

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 consolidated financial statements and notes thereto of CES Energy Solutions Corp. ("CES" or the "Company") for years ended December 31, 2025, and 2024, and CES' 2025 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 March 10, 2026, 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 IFRS[®] Accounting Standards as issued by the International Accounting Standards Board ("IASB"), and therefore may not be comparable to similar measures presented by other entities. Securities regulations require that non-GAAP financial measures are clearly defined, qualified and reconciled with their most closely comparable GAAP measure. Please refer to the section titled "Non-GAAP Measures and Other Financial Measures" for further information on the definition, calculation and reconciliation of the non-GAAP measures and other financial measures contained in this MD&A.

BUSINESS OF CES

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

CES operates in all major basins throughout the United States ("US"), including the Permian, Eagleford, Bakken, Marcellus and Scoop/Stack, as well as in the Western Canadian Sedimentary Basin ("WCSB") with an emphasis on servicing the ongoing major resource plays in the Montney, Duvernay, Deep Basin and SAGD. In the US, CES operates under the trade names AES Drilling Fluids ("AES"), AES Completion Services, Jacam Catalyst LLC ("Jacam Catalyst"), and Superior Weighting Products ("Superior Weighting"). In Canada, CES operates under the trade names Canadian Energy Services, CES Completion Services, PureChem Services ("PureChem"), StimWrx Energy ("StimWrx"), Sialco Materials ("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 13 separate lab facilities across North America: two in Houston, Texas; one in each of Midland, Texas; Gardendale, Texas; Sterling, Kansas; Casper, Wyoming; Roosevelt, Utah; Dickinson, North Dakota; Johnstown, Colorado; 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.

CES Energy Solutions Corp.

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Three and Twelve Months Ended December 31, 2025

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

FINANCIAL HIGHLIGHTS

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Revenue						
United States ⁽¹⁾	434,879	390,203	11 %	1,652,286	1,571,433	5 %
Canada ⁽¹⁾	229,630	215,181	7 %	841,866	782,244	8 %
Total Revenue	664,509	605,384	10 %	2,494,152	2,353,677	6 %
Net income	68,298	41,855	63 %	204,723	191,106	7 %
<i>per share - basic</i>	0.32	0.18	78 %	0.93	0.82	13 %
<i>per share - diluted</i>	0.32	0.18	78 %	0.92	0.81	14 %
Adjusted EBITDAC ⁽²⁾	113,170	103,174	10 %	404,641	403,190	— %
Adjusted EBITDAC ⁽²⁾ % of Revenue	17.0 %	17.0 %	— %	16.2 %	17.1 %	(0.9)%
Funds Flow from Operations ⁽²⁾	84,181	68,774	22 %	324,404	293,009	11 %
Change in non-cash working capital	23,464	(6,543)	(459)%	(39,031)	11,655	(435)%
Cash provided by (used in) operating activities	107,645	62,231	73 %	285,373	304,664	(6)%
Free Cash Flow ⁽²⁾	78,388	34,648	126 %	166,460	186,932	(11)%
Capital expenditures						
Expansion Capital ⁽¹⁾	12,660	15,155	(16)%	52,767	68,078	(22)%
Maintenance Capital ⁽¹⁾	7,300	5,818	25 %	33,047	22,918	44 %
Total capital expenditures	19,960	20,973	(5)%	85,814	90,996	(6)%
Dividends declared	8,965	6,760	33 %	37,016	27,738	33 %
<i>per share</i>	0.0425	0.0300	42 %	0.1700	0.1200	42 %
Common Shares Outstanding						
End of period - basic	210,949,911	225,329,085		210,949,911	225,329,085	
End of period - fully diluted ⁽²⁾	213,473,163	228,948,223		213,473,163	228,948,223	
Weighted average - basic	212,911,936	226,704,896		219,418,789	232,341,309	
Weighted average - diluted	215,433,353	230,379,790		222,184,814	236,577,679	

<i>Financial Position</i>	As at				
	December 31, 2025	September 30, 2025	% Change	December 31, 2024	% Change
Total assets	1,617,858	1,623,489	— %	1,539,331	5 %
Long-term debt	382,299	400,561	(5)%	344,888	11 %
Long-term financial liabilities ⁽³⁾	453,753	467,526	(3)%	412,608	10 %
Total Debt ⁽²⁾	496,636	510,280	(3)%	452,588	10 %
Working Capital Surplus ⁽²⁾	693,407	713,928	(3)%	681,085	2 %
Net Debt ⁽²⁾	(196,771)	(203,648)	(3)%	(228,497)	(14)%
Shareholders' equity	801,524	808,215	(1)%	814,230	(2)%

¹Supplementary Financial Measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results. Refer to the section entitled "Non-GAAP Measures and Other Financial Measures" contained within this MD&A.

²Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for Adjusted EBITDAC is Net income, for Funds Flow from Operations and Free Cash Flow is Cash provided by (used in) operating activities, for Shares Outstanding, End of period - fully diluted is Common Shares outstanding, and 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.

³Includes long-term portions of the Senior Facility, the Senior Notes, lease obligations, deferred acquisition consideration, and cash settled incentive obligations.

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

Highlights for the three and twelve months ended December 31, 2025, in comparison to the three and twelve months ended December 31, 2024, for CES are as follows:

- **Revenue:** Revenue in the fourth quarter set a new quarterly record at \$664.5 million, representing a sequential increase of \$41.3 million or 7% compared to \$623.2 million in Q3 2025, and an increase of \$59.1 million or 10% compared to \$605.4 million in Q4 2024. For the twelve months ended December 31, 2025, CES generated record revenue of \$2.5 billion, an increase of \$140.5 million or 6% relative to the twelve months ended December 31, 2024. The increases over prior year comparative periods are driven by strong market share positions and continued strength in service intensity, resulting in an overall uptick in revenue despite softening industry rig counts in both the US and Canada.
 - **Revenue - US:** Revenue generated in the US during Q4 2025 set a new quarterly record at \$434.9 million, representing a sequential increase of \$25.5 million or 6% compared to Q3 2025, and an increase of \$44.7 million or 11% compared to Q4 2024. For the twelve months ended December 31, 2025, revenue generated in the US of \$1.7 billion was up 5% relative to the twelve months ended December 31, 2024. US revenues for both the three and twelve month periods benefited from contributions from recent acquisitions, higher production levels, and strengthened market positioning, achieving US Drilling Fluids Market Share of 25% for both the three and twelve months ended December 31, 2025, respectively, compared to 21% and 22% for the three and twelve months ended December 31, 2024, respectively.
 - **Revenue - Canada:** Revenue generated in Canada during Q4 2025 was a fourth quarter record at \$229.6 million, representing a sequential increase of \$15.8 million or 7% compared to Q3 2025, and an increase of \$14.4 million or 7% compared to Q4 2024. For the twelve months ended December 31, 2025, revenue generated in Canada of \$841.9 million was up 8% relative to the twelve months ended December 31, 2024. Canadian revenues for both the three and twelve month periods benefited from strong market share and higher service intensity year over year. Canadian Drilling Fluids Market Share of 42% and 41% for the three and twelve months ended December 31, 2025, respectively, compared to 36% and 34% for the three and twelve months ended December 31, 2024, respectively.
- **Adjusted EBITDAC:** Adjusted EBITDAC set a quarterly record at \$113.2 million, representing an increase of 10% compared to both Q3 2025 and Q4 2024. Q4 2025 Adjusted EBITDAC as a percentage of revenue of 17.0% improved from 16.6% in Q3 2025 and came in line with Q4 2024. The improvement to Adjusted EBITDAC for the three months ended December 31, 2025, was driven by record quarter revenue levels combined with strong margins, an attractive product mix, and continued increased service intensity. For the twelve months ended December 31, 2025, Adjusted EBITDAC set a record at \$404.6 million, up from \$403.2 million for the twelve months ended December 31, 2024, and Adjusted EBITDAC as a percentage of revenue decreased to 16.2% from 17.1% a year ago. Adjusted EBITDAC benefitted from record quarter revenue levels, an attractive product mix, and continued increased service intensity, partially offset by personnel investments to support new business initiatives in the previous quarters.
- **Net Income:** Net income for the three and twelve months ended December 31, 2025, increased 63% to \$68.3 million and 7% to \$204.7 million, respectively, relative to the comparable periods of 2024. The increases in both the three and twelve month periods were driven by record revenue, a foreign exchange gain associated with the depreciation of the US dollar, and strong margins. The twelve month period further benefited from lower stock-based compensation expense, driven by more modest share price appreciation compared to the prior year combined with a lower number of cash-settled awards outstanding.
- **Shareholder Returns:** During the quarter, CES returned \$60.6 million to shareholders (Q4 2024 - \$45.1 million), through \$51.4 million in shares repurchased under its NCIB and its quarterly dividend of \$9.2 million (Q4 2024 - \$38.2 million and \$6.9 million, respectively). For the twelve months ended December 31, 2025, CES returned \$174.9 million to shareholders (2024 - \$129.9 million), through \$140.1 million in shares repurchased under its NCIB and its quarterly dividends of \$34.8 million (2024 - \$103.1 million and \$26.9 million, respectively).
- **Funds Flow from Operations:** CES generated \$84.2 million in Funds Flow from Operations in Q4 2025, compared to \$85.8 million generated in Q3 2025 and \$68.8 million generated in Q4 2024. For the twelve months ended December 31, 2025, CES generated \$324.4 million of Funds Flow from Operations compared to \$293.0 million in 2024. Funds Flow from Operations excludes the impact of working capital, and is reflective of the continued strong surplus free cash flow generated in 2025.

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- **Cash Flow From Operations:** For Q4 2025, net cash provided by operating activities totaled \$107.6 million compared to \$51.6 million in Q3 2025, and \$62.2 million in Q4 2024. The improvement to Cash Flow From Operations for the three months ended December 31, 2025, was driven by strong financial performance combined with a working capital harvest in the current period. For the twelve months ended December 31, 2025, net cash provided by operating activities of \$285.4 million compared to \$304.7 million for the twelve months ended December 31, 2024. The decrease in net cash provided by operating activities was driven by an increase to working capital requirements to support record revenue levels when compared to the prior year.
- **Free Cash Flow:** CES generated \$78.4 million in Free Cash Flow in Q4 2025, compared to \$27.2 million generated in Q3 2025, and \$34.6 million generated in Q4 2024. The improvement to Free Cash Flow for the three months ended December 31, 2025, was driven by strong financial performance combined with a working capital harvest in the current period. For the twelve months ended December 31, 2025, CES generated \$166.5 million of Free Cash Flow compared to \$186.9 million in 2024. The year over year decrease was driven by elevated working capital requirements to support record revenue levels and increased lease repayments. Free Cash Flow includes the impact of quarterly working capital variations, net of capital expenditures, and lease repayments.
- **Working Capital Surplus:** As at December 31, 2025, CES had a Working Capital Surplus of \$693.4 million, which decreased from \$713.9 million at September 30, 2025, and compared to \$681.1 million at December 31, 2024. The movement during the quarter was driven by increases to accounts payable and accrued liabilities, and a decrease in inventory on favorable timing of the procurement cycle, countering the increase to record quarterly revenue levels. The increase in Working Capital Surplus year over year was driven by record revenue levels resulting in an increase in accounts receivable, partly offset by a decrease in inventory and higher accounts payable and accrued liabilities. The Company continues to focus on working capital optimization benefiting from the high quality of its customers, diligent internal credit monitoring processes, and strategic procurement initiatives.
- **Total Debt:** As at December 31, 2025, CES had Total Debt of \$496.6 million compared to \$510.3 million at September 30, 2025, and \$452.6 million at December 31, 2024. Included in Total Debt at December 31, 2025, is the Senior Facility of \$109.3 million (December 31, 2024 - \$148.8 million), \$275.0 million of Senior Notes (December 31, 2024 - \$200.0 million), and lease obligations of \$99.2 million (December 31, 2024 - \$91.9 million). The decrease in Total Debt during the three month period was driven by strong financial performance in the period combined with a working capital harvest, partially offset by elevated shareholder returns. The increase in Total Debt compared to December 31, 2024, was driven by increased investments in working capital combined with elevated shareholder returns, partially offset by strong financial performance achieved throughout the year.
- **Senior Notes:** On October 23, 2025, the Company completed the private placement of \$75.0 million of 6.875% senior unsecured notes (the "Additional Senior Notes") due May 24, 2029, at a premium price of \$1,031.25 per \$1,000 principal amount of Senior Notes. The Additional Senior Notes were issued under the indenture governing the Company's \$200.0 million of Senior Notes and accordingly form a single series with such previously issued Senior Notes. This financing further improves CES' capital structure and provides ample liquidity to support identified growth opportunities.
- **Net Debt:** Working Capital Surplus exceeded Total Debt at December 31, 2025, by \$196.8 million (December 31, 2024 - \$228.5 million). As of the date of this MD&A, the Company had total long-term debt of approximately \$398.0 million, comprised of a net draw on its Senior Facility of approximately \$123.0 million and its outstanding \$275.0 million Senior Notes due May 24, 2029.
- **Strategic Acquisition:** On June 1, 2025, CES closed the acquisition of substantially all of the business assets of Fossil Fluids LLC. ("Fossil Fluids"). Fossil Fluids provides independent drilling fluids solutions for the upstream oil and gas industry, with a focus on servicing the Mid-Continent region. Operating under AES Drilling Fluids, the acquisition augments the Company's regional operations and will be enhanced by CES' advanced technology and supply chain capabilities, extensive customer reach in its North American platform, and vertically integrated business model. The aggregate purchase price was \$14.2 million consisting of \$7.0 million in up front cash consideration and \$7.2 million in deferred consideration, which is payable in cash as an earn-out upon achieving certain EBITDA thresholds over a three-year period post close.

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OUTLOOK

The resilient demand drivers from developing countries, growing LNG and AI related power requirements, and global support of energy transition initiatives, combined with depletion of existing resources, reduced investment in the upstream oil and gas sector over recent years, and diminished available inventory quality, has necessitated increased service intensity and advanced chemical treatment for available resources. The result is a continuation of constructive end markets for CES' products and services which enhance drilling and production performance.

In light of economic uncertainty, OPEC+ cadence of production cut reversals, and ongoing global conflicts, energy supply-demand dynamics have remained resilient. Industry fundamentals continue to support critical drilling and production activity for oil and natural gas as depressed global exploration activity and diminishing high-quality drilling locations provide cautious optimism for suitable pricing over the mid to longer term. In the shorter term the situation is more fluid as customers are closely monitoring fluctuating oil and gas pricing in the context of their inherent production economics which may impact activity levels, spending plans, and, by extension, product pricing. While the current political landscape and impact of recently imposed tariffs in both the US and Canada continue to generate potential near term uncertainty, including within the energy sector, CES' business model provides relative insulation due to its significant proportion of revenue derived in the US versus Canada, its vertically integrated business models in both countries, and flexible supply chain capabilities.

CES expects to benefit from secular trends in upstream activity, increased service intensity levels, and adoption of advanced critical chemical solutions 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 2026 capital expenditures, net of proceeds on disposals of assets, to be approximately \$90.0 million, weighted equally between maintenance and expansion capital to support sustained 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 prudent growth initiatives throughout divisions.

CES has proactively managed both the duration and the flexibility of its debt. In April 2025, CES amended, extended, and upsized its Senior Facility, with improved terms and a maturity extension until November 2028, and in October 2025, CES successfully issued an additional \$75.0 million of Senior Notes due May 24, 2029, on favourable terms. The combination of the Senior Notes and the Senior Facility further strengthens the Company's capital structure, reduces the cost of capital, and effectively addresses CES' near-term and foreseeable longer-term requirements. CES routinely considers its capital structure, including increasing or decreasing the capacity of its Senior Facility, issuance or redemption of 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.

