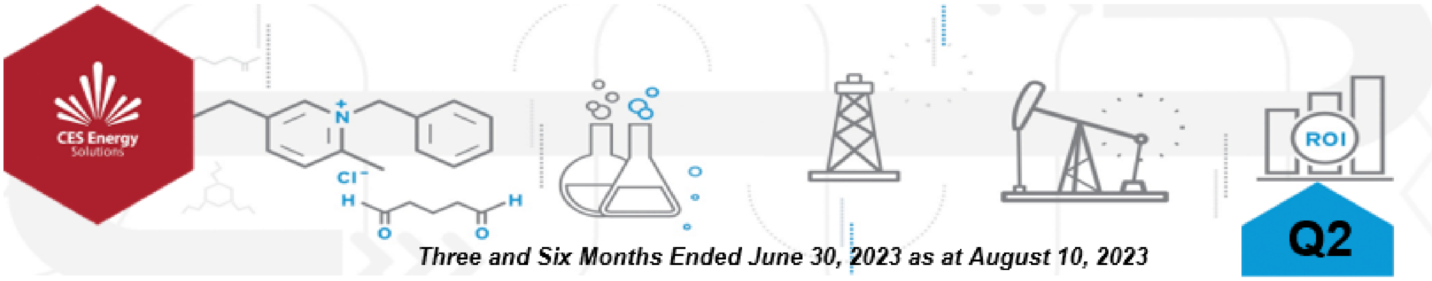


MANAGEMENT’S DISCUSSION AND ANALYSIS

The following management’s discussion and analysis (“MD&A”) of the financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes thereto of CES Energy Solutions Corp. (“CES” or the “Company”) for the three and six months ended June 30, 2023 and 2022, and CES’ 2022 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 August 10, 2023, 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, H_2S scavengers, paraffin control products, surfactants, scale inhibitors, biocides and other specialty products. Further, specialty chemicals are used throughout the pipeline and midstream industry to aid in hydrocarbon movement and manage transportation and processing challenges including corrosion, wax build-up and H_2S.

CES operates in all major basins throughout the United States (“US”), including the Permian, Eagleford, Bakken, Marcellus and Scoop/Stack, as well as in the Western Canadian Sedimentary Basin (“WCSB”) with an emphasis on servicing the ongoing major resource plays: Montney, Duvernay, Deep Basin and SAGD. In the 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”).

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

FINANCIAL HIGHLIGHTS

	Three Months Ended June 30,			Six Months Ended June 30,		
($000s, except per share amounts)	**2023**	2022	% Change	**2023**	2022	% Change
Revenue						
United States[(1)]	**375,455**	300,167	25 %	**744,430**	548,963	36 %
Canada[(1)]	**140,387**	133,483	5 %	**329,108**	285,968	15 %
Total Revenue	**515,842**	433,650	19 %	**1,073,538**	834,931	29 %
Net income	**33,901**	20,105	69 %	**66,903**	30,355	120 %
per share – basic	***0.13***	*0.08*	63 %	***0.26***	*0.12*	117 %
per share - diluted	***0.13***	*0.08*	63 %	***0.26***	*0.12*	117 %
Adjusted EBITDAC[(2)]	**73,893**	61,027	21 %	**150,996**	103,484	46 %
Adjusted EBITDAC[(2)] % of Revenue	***14.3 %***	*14.1 %*	0.2 %	***14.1 %***	*12.4 %*	1.7 %
Cash provided by (used in) operating activities	**89,327**	(12,829)	nmf	**162,565**	(25,264)	nmf
Funds Flow from Operations[(3)]	**62,995**	46,141	37 %	**125,620**	79,260	58 %
Capital expenditures						
Expansion Capital[(1)]	**12,639**	5,537	128 %	**23,269**	10,777	116 %
Maintenance Capital[(1)]	**6,761**	5,778	17 %	**11,060**	9,053	22 %
Total capital expenditures	**19,400**	11,315	71 %	**34,329**	19,830	73 %
Dividends declared	**6,312**	4,099	54 %	**11,415**	8,177	40 %
per share	***0.025***	*0.016*	56 %	***0.045***	*0.032*	41 %
Common Shares Outstanding						
End of period - basic	**252,463,642**	256,159,018		**252,463,642**	256,159,018	
End of period - fully diluted[(4)]	**258,516,081**	262,269,370		**258,516,081**	262,269,370	
Weighted average - basic	**253,756,497**	255,568,154		**254,316,550**	254,800,628	
Weighted average - diluted	**258,297,780**	262,206,332		**260,334,033**	261,466,404	

	As at				
Financial Position ($000s)	**June 30, 2023**	March 31, 2023	% Change	December 31, 2022	% Change
Total assets	**1,323,815**	1,393,628	(5)%	1,411,003	(6)%
Long-term financial liabilities[(5)]	**449,874**	492,413	(9)%	532,771	(16)%
Total Debt[(6)]	**478,027**	518,822	(8)%	557,531	(14)%
Working Capital Surplus[(6)]	**641,410**	679,075	(6)%	691,096	(7)%
Net Debt[(6)]	**(163,383)**	(160,253)	2 %	(133,565)	22 %
Shareholders' equity	**639,544**	632,084	1 %	609,049	5 %

[1]*Supplementary 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.*
[2]*Non-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.*
[3]*Non-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.*
[4]*Non-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 Shares Outstanding, End of period - fully diluted is Common Shares outstanding. Refer to the section entitled "Non-GAAP Measures and Other Financial Measures" contained within this MD&A.*
[5]*Includes current and long-term portion of the Senior Facility, the Senior Notes, lease obligations, deferred acquisition consideration, and long term portion of cash settled incentive obligations.*

[6]Non-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 and six months ended June 30, 2023 in comparison to the three and six months ended June 30, 2022 for CES are as follows:

- **Overview:** Revenue for the quarter was a second quarter record of $515.8 million, representing an increase of $82.1 million or 19% relative to CES' previous second quarter record of $433.7 million in Q2 2022. Sequentially, this represented a decrease of $41.9 million or 8% from Q1 2023 on seasonally lower activity levels in Canada. Adjusted EBITDAC for the quarter set a Q2 record at $73.9 million, compared to $61.0 million in Q2 2022 and $77.1 million in Q1 2023. CES continues to realize high levels of revenue underpinned by industry stabilization, and strong market share throughout the business. Industry conditions provided a supportive backdrop for the Company with balancing macro trends in supply demand, activity levels, rig counts, and production levels.

