



ANNUAL INFORMATION FORM

For the Year Ended December 31, 2024

March 6, 2025

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IMPORTANT INFORMATION ABOUT THIS DOCUMENT

Throughout this Annual Information Form (AIF), the terms we, us, our, CES, the Company or the Corporation mean CES Energy Solutions Corp. including all of our business units and consolidated subsidiaries.

Except where specifically noted, all information in this AIF is presented as of December 31, 2024. All references in this AIF to (\$) or (dollars) are to Canadian dollars unless otherwise noted. Furthermore, all references to the number of common shares outstanding are presented after giving effect to the three-for-one stock split that occurred on July 13, 2011 and the three-for-one stock split that occurred on July 18, 2014.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

We disclose forward-looking information to assist current and prospective investors understand the Company's current expectations regarding future events and its operating performance in the context of the current business environment. By its nature, forward-looking information relies on assumptions of future circumstances which are subject to inherent risks and uncertainties. We caution readers that these assumptions may not be accurate and readers should not place undue reliance on the forward-looking information contained herein.

Certain statements used in this AIF use words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate" and other similar terminology relating to matters that are not historical facts constitute "forward-looking information" within the meaning of applicable Canadian securities legislation.

The Company's actual results could differ materially from those anticipated in such forward-looking information as a result of number of factors and risks. Such risks and uncertainties can be found under the heading *Risk Factors*.

This forward-looking information and statement made in this AIF are made at the date hereof and the Company assumes no obligation to update or revise such information to reflect new events or circumstances unless otherwise required by applicable securities laws.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, the market and industry data contained in this AIF is based upon independent industry or government 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 AIF or ascertained the underlying assumptions relied upon by such sources.

ABOUT CES ENERGY SOLUTIONS CORP.

The Company's core business is to design, implement, and manufacture technically advanced consumable fluids and specialty chemicals for the North American oil and natural gas industry. The Company operates in the WCSB and in all major basins throughout the US, with an emphasis on servicing the ongoing major resource plays. In the WCSB, CES operates under the trade names Canadian Energy Services, PureChem Services (**PureChem**), StimWrx Energy Services (**StimWrx**), Sialco Materials (**Sialco**), and Clear Environmental Solutions (**Clear**). In the US, CES operates under the trade names AES Drilling Fluids (**AES**), Superior Weighting Products (**Superior Weighting**), Jacam Catalyst (**Jacam Catalyst**), Trenchless Fluids Systems (**Trenchless**), StimWrx and Proflow Solutions (**Proflow**). In Oman, CES operates under the trade name CES Operations (**CES Oman**).

CES is incorporated under the Business Corporations Act (*Alberta*) (**ABCA**). We were previously incorporated under the Business Corporations Act (*Canada*) until November 13, 2020, when we continued CES from the Business Corporations Act (*Canada*) to the ABCA. Prior to January 1, 2010, CES existed as a publicly-traded Canadian limited partnership, known as Canadian Energy Services L.P. On January 1, 2010, Canadian Energy Services L.P. converted to a publicly traded corporation under the Business Corporations Act (*Canada*) pursuant to a statutory plan of arrangement.

On June 20, 2013, CES amended its articles of incorporation to vary the terms of the common shares (**Common Shares**) to permit the payment of stock dividends.

Effective June 15, 2017, CES changed its corporate name from "Canadian Energy Services & Technology Corp." to "CES Energy Solutions Corp.". CES has significantly transformed its business since its initial public offering in March 2006, and has broadened its operational footprint across North America. The new company name avoids geographic reference, while incorporation of the CES acronym helps to maintain brand recognition.

Other than as described above, there have been no other material amendments to the articles of incorporation of CES since the conversion from a listed partnership on January 1, 2010.

Our Common Shares trade on the Toronto Stock Exchange (**TSX**) under the symbol CEU and are quoted on the OTC market in the US under the symbol CESDF.

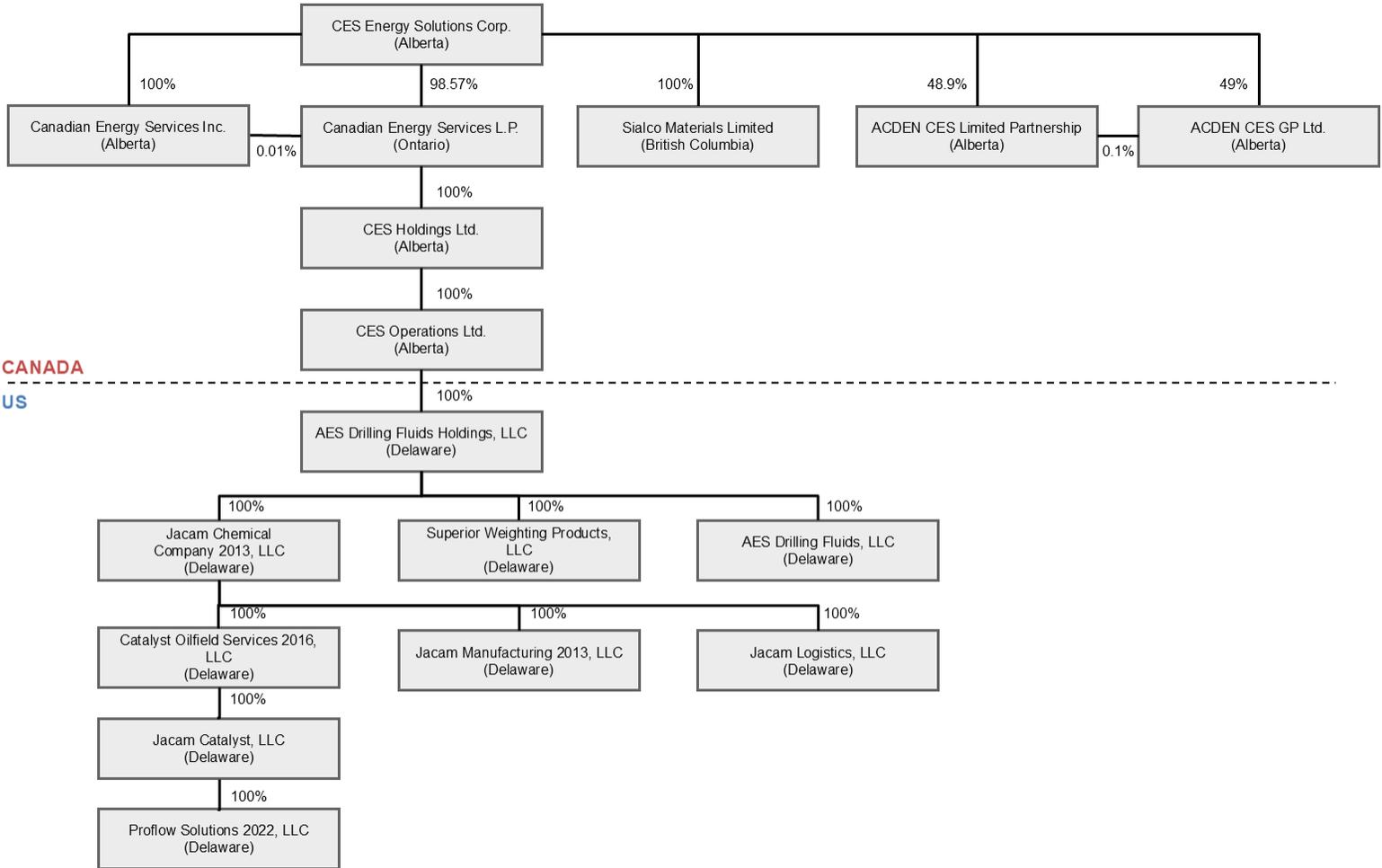
As at the date hereof, the head office of CES is located at Suite 1400, 332-6th Avenue S.W., Calgary, Alberta, Canada, T2P 0B2.

For information relating to CES and its subsidiaries, please visit our website at: <http://www.cesenergysolutions.com> or contact us at cesinfo@ceslp.ca.

CES' registered office is located at Suite 4200, Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta, Canada, T2P 5C5.

Our Organizational Structure

The following diagram sets forth the corporate organizational structure and material intercorporate relationships of CES at December 31, 2024.



Three-Year History

Industry Conditions

Since the coronavirus (**COVID-19**) pandemic, the global supply and demand balance for energy continued to be constructive and Operators began slowly increasing capital spending and production growth targets. In February 2022, energy prices increased dramatically following the Russian invasion of Ukraine, and the subsequent changes to energy policies around the world, including sanctions on Russian oil and gas. The invasion of Ukraine also upended global supply chains causing shortages relating to key materials used in the extraction and treatment of oil and gas worldwide. Additionally, labour pressures, as a result of the transition out of the COVID-19 pandemic, added additional pressure on operators' ability to explore and extract oil and natural gas. These supply chain and labour pressures persisted for most of 2022, easing slightly in the latter half of the year.

2023 saw supply chain and labour pressures continue to ease as the broader economy continued to rebalance following the COVID-19 pandemic and subsequent economic recovery. Upstream activity continued to remain strong in 2023 and 2024, supported by relatively strong and consistent commodity pricing across North America. Geopolitical instability, and increased interest rates did provide some level of moderation to activity levels, however they did not materialize into a notable impact on the industry or the Company and its business or operations. The conflict in the Middle East following the October 7th attack on Israel underscored the importance of a strong North American oil and gas industry and continued to provide a supportive environment for the oil and gas industry.

2024 continued to be constructive for the energy industry in North America. Depressed global inventories, fewer high-quality drilling locations, increasing global demand and limited supply growth have provided for a relatively stable pricing environment for oil. Although natural gas has demonstrated price weakness since early 2023, drilling activity in the US and Canada for natural gas has been sustained in anticipation of LNG export projects coming online.

Market Share and Activity

In the United States, the Company has grown its US drilling fluids market share from 18% in 2022 to 22% by the end of 2024. This increase in market share was largely attributable to key investments made in strategic infrastructure, which allowed AES to gain market share by serving many large customers who were more active than their peers. In Canada, CES' Canadian drilling fluids market share decreased slightly from 36% in 2022 to 34% in 2024.

For the Company's production and specialty chemicals business, the estimated quarterly average number of wells or oilfield sites serviced by the Company (**Treatment Points**) in 2024 in the US and Canada was 33,650 and 9,259, respectively. This compares with 30,391 and 7,641 respectively in 2023, and 28,341 and 7,134 for 2022. 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 favourable characteristics are associated with increased measured depths and higher production volume attributes of many modern wells.

Developments of the Business

Following a series of transformative acquisitions, including the purchase of Jacam Chemicals in 2013 and Catalyst Oilfield Services in 2016, the Company has been focused on integrating these businesses into its existing operations and driving efficiencies and organic growth. The Company continues to evaluate M&A opportunities and has made smaller strategic and targeted acquisitions to expand into specific markets and product lines, including the 2024 purchase of Hydrolite Operating, LLC which provides fluid systems for well drill-outs and cleanouts as well as fluid systems and equipment for low-pressure / high-porosity and high-pressure reservoirs. Following the acquisition, Hydrolite continues to operate as AES Completion Services, a division of AES Drilling Fluids, LLC.

The Company has also made significant investments in building out infrastructure in the US and Canada to service our customers in key areas and basins. As industry activity expanded through 2019, the Company made additional investments in expansion capital related to its fleet, land and building additions to support increasing headcount and demand for the Company's products and services. In response to industry conditions in 2020, the Company

significantly reduced its expansion capital expenditures, however CES was able to benefit from its previous investments in infrastructure. The Company has continued to be prudent with expansion capital expenditures as industry activity levels expanded following the COVID-19 pandemic, with a focus on capital expenditures to support an increased headcount commensurate with increased activity levels and higher service intensity.

The Company continues to focus on optimizing its existing business to create efficiencies in our supply chain and the delivery of our products and services. 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.

Board of Directors and Management Changes

On January 13, 2022, the Company announced the appointment of Mr. Joseph (Edwin) Wright and Mr. Ian Hardacre to the Board of the Company. Mr. Wright has over 25 years of executive and entrepreneurial experience in the energy industry and recently retired from Concho Resources Inc. where he held the role of Chief Operating Officer and was on the Board of Directors. Mr. Hardacre is an experienced institutional investor with over 25 years of experience in portfolio management and investment leadership and is based in Toronto, Ontario. Mr. Hardacre is currently the Head of Publicly Traded Equities at Bridgeport Asset Management, and previously held the role of Chief Investment Officer and Senior Vice President at Empire Life Investment Management Inc.

On January 1, 2024, the Company promoted Mr. Mihir Patel to the role of President, Canadian Drilling Fluids. Mr. Patel previously held the position of Director of Canadian Procurement for the Company's Canadian Operations and has worked for CES since 2010. In addition, on January 1, 2024 Mr. Dave Burroughs was promoted to the role of President of PureChem, the Company's Canadian production chemical division. Mr. Burroughs previously held the title of General Manager of PureChem and his current duties remain consistent with his previous role.

On April 8, 2024, Mr. Richard Baxter stepped down from his role as President, US Drilling Fluids and assumed the role of President Emeritus of AES where he continues to provide ongoing advice and support to AES. Mr. James Strickland, who previously held the position of Senior Vice President of AES, was promoted to the role of President, US Drilling Fluids effective the same date. Mr. Strickland has worked for AES since February 2011.

Mr. Philip Scherman did not stand for re-election at the Company's Annual General Meeting on June 18, 2024 (the "AGM"), and following the AGM and Mr. Scherman's departure, Mr. Kyle Kitagawa assumed the role of Chairman of the Board. Mr. Hardacre assumed the role of Chair of the Audit Committee from Mr. Kitagawa.

As of the date of this AIF, the Board of Directors of the Company is comprised of a total of 7 directors, 6 of whom are independent.

Normal Course Issuer Bid

On July 17, 2018, the Company began its first Normal Course Issuer Bid (**NCIB**) which permitted the Company to repurchase for cancellation up to 10% of its public float on an annual basis under the rules of the Toronto Stock Exchange. In 2024, the Company's cash flow generation continued to increase which enabled the Company to increase the rate of purchases under its NCIB, with a total of 15,176,230 shares repurchased at an average price of \$6.69 for an aggregate amount of \$101.5 million. Since the inception of the NCIB in 2018, the Company has repurchased a total of 69,229,487 Common Shares at an average price of \$3.43 for an aggregate amount of \$237.8 million as at December 31, 2024.

Dividend

On August 12, 2021, the Company announced that it would reinstate its dividend, shifting to a quarterly payment of \$0.016 per Common Share. Since reinstating the dividend, the Company has increased its dividend three times, with the last increase announced on February 29, 2024, to the amount of \$0.030 per Common Share, to be paid to the

shareholders of record as at the close of business on March 29, 2024, and continuing on a quarterly basis. Since the Company went public in 2006, the Company has returned a total of \$408.0 million to shareholders by way of monthly and quarterly dividends.

Amended and Restated Senior Facility and Issuance of Senior Notes

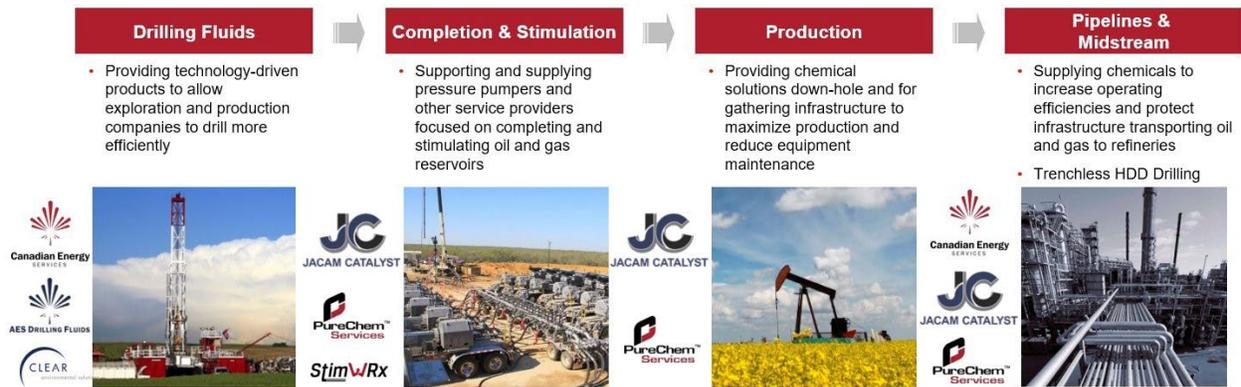
On April 25, 2023, the Company entered into a fourth amended and restated credit agreement with respect to its existing syndicated credit facility (**Senior Facility**). The principal amendments included an expansion of the lending syndicate to include Canadian Imperial Bank of Commerce, HSBC Bank Canada, Canadian Western Bank, and Business Development Bank of Canada, an increase of the total Senior Facility size to approximately C\$700.0 million consisting of a Canadian Term Loan Facility of \$250.0 million and an aggregated revolving facility of approximately C\$ equivalent \$450.0 million. The \$250.0 million Canadian Term Loan Facility was used to repay the Company's Senior Notes indenture dated October 20, 2017.

On May 24, 2024, the Company successfully completed the private placement of \$200.0 million of 6.875% senior unsecured notes (**Senior Notes**) under a Senior Notes indenture dated May 24, 2024 (**Indenture**). The Company used the Senior Notes, along with amounts available under the Senior Facility, to repay the Canadian Term Loan Facility. Pursuant to the terms of the Senior Facility, the Canadian Term Loan Facility is a non-revolving term credit facility and amounts repaid under the Canadian Term Loan Facility are no longer available for future utilization.

The Indenture contains 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.

GENERAL DEVELOPMENT OF THE BUSINESS

Since the Company's initial public offering in March 2006, through a combination of strategic acquisitions and organic growth, CES has become 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. At the drill-bit, our designed drilling fluids encompass the functions of cleaning the hole, stabilizing the rock drilled, controlling subsurface pressures, enhancing drilling rates, and protecting potential production zones while conserving the environment in the surrounding surface and subsurface area. At the point of completion and stimulation, our designed chemicals form a critical component of fracturing solutions or other forms of remedial well stimulation techniques. The shift to horizontal drilling and multi-stage fracturing with long horizontal well completions has been responsible for significant growth in the drilling fluids and completion and stimulation chemicals markets. At the wellhead and pump-jack, the Company's designed production and specialty chemicals provide down-hole solutions for production and gathering infrastructure to maximize production and reduce costs of equipment maintenance. Key solutions include corrosion inhibitors, demulsifiers, H₂S scavengers, paraffin control products, surfactants, scale inhibitors, biocides and other specialty products. Further, specialty chemicals are used throughout the pipeline and midstream industry to aid in hydrocarbon movement and manage transportation and processing challenges including corrosion, wax build-up and H₂S.



Oilfield Knowledge + Vertically Integrated Technology + Manufacturing = Competitive Advantage



Since the Company's initial public offering, and including the conversion transaction in 2010, CES has completed nineteen acquisitions of private companies in both Canada and the US, totaling approximately \$685.4 million, and has invested approximately \$674.2 million in gross expansion capital expenditures, including amounts financed through leasing arrangements, to organically grow its business, representing an average of only 4% of historical revenue. The Company has acquired companies that it believes had a leadership position in their local markets, are strategically located, and are like minded in the Company's approach to customer service and innovation. The Company has further grown its business organically through increased market penetration of cost-effective engineered chemical and consumable solutions to its customers. Innovation is a key component to the success of CES, and with the support of CES' customer focused sales and field staff, and supported by its research and development, new solutions are constantly being developed to meet customer needs.

