CES Energy Solutions

Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2023 and 2022

CES Energy Solutions Corp.
Condensed Consolidated Statement of Financial Position (unaudited)
(stated in thousands of Canadian dollars)

	As at	
	June 30, 2023	December 31, 2022
ASSETS		
Current assets		
Accounts receivable	**402,959**	479,360
Financial derivative asset	**1,736**	2,213
Income taxes receivable	**901**	935
Inventory	**408,693**	428,144
Prepaid expenses and deposits	**31,623**	23,028
	845,912	933,680
Property and equipment (note 4)	**290,383**	283,432
Right of use assets (note 5)	**70,002**	62,199
Intangible assets	**26,018**	30,551
Deferred income tax asset	**20,121**	36,335
Other assets	**17,915**	10,114
Goodwill	**53,464**	54,692
	1,323,815	1,411,003
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**195,301**	234,299
Dividends payable (note 9)	**6,312**	5,090
Income taxes payable	**2,889**	3,195
Current portion of deferred acquisition consideration	**1,425**	1,529
Current portion of lease obligations	**26,728**	23,231
	232,655	267,344
Long-term debt (note 6)	**404,498**	491,482
Lease obligations	**40,981**	36,414
Deferred acquisition consideration	**1,322**	2,810
Deferred income tax liability	**1,742**	1,839
Other long-term liabilities (note 8)	**3,073**	2,065
	684,271	801,954
Commitments (note 10)		
Shareholders' equity		
Common shares (note 7)	**649,730**	658,820
Contributed surplus	**35,110**	34,866
Deficit	**(216,588)**	(272,076)
Accumulated other comprehensive income	**171,292**	187,439
	639,544	609,049
	1,323,815	1,411,003

The accompanying notes are an integral part of these condensed consolidated financial statements.

CES Energy Solutions Corp.

Condensed Consolidated Statements of Net Income and Comprehensive Income (unaudited)
(stated in thousands of Canadian dollars, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Revenue	**515,842**	433,650	**1,073,538**	834,931
Cost of sales	**400,392**	338,765	**841,775**	665,356
Gross margin	**115,450**	94,885	**231,763**	169,575
General and administrative expenses	**64,029**	55,093	**125,288**	109,846
Operating profit	**51,421**	39,792	**106,475**	59,729
Finance costs	**6,453**	11,232	**16,935**	15,227
Other loss	**41**	480	**118**	405
Income before taxes	**44,927**	28,080	**89,422**	44,097
Current income tax expense	**3,597**	1,641	**6,874**	2,900
Deferred income tax expense	**7,429**	6,334	**15,645**	10,842
Net income	**33,901**	20,105	**66,903**	30,355
Other comprehensive income (items that may be subsequently reclassified to profit and (loss)):				
Unrealized foreign exchange (loss) gain on translation of foreign operations	**(16,179)**	19,309	**(16,664)**	10,788
Change in fair value of other assets, net of tax	**269**	(553)	**517**	(1,548)
Comprehensive income	**17,991**	38,861	**50,756**	39,595
Net income per share (note 7)				
Basic	**0.13**	0.08	**0.26**	0.12
Diluted	**0.13**	0.08	**0.26**	0.12

The accompanying notes are an integral part of these condensed consolidated financial statements.

CES Energy Solutions Corp.
Condensed Consolidated Statements of Changes in Equity (unaudited)
(stated in thousands of Canadian dollars)

	Six Months Ended June 30,	
	2023	2022
COMMON SHARES		
Balance, beginning of period	**658,820**	658,614
Issued pursuant to stock-based compensation (note 8)	**2,632**	4,538
Issued pursuant to stock settled director fees	**85**	73
Common shares repurchased and canceled through NCIB (note 7)	**(11,807)**	(290)
Balance, end of period	**649,730**	662,935
CONTRIBUTED SURPLUS		
Balance, beginning of period	**34,866**	33,819
Reclassified pursuant to stock-based compensation (note 7)	**(4,813)**	(4,538)
Stock-based compensation expense (note 8)	**5,057**	3,328
Balance, end of period	**35,110**	32,609
DEFICIT		
Balance, beginning of period	**(272,076)**	(349,935)
Net income	**66,903**	30,355
Dividends declared (note 9)	**(11,415)**	(8,177)
Balance, end of period	**(216,588)**	(327,757)
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of period	**187,439**	144,177
Unrealized foreign exchange (loss) gain on translation of foreign operations	**(16,664)**	10,788
Change in fair value of other assets, net of tax	**517**	(1,548)
Balance, end of period	**171,292**	153,417
	639,544	521,204

The accompanying notes are an integral part of these condensed consolidated financial statements.