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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 December 31,			Year Ended December 31,		
	2025	2024	% Change	2025	2024	% Change
United States ⁽¹⁾	434,879	390,203	11 %	1,652,286	1,571,433	5 %
Canada ⁽¹⁾	229,630	215,181	7 %	841,866	782,244	8 %
	664,509	605,384	10 %	2,494,152	2,353,677	6 %
Top five customers as a % of total revenue ⁽¹⁾	27%	27 %	— %	26 %	27 %	(1)%
Top customer as a % of total revenue ⁽¹⁾	8%	9 %	(1)%	8 %	9 %	(1)%

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

	Key Operating Metrics					
	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	% Change	2025	2024	% Change
US	36,198	34,851	4 %	35,127	33,650	4 %
Canada	11,169	10,067	11 %	10,141	9,259	10 %
Total Treatment Points ⁽¹⁾	47,367	44,918	5 %	45,268	42,909	5 %
US	11,975	11,169	7 %	48,957	46,865	4 %
Canada	7,289	6,816	7 %	27,709	24,935	11 %
Total Operating Days ⁽¹⁾	19,264	17,985	7 %	76,666	71,800	7 %
US	130	121	7 %	134	129	4 %
Canada	79	74	7 %	76	68	12 %
Total Average Rig Count ⁽¹⁾	209	195	7 %	210	197	7 %
US industry rig count ⁽²⁾	527	569	(7)%	545	580	(6)%
Canadian industry rig count ⁽³⁾	190	205	(7)%	187	200	(6)%
US DF Market Share ⁽¹⁾	25 %	21 %	4 %	25 %	22 %	3 %
Canadian DF Market Share ⁽¹⁾	42 %	36 %	6 %	41 %	34 %	7 %

¹Refer to "Operational Definitions" for further detail.

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

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

Revenue in the US for Q4 2025 set an all time quarterly record at \$434.9 million and for the twelve months ended December 31, 2025, increased by \$80.9 million or 5% relative to the 2024 comparative period for a record contribution of \$1.65 billion. These results for both the three and twelve months ended December 31, 2025, benefited from contributions from the recent acquisitions, increased market share, and higher production levels. CES furthered its strong industry positioning achieving US Drilling Fluids Market Share of 25% for both the three and twelve months ended December 31, 2025, respectively, compared to 21% and 22% for the three and twelve months ended December 31, 2024, respectively. CES' US average rig count increased for the three and twelve months ended December 31, 2025, by 7% and 4%, respectively, compared to 2024, despite the industry declines in the period, illustrating CES' presence in attractive markets and favorable customer exposure. The US production chemicals business also saw strong sales in both the three and twelve months ended December 31, 2025, following 4% increases in treatment points for both the three and twelve month periods, respectively.

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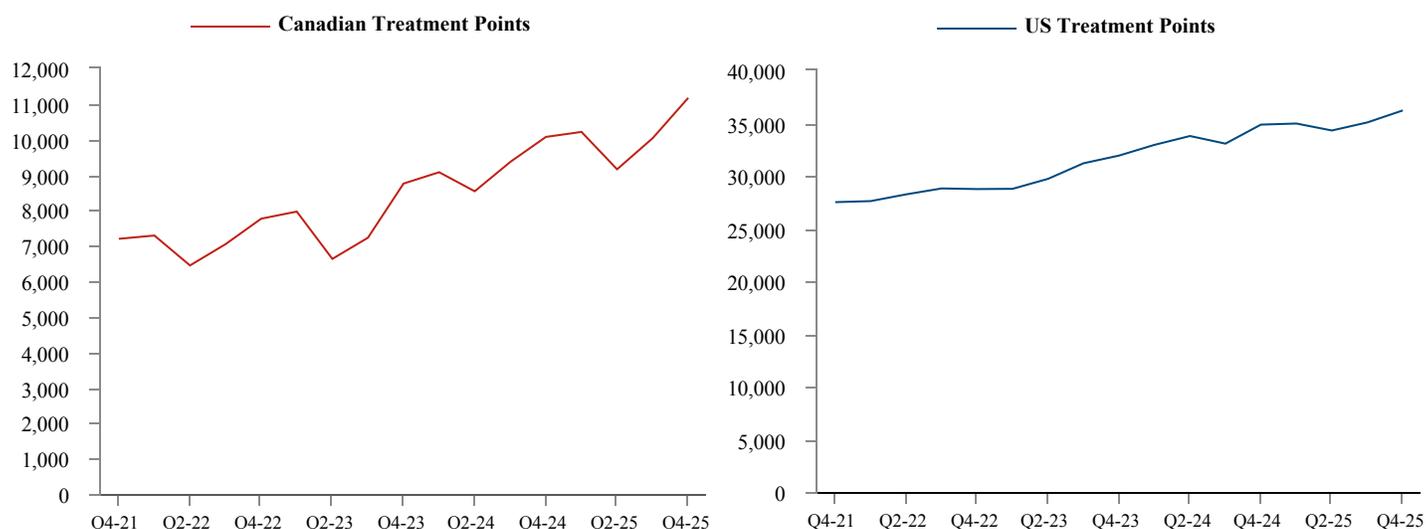
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Revenue in Canada increased compared to the prior year for both the three and twelve months ended December 31, 2025, and set an all time fourth quarter record at \$229.6 million and annual record at \$841.9 million, with both periods benefiting from increased market share and higher production levels. CES maintained its strong industry positioning, achieving Canadian Drilling Fluids Market Share of 42% and 41% for the three and twelve months ended December 31, 2025, respectively, compared to 36% and 34%, respectively, for the three and twelve months ended December 31, 2024. Despite the declines in the Canadian industry rig count, CES' Canadian average rig count increased by 7% and 12% in the three and twelve months ended December 31, 2025, respectively, compared to 2024. Canadian Treatment Points for the three and twelve months ended December 31, 2025, also increased by 11% and 10%, respectively, compared to 2024, with increased production volumes and associated production related chemical sales year over year.

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.



Included in revenue generated in Canada for the three and twelve months ended December 31, 2025, is \$2.7 million and \$9.5 million, respectively, (2024 - \$2.9 million and \$9.9 million, respectively) 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.

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. 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.

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

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change	2025	2024	Change
Gross Margin	161,881	147,823	14,058	590,745	581,084	9,661
Gross Margin % of revenue ⁽¹⁾	24 %	24 %	— %	24 %	25 %	(1)%
Adjust for:						
Depreciation included in cost of sales	22,780	18,583	4,197	86,954	69,840	17,114
Adjusted Gross Margin ⁽²⁾	184,661	166,406	18,255	677,699	650,924	26,775
Adjusted Gross Margin ⁽²⁾ % of revenue	28 %	27 %	1 %	27 %	28 %	(1)%

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

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

For the three and twelve months ended December 31, 2025, Adjusted Gross Margin came in at \$184.7 million and \$677.7 million, respectively, compared to \$166.4 million and \$650.9 million, respectively, for the three and twelve months ended December 31, 2024. As a percentage of revenue Adjusted Gross Margin of 28% for the three months ended December 31, 2025, compared to 27% for the three months ended December 31, 2024, driven by elevated activity levels combined with a more favorable product mix. As a percentage of revenue Adjusted Gross Margin of 27% for the twelve months ended December 31, 2025, compared to 28% for the twelve months ended December 31, 2024, driven by personnel investments to support new business initiatives partially offset by higher revenue levels when compared to the prior year.

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 December 31,			Year Ended December 31,		
	2025	2024	Change	2025	2024	Change
General and administrative expenses	90,946	79,758	11,188	321,240	314,814	6,426
G&A expenses % of revenue ⁽¹⁾	14 %	13 %	1 %	13 %	13 %	— %
Adjust for:						
Stock-based compensation	14,911	12,485	2,426	30,873	51,239	(20,366)
Depreciation & amortization	4,544	4,041	503	17,309	15,841	1,468
Adjusted General and Administrative Costs ⁽²⁾	71,491	63,232	8,259	273,058	247,734	25,324
Adjusted G&A costs ⁽²⁾ % of revenue	11 %	10 %	1 %	11 %	11 %	— %

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

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

The increases in Adjusted General and Administrative Costs for both the three and twelve months ended December 31, 2025, are primarily reflective of increased activity levels and associated headcount in support of record revenue levels. As a percentage of revenue, Adjusted G&A costs of 11% for both the three and twelve months ended December 31, 2025, compared with 10% and 11% for the respective periods in 2024, as the increase in the fixed cost base outpaced the increase in revenue levels in the current periods compared to prior year driven by personnel investments to support new business.

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Stock-Based Compensation

Stock-based compensation expense, which includes both equity-settled and cash-settled awards, increased by \$2.4 million or 19% for the three months ended December 31, 2025, compared to the same period in 2024. The increase in the quarter was primarily driven by the Company's cash-settled compensation plan, reflecting a stronger increase in the Company's share price in the current quarter relative to the prior year period. For the twelve months ended December 31, 2025, stock-based compensation expense decreased by \$20.4 million or 40% compared to 2024. The year-over-year decrease was primarily attributable to the Company's cash-settled compensation plan, reflecting a smaller net movement in the Company's share price in the current year relative to the prior year. Both periods are impacted by the timing and pricing of equity-settled and cash-settled grants issued under the Company's stock-based compensation plans.

Finance Costs

For the three and twelve months ended December 31, 2025, and 2024, finance costs were comprised of the following:

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
Interest on debt, net of interest income & amortization of debt premium	8,432	8,119	33,516	34,292
Amortization of debt issue costs	433	419	1,595	1,303
Foreign exchange (gain) loss	(3,865)	23,843	(14,959)	26,922
Financial derivative (gain)	(9,875)	(9,796)	(7,282)	(31,397)
Other finance costs	—	62	39	713
Finance costs	(4,875)	22,647	12,909	31,833

Interest expense

Finance costs for the three and twelve months ended December 31, 2025, include interest on debt, net of interest income, of \$8.4 million and \$33.5 million, respectively, compared to \$8.1 million and \$34.3 million, respectively, for the comparative 2024 periods. The increase in the three month period was driven by the issuance of the additional \$75.0 million in Senior Notes relative to the comparative period in 2024, and higher interest on associated leases. The decrease in the twelve month period was driven by lower reference interest rates, partially offset by issuance of the additional \$75.0 million in Senior Notes relative to the comparative period in 2024, and higher interest on associated leases. Included in these amounts is interest on the Company's Senior Notes and Canadian Term Loan Facility for the relevant periods.

Foreign exchange gains and losses

Finance costs for the three and twelve months ended December 31, 2025, include a foreign exchange gains of \$3.9 million and \$15.0 million, respectively, compared to foreign exchange losses of \$23.8 million and \$26.9 million, respectively, for the three and twelve months ended December 31, 2024. Foreign exchange gains and losses are primarily related to the Company's USD denominated balances held in Canada which were impacted by a depreciating USD in the three and twelve months ended December 31, 2025, relative to an appreciation in the USD in the three and twelve months ended December 31, 2024.

Financial derivative gains and losses

Finance costs for the three and twelve months ended December 31, 2025, include a net derivative gain of \$9.9 million and \$7.3 million, respectively, compared to a net derivative gain of \$9.8 million and \$31.4 million, respectively, for the three and twelve months ended December 31, 2024, relating to the Company's foreign currency and equity derivative contracts. The movement in the twelve month period was driven by a moderate increase in the Company's share price in the current year relative to a significant appreciation in the prior year. As of December 31, 2025, the Company had a financial derivative asset of \$22.4 million (December 31, 2024 - \$22.1 million). CES has a Board approved hedging and derivative policy that sets out the guidelines and parameters Management follows when approaching its risk management strategies.

The Company periodically uses USD forward purchase contracts to manage its exposure to upcoming USD denominated purchases pursuant to its Canadian and US operations. At December 31, 2025, the Company had no outstanding foreign exchange contracts.

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The Company periodically enters into equity derivative contracts to mitigate equity price risk, primarily related to 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 December 31, 2025:

Period	Price	Contract	Notional Principal	Number of Shares
July 2026	4.8078	Swap	9,262	1,926,490
July 2027	7.1119	Swap	6,761	950,721
July 2028	6.8348	Swap	3,791	554,721
Total	5.7737		19,814	3,431,932

Current and Deferred Income Taxes

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

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
Current income tax expense	8,328	6,900	33,928	35,733
Deferred income tax expense	(905)	(3,410)	17,969	9,115
Total income tax expense	7,423	3,490	51,897	44,848

Current income tax expense increased for the three months ended December 31, 2025, relative to the comparable 2024 period, primarily due to higher taxable earnings in Canada and the US, partially offset by a US prior period adjustment. Current income tax expense decreased for the year ended December 31, 2025, relative to the comparable 2024 period, primarily due to the impact of new US tax legislation and a US prior period adjustment. Deferred income tax expense increased for the three and twelve months ended December 31, 2025, relative to the comparable 2024 periods, primarily due to temporary difference movements, the impact of new US tax legislation, a US prior period adjustment, and changes in the recognition of deferred tax assets in Canada and the US.

Working Capital Surplus

CES had a Working Capital Surplus of \$693.4 million as at December 31, 2025, which decreased from \$713.9 million at September 30, 2025, and compared to \$681.1 million at December 31, 2024. The movement during the quarter was driven by increases to accounts payable and accrued liabilities, and a decrease in inventory on favorable timing of the procurement cycle, countering the increase to record quarterly revenue levels. The increase in Working Capital Surplus year over year was driven by record revenue levels resulting in an increase in accounts receivable, partly offset by a decrease in inventory and higher accounts payable and accrued liabilities. The Company continues to focus on working capital optimization benefiting from the high quality of its customers, diligent internal credit monitoring processes, and strategic procurement initiatives.

Total Debt

Total Debt as at December 31, 2025, of \$496.6 million decreased from \$510.3 million at September 30, 2025, and compared to \$452.6 million at December 31, 2024, and is primarily comprised of long-term debt, which totaled \$382.3 million as at December 31, 2025, compared to \$400.6 million at September 30, 2025, and \$344.9 million December 31, 2024. The decrease in Total Debt during the three month period was driven by strong financial performance in the period combined with a working capital harvest, partially offset by elevated shareholder returns. The increase in Total Debt compared to December 31, 2024, was driven by increased investments in working capital combined with elevated shareholder returns, partially offset by strong financial performance achieved throughout the year. Additional discussion relating to the Company's Senior Facility, Senior Notes, and other long-term financial liabilities is included in the Liquidity and Capital Resources section of this MD&A.

