

Canadian Energy
SERVICES

Audited Consolidated Financial Statements

For the Years Ended December 31, 2015 and 2014

MANAGEMENT'S REPORT

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards and for the consistency therewith of all other financial and operating data presented in this annual report.

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

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

"Thomas J. Simons"
Thomas J. Simons
President & Chief Executive Officer
March 10, 2016

"Craig F. Nieboer"
Craig F. Nieboer
Chief Financial Officer
March 10, 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Canadian Energy Services & Technology Corp.:

We have audited the accompanying consolidated financial statements of Canadian Energy Services & Technology Corp., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of (loss) income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canadian Energy Services & Technology Corp. as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "Deloitte LLP"

Chartered Professional Accountants, Chartered Accountants
March 10, 2016
Calgary, Canada

Canadian Energy Services & Technology Corp.

Consolidated Statements of Financial Position
(stated in thousands of Canadian dollars)

	As at	
	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Accounts receivable	**157,988**	274,485
Financial derivative asset (note 20)	**2,453**	-
Income taxes receivable (note 14)	**18,022**	5,520
Inventory (note 5)	**121,258**	141,485
Prepaid expenses and deposits	**12,882**	23,594
	312,603	445,084
Property and equipment (note 6)	**269,500**	210,775
Intangible assets (note 7)	**97,286**	99,340
Deferred income tax asset (note 14)	**15,069**	11
Other assets (note 8)	**5,338**	-
Goodwill (note 7)	**231,741**	332,870
	931,537	1,088,080
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**60,169**	105,104
Financial derivative liability (note 20)	**93**	554
Dividends payable (note 18)	**3,968**	5,927
Income taxes payable (note 14)	**802**	141
Current portion of deferred acquisition consideration (note 4)	**9,897**	18,485
Current portion of long-term debt (note 9)	**-**	884
Current portion of finance lease obligations (note 10)	**7,452**	6,908
	82,381	138,003
Deferred acquisition consideration (note 4)	**3,800**	10,851
Long-term debt (note 9)	**299,577**	360,024
Finance lease obligations (note 10)	**6,523**	7,787
Deferred income tax liability (note 14)	**7,608**	31,021
	399,889	547,686
Commitments (note 19)		
Shareholders' equity		
Common shares (note 15)	**484,932**	459,053
Contributed surplus (note 17)	**29,430**	21,315
Deficit	**(167,994)**	(5,869)
Accumulated other comprehensive income	**185,280**	65,538
Equity attributable to shareholders of the Company	**531,648**	540,037
Non-controlling interest	**-**	357
	531,648	540,394
	931,537	1,088,080

APPROVED ON BEHALF OF THE BOARD:

"Thomas J. Simons"
Thomas J. Simons
President & Chief Executive Officer and Director

"Philip J. Scherman"
Philip J. Scherman
Director & Chairman, Audit Committee

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

Canadian Energy Services & Technology Corp.

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

	Year Ended December 31,	
	2015	2014
Revenue	**749,614**	972,705
Cost of sales (note 11)	**589,955**	707,214
Gross margin	**159,659**	265,491
General and administrative expenses (note 12)	**151,623**	148,572
Operating profit	**8,036**	116,919
Finance costs (note 13)	**17,058**	24,340
Impairment of goodwill (note 7)	**154,829**	-
Other income (note 4)	**(11,628)**	-
(Loss) income before taxes	**(152,223)**	92,579
Current income tax (recovery) expense (note 14)	**(13,494)**	10,583
Deferred income tax (recovery) expense (note 14)	**(46,453)**	13,941
Net (loss) income	**(92,276)**	68,055
Net (loss) income attributable to:		
Shareholders of the Company	**(92,276)**	67,704
Non-controlling interest	**-**	351
	(92,276)	68,055
Other comprehensive gain (items that may be subsequently reclassed to profit and loss):		
Unrealized foreign exchange gain on translation of foreign operations attributable to:		
Shareholders of the Company	**119,701**	50,589
Non-controlling interest	**-**	6
Change in fair value of available for sale financial assets, net of tax attributable to:		
Shareholders of the Company	**41**	-
Comprehensive income	**27,466**	118,650
Comprehensive income attributable to:		
Shareholders of the Company	**27,466**	118,293
Non-controlling interest	**-**	357
	27,466	118,650
Net (loss) income per share (note 15)		
Basic	**(0.42)**	0.33
Diluted	**(0.42)**	0.31

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

	Year Ended December 31,	
	2015	2014
COMMON SHARES		
Balance, beginning of year	**459,053**	342,532
Issued pursuant to the Offering, net of share issue costs and taxes	**-**	72,715
Consideration for business combinations (note 4)	**4,500**	24,712
Issued pursuant to stock-based compensation (note 16)	**21,343**	18,552
Issued pursuant to property and equipment acquisition	**-**	60
Issued pursuant to stock dividend and stock settled director fee	**36**	482
Balance, end of year	**484,932**	459,053
CONTRIBUTED SURPLUS		
Balance, beginning of year	**21,315**	13,387
Reclassified pursuant to stock-based compensation (note 15)	**(17,864)**	(13,143)
Stock-based compensation expense (note 17)	**25,979**	21,071
Balance, end of year	**29,430**	21,315
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of year	**65,538**	14,949
Unrealized foreign exchange gain on translation of foreign operations	**119,701**	50,589
Change in fair value of available-for-sale financial assets	**41**	-
Balance, end of year	**185,280**	65,538
DEFICIT		
Balance, beginning of year	**(5,869)**	(10,349)
Net (loss) income attributable to shareholders of the Company	**(92,276)**	67,704
Dividends declared (note 18)	**(69,849)**	(63,224)
Balance, end of year	**(167,994)**	(5,869)
NON-CONTROLLING INTEREST		
Balance, beginning of year	**357**	-
Net income attributable to non-controlling interest	**-**	357
Distributions declared to non-controlling interest	**(357)**	-
Balance, end of year	**-**	357
	531,648	540,394

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

Canadian Energy Services & Technology Corp.

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

	Year Ended December 31,	
	2015	2014
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net (loss) income	**(92,276)**	68,055
Adjustments for:		
Depreciation and amortization	**54,994**	40,624
Stock-based compensation (note 16)	**25,979**	21,071
Non-cash (income) expenses	**(1,748)**	1,949
Deferred income tax (recovery) expense (note 14)	**(46,453)**	13,941
Loss (gain) on disposal of assets	**151**	(678)
Impairment of goodwill (note 7)	**154,829**	-
Other income (note 4)	**(11,628)**	-
Change in non-cash working capital (note 22)	**124,873**	(98,942)
	208,721	46,020
FINANCING ACTIVITIES:		
Repayment of long-term debt and finance leases	**(8,981)**	(7,210)
Net proceeds from Senior Notes issuance	**-**	79,450
Decrease in Amended Senior Facility	**(56,407)**	(22,117)
Shareholder dividends	**(71,808)**	(61,207)
Issuance of shares, net of issuance costs	**3,479**	77,264
Distributions to non-controlling interest	**(357)**	-
	(134,074)	66,180
INVESTING ACTIVITIES:		
Investment in property and equipment	**(46,013)**	(60,203)
Investment in intangible assets	**(3,603)**	(6,309)
Investment in other assets	**(4,519)**	-
Deferred acquisition consideration (note 4)	**(7,623)**	(11,237)
Business combinations (note 4)	**(18,133)**	(36,985)
Proceeds on disposal of property and equipment	**5,244**	2,534
	(74,647)	(112,200)
CHANGE IN CASH	**-**	-
Cash, beginning of year	**-**	-
Cash, end of year	**-**	-
SUPPLEMENTARY CASH FLOW DISCLOSURE		
Interest paid	**23,539**	22,123
Income taxes (recovered) paid	**(2,718)**	12,552

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

1. The Company

Canadian Energy Services & Technology Corp. (the "Company" or "CES") is a company domiciled in Canada and was incorporated under the Canada Business Corporations Act on November 13, 1986. CES' principal place of business is located at Suite 1400, 700 – 4th Avenue SW, Calgary, Alberta, Canada T2P 3J4. The consolidated financial statements of the Company as at and for the years ended December 31, 2015 and 2014 comprise the Company and its subsidiaries (together referred to as the "Company" or "CES").

CES' core business is to design, implement, and manufacture technically advanced consumable fluids and specialty chemicals for the oil and gas industry. CES operates in the Western Canadian Sedimentary Basin ("WCSB") and in several basins throughout the United States ("US"), with an emphasis on servicing the ongoing major resource plays. CES' business units include: Canadian Energy Services, AES Drilling Fluids, AES Frac Fluids, PureChem Services, Sialco Materials Ltd, JACAM Chemicals, Clear Environmental Solutions, and EQUAL Transport.

