (gain) loss | (867) | 561 |
| Gain on repurchase of senior unsecured notes | — | (12) |
| Other finance costs | (1) | 2 |
| Finance costs | 3,995 | 5,743 |

Interest expense

Finance costs for the three months ended March 31, 2022 include interest on debt, net of interest income, of \$5.8 million, compared to \$5.1 million in Q1 2021. Average draws on CES' Senior Facility have been higher throughout Q1 2022 relative to Q1 2021, with correspondingly higher interest expenses as a result. Included in these amounts is interest on the Company's Senior Notes in the amount of \$4.5 million for both the three months ended March 31, 2022 and 2021.

Foreign exchange gains and losses

Finance costs for the three months ended March 31, 2022 include realized and unrealized net foreign exchange gains of \$1.3 million compared to \$0.2 million in Q1 2021, which are primarily related to the Company's USD denominated cash held in Canada.

Financial derivative gains and losses

Finance costs for the three months ended March 31, 2022 include a realized and unrealized net derivative gain of \$0.9 million, compared to a net loss of \$0.6 million in Q1 2021 relating to the Company's foreign currency and equity derivative contracts. As of March 31, 2022, the Company had a \$1.1 million financial derivative asset relating to outstanding derivative contracts (December 31, 2021 - \$0.4 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.

Subsequent to March 31, 2022, the Company entered into the following foreign exchange USD forward purchase contracts to manage its exposure to upcoming USD denominated purchases pursuant to its Canadian and US operations:

| Period | Notional Balance USD\$000s | Contract Type | Settlement | Average USDCAD Exchange Rate |
|--------------|-------------------------------|---------------------|-------------------|------------------------------|
| April 2022 | US\$2,000 | Deliverable Forward | Physical Purchase | \$1.2534 |
| May 2022 | US\$2,000 | Deliverable Forward | Physical Purchase | \$1.2534 |
| June 2022 | US\$2,000 | Deliverable Forward | Physical Purchase | \$1.2534 |
| Total | US\$6,000 | | | \$1.2534 |

The Company periodically enters into equity derivative contracts to mitigate equity price risk on the cash-based portion of the stock-based compensation plan. The equity derivatives mitigate exposure to fluctuations in share price by fixing the future settlement cost on a portion of the cash-settled plan.

CES Energy Solutions Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2022

The Company did not enter into any equity derivative contracts during the three months ended March 31, 2022. Subsequent to March 31, 2022 additional equity derivative contracts were entered into. The following table details the outstanding equity derivative contracts as of the date of this MD&A:

| Period | Price | Contract | Notional Principal | Number of Shares |
|-----------|----------|----------|--------------------|------------------|
| June 2022 | \$2.3352 | Swap | \$2,549 | 1,091,720 |
| July 2022 | \$2.1585 | Swap | \$1,464 | 678,085 |
| June 2023 | \$2.3352 | Swap | \$2,549 | 1,091,720 |
| July 2023 | \$2.1585 | Swap | \$1,464 | 678,085 |
| July 2024 | \$2.1585 | Swap | \$1,464 | 678,084 |
| Total | \$2.2500 | | \$9,490 | 4,217,694 |

Current and Deferred Income Taxes

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

| \$000s | Three Months Ended March 31, | |
|-----------------------------|------------------------------|-------|
| | 2022 | 2021 |
| Current income tax expense | 1,259 | 900 |
| Deferred income tax expense | 4,508 | 1,701 |
| Total income tax expense | 5,767 | 2,601 |

Current income tax expense increased for the three months ended March 31, 2022 primarily due to increased activity levels in Canada and the US. Deferred income tax expense increased for the three months ended March 31, 2022 due to the utilization of losses in Canada and the US, in addition to the reversal of other temporary differences based on increased activity in the current quarter.