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Related Party Transactions

Included in general and administrative expenses is remuneration of key management personnel, which includes executive officers and directors of the Company. In addition to salaries and director fees, respectively, the Company also provides compensation to executive officers and directors under the Company's RSU plan. Remuneration of key management personnel is comprised of:

	Year Ended December 31,	
	2025	2024
Salaries and cash-based compensation	17,008	17,902
Stock-based compensation	7,416	10,336
	24,424	28,238

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QUARTERLY FINANCIAL SUMMARY

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

	Three Months Ended							
	Dec 31, 2025	Sep 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024
Revenue								
United States ⁽¹⁾	434,879	409,389	405,557	402,461	390,203	402,632	390,924	387,674
Canada ⁽¹⁾	229,630	213,832	168,434	229,970	215,181	203,887	162,272	200,904
Revenue	664,509	623,221	573,991	632,431	605,384	606,519	553,196	588,578
Net income	68,298	40,489	51,834	44,102	41,855	46,638	48,155	54,458
<i>per share - basic</i>	0.32	0.19	0.23	0.20	0.18	0.20	0.20	0.23
<i>per share - diluted</i>	0.32	0.18	0.23	0.19	0.18	0.20	0.20	0.23
Adjusted EBITDAC ⁽²⁾	113,170	103,320	88,253	99,898	103,174	102,537	95,447	102,032
Adjusted EBITDAC % of Revenue ⁽²⁾	17.0 %	16.6 %	15.4 %	15.8 %	17.0 %	16.9 %	17.3 %	17.3 %
<i>per share - basic⁽²⁾</i>	0.53	0.47	0.40	0.44	0.46	0.44	0.41	0.44
<i>per share - diluted⁽²⁾</i>	0.53	0.47	0.39	0.44	0.45	0.43	0.40	0.43
Dividends declared	8,965	9,169	9,347	9,535	6,760	6,886	7,056	7,036
<i>per share</i>	0.0425	0.0425	0.0425	0.0425	0.0300	0.0300	0.0300	0.0300
Common Shares Outstanding								
End of period - basic	210,949,911	215,738,676	219,940,242	224,363,433	225,329,085	229,525,039	235,188,873	234,519,860
End of period - fully diluted ⁽²⁾	213,473,163	218,261,928	222,588,682	227,403,807	228,948,223	233,530,844	239,430,548	239,276,274
Weighted average - basic	212,911,936	218,234,502	221,616,603	225,058,610	226,704,896	233,176,879	235,162,870	234,373,347
Weighted average - diluted	215,433,353	220,845,867	224,261,923	228,354,820	230,379,790	237,181,631	239,402,896	238,934,382

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

²Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for Adjusted EBITDAC is Net income, and 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.

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SELECTED ANNUAL INFORMATION

The following is a summary of selected annual financial information of the Company for the last three completed years:

(\$000s, except per share amounts)	Year Ended December 31,				
	2025	% Change	2024	% Change	2023
Revenue					
United States ⁽¹⁾	1,652,286	5 %	1,571,433	7 %	1,466,990
Canada ⁽¹⁾	841,866	8 %	782,244	12 %	696,522
Total Revenue	2,494,152	6 %	2,353,677	9 %	2,163,512
Income before taxes	256,620	9 %	235,954	24 %	189,573
<i>per share - basic</i>	1.17	15 %	1.02	34 %	0.76
<i>per share - diluted</i>	1.15	15 %	1.00	35 %	0.74
Net income	204,723	7 %	191,106	24 %	154,642
<i>per share - basic</i>	0.93	13 %	0.82	32 %	0.62
<i>per share - diluted</i>	0.92	14 %	0.81	89 %	0.61
Adjusted EBITDAC ⁽²⁾	404,641	— %	403,190	28 %	315,821
Adjusted EBITDAC ⁽²⁾ % of Revenue	16.2 %	(5)%	17.1 %	17 %	14.6 %
<i>per share - basic⁽²⁾</i>	1.84	6 %	1.74	37 %	1.27
<i>per share - diluted⁽²⁾</i>	1.82	7 %	1.70	38 %	1.24
Dividends declared	37,016	33 %	27,738	19 %	23,337
<i>per share</i>	0.170	42 %	0.120	26 %	0.095

Financial position (\$000s)	As at December 31,				
	2025	% Change	2024	% Change	2023
Total assets	1,617,858	5 %	1,539,331	12 %	1,377,265
Long-term debt	382,299	11 %	344,888	(7)%	390,616
Long-term financial liabilities ⁽³⁾	453,753	10 %	412,608	(2)%	419,416
Total Debt ⁽²⁾	496,636	10 %	452,588	(4)%	469,619
Working Capital Surplus ⁽²⁾	693,407	2 %	681,085	8 %	632,764
Net Debt ⁽²⁾	(196,771)	(14)%	(228,497)	40 %	(163,145)
Shareholders' equity	801,524	(2)%	814,230	24 %	657,995

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

²Non-GAAP measure or ratio 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, and 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.

³Includes long-term portion of the Senior Facility, the Senior Notes, the Canadian Term Loan Facility, lease obligations, deferred acquisition consideration, and long-term portion of cash settled incentive obligations.

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LIQUIDITY AND CAPITAL RESOURCES**Long-Term Debt**

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

	As at	
	December 31, 2025	December 31, 2024
Senior Facility	110,837	149,826
Senior Notes	275,000	200,000
	385,837	349,826
Unamortized debt issue costs	(5,758)	(4,938)
Unamortized debt premium	2,220	—
Total long-term debt	382,299	344,888

Senior Facility

On April 28, 2025, the Company entered into an amended and restated credit agreement with respect to its syndicated and operating credit facilities (the "Senior Facility"). As at December 31, 2025, the total size of the Senior Facility is approximately C\$ equivalent \$550.0 million, consisting of a Canadian facility of \$400.0 million and a US facility of US\$110.0 million. The Senior Facility matures on November 24, 2028, is secured by substantially all of the Company's assets, and includes customary terms, conditions and covenants. As at December 31, 2025, the Senior Facility had a net draw of \$109.3 million (December 31, 2024 - \$148.8 million), with capitalized transaction costs of \$1.5 million (December 31, 2024 - \$1.1 million). Transaction costs attributable to the Senior Facility are recorded as part of the facility and amortized to finance costs over the remaining term.

Amounts drawn on the Senior Facility incur interest at the bank's prime rate or US base rate plus an applicable pricing margin ranging from 0.25% to 1.50% or CORRA or SOFR rates plus an applicable pricing margin ranging from 1.25% to 2.50%. The Senior Facility has a standby fee ranging from 0.25% to 0.50%. The applicable pricing margins and standby fees are based on a sliding scale of Total Net Debt to EBITDA ratio.

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; 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 syndicated and operating credit facilities 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 above, 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 Accounting Standards as issued by the IASB and are provided strictly for the purposes of the Company's Senior Facility covenant calculations.

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The covenant calculations as at December 31, 2025, and 2024, are as follows:

	As at	
	December 31, 2025	December 31, 2024
Total Net Debt	454,351	403,534
EBITDA for the four quarters ended	374,565	337,470
Ratio	1.213	1.196
Maximum	4.000	4.000
Net Senior Debt	167,031	192,111
EBITDA for the four quarters ended	374,565	337,470
Ratio	0.446	0.569
Maximum	3.000	3.000
EBITDA for the four quarters ended	374,565	337,470
Interest Expense for the four quarters ended	32,125	32,930
Ratio	11.660	10.248
Minimum	2.500	2.500

Senior Notes

On October 23, 2025, the Company completed the private placement of \$75.0 million of 6.875% senior unsecured notes (the "Additional Senior Notes") due May 24, 2029, at a premium price of \$1,031.25 per \$1,000 principal amount of Senior Notes. The Additional Senior Notes were issued under the indenture governing the Company's \$200.0 million of Senior Notes and accordingly form a single series with such previously issued Senior Notes.

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 May 24, 2026. Interest is payable on the Senior Notes semi-annually on May 24 and November 24. 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. Certain restrictions exist relating to items such as making restricted payments and incurring additional debt.

As at December 31, 2025, the Company was in compliance with the terms and covenants of its lending agreements. For the year ended December 31, 2025, the Company recorded \$35.9 million (2024 - \$36.3 million) in interest expense related to its long-term debt and lease balances, including the amortization of debt issue costs and premium. Scheduled principal payments on the Company's long-term debt at December 31, 2025, are as follows:

2026	—
2027	—
2028	110,837
2029	275,000
2030 and thereafter	—
	385,837

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Leases

The Company incurs lease payments under a number of lease arrangements for which the underlying leased assets secure the lease obligations. Leases are entered into and exited in coordination with specific business requirements, which includes the assessment of the appropriate durations for the related leased assets. The Company's leases are for terms ranging from January 2026 through October 2034 with a weighted average interest rate of 6.48% (2024 - 7.08%).

As at December 31, 2024	91,893
Additions	57,377
Interest expense	6,947
Lease payments	(47,003)
Disposals	(7,203)
Effects of movements in exchange rates	(2,769)
As at December 31, 2025	99,242
Current portion of lease obligation	39,444
Long-term portion of lease obligation	59,798

Future minimum lease payments outstanding under the Company's lease obligations at December 31, 2025, are as follows:

Less than 1 year	43,916
1-5 years	59,687
5+ years	3,681
Total lease payments	107,284
Amount representing implicit interest	(8,042)
Lease obligations	99,242

Payments recognized in the financial statements relating to short-term leases, variable lease payments, and leases of low-value assets for the year ended December 31, 2025, were \$6.5 million (2024 - \$4.7 million). The Company's short-term leases and leases of low-value assets consist of leases of information technology, office equipment, and short-term facility rentals and variable lease payments relate to operating costs on office leases.

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Other Indebtedness

The following table details the remaining contractual maturities of the Company's financial liabilities as of December 31, 2025:

	Payments Due By Period ⁽¹⁾					Total
	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	
Accounts payable and accrued liabilities	266,312	22,163	—	—	—	288,475
Dividends payable ⁽²⁾	8,965	—	—	—	—	8,965
Income taxes payable	7,539	1,403	—	—	—	8,942
Deferred acquisition consideration	—	3,439	2,406	2,405	—	8,250
Senior Facility	—	—	—	110,837	—	110,837
Senior Notes ⁽³⁾	—	—	—	275,000	—	275,000
Interest on Senior Notes	—	18,906	18,906	28,360	—	66,172
Lease obligations ⁽⁴⁾	6,646	32,798	30,387	26,846	2,565	99,242
Commitments ⁽⁵⁾	19,469	13,780	17,833	15,199	—	66,281
Other long-term liabilities	—	—	5,396	1,449	—	6,845
	308,931	92,489	74,928	460,096	2,565	939,009

¹ Payments denominated in foreign currencies have been translated using the December 31, 2025, exchange rate.

² Dividends declared as of December 31, 2025.

³ The Senior Notes are due on May 24, 2029.

⁴ Lease obligations reflect principal payments and excludes any associated interest portion.

⁵ Commitments include amounts relating to inventory, and other lease-related items including short-term leases, leases of low-value assets, and variable payments associated with long-term leases.

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 increasing or decreasing the capacity of its Senior Facility, issuing new 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 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, provisions for any outstanding litigation or potential claims are included in accounts payable and accrued liabilities.

Summary of Statements of Cash Flows

The following table summarizes the Company's Statements of Cash Flows for the three and twelve months ended December 31, 2025, and 2024:

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change	2025	2024	Change
Net cash provided by (used in)						
Operating Activities	107,645	62,231	45,414	285,373	304,664	(19,291)
Investing Activities	(19,466)	(19,734)	268	(104,884)	(95,218)	(9,666)
Financing Activities	(88,179)	(42,497)	(45,682)	(180,489)	(209,446)	28,957

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Cash Flows from Operating Activities

For Q4 2025, net cash provided by operating activities totaled \$107.6 million compared to \$62.2 million in Q4 2024. The improvement to Cash Flow From Operations for the three months ended December 31, 2025, was driven by strong financial performance combined with a working capital harvest in the current period. For the twelve months ended December 31, 2025, net cash provided by operating activities of \$285.4 million compared to \$304.7 million for the twelve months ended December 31, 2024. The decrease in net cash provided by operating activities was driven by an increase to working capital requirements to support record revenue levels when compared to the prior year.

Cash Flows from Investing Activities

For the three and twelve months ended December 31, 2025, net cash flows used in investing activities totaled \$19.5 million and \$104.9 million, respectively, compared to \$19.7 million and \$95.2 million, respectively, for the comparable 2024 periods. The increase in the twelve months ended December 31, 2025, was driven by higher investments in intangible assets and settlements for deferred acquisition consideration in respect of historical acquisitions. Details of cash used for investment in property and equipment are as follows:

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
Expansion Capital ⁽¹⁾	12,660	15,155	52,767	68,078
Maintenance Capital ⁽¹⁾	7,300	5,818	33,047	22,918
Total investment in property and equipment	19,960	20,973	85,814	90,996
Change in non-cash investing working capital	(1,115)	(169)	353	(2,354)
Cash used for investment in property and equipment	18,845	20,804	86,167	88,642
Adjust for:				
Proceeds on disposal of assets	(2,110)	(2,706)	(10,459)	(7,534)
Net cash used for investment in property and equipment ⁽²⁾	16,735	18,098	75,708	81,108

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

²Non-GAAP measure or ratio 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 Net cash used for investment in property and equipment is Cash used for investment in property and equipment. Refer to the section entitled "Non-GAAP Measures and Other Financial Measures" contained within this MD&A.

Expansion Capital expenditures for both the three and twelve months ended December 31, 2025, included additions for field equipment, processing and warehouse equipment, and vehicles and rolling stock to support growth throughout the business, particularly in the US. Maintenance Capital expenditures for both the three and twelve months ended December 31, 2025, primarily included the replacement of field and warehouse equipment, and vehicles and rolling stock throughout the business to support existing activity levels.

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 2026 capital expenditures, net of proceeds on disposals of assets, to be approximately \$90.0 million, weighted equally between maintenance and expansion capital to support sustained 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 prudent growth initiatives throughout divisions.

Cash Flows from Financing Activities

For the three and twelve months ended December 31, 2025, cash flows used by financing activities totaled \$88.2 million and \$180.5 million, respectively, compared to \$42.5 million and \$209.4 million, respectively, for the comparable 2024 periods. The increase in cash flows used by financing activities for the three month period was driven by the reduction in the net draw on the Senior Facility, increases in shareholder returns by way of common share repurchases under the Company's NCIB, and dividend payments, partially offset by the issuance of the additional \$75.0 million in Senior Notes. The decrease in cash flows used by financing activities for the twelve month period was driven by the issuance of the additional \$75.0 million in Senior Notes, partially offset by increases in shareholder returns by way of common share repurchases under the Company's NCIB and dividend payments, and lease repayments.

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Dividend Policy

The Company declared dividends to holders of common shares for the twelve months ended December 31, 2025, as follows:

	Dividend Record Date	Dividend Payment Date	Per Common Share	Total
March 2025	Mar 31	Apr 15	\$0.0425	9,535
June 2025	Jun 30	Jul 15	\$0.0425	9,347
September 2025	Sept 30	Oct 15	\$0.0425	9,169
December 2025	Dec 31	Jan 15	\$0.0425	8,965
Total dividends declared			\$0.1700	37,016

For the three and twelve months ended December 31, 2025, the Company's Dividend Payout Ratio averaged 14% and 15%, respectively, compared to 13% and 12%, respectively, in the comparable periods in 2024. The increase in the Company's Dividend Payout Ratio in both the three and twelve month periods was driven by a 42% increase to dividends declared, from \$0.03 to \$0.0425 per share starting in Q1 2025 that outpaced the increase in Distributable Earnings for the respective periods. 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 repurchases 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 repurchases 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 Adjusted EBITDAC generated. Refer to "Non-GAAP Measures and Other Financial Measures" for further details on the calculation of Distributable Earnings.

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NCIB

On July 22, 2025, the Company renewed the previous NCIB to repurchase for cancellation up to 18,911,524 common shares, being 10.0% of the public float of common shares at the time of renewal. The renewed NCIB will terminate on July 21, 2026, 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, excluding any associated taxes on share repurchases, is presented below:

	Renewed NCIB July 22, 2025 to December 31, 2025	Year Ended December 31, 2025	Since Inception July 17, 2018 to December 31, 2025
Common shares repurchased and canceled through NCIB	8,201,900	16,800,519	86,030,006
Cash outlay	78,079	137,724	375,496
Average price per share	9.52	8.20	4.36

As at December 31, 2025, the Company has repurchased 86,030,006 or approximately 32% of the common shares outstanding since inception of the NCIB programs on July 17, 2018. Subsequent to December 31, 2025, the Company repurchased 1,283,100 additional shares at a weighted average price of \$13.01 for a total of \$16,693.

