Canadian Energy
SERVICES & TECHNOLOGY CORP.

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2014

March 12, 2015

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

GLOSSARY OF TERMS

"**2011 Stock Split**" means the three-for-one split of the Corporation's outstanding Common Shares that occurred on the record date of July 13, 2011;

"**2014 Stock Split**" means the three-for-one split of the Corporation's outstanding Common Shares that occurred on the record date of July 18, 2014;

"**ABCA**" means the *Business Corporations Act* (Alberta);

"**AES**" means AES Drilling Fluids, LLC, an indirect wholly-owned subsidiary of CESTC;

"**AES Holdco**" means AES Drilling Fluids Holdings, LLC, an indirect wholly-owned subsidiary of CESTC;

"**AES Permian Acquisition**" means the acquisition by CESTC of all of the business assets of Venture Mud and certain additional assets from affiliates of Venture Mud including VM Transports, LLC, Venture Services LLC, and Venture Services RM, LLC;

"**AES Permian Escrow Agreement**" means the escrow agreement among CESTC, Venture Mud and the Escrow Agent pursuant to the AES Permian Acquisition;

"**Board of Directors**" or "**Board**" means the board of directors of CESTC;

"**Canwell**" means Canwell Enviro-Industries Ltd., a private corporation incorporated under the ABCA;

"**Canwell Acquisition**" means the acquisition of substantially all of the business and assets of Canwell;

"**CBCA**" means the *Canada Business Corporations Act*;

"**CESTC**" or the "**Corporation**" means Canadian Energy Services & Technology Corp.;

"**Champion**" means Champion Drilling Fluids Inc., a private corporation incorporated in Oklahoma, USA;

"**Champion Acquisition**" means the acquisition by the Partnership of substantially all of the business and assets of Champion;

"**Class A Units**" means the Class A Common limited partnership units of the Partnership;

"**Common Shares**" means the common shares in the capital of the Corporation;

"**Conversion Transaction**" means the conversion of the business of CESTC from a limited partnership structure to a corporate structure pursuant to a plan of arrangement under the CBCA completed on January 1, 2010;

"**Escrow Agent**" means Computershare Trust Company of Canada, in its capacity, as the context permits, as escrow agent under certain escrow arrangements involving the Corporation;

"**FM**" means Triple C Capital Ltd. (formerly Fluids Management II, Ltd.);

"**FM Acquisition**" means the acquisition by CESTC of all of the drilling fluids business assets of FM and certain additional assets relating to FM from two affiliates of FM, Brookshire Investment Trust and Stikley Enterprises, Inc.;

"**General Partner**" means Canadian Energy Services Inc., a corporation incorporated under the ABCA and the general partner of the Partnership;

"**IFRS**" means International Financial Reporting Standards;

"**IPO**" means the initial public offering of Class A Units of the Partnership that was completed on March 2, 2006;

"**JACAM**" means Jacam Chemical Company 2013, LLC, an indirect wholly-owned subsidiary of CESTC;

"**JACAM Acquisition**" means the acquisition of all of the business assets of JACAM Chemicals and all of JACAM Chemicals' subsidiaries;

"**JACAM Chemicals**" means Jacam Chemical Company, LLC, a private corporation incorporated in Delaware, USA;

"**JACAM Escrow Agreement**" means the escrow agreement among CESTC, JACAM, JACAM Chemicals and the Escrow Agent pursuant to the JACAM Acquisition;

"**Management**" means the senior officers of CESTC;

"Mega Fluids" means Mega Fluids Mid-Continent, LLC, a private corporation incorporated in Oklahoma, USA;

"**Mega Fluids Acquisition**" means the acquisition by CESTC of all of the business assets of Mega Fluids;

"Mega Fluids Escrow Agreement" means the escrow agreement among CESTC, AES, the Mega Fluids vendor group and the Escrow Agent pursuant to the Mega Fluids Acquisition;

"**NAM**" means the North American market;

"**Partnership**" means Canadian Energy Services L.P., a limited partnership formed under the laws of the Province of Ontario;

"**Rheotech**" means Rheotech Drilling Fluids Services Inc., a private corporation incorporated under the ABCA;

"**Rheotech Acquisition**" means the acquisition of substantially all of the business and assets of Rheotech;

"Rheotech Escrow Agreement" means the escrow agreement among CESTC, the Partnership, Rheotech and the Escrow Agent pursuant to the Rheotech Acquisition;

"**Senior Facility**" has the meaning ascribed thereto under the heading "Description of Capital Structure – Senior Facility";

"**Senior Notes**" has the meaning ascribed thereto under the heading "General Development of the Business – Senior Notes";

"**Senior Notes Indenture**" has the meaning ascribed thereto under the heading "Description of Capital Structure – Senior Notes";

"**Shareholders**" means the holders of Common Shares from time to time;

"**Southwest**" means Southwest Treating Products, LLC, a Texas limited liability company;

"**Southwest Acquisition**" means the acquisition by CESTC of all of the production and specialty chemical business assets of Southwest;

"**Southwest Escrow Agreement**" means the escrow agreement among CESTC, JACAM, Southwest and the Escrow Agent pursuant to the Southwest Acquisition;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

"Tervita" means Tervita Corporation, a private corporation incorporated under the ABCA;

"**Tervita Acquisition**" means the acquisition by CESTC of all of the drilling fluids assets of Tervita;

"**TSX**" means the Toronto Stock Exchange;

"**US**" means United States of America;

"**US Drilling Fluids Acquisitions**" means, collectively, the Champion Acquisition, the FM Acquisition, the Mega Fluids Acquisition, and the AES Permian Acquisition;

"**Venture Mud**" means Venture Mud One L.P., a private corporation incorporated in Texas, USA; and

"**WCSB**" means the Western Canadian Sedimentary Basin.

Unless otherwise indicated:

- **references in this Annual Information Form to "$" or "dollars" are to Canadian dollars;**
- **except where specifically noted all share references in this Annual Information Form are presented after giving effect to the 2014 Stock Split, and in disclosures relating to transactions that took place prior to July 2011, the 2011 Stock Split as well; and**
- **except where specifically noted all information in this Annual Information Form is presented as of December 31, 2014.**

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form may constitute "forward-looking information" which involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this Annual Information Form, such information uses such words as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate" and other similar terminology. This forward-looking information reflects the Corporation's current expectations regarding future events and operating performance and speaks only as of the date of this Annual Information Form. Forward-looking information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily provide an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed below and under "Risk Factors". Although the forward-looking information contained in this Annual Information Form is based upon what Management believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with this forward-looking information. This forward-looking information is provided as of the date of this Annual Information Form, and subject to applicable securities laws, the Corporation assumes no obligation to update or revise such information to reflect new events or circumstances.

In particular, this Annual Information Form contains forward-looking information pertaining to the following:

- expected effects of acquisitions and investments;
- expected supply and demand for oilfield chemicals and services;
- expected industry activity levels;
- CESTC's market positioning, business plans and opportunities for growth;
- anticipated market conditions;
- anticipated reductions in CESTC's relative exposure to the effects of seasonality in the WCSB due to the growth of its US operations;
- expectations that CESTC's US business will continue to be a larger revenue contributor in 2015 than the Canadian business;
- expectations regarding expansion of services and increased market share in the US drilling fluids business and production and chemicals business;
- CESTC's competitive positioning and advantages;
- anticipated timing for completion of CESTC's barite grinding facility;
- expectations of exposure to environmental penalties;
- CESTC's dividend policy and expectations as to the payment of dividends in the future;
- the intended designation of dividends as "eligible dividends" under the Tax Act;
- CESTC's intentions regarding the defense of its tax filing position with respect to the Conversion Transaction;
- results and impact of legal proceedings involving the Corporation or its subsidiaries; and
- the Corporation's belief it has sufficient funds available to fund its projected capital expenditures.

