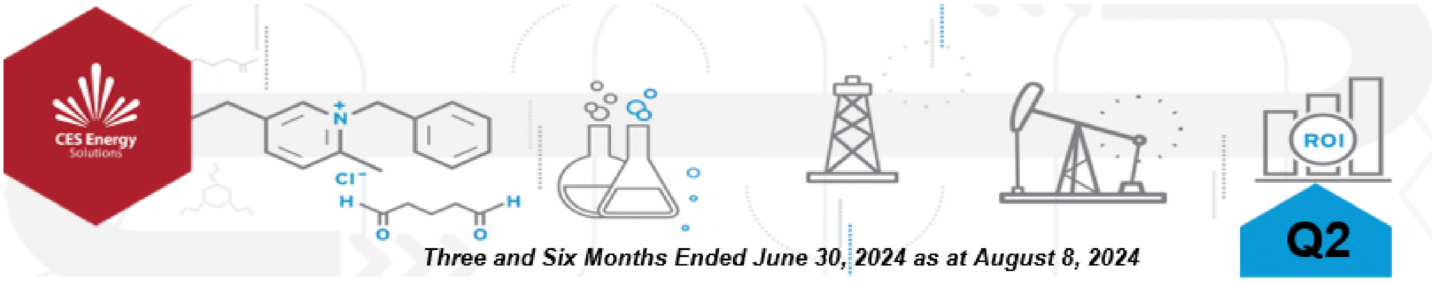


MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes thereto of CES Energy Solutions Corp. ("CES" or the "Company") for three and six months ended June 30, 2024, and 2023, and CES' 2023 Annual Information Form. Readers should also refer to the "Forward-looking Information & Statements" legal advisory and the sections regarding "Non-GAAP Measures and Other Financial Measures" and "Operational Definitions" at the end of this MD&A. This MD&A is dated August 8, 2024, and incorporates all relevant Company information to that date. Amounts are stated in Canadian dollars unless otherwise noted.

USE OF NON-GAAP MEASURES AND OTHER FINANCIAL MEASURES

This MD&A contains certain financial measures that are not recognized by Canadian generally accepted accounting principles ("GAAP"), and which are used by Management to evaluate CES' financial performance, financial position and cash flow. These non-GAAP measures and other financial measures do not have a standardized meaning prescribed under International Financial Reporting Standards ("IFRS"), and therefore may not be comparable to similar measures presented by other entities. Securities regulations require that non-GAAP financial measures are clearly defined, qualified and reconciled with their most closely comparable GAAP measure. Please refer to the section titled "Non-GAAP Measures and Other Financial Measures" for further information on the definition, calculation and reconciliation of the non-GAAP measures and other financial measures contained in this MD&A.

BUSINESS OF CES

CES is a leading provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield. This includes total solutions at the drill-bit, at the point of completion and stimulation, at the wellhead and pump-jack, and finally through to the pipeline and midstream market. Key solutions include corrosion inhibitors, demulsifiers, H_2S scavengers, paraffin control products, surfactants, scale inhibitors, biocides and other specialty products. Further, specialty chemicals are used throughout the pipeline and midstream industry to aid in hydrocarbon movement and manage transportation and processing challenges including corrosion, wax build-up and H_2S.

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

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

FINANCIAL HIGHLIGHTS

	Three Months Ended June 30,			Six Months Ended June 30,		
($000s, except per share amounts)	**2024**	2023	% Change	**2024**	2023	% Change
Revenue						
United States[1]	**390,924**	375,455	4 %	**778,598**	744,430	5 %
Canada[1]	**162,272**	140,387	16 %	**363,176**	329,108	10 %
Total Revenue	**553,196**	515,842	7 %	**1,141,774**	1,073,538	6 %
Net income	**48,155**	33,901	42 %	**102,613**	66,903	53 %
per share – basic	***0.20***	*0.13*	54 %	***0.44***	*0.26*	69 %
per share - diluted	***0.20***	*0.13*	54 %	***0.43***	*0.26*	65 %
Adjusted EBITDAC[2]	**95,447**	73,893	29 %	**197,479**	150,996	31 %
Adjusted EBITDAC[2] % of Revenue	***17.3 %***	*14.3 %*	3.0 %	***17.3 %***	*14.1 %*	3.2 %
Funds Flow from Operations[2]	**61,560**	62,995	(2)%	**135,725**	125,620	8 %
Change in non-cash working capital	**21,685**	26,332	(18)%	**33,848**	36,945	(8)%
Cash provided by (used in) operating activities	**83,245**	89,327	(7)%	**169,573**	162,565	4 %
Capital expenditures						
Expansion Capital[1]	**15,357**	12,639	22 %	**32,441**	23,269	39 %
Maintenance Capital[1]	**6,289**	6,761	(7)%	**11,751**	11,060	6 %
Total capital expenditures	**21,646**	19,400	12 %	**44,192**	34,329	29 %
Dividends declared	**7,056**	6,312	12 %	**14,092**	11,415	23 %
per share	***0.030***	*0.025*	20 %	***0.060***	*0.045*	33 %
Common Shares Outstanding						
End of period - basic	**235,188,873**	252,463,642		**235,188,873**	252,463,642	
End of period - fully diluted[2]	**239,430,548**	258,516,081		**239,430,548**	258,516,081	
Weighted average - basic	**235,162,870**	253,756,497		**234,768,108**	254,316,550	
Weighted average - diluted	**239,402,896**	258,297,780		**239,407,658**	260,334,033	

	As at				
Financial Position ($000s)	**June 30, 2024**	March 31, 2024	% Change	December 31, 2023	% Change
Total assets	**1,413,278**	1,411,110	— %	1,377,265	3 %
Total long-term debt	**306,317**	355,072	(14)%	390,616	(22)%
Long-term financial liabilities[3]	**371,698**	373,724	(1)%	419,416	(11)%
Total Debt[2]	**405,140**	434,529	(7)%	469,619	(14)%
Working Capital Surplus[2]	**639,605**	637,044	— %	632,764	1 %
Net Debt[2]	**(234,465)**	(202,515)	16 %	(163,145)	44 %
Shareholders' equity	**761,872**	708,294	8 %	657,995	16 %

[1]*Supplementary Financial Measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results. Refer to the section entitled "Non-GAAP Measures and Other Financial Measures" contained within this MD&A.*
[2]*Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for Adjusted EBITDAC is Net income, for Funds Flow from Operations 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.*
[3]*Includes long-term portion of the Senior Facility, the Canadian Term Loan Facility, the Senior Notes, lease obligations, deferred acquisition consideration, and long term portion of cash settled incentive obligations.*

Highlights for the three and six months ended June 30, 2024, in comparison to the three and six months ended June 30, 2023, for CES are as follows:

- **Revenue:** Revenue in the quarter was a second quarter record at $553.2 million, representing a sequential decrease of $35.4 million or 6% compared to Q1 2024, on seasonally lower activity levels in Canada as anticipated, and an increase of $37.4 million or 7% compared to CES' previous second quarter record of $515.8 million in Q2 2023. For the six months ended June 30, 2024, CES generated revenue of $1.1 billion, an increase of $68.2 million or 6% relative to the six months ended June 30, 2023. The increases over prior year comparative periods is driven by increasing service intensity levels, higher production chemical volumes, and strong market share positions, resulting in an overall uptick in revenue despite softening industry rig counts in the US.

    - **Revenue - US:** Revenue generated in the US during Q2 2024 set a new quarterly record at $390.9 million, representing a sequential increase of $3.3 million or 1% compared to Q1 2024, and an increase of $15.5 million or 4% compared to Q2 2023. For the six months ended June 30, 2024, revenue generated in the US was up 5% to $778.6 million relative to the six months ended June 30, 2023. US revenues for both the three and six month periods benefited from higher production levels and increased service intensity, which more than offset the impact of decreased industry drilling activity when compared to prior year. CES continued to maintain its strong industry positioning, achieving US Drilling Fluids Market Share of 22% for both the three and six months ended June 30, 2024, compared to 20% for both the three and six months ended June 30, 2023.

    - **Revenue - Canada:** Revenue generated in Canada during Q2 2024 was a second quarter record at $162.3 million, representing a sequential decrease of $38.6 million or 19% compared to Q1 2024 as is expected on a seasonal basis given the 35% decline in industry rig count relative to Q1 2024, and an increase of $21.9 million or 16% compared to Q2 2023. For the six months ended June 30, 2024, revenue generated in Canada was up 10% to $363.2 million relative to the six months ended June 30, 2023. Canadian revenues for both the three and six month periods benefited from higher industry activity and production chemical volumes year over year. Canadian Drilling Fluids Market Share of 31% and 33% for the three and six months ended June 30, 2024, respectively, compared to 32% and 36% for the three and six months ended June 30, 2023, respectively.