Share Capital and Stock-Based Compensation Plans

A summary of the Company's common shares and stock-based compensation plans outstanding is as follows:

	As at		
	March 10, 2026	December 31, 2025	December 31, 2024
Common shares outstanding	209,781,533	210,949,911	225,329,085
Restricted Share Unit Plan ("RSU")	2,420,329	2,523,252	3,619,138
Phantom Share Unit Plan ("PSU")	4,630,699	4,663,290	5,025,015

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.

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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 determined in accordance with IFRS. EBITDAC, Adjusted EBITDAC, Adjusted EBITDAC % of Revenue and Adjusted EBITDAC per share are calculated as follows:

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
Net income	68,298	41,855	204,723	191,106
Adjust for:				
Depreciation and amortization	27,324	22,624	104,263	85,681
Current income tax expense	8,328	6,900	33,928	35,733
Deferred income tax (recovery) expense	(905)	(3,410)	17,969	9,115
Stock-based compensation	14,911	12,485	30,873	51,239
Finance costs	(4,875)	22,647	12,909	31,833
Other loss (income)	89	73	(24)	(1,517)
EBITDAC	113,170	103,174	404,641	403,190
Adjusted EBITDAC	113,170	103,174	404,641	403,190
<i>Adjusted EBITDAC % of Revenue</i>	<i>17.0 %</i>	<i>17.0 %</i>	<i>16.2 %</i>	<i>17.1 %</i>
<i>Adjusted EBITDAC per share - basic</i>	<i>0.53</i>	<i>0.46</i>	<i>1.84</i>	<i>1.74</i>
<i>Adjusted EBITDAC per share - diluted</i>	<i>0.53</i>	<i>0.45</i>	<i>1.82</i>	<i>1.70</i>

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.

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Distributable Earnings and Dividend Payout Ratio are calculated as follows:

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
Cash provided by (used in) operating activities	107,645	62,231	285,373	304,664
Adjust for:				
Change in non-cash operating working capital	(23,464)	6,543	39,031	(11,655)
Maintenance Capital ⁽¹⁾	(7,300)	(5,818)	(33,047)	(22,918)
Repayment of lease obligations	(11,408)	(9,316)	(43,558)	(34,271)
Distributable Earnings	65,473	53,640	247,799	235,820
Dividends declared	8,965	6,760	37,016	27,738
Dividend Payout Ratio	14 %	13 %	15 %	12 %

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

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

Adjusted Gross Margin % of Revenue - is a non-GAAP ratio that is calculated as Adjusted Gross Margin divided by revenue. Management believes that this metric is a useful measure of the Company's normalized cost of sales relative to its top line revenue generation. Readers are cautioned that Adjusted Gross Margin should not be considered to be more meaningful than Gross Margin determined in accordance with IFRS. Adjusted Gross Margin and Adjusted Gross Margin % of Revenue are calculated as follows:

\$000s	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
Gross Margin	161,881	147,823	590,745	581,084
Gross Margin % of revenue	24 %	24 %	24 %	25 %
Adjust for:				
Depreciation included in cost of sales	22,780	18,583	86,954	69,840
Adjusted Gross Margin	184,661	166,406	677,699	650,924
Adjusted Gross Margin % of revenue	28 %	27 %	27 %	28 %

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.

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Adjusted G&A costs and Adjusted G&A costs % of Revenue are calculated as follows:

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
General and administrative expenses	90,946	79,758	321,240	314,814
G&A expenses % of revenue	14 %	13 %	13 %	13 %
Adjust for:				
Stock-based compensation	14,911	12,485	30,873	51,239
Depreciation & amortization	4,544	4,041	17,309	15,841
Adjusted General and Administrative Costs	71,491	63,232	273,058	247,734
Adjusted G&A Costs % of revenue	11 %	10 %	11 %	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 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 December 31,		Year Ended December 31,	
	2025	2024	2025	2024
Cash provided by (used in) operating activities	107,645	62,231	285,373	304,664
Adjust for:				
Change in non-cash operating working capital	(23,464)	6,543	39,031	(11,655)
Funds Flow from Operations	84,181	68,774	324,404	293,009

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 adjusted for 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 December 31,		Year Ended December 31,	
	2025	2024	2025	2024
Cash provided by (used in) operating activities	107,645	62,231	285,373	304,664
Adjust for:				
Expansion Capital ⁽¹⁾	(12,660)	(15,155)	(52,767)	(68,078)
Maintenance Capital ⁽¹⁾	(7,300)	(5,818)	(33,047)	(22,918)
Repayment of lease obligations	(11,408)	(9,316)	(43,558)	(34,270)
Proceeds on disposal of assets	2,110	2,706	10,459	7,534
Free Cash Flow	78,387	34,648	166,460	186,932

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

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Net Cash Used for Investment in Property and Equipment - is a non-GAAP measure that has been reconciled to Cash used for investment in property and equipment, being the most directly comparable measure calculated in accordance with IFRS. Management believes that this metric is a key measure to assess the total capital required to support ongoing business operations. Readers are cautioned that this measure is not intended to be considered more meaningful than cash used for investment in property and equipment or other measures of financial performance calculated in accordance with IFRS. Net Cash Used for Investment in Property and Equipment is calculated as follows:

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
Cash used for investment in property and equipment	18,845	20,804	86,167	88,642
Adjust for:				
Proceeds on disposal of assets	(2,110)	(2,706)	(10,459)	(7,534)
Net Cash used for investment in property and equipment	16,735	18,098	75,708	81,108

Working Capital Surplus - is a non-GAAP measure that is calculated as current assets less current liabilities, excluding the current portions of lease obligations, long-term debt, 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 - 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, and 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	
	December 31, 2025	December 31, 2024
Long-term financial liabilities ⁽¹⁾	453,753	412,608
Current portion of lease obligations	39,444	34,589
Current portion of deferred acquisition consideration	3,439	5,391
Total Debt	496,636	452,588
Deduct Working Capital Surplus:		
Current assets	999,789	952,150
Current liabilities ⁽²⁾	(306,382)	(271,065)
Working Capital Surplus	693,407	681,085
Net Debt	(196,771)	(228,497)

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

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

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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	
	December 31, 2025	December 31, 2024
Common shares outstanding	210,949,911	225,329,085
Restricted share units outstanding, end of period	2,523,252	3,619,138
Shares outstanding, end of period - fully diluted	213,473,163	228,948,223

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.

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.

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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

The preparation of the consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual outcomes may differ from these estimates. Consolidated financial statements include estimates, which by their nature, are uncertain. These assumptions and associated estimates are based on historical experience and other factors that are considered to be relevant. As such, actual results may differ from estimates and the effect of such differences may be material. The impacts of such estimates are pervasive throughout the 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.

Management has made significant assumptions about the future and other sources of estimation uncertainty at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ. Assumptions made relate to, but are not limited to, the following:

Significant judgments*Determining CGUs*

For the purpose of assessing impairment of non-financial assets, the Company must determine its CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU and the respective allocation of shared corporate carrying values is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the appropriate CGUs for the Company are the Canadian Operations and the US Operations.

Segment Reporting

Management has determined that the Company has a single reportable segment, Oilfield Chemicals. The CEO, as the chief operating decision maker, reviews consolidated financial information when making decisions about resource allocation and assessing performance.

Significant estimates*Accounts receivable*

Accounts receivable are recorded at the estimated recoverable amount, which requires management to estimate uncollectible accounts, taking into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates. The primary input in CES' expected credit loss model on trade receivables is historical credit losses incurred in the US and Canada, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Company's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances. However, significant or unexpected changes in economic conditions could impact the Company's future expected credit losses.

Property and equipment

Management estimates the useful lives and residual value of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence, and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment in the future.

Recoverability of asset carrying values

The recoverability of the Company's asset carrying values is assessed at the CGU level. The determination of the CGUs is subject to management judgments taking into consideration: the nature of the underlying business operations, geographical proximity of operations, shared infrastructure, and exposure to market risk.

The assessment of any impairment of property and equipment, intangible assets and goodwill is dependent upon estimates of the recoverable amount that take into account factors such as economic and market conditions, timing of cash flows, the useful lives of assets, and their related salvage values. The estimated future cash flows are dependent upon a number of factors including, among

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others, future activity levels within the oil and natural gas industry, current economic and market conditions, potential changes in government regulations, long term projections of future financial performance and the selection of appropriate discount rates used to determine the present value of future cash flows. Future activity cannot be predicted with certainty and, as such, actual results may differ from these estimates. Changes to these estimates may affect the recoverable amounts of the Company's CGUs, which may then require a material adjustment to their related carrying values.

Purchase price allocations

The assets acquired and liabilities assumed are recognized at fair value on the date the Company obtains control of a business. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets, including goodwill, property and equipment, other assets, and the liabilities assumed are based on assumptions. The measurement is largely based on projected cash flows, discount rates, and market conditions at the date of acquisition.

Derivatives

The fair value of outstanding derivatives is based on forward prices, forward foreign exchange rates, and the Company's share price as at the reporting date and may differ from what will eventually be realized. Changes in the fair value of the derivative contracts are recognized in net income. The actual gains and losses realized on eventual cash settlement will vary due to subsequent fluctuations in realized prices.

Cash Settled Stock-based compensation

Stock-based compensation expense and the corresponding liability for PSUs is based on the estimated fair value of the units outstanding at the end of each quarter, which is based on the Company's share price. Large fluctuations in the actual stock-based compensation expense and associated liability may occur due to changes in the underlying share price, and actual amounts settled may differ from these estimates.

Income taxes

Management evaluates tax positions, annually or when circumstances require, which involves judgment and could be subject to differing interpretations of applicable tax legislation. The Company recognizes a tax provision when a payment to tax authorities is considered probable. However, the results of audits and reassessments and changes in the interpretations of tax laws and regulations may result in changes to those positions and, potentially, a material increase or decrease in the Company's income tax assets, liabilities and net income.

Deferred income tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Company's estimate, the ability of the Company to realize the deferred income tax assets could be impacted.

Deferred income tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Company records a provision for the amount that is expected to be settled, which requires judgment as to the ultimate outcome. Deferred income tax liabilities could be impacted by changes in the Company's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, timing of reversals, and the tax laws in the jurisdictions in which the Company operates.

Other Provisions & Contingencies

The determination of other provisions and contingent liabilities is a complex process that involves judgments about the outcomes of future events, estimates of timing and amount of future expenditures, the interpretation of laws and regulations, and discount rates. The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

MATERIAL ACCOUNTING POLICY INFORMATION

The Company's material accounting policy information can be found in Note 3 of the consolidated financial statements for the year ended December 31, 2025. There have been no new standards or interpretations issued during the three and twelve months ended December 31, 2025, that materially impact the Company.

CES Energy Solutions Corp.

Management's Discussion and Analysis

Three and Twelve Months Ended December 31, 2025

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

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.

As at December 31, 2025, management, under the direction and supervision of the President & Chief Executive Officer and the Executive Vice President & Chief Financial Officer, evaluated the effectiveness of CES' disclosure controls and procedures, as detailed by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings as required by Canadian securities laws. Based on that evaluation, the President & Chief Executive Officer and the Executive Vice President & Chief Financial Officer have concluded that, as at December 31, 2025, the disclosure controls and procedures were effective.

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 CES' GAAP and includes those policies and procedures that (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of CES; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the CES' GAAP, and that receipts and expenditures of CES are being made only in accordance with authorizations of management and directors of CES; and (c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the CES' assets that could have a material effect on the annual financial statements or interim financial statements.

Management, under the direction and supervision of the President & Chief Executive Officer and the Executive Vice President & Chief Financial Officer and based on criteria set out in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, conducted an evaluation of the design and effectiveness of CES' ICFR as at December 31, 2025. Based on their assessment, management determined that ICFR were effective as at December 31, 2025.

There have been no changes to CES' internal controls over financial reporting during the year ended December 31, 2025, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

While the President & Chief Executive Officer and the Executive Vice President & 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' 2025 Annual Report, CES' Annual Information Form dated March 10, 2026, in respect of the year ended December 31, 2025, and CES' Information Circular in respect of the June 17, 2025, Annual General and Special Meeting of shareholders each of which are available on the CES' SEDAR+ profile at www.sedarplus.ca.

CES Energy Solutions Corp.

Management's Discussion and Analysis

Three and Twelve Months Ended December 31, 2025

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

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. 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.

Volatility in financial markets may impact the general availability of both credit and equity financing in the marketplace. World-wide political and economic risks are also intensifying, including the shift in US foreign policy and the use and threat of tariffs to achieve political and economic objectives. Should there be significant economic contraction as a result of changes to US foreign or tariff policy, if the conflict in Ukraine escalates or expands beyond Ukraine's borders, if conflict in the Middle East further intensifies and is prolonged, or if the trade and economic dispute between China and the United States continues, 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.

Although there has been a significant recovery in capital markets as it relates to the oil and gas industry, if there is a significant economic slowdown in the broader economy, 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 December 31, 2025, CES is in compliance with terms and covenants of all of its lending agreements including the Senior Facility and Senior Notes indenture.

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, 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.

CES Energy Solutions Corp.

Management's Discussion and Analysis

Three and Twelve Months Ended December 31, 2025

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

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 oil and gas prices were to be depressed for an extended period of time, 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. In addition, the outcome of the US election has created additional uncertainty with respect to the regulatory environment as well as tariffs and other policies impacting trade between the US, Canada, and the rest of the world.

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 there have been increasing supply chain issues and disruptions which have periodically emerged. Coupled with increasing demand from the Company's customers, periodic shortages of certain materials have been experienced and costs have been affected. The Company does source some limited, non-exclusive products from the Middle East, and a significant escalation in the conflict between the United States, Israel and Iran, along with the impacts on neighboring countries may result in delays or the inability to source certain products. Notwithstanding, the Company can source these products from other regions should the conflict in the Middle East result in limitations for the Company to source such materials.

Additionally, increased political tensions relating to China and its 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 10, 2026, for the year ended December 31, 2025, 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.sedarplus.ca.

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

CES Energy Solutions Corp.