- **Revenue:** In the second quarter CES generated revenue of $515.8 million, representing a sequential decrease of $41.9 million or 8% compared to Q1 2023, on seasonally lower activity levels in Canada, and an increase of 19% compared to Q2 2022 as activity levels have seen a modest increase year over year. For the six months ended June 30, 2023, CES generated revenue of $1.1 billion, an increase of $238.6 million or 29% relative to the six months ended June 30, 2022. As producers' capital spending and production levels have stabilized, improvements in US drilling market share and production chemical volumes resulted in significant uptick in revenue compared to prior year.

    - **Revenue - US:** Revenue generated in the US during Q2 2023 was $375.5 million, representing a sequential increase of $6.5 million or 2% compared to Q1 2023 and an increase of 25% compared to Q2 2022. For the six months ended June 30, 2023, revenue generated in the US was up 36% to $744.4 million relative to the six months ended June 30, 2022. US revenues for both the three and six month periods were positively impacted by increased industry activity, higher production levels, and improved market share year over year. CES maintained its strong industry positioning, with a US Drilling Fluids Market Share of 20% for Q2 2023 and Q1 2023, and year over year improvement from 17% in Q2 2022.

    - **Revenue - Canada:** Revenue generated in Canada during Q2 2023 was $140.4 million, representing a sequential decrease of $48.3 million or 26% compared to Q1 2023 as is expected on a seasonal basis, and an increase of 5% from Q2 2022. Canadian revenues were negatively impacted by a 42% sequential decrease in rig counts relative to Q1 2023 for spring breakup, with production levels up marginally year over year in the three month period, despite customer shut-ins due to the Canadian wildfires. Canadian Drilling Fluids Market Share for Q2 2023 of 32% was in line with Q2 2022 of 33%, but down from 38% on a sequential quarterly basis. For the six months ended June 30, 2023 revenue generated in Canada of $329.1 million was up 15% to $329.1 million relative to the six months ended June 30, 2022, driven by higher industry activity and production levels year over year.

- **Adjusted EBITDAC:** CES achieved Adjusted EBITDAC of $73.9 million in Q2 2023, representing a sequential decrease of 4% compared to Q1 2023, and an increase of 21% compared to Q2 2022. Adjusted EBITDAC as a percentage of revenue of 14.3% achieved in Q2 2023 compared to 13.8% recorded in Q1 2023 and 14.1% recorded in Q2 2022. For the three month period, Adjusted EBITDAC improved year over year on higher revenue levels and a comparable period that was negatively impacted by rapid inflation of product and labour costs. For the six months ended June 30, 2023 Adjusted EBITDA was up 46% to $151.0 million. The Company has continued to be effective in pricing and procurement activities while maintaining prudent G&A levels, combined with increased scale.

- **Net Income:** Net income for the three and six months ended June 30, 2023 increased 69% to $33.9 million from $20.1 million, and 120% to $66.9 million from $30.4 million, respectively, compared to prior year periods, driven by significantly higher activity levels.

- **Cash Flow From Operations:** For Q2 2023, net cash provided by operating activities totaled $89.3 million, compared to net cash used by operating activities of $12.8 million during the three months ended June 30, 2022. For the six months ended June 30, 2023 net cash provided by operating activities of $162.6 million compared to net cash used by operating activities of $25.3 million for the six months ended June 30, 2022. The change was primarily driven by a lower required investment in working capital as activity levels remained stable during the three and six month periods of 2023, coupled with higher net income on associated activity levels relative to the comparative periods.

- **Funds Flow from Operations:** CES generated $63.0 million in Funds Flow from Operations in Q2 2023, in line with the $62.6 million generated in Q1 2023 and up 37% from $46.1 million generated in Q2 2022. For the six months ended June 30, 2023 CES generated $125.6 million of Funds Flow from Operations compared to $79.3 million in 2022. Funds Flow from Operations excludes the impact of working capital, and is reflective of the continued strong surplus free cash flow generation in stable market conditions seen in the first half of 2023.

- **Free Cash Flow:** CES generated $66.7 million in Free Cash Flow in Q2 2023, up 23% from $54.1 million generated in Q1 2023, and compared to a use of $27.0 in Q2 2022. For the six months ended June 30, 2023 CES generated $120.8 million of Free Cash Flow compared to a use of $50.2 million in 2022. Free Cash Flow includes the impact of net capital expenditures and lease repayments, and is reflective of the Company's surplus free cash flow generation in excess of required capital expenditures.

- **Working Capital Surplus:** As at June 30, 2023, CES had a Working Capital Surplus of $641.4 million, which decreased from $679.1 million at March 31, 2023 (December 31, 2022 - $691.1 million) as revenue and activity levels have stabilized and working capital investments have moderated. The reduction during the quarter was driven by a 13% reduction in accounts receivable, supported by strong cash collections, and a 6% reduction in inventory. The Company continues to focus on working capital optimization benefiting 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 syndicated senior facility (the "Senior Facility") of $120.2 million compared to $166.7 million at March 31, 2023 and $208.5 million at December 31, 2022. Total Debt of $478.0 million at June 30, 2023 compared to $518.8 million at March 31, 2023 and $557.5 million at December 31, 2022, of which $288.0 million relates to Senior Notes which mature on October 21, 2024. The decreases realized during the period were primarily driven by strong cash flow generation enhanced by a reduction in required working capital investments as described above, partly offset by $11.8 million in share repurchases and $10.2 million in dividend payments paid out in the first half of 2023. Working Capital Surplus exceeded Total Debt at June 30, 2023 by $163.4 million (December 31, 2022 - $133.6 million). As of the date of this MD&A, the Company had a net draw on its Senior Facility of approximately $98.0 million.