2. Basis of Presentation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were authorized for issue by the Company's Board of Directors on March 10, 2016.

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis using the historical cost convention except for the following items in the statement of financial position:

(i) derivative financial instruments are measured at fair value; and
(ii) financial instruments at fair value through profit or loss are measured at fair value.

Functional and presentation currency

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

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

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

3. Significant Accounting Policies

a) Consolidation

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

b) Inventory

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

c) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of

materials, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets.

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

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The costs of the day-to-day servicing of property and equipment, including repairs and maintenance, are recognized in net income as incurred.

Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Computer equipment	3 years
Vehicles	3-5 years
Trucks and trailers	3-5 years
Field equipment	5-20 years
Processing equipment	5-15 years
Leasehold improvements	3-5 years
Furniture and fixtures	5 years
Aircraft	5-20 years
Buildings	10-20 years
Tanks	15-20 years

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

d) Leased assets

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and the leased assets and corresponding lease obligations are not recognized in the Company's statement of financial position. Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease.

e) Identifiable intangible assets

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

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

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

f) Goodwill

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

g) Impairment

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

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

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

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

h) Provisions

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

i) Revenue recognition

The Company's revenue is comprised of the sale of products and the provision of services. Revenue on the sale of product is recognized at the time evidence of an arrangement exists, title to the product and risk of loss transfers to the customer, the price is fixed and determinable, and collection is reasonably assured. Revenue on the provision of services is recognized as the services are performed, when the price is fixed and determinable, and collection is reasonably assured. The Company's contract terms do not include a provision for significant post-service delivery obligations.

j) Stock-based compensation

The Company uses the fair value method to account for Share Rights granted to employees, officers, and directors of the Company for grants under the Company's Share Rights Incentive Plan. Compensation expense for Share Rights granted is based on the estimated fair value, using a Black-Scholes option pricing model, at the time of grant. Restricted Share Units are awarded to employees, officers and directors of the Company and entitle the holder to a number of common shares plus reinvested notional dividends. Compensation expense for Restricted Share Units is based on the estimated fair value of the award at the date of grant, calculated using a five day volume weighted average share price. Compensation expense associated with share-based compensation plans is recognized in net income over the vesting period of the respective plans with a corresponding increase to contributed surplus. CES estimates the forfeiture rate for its share-based compensation plans at the

date of grant based on the number of awards expected to vest taking into consideration past experience and future expectations and are adjusted upon actual vesting.

k) Finance costs

Finance costs are comprised of interest expense on borrowings, financial derivative gains and losses, foreign currency gains and losses resulting from foreign currency transactions which are translated into the Company's functional currency, and the amortization of capitalized deferred financing costs.

l) Borrowing costs

Borrowing costs attributable to the acquisition, construction, or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized as finance costs in the statement of (loss) income and comprehensive income, using the effective interest method, in the period in which they are incurred.

m) Income taxes

CES is subject to federal, provincial, and state income taxes in Canada, the United States, and Luxembourg based on the taxable income or loss including the transactions entered into and recorded by the Company during the normal course of business to the extent that income is not sheltered by existing tax pools. Current income tax and deferred income tax are recognized in net income, except to the extent that it relates to a business combination or items recognized directly in equity or in OCI.

Current income tax expense is the expected tax payable or receivable on the taxable income or loss for the year based upon the transactions entered into and recorded by the Company and based on the estimates and calculations used during the normal course of business. Current income tax expense is recorded using tax rates enacted or substantively enacted at the reporting date and any adjustment to taxes payable in respect of previous years.

Deferred income tax expense and recoveries are recognized in respect of unused tax losses and tax credits as well as for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates which are expected to apply to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred income tax liability is generally recognized for all taxable temporary differences. Deferred income tax liabilities are not recognized on the following:

- taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future;
- temporary differences that arise from goodwill which is not deductible for tax purposes; and
- the initial recognition of an asset or liability in a transaction which is not a business combination.

A deferred income tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Future income tax inflows and outflows are subject to estimation in terms of both timing and the amount of future taxable earnings. Should these estimates change, the carrying value of the corresponding income tax assets or liabilities will change.

n) Derivative financial instruments

Derivative financial instruments are used by the Company to manage its exposure to various market risks. The Company's policy is not to utilize derivative financial instruments for speculative or trading purposes. These derivative instruments are classified as held for trading and are recorded at fair value on the consolidated statement of financial position as either an asset or liability with changes in fair value recognized in the consolidated statements of (loss) income and comprehensive income. Realized gains and losses from financial derivatives are recognized as they occur. Unrealized gains and losses are recognized in the consolidated statements of (loss) income and comprehensive income at each respective reporting period. The fair value of these transactions is based upon the estimated amounts that would have been paid to or received from counterparties to settle the outstanding transactions with reference to the estimated forward prices as of the reporting date.

o) Financial instruments

i) Non-derivative financial assets:

The Company initially recognizes accounts receivable and deposits on the date that they originate. All other financial assets, including assets designated at fair value through profit or loss, are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

a. financial assets at fair value through profit or loss;
b. loans and receivables; and
c. available for sale financial assets.

Financial assets and liabilities at fair value through profit or loss

A financial asset or liability is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets and liabilities are designated as fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in net income as incurred. Financial assets and liabilities designated as fair value through profit or loss are measured at fair value and their changes therein are recognized in net income. The only instruments held by the Company classified in this category are derivative financial instruments (note 3 (n)).

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. The Company's accounts receivable and deposits are classified as loans and receivables.

Available for sale financial assets

Non-derivative financial assets may be designated as available for sale so long as they are not classified in another category above or as held-to-maturity investments. Available for sale financial assets are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in OCI. The Company, through its captive insurance subsidiary, holds investments for self-insured liabilities. These investments are classified as available for sale and are shown within other assets on the statement of financial position.

ii) Non-derivative financial liabilities:

All financial liabilities, including liabilities designated at fair value through profit or loss, are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities; dividends payable; finance lease obligations; long-term debt; and deferred acquisition consideration. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

p) Net income or loss per share

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

determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares.

q) Business combinations

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

r) Significant accounting judgments and estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual outcomes may differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

Accounts receivable

The Company maintains an allowance for doubtful accounts to provide for receivables which may ultimately be uncollectible. Accounts receivable are recorded at the estimated recoverable amount which requires management to estimate uncollectible accounts.

Inventories

The Company evaluates its inventory to ensure it is carried at the lower of average cost and net realizable value. Allowances are made against slow moving, obsolete, and damaged inventories and are charged to cost of sales. These allowances are assessed at each reporting date for adequacy. The reversal of any write-down of inventory arising from an increase in net realizable value shall be recognized as a reduction in cost of sales in the period in which the reversal occurred.

Property and equipment

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

Recoverability of asset carrying values

The Company assesses its property and equipment, including intangible assets and goodwill, for possible impairment at each reporting date or if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. The recoverability of the Company's asset carrying values is assessed at the CGU level. The determination of the CGUs is subject to management judgments taking into consideration: the nature of the underlying business operations, geographical proximity of operations, shared infrastructure, and exposure to market risk.

The assessment of any impairment of property and equipment, including intangible assets and goodwill, is dependent upon estimates of the recoverable amount that take into account factors such as economic and market conditions, timing of cash flows, the useful lives of assets, and their related salvage values. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is estimated using future cash flow projections, discounted to their present value, expected to arise from the CGU to which the goodwill relates. The required valuation methodology and underlying financial information that is used to determine value in use requires significant judgments to be made by management. These judgments include, but are not limited to, long term projections of future financial performance and the selection of appropriate discount rates used to determine the present value of future cash flows. The estimated future cash flows are dependent upon a

number of factors including, among others, the levels of activity within the oil and natural gas industry. Future activity cannot be predicted with certainty and, as such, actual results may differ from these estimates.

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

Stock-based compensation
The fair value of Share Rights granted is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the share right, expected volatility, actual and expected life of the Share Rights, expected dividends based on the dividend yield at the date of grant, anticipated forfeiture rate, and the risk-free interest rate. The Company estimates volatility based on historical trading excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the Company's normal share price volatility. The expected life of the Share Rights is based on historical experience and general option holder behaviour. Management also makes an estimate of the number of Share Rights and Restricted Share Units that will be forfeited and the rate is adjusted to reflect the actual number of share rights and restricted share units that vest. Consequently, the actual stock-based compensation expense associated with the Company's share-based compensation plans may vary from the amount estimated.