BUSINESS OF THE COMPANY

The Company's oilfield consumable chemical business is organized as follows:

Drilling and Completion Fluids

The Canadian Energy Services and AES brands are focused on the design and implementation of drilling fluids systems and completion solutions for oil and gas producers throughout the North American market. CES earns revenue when it sells a drilling fluid system to an exploration and production entity (**Operator**). In advance of the sale, CES works collaboratively with the Operator to design a drilling fluid system that will clean the hole, stabilize the formation drilled, control subsurface pressures, enhance drilling rates, and protect potential production zones while conserving the environment in the surrounding surface and subsurface. The Company has an extensive product line with several proprietary drilling fluid solutions suitable for all of the onshore and shallow water offshore oil and natural gas drilling currently being done in North America.

The Company has recently expanded its service offering to provide fluid systems for well drill-outs and cleanouts post-fracking and throughout well lifespans under the brand CES Completion Services and AES Completion Services. These services complement the existing Canadian Energy Services and AES brands and allow for continued sales and services from these divisions following initial drilling activities.

Production and Specialty Chemicals

The Jacam Catalyst division operates in the US and PureChem operates primarily in the Canadian WCSB. Sialco provides support, development and manufacturing to both Jacam Catalyst and PureChem, as well as direct sales to non-oilfield customers including those in the pulp and paper, mining and cosmetic industries.

All of these brands place an emphasis on servicing the major oil and natural gas liquids resource plays. The Jacam Catalyst and PureChem divisions manufacture and sell both to retail and wholesale markets, a complete line of production and specialty chemicals designed for the oil and natural gas production markets, the stimulation and fracturing markets, and the pipeline and midstream markets. The StimWrx brand, operating out of the PureChem and Jacam Catalyst divisions, provides near matrix stimulation and remediation of oil, gas, and injection wells in Western Canada and the US. Sialco is a primary manufacturer that produces oilfield related chemistries that are then sold through PureChem, and Jacam Catalyst. In addition to being basic in the manufacture of oilfield chemicals, Jacam Catalyst and PureChem have expanding distribution channels into the oilfield.

Indigenous Partnerships

The Company is committed to fostering meaningful relationships and partnerships with Indigenous communities in Canada. To this end, in January 2024, we formalized a Partnership Agreement with ACDEN, a Certified Aboriginal Business and one of Canada's largest Indigenous Corporations to partner in the provision of production chemicals in the Wood Buffalo region of Northern Alberta. Through this Partnership, the Company aims to promote collaboration, inclusion, and mutual benefit in our business activities while honoring the principles of reconciliation, self-determination, and Indigenous rights.

The Company continues to explore other engagements in the regions in which the Company operates, including with First Nations communities in Alberta, Saskatchewan, and North-East British Columbia.

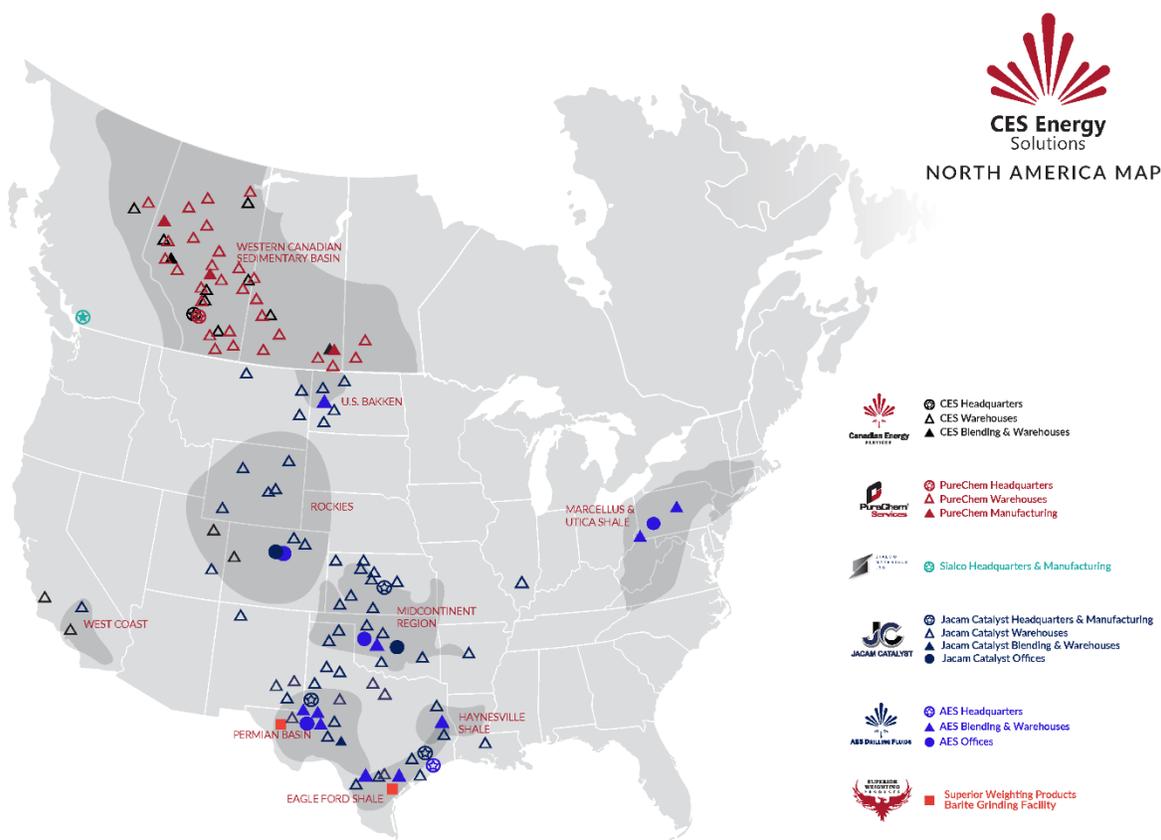
Other Business Divisions and Foreign Operations

Clear is a complimentary business division that supports the Company's operations and augments the product offerings in the WCSB. Clear is CES' environmental division, providing environmental consulting, water management services, and drilling fluids waste disposal services primarily to oil and gas producers active in the WCSB.

The Superior Weighting division, based out of the Port of Corpus Christi, Texas with a secondary grinding facility in Pecos, Texas, custom grinds minerals including barite, which is the weighting agent utilized in most drilling fluids systems.

The Company formed CES Oman in May 2021 to provide drilling fluids and production chemicals to the Omani market. CES Oman is supported by AES in the US and CES in Canada and continues to explore emerging opportunities in Oman and the Middle East. At this time, CES Oman does not represent a material component of the Company's business or operations. In addition, the Company sells production chemicals to a distributor in Nigeria for resale in Africa but does not have any physical operations or assets within Nigeria or the African continent.

Below is a map showing the locations of the Company's integrated North American operations.



Competitive Strengths

Management believes that the following factors provide the Company with a competitive advantage in the oilfield consumable chemical business:

Proprietary and Patented Solutions

CES is a leading provider of consumable chemical solutions throughout the life-cycle of the oilfield. The Company's technically advanced consumable chemical solutions are designed to meet client-specific objectives. Through a suite of proprietary and patented systems and products, the Company provides a fully integrated approach to the design and execution of oilfield related consumable chemical solutions required by our customers. The proprietary systems and tailored solutions are designed in-house with CES' own laboratory facilities and scientists or with the assistance of the chemical laboratories of the Company's suppliers and are customized to address specific customer requirements.

CES takes great pride in its proprietary technology, innovations and our employees who work to solve tomorrow's oil field problems. CES will continue to invest in developing new and innovative solutions as well as to protect and defend our patents and intellectual property when necessary.

A detailed summary of some of the Company's key suite of technically advanced consumable chemical solutions, many of which are proprietary or patented, consists of the following:

Product	Description of Application	Function
Seal-AX™	<ul style="list-style-type: none"> • Medium/deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Provides unique method of reducing seepage and fighting total losses of drilling fluids while drilling in oil-based and water-based muds.
Polarbond™	<ul style="list-style-type: none"> • Medium/deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Water based shale inhibitor and friction reducing agent.
ABS40™	<ul style="list-style-type: none"> • Vertical/deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Specialized environmentally friendly synthetic oil based mud system.
Cotton Seal™	<ul style="list-style-type: none"> • Vertical/deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Whole mud loss agent and seepage loss agent for oil based mud systems.
Enerdrill™	<ul style="list-style-type: none"> • Deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Ultra-lightweight synthetic oil based fluid. • Enhances rate of penetration in deep, highly consolidated formations being drilled horizontally.
Bond Log Plus	<ul style="list-style-type: none"> • SAGD drilling fluid 	<ul style="list-style-type: none"> • Enhances quality and integrity of cement jobs in build interval of well.
PureStar™	<ul style="list-style-type: none"> • Deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Environmentally compatible salt free synthetic oil based mud system.
Envirobond™	<ul style="list-style-type: none"> • Vertical/horizontal drilling fluid 	<ul style="list-style-type: none"> • Advanced water-based shale inhibitor. • Inhibits hydration and migration of fine solids, clays and shales. • Prevents damage to heavy oil production zone. • Controls mud density.
Liquidrill™	<ul style="list-style-type: none"> • Horizontal drilling fluid • Heavy oil • Long reach lateral sections • Long interval sections • SAGD • Multi-lateral horizontal wells • Coalbed methane 	<ul style="list-style-type: none"> • Clay-free polymer mud system. • Controls fluid loss. • Proven in many multi-hole projects in high-risk areas for shallow vertical depths and long reach lateral sections. • Non-damaging water-based drilling fluid.
Invert/Ecovert™	<ul style="list-style-type: none"> • Deep/vertical/horizontal drilling fluid 	<ul style="list-style-type: none"> • Hydrocarbon based. • Maintains stability in highly deviated wellbores. • Allows pipe to be tripped without restriction.
Enerclear™	<ul style="list-style-type: none"> • Medium and deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Weighted salt based fluid for increased drill bit life and faster rate of penetration. • System has inhibitive qualities.
EnerLITE™	<ul style="list-style-type: none"> • Medium/Deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Density control while drilling through depleted formations.
Micro Strength™	<ul style="list-style-type: none"> • Vertical/deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Fracture sealing and strengthening loss prevention additive.

Product	Description of Application	Function
Macro Strength	<ul style="list-style-type: none"> • Vertical/deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • High fluid loss squeeze material to cure total drilling fluid losses.
Brinex™	<ul style="list-style-type: none"> • Medium and deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Brine drilling fluid lubricant additive.
Brinex EP™	<ul style="list-style-type: none"> • Medium and deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Brine drilling fluid lubricant additive for extreme torque conditions.
Glydex™	<ul style="list-style-type: none"> • Medium and deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Invert emulsion drilling fluid lubricant additive.
Liquislide™ Salt	<ul style="list-style-type: none"> • Medium and deep/horizontal drilling fluid • SAGD and heavy oil drilling fluid 	<ul style="list-style-type: none"> • Provides enhanced lubricity to oil based mud, salt and water based systems.
Tarbreak™ and Tarbreak #2	<ul style="list-style-type: none"> • SAGD drilling fluid 	<ul style="list-style-type: none"> • Reduces adhesiveness of bitumen. • Enables drilling by reducing viscosity.
Poly-Core™	<ul style="list-style-type: none"> • SAGD drilling fluid 	<ul style="list-style-type: none"> • Core fluid for bitumen reservoirs. • Oilsands delineation drilling.
EnerSeal™	Medium/deep/horizontal drilling fluid	<ul style="list-style-type: none"> • Unique rheology profile that mitigates fluid losses in permeable and fractured formations.
Enerhib C™	<ul style="list-style-type: none"> • Medium/deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Corrosion inhibitor for use in salt based drilling fluid systems.
EnerScav C™	<ul style="list-style-type: none"> • Medium/deep/horizontal drilling fluid 	<ul style="list-style-type: none"> • Oxygen scavenger for use in salt based drilling fluid systems.
EnerSeal HDD™	<ul style="list-style-type: none"> • Pipeline crossings 	<ul style="list-style-type: none"> • Unique rheology profile suited to large bore drilling. • Losses to surface due to frac out are minimized, clean outs are minimized.
ClearViewer	<ul style="list-style-type: none"> • Drilling Fluids Monitoring 	<ul style="list-style-type: none"> • Probes for real time monitoring of drilling fluids properties
Fracturing Additives	<ul style="list-style-type: none"> • Water based Gellants • Breakers • PH Control • Clay Control • Flow Enhancers • Biocides • Scale Inhibitors • Cross Linkers • Lubricants • Viscoelastic Surfactant Gel 	<ul style="list-style-type: none"> • Specific chemical additives to enhance performance / efficacy of well fracturing / completions.

Product	Description of Application	Function
Friction Reducers	<ul style="list-style-type: none"> • Fracturing fluid additive specific for slickwater fracturing 	<ul style="list-style-type: none"> • Reduces frictional losses at low doses while pumping allowing for high pump volumes with equivalent HP or less HP to pump equivalent volumes. • Enhanced chemistry allowing for treatment of difficult fluids such as formation brines. • Combined with pump volumes, allows for effective placement of proppant.
Propcure	<ul style="list-style-type: none"> • Hydraulic Fracturing 	<ul style="list-style-type: none"> • Resin coating that controls proppant flowback in fracturing operations
Production Enhancement	<ul style="list-style-type: none"> • Acid packages • Surfactants • Solvent packages • Organic acid packages 	<ul style="list-style-type: none"> • Remediates near wellbore damage. • Mechanisms to enhance well productivity.
SuperCorr Corrosion Control (US) PureCorr and PureCoat (Canada)	<ul style="list-style-type: none"> • Acid gas corrosion protection • Waterflood corrosion inhibitor • Flowline corrosion inhibitor • Pipeline corrosion inhibitor • Downhole corrosion inhibitor • Combination products 	<ul style="list-style-type: none"> • Control of downhole, plant and pipeline corrosion issues. • Specialize in severe corrosion environments.
Paraffin & Asphaltene	<ul style="list-style-type: none"> • Pour point depressants • Crystal modifiers • Dispersants • Solvents • Asphaltene dispersants for natural gas and oil 	<ul style="list-style-type: none"> • Control the many problems associated with paraffin and asphaltene deposition in oil and natural gas production. • Increase the efficiency of the production process. • Reduces operating costs.
Scale Inhibitors	<ul style="list-style-type: none"> • High calcium tolerant • High barium tolerant • High temperature tolerant 	<ul style="list-style-type: none"> • Controls scale deposition in downhole equipment and production facility. • Controls the deposition of all forms of carbonate and sulfate scale. • Reduces downtime and lost production. • Reduces operating costs.
Water Treatment	<ul style="list-style-type: none"> • Flocculants • Reverse demulsifiers • Coagulants 	<ul style="list-style-type: none"> • Chemicals for removing hydrocarbon residue from the water treatment process. • Chemicals to remove solids and formation fines from the water treatment process.
Emulsion Breakers	<ul style="list-style-type: none"> • Resolve oil and water emulsions occurring during crude oil production and processing • Assist in the clarification of produced water 	<ul style="list-style-type: none"> • Separates oil from water. • Clean water from emulsion separation process and ready for disposal. • Reduces operating costs. • Can reduce flowline pressures.
Foamers & Defoamers	<ul style="list-style-type: none"> • Foamers from removing H₂O from natural gas wells • Defoamers for alleviating foaming in oil and water systems 	<ul style="list-style-type: none"> • Increase the efficiency of the production process.

Product	Description of Application	Function
H ₂ S Scavengers	<ul style="list-style-type: none"> Removal of H₂S from natural gas and hydrocarbon streams and from produced-water 	<ul style="list-style-type: none"> Ensures pipeline specification natural gas and hydrocarbons. Ensures rail specification oil. Safety.
Salt Inhibitors and Desalters	<ul style="list-style-type: none"> Reduces formation of salt in the production process Desalters remove excess salt from oil 	<ul style="list-style-type: none"> Reduces downtime of wells and lost production. Protects surface equipment from salt deposition.
Hydrate Inhibitors Breakers	<ul style="list-style-type: none"> Kinetic type hydrate inhibitor Anti-agglomerate type hydrate inhibitor Hydrate breakers to remove hydrates after formation 	<ul style="list-style-type: none"> Designed to control the formation of gas hydrates in pipelines. Reduces downtime of wells and lost production.
Anti-Foulants	<ul style="list-style-type: none"> Preventing asphaltene deposition in process equipment 	<ul style="list-style-type: none"> Efficient facility operation. Reduces downtime.
Biocides	<ul style="list-style-type: none"> Control anaerobic and aerobic bacteria for water injection, water used in completions / fracturing , produced-water and cooling-water systems 	<ul style="list-style-type: none"> Water quality maintenance.
Gas Processing Chemicals	<ul style="list-style-type: none"> Dehydration Heat transfer Defoamers Hydrate control 	<ul style="list-style-type: none"> Natural gas plant processing efficiencies.
Solid Chemistries	<ul style="list-style-type: none"> Corrosion control Scale inhibitors Paraffin control Foamers Biocides 	<ul style="list-style-type: none"> Effective downhole, tank and pipeline application of solid chemistries. Engineered to distribute the chemical treatment at the specific location. Environmentally safe as product design eliminates potential for any spill in transit or on site.

Strong Reputation and Diversified Client Base

The Company, by its estimated market share, is the largest drilling fluid systems provider in Canada and the US, serving a wide range of Operators and suppliers in both countries. The Company has the second largest market share in the production and specialty chemical business for the North American land market through its US subsidiary Jacam Catalyst and its PureChem division in Canada¹.

The Company's client base represents a cross-section of the North American oil and natural gas industry, including large multinational producers, intermediate oil and natural gas Operators, independent juniors, and joint ventures, as well as companies engaged in the pipeline and mid-stream markets. On a smaller scale, the Company also wholesales its drilling and completion fluids and its production and specialty chemicals to other oilfield service providers.

The Company's business is based in large part on strong client relationships. The Company has a well-established client base of approximately 1,980 Operators, Downstream Operators (as defined below), suppliers and industrial customers having operations throughout the US and western Canada. The top five clients of the Company accounted

¹ Estimated North American Land Market Share data provided by Kimberlite LLC.

for approximately 27% of its revenues for the year ended December 31, 2024, with one large independent Operator accounting for approximately 9%. The Company's ability to design and deliver effective oilfield related chemical solutions has historically led to a high retention rate for clients that have recurring and increasing needs for the Company's services.

Diversified Operations Serving Key North American Oil and Gas Basins

The Company has diversified operations servicing the ongoing major resource plays in North America. In Canada, the Company has operations and sells products throughout the WCSB with an emphasis on servicing the ongoing major resource plays in the Montney, Duvernay, Deep Basin and SAGD market. In the US, the Company has significant operations in the Permian, Eagleford, Bakken, Marcellus and Scoop/Stack Basins.

Vertical Integration

The Company continues to take steps to improve its supply chain to efficiently source its input products and to manufacture and blend the products it supplies to its end customers. In 2011, through its PureChem division, CES established a chemical blending facility in Carlyle, Saskatchewan to blend specialty products for drilling fluids and to blend production and specialty chemical products for completions, stimulations, production and infrastructure associated with hydrocarbon production. In 2013, the acquisition of Jacam significantly expanded the Company's chemical manufacturing and blending capabilities while further vertically integrating the Company's supply chain through advanced high temperature chemical reacting capabilities. Jacam's manufacturing facilities located in Sterling, Kansas allow the Company to react and blend both the basic molecules and end products provided to customers. The Sialco acquisition in 2015 further expanded the Company's chemical manufacturing capabilities and product offerings through advanced chemical reacting capabilities of the facilities located in Delta, British Columbia. The Catalyst acquisition in 2016 expanded the Company's production and specialty chemical retail presence and manufacturing capability in West Texas and the Permian Basin. Most recently, the StimWrx acquisition in 2017 has allowed the Company to provide technically advanced solutions for optimal wellbore stimulation.