The Corporation's actual results could differ materially from those anticipated in such forward-looking information as a result of number of factors and risks. These include, but are not limited to:

- volatility in industry activity levels;
- volatility in oil and natural gas commodity prices;
- volatility in foreign exchange rates;
- reliance on significant clients;
- reliance on key personnel;
- reliance on proprietary technology;
- ability to collect on accounts receivable;
- the need to successfully integrate acquisitions;
- the Corporation's liquidity and access to capital;
- the performance of capital markets; and
- the factors set out under the heading "Risk Factors".

MARKET AND INDUSTRY DATA

Unless otherwise indicated, the market and industry data contained in this Annual Information Form is based upon independent industry and other publications and websites or was based on estimates derived from the same and the knowledge of and experience of Management in the markets in which the Corporation operates. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. None of these sources have provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, CESTC. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While the Corporation believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Corporation has not independently verified any of the data from third party sources referred to in this Annual Information Form or ascertained the underlying assumptions relied upon by such sources.

CANADIAN ENERGY SERVICES & TECHNOLOGY CORP.

Corporate History

The business currently carried on by CESTC was begun by the Partnership on March 2, 2006 through the completion of the IPO and the acquisition by the Partnership of a drilling fluid systems business. Following the completion of the IPO, the Class A Units were listed on the TSX.

In 2009, Management determined that the partnership structure utilized by the Partnership severely restricted its ability to grow in the United States. Pursuant to the partnership agreement governing the Partnership, only persons who were residents in Canada for purposes of the Tax Act were able to own the Class A Units. The Partnership assessed several options available to expand its equity holding base beyond Canadian residents and provide long-term stability of after-tax income for its unitholders.

On November 10, 2009, the Partnership entered into an arrangement agreement with the Corporation providing for the Conversion Transaction. As a result of the Conversion Transaction: (i) former holders of Class A Units exchanged them for Common Shares on a one for one basis; (ii) the Partnership and the General Partner became wholly-owned subsidiaries of the Corporation; (iii) the directors and officers of the General Partner became the directors and officers of the Corporation; and (iv) the Class A Units were delisted from the TSX and the Common Shares were listed on the TSX. Following the Conversion Transaction: (i) the Corporation carried on the business previously carried on by the Partnership; (ii) the Corporation did not retain any interest in the business carried on by the Corporation prior to the Conversion Transaction; and (iii) the shareholders of the Corporation prior to the Conversion Transaction did not retain any interest in the Corporation. The Conversion Transaction was completed on January 1, 2010.

Jurisdiction of Incorporation and Material Amendments to Articles

The Corporation was incorporated under the CBCA on November 13, 1986 under the name Senn D'Or Inc. At the time of the completion of the Conversion Transaction, the Corporation was named Nevaro Capital Corporation and its common shares were listed on the TSX Venture Exchange. The Corporation changed its name to Canadian Energy Services & Technology Corp. in conjunction with the completion of the Conversion Transaction. CESTC remains a corporation governed by the CBCA.

On July 8, 2011, CESTC amended its articles of incorporation to split the Common Shares on a three-for-one basis.

On June 20, 2013, CESTC amended its articles of incorporation to vary the terms of the Common Shares to permit the payment of stock dividends.

On July 7, 2014, CESTC amended its articles of incorporation to split the Common Shares on a three-for-one basis.

Other than as described above, there have been no other material amendments to the articles of incorporation of CESTC since the completion of the Conversion Transaction.

Head Office and Registered Office

The Common Shares are listed and posted for trading on the TSX under the symbol "CEU" and on the OTCQX under the symbol "CESDF". The head office of CESTC is located at 1400, 700 – 4th Avenue S.W., Calgary, Alberta, Canada, T2P 3J4, and its registered office is located at 4000, 421 - 7th Avenue S.W., Calgary, Alberta, Canada, T2P 4K9.

CORPORATE STRUCTURE

Subsidiaries

A description of CESTC's direct and indirect subsidiaries as of March 1, 2015 is provided below.

Canadian Energy Services L.P. (the Partnership)

The Partnership is a limited partnership that was originally formed on January 13, 2006 under the *Limited Partnerships Act* (Ontario). All of the issued and outstanding units of the Partnership are directly owned by CESTC. The General Partner holds a 0.01% general partnership interest in the Partnership. The Partnership's business and affairs are managed by the General Partner.

Canadian Energy Services Inc. (the General Partner)

The General Partner was incorporated on December 9, 2005 under the ABCA. The General Partner is responsible for the administration and management of the Partnership and carries out the objects, purposes and business of the Partnership. The General Partner does not hold any material assets other than legal title to certain assets for the sole benefit of the Partnership and in accordance with the partnership agreement governing the Partnership. The General Partner holds a 0.01% general partnership interest in the Partnership. All of the issued and outstanding common shares of the General Partner are directly owned by CESTC.

CES Operations Ltd.

CES Operations Ltd., a wholly-owned subsidiary of the Corporation, was incorporated under the ABCA on September 22, 2006.

CES Holdings Ltd.

CES Holdings Ltd., a wholly-owned subsidiary of the Corporation, was incorporated under the ABCA on December 13, 2012.

CES International Operations S.à r.l.

CES International Operations S.à r.l., a wholly-owned subsidiary of the Corporation, was incorporated under the laws of Luxembourg on December 5, 2013.

CES Holdings Luxembourg S.à r.l.

CES Holdings Luxembourg S.à r.l., a wholly-owned subsidiary of the Corporation, was incorporated under the laws of Luxembourg on December 14, 2012.

AES Drilling Fluids Holdings, LLC (AES Holdco)

AES Holdco, a Delaware limited liability company of which CES Operations Ltd. is the sole shareholder, was formed on January 18, 2011.

AES Drilling Fluids, LLC (AES)

AES, a Delaware limited liability company of which AES Holdco is the sole shareholder, was formed on November 28, 2006. Each of CES Operations Ltd., AES Holdco and AES were formed in connection with the Partnership's initial operational expansion strategy into the United States. AES conducts operations in the United States through four regional divisions. The Rocky Mountain division from its office located in Denver, Colorado; the Mid-Continent division from its office located in Edmond, Oklahoma; the Northeast division from its office located in

Canonsburg, Pennsylvania and the Gulf Coast division from its office located in Houston, Texas. The Houston office also serves as the corporate headquarters for AES.

AES Drilling Fluids Permian, LLC (AES Permian)

AES Permian, a Delaware limited liability company of which AES Holdco is the sole shareholder, was formed on May 29, 2013. AES Permian is a company that provides drilling and completion fluid solutions for a number of leading oil and natural gas companies with a focus on the Permian Basin.

Superior Weighting Products, LLC

Superior Weighting Products, LLC, a Delaware limited liability company of which AES Holdco is the sole shareholder, was formed on December 5, 2012. Superior Weighting Products, LLC is a company established to construct and operate the Corporation's new barite grinding facility in Corpus Christi, Texas.