Income taxes
Deferred income tax assets and deferred income tax liabilities are recognized for the estimated tax consequences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases used in the computation of taxable income, measured at the tax rates that are expected to apply in the period in which the liability is settled or asset is realized based on the enacted or substantively enacted future income tax rates in effect at the end of the reporting period. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, the expected usage of existing tax pools and credits, and accordingly affect the amount of the deferred income tax assets and liabilities calculated at a point in time. These differences could materially impact net income.

The Company and its various subsidiaries are subject to corporate and other taxation in various federal, provincial and state jurisdictions in Canada, the United States, and Luxembourg. Corporate income tax and other returns are filed, and current income tax provisions are recorded, based upon the transactions entered into and recorded by the Company and are based on the estimates and calculations used by the Company during the normal course of business and in the preparation of these returns. For both the current and historical fiscal years, the Company's and its subsidiaries' income tax and other tax returns are subject to audit which could result in adjustments and potential litigation by the tax authorities, which in turn could affect the Company's tax provisions in future years. As applicable, the Company maintains provisions for uncertain tax positions that it believes are appropriate. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors at the reporting period. The Company reviews the adequacy of these provisions at the end of each reporting period and adjusts them as required. However, it is possible that, at some future date, current income tax liabilities are in excess of the Company's current income tax provisions as a result of these audits, adjustments, or litigation with tax authorities. These differences could materially impact net income.

Contingencies
Management estimates the inputs used in determining the various contingencies accrued in the consolidated statement of financial position.

s) Recent Accounting Pronouncements
Future accounting policy changes
The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

In May 2014, the International Accounting Standards Board issued International Financial Reporting Standard ("IFRS") 15, *"Revenue from Contracts with Customers"*, which is the result of the joint project with the Financial Accounting Standards Board. In September 2015, the IASB formalized the deferral of the effective date of IFRS 15 by one year, to January 1, 2018. The new standard replaces the two main recognition standards IAS 18, *"Revenue"*, and IAS 11, *"Construction Contracts"*. The

Company plans to adopt IFRS 15 on January 1, 2018 and is currently assessing the potential impact of this adoption on the Company's financial statements.

In July 2014, the IASB completed the final elements of IFRS 9, "*Financial Instruments*". The standard replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39, "*Financial Instruments: Recognition and Measurement*". IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company plans to adopt IFRS 9 on January 1, 2018 and is currently assessing the potential impact of this adoption on the Company's financial statements.

In January 2016, the IASB issued IFRS 16, "*Leases*" which replaces IAS 17, "*Leases*". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "*Revenue from Contracts with Customers*". The Company plans to adopt IFRS 16 on January 1, 2019 and is currently assessing the potential impact of this adoption on the Company's financial statements.

4. Business Combinations

Sialco Acquisition

On December 9, 2015, CES completed the acquisition of all outstanding shares of Sialco Materials Limited ("Sialco"), a specialty chemical manufacturing company located in Delta, BC. The Company also acquired the land and building that Sialco operated on from 0697983 B.C. Ltd, via a real property purchase agreement. These acquisitions are collectively referred to as the Sialco Acquisition. The effective date of the Sialco Acquisition was December 1, 2015.

The aggregate purchase price of the Sialco Acquisition was $25,537, consisting of $4,500 of share consideration satisfied through the issuance of 958,163 common shares of the Company and $21,037 payable in cash, of which $19,347 was paid on the respective closing date and $1,690 is consideration payable post close related to working capital adjustments. The purchase price allocation is based upon the respective fair values as of the effective date of the acquisition. In conjunction with the Sialco Aquisition, the Company recorded $216 in transaction costs to general and administrative expenses during the year ended December 31, 2015.

Allocation of purchase price $000's	
Cash	1,214
Other current assets	2,565
Property and equipment	16,056
Intangible assets	2,216
Goodwill	7,912
Total assets	**29,963**
Current liabilities	(942)
Deferred income tax liability	(3,484)
Total liabilities	**(4,426)**
Net assets acquired	**25,537**

Consideration given $000's	
Cash	19,347
Share consideration	4,500
Consideration payable post-close	1,690
Total consideration	**25,537**

The goodwill recognized on the Sialco Acquisition is primarily attributed to the assembled workforce, the synergies existing within the acquired businesses, and the synergies which will contribute to operational efficiencies within the rest of the Company.

2014 Acquisitions

a) Canadian Acquisitions

On July 1, 2014, CES completed the acquisitions of all of the business assets of Rheotech Drilling Fluids Services Inc. ("Rheotech") and of all of the business assets of Canwell Enviro-Industries Ltd. ("Canwell") collectively (the "Canadian Acquisitions"). Rheotech and Canwell were Western Canadian Sedimentary Basin based private businesses selling oilfield chemical solutions.

The aggregate purchase price of the Canadian Acquisitions was $56,485, consisting of $16,000 of share consideration satisfied through the issuance of 1,456,422 common shares, on a post-split basis, of the Company, $40,485 payable in cash, of which $23,398 was paid on the respective closing date. Included in cash consideration payable is deferred acquisition consideration of $15,500 which is payable in cash as an earn-out if and when certain of the business assets acquired achieves certain sales thresholds over a thirty-six month period post close, $402 in other post close deferred consideration, and $1,185 in working capital adjustments. The purchase price allocations were based upon the respective fair values as of the acquisition dates. In conjunction with the Canadian Acquisitions, the Company recorded $165 in transaction costs to general and administrative expenses during the year ended December 31, 2014.

The Company's combined purchase price allocation for the Canadian Acquisitions is as follows:

Allocation of purchase price $000's	
Current assets	10,664
Property and equipment	3,824
Intangible assets	13,212
Goodwill	31,032
Total assets	**58,732**
Current liabilities	(1,356)
Current portion of lease liabilities	(27)
Non-current portion of lease liabilities	(31)
Deferred income tax liability	(833)
Total liabilities	**(2,247)**
Net assets acquired	**56,485**

Consideration given $000's	
Cash	23,398
Share consideration	16,000
Contingent consideration	15,500
Consideration payable post-close	402
Working capital adjustment	1,185
Total consideration	**56,485**

The goodwill recognized on the Canadian Acquisitions is primarily attributed to the assembled workforce, the synergies existing within the acquired businesses, and the synergies which will contribute to operational efficiencies within the rest of the Company. Of the goodwill acquired, 75% is expected to be deducted for Canadian tax purposes at a rate of 7% per year.

b) Southwest Acquisition

On September 5, 2014, through a US subsidiary, CES completed the acquisition of all of the oilfield chemical business assets of Southwest Treating Products, LLC. ("Southwest"). Southwest was a west Texas based private oilfield chemical company that provides production and specialty chemical solutions for a number of leading oil and natural gas companies. The effective date of the Southwest acquisition was September 1, 2014.

The aggregate purchase price was $21,474 (US$ 19,676), consisting of $8,712 (US$8,000) of share consideration satisfied through the issuance of 868,455 common shares, on a post-split basis, of the Company, $12,762 (US$11,676) payable in cash,

of which $11,644 (US$10,653) was paid on the closing date. Included in cash consideration payable is $1,118 (US$1,023) in other post close and deferred consideration. The purchase price allocation was based upon the fair values as of the respective acquisition date. In conjunction with this acquisition, the Company recorded $62 in transaction costs to general and administrative expenses during the year ended December 31, 2014.

The Company's purchase price allocation for the Southwest acquisition is as follows:

Allocation of purchase price $000's	
Current assets	3,611
Property and equipment	2,368
Intangible assets	4,782
Goodwill	12,040
Total assets	**22,801**
Current liabilities	(1,284)
Current portion of lease liabilities	(21)
Non-current portion of lease liabilities	(22)
Net assets acquired	**21,474**

Consideration given $000's	
Cash	11,644
Share consideration	8,712
Consideration payable post-close	1,118
Total consideration	**21,474**

The goodwill recognized on the Southwest acquisition is primarily attributed to the assembled workforce, the synergies existing within the acquired businesses, and the synergies which will contribute to operational efficiencies within the rest of the Company. The goodwill is expected to be deducted straight-line over 15 years for US tax purposes.

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

$000's	
Balance at December 31, 2014	29,336
Additions through business combinations	1,690
Settlements	(7,623)
Reclassified to other income	(11,628)
Effect of movements in exchange rates	1,922
Balance at December 31, 2015	13,697
Current portion	9,897
Long-term portion	3,800

During the year ended December 31, 2015, the Company recorded a recovery of $11,628 related to deferred consideration that is no longer payable because certain earn-out thresholds relating to the 2013 Venture Mud acquisition were not achieved.