Other vertical integration initiatives include the 2016 completion of construction of the barite grinding facility at the Port of Corpus Christi, Texas and the 2018 completion of an organoclay plant in Sterling, Kansas. Barite and organoclay are key inputs in invert or oil based drilling fluid systems. In 2019, AES expanded its Kermit, Texas facility to include a product blending facility, barite terminal, expanded rail access and a doubling of liquid mud capacity. In 2024, SWP completed construction of its second barite grinding facility in Pecos, Texas.

Additionally, PureChem has expanded its chemical blending facility in Carlyle, Saskatchewan, and in 2019 it completed construction of a new field service centre, lab, and warehouse facility in Grande Prairie, Alberta. This new facility has created logistics efficiencies and includes direct rail access to provide products and services to PureChem's customers in the Montney and Duvernay oil and gas plays.

CES' enhanced vertical integration has strengthened the competitive positioning and improved the supply chain economics of its operations. This vertically integrated business model enables design, manufacturing and delivery of tailored chemical solutions to customers in both production and specialty chemicals as well as in drilling fluids.

Experienced and Committed Management and Professional Team

The Company has been successful in attracting and retaining talented professionals. The executive management team, which oversees the operations of the Company, have spent their entire career working in the oil and gas services industry and have extensive experience in the key business lines of the Company. The Board of Directors and management's interests are aligned with those of the Company and its shareholders through their holding of approximately 4.5% of the fully diluted outstanding Common Shares, inclusive of their Restricted Share Units. See "Escrowed Securities", "Capital Structure" and "Directors and Officers".

Complimentary Environmental Business

Clear provides vertically integrated consulting services to producers in the WCSB focusing primarily on the supervision of disposing various waste streams and providing comprehensive water management strategies. The business of Clear has evolved to assist customers in the pre-planning of their projects and to provide support through the drilling and completions phases of their programs. The policies and regulations that influence how the exploration businesses operate are becoming increasingly complicated, most recently when it comes to water. There are risks associated with access to water (or alternatives) including lack of availability, over-allocation in an area, drought, and volume constraints. Clear mitigates these risks by establishing water management strategies that are forward-thinking and economical to ensure fluid security for our customers. A collaborative approach is taken with producers from project inception, through physically managing water (including licensing, transmission, storage, usage, recycling and disposal) and culminates with providing the required reporting and documenting that illustrates that the project meets or exceeds regulatory requirements). This business line is complementary to the drilling and completion fluids business and provides the Company with an opportunity to provide a more integrated service in certain circumstances.

Warehousing and Trucking

The Company's owned warehouses provide staging facilities in key operating areas for the Company to house its own materials and provide trucking support, which allows CES to manage and control inventory of products more efficiently and reduces the reliance on third parties for trucking and warehousing.

Competition

In the drilling and completion fluids business, three large integrated oilfield service companies control a broad majority of the world-wide marketplace. Drilling and completion fluid companies compete by focusing their efforts on the price of materials, quality of product, technological advantages, and the knowledge, technical expertise and service levels of management and field personnel. Management believes that the Company's specialty drilling and completion fluids provide significant productivity increases, drilling cost reductions, solutions to environmental issues and solutions to a wide variety of drilling operations, including conventional and heavy oil drilling, and for downhole problems such as water/oil separation, wellbore ballooning and other production specific problems. It is Management's view that the Company will maintain its competitive status by continuing to offer, what Management believes is, state-of-the-art technology in its drilling and completion fluid systems.

The production and specialty chemicals business is a highly consolidated industry. In North America, the number of production chemical companies that offer a suite of proprietary products across the life-cycle of the oilfield is presently dominated by two large conglomerates that control approximately 38% of the market². Similar to the drilling fluids business, the Company's production and specialty chemicals divisions compete by focusing their efforts on the price of materials, quality and efficacy of the product, capabilities of its research and development team, and the knowledge and technical expertise of its management and field personnel. Management believes that its production and specialty chemicals business can grow in a competitive and consolidated marketplace by leveraging our technical skills and our state-of-the-art facilities as we constantly develop new and innovative solutions to meet our customers' needs.

Target Market

The Company focuses on the provision of consumable chemical solutions to Operators across the US and the WCSB. In particular, with respect to the provision of drilling and completion fluids, the Company is putting an emphasis on servicing the ongoing major resource plays. The production and specialty chemicals business has a similar focus, however, given the broader application of its product offering, it can expand its target market across all of North America where either on-going activity is occurring, where legacy hydrocarbon production exists or where an industrial or infrastructure related sales opportunity exists.

² Production and chemical market size data provided by Spears & Associates Inc.

Marketing and Customer Service

The Company markets its technical expertise and services to its broad client base by emphasizing the historical successes of its products, its technologies, and the technical expertise and experience of its personnel. Larger, sophisticated clients generally tender bids for services or approve prime vendors through sales and technical presentations and base selections on price, technical ability, field experience, area knowledge, health, safety and environmental compliance, and overall size and financial strength of the service provider. Smaller clients, suppliers, and drilling and completion engineering firms tend to rely on continual technical and professional support, as well as track records of the service provider.

Equipment and Facilities

The Company's core oilfield consumable chemicals business is generally not very capital intensive in comparison to other oilfield service peers. The Company's equipment consists of chemical reacting, manufacturing and blending facilities, oil-based drilling fluid storage and mixing facilities, packaged goods warehouses, field trucks, specialty chemical delivery trucks, field testing equipment, information technology equipment, telecommunications equipment, office equipment and facility improvements.

The Company's head office and the Canadian drilling fluids and production and specialty chemical businesses are all located in Calgary, Alberta. AES is headquartered in Houston, Texas, and Jacam Catalyst operates the US production and specialty chemical businesses primarily out of Sterling, Kansas, and Gardendale, Texas.

Canadian Energy Services owns two warehouses and truck terminals located in Edson, Alberta, and Carlyle, Saskatchewan. It also rents warehouse space throughout Alberta, British Columbia, Manitoba and Saskatchewan as inventory and stock point locations to facilitate efficient delivery of its drilling fluid products and services to clients. These warehouses are typically owned by trucking companies or oilfield service providers.

AES has operations in seven US states that are serviced by four oil-based mud plants in Texas, three additional mud plants located in Oklahoma, Pennsylvania, and West Virginia and several rented warehouses and stock points.

CES continues to invest in research and development of new technologies and in top-end scientific talent that can develop and refine these technologies. CES operates 13 separate lab facilities across North America: two in Houston, Texas; one in each of Midland, Texas; Gardendale, Texas; Sterling, Kansas; Casper, Wyoming; Roosevelt, Utah; Dickinson, North Dakota, Johnstown, Colorado; Calgary, Alberta; Grande Prairie, Alberta; Carlyle, Saskatchewan; and Delta, British Columbia. In the US, CES' main chemical manufacturing and reaction facility is located in Sterling, Kansas with low-temperature reacting and chemical blending capabilities in Midland, Texas, and additional chemical blending capabilities in Sonora, Texas. In Canada, CES has an additional 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.

Jacam Catalyst delivers its products and services in 19 US states, including Kansas, New Mexico, North Dakota, Colorado, Oklahoma, Louisiana and Texas, that are serviced through over 60 warehouse or stocking points, providing Jacam Catalyst a presence in almost all of the major US basins. Jacam Catalyst also produces organoclay, which is an organically modified phyllosilicate, derived from naturally occurring clay minerals, for use as a viscosifier for CES' oil based and invert drilling fluids.

PureChem services its customers across Western Canada from its main service centers in Carlyle, Saskatchewan, Nisku, Alberta, and Grande Prairie, Alberta, including over 30 strategically located remote service centers. The flagship Grande Prairie facility offers direct rail supply chain efficiencies to better serve PureChem's customers in the Montney and Duvernay oil plays. In Nisku, Alberta, PureChem manufactures H₂S scavengers as well as handles certain chemical blending operations. Sialco designs and manufactures industry leading fracture stimulation and production chemicals from its state-of-the-art high temperature chemical reacting and manufacturing facility located in Delta, British Columbia. Sialco also manufactures specialty chemicals for the pulp and paper and mining industries, as well as products for the cosmetics market.

Superior Weighting has a long term lease for its barite grinding facility at the Port of Corpus Christi, Texas. In 2016, Superior Weighting completed the construction of a state of the art barite grinding facility and now supplies custom ground barite to the Company's drilling fluids businesses. In 2024, Superior Weighting completed its barite mill in Pecos, Texas to expand its access to the Permian Basin. This state of the art facility leverages automation to enhance safety and minimize personnel requirements.

Our People

CES takes great pride in its talented and dedicated workforce across Canada and the United States. As at December 31, 2024, we employed a total of 2,532 employees across North America, with 744 employees in Canada and 1,788 employees in the United States.

Procurement

The Company has a significant procurement group with specialists located in Calgary, Carlyle, Delta, Sterling, Gardendale and Houston. The Company continues to pursue a strategic approach to direct procurement from manufacturers and producers to maximize cost savings. Additionally, the Company's procurement groups are constantly sourcing new and alternative raw materials for use in its manufacturing and blending processes resulting in additional cost savings. These improvements have allowed the Company to defend margin integrity in an extremely price conscious environment. At the same time, the Company strives to leverage our long-standing supplier relationships to overcome any supply chain challenges that might arise as a result of global disruptions. As supply chains become increasingly complex, the Company strives to be at the forefront of building a sophisticated and resilient supply chain to respond to these challenges.

As a result of its increasing scale, the Company continues to put more emphasis on procurement practices to improve quality, reliability and cost effectiveness of supply. The Company has integrated its Canadian procurement operations across its Canadian businesses including drilling, completions, fracturing, production and specialty chemicals, and this integrated procurement group provides additional supply chain support services to the Company's US divisions.

Health, Safety and Environment

The Company has very high standards with respect to environmental, health and safety matters. The Company employs rigorous safety and training standards aimed at protecting both the environment and its employees. The Company employs certified safety professionals to ensure compliance with all necessary safety and regulatory requirements.

CES is committed to and responsible for providing a safe and healthy work environment and protecting its employees, contractors, visitors, property, environment and the public. The Company's business units across North America are committed to meeting or exceeding their respective legislative requirements and to ensuring everyone's right and responsibility to refuse unsafe work. Our projects, products and processes are managed in a way that protects the health and safety of people and minimizes environmental impacts on the communities in which we work.

Health, safety and environment teams in Canada and our US divisions, which include professionals certified in safety and industrial/occupational hygiene, are responsible for the development and monitoring of our health, safety and environmental programs and along with all levels of employees, ensures successful implementation of these programs. Our Canadian operations successfully participate in the Certificate of Recognition programs in each province in which we work. The health, safety and environment teams across Canada and the US utilize a variety of tools with which to monitor the success of its program including both leading and lagging indicators.

The Health, Safety and Environment Committee of CES' Board of Directors (the **HSE Committee**) is responsible for overseeing the Company's health, safety and environmental teams, program and related performance. The HSE Committee regularly monitors the health, safety and environmental policies, practices, procedures and planning of the Company for compliance with applicable and proposed legislation, conformity with industry standards, implementation of best practices and prevention or mitigation of losses. The HSE Committee also reviews health,

safety and environmental metrics, including the Certificate of Recognition program audit results as well as other key areas of focus within the Company.

In general, the global oil and natural gas industry and in particular, the Company's business, is subject to a complex and increasingly stringent array of laws addressing the actual and potential environmental impacts inherent to the business, including laws governing waste management and the transport, handling, use, deposit or release of potentially hazardous substances into the natural environment. Some of these laws assign potential liability for damages without regard to causation or fault, and provide for joint and several liability for cleanup and other costs in the event of new or historical spills, releases or deposits of hazardous and other substances, including wastes. Other environmental laws provide significant potential penalties for non-compliance, including criminal charges and imprisonment for the most extreme cases. The environmental legal regimes in Canada and the US, which are comprised of a variety of federal, provincial, state and local laws, are among the most stringent in the world, and as a consequence, industry participants incur significant capital and operating costs to maintain compliance.

Insurance

The Company maintains insurance coverage for our property and physical assets, auto damage and liability, cyber liability, financial exposures, and regular third-party liability to protect against exposures arising from our normal operations within all our divisions and subsidiaries. Management believes that in addition to prudent risk management, this provides an effective risk transfer strategy for protection against insurable risks. CES purchases insurance coverage similar to other prudent energy services companies including reasonable deductibles, self-insured retentions, policy limits and policy wordings which include standard exclusions and conditions. Insurance program costs are subject to change depending on external markets conditions, insurer capacity, market consolidation, loss history, changes in the business structure, company acquisitions, and other changes that impact the criteria insurers utilize to calculate premiums. In addition, the Company obtains directors and officers insurance to protect against potential liability. The Company also insures certain specific risks through a captive insurance subsidiary CES (Barbados) Indemnity Corp.

INDUSTRY OVERVIEW

Industry Factors Impacting the Oilfield Chemical Business

The upstream oil and natural gas industry in the US and Canada is largely comprised of two types of entities: (i) Operators; and (ii) suppliers of oilfield services and consumables (**Suppliers**). Operators generally explore for, develop and produce oil and natural gas reserves. Suppliers generally provide services, products and equipment to assist Operators in their efforts to explore, develop and produce oil and natural gas reserves. The Company is focused on being a leading Supplier of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield.

Since approximately 2010, the majority of Operators' capital and activity in North America has been directed to the previously uneconomic or marginally economic oil, natural gas liquids, and dry natural gas accumulations that have become economically viable through the application of horizontal drilling, multi-lateral drilling, and multi-stage fracturing. These "resource plays" typically involve large accumulations of oil, natural gas liquids or natural gas either over a large area and/or vertical section which are often characterized as "tight", meaning they have low productivity, low permeability and/or susceptibility to formation damage. Viable resource plays can achieve enhanced profitability if the wells can be drilled and completed cost effectively, and if long-term production can be enhanced through the use of the appropriate application of production, stimulation, and remediation specialty chemicals.

Although industry activity has seen significant growth since the end of the COVID-19 pandemic, Operators continue to be prudent with capital expenditures and are focused on returning capital to shareholders, which is a departure from the rapid expansion of exploration activity which has typically occurred when oil prices recover. Operators' ability to significantly ramp up capital expenditures and exploration and development activities have also been hampered by supply chain and labor availability issues. As a result, Operators are increasingly looking to maximize production from existing wells and are seeking out solutions from Suppliers to achieve these goals. Suppliers who have experience in developing drilling fluid systems for these types of reservoirs, completion and stimulation chemistries, and production chemicals can assist Operators in minimizing upfront drilling and completion costs and improving long-

term reservoir performance. The Company has experience working in most of the relevant and active resource plays and provides oilfield chemical solutions to Operators throughout North America. As well, the Company constantly monitors the development of new resource plays to be an “early mover” into a play once a new resource play becomes established.

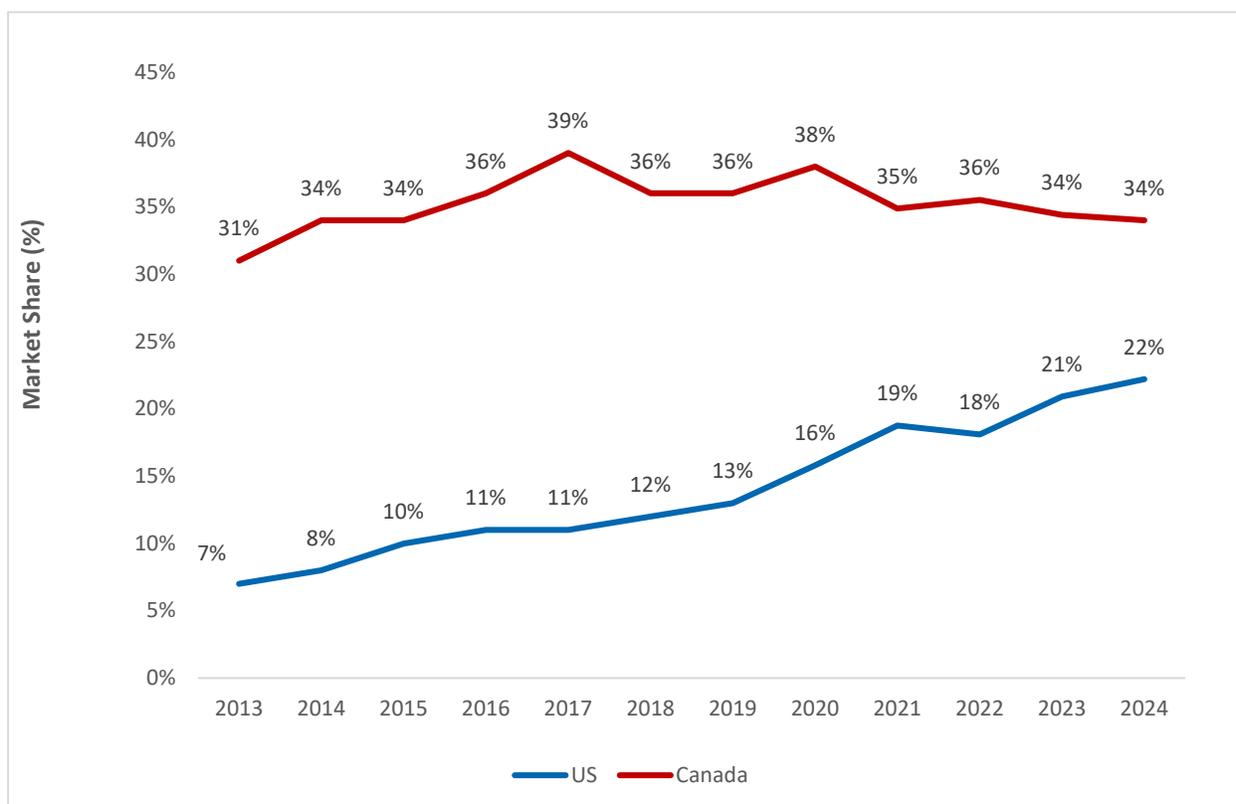
Industry Factors Impacting the Drilling Fluids Business

Operators base their capital expenditure commitments on many factors, including, but not limited to, hydrocarbon commodity prices, costs to complete and produce wells, anticipated economic returns, production levels of their current reserves, exploration and development opportunities, political climates and access to both debt and equity capital. Activity levels within the oil and natural gas industry are ultimately affected by the above factors.

Advanced fluids and chemistries are required during the drilling process for most oil and natural gas wells. An effective drilling fluid system can reduce time to drill, increase wellbore stability and maximize recovery from the reservoir, which ultimately impacts the economic return of the well. Given the significant economic benefits that both drilling and completion fluids can provide, Suppliers that have the technical expertise, the experience and the product offering to provide optimal drilling and completion fluid systems can present a compelling value proposition to exploration and production entities.

Since 2013, CES has increased both its US and Canadian market share in the drilling fluids space as depicted in the chart below.

CES US and Canadian Drilling Fluids Estimated Market Share



Trends – Drilling Activity

The success of the Company's drilling fluids business is directly correlated to the strength of the oil and natural gas industry in North America, and in particular, to the level and complexity of drilling activity of Operators in North America. Management believes that volatility in drilling activity can be attributed to a number of key factors, including, but not limited to, hydrocarbon commodity prices, access of Operators to debt and equity capital, availability of appropriately equipped drilling rigs, availability of qualified personnel, availability of input materials required for drilling activities, expanded use of non-conventional extraction and production techniques, such as SAGD, and activity in new resource plays that are being exploited through the use of multi-stage fracturing techniques applied in horizontal drilling.