CES Energy Solutions Corp.
Condensed Consolidated Statements of Cash Flows (unaudited)
(stated in thousands of Canadian dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net income	**33,901**	20,105	**66,903**	30,355
Adjustments for:				
Depreciation and amortization	**17,883**	17,974	**36,793**	35,851
Stock-based compensation (note 8)	**3,332**	1,884	**5,057**	3,328
Other non-cash loss	**1,993**	1,368	**3,493**	930
Deferred income tax expense	**7,429**	6,334	**15,645**	10,842
Gain on disposal of assets	**(1,543)**	(1,524)	**(2,271)**	(2,046)
Change in non-cash working capital (note 11)	**26,332**	(58,970)	**36,945**	(104,524)
	89,327	(12,829)	**162,565**	(25,264)
FINANCING ACTIVITIES:				
Repayment of lease obligations	**(6,161)**	(5,478)	**(11,621)**	(10,288)
(Decrease) increase in Senior Facility	**(46,620)**	32,037	**(88,185)**	71,247
Shareholder dividends	**(5,103)**	(4,078)	**(10,193)**	(8,139)
Settlement of restricted share units	**—**	—	**(2,181)**	—
Common shares repurchased and cancelled through NCIB (note 7)	**(7,593)**	—	**(11,807)**	(290)
	(65,477)	22,481	**(123,987)**	52,530
INVESTING ACTIVITIES:				
Investment in property and equipment	**(18,874)**	(12,139)	**(33,151)**	(22,195)
Investment in intangible assets	**(370)**	(145)	**(456)**	(593)
Investment in other assets	**(7,514)**	48	**(7,613)**	(130)
Deferred acquisition consideration	**—**	—	**(1,518)**	—
Business combination	**—**	—	**—**	(9,560)
Proceeds on disposal of assets	**2,908**	2,584	**4,160**	5,212
	(23,850)	(9,652)	**(38,578)**	(27,266)
CHANGE IN CASH	**—**	—	**—**	—
Cash, beginning of period	**—**	—	**—**	—
Cash, end of period	**—**	—	**—**	—
SUPPLEMENTARY CASH FLOW DISCLOSURE				
Interest paid	**14,140**	10,874	**18,519**	12,112
Income taxes paid	**7,130**	14	**8,092**	480

The accompanying notes are an integral part of these condensed consolidated financial statements.

(stated in thousands of Canadian dollars, except for share and per share amounts)

1. The Company

CES Energy Solutions Corp. (the "Company" or "CES") is a company domiciled in Canada and was incorporated under the Canada Business Corporations Act on November 13, 1986. CES' principal place of business is located at Suite 1400, 332 – 6th Avenue SW, Calgary, Alberta, Canada T2P 0B2. The condensed consolidated financial statements of the Company as at and for the three and six months ended June 30, 2023 and 2022 comprise the accounts of the Company and its subsidiaries (together referred to as the "Company" or "CES").

CES' core business is to design, implement, and manufacture technically advanced consumable fluids and specialty chemicals for the North American oil and gas industry. CES operates under the following trade names and brands: AES Drilling Fluids, Jacam Catalyst, Proflow Solutions, Superior Weighting Products, Canadian Energy Services, PureChem Services, StimWrx Energy Services, Sialco Materials Ltd, and Clear Environmental Solutions.

2. Basis of Presentation

Statement of Compliance

These condensed consolidated financial statements have been prepared by management of the Company in accordance with International Accounting Standard ("IAS") 34, *"Interim Financial Reporting"*. These condensed consolidated financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2022. These condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on August 10, 2023.