Included in deferred acquisition consideration at December 31, 2015 is $9,100 in amounts payable to past vendors if and when certain sales thresholds are achieved. As at December 31, 2015, the Company expects to pay this amount over the next two years with $5,300 due in 2016 and $3,800 due in 2017.

5. Inventory

The cost of inventory expensed in cost of sales for the year ended December 31, 2015, was $358,291 (2014 – $471,304). During the year ended December 31, 2015, the Company recorded $5,565 of inventory valuation write-downs and $nil inventory valuation write-down reversals (2014 – $3,068 and $nil, respectively).

6. Property and Equipment

Property and equipment are comprised of the following balances:

$000's	Balance December 31, 2014	Additions through business combinations	Additions	Disposals	Effect of movements in exchange rates	Balance December 31, 2015
Cost:						
Buildings	62,474	2,541	21,276	(910)	11,470	96,851
Trucks and trailers	48,479	-	6,523	(2,173)	7,504	60,333
Processing equipment	25,541	11,845	3,145	(57)	5,072	45,546
Vehicles	34,247	-	8,086	(8,396)	4,601	38,538
Field equipment	26,939	322	5,725	(234)	3,606	36,358
Tanks	27,890	-	609	-	3,949	32,448
Aircraft	23,588	-	1,009	(739)	2,545	26,403
Leasehold improvements	5,195	254	4,391	(42)	604	10,402
Land	7,655	1,031	91	(78)	889	9,588
Computer equipment	5,565	34	1,776	(454)	920	7,841
Furniture and fixtures	2,922	29	307	(3)	356	3,611
	270,495	16,056	52,938	(13,086)	41,516	367,919

$000's	Balance December 31, 2014	Depreciation for the year	Disposals	Effect of movements in exchange rates	Balance December 31, 2015
Depreciation:					
Buildings	6,074	3,474	(394)	890	10,044
Trucks and trailers	16,044	9,634	(1,395)	2,147	26,430
Processing equipment	3,634	2,376	(6)	811	6,815
Vehicles	10,240	7,290	(4,379)	2,158	15,309
Field equipment	10,215	5,328	(95)	1,598	17,046
Tanks	4,285	1,916	-	656	6,857
Aircraft	3,062	2,157	(131)	531	5,619
Leasehold improvements	2,125	1,219	(4)	168	3,508
Land	-	-	-	-	-
Computer equipment	2,899	1,582	(20)	464	4,925
Furniture and fixtures	1,142	580	(1)	145	1,866
	59,720 -	35,556	(6,425)	9,568	98,419

$000's	Balance December 31, 2014		Balance December 31, 2015
Carrying amounts:			
Buildings	56,400		86,807
Trucks and trailers	32,435		33,903
Processing equipment	21,907		38,731
Vehicles	24,007		23,229
Field equipment	16,724		19,312
Tanks	23,605		25,591
Aircraft	20,526		20,784
Leasehold improvements	3,070		6,894
Land	7,655		9,588
Computer equipment	2,666		2,916
Furniture and fixtures	1,780		1,745
	210,775		269,500

$000's	Balance December 31, 2013	Additions through business combinations	Additions	Disposals	Effect of movements in exchange rates	Balance December 31, 2014
Cost:						
Buildings	45,657	887	12,054	-	3,876	62,474
Trucks and trailers	30,305	560	16,276	(1,059)	2,397	48,479
Vehicles	21,019	1,023	14,580	(3,785)	1,410	34,247
Tanks	21,898	-	4,597	(100)	1,495	27,890
Processing equipment	13,632	118	10,179	(8)	1,620	25,541
Aircraft	18,466	-	4,849	(819)	1,092	23,588
Field equipment	16,589	1,025	8,155	(177)	1,347	26,939
Land	3,724	2,326	1,286	-	319	7,655
Leasehold improvements	3,449	195	1,403	(25)	173	5,195
Computer equipment	4,673	36	615	(37)	278	5,565
Furniture and fixtures	1,800	22	994	(23)	129	2,922
	181,212	6,192	74,988	(6,033)	14,136	270,495

$000's	Balance December 31, 2013	Depreciation for the year	Disposals	Effect of movements in exchange rates	Balance December 31, 2014
Depreciation:					
Buildings	3,438	2,375	-	261	6,074
Trucks and trailers	9,435	6,507	(833)	935	16,044
Vehicles	6,735	5,808	(2,280)	(23)	10,240
Tanks	2,505	1,599	(16)	197	4,285
Processing equipment	1,630	1,799	-	205	3,634
Aircraft	1,315	1,886	(280)	141	3,062
Field equipment	6,088	3,745	(16)	398	10,215
Land	-	-	-	-	-
Leasehold improvements	1,342	717	(4)	70	2,125
Computer equipment	1,733	1,107	(29)	88	2,899
Furniture and fixtures	700	412	(12)	42	1,142
	34,921	25,955	(3,470)	2,314	59,720

$000's	Balance December 31, 2013	Balance December 31, 2014
Carrying amounts:		
Buildings	42,219	56,400
Trucks and trailers	20,870	32,435
Vehicles	14,284	24,007
Tanks	19,393	23,605
Processing equipment	12,002	21,907
Aircraft	17,151	20,526
Field equipment	10,501	16,724
Land	3,724	7,655
Leasehold improvements	2,107	3,070
Computer equipment	2,940	2,666
Furniture and fixtures	1,100	1,780
	146,291	210,775

Borrowing costs
For the year ended December 31, 2015, the Company capitalized borrowing costs attributable to the construction of qualifying assets in the amount of $634 (2014 – $370).

7. Intangible Assets and Goodwill

Intangible assets are comprised of the following balances:

$000's	Customer relationships	Software	Patents and other intangibles	Total intangibles	Goodwill
Cost:					
Balance at December 31, 2014	70,116	11,155	55,663	136,934	332,870
Additions through business combinations	1,900	36	280	2,216	7,912
Additions	-	3,673	371	4,044	-
Disposals	-	(1,410)	-	(1,410)	-
Impairment of goodwill	-	-	-	-	(154,829)
Effect of movements in exchange rates	9,788	1,556	6,377	17,721	45,788
Balance at December 31, 2015	81,804	15,010	62,691	159,505	231,741
Amortization:					
Balance at December 31, 2014	24,433	3,383	9,778	37,594	-
Amortization for the year	10,346	3,573	5,519	19,438	-
Disposals	-	(1,125)	-	(1,125)	-
Effect of movements in exchange rates	4,059	711	1,542	6,312	-
Balance at December 31, 2015	38,838	6,542	16,839	62,219	-
Carrying amount at December 31, 2015	**42,966**	**8,468**	**45,852**	**97,286**	**231,741**

$000's	Customer relationships	Software	Patents and other intangibles	Total intangibles	Goodwill
Cost:					
Balance at December 31, 2013	48,826	4,659	51,893	105,378	270,381
Additions through business combinations	17,200	2	792	17,994	43,072
Additions	-	5,993	487	6,480	-
Effect of movements in exchange rates	4,090	501	2,491	7,082	19,417
Balance at December 31, 2014	70,116	11,155	55,663	136,934	332,870
Amortization:					
Balance at December 31, 2013	14,519	1,594	4,950	21,063	-
Amortization for the year	8,673	1,651	4,396	14,720	-
Effect of movements in exchange rates	1,241	138	432	1,811	-
Balance at December 31, 2014	24,433	3,383	9,778	37,594	-
Carrying amount at December 31, 2014	**45,683**	**7,772**	**45,885**	**99,340**	**332,870**

Impairment testing for cash-generating units containing goodwill
For the purpose of impairment testing, goodwill is allocated to the Company's CGUs which represent the lowest level within the Company at which the goodwill is monitored.