Traditionally, drilling activity by Operators in North America were highly correlated with hydrocarbon commodity prices which was evident during the commodity price collapse that occurred in 2020. The significant price shock resulted in Operators rapidly suspending capital expenditures and shutting in production on many existing wells.

In the fall of 2020 economic activity began to recover along with increased optimism for oil and gas demand. In early 2021 economic activity accelerated and oil and gas commodity prices saw significant increases, rising to levels not seen in over 6 years. However, unlike past commodity price cycles, Operators have been more muted in their exploration and capital expenditure activity. This has been due to a variety of factors including supply and labor force constraints, uncertainty around the speed and strength of the economic recovery, a reduction in the influx of capital to Operators compared with historical commodity price recoveries, and increased pressure from shareholders and capital markets to shift to a business model that links capital expenditures to cash flow, along with increased focus on a return of capital to shareholders through dividends and share buybacks.

The Company anticipates that Operators in both the US and the WCSB will continue to direct their capital to resource plays that are typically drilled deeper and horizontally, and have longer life reserves and production. Management believes the increased challenge to find new, substantial oil and natural gas liquids reserves in both the US and the WCSB has led some Operators to focus on more complex and deeper reservoir targets.

Horizontal, longer and deeper wells are faced with a range of drilling, stability, pressure and other issues which generally require a greater volume of drilling fluids, a more sophisticated drilling fluid system and a higher level of technical expertise from drilling fluid personnel. In addition, the complexity associated with horizontal wells also increases the importance of effective drilling fluid systems. Wellbore integrity is increasingly difficult to maintain as operators drill the "elbow" or "build" section of the horizontal leg. Accordingly, horizontal wells generally provide more attractive margins for drilling fluid systems providers as the drilling fluid has to be high-grade and becomes more complex to achieve successful drilling outcomes. The Company's drilling related expertise and solutions are focused primarily on horizontal wells. Management's experience has been that drilling fluid system profitability increases significantly with the depth, the length of the horizontal section, and complexity of the well drilled.

Finding and Development Costs

Management believes the combination of the increased depth, the length of the horizontal section, the complexity of wells being drilled and the challenge of finding and developing oil and natural gas reserves has led to increased finding and development costs. As Operators attempt to control costs in the current commodity price environment, the use of cost effective oil and natural gas services becomes increasingly important. In particular, the drilling fluid systems, while generally a small proportion of the overall cost of drilling, can significantly reduce costs and improve the Operators economic returns. Effective drilling fluid systems can reduce the time to drill, increase wellbore stability and maximize recovery from the reservoir, which ultimately impacts the economic return of the well. Properly designed drilling fluid systems can also minimize the environmental impact of drilling operations and reduce environmental clean-up costs.

Oilsands/Steam Assisted Gravity Drainage

Steam Assisted Gravity Drainage (SAGD) is an extraction process which is used primarily in oilsands development and heavy oil operations and requires specialized drilling fluid solutions. The SAGD process typically involves drilling

pairs of horizontal wells into oilsands or heavy oil reservoirs. The upper well injects steam into the deposit in order to heat the bitumen or heavy oil to improve its ability to flow. The oil then drains into the production well and is pumped to the surface. If oilsands development using SAGD as an extraction process grows, SAGD will be a source of increasing revenues for oil and natural gas service companies having expertise in this area. The Company currently provides drilling fluid systems as well as novel stimulation and remediation treatments to Operators drilling wells for SAGD operations, primarily in northeast Alberta, Canada.

Seasonality

Drilling and well completion activity in the WCSB is subject to seasonal fluctuations with peak activity levels often occurring between mid-November to mid-March. The annual WCSB drilling and well completion cycle can generally be separated into four time periods:

1. *Mid-November through mid-March* – winter drilling season; drilling and completion activity is high as this is the period when the majority of drilling activity takes place.
2. *Mid-March through mid-May* – spring break-up; drilling and completion activity is low as the northern drilling locations thaw and southern lands become impractical for travel due to wet road conditions or road bans.
3. *Mid-May through mid-October* – summer and fall drilling season; drilling and completion activity is medium to high in the southern areas that are accessible in the summer.
4. *Mid-October to mid-November* – transitioning to winter drilling season; drilling and completion activity is low to medium as Operators are finishing off their summer and fall drilling programs and preparing for the winter drilling season.

The Company's expansion into the US and into the production and specialty chemicals business has helped mitigate some of the historical effects of seasonality on the drilling and completion fluids business as seasonality is not a significant factor to drilling, completions, production, stimulation and remediation activity in the US. 2012 marked the first year that the majority of the Company's revenue came from the US operations. Management anticipates that the US business will continue to be a larger revenue contributor in 2025 than the Canadian business. See "Risk Factors – Seasonality".

Industry Factors Impacting the Production and Specialty Chemicals Business

The Company has expanded its chemical consumable offerings into the production and specialty chemicals business through its Jacam Catalyst, PureChem, StimWrx and Sialco divisions. The Company is a Supplier of: (i) production and specialty chemicals to Operators and owners of downstream oil and gas infrastructure (**Downstream Operators**); (ii) chemicals and additives to other Suppliers or Operators for use in completion or stimulation operations; and (iii) chemicals and additives to the pipeline and midstream markets.

Overall demand for the Company's production and specialty chemicals is generally not as cyclical as the drilling fluids business as production and specialty chemicals are typically sold to Operators, Downstream Operators and other Suppliers to support the continuous production, refining and transport needs of their respective operations.

Trends – Production and Specialty Chemicals – Oil and Natural Gas Production

Production and specialty chemicals are used once a well bore starts to produce in order to maximize production levels and to extend the life and economics of both the wellbore and the related equipment that is required to enable the well to produce. Key products that are sold to the Operator include corrosion inhibitors, demulsifiers, H₂S scavengers, paraffin control products, surfactants, biocides and scale inhibitors. Production and specialty chemicals are more intensively used in the production of oil or natural gas liquids versus lean or dry natural gas production.

There are a number of trends driving growth in the use of production and specialty chemicals for production applications. The most significant driver of growth is the increasing presence of water in the produced fluids. Water

causes numerous complications for Operators including scale, corrosion, bacteria and various other complications all of which require chemical intervention from the production stage all the way through to delivery at a refining end-point. Increasing oil production levels on a per well basis have further driven the demand for production and specialty chemicals as, in general, oil wells have significant volumes of associated water and also often have additional challenges such as paraffin that require chemical intervention to treat. In addition, generally as oil wells age, the percentage of the produced fluid that is water versus hydrocarbon generally rises and reservoir pressure declines, often requiring even more chemical treatment.

Furthermore, as the lengths and depths of wells continue to increase through horizontal drilling, the production volume of each well increases, driving demand for higher chemical volumes. Horizontal wells also have more complex production challenges, given their size and structure, and as a result these complex production challenges increase demand for specialty production and specialty chemicals. Enhanced recovery techniques (i.e. thermal techniques on heavy oil reservoirs) are also becoming more common, and this trend is resulting in an increased demand for specialty chemicals. Oil wells require more production and specialty chemicals, on average, than natural gas wells, and the North American market is currently developing oil wells at an accelerated rate, further driving demand.

With recent volatility in commodity prices and changing Operator priorities, capital and internal resources of the Operator have shifted away from drilling and completion activities with an increased focus on improving production levels from previously drilled wells. With the exception of the production shut-ins seen as a result of the unprecedented impact of COVID-19, this additional attention on production levels typically results in new resources being deployed to operations staff to improve production levels and reduce lifting costs, which often can be achieved with a newly designed production and specialty chemical program or a chemical stimulation treatment for the wellbore. Enacting a new production and specialty chemical program typically can be done in a short time frame and will provide the Operator with critical cash flow during a period of depressed oil prices. Offsetting much of this increased activity and resulting revenue has been intense price discounting on all production and specialty chemicals and an attempt by Operators to optimize the application of chemicals and use less product in the short-term as Operators are increasingly focused on managing near-term cash lifting costs.

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 favourable characteristics are associated with increased measured depths and higher production volume attributes of many modern wells.

Trends – Production and Specialty Chemicals – Fracturing, Stimulation and Near Wellbore Intervention and Remediation

Fracturing and stimulation chemicals are pumped down the well, typically with water or oil solutions and proppants, under significant pressure to create cracks (fractures) in the formation. These chemicals are utilized during the completion and production stages of the well to help enhance the well's production.

Near wellbore intervention and remediation treatments are typically designed for wells that have deviated from the production curve or have become marginally economic. These specialized treatments are designed to remove a myriad of problems inhibiting production such as increased scale, paraffin, asphaltene and solids, as well as issues relating to water blocking and aqueous phase trapping.

There are a number of trends driving growth in the use of specialty chemicals for fracturing and remediation applications. The primary driver of growth in these applications has been the shift to multi-stage fracturing of long horizontal wellbores. As Operators increase their lateral lengths and the intensity and number of multi-stage fractures they apply in each wellbore, the chemistry must adapt accordingly to maintain performance and, in many cases, more chemicals are often consumed. In addition, Operators are implementing measures to minimize freshwater use through the recycling and reinjection of produced water, requiring fracturing chemical programs that are designed to accommodate increased concentrations of produced water. Near wellbore intervention and remediation focuses on maintaining and restoring production from previously drilled wells and is an area of growth as Operators look to optimize production from horizontal wells facing high declines. As many Operators move toward strategic spending

and more consistent returns for their investors, spending on optimizing existing wellbores continues to gain attention and in many cases optimization budgets are increasing year over year.

Trends – Production and Specialty Chemicals – Pipelines and Midstream

Production and specialty chemicals are used in midstream operations, in refineries and in pipeline segments to aid in hydrocarbon movement and manage hydrocarbon challenges including corrosion, wax build-up, drag reduction, and scaling. Downstream Operators own and manage pipeline systems, processing facilities that extract sulfur and natural gas liquids, storage facilities for end products, and other transportation systems used to move products (rail for example). Key products sold to the Downstream Operator include corrosion inhibitors, demulsifiers, H₂S scavengers, paraffin control products, biocides and scale inhibitors. Demand for production and specialty chemicals for pipelines and midstream operations is less susceptible to fluctuations and cyclicity given the infrastructure nature of their application.

Numerous trends are driving growth in the production and specialty chemicals business that address the pipelines and midstream markets. One major trend is that the North American energy infrastructure market is aging and more money and chemicals are required to maintain operations. With the ever-growing corporate, social and environmental focus on infrastructure, the major Downstream Operators are very focused on maintenance in order to avoid spills and the resultant negative publicity. As oil production on the continent continues to increase and plans advance for the export of LNG, significant new infrastructure, requiring chemicals, will be required. Infrastructure is also increasingly being used for oil and other liquids products that are corrosive and cause waxing issues, both of which require the use of specialty chemicals.

CAPITAL STRUCTURE

Common Shares

CES is authorized to issue an unlimited number of Common Shares. At December 31, 2024, there were 225,329,085 Common Shares outstanding.

The following table summarizes the trading activity for our Common Shares in 2024. Our Common Shares trade on the TSX and other alternative trading exchanges in Canada under the symbol CEU and are quoted on the OTC market in the US under the symbol CESDF.

2024	TSX (CEU)			Canadian Consolidated ¹	OTC (CESDF)		
	High (\$)	Low (\$)	Volume	Volume	High (\$US)	Low (\$US)	Volume
January	4.23	3.39	5,113,794	15,004,579	3.14	2.54	96,223
February	4.39	3.80	5,328,021	13,920,157	3.22	2.84	61,231
March	4.88	4.39	7,766,208	17,019,328	3.58	3.23	180,134
April	5.83	4.67	12,681,100	45,206,195	4.24	3.46	214,134
May	7.24	5.59	14,066,123	40,603,089	5.25	4.00	647,507
June	7.73	6.74	22,062,403	46,062,947	5.64	4.95	232,629
July	8.29	7.27	12,067,517	28,324,289	6.00	5.39	435,064
August	8.35	6.57	16,830,804	38,313,323	6.37	2.83	350,227
September	7.90	6.90	12,821,505	27,786,414	5.87	5.12	140,101
October	8.05	7.30	13,794,775	27,367,265	5.87	5.19	148,776
November	9.78	7.95	15,995,005	29,133,008	6.98	5.77	349,947
December	9.99	9.09	12,343,439	23,855,079	7.11	5.19	129,024

Canadian consolidated includes volumes on the Toronto Stock Exchange plus volumes on all other alternative trading exchanges in Canada. Data is provided by TSX Infosuite.

Preferred Shares

CES is authorized to issue an unlimited number of preferred shares (**Preferred Shares**), issuable in series. The Preferred Shares are issuable in series and each class of Preferred Shares have such rights, restrictions, conditions and limitations as the Board of Directors may from time to time determine. The holders of Preferred Shares are entitled, in priority to holders of Common Shares, to be paid ratably with holders of each other series of Common Shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series and upon liquidation, dissolution or winding up of CES, to be paid ratably with holders of each other series of Preferred Shares the amount, if any, specified as being payable preferentially to holders of such series. As at the date hereof, there were nil Preferred Shares outstanding.

Senior Notes

On May 24, 2024, the Company completed the private placement of \$200.0 million of 6.875% 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 \$250.0 million Canadian Term Loan Facility under the Senior 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 the date of this AIF, the Company was in compliance with the terms and covenants of its Senior Notes Indenture.

A complete copy of the Senior Notes Indenture may be found under the Company's profile on SEDAR+ at www.sedarplus.ca.

Senior Facility

As at December 31, 2024, the Company has a 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. The Senior Facility is comprised of a Canadian facility of \$300.0 million and a US facility of US\$110.0 million.

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

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

- The ratio of Total Net Debt to trailing EBITDA must not exceed 4.00:1.00 calculated on a rolling four-quarter basis;
- The ratio of Net Senior Debt to trailing EBITDA must not exceed 3.00:1.00 calculated on a rolling four-quarter basis; and
- The ratio of EBITDA to interest expense must be greater than 2.50:1.00, calculated on a rolling four-quarter basis.

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

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

The above noted definitions are not recognized under IFRS® Accounting Standards as issued by International Accounting Standards Board (“IASB”) and are provided strictly for the purposes of the Company's Senior Facility covenant calculations.

As at December 31, 2024, CES was in compliance with terms and covenants of the Senior Facility.

A complete copy of the Senior Facility may be found under the Company’s profile on SEDAR+ at www.sedarplus.ca.

Shareholder Rights Plan

CES has adopted an amended and restated shareholder rights plan (**Shareholder Rights Plan**) with an effective date of June 21, 2022. The Shareholder Rights Plan was approved by the Shareholders at the annual general and special meeting of the Shareholders held on June 21, 2022. The Shareholder Rights Plan must be re-approved by the Shareholders at every third annual meeting of the Shareholders following the effective date.

The objectives of the Shareholder Rights Plan are to ensure, to the extent possible, that all Shareholders are treated equally and fairly in connection with any take-over bid or similar proposal to acquire Common Shares of the Company. Take-over bids may be structured in such a way as to be coercive or discriminatory in effect, or may be initiated at a time when it would be difficult for the Board of Directors of CES to prepare an adequate response. Such offers may result in our shareholders receiving unequal or unfair treatment, or not realizing the full or maximum value of their investment in the Company. The Shareholder Rights Plan, under which Computershare Trust Company of Canada acts as rights agent, generally provides that, following the acquisition by any person or entity of 20% or more of the Company’s issued and outstanding Common Shares (except pursuant to certain permitted or excepted transactions) and upon the occurrence of certain other events, each holder of Common Shares, other than such acquiring person or entity, shall be entitled to acquire Common Shares at a discounted price. A completed copy of the Shareholder Rights Plan was filed on June 21, 2022 as an “Other Securityholders Document” under the Company’s SEDAR+ profile at www.sedarplus.ca.

DIVIDEND HISTORY

The Board of Directors has the discretion to determine if and when dividends are declared and the amount that is paid.

On April 16, 2020, in response to market conditions as a result of the COVID-19 pandemic and production level decisions by OPEC+ members, CES suspended its monthly dividend to preserve capital during this period of significant uncertainty and volatility. As industry conditions and the Company's financial position improved during the recovery following the COVID-19 pandemic, on August 12, 2021, CES announced that it was reinstating its dividend as a quarterly dividend in the amount of \$0.016 per Common Share, the first of which was paid on October 15, 2021, to shareholders of record on September 30, 2021. Since reinstating the dividend, CES has increased the dividend an additional four times, most recently on March 6, 2025, to \$0.0425 per Common Share to be paid on April 15, 2025 to shareholders of record on March 31, 2025.

Quarterly dividends declared as a proportion of net income and distributable earnings will vary significantly 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 cash flow from operations will decrease, and likewise, during periods of relatively weaker financial performance dividends declared as a percentage of net income and cash flow from operations 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.

Since the Company's initial public offering in 2006, the Company has paid over \$408.0 million in distributions and dividends to shareholders. Management and the Board of Directors review the appropriateness of dividends on a quarterly basis taking into account applicable solvency requirements under corporate legislation; current and anticipated industry conditions; and, particularly, growth opportunities requiring Expansion Capital, and management's forecast of Distributable Earnings and the Payout Ratio. As noted above, CES reinstated its dividend as a quarterly dividend on August 12, 2021, however, such dividends are not guaranteed. In addition, future expansion, investments, acquisitions, or future share buy-back programs 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 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.

The Company currently intends to designate all dividends which may be paid in the future to be "eligible dividends" for the purposes of the Tax Act such that Shareholders who are individuals will benefit from the enhanced gross-up and dividend tax credit mechanism under the Tax Act.

On June 20, 2013, the Shareholders approved a stock settled director fee program. The stock settled director fee program provides directors of the Company the opportunity to receive their director fees in the form of Common Shares. The number of Common Shares issued to settle the Company's obligations under the stock settled director fee program is calculated using the five-day volume weighted average share price prior to the payment date of the director fee.

The following tables set forth the dividends declared by CES on its Common Shares during the years ended December 31, 2021, December 31, 2022, December 31, 2023 and December 31, 2024:

Dividend Record Date	2022 Quarterly Common Share Dividend	Dividend Record Date	2023 Quarterly Common Share Dividend	Dividend Record Date	2024 Quarterly Common Share Dividend
March 31, 2022	\$0.016	March 31, 2023	\$0.020	March 29, 2024	\$0.030
June 30, 2022	\$0.016	June 30, 2023	\$0.025	June 28, 2024	\$0.030
September 30, 2022	\$0.016	September 29, 2023	\$0.025	September 30, 2024	\$0.030
December 30, 2022	\$0.020	December 29, 2023	\$0.025	December 31, 2024	\$0.030
TOTAL	\$0.068	TOTAL	\$0.095	TOTAL	\$0.120

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities. The credit ratings assigned by the rating agencies are not recommendations to purchase, hold or sell the securities, as such ratings do not comment as to market price or suitability for a particular investor. Any rating may not remain in effect for any given period of time or may be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant. A reduction in the Company's current corporate credit rating by its rating agencies or a negative change in the Company's ratings outlook could adversely affect the Company's cost of financing and its access to sources of liquidity and capital. See "Risk Factors – Risks Relating to Financing, Debt, Access to Capital, Liquidity and Capital Markets – Access to Current and Additional Financing".