3. Significant Accounting Policies, Estimates and Judgments

These condensed consolidated financial statements have been prepared following the same accounting principles and methods of computation as outlined in the Company's consolidated financial statements for the year ended December 31, 2022 with the exception of certain amendments to accounting standards or new interpretations issued by the International Accounting Standards Board ("IASB"), which were adopted effective January 1, 2023. These are as follows: IFRS 17, "*Insurance Contracts*", as well as the amendments to IAS 12, "*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*", IAS 1, "*Disclosure of Material Accounting Policy Information*", and IAS 8, "*Definition of Accounting Estimates*". The adoption of these standards and amendments has not had a material impact on the accounting policies, methods of computation or presentation applied by the Company. A description of accounting standards and interpretations that have been adopted by the Company can be found in the notes of the annual consolidated financial statements for the year ended December 31, 2022.

The preparation of the condensed consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. These condensed consolidated financial statements include estimates, which by their nature, are uncertain. These assumptions and associated estimates are based on historical experience and other factors that are considered to be relevant. As such, actual results may differ from estimates and the effect of such differences may be material. Significant estimates and judgements used in the preparation of these condensed consolidated financial statements remained unchanged from those disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2022.

4. Property and Equipment

Balance at December 31, 2022	**283,432**
Additions	33,834
Transfers	18
Disposals, net of depreciation	(1,324)
Depreciation	(20,740)
Effect of movements in exchange rates	(4,837)
Balance at June 30, 2023	**290,383**

(stated in thousands of Canadian dollars, except for share and per share amounts)

5. Right of Use Assets

Balance at December 31, 2022	**62,199**
Additions	21,071
Transfers	(39)
Disposals, net of depreciation	(618)
Depreciation	(11,623)
Effect of movements in exchange rates	(988)
Balance at June 30, 2023	**70,002**

6. Long-Term Debt

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

	As at	
	June 30, 2023	December 31, 2022
Senior Facility	**122,374**	209,276
Senior unsecured notes due Oct 21, 2024 bearing interest at 6.375% payable semi-annually ("Senior Notes")	**287,954**	287,954
	410,328	497,230
Less: unamortized debt issue costs	**(5,830)**	(5,748)
Long-term debt	**404,498**	491,482

Senior Facility

On April 25, 2023, the Company entered into an amended and restated credit agreement with respect to its syndicated and operating credit facilities (the "Senior Facility"). The total size of the Senior Facility is approximately C$ equivalent $700,000 consisting of an aggregated revolving facility of approximately C$ equivalent $450,000 and a Canadian Term Loan Facility of $250,000. The Canadian Term Loan Facility is undrawn and can only be used to repay and redeem the 6.375% senior unsecured notes scheduled to mature in October of 2024. The Senior Facility matures on April 25, 2026 and is secured by substantially all of the Company's assets and includes customary terms, conditions and covenants.

Amounts drawn on the Senior Facility, other than the Canadian Term Loan Facility, incur interest at the bank's prime rate or US base rate plus an applicable pricing margin ranging from 0.25% to 2.00% or the Canadian Bankers' Acceptance rate or the SOFR rate plus an applicable pricing margin ranging from 1.25% to 3.00%. The Senior Facility has a standby fee ranging from 0.281% to 0.675%. The applicable pricing margins and standby fees are based on a sliding scale of Total Net Debt to EBITDA ratio.

As at June 30, 2023, the Senior Facility is comprised of a Canadian facility of $300,000, a US facility of US$110,000 and a Canadian Term Loan Facility of $250,000. As at June 30, 2023, the Company had a net draw of $120,169 on the Senior Facility (December 31, 2022 - net draw of $208,512), with capitalized transaction costs of $2,205 (December 31, 2022 - $764). Transaction costs attributable to the Senior Facility are recorded as part of the Senior Facility and amortized to finance costs over the remaining term.

Under the Senior Facility, CES is subject to the following financial covenants:

- The ratio of Total Net Debt to trailing EBITDA must not exceed 4.00:1.00 calculated on a rolling four-quarter basis;
- The ratio of Net Senior Debt to trailing EBITDA must not exceed 3.00:1.00 calculated on a rolling four-quarter basis. In the earlier of the fourth fiscal quarter end following the drawdown on the Canadian Term Loan Facility and the repayment in full the ratio of Net Senior Debt to trailing EBITDA must not exceed 3.50:1.00; and
- The ratio of EBITDA to interest expense must be greater than 2.50:1.00, calculated on a rolling four-quarter basis.