Jacam Chemical Company 2013, LLC (JACAM)

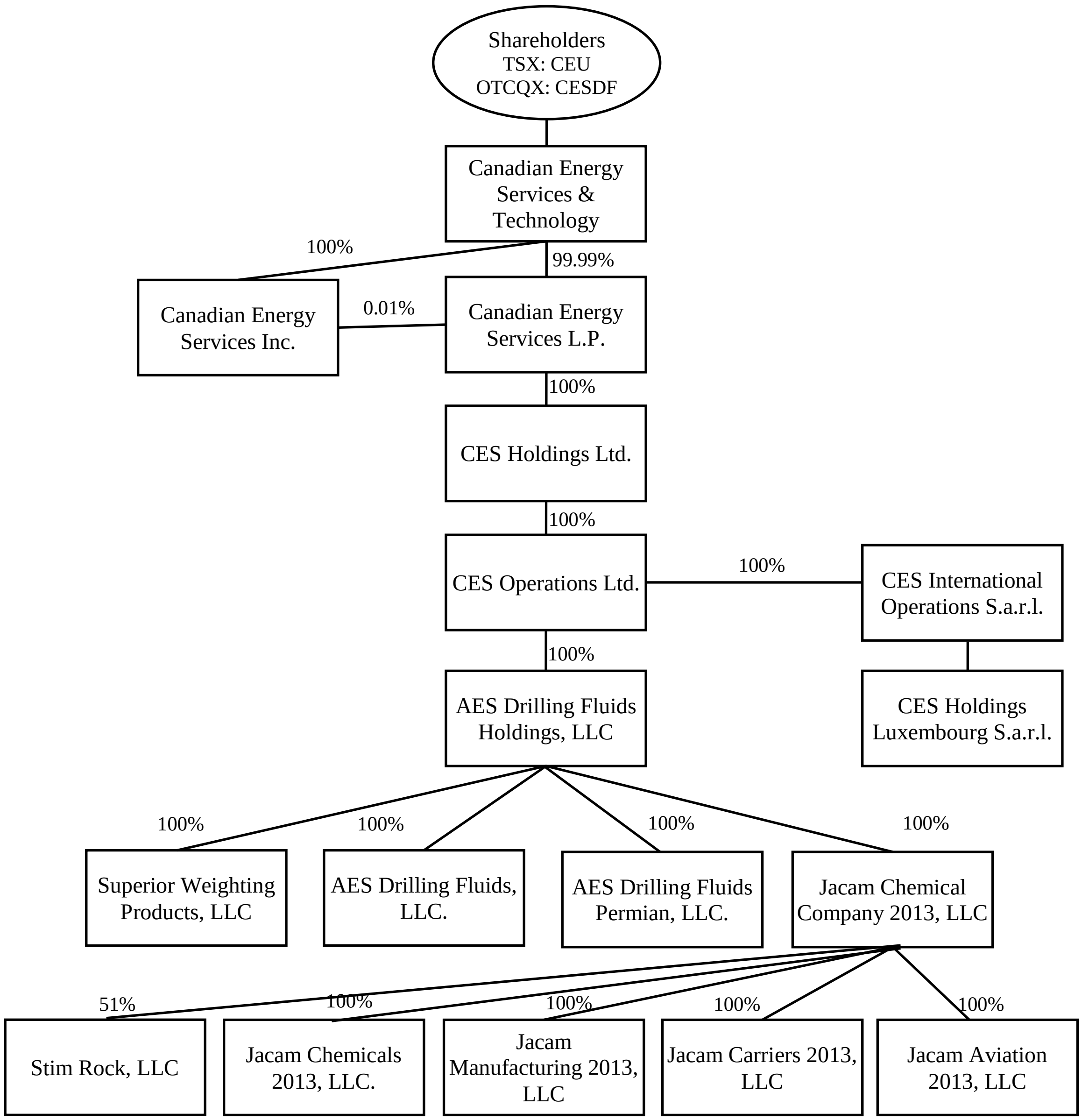
JACAM, a Delaware limited liability company of which AES Holdco is the sole shareholder, was formed on February 20, 2013. On March 1, 2013, JACAM, and its wholly-owned subsidiaries, acquired all of the business assets of JACAM Chemicals and all of the assets of JACAM Chemicals' subsidiaries pursuant to the terms of the JACAM Acquisition Agreement. JACAM is an oilfield chemical manufacturing company which wholesales oilfield chemicals and retail sales production and specialty chemicals. JACAM conducts the Corporation's US production and specialty chemicals operation out of the JACAM office located in Sterling, Kansas. JACAM's four wholly owned subsidiaries are Jacam Chemicals 2013, LLC (incorporated on February 20, 2013, Delaware), Jacam Manufacturing 2013, LLC (incorporated on February 20, 2013, Delaware), Jacam Carriers 2013, LLC (incorporated on February 20, 2013, Delaware) and Jacam Aviation 2013, LLC (incorporated on February 22, 2013, Delaware).

Stim Rock, LLC (Stim Rock)

Stim Rock, a Delaware limited liability company of which JACAM owns 51% of the outstanding shares and holds the majority voting rights, was formed on July 1, 2014. Stim Rock has been formed primarily for the purpose of marketing and selling chemicals used in the stimulation and fracturing markets, and services related thereto.

Intercorporate Relationships as at March 1, 2015

The following diagram sets forth the corporate organizational structure of CESTC:



GENERAL DEVELOPMENT OF THE BUSINESS

General

Since CESTC's IPO in March 2006, through a combination of strategic acquisitions and organic growth, CESTC has become a leading provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield. This includes total solutions at the drill-bit, at the point of completion and stimulation, at the wellhead and pump-jack, and finally through to the pipeline and midstream market. At the drill-bit, CESTC's designed drilling fluids encompass the functions of cleaning the hole, stabilizing the rock drilled, controlling subsurface pressures, enhancing drilling rates, and protecting potential production zones while conserving the environment in the surrounding surface and subsurface area. At the point of completion and stimulation, CESTC's designed chemicals form a critical component of fracking solutions or other forms of well stimulation techniques. The shift to horizontal drilling and multi-stage fracturing with long horizontal well completions has been responsible for significant growth in the drilling fluids and completion and stimulation chemicals markets. At the wellhead and pump-jack, the Corporation's designed production and specialty chemicals provide down-hole solutions for production and gathering infrastructure to maximize production and reduce costs of equipment maintenance. Key solutions include corrosion inhibitors, demulsifiers, H_2S scavengers, paraffin control products, surfactants, scale inhibitors, biocides and other specialty products. Further, specialty chemicals are used throughout the pipelines and midstream industry to aid in hydrocarbon movement and manage transportation and processing challenges including corrosion, wax build-up and H_2S.

Drilling Fluids

- Providing technology-driven products to allow exploration and production companies to drill more efficiently

Completion & Stimulation

- Supporting and supplying pressure pumpers and other service providers focused on completing and stimulating oil and gas reservoirs

Production

- Providing chemical solutions downhole and for gathering infrastructure to maximize production and reduce equipment maintenance

Pipelines & Midstream

- Infrastructure transporting oil and gas to refineries and customers requiring ongoing chemicals to operate efficiently

Since the IPO, and including the Conversion Transaction, CESTC has completed twelve acquisitions totaling approximately $512 million and has invested approximately $180 million in capital expenditures to organically grow its business. As a result of its strategic growth initiative and vertical integration, CESTC has evolved from a regional supplier of drilling fluids in the WCSB to a recognized industry name in the manufacturing and supply of engineered chemical and consumable solutions to the North American oil and natural gas industry.

CESTC operates in the WCSB and in several basins throughout the US, with an emphasis on servicing the ongoing major resource plays. In Canada, CES operates under the trade names Canadian Energy Services, Moose Mountain Mud ("MMM"), PureChem Services ("PureChem"), Clear Environmental Solutions ("Clear"), and EQUAL Transport ("Equal"). In the US, CES operates under the trade names AES Drilling Fluids ("AES"), AES Drilling Fluids Permian ("AES Permian"), Superior Weighting Products ("SWP"), and JACAM Chemicals ("JACAM"). The Corporation's headquarters are located in Calgary, Alberta, Canada.

The Canadian Energy Services, MMM, AES, and AES Permian brands are focused on the design and implementation of drilling fluids systems for oil and gas producers with SWP providing ground barite as a key feedstock to the Corporation's drilling fluids brands. The JACAM and PureChem brands are vertically integrated manufacturers of advanced production and specialty chemicals for the wellhead and pump-jack, drilling related chemicals, technically advanced fluids for completions and stimulations, and chemical solutions for the pipeline and midstream markets. JACAM also designs, manufactures and sells chemicals used in the stimulation and fracturing markets through its Stim Rock subsidiary.