- **Adjusted EBITDAC:** Adjusted EBITDAC was a second quarter record at $95.4 million, representing a sequential decrease of 6% compared to Q1 2024, and an increase of 29% compared to Q2 2023. Adjusted EBITDAC as a percentage of revenue of 17.3% in Q2 2024, and was in line with the 17.3% recorded in Q1 2024 and ahead of the 14.3% recorded in Q2 2023. For the six months ended June 30, 2024, Adjusted EBITDAC was up 31% to $197.5 million from $151.0 million in the six months ended June 30, 2023. Adjusted EBITDAC improvements for both the three and six month periods were driven by strong revenue levels combined with improved margins, as a result of increased service intensity, an attractive product mix, effective supply chain management, and continued adoption of innovative, technologically advanced products, supported by a prudent cost structure and vertically integrated business model.

- **Net Income:** Net income for the three and six months ended June 30, 2024, increased 42% to $48.2 million, and 53% to $102.6 million, respectively, relative to prior year comparative periods, driven by strong activity levels combined with improved margins and prudent management of expenses.

- **Shareholder Returns:** During the quarter, CES returned $7.0 million to shareholders through its quarterly dividend payments (Q2 2023 - $7.6 million in shares repurchased under its NCIB and $5.1 million in dividend payments). There was no NCIB activity in Q2 2024, as the Company completed its July 21, 2023, NCIB program on March 31, 2024, repurchasing the maximum of 18,719,430 common shares allowable at an average price of $3.66 per share. For the six months ended June 30, 2024, CES returned $30.7 million to shareholders (2023 - $22.0 million), through $17.8 million in shares repurchased under its NCIB and $12.9 million in dividends paid (2023 - $11.8 million and $10.2 million, respectively).

- **Cash Flow From Operations:** For Q2 2024, net cash provided by operating activities totaled $83.2 million compared to $89.3 million during the three months ended June 30, 2023, driven by a lower working capital harvest as a result of the optimization of working capital balances. For the six months ended June 30, 2024, net cash provided by operating activities of $169.6 million compared to $162.6 million for the six months ended June 30, 2023. The improvement for the six month period was driven by strong financial performance with higher contribution margins on associated activity levels, combined with the benefits of ongoing working capital optimization efforts.

- **Funds Flow from Operations:** CES generated $61.6 million in Funds Flow from Operations in Q2 2024, compared to $74.2 million generated in Q1 2024 and a decrease of 2% from $63.0 million generated in Q2 2023. For the six months ended June 30, 2024, CES generated $135.7 million of Funds Flow from Operations compared to $125.6 million in 2023. Funds Flow from Operations excludes the impact of working capital, and is reflective of the continued strong surplus free cash flow generated in 2024.

- **Free Cash Flow:** CES generated $54.8 million in Free Cash Flow in Q2 2024, compared to $57.4 million generated in Q1 2024, and $66.7 million generated in Q2 2023. For the six months ended June 30, 2024, CES generated $112.2 million of Free Cash Flow compared to $120.8 million in 2023. The decrease for both year over year comparable periods was primarily driven by a lower working capital harvest as a result of optimization of working capital balances and stronger revenue levels. Free Cash Flow includes the impact of quarterly working capital variations, net of capital expenditures and lease repayments.

- **Working Capital Surplus:** As at June 30, 2024, CES had a Working Capital Surplus of $639.6 million, which increased from $637.0 million at March 31, 2024, and $632.8 million as at December 31, 2023. The increase during the quarter was driven by reductions in accounts payable and accrued liabilities and accounts receivable, driven by strong collections and seasonally lower activity levels in line with the sequential decrease in revenue, partly offset by elevated financial derivative assets related to outstanding equity derivative contracts. The Company continues to focus on working capital optimization benefiting from the high quality of its customers and diligent internal credit monitoring processes.

- **Financing:** On May 24, 2024, CES closed the private placement of $200.0 million aggregate principal amount of 6.875% senior unsecured notes due May 24, 2029 (the "Senior Notes"). The net proceeds from the issuance of the Senior Notes, together with draws on the Company's Senior Facility, were used to repay the $250.0 million secured Canadian Term Loan Facility on more attractive terms, providing a maturity extension to 2029 to further strengthen the capital structure to meet the needs of the Company, while reducing the cost of capital.

- **Total Debt and Net Debt:** As at June 30, 2024, CES had Total Debt, inclusive of lease obligations, of $405.1 million compared to $434.5 million at March 31, 2024, and $469.6 million at December 31, 2023. Total Debt is primarily comprised of a net draw on its Senior Facility of $110.6 million (March 31, 2024 - $105.1 million and December 31, 2023 - $140.6 million), $200.0 million of Senior Notes, which replaced the previously outstanding $250.0 million Canadian Term Loan Facility, and lease obligations of $85.3 million (March 31, 2024 - $71.0 million and December 31, 2023 - $73.1 million). The reduction in Total Debt in the quarter reflects the continued strong financial performance of CES, combined with ongoing efforts to optimize working capital. Working Capital Surplus exceeded Total Debt at June 30, 2024, by $234.5 million (December 31, 2023 - $163.1 million). As of the date of this MD&A, the Company had total long-term debt of approximately $320.5 million, comprised of a net draw on its Senior Facility of approximately $120.5 million and its outstanding $200.0 million Senior Notes due May 24, 2029.

- **Strategic Acquisition:** On July 1, 2024, CES closed the acquisition of all of the business assets of Hydrolite Operating LLC. ("Hydrolite"). Hydrolite provides comprehensive completion fluids solutions, including advanced mixing plant services, onsite solids processing, and wholesale chemicals and kill mud, with a focus on servicing the Permian basin. The Hydrolite acquisition augments the full-cycle service offerings of the Company's operations and will be enhanced by CES' broad customer reach, extensive supply chain, and vertically integrated business model. The aggregate purchase price was approximately $15.0 million, with $8.1 million of cash consideration settled on close of the acquisition. The remaining consideration includes customary post-close adjustments and deferred consideration, however as the acquisition closed subsequent to the end of the quarter, the Company has not yet finalized its assessment of the value of the assets acquired.

OUTLOOK

The strong demand trends of developing countries and global demand requirements to support eventual energy transition initiatives, combined with depletion of existing resources, and reduced investment in the upstream oil and gas sector over recent years, has necessitated increased service intensity for available resources thereby resulting in continued constructive end markets for CES. This has led to stable commodity prices and a favorable outlook for CES' primary North American target market. Despite economic uncertainty and ongoing global conflicts, energy industry fundamentals continue to support critical drilling and production activity for oil and natural gas. Moreover, current depressed global inventories and fewer high-quality drilling locations provide cautious optimism for suitable pricing, despite potential economic headwinds and geopolitical instability impacting customer spending plans. Currently, oil prices are sustained by increasing global demand and limited supply growth, with OPEC adhering to lower production quotas, and while natural gas has demonstrated price weakness since early 2023, we anticipate a sustained period of elevated gas drilling activity in the US and Canada as projects under construction come online.

CES continues to be optimistic in its outlook for the remainder of the year as it expects to benefit from stable upstream activity, increased service intensity levels, adoption of advanced critical chemical solutions, and continued strength in commodity pricing across North America by capitalizing on its established infrastructure, industry leading positioning, vertically integrated business model, and strategic procurement practices.

Commensurate with current record revenue levels, CES expects 2024 capital expenditures, net of proceeds on disposals of assets, to be approximately $75.0 to $80.0 million, split evenly between maintenance and expansion capital to support sustained revenue 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 May 2024, CES successfully issued $200.0 million of Senior Notes due May 24, 2029. The net proceeds from the issuance of the Senior Notes, together with draws on the Company's Senior Facility were used to repay the $250.0 million secured Canadian Term Loan Facility on more attractive terms, and provided maturing extension to 2029. This further strengthens the Company's capital structure and reduces the cost of capital alongside its previously amended and extended Senior Facility due April 2026. The combination of the Senior Notes and the Senior Facility 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.