As at December 31, 2015, the Company noted indicators of impairment due to the significant decline in commodity prices and the resulting continued reduction in demand for the Company's products and services. The Company's impairment analysis indicated that the recoverable amount of the net assets for each CGU did not exceed its respective carrying value and, therefore, goodwill allocated to each CGU was impaired by, and the resultant goodwill balances were, as follows:

$000's	**Canadian Operations**	**US Operations** [(1)]	**Total**
Balance at December 31, 2014	89,762	243,108	332,870
Additions through business combinations (note 4)	7,912	-	7,912
Impairment loss	(39,144)	(115,685)	(154,829)
Effect of movements in exchange rates	-	45,788	45,788
Balance at December 31, 2015	**58,530**	**173,211**	**231,741**

[(1)] Amounts denominated in foreign currencies have been translated at the respective year-end exchange rates

The recoverable amount for each CGU was based on their value in use and was estimated to be $223,901 for the Canadian Operations CGU and $473,526 for the US Operations CGU. The key assumptions for the value in use calculations are the discount rates and expected growth rates. An estimated risk adjusted, pre-tax discount rate of 15% was used as at December 31, 2015 for both CGUs (December 31, 2014 – 14%). The growth rates represent management's current assessment of future industry trends and are based on both external and internal sources, as well as historical data. The Company prepares cash flow forecasts for the purpose of the impairment analysis for a five year period using growth rates that range from negative 14% in 2016 to as high as positive 41% in later years for the Canadian Operations CGU and a range of negative 28% in 2016 to as high as positive 34% in later years for the US Operations CGU. For both CGUs, the Company has used a 2% terminal growth rate. A non-IFRS gross margin percentage averaging 28% and 29% has been used for the forecasted period of the Canadian Operations CGU and the US Operations CGU, respectively. Future cash flows are based on various judgments and estimates including actual performance of the business, management's estimates of future performance, and indicators of future industry activity levels.

The most sensitive inputs to the Company's impairment model are the discount rate and the annual growth rates. An increase of 1% in the discount rate, and all other assumptions held constant, would result in an additional goodwill impairment of $19,143 for the Canadian Operations CGU and $50,336 for the US Operations CGU. A decrease of 1% in the annual growth rates, and all other assumptions held constant, would result in an additional goodwill impairment of $4,994 for the Canadian Operations CGU and $15,454 for the US Operations CGU.

8. Other Assets

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

	As at	
$000's	**December 31, 2015**	December 31, 2014
Fixed income securities, with maturities due:		
Less than 1 year	**1,030**	-
1-5 years	**348**	-
	1,378	-
Cash and cash equivalents	**3,366**	-
Equities	**594**	-
Other assets	**5,338**	-

Amounts denominated in foreign currencies have been translated at the respective year-end exchange rates

Certain of these investments in the amount of $1,399 have been pledged as collateral for letters of credit by the banker of the Company's captive insurance company in favor of the underwriting companies.

9. Long-Term Debt

On September 30, 2015, the Company completed an amendment to its existing Senior Facility ("Amended Senior Facility") which extended the term to maturity by one year to September 28, 2018. With the exception of the change to the Company's debt covenants outlined below, the terms and conditions of the Amended Senior Facility remain consistent with the previous Senior Facility, allowing the Company to borrow up to $200,000, with the option to borrow an additional $100,000 subject to certain terms and conditions. Amounts drawn on the Amended Senior Facility incur interest at the bank's prime rate or US base rate plus an applicable pricing margin ranging from 0.50% to 1.25% or the Canadian Bankers' Acceptance rate or the LIBOR rate plus an applicable pricing margin ranging from 1.50% to 2.25%. The Amended Senior Facility has a standby fee ranging from 0.30% to 0.45%. The applicable pricing margins are based on a sliding scale of Senior Funded Debt to EBITDA ratio. The obligations and indebtedness under the Amended Senior Facility are secured by all of the assets of CES and its subsidiaries.

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

- The ratio of Total Net Funded Debt to EBITDA calculated on a rolling four-quarter basis shall not exceed 4.50 to 1.00.
- The ratio of Senior Funded Debt to trailing EBITDA must not exceed 2.50 to 1.00 calculated on a rolling four-quarter basis.
- The quarterly ratio of EBITDA to interest expense must be more than 3.00 to 1.00 calculated on a rolling four-quarter basis.

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

- EBITDA is defined as net income before interest, taxes, depreciation and amortization, gains and losses on disposal of assets, amortization of capitalized deferred financing costs, goodwill impairment, unrealized foreign exchange gains and losses, unrealized derivative gains and losses, stock-based compensation, and other gains and losses not considered reflective of underlying operations.
- Total Net Funded Debt is defined as all funded obligations, liabilities, and indebtedness excluding deferred income tax liabilities and deferred tax credits, office leases, other leases characterized as operating leases, and accrued interest not yet due and payable.
- Senior Funded Debt is defined as Total Net Funded Debt minus the principal amount owing on the Company's Senior Notes.

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

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

	As at	
$000's	**December 31, 2015**	December 31, 2014
Total Net Funded Debt to EBITDA Ratio (Must be < 4.50:1.00)		
Total Net Funded Debt	**314,941**	377,313
EBITDA for the four quarters ended	**93,700**	177,172
Ratio	**3.36**	2.13
Senior Funded Debt to EBITDA Ratio (Must be < 2.50:1.00)		
Senior Funded Debt	**14,941**	77,313
EBITDA for the four quarters ended	**93,700**	177,172
Ratio	**0.16**	0.44
EBITDA to Interest Expense (Must be > 3.00:1.00)		
EBITDA for the four quarters ended	**93,700**	177,172
Interest Expense for the four quarters ended	**23,436**	22,133
Ratio	**4.00**	8.00

As of December 31, 2015, the maximum available draw on the Amended Senior Facility was $200,000 (December 31, 2014 - $200,000) and the Company had a net draw of $449 (December 31, 2014 – $60,916), net of capitalized transaction costs of $517 (December 31, 2014 – $669). Transaction costs attributable to the Amended Senior Facility are recorded as part of the Amended Senior Facility and amortized to finance costs over the remaining term.

Senior Notes

On July 3, 2014, CES completed the private placement of $75,000 of 7.375% senior unsecured notes (the "Additional Senior Notes") due on April 17, 2020 at a premium price of $1,057.50 per $1,000.00 principal amount of Notes. The Additional Senior Notes were issued under the indenture governing the Company's $225,000 of Senior Notes and form a single series with such previously issued Senior Notes. The Senior Notes contain certain early redemption options, whereby the Company can choose to redeem all of or a portion of at various redemption prices, which include the principal amount plus any accrued and unpaid interest to the applicable redemption date. Interest is payable on the Senior Notes semi-annually on April 17th and October 17th. 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. At December 31, 2015, the estimated fair value of the Senior Notes was $279,410 (December 31, 2014 – $285,750).

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

	As at	
$000's	**December 31, 2015**	December 31, 2014
Amended Senior Facility	**966**	61,585
Senior Notes	**300,000**	300,000
Vehicle financing loan	**-**	628
Equipment financing loans	**-**	405
	300,966	362,618
Less net unamortized debt issue costs	**(4,588)**	(5,653)
Less net unamortized debt premium	**3,199**	3,943
Less current portion of long-term debt	**-**	(884)
Long-term debt	**299,577**	360,024

For the year ended December 31, 2015, the Company recorded $24,717 (2014 – $23,355) in interest expense related to its long-term debt and lease balances, including the amortization of capitalized transaction costs.

Scheduled principal payments on the Company's long-term debt for the next five years at December 31, 2015, are as follows:

$000's	
2016	-
2017	-
2018	**966**
2019	-
2020	**300,000**
Total	**300,966**

10. Finance Leases

The Company leases equipment and vehicles under a number of finance lease agreements for which the underlying leased assets secure the lease obligations. The Company's fixed interest rate equipment leases extend to March 2016 with a weighted average interest rate of 5.04%. The Company's vehicle leases are for terms ranging from January 2016 through April 2021 with interest rates of up to 9.03% and a weighted average interest rate of 5.41%. The carrying value of assets under finance leases at December 31, 2015 totaled $19,273 (December 31, 2014 – $18,003), of which $17,128 relates to vehicles, $1,140 relates to tanks, $972 relates to trucks and trailers, and $33 relates to other machinery and field equipment. Amortization expense relating to assets under finance leases for the year ended December 31, 2015 totaled $5,163 (2014 – $3,334).

Future minimum lease payments outstanding under the Company's finance lease obligations are as follows:

$000's	
Less than 1 year	**8,058**
1-5 years	**6,817**
5+ years	**10**
Total lease payments	**14,885**
Amount representing implicit interest	**(910)**
Finance lease obligations	**13,975**
Less: current portion of finance lease obligations	**(7,452)**
Long-term finance lease obligations	**6,523**

11. Cost of Sales

Included in cost of sales for the year ended December 31, 2015, is depreciation charged on property and equipment of $31,830 (2014 – $23,617) and employee compensation and benefits of $111,629 (2014 – $108,180).

12. General and Administrative Expenses

Included in general and administrative expense for the year ended December 31, 2015, is depreciation charged on property and equipment and amortization charged on intangible assets of $23,164 (2014 – $17,007), stock-based compensation of $25,979 (2014 – $21,071), and employee compensation and benefits of $51,281 (2014 – $60,802).