Two complimentary business divisions support the operations and augment the product offerings in the WCSB. Clear is CES' environmental division, providing environmental consulting and drilling fluids waste disposal services primarily to oil and gas producers active in the WCSB. EQUAL is CES' transport division, providing its customers with trucks and trailers specifically designed to meet the demanding requirements of off-highway oilfield work in the WCSB. EQUAL transports and handles oilfield produced fluids and supports the oilfield chemical business by hauling, handling, managing and warehousing products. EQUAL operates from two terminals and yards located in Edson, Alberta and Carlyle, Saskatchewan.

Lead by JACAM's state of the art laboratory in Sterling, Kansas, CESTC operates four separate lab facilities across North America which also includes Houston, Texas; Carlyle, Saskatchewan; and Calgary, Alberta. The Corporation's main chemical manufacturing and reacting facility is located in Sterling, Kansas and its Canadian chemical blending facility is located in Carlyle, Saskatchewan. CESTC also leverages third party partner relationships to drive innovation in the consumable fluids and chemicals business.

CES' business model is relatively asset light and requires limited re-investment capital to grow. As a result, CES has been able to capitalize on the growing market demand for drilling fluids and production and specialty chemicals in North America while generating free cash flow. The Company returns much of this free cash flow back to shareholders through its monthly dividend.

Acquisitions and Investments

Champion Drilling Fluids Acquisition

On November 30, 2009, the Partnership and AES completed the Champion Acquisition, for a purchase price of approximately US$16.4 million. The Champion Acquisition allowed CESTC to initiate its long-term business plan to grow in the United States.

FM Acquisition

On June 30, 2010, CESTC and its wholly-owned indirect subsidiary AES completed the FM Acquisition, consisting of the purchase of all of the drilling fluids business assets of Houston, Texas based FM, and certain additional assets relating to FM from two affiliates of FM, Brookshire Investment Trust and Stikley Enterprises, Inc. The aggregate purchase price was approximately US$67.3 million consisting of approximately US$38.7 million in cash, approximately $21.5 million in share consideration through the issuance of 11,604,330 Common Shares, and approximately US$5.0 million in additional deferred acquisition consideration.

Established in 1996, FM was a leading independent full-service drilling fluids company providing drilling fluid solutions for a large number of oil, natural gas, and unconventional natural gas developers operating primarily in Texas, Louisiana, West Virginia and Pennsylvania, and offshore in the Gulf of Mexico. FM's experienced team built the business over time with a focus on continued profitability and revenue growth. The company had a customer base of over 30 clients and proven technical capabilities in delivering high quality drilling fluid products and services. Additionally, FM was an industry leader in supplying environmentally superior synthetic invert fluids for onshore use. The FM Acquisition was strategically aligned with CESTC's long-term business plan to pursue growth opportunities in the United States. On closing of the FM Acquisition, the Corporation had approximately 3% of the US drilling fluids market when the business assets of FM were combined with the business assets acquired in the Champion Acquisition.

Expansion into Production Chemicals and Drilling Fluid Chemicals

In June 2010, CESTC took its first step in becoming a leading provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield through the establishment of its PureChem division. PureChem is CESTC's chemical blending division which blends and sells both drilling fluid products and production and stimulation chemicals. In Q1 2011, CESTC completed the construction of the chemical blending facility and warehouse facility in Carlyle, Saskatchewan and commenced operations.

Petrotreat Inc. Acquisition

On February 16, 2012, in order to expand the PureChem division, CESTC completed the acquisition of all the business assets of Petrotreat Inc. ("Petrotreat"), a privately-held production chemical and well stimulation service company that provided solutions to oil and gas producers to increase the productivity of their oil, gas, or injection wells and provided products to remove paraffin, asphaltene, and inorganic deposition in the near wellbore or from production equipment both downhole or on surface. The effective date of the acquisition was February 1, 2012. The aggregate purchase price was approximately $3.2 million, consisting of approximately $1.3 million in cash and approximately $1.9 million in share consideration through the issuance of 443,478 Common Shares.

Tervita Acquisition

On November 21, 2012, in order to expand the Corporation's Canadian drilling fluid division and to enhance the Corporation's leading position in the oil sands drilling of northeast Alberta, CESTC completed the Tervita Acquisition, consisting of the acquisition of the business assets of Tervita's drilling fluids division, ProDrill Fluid Technologies. The aggregate purchase price was approximately $12.1 million, consisting of approximately $8.7 million in cash, approximately $3.2 million in share consideration through the issuance of 973,686 Common Shares, and approximately $0.1 million related to working capital adjustments. CESTC and Tervita also entered into both a streaming agreement whereby CES will purchase oil recovered from certain Tervita facilities, and a marketing agreement whereby CES and Tervita will strategically market integrated services across North America in opportunistic situations where an integrated offering is requested by or provides an advantage to the customer. These cooperative agreements are strategic to the Corporation as they are expected to enhance its service offerings to customers throughout the NAM.

Mega Fluids Acquisition

On December 31, 2012, the Corporation completed the Mega Fluids Acquisition. The Mega Fluids Acquisition is expected to expand the scale and operational capabilities of the Corporation's drilling fluids business within the US market, and specifically the mid-continent region, and is expected to place AES as a leader in the emerging Mississippi Lime oil play. The effective date of the acquisition was December 31, 2012. The aggregate purchase price was approximately US$11.3 million, consisting of approximately US$3.7 million in cash, approximately US$4.0 million in share consideration through the issuance of 1,130,031 Common Shares, and approximately US$3.6 million in additional deferred acquisition consideration.

Construction of Barite Grinding Facility - Superior Weighting Products

In late 2012, CESTC began construction of a barite grinding facility in Corpus Christi, Texas. Finely ground barite is used as a weighting agent for drilling fluids in oil and gas exploration to suppress high formation pressures and prevent blowouts. The new barite grinding facility is expected to provide the Corporation with vertical integration to ensure the Corporation's supply of barite and reduce the input costs to its drilling fluids business. A new division of CESTC, Superior Weighting Products, will operate the facility and will also sell barite to third parties. The estimated completion of the facility is expected by Q4 2015 at an estimated cost of USD 6.0 million**.**

JACAM Acquisition

On March 1, 2013, through a US subsidiary, CESTC completed the JACAM Acquisition in order to expand the Corporation's advanced consumable fluids and specialty chemicals business in the US. The JACAM Acquisition consisted of the acquisition of all of the business assets of JACAM Chemicals and all of JACAM Chemicals' subsidiaries. JACAM Chemicals was a private company that manufactures and distributes oilfield related specialty chemicals. JACAM designs and manufactures its products in Sterling, Kansas and provides its products and delivers its services to a large number of companies in the oil and natural gas business throughout the US.

The aggregate purchase price was approximately $245.6 million (US$240.0 million) consisting of approximately $174.3 million (US$170.0 million) in cash paid on the date of acquisition, approximately $61.0 million (US$60.0 million) in share consideration satisfied through the issuance of 16,363,635 Common Shares and a $10.3 million (US$10.0 million) promissory note. The Common Shares issued to JACAM Chemicals are subject to escrow provisions, with one-third of the escrowed shares being released, subject to industry standard exceptions including a change of control of CESTC as well as subject to indemnities under the asset purchase agreement, on each of the first, second, and third anniversaries of the closing of the JACAM Acquisition.

The Corporation filed a business acquisition report in respect of the JACAM Acquisition on May 6, 2013. The business acquisition report can be viewed under the Corporation's profile on SEDAR at www.sedar.com.