Management's Discussion and Analysis

Three and Twelve Months Ended December 31, 2025

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

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 Company's expectations regarding future revenue, profitability, and cash flow generation; anticipated capital expenditures, including maintenance and expansion capital, and the timing and allocation of such expenditures; the Company's business strategy and ability to execute growth initiatives in Canada, the United States, and internationally; expectations regarding market demand, customer activity levels, and industry conditions in the oilfield consumable chemicals sector; seasonality in the WCSB and the impact on the Company's operating results and working capital requirements; the impact of economic policy, tariffs, regulatory changes, and geopolitical risks on the energy sector and the Company; the Company's ability to maintain or increase market share in drilling fluids and production chemicals; adoption and development of advanced chemical solutions and new technologies; investments in research and development and scientific talent; management of working capital and optimization processes; sufficiency of liquidity and capital resources to meet long-term payment obligations and support business development opportunities; access to debt and capital markets, cost of capital, and impacts of financing activities including Senior Notes and the Senior Facility; anticipated drilling activity for natural gas projects and trends in upstream oil and gas activity; industry activity levels; the impact of new drilling techniques, longer reach laterals, increased service intensity, and hydraulic fracturing; expectations regarding growing LNG and AI related power requirements and the timing of energy transition initiatives on end markets for oil and gas; OPEC+ production quotas; impact of economic policy and tariffs on the energy sector, supply chains, and CES; expectations regarding end market volatility, commodity prices, and global energy demand; the impact of fluctuating oil and gas pricing on production economics and the resulting impact on activity levels and spending plans; the effect of acquisitions and potential mergers; the performance and expansion of operations and business units; expectations regarding the benefits from secular trends in upstream activity; the timing and impact of adoption of new accounting standards and application of critical accounting estimates and judgments; management's opinion of the impact of potential litigation or disputes; the ability to attract and retain qualified personnel; the sufficiency and adequacy of insurance coverage; the impact of supply chain disruptions, transportation infrastructure, and global events on operations; the business strategy regarding cash dividend payments and future dividend levels; 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; decreased service intensity levels; 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; decisions by OPEC+ regarding production quotas; the impact of the removal of sanctions on Russia and the potential for additional oil and gas supply to the global markets; 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 or Canadian 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, or trade policies; impact of tariffs on the global economy, supply chains, the energy industry, and the Company; 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; the impact of litigation which the Company is involved in; and the other factors considered under "Risk

CES Energy Solutions Corp.

Management's Discussion and Analysis

Three and Twelve Months Ended December 31, 2025

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

Factors" in CES' Annual Information Form dated March 10, 2026 for the year ended December 31, 2025, and "Risks and Uncertainties" in this MD&A.

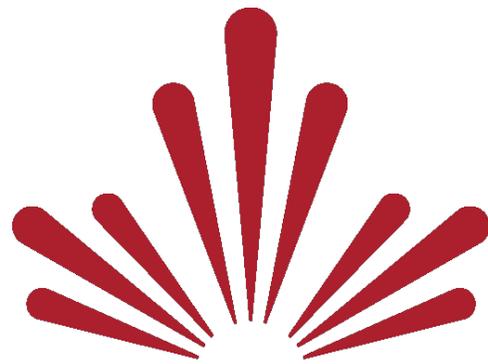
Without limiting the foregoing, the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

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.sedarplus.ca. Information is also accessible on CES' web site at www.cesenergysolutions.com.



CES Energy
Solutions

Consolidated Financial Statements

For the Year Ended December 31, 2025 and 2024

MANAGEMENT'S REPORT

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and for the consistency therewith of all other financial and operating data presented in this annual report.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial and management information.

Independent auditors appointed by the shareholders have examined the consolidated financial statements. The Audit Committee, consisting of three independent, non-management directors, is responsible to review the consolidated financial statements with management and the auditors and to report to the Board of Directors. The Board of Directors is responsible to review and approve the consolidated financial statements.

"Kenneth E. Zinger"

Kenneth E. Zinger

President & Chief Executive Officer

March 10, 2026

"Anthony M. Aulicino"

Anthony M. Aulicino

Executive Vice President & Chief Financial Officer

March 10, 2026

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of CES Energy Solutions Corp.

Opinion

We have audited the consolidated financial statements of CES Energy Solutions Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2025 and 2024, and the consolidated statements of net income and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue Recognition - Refer to Note 3 to the consolidated financial statements

Key Audit Matter Description

The Company's revenue is comprised of the sale of products and the provision of services. Revenue on the sale of products is recognized as the Company satisfies the performance obligations as control is transferred to its customers. Revenue on the provision of services is recognized as the services are performed.

Revenue is a key audit matter due to the significant audit effort required to perform audit procedures related to the Company's revenue recognition.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to revenue recognition included, among others, on a sample basis, evaluating the recognition of revenue by obtaining confirmations, or obtaining and inspecting customer approved invoices, and cash receipts. Where confirmations or customer approved invoices had not been received, obtained and inspected shipping documents and other support as applicable.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

CES Energy Solutions Corp.

Independent Auditor's Report

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

CES Energy Solutions Corp.

Independent Auditor's Report

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Langlois.

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
March 10, 2026

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

	As at	
	December 31, 2025	December 31, 2024
ASSETS		
Current assets		
Accounts receivable (note 20)	528,809	454,096
Financial derivative asset (note 20)	22,363	22,116
Income taxes receivable (note 15)	262	14
Inventory (note 5)	414,942	447,051
Prepaid expenses and deposits	33,413	28,873
	999,789	952,150
Property and equipment (note 6)	382,218	371,535
Right of use assets (note 7)	105,188	96,553
Intangible assets (note 8)	41,351	30,498
Deferred income tax asset (note 15)	1,457	7,684
Other assets (note 9)	22,532	20,123
Goodwill (note 8)	65,323	60,788
	1,617,858	1,539,331
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	288,475	248,144
Dividends payable (note 18)	8,965	6,760
Income taxes payable (note 15)	8,942	16,161
Current portion of deferred acquisition consideration (note 4)	3,439	5,391
Current portion of lease obligations (note 11)	39,444	34,589
	349,265	311,045
Long-term debt (note 10)	382,299	344,888
Lease obligations (note 11)	59,798	57,304
Deferred acquisition consideration (note 4)	4,811	2,518
Deferred income tax liability (note 15)	13,316	1,448
Other long-term liabilities (note 17)	6,845	7,898
	816,334	725,101
Commitments (note 19)		
Shareholders' equity		
Common shares (note 16)	371,995	502,045
Contributed surplus	36,683	37,246
Retained earnings	190,304	22,597
Accumulated other comprehensive income	202,542	252,342
	801,524	814,230
	1,617,858	1,539,331

APPROVED ON BEHALF OF THE BOARD:

"Kenneth E. Zinger"

Kenneth E. Zinger

President, Chief Executive Officer and Director

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

"Ian Hardacre"

Ian Hardacre

Director and Chairman, Audit Committee

CES Energy Solutions Corp.Consolidated Statements of Net Income and Comprehensive Income
(stated in thousands of Canadian dollars, except per share amounts)

	Year Ended December 31,	
	2025	2024
Revenue	2,494,152	2,353,677
Cost of sales (note 12)	1,903,407	1,772,593
Gross margin	590,745	581,084
General and administrative expenses (note 13)	321,240	314,814
Operating profit	269,505	266,270
Finance costs (note 14)	12,909	31,833
Other (income)	(24)	(1,517)
Income before taxes	256,620	235,954
Current income tax expense (note 15)	33,928	35,733
Deferred income tax expense (note 15)	17,969	9,115
Net income	204,723	191,106
Other comprehensive income (items that may be subsequently reclassified to net income):		
Unrealized foreign exchange (loss) gain on translation of foreign operations	(50,265)	84,689
Change in fair value of other assets, net of tax	704	(646)
Comprehensive income	155,162	275,149
Net income per share (note 16)		
Basic	0.93	0.82
Diluted	0.92	0.81

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

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

	Year Ended December 31,	
	2025	2024
COMMON SHARES		
Balance, beginning of year	502,045	593,005
Issued pursuant to stock-based compensation (note 16)	9,891	11,930
Issued pursuant to stock settled director fees	166	171
Common shares repurchased and canceled through NCIB (note 16)	(140,107)	(103,061)
Balance, end of year	371,995	502,045
CONTRIBUTED SURPLUS		
Balance, beginning of year	37,246	37,462
Reclassified pursuant to stock-based compensation (note 16)	(9,891)	(11,930)
Stock-based compensation expense (note 17)	9,328	11,714
Balance, end of year	36,683	37,246
RETAINED EARNINGS (DEFICIT)		
Balance, beginning of year	22,597	(140,771)
Net income	204,723	191,106
Dividends declared (note 18)	(37,016)	(27,738)
Balance, end of year	190,304	22,597
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of year	252,342	168,299
Reclassification of cumulative translation adjustment relating to foreign operations	(239)	—
Unrealized foreign exchange (loss) gain on translation of foreign operations	(50,265)	84,689
Change in fair value of other assets, net of tax	704	(646)
Balance, end of year	202,542	252,342
	801,524	814,230

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

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

	Year Ended December 31,	
	2025	2024
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net income	204,723	191,106
Adjustments for:		
Depreciation and amortization	104,263	85,681
Stock-based compensation (note 17)	9,328	11,714
Other non-cash (income)	(6,152)	(2,099)
Deferred income tax expense (note 15)	17,969	9,115
Gain on disposal of assets	(5,727)	(2,508)
Funds flow from operations	324,404	293,009
Change in non-cash working capital (note 22)	(39,031)	11,655
	285,373	304,664
FINANCING ACTIVITIES:		
Repayment of lease obligations	(43,558)	(34,271)
Repayment of Canadian Term Loan Facility	—	(250,000)
Net proceeds from Senior Notes issuance	78,360	195,647
(Decrease) increase in Senior Facility	(40,373)	9,118
Shareholder dividends	(34,811)	(26,879)
Common shares repurchased and canceled through NCIB (note 16)	(140,107)	(103,061)
	(180,489)	(209,446)
INVESTING ACTIVITIES:		
Investment in property and equipment	(86,167)	(88,642)
Investment in intangible assets	(12,943)	(4,468)
(Investment in) distribution of other assets	(2,597)	568
Deferred acquisition consideration (note 4)	(6,661)	—
Business combination (note 4)	(6,975)	(10,210)
Proceeds on disposal of assets	10,459	7,534
	(104,884)	(95,218)
CHANGE IN CASH:		
Cash, beginning of year	—	—
Cash, end of year	—	—
SUPPLEMENTARY CASH FLOW DISCLOSURE		
Interest paid	34,255	34,084
Income taxes paid	42,319	29,285

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

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

1. The Company

CES Energy Solutions Corp. (the "Company" or "CES") is a company domiciled in Canada and is incorporated under the Business Corporations Act (Alberta). CES' principal place of business is located at Suite 1400, 332 – 6th Avenue SW, Calgary, Alberta, Canada T2P 0B2. The consolidated financial statements of the Company as at and for the year ended December 31, 2025 and 2024 comprise the accounts of the Company and its subsidiaries (together referred to as the "Company" or "CES").

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

2. Basis of Presentation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board ("IASB") and were authorized for issue by the Company's Board of Directors on March 10, 2026.

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis using the historical cost convention except as disclosed in Note 3.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. All financial information presented in dollars has been rounded to the nearest thousand except for share and per share amounts.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the statement of financial position date. Gains and losses on translation of monetary items are recognized in the statement of net income and comprehensive income in finance costs, except for those foreign exchange gains or losses arising from assets and liabilities of a foreign operation, which are recognized in other comprehensive income ("OCI").

Assets and liabilities of subsidiaries having a functional currency different from the Company's presentation currency of Canadian dollars are translated at the rate of exchange at the reporting date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in OCI.

3. Material Accounting Policy Information

a) Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company balances and transactions are eliminated on consolidation.

b) Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on a standard cost basis, and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Any inventory valuation write-downs are included in cost of sales on the statement of net income and comprehensive income.

c) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets.

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

Gains and losses on the disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized within cost of sales on the statement of net income and comprehensive income.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The costs of the day-to-day servicing of property and equipment, including repairs and maintenance, are recognized in net income as incurred. Property and equipment are depreciated using the straight-line method over their estimated useful lives, which are as follows:

Buildings	3-30 years
Vehicles, trucks, and transportation equipment	3-15 years
Machinery and equipment	3-20 years
Office & computer equipment	1-5 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate. The Company reviews its property and equipment at each reporting date to determine whether there is any indication of impairment.

d) Leases and ROU Assets

The Company recognizes a right of use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The ROU asset is subsequently depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the Company's assessment of whether it will exercise a purchase, extension or termination option.

Leases that have a term of less than 12 months, leases with an underlying asset of low-value, or variable lease payments are recognized as an expense in the consolidated statement of net income and comprehensive income.

e) Identifiable intangible assets

The Company's intangible assets include customer relationships, proprietary software, and patents and other intangibles with finite useful lives. Costs attributable to intangible assets are capitalized if future economic benefits are reasonably assured. Intangible assets are initially recorded at cost and are amortized using the straight-line method through net income over their estimated useful lives when the realization of economic benefits begins. The estimated useful lives are as follows:

Customer relationships	5-10 years
Software	3 years
Patents and other intangibles	5-20 years

Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate.

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

f) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed based on their fair values as of the acquisition date. Goodwill acquired through a business combination is allocated to each cash generating unit ("CGU"), or group of CGUs, that is expected to benefit from the business combination. Each of these CGUs represents the lowest level within the Company at which the associated goodwill is monitored for management purposes.

g) Impairment

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If there is an indication of impairment, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). This allocation reflects the lowest level at which goodwill is monitored for internal reporting purposes. The Company's corporate assets do not generate separate cash inflows and cash outflows are allocated to CGUs. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income and are allocated first to reduce the carrying amount of any goodwill allocated to the respective CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss related to goodwill is not reversed.

h) Provisions

Provisions are recognized in accrued liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value as applicable. As well, the Company performs reviews to identify onerous contracts and, where applicable, records provisions for such contracts.

i) Revenue recognition

The Company's revenue is comprised of the sale of products and the provision of services. Revenue on the sale of products is recognized as the Company satisfies the performance obligations as control is transferred to its customers. Revenue on the provision of services is recognized as the services are performed. Transaction prices are determined based on the agreed upon prices with customers for CES' goods and services at the time contracts are entered into. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money, and expenses any incremental costs of obtaining contracts with customers as incurred. The Company's contract terms do not include a provision for significant post-service delivery obligations.

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

j) Stock-based compensation

Equity settled transactions

Restricted Share Units ("RSUs") are awarded to employees, officers, and directors of the Company and entitle the holder to a number of common shares plus reinvested notional dividends. Stock-based compensation expense for RSUs is based on the estimated fair value of the award at the date of grant, calculated using a five day volume weighted average share price, and is recognized in net income over the vesting period of the respective plan with a corresponding increase to contributed surplus. CES estimates the forfeiture rate for its RSUs at the date of grant based on the number of awards expected to vest taking into consideration past experience and future expectations and is adjusted upon actual vesting.

Cash settled transactions

Phantom Share Units ("PSUs") are awarded to non-executive employees and entitle the holder to the cash-equivalent of the five day volume weighted average share price of the Company's common shares plus reinvested notional dividends upon maturity. Stock-based compensation expense and a corresponding liability for PSUs is based on the estimated fair value of the units outstanding at the end of each quarter, calculated using a five day volume weighted average share price and recognized over the vesting period. CES estimates the forfeiture rate for its PSUs at the date of grant based on the number of awards expected to vest taking into consideration past experience and future expectations and is adjusted upon actual vesting. Upon maturity, the cash settlement paid reduces the liability. The current portion of the liability relating to PSUs is included in accounts payable and accrued liabilities and the long-term portion in other long-term liabilities in the consolidated statement of financial position. The expense is included in general and administrative expenses in the consolidated statement of net income and comprehensive income.

k) Finance costs

Finance costs are primarily comprised of interest expense on borrowings, net of interest income, financial derivative gains and losses, foreign currency gains and losses, resulting from foreign currency monetary items which are translated into the Company's functional currency, and the amortization of capitalized debt issue costs.

l) Income taxes

The Company uses the liability method of accounting for income taxes, where deferred income tax assets and liabilities are recognized on the temporary differences between the carrying amounts of assets and liabilities and their respective income tax basis. Deferred income tax assets may also be recognized for the benefit expected from unused tax credits and losses available for carryforward. Deferred income tax assets and liabilities are measured based on income tax rates and tax laws that are enacted or substantively enacted by the end of the reporting period and that are expected to apply in the years in which temporary differences are expected to be realized or settled. Deferred income tax is charged or credited to net income, except when related to items charged or credited to either OCI or directly to equity, in which case the deferred income tax is also recorded to OCI or equity.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the temporary differences or tax pools can be utilized. The carrying amount of deferred income tax assets is evaluated at the end of each reporting period and is adjusted accordingly based on increases or decreases to future taxable income. Deferred income tax assets and liabilities are presented as non-current and only offset where they arise within the same legal entity or jurisdiction and there is a legal right to offset.

m) Financial instruments

Classification

Financial assets and financial liabilities are classified into three categories: Amortized Cost, Fair Value through Profit and Loss ("FVTPL") and Fair Value through Other Comprehensive Income ("FVTOCI"). The classification of financial assets is determined by their context in the Company's business model and by the characteristics of the financial asset's contractual cash flows. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure them at FVTPL.