- **Financing:** On April 25, 2023, CES 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 increased Senior Facility is approximately C$700.0 million consisting of an aggregated revolving facility of approximately C$450.0 million, and a Canadian Term Loan Facility of $250.0 million. 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.

OUTLOOK

The recovery in global energy demand combined with several years of lower investment in the upstream oil and gas sector have resulted in a balanced market for oil and natural gas, higher commodity prices, and a supportive outlook for the sector in CES' North American target market. We expect current activity levels to continue through 2023, moderated by potential challenges with availability of labour and supply chain constraints. Further, broad economic concerns exist with respect to recession risk, interest rates, and geopolitical instability, which may impact customer spending plans.

CES is optimistic in its outlook for 2023 as it expects to benefit from elevated upstream activity, increased service intensity levels, and continued strength in commodity pricing across North America by capitalizing on its established infrastructure, industry leading positioning, vertically integrated business model, and strategic procurement practices.

Commensurate with current record revenue levels, CES expects 2023 capital expenditures to be approximately $60.0 million split evenly between maintenance and expansion capital to support higher activity levels and business development opportunities. CES plans to continue its disciplined and prudent approach to capital expenditures 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 April 2023, CES successfully amended and extended its Senior Facility to April 2026. The Senior Facility effectively addresses CES’ near-term and foreseeable longer-term requirements. The Canadian Term Loan Facility provides CES with the ability to repay and redeem the Senior Notes in full on its own schedule over the coming months. Thereafter, CES has the opportunity to refinance and right-size the term portion of its capital structure on suitable terms at any time up until April of 2026. CES routinely considers its capital structure, including further increasing the capacity of its Senior Facility, refinancing of the Company's Senior Notes, and other potential financing options.

CES' underlying business model is capex light and asset light, enabling the 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:

	Revenue					
	Three Months Ended June 30,			Six Months Ended June 30,		
$000s	**2023**	2022	% Change	**2023**	2022	% Change
United States[1]	**375,455**	300,167	25 %	**744,430**	548,963	36 %
Canada[1]	**140,387**	133,483	5 %	**329,108**	285,968	15 %
	515,842	433,650	19 %	**1,073,538**	834,931	29 %

[1]Supplementary 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 June 30,			Six Months Ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
US	**29,707**	28,235	5 %	**29,234**	27,916	5 %
Canada	**6,628**	6,443	3 %	**7,295**	6,865	6 %
Total Treatment Points[1]	**36,335**	34,678	5 %	**36,529**	34,781	5 %
US	**13,018**	11,080	17 %	**26,596**	20,960	27 %
Canada	**3,887**	3,925	(1)%	**11,812**	10,424	13 %
Total Operating Days[1]	**16,905**	15,005	13 %	**38,408**	31,384	22 %
US	**143**	122	17 %	**147**	116	27 %
Canada	**43**	43	— %	**66**	58	14 %
Total Average Rig Count[1]	**186**	165	13 %	**213**	174	22 %
US industry rig count[2]	**703**	701	— %	**724**	658	10 %
Canadian industry rig count[3]	**134**	132	2 %	**183**	171	7 %
US DF Market Share[1]	**20%**	17 %	3 %	**20 %**	18 %	2 %
Canadian DF Market Share[1]	**32%**	33 %	(1)%	**36 %**	34 %	2 %

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

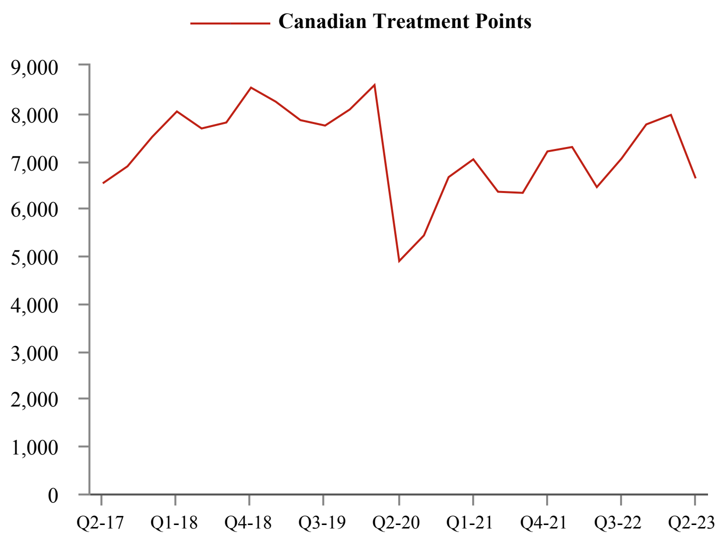
Industry activity levels during Q2 2023 demonstrated another consecutive quarter with a constructive macro environment driven by balanced energy supply-demand conditions. CES has been able to capitalize on this environment with revenues for the three and six months ended June 30, 2023 representing 19% and 29% increases respectively, relative to the comparative periods.