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 \$506.2 million as at March 31, 2022 compared to \$459.8 million as at December 31, 2021. Accounts receivable increased during the quarter as a result of higher activity levels and corresponding collection cycles, partially offset by the depreciation of USD working capital balances on translation as USDCAD depreciated from \$1.2678 at December 31, 2021 to \$1.2496 at March 31, 2022. As at March 31, 2022 CES' Working Capital Surplus of \$506.2 million offset Total Debt of \$487.2 million by \$19.0 million (December 31, 2021 - \$20.4 million). Refer to "Non-GAAP Measures and Other Financial Measures" for further details on the calculation of Net Debt.

Long-Term Financial Liabilities

CES had long-term debt totaling \$434.0 million as at March 31, 2022, compared to \$395.2 million at December 31, 2021. The increase of \$38.8 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, dividends paid out during the quarter totaled \$4.1 million. Additional discussion relating to the Company's Senior Facility and other long-term financial liabilities is included in the Liquidity and Capital Resources section of this MD&A.

Related Party Transactions

During the three months ended March 31, 2022, CES paid rent of \$0.01 million (Q1 2021 - \$0.03 million) to an executive officer of the Company for use of a temporary rental property. These transactions have been accounted for at the exchange amount being the amount agreed to by the related parties, which approximates the arm's length equivalent fair value.

QUARTERLY FINANCIAL SUMMARY

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

| | Three Months Ended | | | | | | | |
|---|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Mar 31, 2022 | Dec 31, 2021 | Sep 30, 2021 | Jun 30, 2021 | Mar 31, 2021 | Dec 31, 2020 | Sep 30, 2020 | Jun 30, 2020 |
| Revenue | | | | | | | | |
| United States ⁽¹⁾ | 248,796 | 233,842 | 196,966 | 175,257 | 168,047 | 137,262 | 113,859 | 121,819 |
| Canada ⁽¹⁾ | 152,485 | 133,952 | 117,429 | 78,348 | 92,579 | 75,552 | 52,434 | 37,674 |
| Revenue | 401,281 | 367,794 | 314,395 | 253,605 | 260,626 | 212,814 | 166,293 | 159,493 |
| Net income (loss) | 10,250 | 24,723 | 13,372 | 6,667 | 5,122 | 40,453 | (12,725) | (24,911) |
| <i>per share— basic</i> | 0.04 | 0.10 | 0.05 | 0.03 | 0.02 | 0.15 | (0.05) | (0.09) |
| <i>per share— diluted</i> | 0.04 | 0.09 | 0.05 | 0.03 | 0.02 | 0.15 | (0.05) | (0.09) |
| Adjusted EBITDAC ⁽²⁾ | 42,457 | 47,758 | 42,035 | 32,005 | 34,358 | 24,651 | 18,212 | 8,173 |
| <i>per share— basic⁽²⁾</i> | 0.17 | 0.19 | 0.16 | 0.13 | 0.13 | 0.09 | 0.07 | 0.03 |
| <i>per share— diluted⁽²⁾</i> | 0.16 | 0.18 | 0.16 | 0.12 | 0.13 | 0.09 | 0.07 | 0.03 |
| Dividends declared | 4,078 | 4,061 | 4,078 | — | — | — | — | — |
| <i>per share</i> | 0.0160 | 0.0160 | 0.0160 | — | — | — | — | — |
| <i>Shares Outstanding</i> | | | | | | | | |
| End of period | 254,863,235 | 253,830,896 | 254,871,878 | 255,525,375 | 254,415,334 | 258,264,857 | 262,567,958 | 264,883,808 |
| Weighted average – basic | 254,024,573 | 255,742,883 | 255,194,323 | 254,890,507 | 255,244,854 | 260,997,098 | 264,841,429 | 263,715,927 |
| Weighted average – diluted | 260,718,253 | 262,693,594 | 263,284,730 | 263,803,688 | 263,748,333 | 269,504,464 | 264,841,429 | 263,715,927 |

¹Supplementary financial measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results. Refer to "Non-GAAP Measures and Other Financial Measures" for further detail.

²Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for Adjusted EBITDAC is Net income (loss). Refer to the section entitled "Non-GAAP Measures and Other Financial Measures" contained within this MD&A.