Measurement

Financial assets and financial liabilities are measured at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification.

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

Financial assets and liabilities measured at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

The Company uses derivative financial instruments to manage its exposure to various market risks. These derivative instruments are measured initially at FVTPL and are subsequently measured at fair value with changes in fair value recognized in net income. Realized gains and losses from derivatives are recognized as they occur. Unrealized gains and losses are recognized in net income at each respective reporting period. The fair value of these transactions is based upon the estimated amounts that would have been paid to or received from counterparties to settle the outstanding transactions with reference to the estimated forward prices as of the reporting date.

The Company, through its captive insurance subsidiary, holds investments for self-insured liabilities, which are classified as being measured at FVTOCI as the contractual cash flows received from the investments are solely payments of principal and interest and are held within a business model whose objective is both to hold the financial assets to collect the contractual cash flows as well as to sell the financial assets. Financial assets measured at FVTOCI are subsequently measured at fair value with changes in fair value recognized in OCI, net of tax. Upon derecognition of the underlying financial asset, amounts in OCI are reclassified to net income.

Fair value measurement

CES classifies the fair value of its financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Pricing inputs based on observable inputs other than quoted prices in active markets included in Level 1.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Derecognition

The Company derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in net income.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve months of expected credit losses. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in net income. The assets, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated loss increases or decreases because of an event occurring after the loss was recognized, the previously recognized loss is increased or reduced by adjusting the allowance account.

n) Net income per share

Basic net income per share is based on the income attributable to common shareholders for the period divided by the weighted average number of common shares outstanding during the period. The diluted net income per share is based on the weighted average number of common shares outstanding during the period plus the effects of dilutive share equivalents, which include the outstanding Restricted Share Units. Diluted net income per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

o) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and debt incurred or assumed at the acquisition date. The fair value of the assets and liabilities acquired is determined and compared to the fair value of the consideration paid. If the fair value of the consideration paid exceeds the fair value of the net assets acquired, then goodwill is recognized. Transaction costs associated with business combinations are expensed as incurred.

p) Significant accounting judgments and estimates

The preparation of the consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual outcomes may differ from these estimates. These consolidated financial statements include estimates, which by their nature, are uncertain. These assumptions and associated estimates are based on historical experience and other factors that are considered to be relevant. As such, actual results may differ from estimates and the effect of such differences may be material. The impacts of such estimates are pervasive throughout the 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.

Management has made assumptions about the future and other sources of estimation uncertainty at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ. Assumptions made relate to, but are not limited to, the following:

Significant judgments

Determining CGUs

For the purpose of assessing impairment of non-financial assets, the Company must determine its CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU and the respective allocation of shared corporate carrying values is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the appropriate CGUs for the Company are the Canadian Operations and the US Operations.

Segment Reporting

Management has determined that the Company has a single reportable segment, Oilfield Chemicals. The CEO, as the chief operating decision maker, reviews consolidated financial information when making decisions about resource allocation and assessing performance.

Significant estimates

Accounts receivable

Accounts receivable are recorded at the estimated recoverable amount, which requires management to estimate uncollectible accounts, taking into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates. The primary input in CES' expected credit loss model on trade receivables is historical credit losses incurred in the US and Canada, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Company's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances. However, significant or unexpected changes in economic conditions could impact the Company's future expected credit losses.

Property and equipment

Management estimates the useful lives and residual value of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence, and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment in the future.

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

Recoverability of asset carrying values

The recoverability of the Company's asset carrying values is assessed at the CGU level. The determination of the CGUs is subject to management judgments taking into consideration: the nature of the underlying business operations, geographical proximity of operations, shared infrastructure, and exposure to market risk.

The assessment of any impairment of property and equipment, intangible assets and goodwill is dependent upon estimates of the recoverable amount that take into account factors such as economic and market conditions, timing of cash flows, the useful lives of assets, and their related salvage values. The estimated future cash flows are dependent upon a number of factors including, among others, future activity levels within the oil and natural gas industry, current economic and market conditions, potential changes in government regulations, long term projections of future financial performance and the selection of appropriate discount rates used to determine the present value of future cash flows. Future activity cannot be predicted with certainty and, as such, actual results may differ from these estimates. Changes to these estimates may affect the recoverable amounts of the Company's CGUs, which may then require a material adjustment to their related carrying values.

Purchase price allocations

The assets acquired and liabilities assumed are recognized at fair value on the date the Company obtains control of a business. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets, including goodwill, property and equipment, other assets, and the liabilities assumed are based on assumptions. The measurement is largely based on projected cash flows, discount rates, and market conditions at the date of acquisition.

Derivatives

The fair value of outstanding derivatives is based on forward prices, forward foreign exchange rates, and the Company's share price as at the reporting date and may differ from what will eventually be realized. Changes in the fair value of the derivative contracts are recognized in net income. The actual gains and losses realized on eventual cash settlement will vary due to subsequent fluctuations in realized prices.

Cash Settled Stock-based compensation

Stock-based compensation expense and the corresponding liability for PSUs is based on the estimated fair value of the units outstanding at the end of each quarter, which is based on the Company's share price. Large fluctuations in the actual stock-based compensation expense and associated liability may occur due to changes in the underlying share price, and actual amounts settled may differ from these estimates.

Income taxes

Management evaluates tax positions, annually or when circumstances require, which involves judgment and could be subject to differing interpretations of applicable tax legislation. The Company recognizes a tax provision when a payment to tax authorities is considered probable. However, the results of audits and reassessments and changes in the interpretations of tax laws and regulations may result in changes to those positions and, potentially, a material increase or decrease in the Company's income tax assets, liabilities and net income.

Deferred income tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Company's estimate, the ability of the Company to realize the deferred income tax assets could be impacted.

Deferred income tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Company records a provision for the amount that is expected to be settled, which requires judgment as to the ultimate outcome. Deferred income tax liabilities could be impacted by changes in the Company's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, timing of reversals, and the tax laws in the jurisdictions in which the Company operates.

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

Other Provisions & Contingencies

The determination of other provisions and contingent liabilities is a complex process that involves judgments about the outcomes of future events, estimates of timing and amount of future expenditures, the interpretation of laws and regulations, and discount rates. The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

q) Recent Accounting Pronouncements

Future accounting policy changes

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosures in Financial Statements*, to replace IAS 1, *Presentation of Financial Statements*. The new standard establishes a revised structure for the consolidated statements of net income and comprehensive income, required disclosure for certain non-GAAP measures, referred to as management-defined performance measures ("MPMs"), and enhanced guidance on the aggregation and disaggregation of line items in the financial statements and the accompanying notes. IFRS 18 is effective January 1, 2027, with early adoption permitted. The standard will be applied retrospectively, with certain transition provisions. Management is currently reviewing the impact the standard will have on the consolidated financial statements.

In May 2024, the IASB issued amendments to IFRS 9, *Financial Instruments*, and IFRS 7, *Financial Instruments: Disclosures* to address the classification and measurement of financial instruments, with an emphasis to clarify the date of recognition and derecognition of financial asset and liabilities, effective January 1, 2026, with early adoption permitted. This amendment will not have a material impact on the consolidated financial statements.

4. Business Combination

Fossil Fluids LLC

On June 1, 2025, CES closed the acquisition of substantially all of the business assets of Fossil Fluids LLC. ("Fossil Fluids"). Fossil Fluids provides independent drilling fluids solutions for the upstream oil and gas industry, with a focus on servicing the Mid-Continent region. Operating under AES Drilling Fluids, the acquisition augments the Company's regional operations and will be enhanced by CES' advanced technology and supply chain capabilities, extensive customer reach in its North American platform, and vertically integrated business model.

The aggregate purchase price was \$14,192 consisting of \$6,975 in cash consideration and \$7,217 in deferred consideration, which is payable in cash as an earn-out upon achieving certain EBITDA thresholds over a three-year period post close, with an estimated range of potential outcomes for settlement of \$2,902 to \$7,217. In conjunction with the acquisition, the Company recorded \$80 in transaction costs to general and administrative expenses during the year ended December 31, 2025. The Company's purchase price allocation for the Fossil Fluids acquisition is as follows:

Allocation of purchase price

Property and equipment	55
Intangible assets	6,716
Goodwill	7,421
Total assets acquired	14,192

Consideration given

Cash consideration	6,975
Deferred consideration	7,217
Total consideration	14,192

From the date of this acquisition to December 31, 2025, Fossil Fluids contributed an estimated \$25,753 of revenue to the Company. The amount of profit or loss attributable to the acquisition from the date of acquisition to December 31, 2025, and the amount of revenue or profit or loss attributable to the acquisition as if the business combination had been completed on January 1, 2025, is not readily determinable. The goodwill recognized on the acquisition is primarily attributed to the synergies existing within the acquired businesses, the synergies which will contribute to operational efficiencies within the rest of the Company and the assembled workforce. The goodwill is expected to be deducted straight-line over 15 years for US tax purposes.

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

Deferred Acquisition Consideration

A summary of the changes to the Company's deferred acquisition consideration balance is presented below:

Balance at December 31, 2024	7,909
Additions through business combinations	7,217
Settlements	(6,661)
Effect of movements in exchange rates	(215)
Balance at December 31, 2025	8,250
Current portion	3,439
Long-term portion	4,811

5. Inventory

The value of inventory expensed in cost of sales for the year ended December 31, 2025, was \$1,183,418 (2024 - \$1,162,242). During the year ended December 31, 2025, the Company recorded \$212 (2024 - \$146) of inventory valuation write-downs.

6. Property and Equipment

Property and equipment are comprised of the following balances:

	Land and buildings	Vehicles, trucks, and transportation equipment	Machinery and equipment	Office & computer equipment	Total
Cost:					
Balance at December 31, 2024	246,528	172,521	305,796	21,202	746,047
Additions through business combinations	—	31	24	—	55
Additions	12,460	32,326	34,013	2,948	81,747
Transfers	1,212	2,233	102	46	3,593
Disposals	(7)	(6,144)	(3,689)	(469)	(10,309)
Effect of movements in exchange rates	(9,015)	(8,172)	(11,810)	(714)	(29,711)
Balance at December 31, 2025	251,178	192,795	324,436	23,013	791,422
Depreciation:					
Balance at December 31, 2024	93,242	110,824	153,124	17,322	374,512
Transfers	—	307	102	—	409
Depreciation for the year ⁽¹⁾	12,541	16,764	26,477	2,164	57,946
Disposals	—	(5,336)	(2,776)	(454)	(8,566)
Effect of movements in exchange rates	(3,306)	(5,241)	(5,979)	(571)	(15,097)
Balance at December 31, 2025	102,477	117,318	170,948	18,461	409,204
Carrying amount at December 31, 2025	148,701	75,477	153,488	4,552	382,218

⁽¹⁾Included in accumulated depreciation for the year ended December 31, 2025, is \$338 that has been allocated to inventory.

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	Land and buildings	Vehicles, trucks, and transportation equipment	Machinery and equipment	Office & computer equipment	Total
Cost:					
Balance at December 31, 2023	202,898	131,579	266,570	19,275	620,322
Additions through business combinations	—	2,533	325	—	2,858
Additions	30,621	31,219	25,037	2,845	89,722
Transfers	—	260	(117)	—	143
Disposals	(966)	(4,026)	(3,665)	(2,075)	(10,732)
Effect of movements in exchange rates	13,975	10,956	17,646	1,157	43,734
Balance at December 31, 2024	246,528	172,521	305,796	21,202	746,047
Depreciation:					
Balance at December 31, 2023	77,865	94,704	124,778	16,500	313,847
Depreciation for the year ⁽¹⁾	11,198	11,820	22,829	1,952	47,799
Disposals	(836)	(2,933)	(2,596)	(2,074)	(8,439)
Effect of movements in exchange rates	5,015	7,233	8,113	944	21,305
Balance at December 31, 2024	93,242	110,824	153,124	17,322	374,512
Carrying amount at December 31, 2024	153,286	61,697	152,672	3,880	371,535

⁽¹⁾Included in accumulated depreciation for the year ended December 31, 2024, is \$335 that has been allocated to inventory.

7. Right of Use Assets

Right of use assets are comprised of the following balances:

	Land and buildings	Vehicles, trucks, and transportation equipment	Machinery and equipment	Intangible ROU assets	Total
Cost:					
Balance at December 31, 2024	51,768	106,191	12,231	579	170,769
Additions	11,347	40,227	6,858	—	58,432
Transfers	(1,212)	(498)	(2,445)	—	(4,155)
Disposals	(5,499)	(20,464)	(1,975)	—	(27,938)
Effect of movements in exchange rates	(1,492)	(4,588)	(585)	(27)	(6,692)
Balance at December 31, 2025	54,912	120,868	14,084	552	190,416
Depreciation:					
Balance at December 31, 2024	21,498	46,308	5,887	523	74,216
Depreciation for the year	9,122	27,194	3,007	28	39,351
Transfers	—	(383)	(528)	—	(911)
Disposals	(5,332)	(16,932)	(1,977)	—	(24,241)
Effect of movements in exchange rates	(557)	(2,241)	(364)	(25)	(3,187)
Balance at December 31, 2025	24,731	53,946	6,025	526	85,228
Carrying amount at December 31, 2025	30,181	66,922	8,059	26	105,188

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	Land and buildings	Vehicles, trucks, and transportation equipment	Machinery and equipment	Intangible ROU assets	Total
Cost:					
Balance at December 31, 2023	45,446	79,797	6,917	532	132,692
Additions	10,684	36,842	4,599	—	52,125
Transfers	—	(1,198)	117	—	(1,081)
Disposals	(6,714)	(14,445)	—	—	(21,159)
Effect of movements in exchange rates	2,352	5,195	598	47	8,192
Balance at December 31, 2024	51,768	106,191	12,231	579	170,769
Depreciation:					
Reclass leases	—	—	—	—	—
Balance at December 31, 2023	18,177	34,959	3,462	454	57,052
Depreciation for the year	7,288	20,833	3,214	28	31,363
Transfers	—	(938)	—	—	(938)
Disposals	(4,784)	(11,745)	—	—	(16,529)
Effect of movements in exchange rates	817	3,199	(789)	41	3,268
Balance at December 31, 2024	21,498	46,308	5,887	523	74,216
Carrying amount at December 31, 2024	30,270	59,883	6,344	56	96,553

8. Intangible Assets and Goodwill

	Customer relationships	Software	Patents and other intangibles	Total intangibles	Goodwill
Cost:					
Balance at December 31, 2024	127,062	29,267	71,508	227,837	60,788
Additions through business combinations	6,443	—	273	6,716	7,421
Additions	—	12,943	—	12,943	—
Transfers	—	(46)	—	(46)	—
Disposals	—	(3)	—	(3)	—
Effect of movements in exchange rates	(4,552)	(1,012)	(2,607)	(8,171)	(2,886)
Balance at December 31, 2025	128,953	41,149	69,174	239,276	65,323
Amortization:					
Balance at December 31, 2024	108,159	24,792	64,388	197,339	—
Amortization for the year	5,185	723	1,391	7,299	—
Effect of movements in exchange rates	(3,840)	(701)	(2,172)	(6,713)	—
Balance at December 31, 2025	109,504	24,814	63,607	197,925	—
Carrying amount at December 31, 2025	19,449	16,335	5,567	41,351	65,323

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Notes to the Consolidated Financial Statements

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	Customer relationships	Software	Patents and other intangibles	Total intangibles	Goodwill
Cost:					
Balance at December 31, 2023	114,156	31,670	65,647	211,473	53,408
Additions through business combinations	5,342	—	548	5,890	2,555
Additions	—	3,180	1,288	4,468	—
Disposals	—	(7,021)	(406)	(7,427)	—
Effect of movements in exchange rates	7,564	1,438	4,431	13,433	4,825
Balance at December 31, 2024	127,062	29,267	71,508	227,837	60,788
Amortization:					
Balance at December 31, 2023	97,296	28,270	59,914	185,480	—
Amortization for the year	4,555	953	1,347	6,855	—
Disposals	—	(5,720)	(406)	(6,126)	—
Effect of movements in exchange rates	6,308	1,289	3,533	11,130	—
Balance at December 31, 2024	108,159	24,792	64,388	197,339	—
Carrying amount at December 31, 2024	18,903	4,475	7,120	30,498	60,788

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Company's CGUs, which represent the lowest level within the Company at which the goodwill is monitored. Goodwill is allocated to the Company's US CGU.