RESULTS FOR THE PERIODS

Revenue and Operating Activities

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

	Revenue					
	Three Months Ended June 30,			Six Months Ended June 30,		
$000s	**2024**	2023	% Change	**2024**	2023	% Change
United States[1]	**390,924**	375,455	4 %	**778,598**	744,430	5 %
Canada[1]	**162,272**	140,387	16 %	**363,176**	329,108	10 %
	553,196	515,842	7 %	**1,141,774**	1,073,538	6 %

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

	Key Operating Metrics					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% Change	**2024**	2023	% Change
US	**33,771**	29,707	14 %	**33,351**	29,234	14 %
Canada	**8,534**	6,628	29 %	**8,803**	7,295	21 %
Total Treatment Points[1]	**42,305**	36,335	16 %	**42,154**	36,529	15 %
US	**11,812**	13,018	(9)%	**24,047**	26,596	(10)%
Canada	**4,098**	3,887	5 %	**11,023**	11,812	(7)%
Total Operating Days[1]	**15,910**	16,905	(6)%	**35,070**	38,408	(9)%
US	**130**	143	(9)%	**133**	147	(10)%
Canada	**45**	43	5 %	**61**	66	(8)%
Total Average Rig Count[1]	**175**	186	(6)%	**194**	213	(9)%
US industry rig count[2]	**583**	703	(17)%	**593**	724	(18)%
Canadian industry rig count[3]	**147**	134	10 %	**187**	183	2 %
US DF Market Share[1]	**22%**	20 %	2 %	**22 %**	20 %	2 %
Canadian DF Market Share[1]	**31%**	32 %	(1)%	**33 %**	36 %	(3)%

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

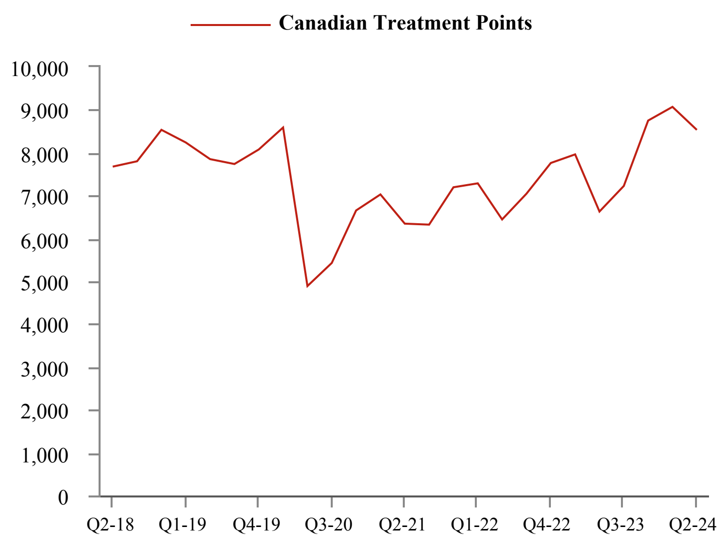
Revenue in the US for Q2 2024 set an all-time quarterly record at $390.9 million and compared to $375.5 million Q2 2023. For the six months ended June 30, 2024, revenue increased by $34.2 million or 5% relative to the comparative 2023 period. These results for both the three and six months ended June 30, 2024, were achieved despite a decline in the US industry rig count, which decreased 17% from Q2 2023 to Q2 2024 and 18% for the six month comparative period, as drilling activity slowed year over year, driven by continued capital discipline by producers and consolidation of customers. Despite this decline, CES' US average rig count decreased by only 9% in Q2 2024 compared Q2 2023 and by 10% for the six month comparative period, illustrating CES' presence in attractive markets and favorable customer exposure. CES was able to participate in this drilling environment with US DF Market Share of 22% for the three and six months ended June 30, 2024, compared with 20% for the three and six months ended June 30, 2023. The US production chemicals business saw an increase in production chemical sales in the three and six months ended June 30, 2024, relative to the 2023 comparative periods, as actual volumes continued to increase, leading to higher contributions following a 14% increase in treatment points as compared to the prior periods in 2023.

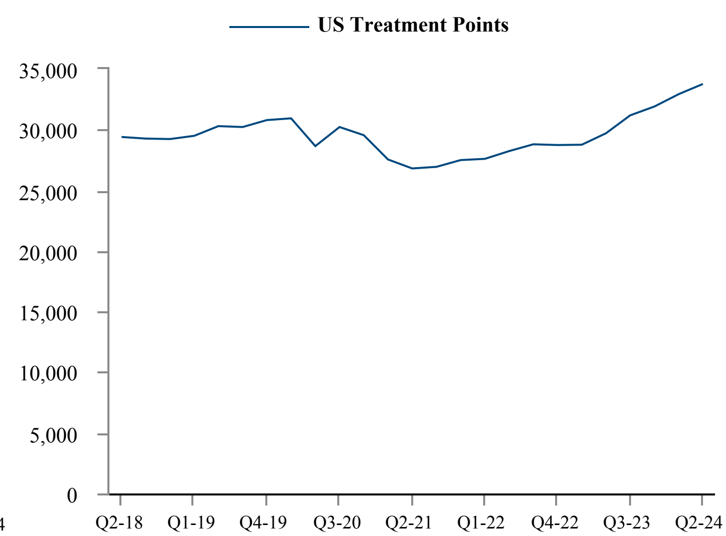
Revenue in Canada for Q2 2024 set an all-time second quarter record at $162.3 million compared to $140.4 million in Q2 2023. For the six months ended June 30, 2024, revenue increased by $34.1 million or 10% relative to the comparative 2023 period. Canadian revenues for both the three and six month periods benefited from higher industry activity and production chemical volumes year over year. The Canadian industry rig count increased by 10% from Q2 2023 to Q2 2024 and by 2% for the six month comparative period, as drilling activity was constructive year over year. CES' Canadian average rig count increased to by 5% in Q2 2024 relative to Q2

2023, and decreased by 8% year over year, for a resulting Canadian Drilling Fluids Market Share of 31% and 33%, respectively, compared with 32% and 36%, respectively, for the comparative 2023 periods. Canadian Treatment Points for the three and six months ended June 30, 2024, increased by 29% and 21%, respectively, relative to 2023, 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 since Q4 2016. 2020 and 2021 were negatively impacted by the economic effects of COVID-19, the lower commodity price environment seen throughout 2020, and the impact of extreme weather in the southern US in Q1 of 2021, with the subsequent period demonstrating growth and stabilization.

Quarterly Treatment Points





CES' top customers accounted for the following percentages of total revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	**2024**	2023
Top five customers as a % of total revenue[(1)]	**28 %**	28 %	**27 %**	27 %
Top customer as a % of total revenue[(1)]	**10 %**	10 %	**10 %**	10 %

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

Cost of Sales and Gross Margin

Gross Margin represents the operating profit earned on revenue after deducting the associated costs of sales including cost of products, operational labour, operational related depreciation, transportation, and all other operational related costs. Margins vary due to changes in the type of products sold, relative product mix, well type, geographic area, and nature of activity. Generally, labour costs, although a significant component of cost of sales, have less of an impact on CES' margins than other cost elements such as product costs. Use of consultants and the variable component of compensation for employees provide CES with a means to manage seasonal activity swings, as well as overall fluctuations in the demand for CES' products and services.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
$000s	**2024**	2023	Change	**2024**	2023	Change
Gross Margin	**141,025**	115,450	25,575	**286,685**	231,763	54,922
Gross Margin % of revenue(1)	**25 %**	22 %	3 %	**25 %**	22 %	3 %
Adjust for:						
Depreciation included in cost of sales	**16,936**	14,242	2,694	**32,924**	28,111	4,813
Adjusted Gross Margin(2)	**157,961**	129,692	28,269	**319,609**	259,874	59,735
Adjusted Gross Margin(2) % of revenue	**29 %**	25 %	4 %	**28 %**	24 %	4 %

[1]Supplementary Financial Measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results. Refer to "Non-GAAP Measures and Other Financial Measures" for further detail.
[2]Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for Adjusted Gross Margin is Gross Margin. Refer to the section entitled "Non-GAAP Measures and Other Financial Measures" contained within this MD&A.

For the three and six months ended June 30, 2024, Adjusted Gross Margin of 29% and 28%, respectively demonstrated a meaningful increase from 25% and 24%, respectively, for the three and six months ended June 30, 2023. These improvements to Adjusted Gross Margin in both the three and six month periods were driven by strong activity levels combined with improved margins as a result of increased service intensity, an attractive product mix, and the continued vertical integration of technologically advanced products supported by a prudent cost structure.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
$000s	**2024**	2023	Change	**2024**	2023	Change
General and administrative expenses	**85,015**	64,029	20,986	**157,979**	125,288	32,691
G&A expenses % of revenue(1)	**15 %**	12 %	3 %	**14 %**	12 %	2 %
Adjust for:						
Stock-based compensation	**18,489**	4,589	13,900	**28,130**	7,728	20,402
Depreciation & amortization	**4,012**	3,641	371	**7,719**	8,682	(963)
Adjusted General and Administrative Costs(2)	**62,514**	55,799	6,715	**122,130**	108,878	13,252
Adjusted G&A costs(2) % of revenue	**11 %**	11 %	— %	**11 %**	10 %	1 %

[1]Supplementary Financial Measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results. Refer to "Non-GAAP Measures and Other Financial Measures" for further detail.
[2]Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for Adjusted General and Administrative Costs is General and Administrative Expenses. Refer to the section entitled "Non-GAAP Measures and Other Financial Measures" contained within this MD&A.