(stated in thousands of Canadian dollars, except for share and per share amounts)

The relevant definitions of key ratio terms as set forth in the Senior Facility agreement are as follows:

- Total Net Debt is defined as all obligations, liabilities, and indebtedness excluding deferred income tax liabilities and deferred tax credits, office leases, other leases characterized as an operating lease, and accrued interest not yet due and payable.
- Net Senior Debt is defined as Total Net Debt, as defined below, minus the principal amount owing on the Company's Senior Notes, any permitted vendor take-back debt, and all cash and cash equivalents.
- EBITDA is defined as net income before interest, taxes, depreciation and amortization, gains and losses on disposal of assets, amortization of capitalized deferred financing costs, goodwill impairment, unrealized foreign exchange gains and losses, unrealized derivative gains and losses, equity settled stock-based compensation, and other gains and losses not considered reflective of underlying operations. EBITDA attributable to businesses acquired in the period are permitted to be added to EBITDA.

The above noted definitions are not recognized under IFRS and are provided strictly for the purposes of the Company's Senior Facility covenant calculations.

The covenant calculations as at June 30, 2023 and December 31, 2022, are as follows:

	As at	
	June 30, 2023	December 31, 2022
Total Net Debt	**451,380**	—
EBITDA for the four quarters ended	**276,403**	—
Ratio	**1.633**	—
Maximum [(1)]	**4.000**	—
Net Senior Debt	**163,426**	266,120
EBITDA for the four quarters ended	**276,403**	231,265
Ratio	**0.591**	1.151
Maximum	**3.000**	2.500
EBITDA for the four quarters ended	**276,403**	231,265
Interest Expense for the four quarters ended	**35,072**	28,062
Ratio	**7.881**	8.241
Minimum	**2.500**	2.500

[1] Total Net Debt to trailing EBITDA ratio covenant came into effect for quarters ending after April 25, 2023

Senior Notes

As at June 30, 2023, the Company had $287,954 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 semi-annually on April 21 and October 21. 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 June 30, 2023, the Company was in compliance with the terms and covenants of its lending agreements. For the three and six months ended June 30, 2023, the Company recorded $10,484 and $20,732, respectively (2022 - $6,664 and $12,844, respectively) in interest expense related to its long-term debt and lease balances, including the amortization of debt issue costs.

(stated in thousands of Canadian dollars, except for share and per share amounts)

Scheduled principal payments on the Company's long-term debt at June 30, 2023, are as follows:

2023 - 6 months	—
2024	287,954
2025	—
2026	122,374
2027 and thereafter	—
	410,328

7. Share Capital

a) Authorized

The Company is authorized to issue an unlimited number of common shares.

b) Issued and outstanding

A summary of the changes to common share capital is presented below:

	Six Months Ended June 30, 2023		Year Ended December 31, 2022	
	Number of Shares	**Amount**	Number of Shares	Amount
Balance, beginning of period	**254,515,682**	**658,820**	253,830,896	658,614
Issued pursuant to stock-based compensation	**2,416,914**	**(2,181)**	2,747,074	—
Contributed surplus related to stock-based compensation	—	**4,813**	—	5,292
Issued pursuant to stock settled director fee	**31,146**	**85**	69,212	156
Common shares repurchased and canceled through NCIB	**(4,500,100)**	**(11,807)**	(2,131,500)	(5,242)
Balance, end of period	**252,463,642**	**649,730**	254,515,682	658,820

During the six months ended June 30, 2023, the Company elected to cash settle 779,890 RSUs that were vested and released for an aggregate value of $2,181.