The following table outlines the most recent credit ratings received by the Company:

	Standard & Poor's Ratings Services (S&P)	DBRS Limited (DBRS)
Corporate Credit Rating	B ⁽¹⁾	B (High) ⁽²⁾
Corporate Outlook/Trend	Positive	Positive
Long-Term Issue Credit Rating (CES Energy Solutions Corp. – 6.875% Senior Notes)	B ⁽³⁾	B (High) ⁽⁴⁾
Recovery Rating for Senior Notes	3(65%)	RR4

Notes:

- (1) Credit rating confirmed as of April 18, 2024
- (2) Credit rating confirmed as of May 3, 2024
- (3) Credit rating confirmed as of May 22, 2024
- (4) Credit rating confirmed as of May 22, 2024

Both S&P's and DBRS' corporate credit ratings are forward-looking opinions about an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. The corporate credit rating is an opinion of the ability of the issuer to honour long-term senior unsecured financial obligations and contracts. Long-term issue credit ratings are intended to provide an independent measure of the credit quality of the obligor's long-term debt.

S&P's corporate credit ratings and long-term issue credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such obligors or obligations rated. A credit rating of B by S&P is within the sixth highest of ten categories and indicates that the obligor/obligation is more vulnerable than the obligors/obligations in higher-rated categories, but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show the relative standing within the major rating categories.

The outlook assesses the potential direction of a long-term credit rating over the intermediate term. In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. The “Negative” rating outlook means that the rating may be lowered and a “Positive” rating outlook means that the rating may be upgraded.

S&P’s long-term issue recovery ratings focus solely on expected recovery in the event of a payment default of a specific issue, and they utilize a numerical scale that runs from 1+ to 6. The recovery rating is not linked to, or limited by, the issuer credit rating or any other rating, and provides a specific opinion about the expected recovery. Percentage ranges of recoveries assigned to each recovery rating category may vary among jurisdictions as specified in relevant criteria. Variations are based on considerations such as, among others, creditor friendliness of regimes, insolvency law provisions, enforceability, predictability, or rule-of-law risk.

DBRS rates long-term debt instruments by rating categories ranging from “AAA” to “C”, which represents the range from highest to lowest quality of such securities rated. All rating categories other than AAA and C also contain subcategories “(high)” and “(low)”. The absence of either a “(high)” or “(low)” designation indicates the rating is in the middle of the category. A rating of B (high) is within the sixth highest of nine categories and is characterized by DBRS to be highly speculative and there is a high level of uncertainty as to the capacity of the obligor to meet financial obligations.

The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. In general, the DBRS view is based primarily on an evaluation of the issuing entity, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates. A “Positive” or “Negative” trend is not an indication that a rating change is imminent. Rather, a Positive or Negative trend represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a Stable trend was assigned to the security.

DBRS’ long-term issue recovery rating for corporate non-investment grade issuers (being those with a DBRS issuer rating of BB (high) or lower), considers the value of assets (or enterprise value) that would be available to an investor for a specific debt instrument, in accordance with its ranking and legal rights, at the time of an assumed emergence from a reorganization or liquidation process. A recovery rating necessarily assumes that a default will occur; the actual probability of default is addressed solely by the issuer rating.

For the majority of senior secured debt instruments, DBRS will assign a recovery rating of RR4, reflecting an expected recovery in the range of 30% to 60%. The typical deeply subordinated debt instrument (or holding company instrument) will be assigned an RR6 rating, although it is possible for instruments to achieve different ratings from the norms of RR4 and RR6, depending upon the relative amount of debt versus asset value in the recovery analysis.

The Company has paid each of S&P and DBRS their customary fees in connection with the provision of the above credit ratings. CES has not made any payments to S&P and DBRS unrelated to the provision of such ratings.

ESCROWED SECURITIES

The Company has no securities that are subject to escrow or contractual restrictions on transfer as at December 31, 2024.

DIRECTORS AND OFFICERS

Directors and Officers

The following sets out the respective names, municipalities of residence, positions with CES, including its material subsidiaries, and principal occupations of the directors and certain officers of CES and its material subsidiaries for the prior five-year period as at December 31, 2024.

Name and Municipality of Residence	Position with CES	Director or Officer of CES ⁽¹⁾ Since	Occupation during Last Five Years ⁽¹⁾
KYLE D. KITAGAWA, CPA ⁽³⁾⁽⁵⁾ Calgary, Alberta, Canada	Director	December 9, 2005	Independent Businessman and corporate director since March, 2003.
JOHN M. HOOKS ⁽²⁾⁽⁵⁾ Calgary, Alberta, Canada	Director	December 9, 2005	Chief Executive Officer and Chairman of the Board of Directors of PHX Energy Services Corp., and Director for Crew Energy Inc.
STELLA COSBY, ICD.D ⁽²⁾⁽⁴⁾ Calgary, Alberta, Canada	Director	September 14, 2017	Former Vice President, People of Cervus Equipment Corporation and prior thereto a Senior Director with Agrium Inc.
SPENCER D. ARMOUR, III ⁽²⁾⁽⁵⁾ Midland, Texas, United States	Director	December 12, 2018	Director of ProPetro Holding Corp, Board Member of Viper Energy Partners, LP and partner at Geneses Investments LLC.
IAN HARDACRE, ICD.D ⁽³⁾⁽⁴⁾ Toronto, Ontario, Canada	Director	January 13, 2022	Head of Publicly Traded Equities at Bridgeport Asset Management Inc. since September 2022, and former Executive Officer at Empire Life Investments.
EDWIN (JOSEPH) WRIGHT ⁽³⁾⁽⁴⁾ Midland, Texas, United States	Director	January 13, 2022	Current Partner at Geneses Investments LLC, Director at Oil States International and former COO of Concho Resources and prior thereto on the Board of Directors for Concho Resources.
KENNETH E. ZINGER Calgary, Alberta, Canada	Director, President and Chief Executive Officer	December 9, 2005	President and Chief Executive Officer since October 15, 2021. Prior thereto, President, Canadian Operations since May 9, 2019, and Chief Operating Officer since January 2006 and prior thereto President and co-founder of Impact Fluid Systems Inc.
ANTHONY AULICINO Calgary, Alberta, Canada	Executive Vice President and Chief Financial Officer	October 1, 2018	Chief Financial Officer since October 1, 2018, and prior thereto, Managing Director for Global Investment Banking – Energy at Scotiabank Global Banking and Markets.

Name and Municipality of Residence	Position with CES	Director or Officer of CES⁽¹⁾ Since	Occupation during Last Five Years⁽¹⁾
VERN DISNEY Midland, Texas, USA	President, US Production Chemicals	August 1, 2016	President, US Production Chemicals since August 9, 2018. Prior thereto, Chief Operating Officer of Catalyst Oilfield Services 2016, LLC since August 1, 2016 and JACAM Chemical Company 2013, LLC (and its subsidiaries) since February 9, 2017. Prior thereto, Chief Executive Officer of Catalyst Oilfield Services, LLC.
JAMES STRICKLAND Houston, Texas, United States	President, US Drilling Fluids	April 8, 2024	President, US Drilling Fluids since April 8, 2024. Prior thereto, Senior Vice President of AES Drilling Fluids, LLC and has held various positions within AES since February 2011.
MIHIR PATEL Calgary, Alberta, Canada	President, Canadian Drilling Fluids	January 1, 2024	President, Canadian Drilling Fluids since January 1, 2024. Prior thereto, Director of Canadian Procurement for the Company's Canadian Operations and has held various positions within the Company's Canadian business since 2010.
DAVE BURROUGHS Edmonton, Alberta, Canada	President, PureChem Services	January 1, 2024	President, PureChem Services since January 1, 2024. Prior thereto, General Manager of PureChem Services since 2012.
MATTHEW S. BELL Calgary, Alberta, Canada	Corporate Secretary, VP Legal and General Counsel	January 4, 2021	Corporate Secretary, VP Legal and General Counsel for the Company and held other positions within the legal department of the Company since April 1, 2017. Prior thereto, Associate with the national law firm of McCarthy Tetrault, LLP.

Notes:

- (1) Certain Directors and Officers of CES listed above originally held their respective roles with Canadian Energy Services Inc., the general partner of Canadian Energy Services L.P. prior to its conversion from a publicly-traded limited partnership to a publicly-traded corporation on January 1, 2010.
- (2) Member of the Corporate Governance and Nominating Committee. Ms. Cosby is the Chair of the Corporate Governance and Nominating Committee.
- (3) Member of the Audit Committee. Mr. Hardacre is the Chair of the Audit Committee.
- (4) Member of the Health, Safety & Environment Committee. Mr. Wright is the Chair of the Health, Safety & Environment Committee.
- (5) Member of the Compensation Committee. Mr. Hooks is the Chair of the Compensation Committee.

Share Ownership

As a group, the directors, executive officers and senior management of CES beneficially own, control or direct, directly or indirectly, 10,757,957 Common Shares, inclusive of Restricted Share Units held, representing approximately 4.5% of the fully diluted outstanding Common Shares as at December 31, 2024.³

³ As a group, the directors, executive officers and senior management of CES beneficially own, control or direct, directly or indirectly, 8,254,974 Common Shares (excluding Restricted Share Units), representing approximately 3.7% of the outstanding Common Shares as at December 31, 2024.

Corporate Cease Trade Orders or Bankruptcies

Except as set forth below, no current director or officer of the Company and no securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company is, or within 10 years prior to the date of this Annual Information Form, has been, a director or officer of any other issuer that, while such person was acting in that capacity: (i) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any statutory exemption for a period of more than 30 consecutive days; or (ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Kitagawa was a director and Chairman of the Board of Zargon Oil & Gas Ltd. (**Zargon**), a publicly traded oil and gas producer traded on the TSX. Mr. Kitagawa resigned as director and Chairman of the Board on September 4, 2020. Subsequently, on September 8, 2020, Zargon submitted a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada) and appointed MNP Ltd. as Zargon's trustee. On November 13, 2020, a consolidation order was granted and a Proposal was filed, which was subsequently approved by the shareholders of Zargon and by the Alberta Court of Queen's Bench on January 6, 2021. The Proposal contemplated the reorganization of Zargon's share capital to allow Blue Sky Resources Ltd. to become the sole shareholder of Zargon (**Zargon Reorganization**). The securities regulators in the Provinces of Alberta and Ontario issued cease trade orders in relation to the securities of Zargon for the failure of Zargon to file financial statements and related management's discussion and analysis. On January 29, 2021, the Alberta and Ontario securities regulators partially revoked the cease trade orders to permit the Zargon Reorganization, however the general cease trade orders continue to be in effect. Zargon's common shares continue to be suspended from trading on the TSX.

Personal Bankruptcies

No director or officer of the Company (or personal holding company of any such person) and no securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, during the 10 years prior to the date hereof, become bankrupt or, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

Penalties and Sanctions

No director or officer of the Company (or personal holding company of any such person) and no securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other material penalties or sanctions imposed by a court or regulatory body.

Conflicts of Interest

Certain directors of CES are associated with other companies or entities, including entities engaged in the oil and natural gas industry and the oilfield services business, which may give rise to conflicts of interest. In accordance with the ABCA, directors who have a material interest in any person who is a party to a material contract or proposed material contract with CES are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of CES. See "Risk Factors – Other Risk Factors – Conflicts of Interest".

RISK FACTORS

The following information is a summary of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF and the Company's other public disclosure documents, including the managements' discussion and analysis of the financial condition and results of operations for the Company for the period ended December 31, 2024. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently considers remote or immaterial, may also impair the operations of the Company and its subsidiaries. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Company could be materially adversely affected.

Risks Relating to the Business of the Company

Volatility of Industry Activity and Oil and Natural Gas Prices

The success of the Company's business depends on the demand, pricing and terms for oilfield services, including drilling fluid systems, production and specialty chemicals, trucking and transportation services, and environmental waste management. These in turn are dependent upon the level of industry activity for oil and natural gas exploration and development in the markets in which CES operates.

The level of industry activity is influenced by numerous factors over which the Company has no control. The primary factor is prevailing oil and natural gas commodity prices. Other factors include expectations about future oil and natural gas prices; demand for oil and natural gas; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves; prevailing royalty rates, fiscal regimes, and regulatory requirements; available pipeline and other oil and natural gas transportation and processing capacity; prevailing weather conditions; global political, military, regulatory, economic and social conditions (including outbreaks of contagious diseases or pandemics); availability of capital for oil and gas exploration and capital budgets; and the ability of oil and natural gas entities to raise equity capital or debt financing.

In Canada, many Operators in the WCSB have historically been challenged by additional crude oil pricing differentials versus world benchmarks such as Brent and WTI, as well as government mandated production curtailments that were implemented to address these differentials. While there has been recent progress on pipeline projects in Canada, and in December 2020 government mandated production curtailments were removed, the orientation of pipeline infrastructure that heavily favors US markets has resulted in these price differentials continuing to persist. These price differentials may expand depending on the impact of recently imposed US tariffs on Canadian energy and any potential retaliatory tariffs or export restrictions imposed by Canada. Accordingly, oilfield activity in Canada may continue to face headwinds compared to activity in the United States. In addition, a retracement of oil and gas commodity prices to the lows seen during the COVID-19 pandemic would result in a significant reduction in demand for drilling and oilfield services by Operators which could have a material adverse effect on CES' business, financial condition, results of operations and cash flows.

Reliance on Key Personnel

The successful operation of the Company's business depends upon the relationships, experience, abilities, expertise, judgment, discretion, integrity and good faith of the Company's executive officers, general managers, employees and consultants as well as their ability to perform their duties both at our offices and with our customers in the field. The Company has implemented a variety of tools and technologies to enable its employees to work remotely, however some roles, particularly those in the field and at our manufacturing and warehouse facilities, must be performed on-site. Should circumstances exist that prevent the Company's employees and consultants from performing their duties, such as natural disasters or impacts from global pandemics, it could impact the Company's ability to deliver its products and services.

In addition, the ability of the Company to expand its services and product offerings will depend upon the ability to attract qualified personnel as needed. The demand for skilled oilfield employees including drilling fluid technicians, chemists, production and specialty chemical experts is high, and the supply is limited in some markets in which the

Company operates. In the future, if governments and society continue to push for a transition away from oil and gas, it may result a reduced labour pool, particularly for younger workers who may seek training in other industries. The inability to retain or recruit skilled personnel or their inability to perform their duties could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Reliance on Significant Clients

Certain of the Company's clients account for a potentially significant portion of the Company's revenues and income. The top five customers of the Company accounted for approximately 27% of its revenue for the year ended December 31, 2024, with one large Operator accounting for approximately 9%. There is no guarantee that the Company could find new clients to replace the loss of any of its significant clients. A loss of any one or more of these significant clients could have a significant adverse effect on the Company's business, financial condition, results of operations and cash flows.

Competition

The oilfield service industry is highly competitive and the Company competes with a substantial number of companies that have significant technical and financial resources. The Company's ability to generate revenue and earnings depends primarily upon its ability to provide drilling fluid systems and production and specialty chemical solutions that meet the specific needs of its clients and its ability to win bids in competitive bidding processes and to perform awarded projects within estimated timeframes and costs. There can be no assurance that the Company's competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Company or substantially reduce the price of its products and services that compete with those of the Company. There is also no assurance that new or existing competitors will not enter the various markets in which the Company is active. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue to the Company.

Going forward, future and anticipated consolidation of competitors that provide drilling fluid systems and production and specialty chemical solutions is likely. Further industry consolidation, should it happen, could result in additional competition in the competitive bidding processes, increased pressure on margins, and may result in lower revenue to the Company.

The principal competitive factors in the oilfield chemistry market include the reliability and performance of the recommended and applied chemistries and programs, service quality delivered, technical knowledge and experience, the price of materials, capabilities of research and development teams, environmental and safety certification and price. Reliability and performance of a drilling fluids program is measured by the program's ability to enhance and improve production and to lower overall drilling time and costs.

Proprietary Technology

The success and ability of the Company to compete depends in part on the proprietary technologies of the Company, and the ability of the Company to prevent others from copying such proprietary technologies. The Company currently relies on industry confidentiality practices, in some cases by a letter agreement, brand recognition by Operators, the discreet manufacture of many of its products internally, and in some cases patents (or patents pending) to protect its proprietary technology. The Company may have to engage in litigation in order to protect its intellectual property rights, including patents or patents pending, or to determine the validity or scope of the proprietary rights of itself or others. This kind of litigation can be time-consuming and expensive, regardless of whether or not the Company is successful.

Despite the efforts of the Company, the intellectual property rights of the Company may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Company may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Company's operations will prevent misappropriation or infringement. Such misappropriation or infringement may directly impact margins and profitability of the infringed products as well as the Company's ability to compete with such third party infringers.

Risk of Third-Party Claims for Infringement

A third party may claim that the Company has infringed such third party's intellectual property rights or may challenge the right of the Company in their intellectual property. In such event, the Company will undertake a review to determine what, if any, actions the Company should take with respect to such claim. Any claim, whether or not with merit, could be time consuming to evaluate, result in costly litigation, cause delays in the operations of the Company or require the Company to enter into licensing agreements that may require the payment of a license fee or royalties to the owner of the intellectual property. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company.

Potential Replacement or Reduced Use of Products and Services

Certain of the Company's drilling fluid systems and products or production chemical solutions may become obsolete or experience a decrease in demand through the introduction of competing products that are lower in cost, exhibit enhanced performance characteristics or are determined by the market to be more preferable for environmental or other reasons. The Company strives to keep current with the changing market for drilling and completion fluids, production and specialty chemical solutions and technological and regulatory changes. If the Company fails to do so, this could result in lower revenue to the Company.

Performance of Obligations

The Company's success depends in large part on whether it fulfills its obligations with clients and maintains client satisfaction. If the Company fails to satisfactorily perform its obligations, or makes professional errors in the services that it provides, its clients could terminate contracts, including master service agreements, exposing the Company to loss of its professional reputation, the loss of a project and risk of loss of revenue and reduced profits.

Information Security and Disaster Recovery

The efficient operation of the Company's business is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyberterrorists. In addition, an unforeseen natural or manmade disaster could result in key information technology systems being compromised, damaged or destroyed.

The Company has implemented security measures to maintain confidential and proprietary information stored on the Company's information systems. In addition, the Company has implemented a comprehensive cyber security program with industry leading products and services, cyber awareness programs and cyber security auditing procedures to mitigate these risks and identify areas for cyber security improvements. However, these measures and technology may not be adequate due to the increasing volume and sophistication of these cyber-attacks. The increased prevalence of employees and consultants working remotely because of changing workplace arrangements also has the potential to increase the risk of cyberattacks.

To assist in mitigating these risks, the Company has also implemented backup, redundancy and disaster recovery, and business continuity measures with respect to certain information technology systems. However, there remains a risk that these measures may not adequately prevent data loss as a result of a security breach or disaster. This could result in business disruption, decreased performance, or increased costs, and could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Agreements and Contracts

The business operations of the Company depends on written, verbal, or performance-based agreements with its client base that in many cases are cancellable at any time by either the Company or its clients. There can be no assurance that the Company's relationship with its clients will continue. A significant reduction or total loss of the business from these clients, if not offset by sales to new or existing clients, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Vulnerability to Market Changes

Fixed costs, including leases, labour costs, acceptable inventory levels, interest on the Senior Facility and the Senior Notes, and depreciation, account for a significant portion of the Company's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could have a material adverse effect on the Company's financial condition, results of operations and cash flows if these fixed costs cannot be reduced at a rate commensurate with the reduction in activity and demand for the Company's products and services.

