



Canadian Energy

SERVICES

Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

Canadian Energy Services & Technology Corp.
Condensed Consolidated Statements of Financial Position (unaudited)
(stated in thousands of Canadian dollars)

	As at	
	June 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash	49,274	-
Accounts receivable	143,290	274,485
Financial derivative asset	516	-
Income taxes receivable	8,827	5,520
Inventory	134,837	141,485
Prepaid expenses and deposits	5,751	23,594
	342,495	445,084
Property and equipment (note 3)	231,146	210,775
Intangible assets	96,078	99,340
Deferred income tax asset	927	11
Goodwill	351,515	332,870
	1,022,161	1,088,080
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	59,335	105,104
Financial derivative liability	804	554
Dividends payable (note 9)	5,990	5,927
Income taxes payable	456	141
Current portion of deferred acquisition consideration (note 8)	13,759	18,485
Current portion of long-term debt (note 4)	-	884
Current portion of finance lease obligations	6,576	6,908
	86,920	138,003
Deferred acquisition consideration	10,985	10,851
Long-term debt (note 4)	298,484	360,024
Finance lease obligations	6,685	7,787
Deferred income tax liability	36,243	31,021
	439,317	547,686
Commitments (note 10)		
Shareholders' equity		
Common shares (note 6)	472,194	459,053
Contributed surplus	21,529	21,315
Deficit	(25,997)	(5,869)
Accumulated other comprehensive income	115,026	65,538
Equity attributable to shareholders of the Company	582,752	540,037
Non-controlling interest	92	357
	582,844	540,394
	1,022,161	1,088,080

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

Canadian Energy Services & Technology Corp.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue	163,137	189,785	396,899	421,095
Cost of sales	126,873	141,521	303,404	308,384
Gross margin	36,264	48,264	93,495	112,711
General and administrative expenses	35,750	31,758	71,975	64,904
Operating profit	514	16,506	21,520	47,807
Finance costs	6,152	4,745	10,649	10,624
Other income (note 8)	(5,816)	-	(5,816)	-
Income before taxes	178	11,761	16,687	37,183
Current income tax (recovery) expense	(2,153)	1,604	(1,726)	4,666
Deferred income tax expense	495	1,698	2,500	4,566
Net income	1,836	8,459	15,913	27,951
Net income attributable to:				
Shareholders of the Company	1,758	8,459	15,669	27,951
Non-controlling interest	78	-	244	-
	1,836	8,459	15,913	27,951
Other comprehensive (loss) gain:				
Unrealized foreign exchange (loss) gain on translation of foreign operations attributable to:				
Shareholders of the Company	(11,306)	(16,684)	49,445	1,164
Non-controlling interest	8	-	43	-
Comprehensive (loss) income	(9,462)	(8,225)	65,401	29,115
Comprehensive (loss) income attributable to:				
Shareholders of the Company	(9,548)	(8,225)	65,114	29,115
Non-controlling interest	86	-	287	-
	(9,462)	(8,225)	65,401	29,115
Net income per share (note 6)				
Basic	0.01	0.04	0.07	0.14
Diluted	0.01	0.04	0.07	0.13

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

Canadian Energy Services & Technology Corp.
Condensed Consolidated Statements of Changes in Equity (unaudited)
(stated in thousands of Canadian dollars)

	Six Months Ended June 30,	
	2015	2014
COMMON SHARES		
Balance, beginning of period	459,053	342,532
Issued pursuant to stock-based compensation (note 7)	13,126	9,600
Issued pursuant to property and equipment acquisition	-	60
Issued pursuant to stock dividend and stock settled director fee	15	468
Balance, end of period	472,194	352,660
CONTRIBUTED SURPLUS		
Balance, beginning of period	21,315	13,387
Reclassified pursuant to stock-based compensation (note 6)	(11,460)	(6,570)
Stock-based compensation expense (note 7)	11,674	9,747
Balance, end of period	21,529	16,564
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of period	65,538	14,949
Unrealized foreign exchange gain on translation of foreign operations	49,488	1,164
Balance, end of period	115,026	16,113
DEFICIT		
Balance, beginning of period	(5,869)	(10,349)
Net income attributable to shareholders of the Company	15,669	27,951
Dividends declared (note 9)	(35,797)	(28,423)
Balance, end of period	(25,997)	(10,821)
NON-CONTROLLING INTEREST		
Balance, beginning of period	357	-
Net income attributable to non-controlling interest	244	-
Distributions declared to non-controlling interest	(509)	-
Balance, end of period	92	-
	582,844	374,516

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

Canadian Energy Services & Technology Corp.