AES Permian Acquisition

On July 15, 2013, through a US subsidiary, CESTC completed the AES Permian Acquisition, consisting of the acquisition of the drilling fluid business assets of Venture Mud and certain additional assets from affiliates of Venture Mud including VM Transports, LLC, Venture Services LLC, and Venture Services RM, LLC. Venture Mud was a West Texas based private drilling fluids company that provides drilling fluid solutions for a number of leading oil and natural gas companies with a focus on the Permian Basin.

The effective date of the AES Permian Acquisition was July 1, 2013. The aggregate purchase price was approximately $57.1 million (US$54.4 million) consisting of approximately $13.2 million (US$12.7 million) in share consideration satisfied through the issuance of 2,514,228 Common Shares and approximately $44.0 million (US$42.0 million) payable in cash. Included in cash consideration payable is deferred acquisition consideration of approximately $19.0 million (US$18.0 million) which is payable in cash as an earn-out upon the AES Permian division achieving certain EBITDA thresholds over a twenty-four month period post close and approximately $5.4 million (US$5.2 million) in other post close and deferred consideration. The Common Shares issued to Venture Mud are subject to escrow provisions, with one-third of the escrowed shares being released, subject to industry standard exceptions including a change of control of CESTC as well as subject to indemnities under the asset purchase agreement, on each of the first, second, and third anniversaries of the closing of the AES Permian Acquisition.

2014 Canadian Acquisitions

On July 1, 2014, CES completed the acquisitions of all of the business assets of Rheotech and of all of the business assets of Canwell collectively (the "2014 Canadian Acquisitions"). Rheotech and Canwell were Western Canadian Sedimentary Basin based private businesses selling oilfield chemical solutions. The 2014 Canadian Acquisitions are expected to strengthen the Company's position as a leading provider of drilling fluids and production and specialty chemicals in the WCSB.

The aggregate purchase price of the Canadian Acquisitions was $56.5 million, consisting of $16 million of share consideration satisfied through the issuance of 1,456,422 common shares, on a post-split basis, of the Company, $40.5 million payable in cash, of which $23.4 million was paid on the respective closing date. Included in cash consideration payable is deferred acquisition consideration of $15.5 million 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, $0.4 million in other post close and deferred consideration, and $1.2 million in working capital adjustments. The purchase price allocations were based upon the respective fair values as of the acquisition date. In conjunction with the 2014 Canadian Acquisitions, the Company recorded $0.2 million in transaction costs to general and administrative expenses.

Southwest Acquisition

On September 5, 2014, through a US subsidiary, CESTC completed the Southwest Acquisition. 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 acquisition of Southwest will accelerate the expansion of Company's US production and specialty chemicals operations into the west Texas Permian Basin and the Eagle Ford shale in south Texas. The effective date of the Southwest acquisition was September 1, 2014.

The aggregate purchase price was $21.5 million (US$ 19.7 million), consisting of $8.7 million (US$8.0 million) of share consideration satisfied through the issuance of 868,455 common shares of the Company, $12.8 million (US$11.7 million) payable in cash, of which $11.6 million (US$10.7 million) was paid on the closing date. Included in cash consideration payable is $1.1 million (US$1.0 million) in other post close and deferred consideration.

Financings

The Corporation's growth outlined above has been financed through a combination of cash flow, working capital, Common Share issuances, and funding provided from the Corporation's available credit facilities, as discussed in further detail below.

2009 Offering

On November 26, 2009, the Partnership entered into a private placement financing agreement, on a bought-deal basis, pursuant to which the Partnership issued and the underwriters purchased 9,000,000 Class A Units at a price of $1.11 per Class A Unit for aggregate gross proceeds of $10.0 million. The offering closed on December 15, 2009. The Partnership used a portion of the gross proceeds of the offering to fund a portion of the purchase price of the Champion Acquisition.

2010 Offering

On June 22, 2010, CESTC entered into a private placement financing agreement, on a bought-deal basis, pursuant to which CESTC issued and the underwriters purchased a total of 26,145,000 Common Shares at $1.72 per share for aggregate gross proceeds of $45.0 million. The net proceeds of the offering were used by CESTC primarily to repay a US$40 bridge loan that was used to initially finance the cash portion of the purchase price of the FM Acquisition.

2013 Offering

On August 8, 2013, CESTC, through a syndicate of underwriters, completed a bought deal short-form prospectus offering of Common Shares, pursuant to which, CESTC issued and the underwriters purchased a total of 6,330,000 Common Shares at $5.53 per share for aggregate gross proceeds of $35.0 million. The net proceeds of $32.9 million were used by CESTC to partially repay outstanding indebtedness under its credit facility and for general corporate purposes.

2014 Offering

On July 11, 2014, CESTC, through a syndicate of underwriters, completed a bought deal short-form prospectus offering of Common Shares, pursuant to which, CESTC issued and the underwriters purchased a total of 6,912,000 Common Shares at $10.88 per share for aggregate gross proceeds of $75.2 million. The net proceeds of $71.9 million were used by CESTC to partially repay outstanding indebtedness under its credit facility, to fund future acquisitions and growth objectives, and for general corporate purposes.

Senior Notes

On April 17, 2013, CES completed the private placement of $225 million of 7.375% senior unsecured notes due on April 17, 2020 (the "**Senior Notes**"). The Senior Notes were issued at par value. The net proceeds of the sale of the Senior Notes of $219.6 million were used by CESTC to repay bridge indebtedness incurred to fund the JACAM Acquisition, to partially repay outstanding indebtedness under the Corporation's Senior Facility and for general corporate purposes. See "Description of Capital Structure – Senior Notes".

On July 3, 2014, CES completed the private placement of $75 million 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 million of Senior Notes and accordingly now form a single series with the previously issued Senior Notes. The net proceeds of the sale of the Additional Senior Notes of $79.7 million were used by CESTC to repay outstanding indebtedness under the Senior Facility, to fund the 2014 Canadian Acquisitions in addition to future acquisitions and growth objectives, and for general corporate purposes.

Stock Splits

2011 Stock Split

On June 30, 2011, the Corporation's shareholders approved a three-for-one split of the Corporation's outstanding Common Shares. The 2011 Stock Split was effected in the form of the issuance of two additional Common Shares for each Common Share owned by Shareholders of record at the close of business on July 13, 2011. The Corporation's Common Shares commenced trading on a post-split basis on July 11, 2011, on the TSX.

2014 Stock Split

On June 19, 2014, the Corporation's shareholders approved a three-for-one split of the Corporation's outstanding Common Shares. The 2014 Stock Split was effected in the form of the issuance of two additional Common Shares for each Common Share owned by Shareholders of record at the close of business on July 18, 2014. The Corporation's Common Shares commenced trading on a post-split basis on July 24, 2014, on the TSX.

Except where specifically noted, all share references in this Annual Information Form are presented after giving effect to the 2014 Stock Split, and in disclosures relating to transactions that took place prior to July 2011, the 2011 Stock Split as well.

OTC Market Listing

On April 12, 2012, the Common Shares commenced trading in the United States on the highest tier of the OTC market, the OTC International Marketplace ("**OTCQX**"), under the trading symbol "CESDF". OTCQX securities are quoted on the OTC Link platform, operated by OTC Markets Group. The Corporation believes the OTCQX listing provides a cost-effective means of enhancing its visibility and accessibility to US based investors.