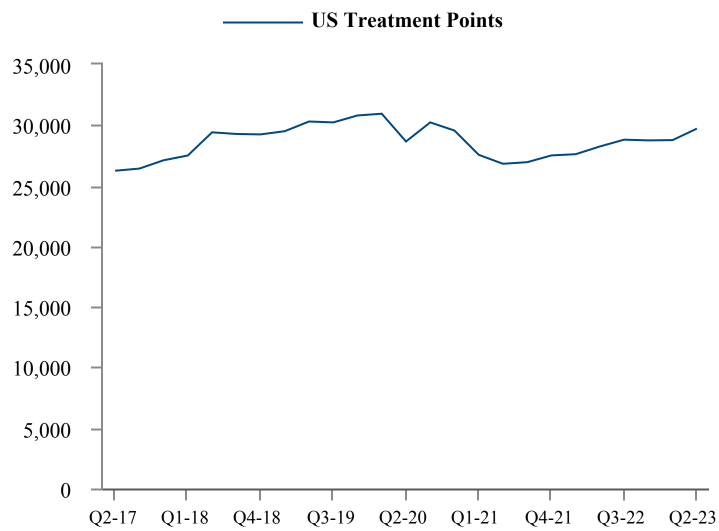
The US industry rig count increased nominally from 701 rigs in Q2 2022 to 703 rigs in Q2 2023 as activity has leveled off year over year. CES was able to participate in this stable drilling environment with US DF Market Share of 20% in the second quarter, up from 17% in 2022. Correspondingly, CES' US average rig count increased 17% to 143 rigs in Q2 2023 compared to 122 rigs in Q2 2022. The US production chemicals business saw an increase in production and frac related chemical sales in Q2 2023 from Q2 2022 as actual volumes and revenues realized per treatment point continued to increase, leading to higher contributions following a 5% increase in treatment points as compared to Q2 2022.

The Canadian industry rig count increased by 2% from 132 rigs in Q2 2022 to 134 rigs in Q2 2023 as supply and demand fundamentals continue to be supportive of the sector. CES' Canadian average rig count remained flat at 43 rigs in Q2 2023 and Q2 2022. Canadian Drilling Fluids Market Share for Q2 2023 was 32%, which was in line with prior year of 33%. Canadian Treatment Points increased by 3% year over year with increased production volumes and frac related chemical sales despite production shut-ins due to the Canadian wildfires.

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 favorable characteristics are associated with increased measured depths and higher production volume attributes of many modern wells. As evidenced by the graphs below, Treatment Points have continued to generally trend upward since Q4 2016. 2020 and 2021 were 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 Q1 of 2021, with the subsequent period demonstrating growth and stabilization.

Quarterly Treatment Points





Included in revenue generated in Canada for the three and six months ended June 30, 2023 is $1.7 million and $4.3 million (three and six months ended June 30, 2022 - $1.6 million and $4.9 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. 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 June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Top five customers as a % of total revenue[(1)]	**28 %**	28 %	**27 %**	28 %
Top customer as a % of total revenue[(1)]	**10 %**	9 %	**10 %**	9 %

[1]*Supplementary 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.*

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 changes in the type of products sold, 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.

	Three Months Ended June 30,			Six Months Ended June 30,		
$000s	**2023**	2022	Change	**2023**	2022	Change
Gross Margin	**115,450**	94,885	20,565	**231,763**	169,575	62,188
Gross Margin % of revenue(1)	**22 %**	22 %	— %	**22 %**	20 %	2 %
Add back (deduct):						
Depreciation included in cost of sales	**14,242**	12,273	1,969	**28,111**	24,325	3,786
Adjusted Gross Margin(2)	**129,692**	107,158	22,534	**259,874**	193,900	65,974
Adjusted Gross Margin(2) % of revenue	**25 %**	25 %	— %	**24 %**	23 %	1 %

[1] Supplementary 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.
[2] Non-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 and six months ended June 30, 2023, the increase in Adjusted Gross Margin was driven by higher revenue associated with expanding industry activity and increasing intensity. As a percentage of revenue, Adjusted Gross Margin is flat for Q2 2023 relative to Q2 2022 as targeted pricing increases have been able to offset cost escalations. While CES has been strategic in its procurement process, certain raw material inputs continue to see fluctuating costs which are lagged by pricing adjustments, most notably seen in the first quarter of 2022 impacting the six months ended June 30, 2022 figures.

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.

	Three Months Ended June 30,			Six Months Ended June 30,		
$000s	**2023**	2022	Change	**2023**	2022	Change
General and administrative expenses	**64,029**	55,093	8,936	**125,288**	109,846	15,442
G&A expenses % of revenue(1)	**12 %**	13 %	(1)%	**12 %**	13 %	(1)%
Deduct:						
Stock-based compensation	**4,589**	3,261	1,328	**7,728**	7,904	(176)
Depreciation & amortization	**3,641**	5,701	(2,060)	**8,682**	11,526	(2,844)
Adjusted General and Administrative Costs(2)	**55,799**	46,131	9,668	**108,878**	90,416	18,462
Adjusted G&A costs(2) % of revenue	**11 %**	11 %	— %	**10 %**	11 %	(1)%

[1] Supplementary 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.
[2] Non-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.

The increases in Adjusted General and Administrative Costs for the three and six months ended June 30, 2023 are primarily reflective of increased activity levels and associated headcount. As a percentage of revenue, Adjusted G&A remained flat at 11% for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. For the six months ended June 30, 2023, Adjust G&A as a percent of revenue decreased to 10%, as the increase in revenue levels year over year outpaced the increase in the fixed cost base.

Stock-Based Compensation
Stock-based compensation expense increased by 41% and decreased by 2%, respectively, for the three and six months ended June 30, 2023 in comparison to the same periods in 2022, as a result of the timing of equity-based and cash-based grants under the Company's stock-based compensation plans.