Condensed Consolidated Statements of Cash Flows (unaudited)
(stated in thousands of Canadian dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net income	1,836	8,459	15,913	27,951
Adjustments for:				
Depreciation and amortization	13,107	9,145	26,334	17,988
Stock-based compensation	6,506	5,560	11,674	9,747
Non-cash expenses	(142)	(52)	332	360
Deferred income tax expense	495	1,698	2,500	4,566
Gain on disposal of assets	(121)	(86)	(308)	(322)
Other income (note 8)	(5,816)	-	(5,816)	-
Change in non-cash working capital (note 11)	101,458	30,172	123,906	(9,934)
	117,323	54,896	174,535	50,356
FINANCING ACTIVITIES:				
Repayment of long-term debt and finance leases	(1,935)	(1,615)	(4,922)	(3,031)
Increase (decrease) in Senior Facility	(37,032)	(23,581)	(60,015)	7,022
Shareholder dividends	(17,928)	(14,549)	(35,734)	(27,232)
Issuance of shares, net of issuance costs	1,349	1,702	1,666	3,030
Distributions to non-controlling interest	(263)	-	(509)	-
	(55,809)	(38,043)	(99,514)	(20,211)
INVESTING ACTIVITIES:				
Investment in property and equipment	(12,381)	(16,400)	(26,918)	(29,453)
Investment in intangible assets	(891)	(937)	(1,367)	(1,873)
Proceeds on disposal of property and equipment	1,485	484	2,991	1,181
	(11,787)	(16,853)	(25,294)	(30,145)
Effect of foreign exchange on cash	(453)	-	(453)	-
CHANGE IN CASH	49,274	-	49,274	-
Cash, beginning of period	-	-	-	-
Cash, end of period	49,274	-	49,274	-
SUPPLEMENTARY CASH FLOW DISCLOSURE				
Interest paid	11,529	9,006	12,108	9,821
Income taxes paid	491	5,328	978	7,366

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

Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

1. The Company

Canadian Energy Services & Technology Corp. (the “Company” or “CES”) is a company domiciled in Canada. These unaudited condensed consolidated financial statements of the Company as at and for the three and six months ended June 30, 2015 and 2014 comprise 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 oil and gas industry. CES operates in the Western Canadian Sedimentary Basin (“WCSB”) and in several basins throughout the United States (“US”), with an emphasis on servicing the ongoing major resource plays. CES’ business units include: Canadian Energy Services, AES Drilling Fluids, AES Drilling Fluids Permian, PureChem Services, JACAM Chemicals, Clear Environmental Solutions, and EQUAL Transport.

2. Basis of Presentation

Statement of Compliance

These unaudited condensed consolidated financial statements have been prepared by management of the Company in accordance with International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*”, following the same accounting principles and methods of computation as outlined in the Company’s consolidated financial statements for the year ended December 31, 2014. There were no new or amended accounting standards or interpretations adopted during the six months ended June 30, 2015.

These unaudited condensed consolidated financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2014. These unaudited condensed consolidated financial statements were authorized for issue by the Company’s Board of Directors on August 12, 2015.

Recent Accounting Pronouncements

There were no new or amended accounting standards or interpretations issued during the six months ended June 30, 2015 that are applicable to the Company in future periods. A description of accounting standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2014.

3. Property and Equipment

Property and equipment are comprised of the following balances:

<i>\$000's</i>	As at			As at		
	June 30, 2015			December 31, 2014		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Buildings	79,116	(7,891)	71,225	62,474	(6,074)	56,400
Trucks and trailers	52,405	(21,265)	31,140	48,479	(16,044)	32,435
Vehicles	36,621	(11,287)	25,334	34,247	(10,240)	24,007
Tanks	29,768	(5,434)	24,334	27,890	(4,285)	23,605
Processing equipment	28,705	(4,993)	23,712	25,541	(3,634)	21,907
Aircraft	24,594	(4,291)	20,303	23,588	(3,062)	20,526
Field equipment	31,552	(13,204)	18,348	26,939	(10,215)	16,724
Land	8,006	-	8,006	7,655	-	7,655
Leasehold improvements	6,683	(2,605)	4,078	5,195	(2,125)	3,070
Computer equipment	6,666	(3,777)	2,889	5,565	(2,899)	2,666
Furniture and fixtures	3,247	(1,470)	1,777	2,922	(1,142)	1,780
	307,363	(76,217)	231,146	270,495	(59,720)	210,775

Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

4. Long-Term Debt

On September 5, 2014, the Company entered into a new syndicated Senior Facility (the "Senior Facility") which allows the Company to borrow up to \$200,000. The Senior Facility has a term to maturity of three years, maturing on September 30, 2017 and may be extended by one year upon the agreement of the lenders and the Company. In addition, subject to certain terms and conditions, the Company may increase its Senior Facility by \$100,000 to a maximum borrowing of \$300,000. 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 0.50% to 1.25% or the Canadian Bankers' Acceptance rate or the LIBOR rate plus an applicable pricing margin ranging from 1.50% to 2.25%. The Senior Facility has a standby fee ranging from 0.30% to 0.45%. The applicable pricing margins are based on a sliding scale of senior funded debt to EBITDA ratio. The obligations and indebtedness under the Senior Facility are secured by all of the assets of CES and its subsidiaries.

In conjunction with the Senior Facility, CES is subject to the following financial covenants:

- The ratio of Total Net Funded Debt to EBITDA calculated on a rolling four-quarter basis shall not exceed 4.00 to 1.00.
- The ratio of Senior Funded Debt to trailing EBITDA must not exceed 2.50 to 1.00 calculated on a rolling four-quarter basis.
- The quarterly ratio of EBITDA to interest expense must be more than 3.00 to 1.00 calculated on a rolling four-quarter basis.

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

- 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, stock-based compensation, and other gains and losses not considered reflective of underlying operations.
- Total Net Funded Debt is defined as all funded obligations, liabilities, and indebtedness excluding deferred income tax liabilities and deferred tax credits, office leases, other leases characterised as operating leases, and accrued interest not yet due and payable.
- Senior Funded Debt is defined as Total Net Funded Debt minus the principal amount owing on the Company's Senior Notes.

The above noted definitions are not recognized under IFRS and are provided strictly for the purposes of the debt covenant calculations.

As at June 30, 2015, the Company was in compliance with the terms and covenants of its lending agreements. The Company's debt covenant calculations as at June 30, 2015 and as at December 31, 2014, are as follows:

\$000's	As at	
	June 30, 2015	December 31, 2014
Total Net Funded Debt to EBITDA Ratio (Must be < 4.00:1.00)		
Total Net Funded Debt	313,261	377,313
EBITDA for the four quarters ended	162,934	177,172
Ratio	1.92	2.13
Senior Funded Debt to EBITDA Ratio (Must be < 2.50:1.00)		
Senior Funded Debt	13,261	77,313
EBITDA for the four quarters ended	162,934	177,172
Ratio	0.08	0.44
EBITDA to Interest Expense (Must be > 3.00:1.00)		
EBITDA for the four quarters ended	162,934	177,172
Interest Expense for the four quarters ended	24,201	22,133
Ratio	6.73	8.00

As of June 30, 2015, the maximum available draw on the Senior Facility was \$200,000 (December 31, 2014 - \$200,000) and the Company had a draw of \$nil (December 31, 2014 - a net draw of \$60,916), with capitalized transaction costs of \$541 (December 31, 2014 - \$669). Transaction costs attributable to the Senior Facility are recorded as part of the Senior Facility in long-term debt and amortized to finance costs over the remaining term.

Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

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

<i>\$000's</i>	As at	
	June 30, 2015	December 31, 2014
Senior Facility	-	61,585
Senior Notes	300,000	300,000
Vehicle financing loan	-	628
Equipment financing loans	-	405
	300,000	362,618
Less net unamortized debt issue costs	(5,091)	(5,653)
Less net unamortized debt premium	3,575	3,943
Less current portion of long-term debt	-	(884)
Long-term debt	298,484	360,024

For the three and six months ended June 30, 2015, the Company recorded \$6,329 and \$12,695, respectively, (2014 – \$5,312 and \$10,458, respectively) in interest expense related to its long-term debt and lease balances, including the amortization of capitalized transaction costs.