Seasonality

Seasonality is not as much of a factor in the US as drilling activity for the most part can continue throughout the calendar year. However, the level of activity in the oilfield services industry within the WCSB is influenced by seasonal weather patterns. The spring thaw during the second quarter leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of oilfield services that may be provided. In addition, municipalities and transportation departments enforce road bans during such times that restrict the movement of heavy equipment. The duration of this period may have a direct impact on the level of the Company's activities. The spring thaw typically occurs earlier in the year in southern Alberta and Saskatchewan than it does in northern Alberta and British Columbia. The timing and duration of spring thaw is dependent on weather patterns but generally occurs from mid-March to mid-May. Climate change may further alter weather patterns, particularly in northern Canada, which may result in longer thaw periods that restrict the ability for CES to deliver its products and services to its customers. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting the Company's equipment utilization rates and revenues.

There is greater demand within the WCSB for oilfield services, including the drilling fluid systems provided by the Company, in the winter season when the occurrence of freezing permits the movement and operation of heavy equipment. Consequently, oilfield service activities tend to increase in the fall and peak in the winter months of November through March. However, if an unseasonably warm winter prevents sufficient freezing, the Company may not be able to access well sites, and its operating results and financial condition may therefore be adversely affected. The demand for oilfield services, including the demand for all oilfield chemistries, may also be affected by the severity of the Canadian winters. The volatility in the weather and temperature can therefore create unpredictability in activity, which can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Government Regulation

The operations of the Company are subject to a variety of federal, provincial and local laws of Canada, federal, state and municipal laws of the US, and applicable foreign laws in the jurisdictions outside of North America where the Company has limited sales or operations. These include regulations and guidelines, including laws and regulations relating to securities, health and safety, the conduct of operations, the protection of the environment, the emission of greenhouse gases, regulations impacting the supply chain including sanctions or the restrictions on doing business with certain suppliers, the operation of equipment used in its operations, the disposal of fluids and other oilfield chemistries used in its drilling fluid systems and the manufacture, management, transportation, storage and disposal of certain materials and equipment used in the Company's operations. The Company invests financial and managerial resources to ensure such compliance and will continue to do so in the future. Although such expenditures have not historically been material to the Company, such laws or regulations are subject to change. Accordingly, it is impossible for the Company to predict the cost or impact of such laws and regulations on its future operations. It is not expected that any changes to these laws, regulations or guidelines would affect the operations of the Company in a manner materially different than they would affect other oilfield service companies of a similar size.

Climate Change and Climate Change Regulations

There is increasing evidence that climate change is causing more frequent and severe weather events as well as longer-term changes in climate patterns. As a result, the Company may be adversely impacted by extreme weather events such as hurricanes, tornadoes, flooding and rising sea levels, which may cause damage to key corporate assets and could result in operational and supply-chain disruptions. In particular, the Company's barite grinding facility in Corpus Christie, Texas, as well as our warehouse and blending facilities located in Texas and Louisiana may be

impacted by hurricanes and extreme flooding events. In addition, our chemical manufacturing and blending facilities in Sterling, Kansas, Carlyle, Saskatchewan, and Grande Prairie, Alberta, as well as various warehouses and offices located across the Midwest United States and Canada may be impacted by tornadoes, grassland and forest fires, and overland flooding due to extreme weather fluctuations. The Company may also be impacted due to rising insurance premiums, both on a corporate and industry basis, and in certain circumstances may be unable to place insurance on certain corporate assets due to climate change risk.

At an industry level, government regulations with respect to the control and taxation of greenhouse gas emissions could have a material impact on the nature of oil and natural gas operations of the Company's customers. Although the Alberta government repealed the provincial carbon levy effective May 30, 2019, at the federal level, the Canadian government implemented its carbon pricing scheme that imposed a carbon tax in Alberta effective January 1, 2020, and in Saskatchewan effective April 1, 2019. The federal carbon tax imposes additional costs on the operations of Canadian Operators and may result in decreased demand for oil and gas products at the consumer level in Canada. As an oilfield service company, the Company is not a large-scale emitter of greenhouse gasses and does not anticipate the impact of these regulations to be material to its operations. However, the carbon levy may have a material impact on Operators, which could result in a material adverse effect on demand for CES' products and services.

In addition, as a publicly traded oil and gas services company, CES may be impacted by investors allocating their capital away from sectors that are directly or indirectly involved in the extraction of hydrocarbons. Certain institutional investors are also placing increased focus on environmental, social and governance (ESG) disclosures. In the event that significant institutional investors make capital allocation decisions that preclude investments in the Company or the oil and gas sector generally, this could have an adverse impact on the price of Common Shares and CES' ability to raise capital at rates it considers commercially reasonable.

Given the evolving nature of the debate related to climate change and increasing government regulation on this issue, it is not possible to predict with certainty the potential impact of the future changes in Alberta and other jurisdictions for other additional royalties, levies, other taxes on the Company and its operations, as well as possible divergence in climate change policies between Canada and the US.

Transition to a Low Carbon Economy

Governments, businesses and consumers are increasingly focused on transitioning to a low-carbon economy resulting in a number of policies and initiatives designed to shift resources and investment away from fossil fuels towards low-carbon sources. This includes government regulations that restrict the production and consumption of fossil fuels such as zero emission vehicle mandates, prohibitions on plastic use, fuel efficiency standards, prohibitions on the installation of natural gas as a heat and cooking source, and prohibitions on land use for oil and natural gas exploration and extraction. Government subsidies directed towards new low-carbon technologies or to businesses providing products and services that reduce consumer demand for oil and natural gas may also result in a broader reduction in the global economy's reliance on oil and natural gas. Shifting consumer preferences towards low-carbon products and services are also causing businesses to respond by making new investments in technologies and products that reduce fossil fuel consumption.

In addition, technological advancements focused on reducing or eliminating the burning of fossil fuels are increasingly gaining traction in the market. Widespread adoption of these technologies including but not limited to electric vehicles, plug-in hybrid vehicles, home and grid scale battery storage, hydrogen for transportation and industrial processes, and biofuels may reduce the demand for oil and natural gas, which in turn would reduce demand for the Company's products and services. Increasingly, large upstream Operators are diversifying their business into new forms of low carbon energy production which may result in Operators allocating capital away from their traditional oil and natural gas assets and into new lines of business in which the Company does not operate.

Notwithstanding these changes, based on projections from organizations such as the US Energy Information Administration and the International Energy Agency the Company believes that there will continue to be significant long-term global demand for oil and natural gas. Nevertheless, in the event that technological innovations, government policies or changing consumer preferences accelerate the shift away from fossil fuel consumption faster than anticipated, this may result in reduced activity in the oil and gas industry and in turn may have a material adverse impact on the Company's business and cash flows. To mitigate this risk, the Company continues to look at new

opportunities to diversify its business including exploring new opportunities to apply the Company's expertise in manufacturing and producing specialty chemicals for low-carbon based end markets. However, there is no guarantee that CES will be successful in transitioning its business should there be a significant reduction in global demand for oil and gas.

Trade Relations

On July 1, 2020, the Canada-United States-Mexico Agreement (**CUSMA**) entered into force, replacing the North American Free Trade Agreement (**NAFTA**). CUSMA preserves many of the key elements of NAFTA, including the prohibition on government intervention in the normal operation of the North American energy market, whether in the form of price discrimination through the imposition of export taxes or the direct disruption of supply channels. In addition, CUSMA ensures that North American customers have equal access to oil produced in either country, ensuring a broad demand base for oil and natural gas.

Notwithstanding the existence of CUSMA, the US has recently imposed significant tariffs on Canada and Mexico, and in response, each of Canada and Mexico has imposed retaliatory tariffs with additional proposed tariffs to be implemented at a later date. There remains significant uncertainty regarding the breadth, scope and timing of these proposed tariff measures. This uncertainty has resulted in businesses on both sides of the border taking steps to reduce their exposure through front loading purchases of inventory and delaying capital expenditures until a more certain economic picture emerges.

The Company's US business largely procures its input products from other US sources, with the most significant exception being barite which it purchases from a variety of overseas suppliers. The Company has proactively managed its barite stocks and maintains substantial supply on the ground at its Corpus Christi facility and its newly opened Pecos grinding plant in Texas which should provide sufficient mitigation from current tariffs and the threat of potential future tariffs. Furthermore, the countries from which the Company sources its overseas barite have not been significant targets of the Trump administration with respect to tariff threats. Notwithstanding the foregoing, the imposition of significant tariffs may nonetheless impact the Company's US business as its suppliers may face rising input costs from material they source outside of the US, as well as suppliers raising prices to take advantage of price disparity between foreign and domestic sources.

In Canada, a larger portion of the Company's suppliers are based abroad, including the United States, Asia and Europe. In addition, many of the commodities that the Company purchases as inputs are priced in US dollars. As a result, the Company's Canadian business is more exposed to the impact of US tariff policy and any retaliatory tariffs by Canada. At the same time, the Canadian procurement group has made significant strides in diversifying its supply chain to countries and overseas suppliers who currently do not appear to be the target of Canadian retaliatory tariffs. This may provide opportunities for the Company's Canadian business vis a vis its other less sophisticated Canadian competitors.

US tariff policy and any resulting Canadian retaliatory tariffs or export restrictions may also impact the Company's customers should demand for Canadian oil and natural gas be impacted by such measures. This may limit demand for the Company's products and services or restrict the ability to pass on price increases to its Canadian customers that result from higher costs of inputs. At a more macro level, protectionist policies and retaliatory measures taken by other countries may also impact global economic growth which would in turn negatively impact demand for oil and gas resulting in reduced demand for CES' products and services.

Depending on the scope of US protectionist policies, as a foreign company with significant operations in the US, there could also be a negative impact on the Company and its ability to operate in the US. Any significant legislative or regulatory restrictions on foreign companies with US subsidiaries, or policies that restrict the ability to import or export products between Canada and the US could have a negative impact on the Canadian economy and on the businesses, financial condition, results of operations, prospects and the valuation of Canadian oil and gas companies, including the Company.

Regulation and Taxation of the Energy Industry

Material changes to the regulation and taxation specific to the energy industry in the jurisdictions in which the Company operates may reasonably be expected to have an impact on the oilfield services industry. Generally, a significant increase in the regulation or taxation of the energy industry or material uncertainty regarding such issues may be expected to result in a decrease in industry drilling and production activity in the applicable jurisdiction.

With the election of President Trump in November 2024, many of the more restrictive policies that were implemented during the Biden Administration relating to the oil and gas industry are proposed to be significantly relaxed or removed, which may have the result of increased exploration and development of oil and gas resources and increased profitability for oil and gas companies. However, the speed and degree to which these regulations may be relaxed could impact the rate at which oil and gas companies increase their development or production activity. Furthermore, the impact of other policies of the Trump administration such as tariffs and tax policy may outweigh any benefit from more relaxed regulations specifically related to the oil and gas industry.

In Canada, Bill C-69 – The modernization of the National Energy Board and Canadian Environmental Assessment Agency, received Royal Assent on June 21, 2019, and the associated *Impact Assessment Act* and *Canadian Energy Regulator Act* came into force on August 28, 2019. Bill C-69 overhauled the existing environmental assessment process and replaced the National Energy Board (**NEB**) with the Canadian Energy Regulator (**CER**). In addition, the Impact Assessment Agency of Canada (**Agency**) replaced the Canadian Environmental Assessment Agency. The Agency's new process includes, among other things, an early planning phase that would include indigenous and public participation, a broader scope of impact assessment including potential social, health, economic and environmental effects, and expanded follow-up, monitoring and enforcement with increased involvement of indigenous peoples and communities. The CER's role is similar to the previous NEB with the notable exception that the CER no longer has primary responsibility in the consideration of new major projects. The impact of this new regulatory scheme on proponents and the timing of receipt of approvals of major projects remains unclear. It is also unclear what effect these new regulations will have on Canadian Operators and Downstream Operators and ultimately, on the demand for the Company's products and services.

Royalty Rate Changes and Production Curtailment

The provincial governments of Alberta, British Columbia, Manitoba and Saskatchewan collect royalties on the production from Crown lands. In the US, the federal government also charges royalties on oil and gas production on federal lands. These fiscal royalty regimes are reviewed and adjusted from time to time by the respective governments for appropriateness and competitiveness. These changes, as well as the potential for future changes in these and other jurisdictions, add uncertainty to the outlook of the oilfield services sector.

In response to significantly reduced prices for WCS in 2018 due to inadequate take-away capacity, the Alberta government introduced a temporary oil production curtailment affecting bitumen and conventional oil producers within the Province that produce over 10,000 bpd. While the production cuts resulted in improved pricing and a reduced differential between WTI and WCS, Operators in Alberta scaled back exploration and production activities. The production curtailments remained in force throughout 2019 until December 2020 when the Government of Alberta suspended the oil production limit, and in December 2020, the Government of Alberta allowed the curtailment policy mechanism to expire. However, such a policy could be reinstated should pricing differentials increase which could be as a result of the impact of US tariff policy, retaliatory tariffs or export restrictions by Canada. The uncertainty over future production related regulations as well as the ability for Operators to produce bitumen and conventional oil under such regulations may result in reduced activity levels in Canada. This reduced activity could result in a material adverse effect on demand for CES' products and services, particularly in Canada.

Corporate Income Tax

The Company and its various subsidiaries are subject to corporate income and other taxation in various federal, provincial and state jurisdictions in Canada, the US, Barbados, Oman, Hungary and Switzerland. For the current and historical fiscal years, the Company's and its subsidiaries' income tax and other tax returns are subject to audits and reassessments by the various taxation authorities and where applicable, the Company adjusts previously recorded tax expense to reflect audit adjustments. The Company asserts that it has adequately provided for all income tax

obligations. However, changes in facts, circumstances and interpretations as a result of income tax audits, reassessments, litigation with tax authorities or new tax legislation could result in an increase or decrease to the provision for income taxes. In addition, there can be no assurance that the Canada Revenue Agency (**CRA**) (or a provincial tax agency), US Internal Revenue Service (**IRS**) (or a state or local tax agency), Barbados Tax Authorities, the Omani Tax Authorities, Hungary Tax Authorities or Swiss Tax Authorities (collectively the **Tax Agencies**) will agree with how CES calculates its income for tax purposes or that the various Tax Agencies will not change their income tax policies and administrative practices to the detriment of CES or its Shareholders.

In addition, on January 20, 2025, President Trump issued the America First Trade Policy Memorandum which, among other things, directs the Secretary of the Treasury to examine the implementation of Section 891 of the IRS Code. Section 891 provides that the President may double the tax rates imposed on citizens and corporations of certain foreign countries if the President determines that such countries are subjecting US citizens to discriminatory or extraterritorial taxes. Recent announcements by President Trump suggest that certain aspects of Canadian tax policy, including its digital services tax, may be a target, which could result in the application or attempted application of Section 891. As this provision has never been applied before, there is no authority or guidance on the specific standards or process for application of Section 891, however any increase in tax rates for the Company's US subsidiaries would have an adverse impact on the Company's overall financial results and performance.

The computation of income tax provisions are complex and involve tax interpretations, legislation and regulations that are continually changing. The Company believes its income tax provisions and tax filings have been prepared in accordance with the various tax laws and regulations, however it is possible that the tax authorities may disagree with the Company's interpretations or filing positions which could have a material adverse effect on the Company's income tax owing and cash flows.

Environmental Liability

Certain operations of the Company routinely deal with natural gas, oil and other petroleum products, as well as chemical additives used in connection with drilling fluid systems, well stimulations or production chemicals. The Company is therefore exposed to potential environmental liability in connection with its business. The Company has programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials, however, there can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. As a result of its drilling fluid systems and its well stimulation and production chemical solutions, the Company will also generate or manage hazardous wastes, such as waste oil and washdown wastes. Although the Company enforces a program to identify and address contamination issues before acquiring or leasing properties, and attempts to utilize generally accepted operating and disposal practices, hydrocarbons or other wastes may have been disposed of or released on or under properties owned, leased, or operated by the Company prior to the Company owning, leasing or operating these properties. These properties and the wastes disposed thereon may be subject to environmental laws that could require the Company to remove the wastes or remediate sites where they have been released.

In addition, our manufacturing and processing operations are subject to extensive laws and regulations governing the protection of the environment and worker health and safety. Failure to comply with applicable environmental and health and safety laws and regulations could result in injunctions, fines, suspension or revocation of permits and other penalties. While CES strives to achieve full compliance with all such laws and regulations and with its environmental and health and safety permits, there can be no assurance that CES will at all times be in full compliance with such requirements. Activities required to achieve full compliance can be costly and involve extended timelines. Failure to comply with such laws, regulations and permits can have serious consequences, including damage to the Company's reputation; negatively impacting the operation; increasing the costs of manufacturing or production and litigation or regulatory action against CES, and may materially adversely affect our business, results of operations or financial condition. Future changes in applicable environmental and health and safety laws and regulations could substantially increase costs and burdens to achieve compliance or otherwise have an adverse impact on the Company's business, results of operations or financial condition.

Laws and regulations relating to the environment, including those relating to the emission of greenhouse gases, and which apply to the business and operations of the Company are likely to change and become more stringent in the

future. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Company cannot predict the nature of the restrictions that may be imposed. The Company may be required to increase operating expenses or capital expenditures in order to comply with any new environmental restrictions or regulations.

Permits

Our manufacturing and processing operations, including the transportation of products and chemicals and other oilfield activities are subject to extensive permitting requirements. Failure to obtain required permits and/or to maintain compliance with permits once obtained could result in injunctions, fines, suspension or revocation of permits and other penalties. While CES strives to obtain and comply with all of its required permits, there can be no assurance that we will obtain all such permits and/or achieve or maintain full compliance with such permits at all times. Activities required to obtain, achieve or maintain full compliance with such permits can be costly and involve extended timelines. Failure to obtain or comply with required permits can have serious consequences, including damage to our reputation; negatively impacting manufacturing or operations or regulatory action against CES, and may materially adversely affect our business, results of operations or financial condition.

Sources, Pricing and Availability of Products and Third-Party Services

The Company sources its products and third-party services from a variety of suppliers, most of whom are located in North America and increasingly from overseas. Should any suppliers of the Company be unable to provide the necessary products or services or otherwise fail to deliver products or services in the quantities required or at acceptable prices, any resulting delays in the provision of services or in the time required to find new suppliers could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. In addition, the ability of the Company to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to products, equipment, parts and components. Failure of suppliers to deliver such products, equipment, parts and components at a reasonable cost and in a timely manner would be detrimental to the Company's ability to maintain and expand its client list. No assurance can be given that the Company will be successful in maintaining the required supply of products, equipment, parts and components. It is also possible that the final costs of the equipment contemplated by the Company's capital expenditure program may be greater than anticipated by management, and may be greater than the amount of funds then available to the Company, in which circumstance the Company may curtail or extend the timeframes for completing its capital expenditure plans.

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. The Company believes alternate suppliers exist for all required raw materials and the availability and supply of materials has been consistent in the past; however, in periods of high activity, periodic shortages of certain materials have been experienced and costs may be affected. In addition, many of the Company's input products are commoditized and are subject to market price fluctuations, and in certain instances, consolidation amongst suppliers can result in increased prices as the diversity of suppliers is reduced. Disruptions to transportation networks and other disruptions to global supply chains may also impact the Company's ability to deliver products and services to its customers.

Management maintains relationships with several suppliers to mitigate this risk. However, if the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to our customers could have a material adverse effect on the Company's results of operation and cash flows.

Operating Risks and Insurance

The Company's operations take place, in part, at well sites and are therefore subject to hazards inherent in the oil and natural gas industry, such as equipment defects, malfunction and failures, and natural disasters which could result in fires, vehicle accidents, explosions and uncontrollable flows of oil, natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. The Company's operations also involve the reacting, blending and transporting of volatile and at times toxic chemicals and materials which can result in fires, explosions, burns, respiratory illness and other problems. Although on the drilling and well service side of the business

the aforementioned hazards are primarily the responsibility of the Operator who contracts with the Company this is not the situation with the divisions that manufacture production and specialty chemicals and as such these risks could expose the Company to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with clients, employees and regulators.