13. Finance Costs

The Company recognized the following finance expenses in its consolidated statements of (loss) income and comprehensive income:

	Year Ended December 31,	
$000's	**2015**	2014
Foreign exchange (gain) loss	**(2,248)**	413
Financial derivative (gain) loss	**(5,411)**	572
Amortization of debt issue costs and premium	**1,311**	1,332
Interest on debt, net of interest income	**24,040**	22,393
Less: capitalized interest	**(634)**	(370)
Finance costs	**17,058**	24,340

14. Income Taxes

The provision for corporate income taxes consists of:

	Year Ended December 31,	
$000's	**2015**	2014
Current income tax (recovery) expense		
Current year income tax (recovery) expense	**(13,798)**	12,563
Prior year income tax expense adjustment	**304**	(1,980)
Total current income tax (recovery) expense	**(13,494)**	10,583
Deferred income tax (recovery) expense		
Origination and reversal of temporary differences	**(45,830)**	12,228
Adjustments for prior years	**(623)**	1,713
Total deferred income tax (recovery) expense	**(46,453)**	13,941
Total income tax (recovery) expense	**(59,947)**	24,524

The variation between the provision computed at the statutory income tax rate and the Company's provision is explained as follows:

	Year Ended December 31,	
$000's	**2015**	2014
(Loss) income before taxes	**(152,223)**	92,579
Combined Canadian statutory rate	**26.22%**	25.54%
Provision for income taxes computed at the Canadian statutory rate	**(39,913)**	23,647
Effects on taxes resulting from		
Non-deductible expenses	**(300)**	1,230
Stock-based compensation	**4,121**	3,095
Deductions for tax in excess of accounting, net	**(12,787)**	(8,535)
Adjustment of prior year taxes	**(318)**	(348)
Non-controlling interest	**-**	(136)
Income tax in jurisdictions with different tax rates	**(13,562)**	5,229
Foreign exchange	**(2,995)**	342
Change in statutory rate	**319**	-
Goodwill Impairment	**5,855**	-
Recognition of non-capital and capital losses	**(367)**	-
Income tax (recovery) expense	**(59,947)**	24,524

During 2015, the Government of Alberta enacted an increase in the corporate income tax rate from 10% to 12% effective July 1, 2015.

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

	As at	
$000's	**December 31, 2015**	December 31, 2014
Property and equipment	**30,360**	24,152
Goodwill and other intangible assets	**(27,183)**	10,934
Financing costs and other tax credits	**(493)**	(840)
Other temporary differences	**(5,931)**	(3,199)
Non-capital losses	**(5,077)**	(99)
Capital losses	**(6,051)**	(5,501)
Unrecognized tax benefit, net	**6,914**	5,563
Total, net deferred income tax (asset) liability	**(7,461)**	31,010
Deferred income tax (asset)	**(15,069)**	(11)
Deferred income tax liability	**7,608**	31,021

For the purposes of the preceding table, deferred income tax liabilities are shown net of offsetting deferred income tax assets where these occur in the same entity and jurisdiction.

The movement in deferred income tax liabilities and assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, is:

	Year Ended December 31,	
	2015	2014
Deferred income tax liabilities:		
Charged (credited) to earnings	**(26,898)**	13,947
Charged (credited) to goodwill	**3,485**	322
Charged (credited) to equity	**-**	1,679
	(23,413)	15,948
Deferred income tax assets:		
Charged (credited) to earnings	**(19,555)**	(5)
Charged (credited) to equity	**4,497**	-
	(15,058)	(5)
Net Movement	**(38,471)**	15,943

No deferred tax liability has been recognized as at December 31, 2015 on temporary differences associated with investments in subsidiaries where the Company can control the timing of the reversal of the temporary difference and the reversal is not probable in the foreseeable future.

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

	As at December 31, 2015	Expiration Date
Canada:		
Non-capital losses	**2,942**	2031-2035
Net capital losses	**22,476**	Indefinite
	25,418	
United States:		
Non-capital losses	**9,116**	2020-2035

Amounts denominated in foreign currencies have been translated at the respective year-end exchange rates

As at December 31, 2015 there are unrecognized deferred income tax assets relating to these tax pools of $6,914. These have not been recognized due to the uncertainty over realization of the respective tax pools.

In August 2014, the Company received a proposal letter from the Canada Revenue Agency (the "CRA") which stated its intent to challenge the Canadian tax consequences of the Company's conversion from a publicly-traded Canadian limited partnership to a publicly-traded corporation (the "Conversion"). The CRA's position is based on the acquisition of control rules and the general anti-avoidance rules in the Income Tax Act (Canada). If the CRA issues notices of reassessment in respect of the Company's 2010, 2011, and 2012 taxation years, CES would be required to remit to the CRA 50% of the tax liability claimed by the CRA in order to appeal such reassessments. If such reassessments are issued and maintained on appeal, CES will be obligated to remit cash taxes of approximately $16,000 for the three taxation years, plus applicable interest. CES provided a response to the proposal letter in September 2014, as well as a further submission in June 2015, and to date, no notice of reassessment has been received.

The impact of the CRA proposal on CES' tax provision has been considered by management and the Company remains confident that the tax returns as filed correctly reported the Canadian tax consequences of the Conversion transaction. If the proposed reassessments are issued by the CRA, management intends to vigorously defend CES' tax filing position. No amount has been provided for in the Company's December 31, 2015 consolidated financial statements related to the Conversion.

15. Share Capital

a) Authorized

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

b) Issued and outstanding

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

	Year Ended December 31, 2015		Year Ended December 31, 2014	
Common Shares *($000's except number of shares)*	**Number of Shares**	**Amount**	Number of Shares [1]	Amount
Balance, beginning of period	**215,512,074**	**459,053**	201,321,384	342,532
Issued pursuant to the Offering, net of share issue costs and taxes	**-**	**-**	6,912,000	72,715
Consideration for business combinations	**958,163**	**4,500**	2,324,877	24,712
Issued pursuant to stock-based compensation	**3,948,017**	**3,479**	4,885,149	5,409
Contributed surplus related to stock-based compensation	**-**	**17,864**	-	13,143
Issued pursuant to property and equipment acquisition	**-**	**-**	7,365	60
Issued pursuant to stock dividend and stock settled director fee	**6,564**	**36**	61,299	482
Balance, end of period	**220,424,818**	**484,932**	215,512,074	459,053

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

c) Net (loss) income per share

In calculating the basic and diluted net (loss) income per share for the year ended December 31, 2015 and 2014, the weighted average number of shares used in the calculation is shown in the table below:

	Year Ended December 31,	
$000's, except share and per share amounts	**2015**	2014
Net (loss) income [1]	**(92,276)**	67,704
Weighted average number of shares outstanding:		
Basic shares outstanding [2]	**217,846,960**	208,191,330
Effect of dilutive shares [3]	**-**	7,999,996
Diluted shares outstanding	**217,846,960**	216,191,326
Net (loss) income per share - basic [2]	**($0.42)**	$0.33
Net (loss) income per share - diluted [3]	**($0.42)**	$0.31

[1] Represents net (loss) income attributable to shareholders of the Company.
[2] Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of common shares outstanding and net income per share amounts have been retroactively adjusted to effect the stock split.
[3] Pursuant to the three-for-one split of CES' outstanding common shares effective at the close of business on July 18, 2014, the number of dilutive Shares Rights and Restricted Share Units outstanding have been retroactively adjusted to effect the stock split.

Excluded from the calculation of dilutive shares for the year ended December 31, 2015, are 11,248,244 of Share Rights and 4,892,227 of Restricted Share Units (2014 – 1,638,000 of Share Rights) that are considered anti-dilutive.

16. Stock-Based Compensation

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

As at December 31, 2015, a total of 22,042,482 common shares were reserved for issuance under the Company's Share Rights Incentive Plan, Restricted Share Unit Plan, and Stock Settled Director Fee Program, of which 5,902,011 common shares remained available for grant. For the year ended December 31, 2015, stock compensation expense of $25,979 (2014 – $21,071) was recorded in general and administrative expenses relating to the Company's stock-based compensation plans.

a) Share Rights Incentive Plan ("SRIP")

CES' SRIP provides incentives to the employees, officers, and directors of the Company by issuing options to acquire common shares. Share Rights generally vest as to one-third on each of the first, second, and third anniversary dates of the grant, or such other vesting schedule as determined by the Board of Directors, and expire no later than five years after the date of the grant. Under the SRIP, employees may elect to exercise the Share Rights at an adjusted exercise price in which the option exercise price will be adjusted downwards by the cumulative dividends paid by the Company.