Normal Course Issuer Bid ("NCIB")

On July 14, 2022, the Company announced the renewal of its previous NCIB, which ended on July 20, 2022, to repurchase for cancellation up to 14,399,478 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, 2023 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 is presented below:

	Renewed NCIB July 21, 2022 to June 30, 2023	Six Months Ended June 30, 2023	Since Inception July 17, 2018 to June 30, 2023
Common shares repurchased and canceled through NCIB	6,488,600	4,500,100	36,758,457
Cash outlay	16,758	11,807	77,146
Average price per share	$2.58	$2.62	$2.10

Subsequent to June 30, 2023, The Company repurchased 4,551,800 additional shares at a weighted average price of $2.68 for a total of $12,219. Further, on July 21, 2023, the Company renewed the existing NCIB to repurchase for cancellation up to 18,719,430 common shares, being 10.0% of the public float of common shares at the time of renewal. The renewed NCIB will terminate on July 20, 2024, 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.

(stated in thousands of Canadian dollars, except for share and per share amounts)

c) Net income per share

In calculating the basic and diluted net income per share for the three and six months ended June 30, 2023 and 2022, the weighted average number of shares used in the calculation is shown in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Net income	**33,901**	20,105	**66,903**	30,355
Weighted average number of shares outstanding:				
Basic shares outstanding	**253,756,497**	255,568,154	**254,316,550**	254,800,628
Effect of dilutive shares	**4,541,283**	6,638,178	**6,017,483**	6,665,776
Diluted shares outstanding	**258,297,780**	262,206,332	**260,334,033**	261,466,404
Net income per share - basic	**$0.13**	$0.08	**$0.26**	$0.12
Net income per share - diluted	**$0.13**	$0.08	**$0.26**	$0.12

Excluded from the calculation of dilutive shares for the three and six months ended June 30, 2023 are 1,525,274 and nil, respectively (2022 - 1,919,360 and 2,113,883, respectively) of RSUs and Share Rights that are considered anti-dilutive.

8. Stock-Based Compensation

For the three and six months ended June 30, 2023, stock-based compensation expense of $4,589 and $7,728, respectively (2022 – $3,261 and $7,904, respectively) was recorded in general and administrative expenses relating to the Company's stock-based compensation plans. As at June 30, 2023, a total of 12,623,182 common shares were reserved for issuance under the Company's Restricted Share Unit Plan and Stock Settled Director Fee Program, of which 6,570,743 common shares remained available for grant.

a) Restricted Share Unit ("RSU") Plan

CES' RSU Plan provides incentives to eligible employees, officers, and directors of the Company through the issuance of RSUs. The RSUs generally vest from one year, and up to three years, on the anniversary from the date of grant, subject to other such vesting schedules or conditions as determined by the Board of Directors. Throughout the vesting period, holders of Restricted Shares will be entitled to the dividend equivalents in the form of additional Restricted Shares on each dividend payment date, to be held in the RSU account until such time as the awards have vested.

A summary of changes under the RSU plan is presented below:

	Six Months Ended June 30, 2023		Year Ended December 31, 2022	
	Restricted Share Units	**Average Price**	Restricted Share Units	Average Price
Balance, beginning of period	**5,922,363**	**$1.83**	6,604,022	$1.62
Granted during the period	**3,240,503**	**2.84**	1,889,238	2.65
Reinvested during the period	**87,913**	**2.17**	182,433	1.79
Vested during the period	**(3,196,804)**	**1.50**	(2,747,074)	1.92
Forfeited during the period	**(1,536)**	**2.56**	(6,256)	2.31
Balance, end of period	**6,052,439**	**$2.53**	5,922,363	$1.83

During the six months ended June 30, 2023, the Company elected to cash settle 779,890 RSUs that were vested and released for an aggregate value of $2,181. Included in the stock-based compensation expense for the three and six months ended June 30, 2023 is an expense of $3,332 and $5,057, respectively (2022 - $1,884 and $3,327, respectively) relating to the Company's RSU Plan. The stock-based compensation costs for RSUs granted are based on the five day volume weighted average share price at the date of grant. The amount of compensation expense recorded for the six months ended June 30, 2023, was reduced by an estimated weighted average forfeiture rate of 0.80% per year at the date of grant.