The Company's impairment analysis as of December 31, 2025, indicated that the recoverable amount of the net assets for the US Operations CGU exceeded its respective carrying value, and therefore, no impairment was recorded. The recoverable amount of the CGU was based on its value in use and the key assumptions for the value in use calculations were the expected growth rates in future cash flows and the discount rates. At December 31, 2025, the Company used an estimated risk adjusted, pre-tax discount rate of 15.2% (2024 - 18.3%) and a terminal growth rate of 2.0% (2024 - 2.0%). Future cash flows are based on various judgments and estimates including actual performance of the business, management's estimates of future performance, and indicators of future industry activity levels. A 1% increase in the after-tax discount rate and a 1% decrease in the terminal growth rate would not have resulted in an impairment being recognized.

9. Other Assets

The Company holds investments within its Barbados-based captive insurance company for self-insured liabilities that are subject to insurance regulatory requirements and are categorized as financial assets at fair value through OCI. The investment portfolio is comprised of US dollar ("USD") cash and cash equivalents and investment grade corporate and government securities as follows:

	As at	
	December 31, 2025	December 31, 2024
Fixed income securities, with maturities due:		
Less than 1 year	1,831	5,736
1-5 years	9,842	6,248
Greater than 5 years	1,990	—
	13,663	11,984
Cash and cash equivalents	4,095	4,167
Equities	4,774	3,972
Other assets	22,532	20,123

Amounts denominated in foreign currencies have been translated at the respective period end exchange rates.

Certain of these investments in the amount of \$3,289 (December 31, 2024 - \$2,878) have been pledged as collateral for letters of credit by the banker of the Company's captive insurance company in favor of the underwriting companies.

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10. Long-Term Debt

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

	As at	
	December 31, 2025	December 31, 2024
Senior Facility	110,837	149,826
Senior Notes	275,000	200,000
	385,837	349,826
Unamortized debt issue costs	(5,758)	(4,938)
Unamortized debt premium	2,220	—
Total long-term debt	382,299	344,888

Senior Facility

On April 28, 2025, the Company entered into an amended and restated credit agreement with respect to its syndicated and operating credit facilities (the "Senior Facility"). As at December 31, 2025, the total size of the Senior Facility is approximately C\$ equivalent \$550,000, consisting of a Canadian facility of \$400,000 and a US facility of US\$110,000. The Senior Facility matures on November 24, 2028, is secured by substantially all of the Company's assets, and includes customary terms, conditions and covenants. As at December 31, 2025, the Senior Facility had a net draw of \$109,345 (December 31, 2024 - \$148,756), with capitalized transaction costs of \$1,492 (December 31, 2024 - \$1,070). Transaction costs attributable to the Senior Facility are recorded as part of the facility and amortized to finance costs over the remaining term.

Amounts drawn on the Senior Facility incur interest at the bank's prime rate or US base rate plus an applicable pricing margin ranging from 0.25% to 1.50% or CORRA or SOFR rates plus an applicable pricing margin ranging from 1.25% to 2.50%. The Senior Facility has a standby fee ranging from 0.25% to 0.50%. The applicable pricing margins and standby fees are based on a sliding scale of Total Net Debt to EBITDA ratio.

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; 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 syndicated and operating credit facilities 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 above, 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 Accounting Standards as issued by the IASB and are provided strictly for the purposes of the Company's Senior Facility covenant calculations.

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The covenant calculations as at December 31, 2025, and 2024, are as follows:

	As at	
	December 31, 2025	December 31, 2024
Total Net Debt	454,351	403,534
EBITDA for the four quarters ended	374,565	337,470
Ratio	1.213	1.196
Maximum	4.000	4.000
Net Senior Debt	167,031	192,111
EBITDA for the four quarters ended	374,565	337,470
Ratio	0.446	0.569
Maximum	3.000	3.000
EBITDA for the four quarters ended	374,565	337,470
Interest Expense for the four quarters ended	32,125	32,930
Ratio	11.660	10.248
Minimum	2.500	2.500

Senior Notes

On October 23, 2025, the Company completed the private placement of \$75,000 of 6.875% senior unsecured notes (the "Additional Senior Notes") due May 24, 2029, at a premium price of \$1,031.25 per \$1,000 principal amount of Senior Notes. The Additional Senior Notes were issued under the indenture governing the Company's \$200,000 of Senior Notes and accordingly form a single series with such previously issued Senior Notes.

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 May 24, 2026. Interest is payable on the Senior Notes semi-annually on May 24 and November 24. 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. Certain restrictions exist relating to items such as making restricted payments and incurring additional debt.

As at December 31, 2025, the Company was in compliance with the terms and covenants of its lending agreements. For the year ended December 31, 2025, the Company recorded \$35,939 (2024 - \$36,346) in interest expense related to its long-term debt and lease balances, including the amortization of debt issue costs and premium. Scheduled principal payments on the Company's long-term debt at December 31, 2025, are as follows:

2026	—
2027	—
2028	110,837
2029	275,000
2030 and thereafter	—
	385,837

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11. Leases

The Company incurs lease payments under a number of lease arrangements for which the underlying leased assets secure the lease obligations. Leases are entered into and exited in coordination with specific business requirements, which includes the assessment of the appropriate durations for the related leased assets. The Company's leases are for terms ranging from January 2026 through October 2034 with a weighted average interest rate of 6.48% (2024 - 7.08%).

As at December 31, 2024	91,893
Additions	57,377
Interest expense	6,947
Lease payments	(47,003)
Disposals	(7,203)
Effects of movements in exchange rates	(2,769)
As at December 31, 2025	99,242
Current portion of lease obligation	39,444
Long-term portion of lease obligation	59,798

Future minimum lease payments outstanding under the Company's lease obligations at December 31, 2025, are as follows:

Less than 1 year	43,916
1-5 years	59,687
5+ years	3,681
Total lease payments	107,284
Amount representing implicit interest	(8,042)
Lease obligations	99,242

Payments recognized in the financial statements relating to short-term leases, variable lease payments, and leases of low-value assets for the year ended December 31, 2025, were \$6,478 (2024 - \$4,696). The Company's short-term leases and leases of low-value assets consist of leases of information technology, office equipment, and short-term facility rentals and variable lease payments relate to operating costs on office leases.

12. Cost of Sales

Included in cost of sales for the year ended December 31, 2025, is depreciation charged on property and equipment and ROU assets of \$86,954 (2024 - \$69,840), and employee compensation and benefits of \$354,375 (2024 - \$298,506).

13. General and Administrative Expenses

Included in general and administrative expenses for the year ended December 31, 2025, is depreciation charged on property and equipment and ROU assets, and amortization charged on intangible assets of \$17,309 (2024 - \$15,841), stock-based compensation of \$30,873 (2024 - \$51,239), and employee compensation and benefits of \$155,656 (2024 - \$141,960).

14. Finance Costs

The Company recognized the following finance costs in its consolidated statement of net income and comprehensive income:

	Year Ended December 31,	
	2025	2024
Interest on debt, net of interest income and amortization of debt premium	33,516	34,292
Amortization of debt issue costs	1,595	1,303
Foreign exchange (gain) loss	(14,959)	26,922
Financial derivative (gain)	(7,282)	(31,397)
Other finance costs	39	713
Finance costs	12,909	31,833

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Notes to the Consolidated Financial Statements

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15. Income Taxes

CES is subject to federal, provincial, and state income taxes in Canada, the US, and other international jurisdictions based on the taxable income or loss, including the transactions entered into and recorded by the Company, and based on the estimates and calculations used by the Company during the normal course of business to the extent that income is not sheltered by existing tax pools. The provision for the Company's income taxes consists of:

	Year Ended December 31,	
	2025	2024
Current income tax expense		
Current year income tax expense	35,864	36,181
Prior year income tax expense adjustment	(1,936)	(448)
Current income tax expense	33,928	35,733
Deferred income tax expense		
Origination and reversal of temporary differences ⁽²⁾	20,147	16,404
Changes in tax rates ⁽¹⁾	129	461
Reversal of unrecognized deferred income tax assets ⁽²⁾	(3,340)	(6,287)
Prior year income tax expense adjustment	1,033	(1,463)
Deferred income tax expense	17,969	9,115
Income tax expense	51,897	44,848

⁽¹⁾The changes in tax rates is due to the impacts of changes to state tax apportionment and provincial allocation of taxable income in the US and Canada, respectively.

⁽²⁾Certain comparative information has been regrouped to align with current year presentation.

The variation between the income taxes calculated at the Canadian statutory rate and the Company's recorded income taxes is explained as follows:

	Year Ended December 31,	
	2025	2024
Income before taxes	256,620	235,954
Combined Canadian statutory rate	23.69 %	23.73 %
Provision for income taxes computed at the Canadian statutory rate	60,793	55,992
Effects on taxes resulting from:		
Non-deductible expenses	3,499	1,183
Stock-based compensation	(308)	(1,906)
Adjustment of prior year taxes	(903)	(1,911)
Income tax in jurisdictions with different tax rates	(5,135)	(1,936)
Change in unrecognized deferred income tax asset	(3,340)	(6,287)
Tax credits and other	(2,709)	(287)
Income tax expense	51,897	44,848
Effective tax rate	20.2 %	19.0 %

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The components of deferred income tax assets and liabilities are as follows:

	As at	
	December 31, 2025	December 31, 2024
Property and equipment	(52,882)	(44,594)
Goodwill and intangible assets	12,026	17,771
Financing costs and other tax credits	262	178
Lease obligations	9,890	7,897
Deferred compensation	8,046	9,857
Restricted interest carryforward	186	5,934
Other temporary differences	11,494	12,935
Capital and non-capital losses	4,569	4,072
Unrecognized tax benefit, net	(5,450)	(7,814)
Net deferred income tax (liability) asset	(11,859)	6,236
Deferred income tax asset	1,457	7,684
Deferred income tax liability	(13,316)	(1,448)

The change in deferred income tax assets and liabilities is as follows:

	Year Ended December 31,	
	2025	2024
Net deferred income tax asset, beginning of year	6,236	14,824
Deferred income tax expense in earnings	(17,969)	(9,115)
Deferred income tax (expense) recovery in equity	(126)	527
Net deferred income tax (liability) asset, end of year	(11,859)	6,236

Tax loss carry forwards that can be utilized in future years are as follows:

	As at	
	December 31, 2025	Expiration Date
Canada:		
Non-capital losses	3,282	2040-2045
Net capital losses	10,917	Indefinite
United States: non-capital losses	9,821	2029
International: operating losses	1,850	2027-2030

Deferred income tax assets are only recognized to the extent that the realization of the tax benefits is probable based on estimated future earnings. As at December 31, 2025, there are unrecognized deferred income tax assets relating to capital and non-capital losses of \$3,798 (2024 - \$3,715), goodwill of \$1,438 (2024 - \$4,099), and restricted interest carryforwards of \$186 (2024 - \$nil).

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16. Share Capital

a) Authorized and issued common shares

The Company is authorized to issue an unlimited number of common shares. A summary of the changes to common share capital is presented below:

	Year Ended December 31, 2025		Year Ended December 31, 2024	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	225,329,085	502,045	236,042,566	593,005
Issued pursuant to stock-based compensation	2,400,708	—	4,429,999	—
Contributed surplus related to stock-based compensation	—	9,891	—	11,930
Issued pursuant to stock settled director fee	20,637	166	32,750	171
Common shares repurchased and canceled through NCIB	(16,800,519)	(140,107)	(15,176,230)	(103,061)
Balance, end of year	210,949,911	371,995	225,329,085	502,045

b) Normal Course Issuer Bid ("NCIB")

On July 22, 2025, the Company renewed the previous NCIB to repurchase for cancellation up to 18,911,524 common shares, being 10.0% of the public float of common shares at the time of renewal. The renewed NCIB will terminate on July 21, 2026, 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, excluding any associated taxes on share repurchases, is presented below:

	Renewed NCIB July 22, 2025 to December 31, 2025	Year Ended December 31, 2025	Since Inception July 17, 2018 to December 31, 2025
Common shares repurchased and canceled through NCIB	8,201,900	16,800,519	86,030,006
Cash outlay	78,079	137,724	375,496
Average price per share	9.52	8.20	4.36

As at December 31, 2025, the Company has repurchased 86,030,006 or approximately 32% of the common shares outstanding since inception of the NCIB programs on July 17, 2018. Subsequent to December 31, 2025, the Company repurchased 1,283,100 additional shares at a weighted average price of \$13.01 for a total of \$16,693.

c) Net income per share

In calculating the basic and diluted net income per share for the year ended December 31, 2025, and 2024, the weighted average number of shares used in the calculation is shown in the table below:

	Year Ended December 31,	
	2025	2024
Net income	204,723	191,106
Weighted average number of shares outstanding:		
Basic shares outstanding	219,418,789	232,341,309
Effect of dilutive shares	2,766,025	4,236,370
Diluted shares outstanding	222,184,814	236,577,679
Net income per share - basic	0.93	0.82
Net income per share - diluted	0.92	0.81

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17. Stock-Based Compensation

For the year ended December 31, 2025, stock-based compensation expense of \$30,873 (2024 - \$51,239) was recorded in general and administrative expenses relating to the Company's stock-based compensation plans. As at December 31, 2025, a total of 10,547,496 common shares were reserved for issuance under the Company's Restricted Share Unit Plan and Stock Settled Director Fee Program, of which 8,024,244 common shares remained available for grant.

a) Restricted Share Unit ("RSU") Plan

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

	Year Ended December 31, 2025		Year Ended December 31, 2024	
	Restricted Share Units	Average Price	Restricted Share Units	Average Price
Balance, beginning of year	3,619,138	3.96	5,342,676	2.50
Granted during the year	1,244,436	7.04	2,637,430	4.82
Reinvested during the year	60,386	5.11	96,009	3.32
Vested during the year	(2,400,708)	4.11	(4,429,999)	2.69
Forfeited during the year	—	—	(26,978)	4.73
Balance, end of year	2,523,252	5.36	3,619,138	3.96

Included in the stock-based compensation expense for the year ended December 31, 2025, is an expense of \$9,328 (2024 - \$11,714) relating to the Company's RSU Plan. The stock-based compensation costs for RSUs granted are based on the five day volume weighted average share price at the date of grant. The amount of compensation expense associated with awards granted during the year ended December 31, 2025, was reduced by an estimated weighted average forfeiture rate of 0.27% (2024 - 0.65%) per year at the date of grant.

b) Phantom Share Unit ("PSU") Plan

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

	Year Ended December 31, 2025	Year Ended December 31, 2024
	Phantom Share Units	Phantom Share Units
Balance, beginning of year	5,025,015	6,480,451
Granted during the year	2,302,560	1,644,866
Reinvested during the year	99,194	144,040
Vested during the year	(2,662,075)	(3,118,210)
Forfeited during the year	(101,404)	(126,132)
Balance, end of year	4,663,290	5,025,015

Included in the stock-based compensation expense for the year ended December 31, 2025, is an expense of \$21,545 (2024 - \$39,525) relating to the Company's PSU Plan. The amount of compensation expense associated with awards granted during the year ended December 31, 2025, was reduced by an estimated weighted average forfeiture rate of 2.77% (2024 - 2.66%) per year at the date of grant. As at December 31, 2025, \$22,415 (December 31, 2024 - \$18,071) was included in accounts payable and accrued liabilities and \$6,845 (December 31, 2024 - \$7,898) was included in other long-term liabilities for outstanding PSUs.