A summary of changes under the SRIP is presented below:

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	Share Rights	**Average Exercise Price**	Share Rights [(1)]	Average Exercise Price [(1)]
Balance, beginning of period	**6,344,044**	**$6.22**	7,174,644	$3.84
Granted during the period	**6,650,000**	**6.87**	1,879,500	10.23
Exercised during the period	**(1,490,800)**	**2.33**	(2,419,100)	2.24
Forfeited during the period	**(255,000)**	**7.23**	(291,000)	5.74
Balance, end of period	**11,248,244**	**$7.07**	6,344,044	$6.22
Exercisable Share Rights, end of period	**2,913,244**	**$6.27**	2,612,500	$3.72

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

The compensation costs for Share Rights granted during the year ended December 31, 2015, were calculated using a Black-Scholes option pricing model using the following weighted average assumptions:

	Year Ended December 31, 2015
Risk-free interest rate	**0.68%**
Expected average life of Share Rights	**2.6 years**
Share Right term	**5.0 years**
Annual forfeiture rate	**7.00%**
Dividend yield	**2.50%**
Expected volatility	**44.71%**
Weighted average share price	**$6.87**
Weighted average fair value per Share Right	**$1.70**

The following table summarizes information about the outstanding grants under the Company's SRIP as at December 31, 2015:

	Share Rights Outstanding			Share Rights Exercisable	
Range of exercise prices	Share Rights	Weighted average exercise price	Weighted average term remaining in years	Share Rights	Weighted average exercise price
$3.44 - $3.64	1,163,500	3.55	1.62	1,163,500	3.55
$3.65 - $6.68	836,744	5.81	3.98	171,744	5.16
$6.69 - $7.41	7,484,000	7.00	4.11	990,000	7.25
$7.42 - $10.98	1,764,000	10.31	3.39	588,000	10.31
	11,248,244	$7.07	3.73	2,913,244	$6.27

b) Restricted Share Unit ("RSU") Plan

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

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

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	Restricted Share Units	**Average Price**	Restricted Share Units [(1)]	Average Price [(1)]
Balance, beginning of period	**4,093,785**	**$7.03**	4,972,498	$4.84
Granted during the period	**3,103,652**	**5.80**	1,985,688	9.72
Reinvested during the period	**270,342**	**6.53**	162,752	6.16
Vested during the period	**(2,457,217)**	**6.85**	(2,466,049)	4.68
Forfeited during the period	**(118,335)**	**6.89**	(411,104)	4.16
Cancelled during the period	**-**	**-**	(150,000)	3.93
Balance, end of period	**4,892,227**	**$6.32**	4,093,785	$7.03

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

The weighted average fair value of RSUs granted during the year ended December 31, 2015, was $5.80 per RSU (2014 - $9.72). The stock-based compensation costs for RSUs granted are based on the five day volume weighted average share price at the date of grant. The amount of compensation expense recorded for the year ended December 31, 2015, was reduced by an estimated weighted average forfeiture rate of 2.45% per year at the date of grant.

17. Contributed Surplus

The Company's contributed surplus primarily relates to the Company's stock-based compensation plans and is comprised of the following balances:

$000's	**Year Ended December 31, 2015**	Year Ended December 31, 2014
Contributed surplus, beginning of year	**21,315**	13,387
Reclassified pursuant to stock-based compensation	**(17,864)**	(13,143)
Stock-based compensation expense	**25,979**	21,071
Contributed surplus, end of year	**29,430**	21,315

18. Dividends

The Company declared dividends to holders of common shares for the year ended December 31, 2015, as follows:

$000's except per share amounts	Dividend Record Date	Dividend Payment Date	Per Common Share	Total
January	Jan 30	Feb 13	$0.0275	**5,939**
February	Feb 27	Mar 13	$0.0275	**5,940**
March	Mar 31	Apr 15	$0.0275	**5,969**
April	Apr 30	May 15	$0.0275	**5,976**
May	May 29	Jun 15	$0.0275	**5,983**
June	Jun 30	Jul 15	$0.0275	**5,990**
July	Jul 31	Aug 14	$0.0275	**5,993**
August	Aug 31	Sep 15	$0.0275	**6,005**
September	Sep 30	Oct 15	$0.0275	**6,027**
October	Oct 30	Nov 13	$0.0275	**6,029**
November	Nov 30	Dec 15	$0.0275	**6,030**
December	Dec 31	Jan 15	$0.0180	**3,968**
Total dividends declared during the period			$0.3205	**69,849**

Subsequent to December 31, 2015, the Company declared dividends to holders of common shares in the amount of $0.018 and $0.0025 per common share payable on February 12, 2016 and March 15, 2016, for shareholders of record on January 29, 2016 and February 29, 2016, respectively.

19. Commitments

The Company has commitments with payments due as follows:

$000's	2016	2017	2018	2019	2020	Total
Office and facility rent	6,854	4,074	2,691	1,318	144	**15,081**

Payments denominated in foreign currencies have been translated using the appropriate December 31, 2015 exchange rate

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

20. Financial Instruments and Risk Management

a) Financial instrument measurement and classification

The classification of financial instruments remains consistent at December 31, 2015 with that as at December 31, 2014. The carrying values of accounts receivable, accounts payable and accrued liabilities, and dividends payable approximate fair value due to the short-term nature of these instruments. The carrying values of financial liabilities where interest is charged based on a variable rate approximates fair value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit premium. The carrying value of long-term debt and finance lease obligations where interest is charged at a fixed rate is not significantly different than fair value. The Senior Notes are recorded at their amortized cost and fair value disclosure of the Senior Notes is based on their estimated trading price on December 31, 2015. The estimated fair value of the Senior Notes is based on level 2 inputs as the inputs are observable through correlation with market data.

CES classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The fair value of the risk management contracts are estimated based on the mark-to-market method of accounting, using publicly quoted market prices or, in their absence, third-party market indications and forecasts priced on the last trading day of the applicable period.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The following table aggregates the Company's financial derivatives and investments available for sale in accordance with the above hierarchy:

$000's	Carrying Value	Fair Value	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As at December 31, 2015					
Financial derivative asset	2,453	2,453	-	2,453	-
Financial derivative liability	(93)	(93)	-	(93)	-
Other assets	5,338	5,338	5,338	-	-
Total	7,698	7,698	5,338	2,360	-
As at December 31, 2014					
Financial derivative liability	(554)	(554)	-	(554)	-
Total	(554)	(554)	-	(554)	-

b) Credit risk

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations to the Company. The Company manages credit risk by assessing the creditworthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accounts receivable are primarily comprised of balances from customers operating primarily in the oil and natural gas industry. Accordingly, the Company views the credit risks on these amounts as normal for the industry.

An analysis of accounts receivable, net of impairment provisions, which are past due but not impaired is as follows:

	As at	
$000's	**December 31, 2015**	December 31, 2014
Past due 61-90 days	**15,030**	31,444
Past due 91-120 days	**7,187**	13,377
Past 120 days	**13,473**	7,452
Total past due	**35,690**	52,273

The Company reduces an account receivable to its estimated recoverable amount. At December 31, 2015, the Company had recorded a provision of $2,903 (December 31, 2014 – $1,735) relating to accounts receivable which may not be collectible.

The change in the provision for doubtful accounts is as follows:

	As at	
$000's	**December 31, 2015**	December 31, 2014
Balance, beginning of year	**1,735**	508
Additional allowance	**1,638**	1,476
Amounts used	**(652)**	(273)
Effect of movements in exchange rates	**182**	24
Balance, end of year	**2,903**	1,735

c) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk as result of funds borrowed at floating interest rates. The Company manages this risk by monitoring interest rate trends and forecasted economic conditions. As of December 31, 2015, the Company had not entered into any interest rate derivatives to manage its exposure to fluctuations in interest rates.

A 50 basis point increase or decrease is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower, and all other variables were held constant, the Company's net income would be approximately $84 lower/higher for the respective year ended December 31, 2015 (2014 – $372 lower/higher).

d) Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company's foreign currency risk arises from its working capital balances denominated in foreign currencies and on the investment in its foreign operations. The Company uses the USD as its functional currency in its US operations and in its other foreign jurisdictions. The Company manages foreign currency risk by monitoring exchange rate trends and forecasted economic conditions and, as appropriate, through the use of financial derivatives. A 1% increase or decrease is used when reporting foreign currency risk internally and represents management's assessment of the reasonable change in foreign exchange rates. Excluding financial currency derivatives, for the year ended December 31, 2015, a 1% increase/decrease in the Canadian dollar vis-à-vis the USD is estimated to decrease/increase net income by approximately $1,164 (2014 – decrease/increase $893).