(stated in thousands of Canadian dollars, except for share and per share amounts)

b) Phantom Share Unit ("PSU") Plan

CES' PSU Plan provides cash-settled incentives to eligible non-executive employees and consultants of the Company through the issuance of PSUs. The PSUs generally vest over three years, on the anniversary from the date of grant, subject to other such vesting schedules or conditions as determined by the Plan Administrator. Throughout the vesting period, holders of PSUs will be entitled to the dividend equivalents in the form of additional PSUs on each dividend payment date, to be held in the PSU account until such time as the awards have vested.

A summary of changes under the PSU plan is presented below:

	Six Months Ended June 30, 2023	Year Ended December 31, 2022
	Phantom Share Units	Phantom Share Units
Balance, beginning of period	**5,860,999**	5,916,448
Granted during the period	**—**	2,525,894
Reinvested during the period	**86,654**	155,103
Vested during the period	**(1,527,175)**	(2,534,685)
Forfeited during the period	**(54,088)**	(201,761)
Balance, end of period	**4,366,390**	5,860,999

Included in the stock-based compensation expense for the three and six months ended June 30, 2023 is an expense of $1,257 and $2,671, respectively (2022 - $1,377 and $4,576, respectively) relating to the Company's PSU Plan. As at June 30, 2023, $4,379 (2022 - $4,470) was included in accounts payable and accrued liabilities and $3,073 (2022 - $1,678) was included in other long-term liabilities for outstanding PSUs.

9. Dividends

The Company declared dividends to holders of common shares for the six months ended June 30, 2023, as follows:

	Dividend Record Date	**Dividend Payment Date**	**Per Common Share**	**Total**
March 2023	Mar 31	Apr 14	$0.020	**5,103**
June 2023	Jun 30	Jul 14	$0.025	**6,312**
Total dividends declared			$0.045	**11,415**

10. Commitments

The Company has commitments related to short-term leases, leases of low-value assets, variable payments associated with long-term leases, and inventory and capital commitments with payments due as follows:

Less than 1 year	29,130
1-5 years	—
5+ years	—
Total	**29,130**

Payments denominated in foreign currencies have been translated using the June 30, 2023 exchange rate.

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

(stated in thousands of Canadian dollars, except for share and per share amounts)

11. Supplemental Information

The changes in non-cash working capital were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
(Increase) decrease in current assets				
Accounts receivable[1]	**62,140**	(32,117)	**76,435**	(84,720)
Inventory	**27,923**	(55,555)	**19,451**	(85,447)
Prepaid expenses and deposits	**(16,238)**	(7,797)	**(8,595)**	1,903
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities[2]	**(36,765)**	25,643	**(38,297)**	55,558
Effects of movement in exchange rate	**(10,202)**	10,032	**(10,871)**	5,817
	26,858	(59,794)	**38,123**	(106,889)
Relating to:				
Operating activities	**26,332**	(58,970)	**36,946**	(104,524)
Investing activities	**526**	(824)	**1,177**	(2,365)

[1]Includes income taxes receivable.
[2]Includes income taxes payable and other long-term liabilities relating to the cash-settled PSU plan.

For the three and six months ended June 30, 2023 and 2022, changes in non-cash working capital relating to investing activities have been included in "Investment in property and equipment" on the Condensed Consolidated Statements of Cash Flows.

12. Geographical Information

Geographical information relating to the Company's activities is as follows:

	Revenue		Revenue	
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
United States	**375,455**	300,167	**744,430**	548,963
Canada	**140,387**	133,483	**329,108**	285,968
	515,842	433,650	**1,073,538**	834,931

	Long-Term Assets [1]	
	June 30, 2023	December 31, 2022
United States	**329,716**	321,987
Canada	**128,066**	119,001
	457,782	440,988

[1]Includes: Property and equipment, right of use assets, intangible assets, other assets and goodwill.

STOCK EXCHANGE LISTINGS
The Toronto Stock Exchange
Trading Symbol: CEU

OTC
Trading Symbol: CESDF

BOARD OF DIRECTORS
Philip J. Scherman[1]
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

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

EXECUTIVE OFFICERS
Kenneth E. Zinger
President & Chief Executive Officer

Anthony M. Aulicino
Chief Financial Officer

Richard 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

REGISTRAR & TRANSFER AGENT
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Calgary, AB and Toronto, ON

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