The Company has an insurance and risk management program as well as a health and safety program in place to protect its assets, operations and employees and to address compliance with current safety and regulatory standards. In addition, the Company continuously monitors its activities for quality control and safety. However, there are no assurances that our safety programs will always prevent risks and hazards and these risks and hazards could expose the Company to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages.

Additionally, even though the Company maintains insurance coverage, which it considers adequate and customary in the oilfield services and chemical manufacturing industries, having benchmarked against similar sized companies with similar risk profiles, such insurance is subject to coverage limits and exclusions and may not be available for all the risks and hazards to which the Company is exposed. In addition, there can be no assurance that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future. Further, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by the Company, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the Company's ability to conduct normal business operations and on its financial condition, results of operations and cash flows.

The Company self-insures certain risks through its wholly owned captive insurance subsidiary CES (Barbados) Indemnity Corp. The occurrence of a claim in excess of the insurance coverage limits maintained by the Company through its captive insurance company, and/or in excess of the capital reserves retained by the captive insurance company could have a material adverse effect on the Company's ability to conduct normal business operations and on its financial condition, results of operations and cash flows.

Credit Risk

A concentration of credit risk exists in the Company's accounts receivable since they are exclusively from companies in the North American oil and natural gas industry. Significant changes in the oil and natural gas industry, including fluctuations in commodity prices and economic conditions, environmental regulations, government policy, royalty rates and geopolitical factors, may adversely affect the Company's ability to realize the full value of its accounts receivable. It is not possible to predict the likelihood or magnitude of this risk. The Company attempts to mitigate this risk through its credit, invoicing and collections policies, which include procedures such as performing credit checks as considered necessary and managing the amount and timing of exposure to individual customers. The Company reviews these procedures on a regular basis.

Foreign Currency Risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company's foreign currency risk arises from its working capital balances denominated in foreign currencies and on the investment in its foreign operations. The Company's financial statements are presented in Canadian dollars, however CES uses the US dollar as its functional currency for its operations in the US and those in other foreign jurisdictions, as appropriate. The Company attempts to manage its foreign currency risk through the use of forward purchase contracts and financial derivatives. Fluctuations in the exchange rate between the US dollar and the Canadian dollar could negatively impact working capital balances denominated in foreign currencies and on the investment in its foreign operations to the extent that forward purchase contracts and financial derivatives do not fully mitigate the realized changes in foreign currency.

Risks Relating to Past and Future Transactions

Acquisition and Development Risks

The Company expects to continue to selectively complete strategic acquisitions. Our ability to consummate and to integrate effectively any future acquisitions on terms that are favourable to it may be limited by the number of attractive acquisition targets, internal demands on the Company's resources, and to the extent necessary, the Company's ability to obtain financing on satisfactory terms for acquisitions, if at all. Acquisitions may expose the Company to additional risks, including: difficulties in integrating administrative, financial reporting, operational and information systems and managing newly-acquired operations and improving their operating efficiency; difficulties in maintaining uniform standards, controls, procedures and policies through all of the Company's operations; entry into markets in which the Company has little or no direct prior experience; difficulties in retaining key employees of the acquired operations; disruptions to the Company's ongoing business; and diversion of management time and resources.

Failure to Achieve Benefits of Acquisitions

The full benefits of any acquisitions completed by the Company will require the retention of key personnel; the integration of management, administration and finance functions; and the implementation of appropriate operations, financial and management systems and controls in order to capture the benefits and efficiencies that were anticipated to result from these acquisitions. This will require substantial attention from our management. The diversion of management's attention, as well as any other difficulties that may be encountered in the transition and integration processes, could have an adverse impact on the Company's revenues, operating results and cash flows. The Company could experience difficulties in effectively integrating the businesses and assets of any acquisitions. If any such difficulties resulted in the Company failing to achieve the anticipated benefits resulting from the acquisitions, the Company could face higher costs and lower than expected revenue and miss other market opportunities. There can be no assurance that the businesses of any acquisitions will be successfully integrated.

Operational and Business Risks Relating to Acquisitions

The Company has conducted business, legal, operational, financial and environmental due diligence on all acquisitions it has completed but there can be no assurance that the Company has identified all of the potential liabilities related to these transactions and any acquired businesses and assets. In particular, if the assets of the aforementioned acquisitions prove to be less valuable than anticipated, the Company's financial results could be adversely affected.

In addition, any future acquisitions could result in the incurrence of additional debt, costs, and contingent liabilities. The Company may also incur costs for and divert management attention to potential acquisitions that are never consummated. For acquisitions that are consummated, expected synergies may not materialize. The Company's failure to effectively address any of these issues could adversely affect its results of operations, financial condition and ability to service debt.

Although the Company plans to conduct due diligence for future acquisitions, there may be liabilities of the acquired businesses or assets that the Company fails or is unable to uncover during its due diligence investigation and for which the Company, as a successor owner, may be responsible. When feasible, the Company may seek to minimize the impact of these types of potential liabilities by obtaining indemnities and warranties from the seller. However, these indemnities and warranties, if obtained, may not fully cover the liabilities because of their limited scope, amount or duration, the financial resources of the indemnitor or warrantor or for other reasons.

Risks Related to Financing, Debt, Access to Capital, Liquidity and Capital Markets

Access to Current and Additional Financing

The Company's ability to access its Senior Facility and the availability of proceeds from the Senior Notes is directly dependent on, among other factors, certain financial ratios and other restrictive covenants. A breach of any of these covenants, which may be affected by events beyond the Company's control, could constitute an event of default which,

if not cured or waived, could result in the amounts outstanding on the Senior Facility or proceeds received under the Senior Notes to become due and payable immediately. In addition, the Company's Senior Facility may, from time to time, impose operating and financial restrictions on the Company that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to the Company's securities, incurring of additional indebtedness, provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, or disposition of assets, among others. In the event that oilfield activity levels are depressed for a significant period of time, this may result in reduced cash flows which may in turn result in CES being subject to operating and financial restrictions pursuant to future amendments to our Senior Facility and possibly being required to repay amounts outstanding on the Senior Facility.

The Company may find it necessary in the future to obtain additional debt or equity to support ongoing operations, to undertake capital expenditures, to repay or refinance existing borrowings or to undertake acquisitions or other business combination transactions. The Company may, from time to time, have restricted access to capital and increased borrowing costs. There can be no assurance that additional financing will be available to the Company when needed or on terms acceptable to the Company. The Company's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Company's growth and could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Debt Service

The Company is indebted to its lenders under the Senior Facility. Principal and interest payable under the Senior Facility have priority over dividends declared on the Company's Common Shares. Accordingly, the Company may have to reduce or suspend dividends in order to ensure debt amounts are paid. In addition, the terms of the Senior Facility impose certain restrictive covenants that may affect the ability of the Company to pay dividends.

The Senior Notes Indenture contains detailed restrictive covenants setting out the circumstances, including the satisfaction of certain financial ratios, in which the Company is permitted to make dividend payments to its Shareholders. The Senior Notes Indenture would prohibit the Company from paying any dividend not in compliance with the provisions of the Senior Notes Indenture and the necessity of complying with such provisions may restrict the Company from paying dividends from time to time.

Variations in interest rates and scheduled principal repayments, or the need to refinance all or a portion of the Senior Facility or Senior Notes upon expiration, could result in significant changes in the amount required to be applied to service the debt of the Company under the Senior Facility or Senior Notes before the distribution of any amounts to the Company or its shareholders.

There can be no assurance that the amounts available under the Senior Facility will be adequate for the financial obligations of the Company. The Company may seek other forms of financing which may be dilutive or which may contain restrictions or covenants that could affect the Company's ability to pay dividends or which could otherwise adversely affect the rights of our shareholders.

Capital Markets

The Company, along with all participants in the oil and gas and oilfield services industries, may, from time to time, have restricted access to capital and increased borrowing costs. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, the Company's ability to do so is dependent on, among other factors, the overall state of capital markets and investor demand for investments in the energy industry and the Company's securities in particular.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

At December 31, 2024, the Company had a net draw position of approximately \$148.8 million under its Senior Facility and \$200.0 million in outstanding Senior Notes.

The ability of the Company to fund its growth strategy, including expanding or entering into new lines of business, making selective acquisitions, investing in further inventory or acquiring infrastructure will depend on the Company being able to draw on, or increase, its Senior Facility, obtain new credit facilities on reasonable terms or to raise financing through equity and/or debt capital markets. If the Company is unable to obtain equity and/or debt financing, either at all or on favourable terms, it may not be able to fund its growth strategy, which could have an adverse effect on the prospects of the Company.

Based on current liquidity available and expected cash from operations, the Company believes it has sufficient funds available to fund its projected capital expenditures. However, if cash flow from operations is lower than expected or capital costs for these projects exceed current estimates, if the Company incurs major unanticipated expenses related to repairs to equipment, or if the Company seeks to acquire other business or business assets, it may be required to seek additional capital to maintain its capital expenditures at planned levels. Failure to obtain any financing necessary for the Company's capital expenditure plans may have an adverse effect of the Company's business and operations, which effect may be material.

Unpredictability and Volatility of Share Price

The prices at which our Common Shares trade cannot be predicted. The market price of the Common Shares have experienced significant fluctuations due to market and industry conditions, and could in the future be subject to significant fluctuations in response to variations in quarterly financial and operating results and other factors. The annual yield on our Common Shares as compared to the annual yield on other company's Common Shares or other financial instruments may also influence the price of our common shares in the public trading markets. An increase in prevailing interest rates will result in higher yield on other financial instruments, which could adversely affect the market price of our Common Shares.

In addition, the securities markets have experienced significant market wide and sectoral price and volume fluctuations from time to time that often have been unrelated or disproportionate to the operating performance of particular issuers. Such fluctuations may adversely affect the market price of our Common Shares.

Ability to Achieve Profitability and Manage Growth

There can be no assurance that the Company will be able to achieve profitability in future periods. The Company's future operating results will depend on a number of factors, including its ability to continue to successfully execute the Company's strategic plan, which includes expanding relationships with existing clients, continuing to attract new clients, improving inventory management and profit margins, developing new products and technologies, acquiring infrastructure to get our products and services to market, developing complimentary business lines, and pursuing selective acquisitions.

There can be no assurance that the Company will be successful in achieving the objectives of its strategic plan or that its strategic plan will enable it to maintain its historical revenue growth rates or to sustain profitability. Failure to successfully execute any material part of the Company's strategic plan could have a material adverse effect on its business, financial condition, results of operations and cash flows.

There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Risks Relating to the Structure of the Company

Cash Dividends to Shareholders are Dependent on the Performance of the Company and its Subsidiaries

On April 16, 2020, in response to market conditions as a result of the COVID-19 pandemic and continued uncertainty at the time surrounding production level decisions by OPEC+ members, CES suspended its monthly dividend. As industry conditions and the Company's financial position improved during the recovery following the COVID-19 pandemic, on August 12, 2021, CES announced that it was reinstating its dividend as a quarterly dividend, the first of which was paid on October 15, 2021, to shareholders of record on September 30, 2021. Since reinstating the dividend,

CES has increased the dividend an additional four times, most recently on March 6, 2025, to \$0.0425 per Common Share to be paid on April 15, 2024, to shareholders of record on March 31, 2025.

Notwithstanding the reinstatement and increases to the Company's dividend, there is no assurance regarding the amounts of cash to be generated by CES and its subsidiaries and therefore, funds available for future dividends. The actual amount of cash available for future dividends will depend on a variety of factors, including, without limitation, the performance of our operating businesses, the effect of acquisitions or dispositions on CES, and other factors that may be beyond our control. In the event significant sustaining capital expenditures is required by CES or the profitability of CES declines, there would be a decrease in the amount of cash available for dividends.

Our dividend policy is subject to change at the discretion of our Board of Directors. The Company's dividend policy is also limited by contractual agreements including agreements with lenders to the Company and its affiliates and restrictive covenants and other provisions contained in the Senior Notes Indenture and the Senior Facility.

Leverage and Restrictive Covenants

In the event amendments are required to our Senior Facility as a result of a downturn in oilfield services activity levels and cash flows, the degree to which the Company is financially leveraged at that point in time could have important consequences to our shareholders, including: (i) a portion of the Company's cash flow from operations will be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for dividends on our Common Shares or repurchases of Common Shares through the Company's NCIB; and (ii) certain of the Company's borrowings will be at variable rates of interest, which exposes the Company to the risk of increased interest rates. The Company's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond our control.

The lenders under the Senior Facility have been provided with security over all of the assets of the Company and its guarantors (including the Company and the Company's other subsidiaries). A failure to comply with the obligations in the agreements in respect of the Senior Facility, including compliance with the financial covenants set out therein, could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Senior Facility were to be accelerated, there can be no assurance that the Company's assets would be sufficient to repay in full that indebtedness or that the Company would be able to arrange suitable replacement financing.

The Indenture contains the terms and provisions governing the Senior Notes, including covenants respecting limitations on restricted payments, limitations on additional indebtedness, limitations on liens, limitations on transactions with affiliates, limitations on asset sales, limitations on conduct of business, provision of financial information, limitations on amalgamations, mergers and consolidations and designation of restricted and unrestricted subsidiaries. Any breach of such covenants by the Company, in particular, any breach of the financial covenants set out in the Indenture, would constitute an event of default that may accelerate the repayment of the Senior Notes. If the repayment of the Senior Notes was accelerated, there can be no assurance that the Company's assets would be sufficient to repay in full that indebtedness or that the Company would be able to arrange suitable financing to facilitate repayment.

Restrictions on Potential Growth

The payout by the Company of a portion of its operating cash flow as dividends will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of the Company and its cash flow.

Issuance of Additional Common Shares

The Company may issue an unlimited number of additional Common Shares and preferred shares without the approval of the Shareholders such that the holders of Common Shares may be subject to a dilution of their interests. Shareholders have no pre-emptive rights in connection with such additional issuances.

Other Risks

Changes in Tax Laws

Income tax laws and other laws or government incentive programs relating to the oil and natural gas industry may in the future be changed or interpreted in a manner that adversely affects the Company and its shareholders. Tax authorities having jurisdiction over the Company or its shareholders may disagree with the manner in which the Company calculates its income for tax purposes or could change their administrative practices to the Company's detriment or to the detriment of our shareholders. Given the complexity of the Company's business and the various jurisdictions in which it operates, there is risk associated with changing tax laws, regulations, interpretations, tax treaties and or audit reassessments that could have a material adverse impact on the Company's income taxes owing and cash flows.

In addition, expenses incurred by the Company are only deductible to the extent they are reasonable. Although the Company is of the view that all expenses to be claimed by the Company should be reasonable and deductible, there can be no assurance that the applicable tax authorities will agree. If the applicable tax authorities were to successfully challenge the deductibility of such expenses, the return to our shareholders may be adversely affected.

Conflicts of Interest

Certain directors of the Company are associated with other companies or entities, including entities engaged in the oil and natural gas industry and the oilfield services business, which may give rise to conflicts of interest. In accordance with the ABCA, directors who have a material interest in any person who is a party to a material contract or proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company.

Risks Associated with Disclosure Controls and Procedures on Internal Control Over Financial Reporting

The Company's business could be adversely impacted if it has deficiencies in its disclosure controls and procedures or internal controls over financial reporting.

The design and effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. While the Company's management continues to review the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting, it cannot guarantee that the Company's disclosure controls and procedures or internal controls over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, particularly material weaknesses, in internal controls over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in the Company's common share price, or otherwise materially adversely affect the Company's business, reputation, results of operation, financial condition or liquidity.

The design of the Company's disclosure controls and procedures and internal controls over financial reporting has been limited to exclude controls, policies and procedures of a business that the Company has acquired not more than 365 days before its financial year end.

Legal Proceedings

The Company is involved in litigation and claims arising in the normal course of operations. Management of the Company is of the opinion that pending litigation is not material to the Company and will not have a material adverse effect on the Company's financial position or results of operations. However, results of litigation may differ materially from management's expectations. In addition, future legal proceedings could be filed against the Company and no assurance can be given as to the final outcome of any legal proceedings or that the ultimate resolution of any legal proceedings will not have a material adverse effect on the Company.

Geopolitical Risk and Conflict

As the Company's operations expand and reliance on global supply chains increase, the impact of significant geopolitical risk and conflict globally may have a more sizeable and unpredictable impact on the Company's business, financial condition, and operations than has traditionally been the case. While the Company has limited operations outside of North America, the war in Ukraine and recent unrest in the Middle East has resulted in significant uncertainty as well as economic and supply chain disruptions. Should this conflict expand beyond Ukraine and the unrest in the Middle East, or should other geopolitical disputes and conflicts emerge in other regions such as between the US and China, this could result in material adverse effect on the Company.

Economic Risks

The Company, like any business, is impacted by the general economic environment when and where it operates. The oil and gas market is particularly susceptible to broader economic conditions which can impact the price for oil and natural gas. Periods of economic instability or contraction typically puts downward pressure on oil and natural gas prices, which depresses demand for the Company's products and services. In addition, inflationary pressures may also impact the Company, both by driving up the cost of the Company's inputs, as well as creating general economic conditions that could result in decreased demand for oil and gas, and in connection therewith, decreased demand for the Company's products and services. While inflationary conditions have generally subsided, should significant inflation reemerge or protectionist trade policies result in higher prices for the Company's inputs, the Company may face challenges in passing these increased costs through to its customers. In the event of significant economic contraction or recession, or in circumstances where inflationary pressures increase significantly, it could impact the Company's business, financial conditions, results of operations and cash flows.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this AIF, none of the directors or senior officers of CES, and no security holder holding a sufficient number of securities of the Company to affect materially the control of the Company, and no associate or affiliate of any of the foregoing has a material interest in any transaction involving the Company or in any proposed transaction which has materially affected or is reasonably expected to materially affect the Company.

AUDIT COMMITTEE INFORMATION

The disclosure regarding the Company's Audit Committee required under National Instrument 52-110, adopted by the Canadian securities regulatory authorities, is contained in Appendix "A" of this AIF. The Charter of the Audit Committee is contained in Appendix "B" of this AIF.

LEGAL PROCEEDINGS

There are no legal proceedings involving claims for damages in an amount exceeding 10% of the Company's current assets to which CES is or was a party to or in respect of which any property is or was subject during the year ended December 31, 2024, which is not otherwise insured, nor are there any such proceedings known to the Company's management to be contemplated that would be categorized as such.

REGULATORY ACTIONS

There are no (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority; (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; and (c) settlement agreements the Company has entered into before a court relating to securities legislation or with a securities regulatory authority, during the year ended December 31, 2024.

MATERIAL CONTRACTS

Other than in the ordinary course of the Company's business or as set out below, there are no material contracts that have been entered into by the Company in the most recently completed financial year, or before the most recently completed financial year, that are still in effect.

As at December 31, 2024, the Company has a 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. The Senior Facility is comprised of a Canadian facility of \$300.0 million and a US facility of US\$110.0 million. The Senior Facility remains in effect and is a material contract to CES. See "Capital Structure – Senior Facility" for further information.

As at December 31, 2024, CES had \$200.0 million of outstanding principal on its unsecured Senior Notes due on May 24, 2029. The Senior Notes Indenture remains in effect and is a material contract to CES. See "Capital Structure – Senior Notes" for further information.

As at December 31, 2024, CES was in compliance with terms and covenants of its lending agreements.