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:

| \$000s | As at | |
|---|----------------|-------------------|
| | March 31, 2022 | December 31, 2021 |
| Senior Facility | 149,289 | 110,725 |
| Senior unsecured notes due Oct 21, 2024 bearing interest at 6.375% payable semi-annually ("Senior Notes") | 287,954 | 287,954 |
| | 437,243 | 398,679 |
| Less: net unamortized debt issue costs | (3,235) | (3,495) |
| Long-term debt | 434,008 | 395,184 |

CES Energy Solutions Corp.

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Three Months Ended March 31, 2022

Senior Facility

On February 1, 2022 the company amended its syndicated senior facility (the "Senior Facility") to exercise \$30.0 million of available accordion capacity, increasing the maximum amount available on the Canadian facility from \$145.0 million to \$175.0 million, for a total facility size of approximately C\$ equivalent \$262.5 million. All other terms and conditions remain unchanged. As at March 31, 2022, the Senior Facility is comprised of a Canadian facility of \$175.0 million and US facility of US\$70.0 million. The Senior Facility matures on September 28, 2024, subject to certain terms and conditions, and may be extended by one year upon agreement of the lenders and the Company.

As at March 31, 2022, the Company had a net draw of \$148.7 million on the Senior Facility, compared to \$110.1 million at December 31, 2021, with capitalized transaction costs of \$0.6 million (December 31, 2021 - \$0.6 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.

The Company's debt covenant calculations, as at March 31, 2022 and December 31, 2021, are as follows:

| <i>\$000s</i> | As at | |
|--|-----------------------|-------------------|
| | March 31, 2022 | December 31, 2021 |
| Net Senior Debt | 175,158 | 138,438 |
| EBITDA for the four quarters ended | 156,593 | 145,687 |
| Ratio | 1.119 | 0.950 |
| Maximum | 2.500 | 2.500 |
| | | |
| EBITDA for the four quarters ended | 156,593 | 145,687 |
| Interest Expense for the four quarters ended | 21,189 | 20,578 |
| Ratio | 7.390 | 7.080 |
| Minimum | 2.500 | 2.500 |

Senior Notes

At March 31, 2022, 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. The Senior Notes are unsecured, ranking equal in right of payment to all existing and future unsecured indebtedness, and have been guaranteed by the Company's current and future subsidiaries. The Senior Notes contain certain early redemption options, whereby the Company can choose to redeem all of or a portion of at various redemption prices, which include the principal amount plus any accrued and unpaid interest to the applicable redemption date. The Company has the ability to redeem all of its outstanding Senior Notes on or after October 21, 2020. Certain restrictions exist relating to items such as making restricted payments and incurring additional debt.

As at March 31, 2022, the Company was in compliance with the terms and covenants of its lending agreements. For the three months ended March 31, 2022, the Company recorded \$6.2 million (2021 - \$5.5 million) in interest expense related to its long-term debt and lease balances, including the amortization of debt issue costs.

Other Indebtedness

The following table details the remaining contractual maturities of the Company's financial liabilities as of March 31, 2022:

| <i>\$000s</i> | Payments Due By Period ⁽¹⁾ | | | | | Total |
|--|---------------------------------------|--------------------|-----------|-----------|----------|----------------|
| | Less than 3 months | 3 months to 1 year | 1-2 years | 2-5 years | 5+ years | |
| Accounts payable and accrued liabilities | 181,217 | — | — | — | — | 181,217 |
| Dividends payable ⁽²⁾ | 4,078 | — | — | — | — | 4,078 |
| Income taxes payable | — | 3,177 | — | — | — | 3,177 |
| Deferred acquisition consideration | — | 1,410 | 1,345 | 1,248 | — | 4,002 |
| Senior Facility | — | — | — | 149,289 | — | 149,289 |
| Senior Notes ⁽³⁾ | — | — | — | 287,954 | — | 287,954 |
| Interest on Senior Notes | — | 18,357 | 18,357 | 18,357 | — | 55,071 |
| Lease obligations ⁽⁴⁾ | 3,400 | 14,756 | 12,600 | 9,912 | 5,071 | 45,739 |
| Commitments ⁽⁵⁾ | 9,144 | 8,917 | 1,349 | 1,631 | 49 | 21,090 |
| Other long-term liabilities | 8 | 5,002 | 1,946 | 1,512 | — | 8,468 |
| | 197,847 | 51,619 | 35,597 | 469,902 | 5,120 | 760,086 |

¹ Payments denominated in foreign currencies have been translated using the March 31, 2022 exchange rate.