INDUSTRY OVERVIEW

Industry Factors Impacting the Oilfield Chemical Business

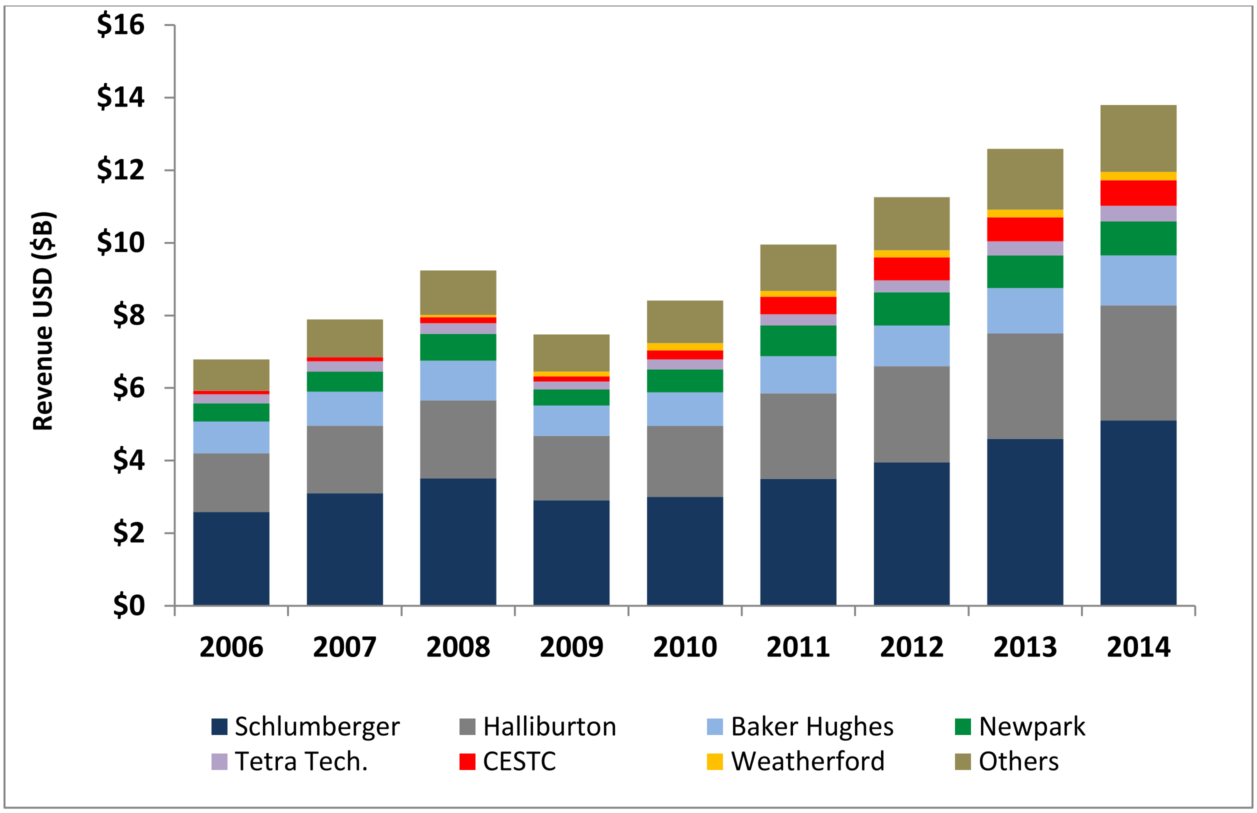
The upstream oil and natural gas industry in the US and Canada is largely comprised of two types of entities: (i) exploration and production entities ("**Operators**"); and (ii) suppliers of oilfield services and consumables ("**Suppliers**"). Operators generally explore for, develop and produce oil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

A large portion of Operator's capital and activity in the NAM has been directed to previously uneconomic or marginally economic oil, natural gas liquids, and dry natural gas accumulations that have recently become economically viable through the application of new technologies like horizontal drilling and multi-stage fracturing. These "resource plays" typically involve large accumulations of oil, natural gas liquids or natural gas either over a large area and/or vertical section which are often characterized as "tight", meaning they have low productivity, low permeability and/or susceptibility to formation damage. Viable resource plays can achieve enhanced profitability if the wells can be drilled and completed cost effectively, and if long-term production can be enhanced through the use of the appropriate application of production chemicals. Oilfield chemical providers who have experience in developing drilling fluid systems for these types of reservoirs, completion and stimulation chemistries, and production chemicals can assist Operators in minimizing upfront drilling and completion costs and improving long-term reservoir performance. The Corporation has experience working in most of the relevant and active resource plays and provides oilfield chemical solutions to Operators in various areas throughout the NAM. As well, the Corporation constantly monitors the development of new resource plays and endeavours to be an "early mover" into a play once a new resource play becomes established.

Industry Factors Impacting the Drilling Fluids Business

As demonstrated in the chart below, the global drilling and completion fluids' market has more than doubled since 2006 and has grown at a compounded annual growth rate of approximately 13% since 2009.

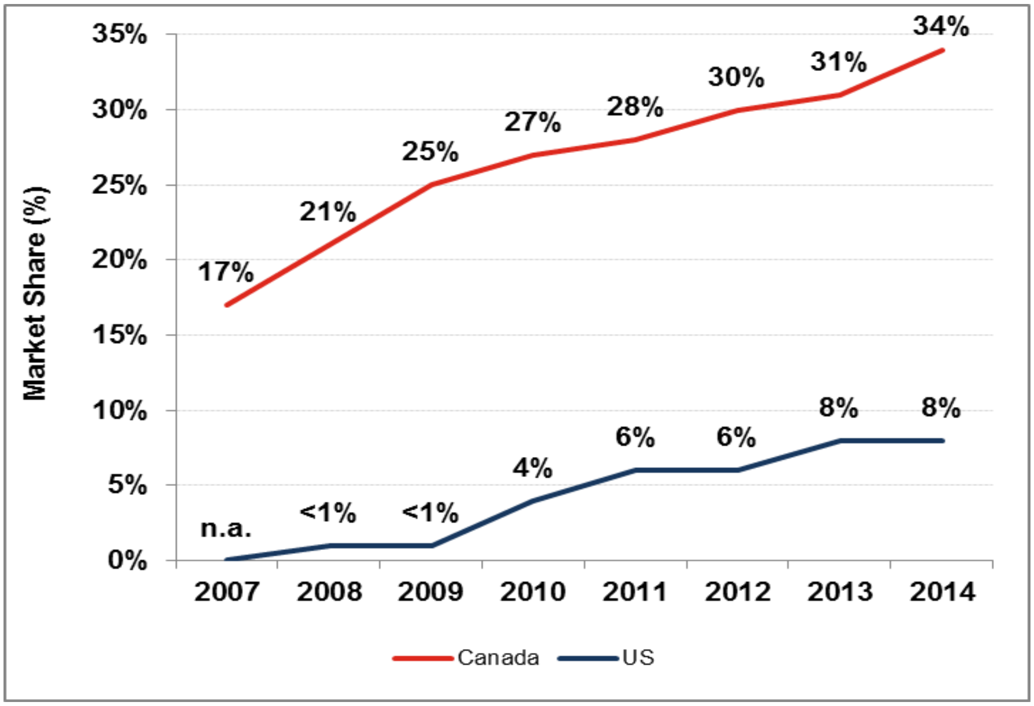
Worldwide Drilling & Completion Fluids Market Size[(1)]



Source: Spears & Associates Inc.
Note:
(1) Others category includes Scomi Oiltools Bermuda Limited, China Oilfield Services Ltd., Anchor Drilling Fluids USA, National Oilwell Varco, Inc., Superior Energy Services, LLC, Anton Oilfield Services Group Ltd. and others not defined explicitly by Spears & Associates.

Since 2007 CESTC has been able to significantly increase both its US and Canadian market share in the drilling and completion fluids space as depicted in the charts below.