INTERESTS OF EXPERTS

Deloitte LLP is the auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is Computershare Investor Services Inc. at its principal offices in Calgary, Alberta, and Toronto, Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the internet on the Company's SEDAR+ profile at www.sedarplus.ca.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular dated May 6, 2024, for the annual general meeting of Shareholders held on June 17, 2025. Additional financial information is provided in the Company's audited consolidated financial statements for the year ended December 31, 2024, and the accompanying management's discussion and analysis of financial conditions and results of operations for the year ended December 31, 2024. Shareholders who wish to receive printed copies of these documents free of charge should contact the Company using the contact information included on the final page of this AIF.

SCHEDULE "A"
AUDIT COMMITTEE DISCLOSURE

PURSUANT TO NATIONAL INSTRUMENT 52-110

Overview

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities of oversight and supervision of, among other things:

- the annual audit and quarterly interim review of the financial statements of the Company, managing the relationship with the independent auditor and meeting with the independent auditor as required in connection with the audit services provided by the auditor;
- the pre-approval of the non-audit services provided by the independent auditor;
- the accounting and financial reporting practices and procedures of the Company;
- the adequacy of the internal controls and accounting procedures of the Company;
- the quality and integrity of the financial statements and MD&A of the Company; and
- the compliance by the Company with legal and regulatory requirements which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole.

The Audit Committee Charter

The Audit and Committee Charter is attached hereto as Schedule "B".

Composition of the Audit Committee

The Audit Committee is comprised of three directors; Messrs. Hardacre (Chair), Kitagawa, and Wright all of whom are independent in accordance with National Instrument 52-110 and are financially literate within the meaning of National Instrument 52-110. See "Directors and Officers".

Relevant Education and Experience

All members of the Audit Committee possess the work experience and education necessary to understand the accounting principles used by the Company to prepare its financial statements, the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves, experience preparing, analyzing or auditing financial statements that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements and an understanding of internal controls and procedures for financial reporting.

Below are brief biographies for the members of the Audit Committee which illustrate the relevant education and experience of each such member.

Name	Principal Occupation and Biography
Ian Hardacre, ICD.D (Chair)	Mr. Hardacre is an experienced institutional investor with over 25 years of experience in portfolio management and investment leadership and is based in Toronto, Ontario. Mr. Hardacre currently serves as Head, Publicly Traded Equities at Bridgeport Asset Management and prior thereto was the Chief Investment Officer and Senior Vice President at Empire Life Investment Management Inc. He previously spent approximately 20 years at Invesco Canada where he had progressive roles culminating in 2016 as Co-Chief Investment Officer and Head of Canadian Equities. He began his investment career at Ontario Teachers' Pension Plan in 1995. Mr. Hardacre has an ICD.D designation from the Institute of Corporate Directors. Mr. Hardacre holds a Chartered Financial Analyst designation and earned a Master of Business Administration degree from the DeGroot School of Business at McMaster University.
Kyle D. Kitagawa, CPA	Mr. Kitagawa is an independent businessman and has been a corporate director since March 2003. Prior thereto, Mr. Kitagawa was President and Chief Executive Officer of Enron Canada Corp. Mr. Kitagawa has previously sat on the board of directors for Zargon Oil & Gas Ltd., Coral Hill Energy Ltd., Advanced Mobile Power Systems, LLC, Esprit Exploration Ltd., Ferus Inc, Independent Energy Ltd., Invasion Energy Inc., Livingston Energy Ltd., Papier Masson Ltee., ProspEx Resources Ltd. and Wave Energy Ltd.. He holds a Bachelor of Commerce degree from the University of Calgary and a Masters of Business Administration degree from Queen's University. Mr. Kitagawa is also member of the Chartered Professional Accountants of Alberta.
Joseph (Edwin) Wright	Mr. Wright has over 25 years of executive and entrepreneurial experience in the energy industry and is based in Midland, Texas. Mr. Wright retired from Concho Resources Inc. ("Concho"), an independent exploration and production company engaged in the acquisition, development and exploration of oil and natural gas properties, in January 2019, where he most recently served as Executive Vice President and Chief Operating Officer and was on the Board of Directors. Since joining Concho from its formation in 2004, Mr. Wright held a variety of leadership positions, and oversaw Concho's drilling and completion programs, as well as its government, regulatory affairs and human resources functions. Mr. Wright has also worked in several operations, engineering and capital markets positions at Mewbourne Oil Company. On February 9, 2023, Mr. Wright was appointed as a member of the University Lands Advisory Board by the Board of Regents of the Texas A&M University System. He holds a Bachelor of Science degree in Petroleum Engineering from Texas A&M University.

External Auditor Service Fees

The following table sets out the aggregate fees billed by the Company's external auditor for services relating to the years ended December 31, 2023, and December 31, 2024.

Period Ended	Audit Fees⁽¹⁾	Audit-Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
December 31, 2023	\$997,938	Nil	\$1,105,161 ⁽⁵⁾	Nil
December 31, 2024	\$904,238	\$72,500	\$639,970 ⁽⁶⁾	Nil

Notes:

- (1) Audit Fees are comprised of the aggregate fees relating to the applicable fiscal year by the Company's auditor. The Company has been billed for professional services for the audit of the Company's annual consolidated financial statements and reviews of the Company's quarterly financial statements, as well as services provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-Related Fees are comprised of the aggregate fees relating to the applicable fiscal year for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit review of the Company's financial statements, including matters related to the issuance of the Company's Senior Notes in 2024, and are not reported under note (1) above.
- (3) Tax Fees are comprised of the aggregate fees relating to the applicable fiscal year for professional services rendered by the Company's external auditor for tax compliance, tax advice, and tax planning.
- (4) All Other Fees are comprised of the aggregate fees relating to the applicable fiscal year for products and services provided by the Company's external auditor, other than the services reported under notes (1), (2), and (3), above.
- (5) Tax Fees for 2023 are comprised of (a) \$330,434 for tax compliance services, preparation, and transfer pricing requirements under the Income Tax Act (Canada); (b) \$133,347 for general tax advice and consulting activities; and (c) \$641,380 for tax advice and consulting activities relating to a one-time corporate restructuring transaction which the Company views as non-recurring.
- (6) Tax Fees for 2024 are comprised of (a) \$234,274 for tax compliance services, preparation, and transfer pricing requirements under the Income Tax Act (Canada); (b) \$128,767 for general tax advice and consulting activities; and (c) \$276,929 for tax advice and consulting activities relating to a one-time corporate restructuring transaction which the Company views as non-recurring.

**SCHEDULE “B”
AUDIT COMMITTEE CHARTER**

**PART I
ESTABLISHMENT OF COMMITTEE**

1. Committee Purpose

The Audit Committee (the “**Committee**”) is established by the board of directors (the “**Board of Directors**”) of CES Energy Solutions Corp. (the “**Corporation**”) for the purpose of overseeing the accounting and financial reporting processes of the Corporation, including the reviews and audits of the financial statements of the Corporation, as well as other continuous disclosure obligations of the Corporation.

The Committee shall assist the Board of Directors in fulfilling its oversight responsibilities by monitoring, among other things:

- (a) the Corporation’s financial accounting and reporting processes;
- (b) the quality and integrity of the financial statements and related disclosure of the Corporation;
- (c) compliance by the Corporation with legal and regulatory requirements that could have a material effect upon the financial position of the Corporation which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole;
- (d) certain risk exposures of the Corporation in cooperation with the risk oversight function of the Corporation’s Corporate Governance and Nominating Committee (the “**Corporate Governance and Nominating Committee**”)
- (e) the independent auditor’s qualifications and independence; and
- (f) the performance of the Corporation’s independent auditor.

2. Composition of Committee

The Committee shall consist of as many members as the Board of Directors shall determine, but in any event not fewer than three directors of the Corporation, provided that each member of the Committee shall be determined by the Board of Directors to be:

- (a) an “unrelated” and “independent” director as defined in, and for the purposes of, any applicable governance guidelines or listing standards of any stock or securities exchange upon which the securities of the Corporation are, from time to time, listed; and
- (b) an “independent” and “financially literate” director for the purposes of any applicable corporate, securities or other legislation or any rule, regulation, instrument, policy, guideline or interpretation under such legislation, including, but not limited to, National Instrument 52-110 – *Audit Committees*, promulgated under the *Securities Act* (Alberta).

3. Appointment of Committee Members

The members of the Committee shall be appointed by the Board of Directors. The members of the Committee shall be appointed at the time of each annual meeting of shareholders and shall hold office until the next annual meeting, until they are removed by the Board of Directors or until their successors are earlier appointed, or until they cease to be directors of the Corporation.

**PART II
COMMITTEE PROCEDURE**

4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board of Directors and shall be filled by the Board of Directors, by resolution, if the membership of the Committee is fewer than three directors. The Board of Directors may remove and replace any member of the Committee.

5. Committee Chair

The Board of Directors shall appoint a chair (the “**Chair**”) for the Committee. The Chair may be removed and replaced by the Board of Directors.

6. Absence of Chair

If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

7. Secretary of Committee

The Committee shall appoint a Secretary who need not be a director of the Corporation.

8. Regular Meetings

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least quarterly to review and recommend for approval to the Board of Directors the interim or annual financial statements of the Corporation, as applicable. The Committee at any time may, and at each regularly scheduled Committee meeting shall, meet without management present and shall meet periodically with management and the independent auditor of the Corporation. The Committee shall also meet separately with the independent auditor at every regularly scheduled meeting of the Committee at which the independent auditor is present and shall also meet separately with the Chief Financial Officer at every regularly scheduled meeting of the Committee.

9. Special Meetings

The Chair, any two members of the Committee, the independent auditor or the President and Chief Executive Officer of the Corporation may call a special meeting of the Committee.

10. Quorum

A majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

11. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each member of the Committee at least 48 hours prior to the time fixed for such meeting; provided, however, that a member may, in any manner, waive notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

12. Agenda

The Chair shall develop and set the Committee's agenda, in consultation with other members of the Committee and management of the Corporation. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practicable, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

13. Delegation

The Committee shall have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate.

14. Access

In discharging its oversight role, the Committee shall have full access to all books, records, facilities and personnel of the Corporation.

15. Attendance of Others at a Meeting

At the invitation of the Chair, one or more officers, directors or employees of the Corporation may, and if required by the Committee shall, attend a meeting of the Committee.

16. Procedure, Records and Reporting

The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board of Directors when the Committee may deem appropriate (but not later than the next meeting of the Board of Directors).

17. Outside Consultants or Advisors

The Committee, when it considers it necessary or advisable, may retain, at the Corporation's expense, outside consultants or advisors (including independent counsel) to assist or advise the Committee independently on any matter within its mandate. The Committee shall have the sole authority to retain or terminate such consultants or advisors, including the sole authority to approve the fees and other retention terms for such persons.

**PART III
COMMITTEE TERMS OF REFERENCE - AUDIT**

18. Appointment of the Corporation's Independent Auditor

Subject to confirmation by the independent auditor of its compliance with regulatory registration requirements, the Committee shall recommend to the Board of Directors the appointment of the independent auditor for the purpose of preparing or issuing any audit report or performing other audit, review or attest services for the Corporation, such appointment to be confirmed by the Corporation's shareholders at each annual meeting. The Committee shall be responsible for the approval of the engagement letter with the independent auditor, the approval of fees to be paid to the independent auditor for audit services and shall pre-approve the retention of the independent auditor for any permitted non-audit service. The Committee shall also be directly responsible for the oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. The Committee shall communicate directly with the independent auditor. The independent auditor shall report directly to the Committee.

The Committee shall review the independence of the independent auditor including a written report from the independent auditor delineating all relationships between the independent auditor and the Corporation, considering whether the advisory services performed by the independent auditor during the course of the year have affected its independence, and ensuring that no relationship or service between the independent auditor and the Corporation is in

existence that may affect the objectivity and independence of the auditor, or recommending appropriate action to ensure the independence of the independent auditor.

19. Specific Mandates

The Committee, to the extent required by applicable laws or rules, or otherwise considered by the Committee to be necessary or appropriate, shall:

(a) *Oversight in Respect of Financial and ESG Disclosure*

- (i) review, discuss with management and the independent auditor, and recommend to the Board of Directors for approval:
 - A. the audited annual financial statements;
 - B. the annual information form;
 - C. the annual management’s discussion and analysis;
 - D. the portions of the management proxy circular, for any annual or special meeting of shareholders, containing significant financial information respecting the Corporation;
 - E. all financial statements included in prospectuses or other offering documents;
 - F. any significant financial information contained in all prospectuses and all documents which may be incorporated by reference in a prospectus;
 - G. any significant financial information respecting the Corporation contained in a material change report, business acquisition report or press release;
 - H. any disclosures in respect of environmental, social and governance (“ESG”) matters;
- (ii) review, discuss with management and the independent auditor, and recommend to the Board of Directors for approval:
 - A. the unaudited interim financial statements of the Corporation;
 - B. the quarterly management’s discussion and analysis of the Corporation;
 - C. the interim reports of the Corporation;
- (iii) review and discuss with management:
 - A. each press release which contains significant financial information respecting the Corporation (including, without limitation, annual and interim earnings press releases) or contains earnings guidance, prior to public dissemination thereof;
 - B. the use of “pro forma” or “adjusted” non-GAAP information;
 - C. financial information and earnings guidance provided to analysts and rating agencies; provided, however, that such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made) and in accordance with the Disclosure and Media Policy

of the Corporation, and the Committee need not discuss in advance each instance in which the Corporation may provide earnings guidance or presentations to rating agencies;

- (iv) review with management and the independent auditor the scope of the audit, in particular the independent auditor's view of the Corporation's accounting principles as applied in the financial statements in terms of disclosure quality and evaluation methods, inclusive of the clarity of the Corporation's financial disclosure and reporting, degree of conservatism or aggressiveness of the Corporation's accounting principles and underlying estimates, and other significant decisions made by management in preparing the financial disclosure and reviewed by the independent auditor;
- (v) review with management and the independent auditor major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls and procedures for financial reporting and management information systems and inquire of management and the independent auditor about significant risks and exposures to the Corporation that could significantly affect the Corporation's financial statements;
- (vi) review with management and the independent auditor, and satisfy itself as to the adequacy of the procedures that are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of those procedures;
- (vii) review with management and the independent auditor (including those of the following that are contained in any report of the independent auditor): (a) all critical accounting policies and practices to be used by the Corporation in preparing its financial statements; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of these alternative treatments, and the independent auditor's assessment of the alternatives; and (c) other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences;
- (viii) review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet transactions on the Corporation's financial statements;
- (ix) review the plans of management and the independent auditor regarding any significant changes in accounting practices or policies and the financial and accounting impact thereof;
- (x) review with management, the independent auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters have been disclosed in the financial statements;
- (xi) review disclosures by the Corporation's President and Chief Executive Officer and Chief Financial Officer with respect to any required certification for the Corporation's financial statements by such individuals; and
- (xii) discuss with management the Corporation's material financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's financial risk assessment and financial risk management policies and insurance policies.

(b) *Oversight in Respect of Legal and Regulatory Matters*

- (i) review, if necessary, with legal counsel, the Corporation's compliance policies, legal matters and any material reports or inquiries received from regulators or governmental agencies that could have a material effect upon the financial position of the Corporation and which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole; and
- (ii) review with management and legal counsel the Corporation's ongoing continuous disclosure obligations as it relates to the documents outlined in 19(a)(i) and any other continuous disclosure obligations which may be applicable.

(c) *Oversight in Respect of the Chief Financial Officer and Director of Finance*

- (iii) consult with management on management's appointment, replacement, reassignment or dismissal of the Chief Financial Officer of the Corporation; and
- (iv) ensure the Chief Financial Officer of the Corporation and the Director of Finance of the Corporation have access to the Chair, the Chairman of the Board of Directors and the Chief Executive Officer of the Corporation, and shall meet separately with the Chief Financial Officer of the Corporation and the Director of Finance of the Corporation to review any problems or difficulties he or she may have encountered in the performance of his or her responsibilities and report to the Board of Directors on such meetings.

(d) *Oversight in Respect of the Independent Auditor*

- (v) meet with the independent auditor prior to the annual audit to review the planning and staffing of the audit;
- (vi) review annually the independent auditor's formal written statement of independence delineating all relationships between itself and the Corporation and review all such relationships;
- (vii) receive confirmation from the independent auditor as to its standing as a "participating audit firm" and its compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board as those concepts are set forth in National Instrument 52-108 of the Canadian Securities Administrators;
- (viii) review and evaluate the independent auditor, including the lead partner of the independent auditor team;
- (ix) meet separately with the independent auditor to review with them any problems or difficulties they may have encountered and specifically:
 - A. any difficulties which were encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management; and
 - B. any changes required in the planned scope of the audit;and report to the Board of Directors on such meetings;
- (x) review and approve the engagement letters of the independent auditor for the interim quarterly reviews and annual audit of the financial statements of the Corporation; and

- (xi) review and approve the Corporation's hiring policies regarding partners, employees, former partners and former employees of the Corporation's present and former independent auditor.

(e) *Oversight in Respect of Audit and Non-Audit Services*

- (xii) have the sole authority to pre-approve all audit services (which may entail providing comfort letters in connection with securities underwritings) and all permitted non-audit services, other than non-audit services where:
 - A. the aggregate amount of all such non-audit services provided to the Corporation or its subsidiaries constitutes not more than 5% of the total amount of fees paid by the Corporation (and its subsidiaries) to the independent auditor during the fiscal year in which the non-audit services are provided;
 - B. such services were not recognized by the Corporation (or any subsidiary) at the time of the engagement to be non-audit services;
 - C. such services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee; and
- (xiii) delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this section; provided that the decision of any member to whom authority is delegated to pre-approve an activity shall be presented to the Committee at the first scheduled meeting following such decision, and provided further that, if the Committee approves an audit service within the scope of the engagement of the independent auditor, such audit service shall be deemed to have been pre-approved for purposes of this section.

(f) *Oversight in Respect of Certain Policies*

- (i) establish procedures for: (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and
- (ii) periodically review the Corporation's Disclosure and Media Policy, Insider Trading Policy and any other policies the Committee deems appropriate for the performance of its oversight responsibilities.

(g) *Oversight in Respect of Certain Risks and ESG Matters*

- (i) review significant risks to the Corporation which could result in material financial and enterprise exposures;
- (ii) in cooperation with the Governance and Nominating Committee, review risks and opportunities relating to ESG matters and initiatives that have the potential to materially impact the business, operations, and financial position of the Corporation including, but not limited to, government regulations relating to the reduction of greenhouse gas emissions and other regulatory proposals that could materially impact the Corporation's operations and demand for the Corporation's products and services, climate change, energy transition initiatives, and social and human rights issues as it relates to the Corporation and its supply chain; and

- (iii) consult with management regarding the monitoring and mitigation of such significant risks.

20. Oversight Function

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate or are in accordance with generally accepted accounting principles. These are the responsibilities of management and the independent auditor. The Committee and its Chair are members of the Board of Directors, appointed to the Committee to provide broad oversight of the financial risk and control related activities of the Corporation, and are specifically not accountable nor responsible for the day to day operation or performance of such activities. The role of all Committee members is to oversee the process, not to certify or guarantee the accuracy or completeness of the external audit of the Corporation's financial information or public disclosure.

**PART IV
GENERAL**

21. Self-Evaluation

The Committee shall conduct an annual performance self-evaluation and shall report to the Board of Directors the results of the self-evaluation.

22. Review of Committee's Charter

The Committee shall assess the adequacy of this Charter on an annual basis and recommend any changes to the Board of Directors.

23. Non-Exhaustive List

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight responsibilities.



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