5. Income Taxes

CES is subject to federal, provincial, and state income taxes in Canada, the US, and Luxembourg 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.

In August 2014, the Company received a proposal letter from the Canada Revenue Agency (the "CRA") which stated its intent to challenge the Canadian tax consequences of the Company's conversion from a publicly-traded Canadian limited partnership to a publicly-traded corporation (the "Conversion"). The CRA's position is based on the acquisition of control rules and the general anti-avoidance rules in the Income Tax Act (Canada). If the CRA issues notices of reassessment in respect of the Company's 2010, 2011, and 2012 taxation years, CES would be required to remit to the CRA 50% of the tax liability claimed by the CRA despite the appeal of such reassessments. If such reassessments were issued and maintained on appeal, CES would be obligated to remit cash taxes of approximately \$16,000 for the three taxation years, plus applicable interest. CES provided a response to the proposal letter in September 2014 and a further submission in June 2015, and is currently awaiting a response from the CRA.

The impact of the CRA proposal on CES' tax provision has been considered by management and the Company remains confident that the tax returns as filed correctly reported the Canadian tax consequences of the Conversion transaction. If the proposed reassessments are issued by the CRA, management intends to vigorously defend CES' tax filing position. No amount has been accrued in the Company's June 30, 2015 unaudited condensed consolidated financial statements related to the Conversion.

6. Share Capital

a) Authorized

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

b) Issued and outstanding

On June 19, 2014, the Company's shareholders approved a three-for-one split of CES' outstanding common shares (the "Stock Split"). The Stock Split was effected in the form of the issuance of two additional common shares for each share owned by shareholders of record at the close of business on July 18, 2014. All share data and information related to the Company's stock-based compensation plans presented herein have been retroactively adjusted to give effect to the stock split.

Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

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

	Six Months Ended June 30, 2015		Year Ended December 31, 2014	
	Number of Shares	Amount	Number of Shares ⁽¹⁾	Amount
<i>Common Shares (\$000's except number of shares)</i>				
Balance, beginning of period	215,512,074	459,053	201,321,384	342,532
Issued pursuant to the Offering, net of share issue costs and taxes	-	-	6,912,000	72,715
Consideration for business combinations	-	-	2,324,877	24,712
Issued pursuant to stock-based compensation	2,301,723	1,666	4,885,149	5,409
Contributed surplus related to stock-based compensation	-	11,460	-	13,143
Issued pursuant to property and equipment acquisition	-	-	7,365	60
Issued pursuant to stock dividend and stock settled director fee	2,583	15	61,299	482
Balance, end of period	217,816,380	472,194	215,512,074	459,053

⁽¹⁾ Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of common shares outstanding have been retroactively adjusted to effect the stock split.

c) Net income per share

In calculating the basic and diluted net income per share for the three and six months ended June 30, 2015 and 2014, the weighted average number of shares used in the calculation is shown in the table below:

<i>\$000's, except share and per share amounts</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income ⁽¹⁾	1,758	8,459	15,669	27,951
Weighted average number of shares outstanding:				
Basic shares outstanding ⁽²⁾	217,442,891	203,533,809	216,790,878	202,758,916
Effect of dilutive shares ⁽³⁾	6,295,343	8,693,214	5,715,772	8,726,641
Diluted shares outstanding	223,738,234	212,227,023	222,506,650	211,485,557
Net income per share - basic ⁽²⁾	\$0.01	\$0.04	\$0.07	\$0.14
Net income per share - diluted ⁽³⁾	\$0.01	\$0.04	\$0.07	\$0.13

⁽¹⁾ Represents net income attributable to the shareholders of the Company.

⁽²⁾ Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of common shares outstanding and net income per share amounts have been retroactively adjusted to give effect to the stock split.

⁽³⁾ Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of dilutive Share Rights and Restricted Share Units outstanding have been retroactively adjusted to give effect to the stock split.

Excluded from the calculation of dilutive shares for the three and six months ended June 30, 2015, are 9,238,000 Share Rights (2014 – 1,080,000) that are considered anti-dilutive.