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

18. Dividends

The Company declared dividends to holders of common shares for the year ended December 31, 2025, as follows:

	Dividend Record Date	Dividend Payment Date	Per Common Share	Total
March 2025	Mar 31	Apr 15	0.0425	9,535
June 2025	Jun 30	Jul 15	0.0425	9,347
September 2025	Sept 30	Oct 15	0.0425	9,169
December 2025	Dec 31	Jan 15	0.0425	8,965
Total dividends declared			0.1700	37,016

19. Commitments

The Company has commitments related to inventory, and other lease-related items including short-term leases, leases of low-value assets, and variable payments associated with long-term leases as at December 31, 2025, with payments due as follows:

	Inventory	Lease Related	Total
Less than 1 year	30,067	3,182	33,249
1-5 years	33,007	25	33,032
5+ years	—	—	—
Total	63,074	3,207	66,281

Payments denominated in foreign currencies have been translated using the December 31, 2025, exchange rate.

The Company is also involved in litigation and disputes arising in the normal course of operations. Management is of the opinion that any potential litigation will not have a material adverse impact on the Company's financial position or results of operations, and therefore, provisions for outstanding litigation and potential claims are included in accounts payable and accrued liabilities.

20. Financial Instruments and Risk Management

a) Financial instrument measurement and classification

The Company's financial assets and liabilities consist of accounts receivable, deposits, accounts payable and accrued liabilities, dividends payable, lease obligations, long-term debt, other long-term liabilities, and deferred acquisition consideration, the carrying values of which approximate fair value due to the short-term nature of these instruments. The carrying values of financial liabilities where interest is charged based on a variable rate approximates fair value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit premium. The carrying value of long-term debt and lease obligations where interest is charged at a fixed rate is not significantly different than fair value.

The Senior Notes are recorded at their amortized cost and fair value disclosure of the Senior Notes is based on their estimated trading price on December 31, 2025. At December 31, 2025, the estimated fair value of the Senior Notes was \$286,885 (December 31, 2024 - \$207,449) and is based on level 2 inputs as the inputs are observable through correlation with market data. The following table aggregates the Company's financial derivatives at fair value through profit and loss and financial assets at fair value through OCI in accordance with the fair value hierarchy:

	Carrying Value	Fair Value	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)
As at December 31, 2025				
Financial derivative asset	22,363	22,363	—	22,363
Other assets	22,532	22,532	22,532	—
	44,895	44,895	22,532	22,363
As at December 31, 2024				
Financial derivative asset	22,116	22,116	—	22,116
Other assets	20,123	20,123	20,123	—
	42,239	42,239	20,123	22,116

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

b) Credit risk

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations to the Company. The Company manages credit risk by assessing the creditworthiness of its customers on an ongoing basis and continuously reviews individual customer trade receivables, taking into consideration payment history and the aging of the trade receivable, to assess collectability. Accounts receivable are primarily comprised of balances from customers operating in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices. Collection of these receivables could be influenced by economic factors affecting this industry. The carrying value of trade receivables reflects management's assessment of the associated risk. The Company has trade and other receivables as follows:

	As at	
	December 31, 2025	December 31, 2024
Trade receivables	431,292	373,202
Allowance for doubtful accounts	(3,894)	(4,170)
Total trade receivables	427,398	369,032
Accrued revenue	97,456	81,478
Other receivables	3,955	3,586
Total accounts receivables	528,809	454,096

During the year ended December 31, 2025, and 2024, the Company did not have any customers that comprised greater than 10% of total revenue. The aging of trade receivables is as follows:

	As at	
	December 31, 2025	December 31, 2024
Less than 30 days	227,323	200,334
31-60 days	136,096	124,020
61-90 days	47,592	30,994
Greater than 90 days	20,281	17,854
Total past due	431,292	373,202

The Company uses an expected credit loss model in determining provisions for trade and other receivables that measures lifetime expected credit losses based on historical loss rates, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The change in the provision for expected credit losses is as follows:

	As at	
	December 31, 2025	December 31, 2024
Balance, beginning of year	4,170	7,361
Additional allowance	2,016	2,515
Amounts collected or recovered	(636)	(2,862)
Amounts used	(1,543)	(3,133)
Effect of movements in exchange rates	(113)	289
Balance, end of year	3,894	4,170

c) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk as a result of funds borrowed at floating interest rates. The Company manages this risk by monitoring interest rate trends and forecasted economic conditions. As of December 31, 2025, the Company had not entered into any interest rate derivatives to manage its exposure to fluctuations in interest rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

At December 31, 2025, a 50 basis point favourable or unfavourable change in interest rates, with all other variables held constant would increase or decrease net income by approximately \$772 (2024 - \$1,028).

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

d) Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company's foreign currency risk arises primarily from its working capital balances denominated in foreign currencies and on the investment in its foreign operations. The Company uses the USD as its functional currency in its US operations and in other foreign jurisdictions. The Company manages foreign currency risk by monitoring exchange rate trends and forecasted economic conditions and, as appropriate, through the use of financial derivatives. A 1% increase or decrease is used when reporting foreign currency risk internally and represents management's assessment of the reasonable change in foreign exchange rates.

Excluding financial currency derivatives, at December 31, 2025, a 1% change in the Canadian dollar vis-à-vis the USD would result in an increase or decrease of net income by approximately \$2,210 (2024 - \$455).

The fair value of financial currency derivative transactions is based upon the estimated amounts that would have been paid to or received from counterparties in order to settle the outstanding transactions with reference to the estimated forward prices as of the date of the consolidated statement of financial position. The contracts are transacted with counterparties with whom management has assessed credit risk and due to their relative short-term nature, management has determined that no adjustment for credit risk or liquidity risk is required in determining the estimated settlement price. The actual amounts realized will be based on the settlement prices at the time of settlement and will differ from these estimates. The Company has not designated any of these financial contracts as hedges, and has therefore recorded the unrealized gains and losses on these contracts in the consolidated statement of financial position as assets or liabilities with changes in their fair value recorded in net income for the period. The Company manages its exposure to USD denominated purchases pursuant to its Canadian and US operations through foreign exchange USD forward purchase contracts.

At December 31, 2025, and 2024, the Company had not entered into any USD forward purchase contracts to manage its exposure to USD denominated purchase to its Canadian and US operations, therefore a 1% change in the Canadian dollar vis-à-vis the US dollar would have no impact to net income.

e) Equity price risk

The Company is exposed to equity price risk on its share price in relation to its cash-settled PSU plan. The Company manages equity price risk, as appropriate, through the use of financial derivatives. The Company has entered into equity derivative contracts to mitigate its exposure to fluctuations in its share price by fixing the future settlement cost on a portion of the cash-settled PSU plan. A 10% increase or decrease is used when reporting equity price risk internally and represents management's assessment of the reasonably possible change in the Company's share price.

At December 31, 2025, a 10% change in the Company's share price would result in an increase or decrease to net income of \$4,211 (2024 - \$3,739). The following table details the outstanding equity derivative contracts as of December 31, 2025:

Period	Price	Contract	Notional Principal	Number of Shares
July 2026	\$4.8078	Swap	\$9,262	1,926,490
July 2027	\$7.1119	Swap	\$6,761	950,721
July 2028	\$6.8348	Swap	\$3,791	554,721
Total	\$5.7737		\$19,814	3,431,932

f) Commodity price risk

Commodity price risk is the risk that the value of future cash flows will fluctuate as a result of changes in commodity prices. The Company is exposed both directly and indirectly to changes in underlying commodity prices, namely crude oil and natural gas. The prices of these commodities are significantly impacted by world economic events, which impact the supply and demand of crude oil and natural gas. The Company is primarily impacted by the effects of changes in the prices of crude oil and natural gas, which impact overall activity and the demand for the Company's products and services. In addition, through its operations, the Company purchases various minerals, chemicals, and oil-based products and is directly exposed to changes in the prices of these items.

At December 31, 2025, the Company had not entered into any commodity derivatives to manage its exposure to fluctuations in commodity prices.

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

g) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due and describes the Company's ability to access cash. The Company requires sufficient cash resources to finance operations, fund capital expenditures, repay debt, fund shareholder dividends, and settle other liabilities of the Company as they come due. The Company manages liquidity risk by ensuring it has access to multiple sources of capital and through prudent management of its operational cash flows.

The following table details the remaining contractual maturities of the Company's financial liabilities as of December 31, 2025:

	Payments Due By Period ⁽¹⁾					Total
	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	
Accounts payable and accrued liabilities	266,312	22,163	—	—	—	288,475
Dividends payable ⁽²⁾	8,965	—	—	—	—	8,965
Income taxes payable	7,539	1,403	—	—	—	8,942
Deferred acquisition consideration	—	3,439	2,406	2,405	—	8,250
Senior Facility	—	—	—	110,837	—	110,837
Senior Notes ⁽³⁾	—	—	—	275,000	—	275,000
Interest on Senior Notes	—	18,906	18,906	28,360	—	66,172
Lease obligations ⁽⁴⁾	6,646	32,798	30,387	26,846	2,565	99,242
Commitments ⁽⁵⁾	19,469	13,780	17,833	15,199	—	66,281
Other long-term liabilities	—	—	5,396	1,449	—	6,845
	308,931	92,489	74,928	460,096	2,565	939,009

⁽¹⁾Payments denominated in foreign currencies have been translated using the December 31, 2025, exchange rate.

⁽²⁾Dividends declared as of December 31, 2025.

⁽³⁾The Senior Notes are due on May 24, 2029.

⁽⁴⁾Lease obligations reflect principal payments and excludes any associated interest portion.

⁽⁵⁾Commitments include amounts relating to inventory, and other lease-related items including short-term leases, leases of low-value assets, and variable payments associated with long-term leases.

21. Capital Management

The overall capitalization of the Company is as follows:

	As at	
	December 31, 2025	December 31, 2024
Long-term debt ⁽¹⁾	385,837	349,826
Shareholders' equity	801,524	814,230
Total capitalization	1,187,361	1,164,056

⁽¹⁾Excludes: Unamortized debt issue costs and premium.

For the year ended December 31, 2025, the Company considers capital to include shareholders' equity and long-term debt. The Company's objectives when managing capital are to permit prudent capital allocation to one or a combination of: investment in current operations, debt reduction, opportunistic share repurchases, dividends and acquisitions; as well as to maintain creditor and shareholder confidence.

The Company's overall capital management strategy remains unchanged in 2025. Management of the Company sets the amount of capital in proportion to risk, and manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, CES may adjust the level of dividends paid to shareholders, issue or repurchase shares, issue senior notes, dispose of assets, repay or incur new debt.

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

In addition to monitoring the external financial covenants as detailed in Note 10, the Company manages capital by analyzing working capital levels, forecasted cash flows, strategic investments in key raw materials, planned investments in property and equipment, and general economic conditions. The Company is subject to certain financial covenants in its Senior Facility and Senior Notes, and as at December 31, 2025, was in compliance with all of the financial requirements under its lending agreements.

22. Supplemental Information

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

	Year Ended December 31,	
	2025	2024
(Increase) decrease in current assets:		
Accounts receivable ⁽¹⁾	(74,961)	(8,945)
Inventory	32,109	(37,767)
Prepaid expenses and deposits	(4,540)	(3,688)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities ⁽²⁾	29,788	27,303
Effects of movement in exchange rate	(21,780)	37,106
	(39,384)	14,009
Relating to:		
Operating activities	(39,031)	11,655
Investing activities	(353)	2,354

⁽¹⁾Includes income taxes receivable.

⁽²⁾Includes income taxes payable and other long-term liabilities relating to the cash-settled PSU plan.

For the year ended December 31, 2025, and 2024, changes in non-cash working capital relating to investing activities have been included in "Investment in property and equipment" on the consolidated statements of cash flows.

23. Geographical Information

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

	Revenue	
	Year Ended December 31,	
	2025	2024
United States	1,652,286	1,571,433
Canada	841,866	782,244
	2,494,152	2,353,677

	Long-Term Assets ⁽¹⁾	
	December 31, 2025	December 31, 2024
	United States	462,890
Canada	153,722	140,065
	616,612	579,497

⁽¹⁾Includes: Property and equipment, right of use assets, intangible assets, other assets and goodwill.

CES Energy Solutions Corp.

Notes to the Consolidated Financial Statements

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

24. Related Parties

Included in general and administrative expenses is remuneration of key management personnel, which includes executive officers and directors of the Company. In addition to salaries and director fees, respectively, the Company also provides compensation to executive officers and directors under the Company's RSU plan. Remuneration of key management personnel is comprised of:

	Year Ended December 31,	
	2025	2024
Salaries and cash-based compensation	17,008	17,902
Stock-based compensation	7,416	10,336
	24,424	28,238

25. Significant Subsidiaries

The Company operates through two significant subsidiaries based on geographic location:

Subsidiary Name	Country of Incorporation	Ownership Interest %	
		December 31, 2025	December 31, 2024
Canadian Energy Services L.P.	Canada	100%	100%
AES Drilling Fluids Holdings, LLC	United States	100%	100%

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
Trading Symbol: CEU

OTC

Trading Symbol: CESDF

BOARD OF DIRECTORS

Kyle D. Kitagawa^{1,2}
Chairman

John M. Hooks^{2,3}

Spencer D. Armour III^{2,3}

Stella Cosby^{3,4}

Ian Hardacre^{1,4}

Joe Wright^{1,4}

Kenneth E. Zinger

¹Member of the Audit Committee

²Member of the Compensation Committee

³Member of the Corporate Governance and Nominating
Committee

⁴Member of the Health, Safety and Environment
Committee

EXECUTIVE OFFICERS

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

Anthony M. Aulicino
Executive Vice President & Chief Financial Officer

Vernon J. Disney
President, US Production Chemicals

James F. Strickland
President, US Drilling Fluids

CORPORATE SECRETARY

Matthew S. Bell

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Calgary, AB

BANKERS

Scotiabank Canada, Calgary, AB

LEGAL COUNSEL

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Crowe & Dunlevy, Oklahoma City, OK

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