The increases in Adjusted General and Administrative Costs for both the three and six months ended June 30, 2024, are primarily reflective of increased activity levels and associated headcount. As a percentage of revenue, Adjusted G&A of 11% for both the three and six months ended June 30, 2024, was in line with 11% and 10% for the three and six months ended June 30, 2023, as the increase in revenue levels year over year aligned with the increase in the fixed cost base.

Stock-Based Compensation
Stock-based compensation expense increased by 303% and 264%, respectively, for the three and six months ended June 30, 2024, in comparison to the same periods in 2023, as a result of the timing and price of equity-based and cash-based grants under the Company's stock-based compensation plans and associated share price appreciation in the referenced period.

Finance Costs

For the three and six months ended June 30, 2024, and 2023, finance costs were comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2024**	2023	**2024**	2023
Interest on debt, net of interest income	**8,796**	9,294	**18,409**	18,008
Amortization of debt issue costs	**270**	872	**467**	1,664
Foreign exchange loss (gain)	**1,733**	(3,231)	**5,113**	(3,074)
Financial derivative gains	**(16,134)**	(805)	**(22,817)**	(351)
Other finance costs	**214**	323	**626**	688
Finance costs	**(5,121)**	6,453	**1,798**	16,935

Interest expense

Finance costs for the three and six months ended June 30, 2024, include interest on debt, net of interest income, of $8.8 million and $18.4 million, respectively, compared to $9.3 million and $18.0 million, respectively, for the three and six months ended June 30, 2023. For the three months ended June 30, 2024, lower net draw levels on CES' Senior Facility resulted in a correspondingly lower interest expense relative to the comparative period in 2023. For the six months ended June 30, 2024, higher reference interest rates were partially offset by lower net draw levels on CES' Senior Facility, resulting in a correspondingly higher interest expense relative to the comparative period in 2023. Included in these amounts is interest on the Company's Canadian Term Loan Facility and interest on the Company's Senior Notes for the relevant periods.

Foreign exchange gains and losses

Finance costs for the three and six months ended June 30, 2024, include foreign exchange losses of $1.7 million and $5.1 million, respectively, compared to foreign exchange gains of $3.2 million and $3.1 million for the three and six months ended June 30, 2023, respectively. Foreign exchange gains and losses are primarily related to the Company's USD denominated balances held in Canada.

Financial derivative gains and losses

Finance costs for the three and six months ended June 30, 2024, include net derivative gains of $16.1 million and $22.8 million, respectively (three and six months ended June 30, 2023 - net gains of $0.8 million and $0.4 million, respectively), relating to the Company’s foreign currency and equity derivative contracts. As of June 30, 2024, the Company had a financial derivative asset of $27.3 million relating to outstanding derivative contracts (December 31, 2023 - financial derivative asset of $5.1 million and financial derivative liability of $0.1 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.

At June 30, 2024, the Company had no outstanding foreign exchange USD forward purchase contracts, which are periodically used to manage its exposure to upcoming USD denominated purchases pursuant to its Canadian and US operations.

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 June 30, 2024:

Period	Price	Contract	Notional Principal	Number of Shares
July 2024	$2.3437	Swap	$5,351	2,283,159
November 2024	$6.9597	Swap	$13,919	2,000,000
July 2025	$2.4219	Swap	$3,887	1,605,074
July 2026	$2.5629	Swap	$2,501	975,771
Total	$3.7381		$25,658	6,864,004

Current and Deferred Income Taxes

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

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2024**	2023	**2024**	2023
Current income tax expense	**9,261**	3,597	**17,004**	6,874
Deferred income tax expense	**4,396**	7,429	**9,018**	15,645
Total income tax expense	**13,657**	11,026	**26,022**	22,519

Current income tax expense increased for the three and six months ended June 30, 2024, relative to the comparative periods due to higher taxable earnings in the US and Canada and other current taxes related to the Company’s international jurisdictions. Deferred income tax expense decreased for the three and six months ended June 30, 2024, relative to the comparative periods due to the recognition of deferred tax assets previously unrecognized and temporary difference movements in Canada and the US.

Working Capital Surplus

CES had a Working Capital Surplus of $639.6 million as at June 30, 2024, which increased from $637.0 million as at March 31, 2024, and $632.8 million as at December 31, 2023. The increase during the quarter was driven by reductions in accounts payable and accrued liabilities and accounts receivable, driven by strong collections and seasonally lower activity levels in line with the sequential decrease in revenue, partly offset by elevated financial derivative assets related to outstanding equity derivative contracts. The Company continues to focus on working capital optimization benefiting from the high quality of its customers and diligent internal credit monitoring processes.

Long-Term Financial Liabilities

Long-term financial liabilities as at June 30, 2024, of $371.7 million decreased from $373.7 million at March 31, 2024, (December 31, 2023 - $419.4 million) and is primarily comprised of long-term debt, which totaled $306.3 million as at June 30, 2024, compared to $355.1 million at March 31, 2024, (December 31, 2023 - $390.6 million). The decrease in total long-term debt over the prior quarter was driven by strong financial performance and continued efforts to optimize the balance sheet. In addition to the overall decrease in long-term debt, the composition of total long-term debt changed materially in the quarter, with a reduction in the fixed term component resulting from settlement of the $250.0 million Canadian Term Loan Facility with the issuance of $200.0 million 6.875% Senior Notes. 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.

QUARTERLY FINANCIAL SUMMARY

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

	Three Months Ended							
$000s	**Jun 30, 2024**	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
Revenue								
United States(1)	**390,924**	387,674	361,091	361,469	375,455	368,975	378,478	349,503
Canada(1)	**162,272**	200,904	192,366	175,048	140,387	188,721	184,193	175,214
Revenue	**553,196**	588,578	553,457	536,517	515,842	557,696	562,671	524,717
Net income	**48,155**	54,458	49,187	38,552	33,901	33,002	40,408	24,455
per share– basic	***0.20***	*0.23*	*0.21*	*0.15*	*0.13*	*0.13*	*0.16*	*0.10*
per share– diluted	***0.20***	*0.23*	*0.20*	*0.15*	*0.13*	*0.13*	*0.15*	*0.09*
Adjusted EBITDAC(2)	**95,447**	102,032	84,607	80,218	73,893	77,103	80,249	73,289
per share– basic(2)	***0.41***	*0.44*	*0.35*	*0.32*	*0.29*	*0.30*	*0.31*	*0.29*
per share– diluted(2)	***0.40***	*0.43*	*0.35*	*0.32*	*0.29*	*0.30*	*0.31*	*0.28*
Dividends declared	**7,056**	7,036	5,901	6,021	6,312	5,103	5,090	4,092
per share	***0.030***	*0.030*	*0.025*	*0.025*	*0.025*	*0.020*	*0.020*	*0.016*
Common Shares Outstanding								
End of period - basic	**235,188,873**	234,519,860	236,042,566	240,859,525	252,463,642	255,129,525	254,515,682	255,728,104
End of period - fully diluted(2)	**239,430,548**	239,276,274	241,385,242	246,637,289	258,516,081	261,101,788	260,438,045	261,818,856
Weighted average – basic	**235,162,870**	234,373,347	239,160,013	248,808,899	253,756,497	254,882,825	255,031,387	256,246,967
Weighted average – diluted	**239,402,896**	238,934,382	244,555,366	254,588,996	258,297,780	260,850,689	261,003,345	262,332,402

[1]*Supplementary Financial Measure. Supplementary Financial Measures are provided in this MD&A because Management believes they assist the reader in understanding CES' results. Refer to "Non-GAAP Measures and Other Financial Measures" for further detail.*
[2]*Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. The most directly comparable GAAP measure for Adjusted EBITDAC is Net income, 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.

LIQUIDITY AND CAPITAL RESOURCES

Long-Term Debt

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

	As at	
$000s	**June 30, 2024**	December 31, 2023
Senior Facility	**112,046**	142,458
Canadian Term Loan Facility[1]	**—**	250,000
Senior Notes	**200,000**	—
	312,046	392,458
Less: net unamortized debt issue costs	**(5,729)**	(1,842)
Total long-term debt	**306,317**	390,616

[1]Canadian Term Loan Facility as at December 31, 2023 includes current portion of $20.8 million.

Senior Facility and Canadian Term Loan

As at June 30, 2024, following the repayment in full of the $250.0 million Canadian Term Loan Facility on May 24, 2024, the Company has a syndicated and operating credit facility (the "Senior Facility") of approximately C$ equivalent $450.0 million. The Senior Facility matures on April 25, 2026, is secured by substantially all of the Company's assets, and includes customary terms, conditions and covenants.