At December 31, 2015, the Company had entered into the following foreign exchange USD forward purchase and option contracts to manage its exposure to upcoming USD dividend payments and USD denominated purchases pursuant to its Canadian and US operations:

Period	Notional Balance USD$000's	Contract Type	Settlement	Average USDCAD Exchange Rate
January 2016	$2,413	Deliverable Forward	Physical Purchase	$1.2456
February 2016	$2,013	Deliverable Forward	Physical Purchase	$1.2459
March 2016	$2,014	Deliverable Forward	Physical Purchase	$1.2571
April 2016	$2,000	Deliverable Forward	Physical Purchase	$1.2482
May 2016	$2,000	Deliverable Forward	Physical Purchase	$1.2500
Total	$10,440			$1.2492

Period	Notional Call USD$000's	Notional Put USD$000's	Settlement	Average USDCAD Exchange Rate
January 2016	$825	$1,650	Physical Purchase	$1.3005
February 2016	$825	$1,650	Physical Purchase	$1.3005
March 2016	$825	$1,650	Physical Purchase	$1.3005
April 2016	$825	$1,650	Physical Purchase	$1.3005
May 2016	$825	$1,650	Physical Purchase	$1.3005
June 2016	$2,825	$5,650	Physical Purchase	$1.2868
July 2016	$2,825	$5,650	Physical Purchase	$1.2868
August 2016	$2,825	$5,650	Physical Purchase	$1.2868
September 2016	$2,000	$4,000	Physical Purchase	$1.3040
October 2016	$2,000	$4,000	Physical Purchase	$1.3063
November 2016	$2,000	$4,000	Physical Purchase	$1.3063
December 2016	$2,000	$4,000	Physical Purchase	$1.3142
Total	$20,600	$41,200		$1.2977

In addition to the contracts noted above, the Company also entered into zero-cost collars with the option to sell US$0.6 million on a monthly basis from January 2016 to December 2016, with USDCAD strike prices ranging from $1.0770 to $1.2260 and participation rates ranging from $1.3500 to $1.4500.

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

For the year ended December 31, 2015, the Company recorded a realized gain of $2,497 (2014 – loss of $189) relating to all of its foreign currency derivative contracts. For the year ended December 31, 2015, the Company recorded an unrealized gain of $2,914 (2014 – unrealized loss of $383) relating to its foreign currency derivative contracts. As of December 31, 2015, the fair value of these outstanding risk management contracts result in a financial derivative asset of $2,453 and a financial derivative liability of $93 (December 31, 2014 – liability of $554). At December 31, 2015, a 1% decrease in the Canadian dollar vis-à-vis the US dollar is estimated to result in an increase to net income of $998 and a 1% increase in the Canadian dollar vis-à-vis the US dollar is estimated to result in a decrease to net income of $1,084 (2014 – increase/decrease by $68) as a result of the change in fair value of these outstanding contracts.

e) Commodity price risk

Commodity price risk is the risk that the value of future cash flows will fluctuate as a result of changes in commodity prices. The Company is exposed both directly and indirectly to changes in underlying commodity prices, namely crude oil and natural gas. The prices of these commodities are significantly impacted by world economic events which impact the supply and demand of crude oil and natural gas. The Company is primarily impacted by the effects of changes in the prices of crude oil and natural gas which impact overall activity and the demand for the Company's products and services. In addition, through its operations, the Company purchases various minerals, chemicals, and oil-based products and is directly exposed to changes in the prices of these items. As of December 31, 2015, the Company had not entered into any commodity derivatives to manage its exposure to fluctuations in commodity prices.

f) Liquidity risk

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

The following table details the remaining contractual maturities of the Company's financial liabilities as of December 31, 2015:

	Payments Due By Period [1]					
$000's	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	**Total**
Accounts payable and accrued liabilities	60,169	-	-	-	-	**60,169**
Dividends payable [2]	3,968	-	-	-	-	**3,968**
Income taxes payable	-	802	-	-	-	**802**
Deferred acquisition consideration	4,597	5,300	3,800	-	-	**13,697**
Senior Notes [4]	-	-	-	300,000	-	**300,000**
Interest on Senior Notes	-	22,125	22,125	55,313	-	**99,563**
Long-term debt at floating interest rates [3]	-	-	-	966	-	**966**
Finance lease obligations at fixed interest rates [3]	33	34	-	-	-	**67**
Finance lease obligations at floating interest rates [3]	1,245	6,140	3,867	2,232	424	**13,908**
Office operating leases	1,837	5,017	4,074	4,153	-	**15,081**
Total	71,849	39,418	33,866	362,664	424	**508,221**

Notes:

[1] Payments denominated in foreign currencies have been translated using the appropriate December 31, 2015 exchange rate

[2] Dividends declared as of December 31, 2015

[3] Long-term debt and finance lease obligations reflect principal payments and excludes any associated interest portion

[4] The Senior Notes are due on April 17, 2020

21. Capital Management

For the year ended December 31, 2015, the Company considers capital to include shareholders' equity and long-term debt (including current portion). This remains consistent with the year ended December 31, 2014. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain and grow the business while incurring an acceptable level of risk while providing shareholders with a sustainable and prudent level of dividends.

The overall capitalization of the Company is as follows:

	As at	
$000's	**December 31, 2015**	December 31, 2014
Long-term debt [1]	**300,966**	362,618
Shareholders' equity	**531,648**	540,037
Total capitalization	**832,614**	902,655

[1] Includes: Senior Notes and current portion of long-term debt

Management of the Company sets the amount of capital in proportion to risk, and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, CES may adjust the level of dividends paid to shareholders, issue new shares, dispose of assets, repay debt, or incur new debt.

In addition to monitoring the external financial covenants as detailed in note 9, the Company manages capital by analyzing working capital levels, forecasted cash flows, planned investments in property and equipment, and general economic conditions. As at December 31, 2015, the Company is in compliance with all of the financial requirements under all its lending agreements. However, with the expectation that oilfield services activity will remain low throughout 2016, the Company, subsequent to December 31, 2015, entered into discussions with its banking syndicate seeking relief of certain covenants in the Amended Senior Facility.

22. Supplemental Information

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

	Year Ended December 31,	
$000's	**2015**	2014
Decrease (increase) in current assets		
Accounts receivable	**129,246**	(46,542)
Inventory	**37,516**	(43,603)
Prepaid expenses and deposits	**12,535**	(15,161)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**(54,110)**	7,639
	125,187	(97,667)
Relating to:		
Operating activities	**124,873**	(98,942)
Investing activities	**314**	1,275

For the years ended December 31, 2015 and 2014, changes in non-cash working capital relating to investing activities have been included in "Investment in property and equipment" on the Consolidated Statements of Cash Flows.

23. Geographical Information

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

	Revenue	
	Year Ended December 31,	
$000's	**2015**	2014
Canada	**234,692**	373,002
United States	**514,922**	599,703
Total	**749,614**	972,705

	Long-Term Assets [(1)]	
$000's	**December 31, 2015**	December 31, 2014
Canada	**166,361**	176,111
United States	**437,504**	466,874
Total	**603,865**	642,985

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

24. Related Parties

Included in general and administrative expenses is remuneration of the key management personnel of the Company, which includes directors and officers of the Company. For the year ended December 31, 2015, remuneration of $12,908 included $2,248 of salaries and cash-based compensation and $10,660 of stock-based compensation costs (December 31, 2014 – $9,138 and $4,716, respectively).

These transactions have been accounted for at the exchange amount being the amount agreed to by the related parties, which approximates the arm's length equivalent fair value.

25. Significant Subsidiaries

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

Subsidiary Name	Country of Incorporation	Ownership Interest %	
		December 31, 2015	December 31, 2014
Canadian Energy Services L.P.	Canada	**100%**	100%
AES Drilling Fluids Holdings, LLC	United States	**100%**	100%

26. Economic Dependence

For the year ended December 31, 2015, one customer accounted for 14% (2014 – 14%) of the Company's total revenue.

STOCK EXCHANGE LISTINGS
The Toronto Stock Exchange
Trading Symbol: CEU

OTCQX
Trading Symbol: CESDF

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Chairman

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Thomas J. Simons

Jason H. West[3]

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

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Craig F. Nieboer, CA
Chief Financial Officer

Kenneth E. Zinger
Canadian President & Chief Operating Officer

Kenneth D. Zandee
Vice President, Marketing

Jason D. Waugh
Vice President

James M. Pasieka
Corporate Secretary

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Chartered Professional Accountants, Calgary, AB

BANKERS
Scotiabank Canada, Calgary, AB

SOLICITORS
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