CESTC US and Canadian Drilling & Completion Fluids Market Share



Source: CESTC

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

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

Trends - Drilling Activity

On-shore drilling activity in the US reached a near-term bottom in 2009 when the average active rig count dropped to 1,089 according to Baker Hughes Incorporated ("**BHI**"). In 2010, the BHI average active rig count rose sharply to 1,546 and then achieved a near term high of 1,875 in 2011. In the spring of 2012, the combination of record low natural gas prices, a sharp decline in oil prices and concerns about the economies of Europe negatively impacted the capital markets and reduced the cash flows of most Operators. As a result, drilling activity was curtailed over the last half of 2012 and the BHI average rig count for 2012 trended down slightly to 1,874. In 2013, the BHI average active rig count was 1,705, down 9% from 2012 and was flat for most of the year. Oil and natural gas liquids focused drilling accounted for over 1,300 of the 1,705 active drilling rigs in 2013 as natural gas drilling activity was at its lowest level since 1999. In 2014, the US rig count peaked in September at 1,930 rigs and then declined in tandem with a drop in oil prices as world supply outstripped demand and OPEC decided in November 2014 to hold production levels steady in order to defend its global market share. 2014 average rig count was 1,804 rigs up 101 rigs or 6% from 2013 and was driven by increases in drilling activity experienced in the Permian Basin, the Anadarko Basin, Mississippian, Niobrara and the Utica. Natural gas activity weakened in all major plays in 2014 with the largest absolute rig count decreases realized in the Eagle Ford and the Anadarko Basin.

Drilling activity trends in the WCSB have been consistent to what happened in the US. Canada experienced a near-term bottom in 2009, a resurgence in drilling in 2010, and a near-term monthly rig count high of 417 average rigs in 2011 according to the Canadian Association of Oilwell Drilling Contractors ("**CAODC**"). For 2012, the CAODC average monthly rig count for the WCSB fell 15% to 353 as a result of the same factors mentioned above that impacted the US. For 2013, the average monthly rig count for the WCSB fell 4% in the year to 339. In 2014 robust realized oil prices in the first three quarters resulted in an average of 370 drilling rigs for the year, up 31 rigs or 9% from 2013 levels. For 2014 the percentage of horizontal wells stayed relatively flat at 69% (2013 - 70%) but positively impacting revenues for Suppliers servicing the drilling rig was that the total meters drilled per well in Canada was up approximately 11% in 2014.

As a result of falling oil prices and weak natural gas prices, rig counts in both Canada and the US have been dropping throughout Q1 2015 with no clear visibility on how low they will go and for how long. Management believes that drilling activity levels will decline materially in 2015 and potentially into 2016.

In Canada, the declining Canadian dollar, and the narrowing of Canadian crude oil price differentials may provide some relief to Operators in the WCSB, many of their drilling prospects at current strip pricing are uneconomic and they have and may continue to reduce their capital spending directed at drilling and completions activity accordingly. Access to equity capital will be limited for some time and will only be available to Operators who have proven track records at generating per share cash flow and reserves growth in low commodity price environments. Consistent with Management's expectation for Canada, it is expected that onshore US rig counts will continue to decline until world oil supply and demand are back in balance, prices improve and cost structures adjust to levels where drilling for on-shore US resource plays, primarily shale oil, become economic for the majority of the US Operators. From December 2014 to the date of this Annual Information Form, most US and Canadian Operators have announced one or multiple negative revisions to their drilling and completions budgets year over year.

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

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

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

Finding and Development Costs

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

Oilsands/Steam Assisted Gravity Drainage

Steam Assisted Gravity Drainage ("SAGD") is an extraction process which is used primarily in oilsands development and heavy oil operations and requires specialized drilling fluid solutions. The SAGD process typically involves drilling pairs of horizontal wells into oilsands or heavy oil reservoirs. The upper well injects steam into the deposit in order to heat the bitumen or heavy oil to improve its ability to flow. The oil then drains into the production well and is pumped to the surface. If SAGD extraction process grows, SAGD will be a source of increasing revenues for oil and natural gas service companies having expertise in this area. The Corporation provides drilling fluid systems to operators drilling wells for SAGD operations, primarily in northeast Alberta, Canada.

Seasonality

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

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

The Corporation's expansion into the US and into the production and specialty chemicals business has helped mitigate some of the historical effects of seasonality on the drilling and completion fluids business as seasonality is not a significant factor to drilling activity in the US. 2012 marked the first year that the majority of the Corporation's revenue came from the US operations. Management anticipates that the US business will continue to be a larger revenue contributor in 2015 than the Canadian business.

Industry Factors Impacting the Production and Specialty Chemicals Business

Through the establishment of PureChem and with both the JACAM and Southwest Acquisitions, the Corporation has expanded its chemical consumable offerings into the production and specialty chemicals business. The Corporation is a supplier of: (i) production and specialty chemicals to Operators and owners of downstream oil and gas infrastructure ("**Downstream Operators**"); and (ii) chemicals and additives to other Suppliers for use in completion or stimulation operations that they perform on behalf of an Operator.

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

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

Production and specialty chemicals are used once a well bore starts to produce in order to maximize production levels and to extend the life and economics of both the wellbore and the equipment at the well head that is required to enable the well to produce. Key products that are sold to the Operator include corrosion inhibitors, demulsifiers, H_2S scavengers, paraffin control products, surfactants, biocides and scale inhibitors. Production and specialty chemicals are more intensively used in the production of oil or natural gas liquids versus lean or dry natural gas production.

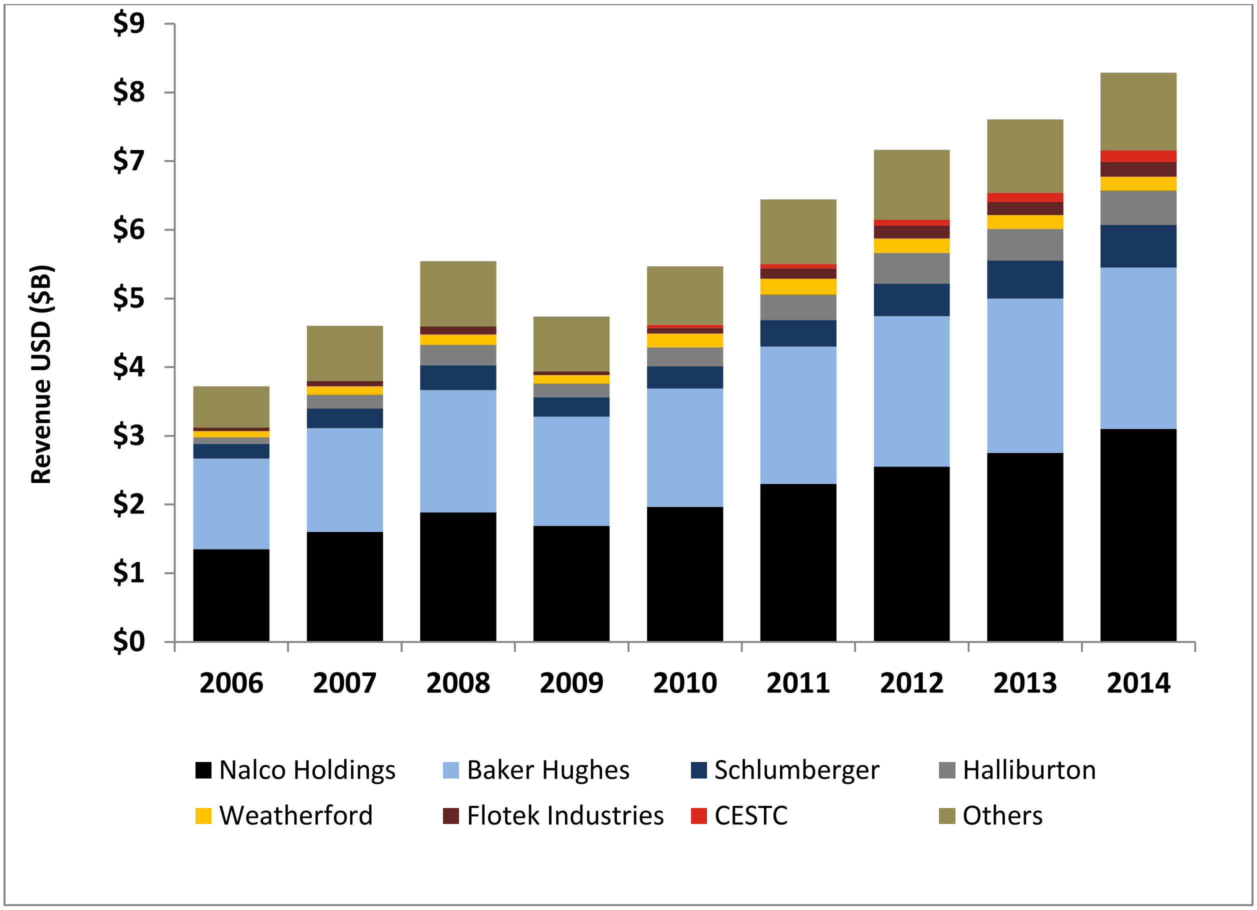
There are a number of trends driving growth in the use of production and specialty chemicals for production applications. The number one driver of growth is the increasing presence of water in the produced fluids. Water causes numerous complications for Operators including scale, corrosion, and H_2S all of which require chemical intervention from production stage all the way through to delivery at a refining end-point. Increasing oil production has further driven the demand for production and specialty chemicals as, in general, oil wells have significant volumes of associated water and also have additional challenges such as paraffin that require chemical intervention to solve. With oil production rising in the NAM associated water production has increased as well. In addition, generally as oil wells age, the percentage of the produced fluid that is water versus hydrocarbon generally rises often requiring even more chemical intervention.