² Dividends declared as of March 31, 2022.

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 months ended March 31, 2022 and 2021:

| <i>\$000's</i> | Three Months Ended March 31, | | |
|--------------------------------|------------------------------|----------|----------|
| | 2022 | 2021 | Change |
| Net cash provided by (used in) | | | |
| Operating Activities | (12,435) | (5,782) | (6,653) |
| Investing Activities | (17,614) | (1,228) | (16,386) |
| Financing Activities | 30,049 | (11,241) | 41,290 |

Cash Flows from Operating Activities

For Q1 2022, cash flow used in operating activities totaled \$12.4 million, compared to \$5.8 million during the three months ended March 31, 2021, with the change being primarily driven by investments in working capital in Q1 2022 on strategic inventory procurement and higher activity levels as compared to Q1 2021.

CES Energy Solutions Corp.

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Three Months Ended March 31, 2022

Cash Flows from Investing Activities

For Q1 2022, net cash flows used in investing activities totaled \$17.6 million, compared to \$1.2 million during Q1 2021, with the increase being driven by higher capital expenditures as a result of improved industry conditions in the first quarter of 2022, along with a \$9.6 million outflow in respect of the acquisition of the business assets of Proflow.

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

| \$000's | Three Months Ended March 31, | |
|--|------------------------------|-------|
| | 2022 | 2021 |
| Expansion Capital ⁽¹⁾ | 5,240 | 2,036 |
| Maintenance Capital ⁽¹⁾ | 3,275 | 943 |
| Total investment in property and equipment | 8,515 | 2,979 |
| Change in non-cash investing working capital | 1,541 | (294) |
| Cash used for investment in property and equipment | 10,056 | 2,685 |

¹Supplementary financial measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results. Refer to "Non-GAAP Measures and Other Financial Measures" for further detail.

Expansion Capital expenditures in Q1 2022 included \$1.0 million for the expansion of PureChem's Nisku plant capabilities, \$1.2 million for the expansion of Jacam Catalyst's Gardendale manufacturing and office facilities, and \$3.0 million incurred for equipment and tanks to support increased activity levels in the quarter, particularly in the US. Maintenance Capital additions during Q1 2022 include: \$1.1 million incurred for equipment and tanks, \$0.3 million incurred for warehouse and facilities, and \$0.4 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 2022 capital expenditures, excluding amounts financed under lease arrangements, to be approximately \$40.0 million, of which \$20.0 million is maintenance and \$20.0 million is earmarked for expansion, excluding amounts related to business acquisitions.

Cash Flows from Financing Activities

For Q1 2022, cash flows provided by financing activities totaled \$30.0 million compared to cash flows used in financing activities of \$11.2 million in Q1 2021. This year over year change is primarily due to the Company's increased draw on the Senior Facility in Q1 2022. In addition, CES paid out a dividend of \$4.1 million during Q1 2022, as compared to nil in Q1 2021.

Dividend Policy

The Company declared dividends to holders of common shares for the three months ended March 31, 2022, as follows:

| \$000s except per share amounts | Dividend Record Date | Dividend Payment Date | Per Common Share | Total |
|---------------------------------|----------------------|-----------------------|------------------|-------|
| March | Mar 31 | Apr 15 | \$0.016 | 4,078 |
| Total dividends declared | | | \$0.016 | 4,078 |

During Q1 2022, the Company's Dividend Payout Ratio averaged 16% as compared to nil in Q1 2021. Refer to "Non-GAAP Measures and Other Financial Measures" for further details on the calculation of Dividend Payout Ratio.