As at June 30, 2024, the Senior Facility is comprised of a Canadian facility of $300.0 million and a US facility of US$110.0 million and had a net draw of $110.6 million (December 31, 2023 - net draw of $140.6 million), with capitalized transaction costs of $1.4 million (December 31, 2023 - $1.8 million). Transaction costs attributable to the Senior Facility are recorded as part of the facility and amortized to finance costs over the remaining term.

Senior Notes

On May 24, 2024, the Company completed the private placement of $200.0 million of 6.875% senior unsecured notes (the "Senior Notes") due on May 24, 2029, for net proceeds after offering expenses and commission of $195.6 million. The Company used the proceeds from the issuance of the Senior Notes, along with amounts available under the Senior Facility, to repay the Canadian Term Loan Facility.

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 June 30, 2024, the Company was in compliance with the terms and covenants of its lending agreements, as outlined below:

		Covenant
Total Net Debt to EBITDA for the four quarters ended	**1.155**	Not to exceed 4.0
Net Senior Debt to EBITDA for the four quarters ended	**0.482**	Not to exceed 3.5
EBITDA to Interest Expense, for the four quarters ended	**7.872**	Must exceed 2.5

For the three and six months ended June 30, 2024, the Company recorded $9.3 million and $19.2 million (2023 - $10.5 million and $20.7 million, respectively) in interest expense related to its long-term debt and lease balances, including the amortization of debt issue costs.

Scheduled principal payments on the Company’s long-term debt at June 30, 2024, are as follows:

2024 - 6 months	—
2025	—
2026	112,046
2027	—
2028 and thereafter	200,000
	312,046

Other Indebtedness

The following table details the remaining contractual maturities of the Company’s financial liabilities as of June 30, 2024:

	Payments Due By Period[1]					
$000s	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	**Total**
Accounts payable and accrued liabilities	231,701	33	—	—	—	**231,734**
Dividends payable[2]	7,056	—	—	—	—	**7,056**
Income taxes payable	—	5,923	—	—	—	**5,923**
Deferred acquisition consideration	—	2,733	—	—	—	**2,733**
Senior Facility	—	—	—	112,046	—	**112,046**
Senior Notes [3]	—	—	—	200,000	—	**200,000**
Interest on Senior Notes	—	13,750	13,750	41,250	—	**68,750**
Lease obligations[4]	5,862	24,847	23,992	27,217	3,341	**85,259**
Commitments[5]	16,703	6,215	—	—	—	**22,918**
Other long-term liabilities	—	—	8,049	2,782	—	**10,831**
	261,322	53,501	45,791	383,295	3,341	**747,250**

1 Payments denominated in foreign currencies have been translated using the June 30, 2024, exchange rate.
2 Dividends declared as of June 30, 2024.
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 short-term leases, leases of low-value assets, variable payments associated with long-term leases, and inventory and capital commitments.

As of the date of this MD&A, Management is satisfied that CES has sufficient liquidity and capital resources to meet the long-term payment obligations of its outstanding loans and commitments. To support growth in the business and related working capital needs CES routinely considers its capital structure, including 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 be able to meet its ongoing commitments and obligations.

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

Summary of Statements of Cash Flows

The following table summarizes the Company's Statements of Cash Flows for the three and six months ended June 30, 2024, and 2023:

	Three Months Ended June 30,			Six Months Ended June 30,		
$000s	**2024**	2023	Change	**2024**	2023	Change
Net cash provided by (used in)						
Operating Activities	**83,245**	89,327	(6,082)	**169,573**	162,565	7,008
Investing Activities	**(19,446)**	(23,850)	4,404	**(39,245)**	(38,578)	(667)
Financing Activities	**(63,799)**	(65,477)	1,678	**(130,328)**	(123,987)	(6,341)

Cash Flows from Operating Activities

For the three and six months ended June 30, 2024, net cash provided by operating activities totaled $83.2 million and $169.6 million, respectively, compared to $89.3 million and $162.6 million, respectively during the three and six months ended June 30, 2023. This year over year decline was driven by a smaller non-cash working capital harvest as a result of optimization of working capital balances when compared to the prior year, while the improvement for the six month period was driven by strong financial performance with higher contribution margins on associated activity levels, combined with the benefits of working capital optimization efforts.

Cash Flows from Investing Activities

For the three and six months ended June 30, 2024, net cash flows used in investing activities totaled $19.4 million and $39.2 million, respectively, compared to $23.9 million and $38.6 million, respectively, during three and six months ended June 30, 2023. The increase was driven by higher capital expenditures in the current year, in support of sustained elevated revenue levels. Details of cash used for investment in property and equipment are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2024**	2023	**2024**	2023
Expansion Capital(1)	**15,357**	12,639	**32,441**	23,269
Maintenance Capital(1)	**6,289**	6,761	**11,751**	11,060
Total investment in property and equipment	**21,646**	19,400	**44,192**	34,329
Change in non-cash investing working capital	**(953)**	(526)	**(2,512)**	(1,178)
Cash used for investment in property and equipment	**20,693**	18,874	**41,680**	33,151
Adjust for:				
Proceeds on disposal of assets	**(1,586)**	(2,908)	**(2,874)**	(4,160)
Net cash used for investment in property and equipment(2)	**19,107**	15,966	**38,806**	28,991

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

2 *Non-GAAP measure 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 in Q2 2024 included $1.8 million in respect of a new barite grinding facility in the Superior Weighting division and $0.6 million in respect of the Gardendale distribution expansion in the Jacam Catalyst division, in addition to spending incurred for field, processing and warehouse equipment, vehicles and tanks to support growth throughout the business in the quarter, particularly in the US. Maintenance Capital expenditures in Q2 2024 primarily included the replacement of warehouse equipment, vehicles, and tanks 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 2024 capital expenditures, net of proceeds on disposals of assets, to be approximately $75.0 to $80.0 million, split evenly between maintenance and expansion capital to support sustained revenue 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 six months ended June 30, 2024, cash flows used by financing activities totaled $63.8 million and $130.3 million, respectively, compared to $65.5 million and $124.0 million, respectively, for the three and six months ended June 30, 2023. This change for the three month period is primarily due to a decrease in NCIB spend as the Company completed its July 21, 2023, NCIB program on March 31, 2024, repurchasing the maximum of 18,719,430 common shares allowable. The change for the six month period is primarily due to increases in leases repayments, NCIB related spends, and dividend payments compared to the prior year period.

Dividend Policy
The Company declared dividends to holders of common shares for the six months ended June 30, 2024, as follows:

($000s, except per share amounts)	Dividend Record Date	Dividend Payment Date	Per Common Share	**Total**
March	Mar 29	Apr 15	$0.030	**7,036**
June	Jun 28	Jul 15	$0.030	**7,056**
Total dividends declared			$0.060	**14,092**

During the three and six months ended June 30, 2024, the Company's Dividend Payout Ratio averaged 15% and 13%, respectively, compared to 13% and 11% in the comparative period in 2023, as dividend increases were partially offset by increased share buybacks and higher Distributable Earnings. Refer to “Non-GAAP Measures and Other Financial Measures” for further details on the calculation of Dividend Payout Ratio.

CES will continue to be protective of its balance sheet and provide liquidity to fund potential growth initiatives by being prudent with its cash dividend going forward. Through the course of the year, dividends declared as a proportion of net income and Distributable Earnings will vary based on the Company’s financial performance. During periods of relatively strong financial performance, typically associated with higher activity levels, dividends declared as a percentage of net income and Distributable Earnings will decrease, and likewise, during periods of relatively weaker financial performance dividends declared as a percentage of net income and Distributable Earnings will increase. Dividends are funded by cash provided by operating activities. During periods of insufficient cash availability, due to relatively weaker financial performance or changes in the level of working capital, dividends may be funded by available cash or through CES’ credit facilities.

Management and the Board of Directors review the appropriateness of dividends on a quarterly basis taking into account, among other considerations, the applicable solvency requirements under corporate legislation; current and anticipated industry conditions; and particularly, growth opportunities requiring Expansion Capital, management’s forecast of Distributable Earnings, its forecasted Dividend Payout Ratio, and forecasted capital to be deployed under its NCIB. At this time, CES intends to continue to pay cash dividends to shareholders. In addition, future expansion, investments, acquisitions, or future share-buy backs under CES’ NCIB program may be funded internally by allocating a portion of cash flow in conjunction with, or in replacement of, external sources of capital such as debt or the issuance of equity. To the extent that CES deploys cash flow to finance these activities, the amount of cash dividends to shareholders may be affected. Alternatively, to the extent that CES’ sustainable operating after tax cash flow improves, the amount of cash dividends to shareholders may be increased. Over the long-term, CES’ business model has historically shown it can support a proportion of cash flow from operations being paid out as a dividend or through share-buy backs as the long-term Expansion Capital investments and Maintenance Capital expenditures required for CES to execute its business plan have not been significant in relation to the total revenue and EBITDAC generated. Refer to “Non-GAAP Measures and Other Financial Measures” for further details on the calculation of Distributable Earnings.