7. Stock-Based Compensation

Pursuant to the Stock Split, for each Share Right and Restricted Share Unit outstanding, an additional two Share Rights or Restricted Share Units were issued at an exercise price reduced to one-third of the original exercise price. The Company's stock-based compensation plans have been retroactively adjusted to give effect to the stock split as reflected in the information below.

As at June 30, 2015, a total of 21,781,638 common shares were reserved for issuance under the Company's Share Rights Incentive Plan, Restricted Share Unit Plan, and Stock Settled Director Fee Program, of which 4,726,655 common shares remained available for grant. For the three and six months ended June 30, 2015, stock compensation expense of \$6,506 and \$11,674, respectively, (2014 – \$5,560 and \$9,747, respectively) was recorded in general and administrative expenses relating to the Company's stock-based compensation plans.

a) Share Rights Incentive Plan ("SRIP")

CES' SRIP provides incentives to the employees, officers, and directors of the Company by issuing options to acquire common shares. Share Rights generally vest as to one-third on each of the first, second, and third anniversary dates of the grant, or such other vesting schedule as determined by the Board of Directors, and expire no later than five years after the date of the grant.

Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

Under the SRIP, employees may elect to exercise the Share Rights at an adjusted exercise price in which the option exercise price will be adjusted downwards by the cumulative dividends paid by the Company.

A summary of changes under the SRIP is presented below:

	Six Months Ended June 30, 2015		Year Ended December 31, 2014	
	Share Rights	Average Exercise Price	Share Rights ⁽¹⁾	Average Exercise Price ⁽¹⁾
Balance, beginning of period	6,344,044	\$6.22	7,174,644	\$3.84
Granted during the period	5,983,000	6.91	1,879,500	10.23
Exercised during the period	(737,500)	2.26	(2,419,100)	2.24
Forfeited during the period	(72,000)	5.87	(291,000)	5.74
Balance, end of period	11,517,544	\$6.82	6,344,044	\$6.22
Exercisable Share Rights, end of period	2,365,044	\$5.38	2,612,500	\$3.72

⁽¹⁾ Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of Share Rights outstanding and average exercise prices have been retroactively adjusted to give effect to the stock split.

The compensation costs for Share Rights granted during the six months ended June 30, 2015, were calculated using a Black-Scholes option pricing model using the following weighted average assumptions:

	Six Months Ended June 30, 2015
Risk-free interest rate	0.70%
Expected average life of Share Rights	2.6 years
Share Right term	5.0 years
Annual forfeiture rate	7.05%
Dividend yield	2.64%
Expected volatility	44.32%
Weighted average share price	\$6.91
Weighted average fair value per Share Right	\$1.68

The following table summarizes information about the outstanding grants under the Company's SRIP as at June 30, 2015:

Range of exercise prices	Share Rights Outstanding		Share Rights Exercisable		
	Share Rights	Weighted average exercise price	Weighted average term remaining in years	Share Rights	Weighted average exercise price
\$1.41 - \$2.75	499,500	\$2.06	0.27	499,500	\$2.06
\$2.76 - \$3.64	1,420,500	3.55	2.10	787,500	3.54
\$3.65 - \$6.68	359,544	5.36	3.46	127,044	4.73
\$6.69 - \$7.41	7,420,000	6.99	4.60	504,000	7.25
\$7.42 - \$10.98	1,818,000	10.30	3.89	447,000	10.39
	11,517,544	\$6.82	3.96	2,365,044	\$5.38

b) Restricted Share Unit ("RSU") Plan

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

Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

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

	Six Months Ended June 30, 2015		Year Ended December 31, 2014	
	Restricted Share Units	Average Price	Restricted Share Units ⁽¹⁾	Average Price ⁽¹⁾
Balance, beginning of period	4,093,785	\$7.03	4,972,498	\$4.84
Granted during the period	2,938,352	5.80	1,985,688	9.72
Reinvested during the period	98,157	6.85	162,752	6.16
Vested during the period	(1,564,223)	7.01	(2,466,049)	4.68
Forfeited during the period	(28,631)	6.26	(411,104)	4.16
Cancelled during the period	-	-	(150,000)	3.93
Balance, end of period	5,537,440	\$6.39	4,093,785	\$7.03

⁽¹⁾ Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of RSUs outstanding and average prices have been retroactively adjusted to give effect to the stock split.