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. 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 Distributable 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.

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Three Months Ended March 31, 2022

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. Refer to "Non-GAAP Measures and Other Financial Measures" for further details on the calculation of Distributable Earnings.

NCIB

Under the Company's current NCIB, which became on 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 months ended March 31, 2022 is as follows:

| <i>\$000s except for share and per share amounts</i> | Three Months Ended March 31, 2022 | Year Ended December 31, 2021 |
|--|--------------------------------------|---------------------------------|
| Number of shares | 143,000 | 10,084,677 |
| Cash outlay | 290 | 16,169 |
| Average price per share | \$2.03 | \$1.60 |

Since the July 15, 2021 commencement of the Company's current NCIB program, the Company repurchased 3,060,951 common shares up to March 31, 2022, at an average price of \$1.84 per share for a total amount of \$5.6 million. Since inception of the Company's NCIB programs on July 17, 2018, and up to March 31, 2022, the Company has repurchased 30,269,857 common shares at an average price of \$1.99 per share for a total amount of \$60.4 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:

| | May 12, 2022 | March 31, 2022 | December 31, 2021 |
|--------------------------------------|--------------|----------------|-------------------|
| Common shares outstanding | 255,448,168 | 254,863,235 | 253,830,896 |
| Restricted Share Unit Plan ("RSU") | 6,824,329 | 7,237,424 | 6,604,022 |
| Phantom Share Unit Plan ("PSU") | 5,905,830 | 5,865,745 | 5,916,448 |
| Share Rights Incentive Plan ("SRIP") | 2,185,800 | 2,207,400 | 2,378,400 |

NON-GAAP MEASURES AND OTHER FINANCIAL MEASURES

The accompanying consolidated financial statements have been prepared in accordance with 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.

Non-GAAP financial measures and non-GAAP ratios have the definition set out in National Instrument 52-112 "Non-GAAP and Other Financial Measures Disclosure". The non-GAAP measures, non-GAAP ratios and supplementary financial 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 and non-GAAP ratios are further defined for use throughout this MD&A as follows:

CES Energy Solutions Corp.

Management's Discussion and Analysis

Three Months Ended March 31, 2022

EBITDAC - is a non-GAAP measure that has been reconciled to net income 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), stock-based compensation and impairment of goodwill, 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 a non-GAAP measure that 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.

Adjusted EBITDAC % of Revenue - is a non-GAAP ratio calculated as Adjusted EBITDAC divided by revenue. Management believes that this metric is a useful measure of the Company's normalized operating performance relative to its top line revenue generation and a key industry performance measure.

Adjusted EBITDAC per share (basic and diluted) - is a non-GAAP ratio calculated as Adjusted EBITDAC divided by the weighted average number of basic and diluted shares outstanding, respectively. Adjusted EBITDAC is a non-GAAP measure. Management believes it is a useful measure of the Company's normalized operating performance on a per share basis.

Readers are cautioned that EBITDAC and Adjusted EBITDAC should not be considered to be more meaningful than net income (loss) determined in accordance with IFRS. EBITDAC, Adjusted EBITDAC, Adjusted EBITDAC % of Revenue and Adjusted EBITDAC per share are calculated as follows:

| <i>\$000s</i> | Three Months Ended March 31, | |
|---|------------------------------|---------------|
| | 2022 | 2021 |
| Net income | 10,250 | 5,122 |
| Add back (deduct): | | |
| Depreciation on property and equipment in cost of sales | 12,052 | 11,847 |
| Depreciation on property and equipment in G&A | 1,672 | 1,799 |
| Amortization on intangible assets in G&A | 4,153 | 3,912 |
| Current income tax expense | 1,259 | 900 |
| Deferred income tax expense | 4,508 | 1,701 |
| Stock-based compensation | 4,643 | 3,397 |
| Finance costs | 3,995 | 5,743 |
| Other income | (75) | (63) |
| EBITDAC & Adjusted EBITDAC | 42,457 | 34,358 |
| Adjusted EBITDAC % of Revenue | 10.6 % | 11.5 % |
| <i>Adjusted EBITDAC per share - basic</i> | 0.17 | 0.14 |
| <i>Adjusted EBITDAC per share - diluted</i> | 0.16 | 0.13 |