NCIB
On July 21, 2023, the Company announced the renewal of its previous NCIB, which ended on July 20, 2023, to repurchase for cancellation up to 18,719,430 common shares, being 10.0% of the public float of common shares at the time of renewal. The renewed NCIB will terminate on July 20, 2024, or such earlier date as the maximum number of common shares are purchased pursuant to the NCIB or the NCIB is completed or is terminated at the Company's election. As at June 30, 2024, the Company has repurchased the maximum number of common shares and has completed the current NCIB. A summary of the Company's NCIB program is presented below:

	Renewed NCIB July 21, 2023 to June 30, 2024	Six Months Ended June 30, 2024	Since Inception July 17, 2018 to June 30, 2024
Common shares repurchased and canceled through NCIB	18,719,430	4,576,130	58,629,387
Cash outlay	68,534	17,766	154,046
Average price per share	$3.66	$3.88	$2.63

On July 22, 2024, the Company renewed the previous NCIB to repurchase for cancellation up to 19,198,719 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, 2025, 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. Subsequent to June 30, 2024, the Company repurchased 1,498,200 additional shares at weighted average price of $7.90 for a total of $11.8 million.

Share Capital and Stock-Based Compensation Plans
A summary of the Company's common shares and stock-based compensation plans outstanding is as follows:

	As at		
	August 8, 2024	June 30, 2024	December 31, 2023
Common shares outstanding	234,021,955	235,188,873	236,042,566
Restricted Share Unit Plan ("RSU")	4,031,015	4,241,675	5,342,676
Phantom Share Unit Plan ("PSU")	5,074,002	6,561,503	6,480,451

NON-GAAP MEASURES AND OTHER FINANCIAL MEASURES

The accompanying consolidated financial statements have been prepared in accordance with IFRS. Certain supplementary information and measures not recognized under IFRS are also provided in this MD&A where Management believes they assist the reader in understanding CES' results. These measures are calculated by CES on a consistent basis unless otherwise specifically explained. These measures do not have a standardized meaning under IFRS and may therefore not be comparable to similar measures used by other issuers.

Non-GAAP financial measures and non-GAAP ratios have the definition set out in National Instrument 52-112 "Non-GAAP and Other Financial Measures Disclosure". The non-GAAP measures, non-GAAP ratios and supplementary financial measures used in this MD&A, with IFRS measures, are the most appropriate measures for reviewing and understanding the Company's financial results. The non-GAAP measures and non-GAAP ratios are further defined for use throughout this MD&A as follows:

EBITDAC - is a non-GAAP measure that has been reconciled to net income for the financial periods, being the most directly comparable measure calculated in accordance with IFRS. EBITDAC is defined as net income before interest, taxes, depreciation and amortization, finance costs, other income (loss), stock-based compensation, and impairment of goodwill, which are not reflective of underlying operations. EBITDAC is a metric used to assess the financial performance of an entity's operations. Management believes that this metric provides an indication of the results generated by the Company's business activities prior to how these activities are financed, how the Company is taxed in various jurisdictions, and how the results are impacted by foreign exchange and non-cash charges. This non-GAAP financial measure is also used by Management as a key performance metric supporting decision making and assessing divisional results.

Adjusted EBITDAC - is a non-GAAP measure that is defined as EBITDAC noted above, adjusted for specific items that are considered to be non-recurring in nature. Management believes that this metric is relevant when assessing normalized operating performance.

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

Adjusted EBITDAC per share (basic and diluted) - is a non-GAAP ratio calculated as Adjusted EBITDAC divided by the weighted average number of basic and diluted shares outstanding, respectively. Adjusted EBITDAC is a non-GAAP measure. Management believes it is a useful measure of the Company's normalized operating performance on a per share basis. Readers are cautioned that EBITDAC and Adjusted EBITDAC should not be considered to be more meaningful than net income determined in accordance with IFRS. EBITDAC, Adjusted EBITDAC, Adjusted EBITDAC % of Revenue and Adjusted EBITDAC per share are calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2024**	2023	**2024**	2023
Net income	**48,155**	33,901	**102,613**	66,903
Adjust for:				
Depreciation and amortization	**20,948**	17,883	**40,643**	36,793
Current income tax expense	**9,261**	3,597	**17,004**	6,874
Deferred income tax expense	**4,396**	7,429	**9,018**	15,645
Stock-based compensation	**18,489**	4,589	**28,130**	7,728
Finance costs	**(5,121)**	6,453	**1,798**	16,935
Other (income) loss	**(681)**	41	**(1,727)**	118
EBITDAC	**95,447**	73,893	**197,479**	150,996
Adjusted EBITDAC	**95,447**	73,893	**197,479**	150,996
Adjusted EBITDAC % of Revenue	***17.3 %***	*14.3 %*	***17.3 %***	*14.1 %*
Adjusted EBITDAC per share - basic	***0.41***	*0.29*	***0.84***	*0.59*
Adjusted EBITDAC per share - diluted	***0.40***	*0.29*	***0.83***	*0.58*

Distributable Earnings - is a non-GAAP measure that is defined as cash provided by operating activities, adjusted for change in non-cash operating working capital less Maintenance Capital and repayment of lease obligations. Distributable Earnings is a measure used by Management and investors to analyze the amount of funds available to distribute to shareholders as dividends or through the NCIB program before consideration of funds required for growth purposes.

Dividend Payout Ratio - is a non-GAAP ratio that is defined as dividends declared as a percentage of Distributable Earnings. Management believes it is a useful measure of the proportion of available funds committed to being returned to shareholders in the form of a dividend relative to the Company's total Distributable Earnings.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2024**	2023	**2024**	2023
Cash provided by (used in) operating activities	**83,245**	89,327	**169,573**	162,565
Adjust for:				
Change in non-cash operating working capital	**(21,685)**	(26,332)	**(33,848)**	(36,945)
Maintenance Capital[(1)]	**(6,289)**	(6,761)	**(11,751)**	(11,060)
Repayment of lease obligations	**(8,348)**	(6,161)	**(16,048)**	(11,621)
Distributable Earnings	**46,923**	50,073	**107,926**	102,939
Dividends declared	**7,056**	6,312	**14,092**	11,415
Dividend Payout Ratio	**15 %**	13 %	**13 %**	11 %

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2024**	2023	**2024**	2023
Gross Margin	**141,025**	115,450	**286,685**	231,763
Gross Margin % of revenue	**25 %**	22 %	**25 %**	22 %
Adjust for:				
Depreciation included in cost of sales	**16,936**	14,242	**32,924**	28,111
Adjusted Gross Margin	**157,961**	129,692	**319,609**	259,874
Adjusted Gross Margin % of revenue	**29 %**	25 %	**28 %**	24 %

Adjusted General & Administrative Costs - is a non-GAAP measure that has been reconciled to General and Administrative expenses for the financial periods, being the most directly comparable measure calculated in accordance with IFRS. Adjusted G&A costs excludes stock-based compensation, which is not reflective of underlying operations, depreciation and amortization, as it relates to assets not associated with operations and operating related activities, and specific items that are considered to be non-recurring in nature. Management believes that Adjusted G&A costs and Adjusted G&A costs % of Revenue assist in demonstrating CES' profitability.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
$000s	**2024**	2023	**2024**	2023
General and administrative expenses	**85,015**	64,029	**157,979**	125,288
G&A expenses % of revenue	**15 %**	12 %	**14 %**	12 %
Adjust for:				
Stock-based compensation	**18,489**	4,589	**28,130**	7,728
Depreciation & amortization	**4,012**	3,641	**7,719**	8,682
Adjusted General and Administrative Costs	**62,514**	55,799	**122,130**	108,878
Adjusted G&A Costs % of revenue	**11 %**	11 %	**11 %**	10 %

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 June 30,		Six Months Ended June 30,	
$000s	**2024**	2023	**2024**	2023
Cash provided by (used in) operating activities	**83,245**	89,327	**169,573**	162,565
Adjust for:				
Change in non-cash operating working capital	**(21,685)**	(26,332)	**(33,848)**	(36,945)
Funds Flow from Operations	**61,560**	62,995	**135,725**	125,620

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 June 30,		Six Months Ended June 30,	
$000s	**2024**	2023	**2024**	2023
Cash provided by (used in) operating activities	**83,245**	89,327	**169,573**	162,565
Adjust for:				
Expansion Capital(1)	**(15,357)**	(12,639)	**(32,441)**	(23,269)
Maintenance Capital(1)	**(6,289)**	(6,761)	**(11,751)**	(11,060)
Repayment of lease obligations	**(8,348)**	(6,161)	**(16,048)**	(11,621)
Proceeds on disposal of assets	**1,586**	2,908	**2,874**	4,160
Free Cash Flow	**54,837**	66,674	**112,207**	120,775

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

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 June 30,		Six Months Ended June 30,	
$000s	**2024**	2023	**2024**	2023
Cash used for investment in property and equipment	**20,693**	18,874	**41,680**	33,151
Adjust for:				
Proceeds on disposal of assets	**(1,586)**	(2,908)	**(2,874)**	(4,160)
Net Cash used for investment in property and equipment	**19,107**	15,966	**38,806**	28,991

Working Capital Surplus - is a non-GAAP measure that is calculated as current assets less current liabilities, excluding the current portion of lease obligations, current portion of 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 Canadian Term Loan Facility, the Senior Notes, both current and non-current portions of lease obligations, both current and non-current portions of deferred acquisition consideration, non-current portion of cash settled incentive obligations, offset by the Company's cash position, less Working Capital Surplus.