Finance Costs
For the three and six months ended June 30, 2023 and 2022, finance costs were comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2023**	2022	**2023**	2022
Interest on debt, net of interest income	**9,294**	6,321	**18,008**	12,147
Amortization of debt issue costs	**872**	317	**1,664**	633
Foreign exchange (gain) loss	**(3,231)**	4,240	**(3,074)**	2,960
Financial derivative (gain) loss	**(805)**	354	**(351)**	(512)
Other finance costs (income)	**323**	—	**688**	(1)
Finance costs	**6,453**	11,232	**16,935**	15,227

Interest expense
Finance costs for the three and six months ended June 30, 2023 include interest on debt, net of interest income, of $9.3 million and $18.0 million, respectively, compared to $6.3 million and $12.1 million, respectively, for the three and six months ended June 30, 2022. Average draws and reference interest rates on CES' Senior Facility have both been higher throughout 2023 relative to the comparative period in 2022, with correspondingly higher interest expense as a result. Included in these amounts is interest on the Company's Senior Notes in the amount of $4.6 million and $9.1 million for both the three and six months ended June 30, 2023 and 2022, respectively.

Foreign exchange gains and losses
Finance costs for the three and six months ended June 30, 2023 include foreign exchange gains of $3.2 million and $3.1 million, respectively, compared to losses of $4.2 million and $3.0 million, respectively for the three and six months ended June 30, 2022, which were primarily related to the Company's USD denominated draws held in Canada.

Financial derivative gains and losses
Finance costs for the three and six months ended June 30, 2023 include net derivative gains of $0.8 million and $0.4 million, respectively (2022 - net loss of $0.4 million and gain of $0.5 million, respectively) relating to the Company's foreign currency and equity derivative contracts. As of June 30, 2023, the Company had a $1.7 million financial derivative asset, relating to outstanding derivative contracts (December 31, 2022 - financial derivative asset of $2.2 million). CES has a Board approved hedging and derivative policy that sets out the guidelines and parameters Management follows when approaching its risk management strategies.

At June 30, 2023, the Company had 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 $000s	Contract Type	Settlement	Average USDCAD Exchange Rate
July 2023	US$5,000	Deliverable Forward	Physical Purchase	$1.3331
August 2023	US$5,000	Deliverable Forward	Physical Purchase	$1.3328
September 2023	US$4,000	Deliverable Forward	Physical Purchase	$1.3321
October 2023	US$3,000	Deliverable Forward	Physical Purchase	$1.3315
November 2023	US$3,000	Deliverable Forward	Physical Purchase	$1.3323
December 2023	US$3,000	Deliverable Forward	Physical Purchase	$1.3315
Total	US$23,000			$1.3323

At June 30, 2023, the Company had $20.0 million outstanding in USD forward purchase contracts at an exchange rate of $1.3370, maturing in July 2023, as a result of USDCAD swaps entered into in June 2023, which allowed the Company to utilize excess CAD cash flow to pay down previously outstanding USD draws on the Senior Facility.

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. The following table details the outstanding equity derivative contracts as of June 30, 2023:

Period	Price	Contract	Notional Principal	Number of Shares
July 2023	$2.1800	Swap	$2,850	1,307,388
July 2024	$2.2344	Swap	$3,734	1,671,294
July 2025	$2.2862	Swap	$2,271	993,209
July 2026	$2.4300	Swap	$884	363,906
Total	$2.2463		$9,739	4,335,797

Current and Deferred Income Taxes

Income tax expense is related to taxable income in Canada, the US, and other international jurisdictions.

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2023**	2022	**2023**	2022
Current income tax expense	**3,597**	1,641	**6,874**	2,900
Deferred income tax expense	**7,429**	6,334	**15,645**	10,842
Total income tax expense	**11,026**	7,975	**22,519**	13,742

Current income tax expense increased for the three and six months ended June 30, 2023 relative to the comparative periods due to increased activity levels across the business. Deferred income tax expense increased for the three and six months ended June 30, 2023 relative to the comparative periods due to the utilization of losses in Canada and the US, in addition to the reversal of other temporary differences based on increased activity levels.

Working Capital Surplus and Net Debt

CES had a Working Capital Surplus of $641.4 million as at June 30, 2023, a decrease from $679.1 million as at March 31, 2023, and $691.1 million as at December 31, 2022, as revenue and activity levels have stabilized and working capital investments have moderated. The reduction during the quarter was driven by a 13% reduction in accounts receivable and a 6% reduction in inventory, partially offset by a 15% decrease in accounts payable. As at June 30, 2023 CES' Working Capital Surplus of $641.4 million offset Total Debt of $478.0 million by $163.4 million (December 31, 2022 - $133.6 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 $404.5 million as at June 30, 2023, compared to $491.5 million at December 31, 2022. The decrease of $87.0 million was driven by strong surplus free cash flow generation combined with reduced investments in working capital as activity levels stabilized. 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.

QUARTERLY FINANCIAL SUMMARY

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

	Three Months Ended							
	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021
Revenue								
United States[1]	**375,455**	368,975	378,478	349,503	300,167	248,796	233,842	196,966
Canada[1]	**140,387**	188,721	184,193	175,214	133,483	152,485	133,952	117,429
Revenue	**515,842**	557,696	562,671	524,717	433,650	401,281	367,794	314,395
Net income	**33,901**	33,002	40,408	24,455	20,105	10,250	24,723	13,372
per share– basic	***0.13***	*0.13*	*0.16*	*0.10*	*0.08*	*0.04*	*0.10*	*0.05*
per share– diluted	***0.13***	*0.13*	*0.15*	*0.09*	*0.08*	*0.04*	*0.09*	*0.05*
Adjusted EBITDAC [2]	**73,893**	77,103	80,249	73,289	61,027	42,457	47,758	42,035
per share– basic[2]	***0.29***	*0.30*	*0.31*	*0.29*	*0.24*	*0.17*	*0.19*	*0.16*
per share– diluted[2]	***0.29***	*0.30*	*0.31*	*0.28*	*0.23*	*0.16*	*0.18*	*0.16*
Dividends declared	**6,312**	5,103	5,090	4,092	4,099	4,078	4,061	4,078
per share	***0.025***	*0.020*	*0.020*	*0.016*	*0.016*	*0.016*	*0.016*	*0.016*
Shares Outstanding								
End of period - basic	**252,463,642**	255,129,525	254,515,682	255,728,104	256,159,018	254,863,235	253,830,896	254,871,878
End of period - fully diluted[3]	**258,516,081**	261,101,788	260,438,045	261,818,856	262,269,370	262,100,659	260,434,918	262,909,706
Weighted average – basic	**253,756,497**	254,882,825	255,031,387	256,246,967	255,568,154	254,024,573	255,742,883	255,194,323
Weighted average – diluted	**258,297,780**	260,850,689	261,003,345	262,332,402	262,206,332	260,718,253	262,693,594	263,284,730