Distributable Earnings - is a non-GAAP measure that is defined as cash provided by operating activities, adjusted for change in non-cash operating working capital less Maintenance Capital 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 a non-GAAP ratio that is defined as dividends declared as a percentage of Distributable Earnings. Management believes it is a useful measure of the proportion of available funds committed to being returned to shareholders in the form of a dividend relative to the Company's total Distributable Earnings.

Readers are cautioned that Distributable Earnings should not be considered to be more meaningful than cash provided by operating activities determined in accordance with IFRS. Distributable Earnings and Dividend Payout Ratio are calculated as follows:

| <i>\$000's</i> | Three Months Ended March 31, | |
|--|------------------------------|---------|
| | 2022 | 2021 |
| Cash used in operating activities | (12,435) | (5,782) |
| Adjust for: | | |
| Change in non-cash operating working capital | 45,554 | 31,524 |
| Less: Maintenance Capital ⁽¹⁾ | (3,275) | (943) |
| Less: Repayment of lease obligations | (4,810) | (5,182) |
| Distributable Earnings | 25,034 | 19,617 |
| Dividends declared | 4,078 | — |
| Dividend Payout Ratio | 16 % | — % |

¹Supplementary financial measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results. Refer to "Non-GAAP Measures and Other Financial Measures" for further detail.

Adjusted Gross Margin - is a non-GAAP measure 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 % of Revenue - is a non-GAAP ratio that is calculated as Adjusted Gross Margin divided by revenue. Management believes that this metric is a useful measure of the Company's normalized cost of sales relative to its top line revenue generation.

Readers are cautioned that Adjusted Gross Margin should not be considered to be more meaningful than Gross Margin determined in accordance with IFRS. Adjusted Gross Margin and Adjusted Gross Margin % of Revenue are calculated as follows:

| <i>\$000s</i> | Three Months Ended March 31, | |
|--|------------------------------|--------|
| | 2022 | 2021 |
| Gross Margin | 74,690 | 57,596 |
| Gross Margin % of revenue | 19 % | 22 % |
| Add back (deduct): | | |
| Depreciation included in cost of sales | 12,052 | 11,847 |
| Adjusted Gross Margin | 86,742 | 69,443 |
| Adjusted Gross Margin % of revenue | 22 % | 27 % |

Adjusted General & Administrative Costs - is a non-GAAP measure 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 Adjusted G&A and Adjusted G&A % of Revenue assist in demonstrating CES' profitability.

Adjusted General & Administrative Costs % of Revenue - is a non-GAAP ratio that is calculated as Adjusted General and Administrative costs divided by revenue. Management believes that this metric is a useful measure of the Company's normalized G&A relative to its top line revenue generation.

Readers are cautioned that Adjusted G&A should not be considered to be more meaningful than G&A determined in accordance with IFRS. Adjusted G&A and Adjusted G&A costs % of Revenue are calculated as follows:

| <i>\$000's</i> | Three Months Ended March 31, | |
|---|------------------------------|--------|
| | 2022 | 2021 |
| General and administrative expenses | 54,753 | 44,193 |
| G&A expenses % of revenue | 14 % | 17 % |
| Deduct: | | |
| Stock-based compensation | 4,643 | 3,397 |
| Depreciation & amortization | 5,825 | 5,711 |
| Adjusted General and Administrative Costs | 44,285 | 35,085 |
| Adjusted G&A costs % of revenue | 11 % | 13 % |