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

	As at	
$000s	**June 30, 2024**	December 31, 2023
Long-term financial liabilities[(1)]	**371,698**	419,416
Current portion of lease obligations	**30,709**	27,980
Current portion of long-term debt	**—**	20,800
Current portion of deferred acquisition consideration	**2,733**	1,423
Total Debt	**405,140**	469,619
Deduct Working Capital Surplus:		
Current assets	**884,318**	880,772
Current liabilities[(2)]	**(244,713)**	(248,008)
Working Capital Surplus	**639,605**	632,764
Net Debt	**(234,465)**	(163,145)

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

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

	As at	
	June 30, 2024	December 31, 2023
Common shares outstanding	**235,188,873**	236,042,566
Restricted share units outstanding, end of period	**4,241,675**	5,342,676
Shares outstanding, end of period - fully diluted	**239,430,548**	241,385,242

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

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

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

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

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

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

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

Expansion Capital - comprises a component of total investment in property and equipment as determined in accordance with IFRS, and represents the amount of capital expenditure that has been or will be incurred to grow or expand the business or would otherwise improve the productive capacity of the operations of the business.

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

OPERATIONAL DEFINITIONS

Operational terms used throughout this MD&A include:

Canadian DF Market Share - CES estimates its market share in Canada for its drilling fluids operations by comparing, on a semi-weekly basis, active rigs where CES was contracted to provide services to the total active rigs for Western Canada. The number of total active rigs for Western Canada is based on Canadian Association of Energy Contractors ("CAOEC") published data for Western Canada.

US DF Market Share - CES estimates its market share in the US for its drilling fluids operations by comparing, on a semi-weekly basis, active rigs where CES was contracted to provide services to the total active land rigs in the United States. The number of total active rigs in the United States is based on the weekly land based Baker Hughes North American Rotary Rig Count.

Operating Days - For its drilling fluids operations, CES estimates its Operating Days, which are revenue generating days, by multiplying the average number of active rigs where CES was providing drilling fluid services by the number of days in the period.

Average Rig Count - For its drilling fluids operations, CES estimates its Average Rig Count, which is the average monthly number of active rigs where CES was providing drilling fluids in the referenced period.

Treatment Points - Represents the average estimated number of unique wells or oilfield sites serviced monthly by CES in the referenced period with production and specialty chemicals.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

As a routine element of the financial statement preparation process, Management is required to make estimates and assumptions based on information available as at the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, and the possible disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses for the period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The current fluctuation in market conditions introduce additional uncertainties, risks and complexities in Management’s determination of the estimates and assumptions used to prepare CES’ financial results. As such, actual results may differ from estimates and the effect of such differences may be material. The impacts of such estimates are pervasive throughout the condensed consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. The most significant estimates in CES' condensed consolidated financial statements have been set out in the Company's MD&A for the year ended December 31, 2023, and its audited annual consolidated financial statements and notes thereto for the year ended December 31, 2023.

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, 2023. There have been no new standards or interpretations issued during the three and six months ended June 30, 2024, that materially impact the Company.

CORPORATE GOVERNANCE

Disclosure Controls and Procedures (“DC&P”)

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

Internal Controls over Financial Reporting (“ICFR”)

Management of CES is responsible for establishing and maintaining ICFR for CES to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no changes to CES’ internal controls over financial reporting during the three and six months ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

While the President and Chief Executive Officer and Chief Financial Officer believe that CES’ DC&P and ICFR provide a reasonable level of assurance that they are effective, they do not expect that the DC&P or ICFR will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

For information regarding the corporate governance policies and practices of CES, the reader should refer to CES’ 2023 Annual Report, CES’ Annual Information Form dated February 29, 2024 in respect of the year ended December 31, 2023, and CES’ Information Circular in respect of the June 18, 2024 Annual General and Special Meeting of shareholders each of which are available on the CES’ SEDAR+ profile at www.sedarplus.ca.

RISKS AND UNCERTAINTIES AND NEW DEVELOPMENTS

CES' financial results described herein demonstrated the Company's capabilities in the markets in which the Company operates along with a proven defensible balance sheet and business model.

CES' customers are primarily North American oil and gas producers. Activity in the oil and gas industry is cyclical in nature. CES is directly affected by fluctuations in the level and complexity of oil and gas exploration and development activity carried on by its clients. In Canada, drilling activity is seasonal and, in turn, throughout North America it is directly affected by a variety of factors including: weather; natural disasters such as floods, tornadoes, and hurricanes; oil, natural gas, and natural gas liquids commodity prices; pipeline takeaway capacity; outcomes of major LNG projects; access to capital markets; government policies including, but not limited to, royalty, environmental, and industry regulations; and oil and natural gas demand fluctuations, which may be impacted by global political, military, economic, and social factors (such as the outbreak of a contagious disease or pandemic). Any prolonged or significant decrease in energy prices, economic activity or demand, or an adverse change in government regulations could have a significant negative impact on exploration and development drilling and completion activity in North America and, in turn, demand for CES' products and services.

As a provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield, the volatility in activity experienced at the drill-bit, fracturing and completion stages is somewhat muted by the long-term and less variable revenue generated by CES at the pump-jack and wellhead during the production stage and in the mid-stream, pipeline and transportation phases. As CES grows these facets of its business, the predictability of its earnings should also increase. The revenue and general market consumption of consumable chemicals in these market segments is more stable and predictable than the drilling fluids market, however a material reduction in the demand for oil and gas may impact the demand for consumable chemicals as operators shut-in production.

The volatility in the financial markets has impacted the general availability of both credit and equity financing in the marketplace. World-wide political and economic risks are also intensifying, including the conflict in Ukraine and the Middle East increased tensions between China and the United States, which continues to create uncertainty relating to global markets and supply chains. Should the conflict in Ukraine escalate or expand beyond Ukraine's borders, if the recent conflict in Israel expands into a broader conflict in the Middle East, or if tensions between China and the United States develop into a more significant trade and economic dispute, this could have a significant impact not only on credit and equity markets, but also on global supply chains and demand for CES' products and services.

Since the fall of 2014 there has been a retreat in the energy capital markets as a result of fluctuating commodity prices and perception regarding government policy, regulations and ESG concerns. While energy markets have been more positive since the COVID-19 pandemic, capital markets continue to see some challenges as it relates to the oil and gas industry. As such it may prove to be difficult under future market conditions to issue additional equity, maintain or increase credit capacity, or re-finance existing credit without significant costs. CES is also reliant on its Senior Facility to fund working capital and other growth initiatives. In the event CES' lenders are unable to, or choose not to continue to fund CES, it would impair CES' ability to operate until alternative sources of financing were obtained, as access to the Senior Facility is critical to the effective execution of CES' business plan. At December 31, 2023, 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 like COVID-19, could have an adverse effect on CES' results. CES addresses these risks by:

- attracting well trained and experienced professionals;
- offering competitive compensation at all levels;
- providing a variety of tools and technologies to enable employees to work remotely;
- ensuring a safe working environment with clearly defined standards and procedures; and
- offering its employees both internal and external training programs.

CES takes its health, safety, and environmental responsibilities seriously and has standards, policies, and procedures to address these risks. In addition, CES maintains insurance policies with respect to its operations providing coverage over what it considers to be material insurable risks. Although the Company maintains insurance policies, such insurance may not provide adequate coverage in all circumstances, nor are all such risks insurable. There can also be assurance that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. It is possible that the Company's insurance coverage will not be sufficient to address the costs arising out of the allocation of liabilities and risk of loss.