The weighted average fair value of RSUs granted during the six months ended June 30, 2015, was \$5.80 per RSU (six months ended June 30, 2014 - \$9.59), with a weighted average forfeiture rate of 2.3%. The stock-based compensation costs for RSUs granted are based on the five day volume weighted average share price at the date of grant.

8. Other Income

During the three months ended June 30, 2015, the Company recorded a recovery of \$5,816 related to deferred consideration that is no longer payable because certain earn-out thresholds relating to the 2013 Venture Mud acquisition were not achieved.

9. Dividends

The Company declared dividends to holders of common shares for the six months ended June 30, 2015, as follows:

<i>\$000's except per share amounts</i>	Dividend Record Date	Dividend Payment Date	Per Common Share	Total
January	Jan 30	Feb 13	\$0.0275	5,939
February	Feb 27	Mar 13	\$0.0275	5,940
March	Mar 31	Apr 15	\$0.0275	5,969
April	Apr 30	May 15	\$0.0275	5,976
May	May 29	Jun 15	\$0.0275	5,983
June	Jun 30	Jul 15	\$0.0275	5,990
Total dividends declared during the period			\$0.1650	35,797

Subsequent to June 30, 2015, the Company declared dividends to holders of common shares in the amount of \$0.0275 per common share payable on August 14, 2015, for shareholders of record on July 31, 2015.

10. Commitments

The Company has commitments with payments due as follows:

<i>\$000's</i>	2015 - 6 months	2016	2017	2018	2019	Total
Office and facility rent	3,307	4,444	2,953	2,099	864	13,667

Payments denominated in foreign currencies have been translated using the appropriate June 30, 2015 exchange rate

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

Canadian Energy Services & Technology Corp.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

11. Supplemental Information

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

\$000's	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Decrease (increase) in current assets				
Accounts receivable	113,233	52,819	140,841	21,522
Inventory	7,637	(13,080)	13,254	(17,285)
Prepaid expenses and deposits	2,910	2,031	18,811	2,350
Decrease in current liabilities				
Accounts payable and accrued liabilities	(22,136)	(11,428)	(50,114)	(16,805)
	101,644	30,342	122,792	(10,218)
<i>Relating to:</i>				
Operating activities	101,458	30,172	123,906	(9,934)
Investing activities	186	170	(1,114)	(284)

For the three and six months ended June 30, 2015 and 2014, 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.

12. Geographical Information

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

\$000's	Revenue			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Canada	35,355	52,205	112,432	159,152
United States	127,782	137,580	284,467	261,943
Total	163,137	189,785	396,899	421,095

\$000's	Long-Term Assets ⁽¹⁾	
	June 30, 2015	December 31, 2014
Canada	173,440	176,111
United States	505,299	466,874
Total	678,739	642,985

⁽¹⁾ Includes: Property and equipment, goodwill, and intangible assets

Canadian Energy Services & Technology Corp.

Information

STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange
Trading Symbol: CEU

OTCQX

Trading Symbol: CESDF

BOARD OF DIRECTORS

Kyle D. Kitagawa^{1,4}
Chairman

D. Michael G. Stewart^{1,4}

John M. Hooks^{2,4}

Rodney L. Carpenter³

Burton J. Ahrens^{1,4}

Colin D. Boyer^{2,3}

Philip J. Scherman¹

Thomas J. Simons

Jason H. West³

¹Member of the Audit Committee

²Member of the Compensation Committee

³Member of the Health, Safety and Environment
Committee

⁴Member of the Governance Committee

OFFICERS

Thomas J. Simons
President & Chief Executive Officer

Craig F. Nieboer, CA
Chief Financial Officer

Kenneth E. Zinger
Canadian President & Chief Operating Officer

Kenneth D. Zandee
Vice President, Marketing

Jason D. Waugh
Vice President

James M. Pasieka
Corporate Secretary

AUDITORS

Deloitte LLP
Chartered Accountants, Calgary, AB

BANKERS

Scotiabank Canada, Calgary, AB

SOLICITORS

McCarthy Tetrault, LLP, Calgary, AB
Crowe & Dunlevy, Oklahoma City, OK

REGISTRAR & TRANSFER AGENT

Computershare Investor Services Inc.
Calgary, AB and Toronto, ON

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