Funds Flow From Operations - is a non-GAAP measure that has been reconciled to Cash provided by (used in) operating activities for the financial periods, being the most directly comparable measure calculated in accordance with IFRS. 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 considered more meaningful than cash provided by operating activities, comprehensive income (loss), 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, and is calculated as follows:

| <i>\$000's</i> | Three Months Ended March 31, | |
|--|------------------------------|---------|
| | 2022 | 2021 |
| Cash used in operating activities | (12,435) | (5,782) |
| Adjust for: | | |
| Change in non-cash operating working capital | 45,554 | 31,524 |
| Funds Flow From Operations | 33,119 | 25,742 |

Working Capital Surplus - Working Capital Surplus is a non-GAAP measure that is calculated as current assets less current liabilities, excluding the current portion of finance lease obligations and deferred acquisition consideration. 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 and Total Debt are non-GAAP measures that Management believes are key metrics to assess liquidity of the Company and uses them to monitor its capital structure. Net debt represents Total Debt, which includes the Senior Facility, the Senior Notes, both current and non-current portions of lease obligations, both current and non-current portions of deferred acquisition consideration, non-current portion of cash settled incentive obligations, offset by the Company's cash position, less Working Capital Surplus.

Readers are cautioned that Total Debt, Working Capital Surplus, and Net Debt should not be construed as alternative measures to Long-term financial liabilities as determined in accordance with IFRS. Total Debt, Working Capital Surplus, and Net Debt are calculated as follows:

| <i>\$000's</i> | As at | |
|---|-----------------|-------------------|
| | March 31, 2022 | December 31, 2021 |
| Long-term financial liabilities ⁽¹⁾ | 467,641 | 423,077 |
| Current portion of finance lease obligations | 18,156 | 16,315 |
| Current portion of deferred acquisition consideration | 1,410 | — |
| Total Debt | 487,207 | 439,392 |
| Deduct Working Capital Surplus: | | |
| Current assets | 694,699 | 619,201 |
| Current liabilities ⁽²⁾ | (188,472) | (159,447) |
| Working Capital Surplus | 506,227 | 459,754 |
| Net Debt | (19,020) | (20,362) |

¹Includes long-term portion of the Senior Facility, the Senior Notes, lease obligations, deferred acquisition consideration and cash settled incentive obligations.

²Excludes current portion of lease liabilities and deferred acquisition consideration.

Supplementary Financial Measures

A supplementary financial measure: (a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Company; (b) is not presented in the financial statements of the Company; (c) is not a non-GAAP financial measure; and (d) is not a non-GAAP ratio. Supplementary financial measures found within this MD&A are as follows:

Revenue - United States - comprises a component of total revenue, as determined in accordance with IFRS, and is calculated as revenue recorded from the Company's US divisions.

Revenue - Canada - comprises a component of total revenue, as determined in accordance with IFRS, and is calculated as revenue recorded from the Company's Canadian divisions.

Top 5 customers as a % of total revenue - calculated as revenue recorded from the five customers comprising the largest individual components of revenue divided by total revenue, as determined in accordance with IFRS, for the period.

Top customer as a % of total revenue - calculated as revenue recorded from the one customer comprising the largest individual components of revenue divided by total revenue, as determined in accordance with IFRS, for the period.

Gross Margin % of Revenue - calculated as gross margin, as determined in accordance with IFRS, divided by revenue, as determined in accordance with IFRS, for the period.

General and Administrative Expenses % of Revenue - calculated as general and administrative expenses, as determined in accordance with IFRS, divided by revenue, as determined in accordance with IFRS, for the period.

Expansion Capital - comprises a component of total investment in property and equipment as determined in accordance with IFRS, and 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 - comprises a component of total investment in property and equipment as determined in accordance with IFRS, and represents the amount of capital expenditure that has been or will be incurred to sustain the current level of operations.

OPERATIONAL DEFINITIONS

Operational terms used throughout this MD&A include:

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, 2021, and its audited annual consolidated financial statements and notes thereto for the year ended December 31, 2021.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies can be found in Note 3 of the consolidated financial statements for the year ended December 31, 2021. There have been no new standards or interpretations issued during the three months ended March 31, 2022 that significantly impact the Company.