Significant changes in the oil and gas industry including economic conditions, commodity prices, environmental regulations, government policy, pipeline takeaway capacity, and other factors may adversely affect CES' ability to realize the full value of its accounts receivable. In addition, a concentration of credit risk exists in trade accounts receivable since they are predominantly with companies operating in the WCSB in Canada and in the Texas, Mid-continent, Rockies, and Northeast regions of the US. CES continues to attempt to mitigate the credit risk associated with its customer receivables by performing credit checks as considered necessary, managing the amount and timing of exposure to individual customers, reviewing its credit procedures on a regular basis, reviewing and actively following up on older accounts, and insuring trade credit risks where deemed appropriate. CES does not anticipate any significant issues in the collection of its customer receivables at this time outside of those which have already been provided for, but continues to monitor these risks on an ongoing basis. If a low oil and natural gas price environment returns, particularly with respect to pricing differentials affecting producers in the WCSB, and if access to capital markets remains weak for CES' customers, there would be a risk of increased bad debts. It is not possible at this time to predict the likelihood, or magnitude, of this risk.

CES' US footprint and size of operations continues to make up the majority of CES' business. CES' significant US presence provides for upside potential and reduces certain risks through diversification of operations. It also exposes the Company to additional specific risks including: currency risk with added exposure to fluctuations in the USD; regulatory risks associated with environmental concerns; and the future impact of increased regulatory requirements.

The Company's ability to provide services to its customers is also dependent upon the availability at reasonable prices of raw materials, which the Company purchases from various suppliers, many of whom are located in North America but also increasingly from overseas including Asia and the Middle East. The availability and supply of materials has been consistent in the past; however since the COVID-19 pandemic, there have been increasing supply chain issues and disruptions. Coupled with increasing demand from the Company's customers, periodic shortages of certain materials have been experienced and costs have been affected. Although the Company generally does not source materials from Eastern Europe, the recent conflict in Ukraine could also further impact global supply chains and trade routes in ways which are not anticipated. The Company does source some limited, non-exclusive products from the Middle East; However, the specific source countries do not appear to be impacted by the recent conflict in Israel and the Company does not anticipate these countries to be impacted going forward. The Company can source these products from other regions should the conflict in the Middle East expand in a significant way. Additionally, increased political tensions relating to China and Taiwan, as well as China's relationship with the rest of the western world, could cause significant supply chain disruptions, particularly as the Company sources more materials from Asia. Moreover, disruptions to transportation networks, impacts from pandemics, shortages of transportation infrastructure (including container availability), or other disruptions to global supply chains may impact the Company's ability to deliver products and services to its customers. These disruptions may also impact global demand for oil and gas, which may in turn result in a reduction in drilling activity and production economics globally. CES continues to evaluate potential changes to customer activity levels and the potential impacts to our business.

The foregoing risks and uncertainties are not intended to be exhaustive. Reference should be made to CES' Annual Information Form dated February 29, 2024, for the year ended December 31, 2023, 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 assumes no obligation to publicly update or revise such information to reflect new events or circumstances, except as may be required pursuant to applicable securities laws or regulations.

In particular, this MD&A contains forward-looking information pertaining to the following: the seasonality of CES' business and the ability of CES to manage seasonal activity swings; the certainty and predictability of future cash flows, profitability, and earnings; Management's proposed corporate strategy for the Company; ability of CES to manage overall fluctuations in demand for CES' products and services; expectations regarding improving industry conditions and the Company's ability to generate free cash flow to sustain the quarterly dividend; expectations regarding CES' revenue and free cash flow generation and the potential use of such free cash flow including to increase its dividend or repurchase the common shares of the Company; expectations regarding end market activity levels; expectations regarding CES' customer's capital expenditures and exploration and development activities; CES' ability to execute on financial goals relating to its balance sheet, liquidity, working capital and cost structure; expectations regarding the performance of CES' business model and counter cyclical balance sheet during downturns; expectations regarding CES' ability to qualify and participate in government support programs; the expectation that cash interest costs and maintenance capital will be funded from available cash or through CES' credit facilities; future estimates as to dividend levels; the business strategy regarding cash dividend payments in the future; the sufficiency of liquidity and capital resources to meet long-term payment obligations or other commitments not included as liabilities on its statement of financial position; potential M&A opportunities; the long-term capital investments required for CES to execute on its business plan; the amount of CES' non-acquisition related capital expenditures in 2024, including maintenance capital and discretionary expansion capital and the anticipated timing for spending such capital; the repurchase of CES' common shares pursuant to the NCIB; Management's opinion of the impact of any potential litigation or disputes; the application of critical accounting estimates and judgements; the timing of adoption of new accounting standards and the potential impact of new accounting standards on CES' financial statements; the collectability of accounts receivable; the effectiveness of CES' credit risk mitigation strategies; CES' ability to increase or maintain its market share; expectations regarding the number of Treatment Points in Canada and the US; CES' ability to leverage third party partner relationships to drive innovation in the consumable fluids and chemicals business; supply and demand for CES' products and services, including expectations for growth in CES' production and specialty chemical sales, expected growth in the consumable chemicals market, and the impact of such increased sales on operating leverage and cost structure; impact of new drilling techniques, longer reach laterals and the increased intensity and size of hydraulic fracturing; industry activity levels and divergence in activity levels between Canada and the US; expectations regarding service intensity in the upstream oil and gas sector; expectations regarding the adoption of advanced critical chemical solutions; continued strength in commodity prices, reduced availability of high quality drilling locations; expectations regarding OPEC production quotas; anticipated drilling activity for natural gas projects; any forward curves for commodity prices; treatment under governmental regulatory and taxation regimes; expectations regarding expansion of services in Canada and the US; development of new technologies; expectations regarding CES' growth opportunities in Canada, the US and overseas; the effect of acquisitions on the Company; expectations regarding the performance or expansion of CES' operations; expectations regarding end markets for production chemicals and drilling fluids in Canada and the US including anticipated volatility throughout 2024; expectations regarding the demand for oil and natural gas; expectations relating to general economic conditions, interest rates and geopolitical risk; expectations regarding the diversification of operations away from the drill-bit; expectations regarding demand for CES' services and technology; investments in research and development and technology advancements; access to debt and capital markets and cost of capital; impacts of the Company's issuance of Senior Notes on the Company's capital structure and reduced cost of capital; CES' ability to continue to comply with covenants in debt facilities; expectations regarding the timing and amount of common shares repurchased pursuant to the Company's NCIB; and competitive conditions.

CES' actual results could differ materially from those anticipated in the forward-looking information as a result of the following factors: general economic conditions in the US, Canada, and internationally; geopolitical risk; fluctuations in demand for consumable fluids and chemical oilfield services, downturn in oilfield activity; oilfield activity in the Permian, the WCSB, and other basins in which the Company operates; a decline in frac related chemical sales; a decline in operator usage of chemicals on wells; 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; competition, and pricing pressures from customers in the current commodity environment; conflict, war and political and societal unrest that may impact CES' operations, supply chains as well as impact the market for oil and natural gas generally; currency risk as a result of fluctuations in value of the US dollar; liabilities and risks, including environmental liabilities and risks inherent in oil and natural gas operations; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, shipping containers, and skilled management, technical and field personnel; the collectability of accounts receivable; ability to integrate technological advances and match advances of competitors; ability to protect the Company's proprietary technologies; availability of capital; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; the ability to successfully integrate and achieve synergies from the Company's acquisitions; changes in legislation and the regulatory environment, including uncertainties with respect to oil and gas royalty regimes, programs to reduce greenhouse gas and other emissions and regulations restricting the use of hydraulic fracturing; pipeline capacity and other transportation infrastructure constraints; changes to government mandated production curtailments; reassessment and audit risk and other tax filing matters; changes and proposed changes to US policies including tax policies or policies relating to the oil and gas industry; international and domestic trade disputes, including restrictions on the transportation of oil and natural gas and regulations governing the sale and export of oil, natural gas and refined petroleum products; the impact of climate change policies in the regions which CES operates; the impact and speed of adoption of low carbon technologies; potential changes to the crude by rail industry; changes to the fiscal regimes applicable to entities operating in the US and WCSB; access to capital and the liquidity of debt markets; fluctuations in foreign exchange and interest rates, including the impact of changing interest rates on the broader economy; CES' ability to maintain adequate insurance at rates it considers reasonable and commercially justifiable; and the other factors considered under "Risk Factors" in CES' Annual Information Form for the year ended December 31, 2023, 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.

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

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

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President, Canadian Operations

Anthony M. Aulicino
Chief Financial Officer

James F. Strickland
President, US Drilling Fluids

Vernon J. Disney
President, US Production Chemicals

CORPORATE SECRETARY
Matthew S. Bell

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