[1]*Supplementary 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.*
[2]*Non-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.*
[3]*Non-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 Shares Outstanding, End of period - fully diluted is Common shares outstanding. 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:

	As at	
$000s	**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: net 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 $700.0 million consisting of an aggregated revolving facility of approximately C$ equivalent $450.0 million and a Canadian Term Loan Facility of $250.0 million. 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 $300.0 million, a US facility of US$110.0 million and a Canadian Term Loan Facility of $250.0 million. As at June 30, 2023, the Company had a net draw of $120.2 million on the Senior Facility (December 31, 2022 - net draw of $208.5 million), with capitalized transaction costs of $2.2 million (December 31, 2022 - $0.8 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.

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.

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 Company’s debt covenant calculations, as at June 30, 2023 and December 31, 2022, are as follows:

	As at	
$000s	**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

At June 30, 2023, 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 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 $10.5 million and $20.7 million, respectively (2022 - $6.7 million and $12.8 million, respectively) in interest expense related to its long-term debt and lease balances, including the amortization of debt issue costs.

Other Indebtedness
The following table details the remaining contractual maturities of the Company's financial liabilities as of June 30, 2023:

	Payments Due By Period[1]					
$000s	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	**Total**
Accounts payable and accrued liabilities	195,224	77	—	—	—	**195,301**
Dividends payable [2]	6,312	—	—	—	—	**6,312**
Income taxes payable	—	2,889	—	—	—	**2,889**
Deferred acquisition consideration	—	1,425	1,322	—	—	**2,747**
Senior Facility	—	—	—	122,374	—	**122,374**
Senior Notes [3]	—	—	287,954	—	—	**287,954**
Interest on Senior Notes	—	18,357	9,179	—	—	**27,536**
Lease obligations [4]	4,564	22,164	16,848	19,888	4,245	**67,709**
Commitments [5]	8,104	21,026	—	—	—	**29,130**
Other long-term liabilities	—	—	2,430	643	—	**3,073**
	214,204	65,938	317,733	142,905	4,245	**745,025**

[1]Payments denominated in foreign currencies have been translated using the June 30, 2023 exchange rate.
[2] Dividends declared as of June 30, 2023.
[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 inventory 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. To support growth in the business and related working capital needs CES routinely considers its capital structure, including further increasing the capacity of its Senior Facility, refinancing of the Company's Senior Notes, and other potential financing options. CES assesses its requirements for capital on an ongoing basis and there can be no guarantee that CES will not have to obtain additional capital to finance the expansion plans of the business or to finance future working capital requirements. In the event that additional capital is required, based on the market conditions at the time, it may be difficult to issue additional equity or increase credit capacity and the cost of any new capital may exceed historical norms and/or impose more stringent covenants and/or restrictions on CES. CES continues to focus on evaluating credit capacity, credit counterparties, and liquidity to ensure its ability to be able to meet its ongoing commitments and obligations.

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

Summary of Statements of Cash Flows
The following table summarizes the Company's Statements of Cash Flows for the three and six months ended June 30, 2023 and 2022:

	Three Months Ended June 30,			Six Months Ended June 30,		
$000's	**2023**	2022	Change	**2023**	2022	Change
Net cash provided by (used in)						
Operating Activities	**89,327**	(12,829)	102,156	**162,565**	(25,264)	187,829
Investing Activities	**(23,850)**	(9,652)	(14,198)	**(38,578)**	(27,266)	(11,312)
Financing Activities	**(65,477)**	22,481	(87,958)	**(123,987)**	52,530	(176,517)

Cash Flows from Operating Activities
For the three months ended June 30, 2023, net cash provided by operating activities totaled $89.3 million, compared to net cash used by operating activities of $12.8 million during the three months ended June 30, 2022. The change was primarily driven by a lower required investment in working capital as activity levels moderated during the quarter, coupled with higher net income on increased activity levels relative to the comparative period.

Cash Flows from Investing Activities
For the three months ended June 30, 2023, net cash flows used in investing activities totaled $23.9 million, compared to $9.7 million during three months ended June 30, 2022. The increase was driven by higher capital expenditures in the current period as a result of improved industry conditions and activity levels relative to the comparative period.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
$000's	**2023**	2022	**2023**	2022
Expansion Capital [(1)]	**12,639**	5,537	**23,269**	10,777
Maintenance Capital [(1)]	**6,761**	5,778	**11,060**	9,053
Total investment in property and equipment	**19,400**	11,315	**34,329**	19,830
Change in non-cash investing working capital	**(526)**	824	**(1,178)**	2,365
Cash used for investment in property and equipment	**18,874**	12,139	**33,151**	22,195

[1]*Supplementary 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 Q2 2023 included $2.6 million in respect of a new barite grinding facility in the Superior Weighting division, in addition to spending incurred for field, processing and warehouse equipment, vehicles and tanks to support growth throughout the business in the quarter, particularly in the US. Maintenance Capital additions during Q2 2023 included $3.1 million for vehicles, trucks and trailers, and $2.2 million for equipment and tanks.