CORPORATE GOVERNANCE

Disclosure Controls and Procedures ("DC&P")

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

Internal Controls over Financial Reporting ("ICFR")

Management of CES is responsible for establishing and maintaining ICFR for CES to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no changes to CES' internal controls over financial reporting during the three months ended March 31, 2022 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' 2021 Annual Report, CES' Annual Information Form dated March 10, 2022 in respect of the year ended December 31, 2021, and CES' Information

Circular in respect of the June 21, 2022 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' 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. Throughout the COVID-19 pandemic, CES remained committed to staying open and fully operational, ensuring the ongoing safety of our employees and maintaining delivery of products and services to our customers while managing the impacts of the pandemic. We also implemented 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 until early 2020, 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. Oil and natural gas prices have since made a significant recovery, rising to levels not seen since the commodity price collapse in 2014. Although oil and gas operators have increased capital spending in response to improving prices, they continue to be cautious relative to previous market cycles and are increasingly focused on operating within cash flows and returning capital to shareholders. 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 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. While price differentials have narrowed as demand for oil and gas recovers in North America, oilfield activity in Canada may continue to face headwinds compared to activity in the United States. In addition, a retracement of oil and gas commodity prices to the lows seen during the COVID-19 pandemic would result in a significant reduction in 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.

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 and the potential for significant global unrest relating to the recent conflict in Ukraine. Should the conflict in Ukraine escalate or expand beyond Ukraine's borders into a broader global conflict, this could have a significant impact not only on credit and equity markets, but also on global supply chains and demand for CES' products and services.

Despite CES' successful re-financing of its \$300.0 million Senior Notes in October 2017, in general since the fall of 2014, and further emphasized by recent developments in global oil and gas markets, there has been a retreat in the energy capital markets as a result of low commodity prices and perception regarding government policy and regulations. As such it may prove to be difficult under future market conditions to issue additional equity, maintain or increase credit capacity, or re-finance existing credit without significant costs. CES is also reliant on its Senior Facility to fund working capital and other growth initiatives. In the event CES' lenders are unable to, or choose not to continue to fund CES, it would impair CES' ability to operate until alternative sources of financing were obtained, as access to the Senior Facility is critical to the effective execution of CES' business plan. At March 31, 2022, 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. The demand for skilled employees has increased in recent years 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. Additionally, although the Company generally does not source materials from Eastern Europe, the recent conflict in Ukraine could also impact

global supply chains and trade routes in ways which are not anticipated, particularly if that conflict expands beyond Ukraine's borders. Moreover, 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 10, 2022 for the year ended December 31, 2021, 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; expectations regarding the impact of the COVID-19 pandemic on industry activity levels; 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 2022, 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 2022; 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 impact of conflict (including the conflict in Ukraine) and global unrest on commodity prices as well as CES' business and operations; 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; conflict, war and political and societal unrest that may impact CES' operations, supply chains 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, 2021 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.

CES Energy Solutions Corp.

Management's Discussion and Analysis Information

STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange
Trading Symbol: CEU

OTC

Trading Symbol: CESDF

BOARD OF DIRECTORS

Philip J. Scherman¹
Chairman

John M. Hooks^{2,3}

Spencer D. Armour III^{2,3}

Kyle D. Kitagawa^{1,2}

Stella Cosby^{3,4}

Ian Hardacre^{1,4}

Joe Wright^{1,4}

Kenneth E. Zinger

¹Member of the Audit Committee

²Member of the Compensation Committee

³Member of the Corporate Governance and Nominating Committee

⁴Member of the Health, Safety and Environment
Committee

EXECUTIVE OFFICERS

Kenneth E. Zinger
President & Chief Executive Officer

Anthony M. Aulicino
Chief Financial Officer

Richard L. Baxter
President, US Drilling Fluids

Vernon J. Disney
President, US Production Chemicals

CORPORATE SECRETARY

Matthew S. Bell

AUDITORS

Deloitte LLP
Chartered Professional Accountants, Calgary, AB

BANKERS

Scotiabank Canada, Calgary, AB

LEGAL COUNSEL

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

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