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 2023 capital expenditures, excluding amounts financed under lease arrangements, to be approximately $60.0 million split evenly between maintenance and expansion capital to support higher activity levels and business development opportunities.

Cash Flows from Financing Activities
For the three months ended June 30, 2023, cash flows used by financing activities totaled $65.5 million compared to cash flows provided by financing activities of $22.5 million in three months ended June 30, 2022. This quarter over quarter change is primarily due to a decrease in the draw on the Company's Senior Facility in Q2 2023 as required investments in working capital were lower than in the comparative period, coupled with higher NCIB and dividend related outflows.

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

$000s except per share amounts	**Dividend Record Date**	**Dividend Payment Date**	**Per Common Share**	**Total**
March	Mar 31	Apr 14	$0.020	**5,103**
June	Jun 30	Jul 14	$0.025	**6,312**
Total dividends declared			$0.045	**11,415**

During the three and six months ended June 30, 2023, the Company's Dividend Payout Ratio averaged 13% and 11%, respectively, compared to 12% and 14%, respectively in the comparative period in 2022. For the six months ended, the Dividend Payout Ratio is lower as a result of a higher Distributable Earnings value. 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.

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

On July 18, 2023, CES announced the renewal of its previous NCIB, which expired on July 20, 2023. Under the Company's renewed NCIB, which became effective on July 21, 2023, the Company may 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. A summary of the Company's NCIB program is as follows:

$000s except for share and per share amounts	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Number of shares	2,909,100	4,500,100	2,131,500
Cash outlay	7,593	11,807	5,242
Average price per share	$2.61	$2.62	$2.46

Under the Company's recently expired NCIB program dated July 21, 2022, the Company repurchased 6,488,600 common shares up to June 30, 2023, at an average price of 2.58 per share for a total amount of $16.8 million. Since inception of the Company's NCIB programs on July 17, 2018, and up to June 30, 2023, the Company has repurchased 36,758,457 common shares at an average price of $2.10 per share for a total amount of $77.1 million. Subsequent to June 30, 2023, the Company repurchased 4,551,800 additional shares at a weighted average price of $2.68 for a total amount of $12.2 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:

	August 10, 2023	June 30, 2023	December 31, 2022
Common shares outstanding	248,300,825	252,463,642	254,515,682
Restricted Share Unit Plan ("RSU")	5,776,213	6,052,439	5,922,363
Phantom Share Unit Plan ("PSU")	6,561,481	4,366,390	5,860,999
Share Rights Incentive Plan ("SRIP")	—	—	15,000

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:

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 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2023**	2022	**2023**	2022
Net income	**33,901**	20,105	**66,903**	30,355
Add back (deduct):				
Depreciation on property and equipment in cost of sales	**14,242**	12,273	**28,111**	24,325
Depreciation on property and equipment in G&A	**2,029**	1,869	**4,086**	3,541
Amortization on intangible assets in G&A	**1,612**	3,832	**4,596**	7,985
Current income tax expense	**3,597**	1,641	**6,874**	2,900
Deferred income tax expense	**7,429**	6,334	**15,645**	10,842
Stock-based compensation	**4,589**	3,261	**7,728**	7,904
Finance costs	**6,453**	11,232	**16,935**	15,227
Other loss	**41**	480	**118**	405
EBITDAC	**73,893**	61,027	**150,996**	103,484
Adjusted EBITDAC	**73,893**	61,027	**150,996**	103,484
Adjusted EBITDAC % of Revenue	***14.3%***	*14.1%*	***14.1 %***	*12.4 %*
Adjusted EBITDAC per share - basic	***0.29***	*0.24*	***0.59***	*0.41*
Adjusted EBITDAC per share - diluted	***0.29***	*0.23*	***0.58***	*0.40*

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
$000's	**2023**	2022	**2023**	2022
Cash provided by (used in) operating activities	**89,327**	(12,829)	**162,565**	(25,264)
Adjust for:				
Change in non-cash operating working capital	**(26,332)**	58,970	**(36,945)**	104,524
Less: Maintenance Capital [(1)]	**(6,761)**	(5,778)	**(11,060)**	(9,053)
Less: Repayment of lease obligations	**(6,161)**	(5,478)	**(11,621)**	(10,288)
Distributable Earnings	**50,073**	34,885	**102,939**	59,919
Dividends declared	**6,312**	4,099	**11,415**	8,177
Dividend Payout Ratio	**13%**	12%	**11 %**	14 %

[1]Supplementary 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2023**	2022	**2023**	2022
Gross Margin	**115,450**	94,885	**231,763**	169,575
Gross Margin % of revenue	**22%**	22%	**22 %**	20 %
Add back (deduct):				
Depreciation included in cost of sales	**14,242**	12,273	**28,111**	24,325
Adjusted Gross Margin	**129,692**	107,158	**259,874**	193,900
Adjusted Gross Margin % of revenue	**25%**	25%	**24 %**	23 %

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

	Three Months Ended June 30,		Six Months Ended June 30,	
$000's	**2023**	2022	**2023**	2022
General and administrative expenses	**64,029**	55,093	**125,288**	109,846
G&A expenses % of revenue	**12%**	13%	**12 %**	13 %
Deduct:				
Stock-based compensation	**4,589**	3,261	**7,728**	7,904
Depreciation & amortization	**3,641**	5,701	**8,682**	11,526
Adjusted General and Administrative Costs	**55,799**	46,131	**108,878**	90,416
Adjusted G&A costs % of revenue	**11%**	11%	**10 %**	11 %

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. Readers are cautioned that 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2023**	2022	**2023**	2022
Cash provided by (used in) operating activities	**89,327**	(12,829)	**162,565**	(25,264)
Adjust for:				
Change in non-cash operating working capital	**(26,332)**	58,970	**(36,945)**	104,524
Funds Flow from Operations	**62,995**	46,141	**125,620**	79,260

Free Cash Flow - 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. Free Cash Flow is defined as cash flow from operations after capital expenditures and repayment of lease obligations, net of proceeds on disposal of assets, and represents the Company's core operating results in excess of required capital expenditures. Readers are cautioned that 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. Free Cash Flow is used by Management to assess operating performance and leverage, and is calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2023**	2022	**2023**	2022
Cash provided by (used in) operating activities	**89,327**	(12,829)	**162,565**	(25,264)
Adjust for:				
Expansion Capital(1)	**(12,639)**	(5,537)	**(23,269)**	(10,777)
Maintenance Capital(1)	**(6,761)**	(5,778)	**(11,060)**	(9,053)
Repayment of lease obligation	**(6,161)**	(5,478)	**(11,621)**	(10,288)
Proceeds on disposal of assets	**2,908**	2,584	**4,160**	5,212
Free Cash Flow	**66,674**	(27,038)	**120,775**	(50,170)

1 Supplementary Financial Measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results.

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:

	As at	
$000's	**June 30, 2023**	December 31, 2022
Long-term financial liabilities(1)	**449,874**	532,771
Current portion of finance lease obligations	**26,728**	23,231
Current portion of deferred acquisition consideration	**1,425**	1,529
Total Debt	**478,027**	557,531
Deduct Working Capital Surplus:		
Current assets	**845,912**	933,680
Current liabilities(2)	**(204,502)**	(242,584)
Working Capital Surplus	**641,410**	691,096
Net Debt	**(163,383)**	(133,565)

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

Shares outstanding, End of period - fully diluted - Shares outstanding, End of period - fully diluted is a non-GAAP measure that has been reconciled to Common Shares outstanding for the financial periods, being the most directly comparable measure calculated in accordance with IFRS. This measure is not intended to be considered more meaningful than Common shares outstanding. Management believes that this metric is a key measure to assess the total potential shares outstanding for the financial periods and is calculated as follows:

	As at	
	June 30, 2023	December 31, 2022
Common shares outstanding	**252,463,642**	254,515,682
Restricted share units outstanding, end of period	**6,052,439**	5,922,363
Shares outstanding, end of period - fully diluted	**258,516,081**	260,438,045

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 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, 2022, and its audited annual consolidated financial statements and notes thereto for the year ended December 31, 2022.

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, 2022. There have been no new standards or interpretations issued during the three and six months ended June 30, 2023 that significantly impact the Company.

CORPORATE GOVERNANCE

Disclosure Controls and Procedures ("DC&P")

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

Internal Controls over Financial Reporting ("ICFR")

Management of CES is responsible for establishing and maintaining ICFR for CES to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no changes to CES' internal controls over financial reporting during the three and six months ended June 30, 2023 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' 2022 Annual Report, CES' Annual Information Form dated March 11, 2023 in respect of the year ended December 31, 2022, and CES' Information Circular in respect of the June 20, 2023 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.

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 period preceding 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. In addition, labor and supply chain constraints have moderated the industry's ability to significantly increase exploration and development activities. 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 traditionally been challenged by additional crude oil pricing differentials versus world benchmarks such as Brent and WTI, and 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 other potential changes to crude and natural gas transportation systems. 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 are also intensifying, including the conflict in Ukraine and increased tensions between China and the United States, which continues to create uncertainty relating to global markets and supply chains. Should the conflict in Ukraine escalate or expand beyond Ukraine's borders into a broader global conflict, or if tensions between China and the United States develop into a more significant trade and economic dispute, 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 June 30, 2023, 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, 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 continues to monitor these risks on an ongoing basis. If a low oil and natural gas price environment returns, 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. CES' significant US presence provides for upside potential and reduces certain risks through diversification of operations. It also exposes the Company to additional specific risks including: 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, many of whom are located in North America but also increasingly from overseas including Asia and the Middle East. The availability and supply of materials has been consistent in the past; however since 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. Although the Company generally does not source materials from Eastern Europe, the recent conflict in Ukraine could also further impact global supply chains and trade routes in ways which are not anticipated, particularly if that conflict expands beyond Ukraine's borders. Additionally, increased political tensions relating to China and Taiwan, as well as China's relationship with the rest of the western world, could cause significant supply chain disruptions, particularly as the Company sources more materials from Asia. 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 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 9, 2023 for the year ended December 31, 2022, 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 CES' revenue and free cash flow generation and the potential use of such free cash flow including to increase its dividend or repurchase the common shares of the Company; expectations regarding end market activity levels; expectations regarding CES' customer's capital expenditures and exploration and development activities; 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; 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 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 2023, 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; industry activity levels 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 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 2023; expectations regarding the demand for oil and natural gas; production decisions from OPEC+ members and the corresponding impact on oil and natural gas prices; expectations relating to general economic conditions, interest rates and geopolitical risk; expectations regarding the diversification of operations away from the drill-bit; expectations regarding demand for CES' services and technology; investments in research and development and technology advancements; access to debt and capital markets and cost of capital; CES' ability to continue to comply with covenants in debt facilities; expectations regarding the impact and timing of the refinancing of CES' Senior Notes; expectations regarding the timing and amount of common shares repurchased pursuant to the Company's NCIB; 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; 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, including the impact of changing interest rates on the broader economy; 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, 2022 and "Risks and Uncertainties" in this MD&A.

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

MARKET AND INDUSTRY DATA

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

ADDITIONAL INFORMATION

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

STOCK EXCHANGE LISTINGS
The Toronto Stock Exchange
Trading Symbol: CEU

OTC
Trading Symbol: CESDF

BOARD OF DIRECTORS
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Chairman

John M. Hooks[2,3]

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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

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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

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