Furthermore, as the length and depth of wells increase through horizontal drilling, the volume of each well increases, driving demand for more chemicals. Horizontal wells also have far more complex production challenges, given their size and structure, and as a result these complex production challenges increase demand for specialty production and specialty chemicals. Secondary (i.e. waterfloods), tertiary (i.e. Alkali Surfactant Polymer flood, CO2 flood, etc.) and enhanced (i.e. thermal techniques on heavy oil reservoirs) recovery techniques are also becoming more mainstream, and this trend is resulting in an increased demand for specialty chemicals. Oil wells require more production and specialty chemicals, on average, than natural gas wells, and the NAM is currently developing oil wells at an accelerated rate further driving demand.

The recent decline in oil prices also has the effect of displacing Operator capital and internal resources away from drilling and completion activities and focusing their attention on production levels from previously drilled wells. This additional attention on production levels typically results in new resources being deployed to operations staff to improve production levels and reduce lifting costs, which often can be achieved with a newly designed production and specialty chemical program for the wellbore and the production infrastructure. Enacting a new production and specialty chemical program typically can be done in a short time frame and will provide the Operator critical cashflow during a period of depressed oil prices

The chart below outlines the global market size and recent growth of the production and specialty chemicals market. This market has grown at a cumulative annual growth rate of approximately 12% per year since 2009 mainly as a result of the trends noted above. The market is highly concentrated with Baker Hughes (Baker Hughes Inc. ticker: BHI:US) and Ecolab Inc.'s subsidiary Nalco Holdings (Ecolab Inc. ticker: ECL:US) Nalco Holdings (post its acquisition of Champion Technologies in 2013), accounting for approximately 65% of the global market. In North America, CESTC believes it is in a position to compete with these industry majors as, CESTC believes all of the "other" North American competitors in the marketplace do not have the production and laboratory facilities to be able to design and produce proprietary production and specialty chemicals. As a result of the trends noted above and the favourable position the Corporation is in with a new and under-utilized production and laboratory facility in Sterling KS, Management believes it can achieve growth in the production and chemicals business comparable to that of the industry on a go forward basis.

Global Production and Specialty Chemicals Market Size



Source: Global market size data provided by Spears & Associates and CESTC

Trends - Production and Specialty Chemicals – Fracturing and Stimulation

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

There are a number of trends driving growth in the use of production and specialty chemicals for fracturing and stimulation applications. The primary driver of growth in these applications has been the shift to multi-stage fracturing of long horizontal wellbores. As Operators increase the number of multi-stage fractures they apply in each wellbore, more chemicals are consumed. Recompletion activity, or well stimulation, focused on maintaining production from previously drilled wells, is also an area of growth as Operators look to optimize production from horizontal wells facing high declines. Given the recent decline in oil prices, chemical solutions are more and more being employed as part of an overall corporate recompletion / optimization strategy.

Trends - Production and Specialty Chemicals – Pipelines and Midstream

Production and specialty chemicals are used in midstream operations, in refineries and in pipeline segments to aid in hydrocarbon movement and manage hydrocarbon challenges including corrosion, wax build-up, drag reduction, and scaling. Downstream Operators own and manage pipeline systems, processing facilities that extract sulfur and natural gas liquids, storage facilities for end products, and other transportation systems used to move products (rail for example). Key products sold to the Downstream Operator include corrosion inhibitors, demulsifiers, H_2S

scavengers, paraffin control products, biocides and scale inhibitors. Demand for production and specialty chemicals for pipelines and midstream operations is less susceptible to fluctuations and cyclicality given the infrastructure nature of their application.

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

BUSINESS OF THE CORPORATION

Overview

Servicing the North American oil and natural gas industry, CESTC is a leading provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield. This includes total solutions at the drill-bit, at the point of completion and stimulation, at the wellhead and pump-jack, and finally through to the pipeline and midstream market.

CESTC has achieved its role as a leading provider of technically advanced consumable chemical solutions in the NAM through a combination of organic growth initiatives, vertical integration initiatives and strategic acquisitions made since its initial public offering in March 2006. The Corporation has grown its business organically through increased market penetration of cost-effective engineered chemical and consumable solutions to its customers. Innovation is a key component to the success of CESTC, and with the support of CESTC's customer focused sales and field staff, and supported by its research and development group, new solutions are constantly being developed to meet customer needs. CESTC has also grown through the acquisition of several private companies in both the US and Canada. The Corporation has acquired companies that CESTC believes had a leadership position in their local market, were strategically located, and are like minded in CESTC's approach to customer service and innovation.

The Corporation's integrated business is organized as follows:

Drilling and Completion Fluids

The Canadian Energy Services, MMM, AES, and AES Permian brands are focused on the design and implementation of drilling and completion fluids systems for oil and gas producers throughout the NAM. CESTC earns revenue when it sells a drilling fluid system to an Operator. In advance of the sale of the drilling fluid system, CESTC works collaboratively with the Operator to design a drilling fluid system that will clean the hole, stabilize the rock drilled, control subsurface pressures, enhance drilling rates, and protect potential production zones while conserving the environment in the surrounding surface and subsurface. The Corporation has an extensive product line with several proprietary drilling fluid solutions suitable for all of the onshore and shallow water off shore oil and natural gas drilling currently being done in the NAM.

Production and Specialty Chemicals

The Corporation's JACAM, and PureChem production specialty chemicals brands operate in the US and in the WCSB respectively, with an emphasis on servicing the major oil and natural gas liquids resource plays. The Corporation's JACAM division manufactures and sells both retail and wholesale, a complete line of production and specialty chemicals designed for both the oil and natural gas production and industrial markets. The Corporation's JACAM division also designs, manufactures and sells chemicals used in the stimulation and fracturing markets through its Stim Rock subsidiary. The Corporation's PureChem division designs, blends, and sells specialty drilling fluids for the Corporation's various drilling fluids business and designs, blends, and sells fracture stimulation and production chemicals for Operators in the WCSB.

Two complimentary business divisions support the operations and augment the product offerings in the WCSB. Clear is CES' environmental division, providing environmental consulting and drilling fluids waste disposal services primarily to oil and gas producers active in the WCSB.

EQUAL is CES' transport division, providing its customers with trucks and trailers specifically designed to meet the demanding requirements of off-highway oilfield work in the WCSB. EQUAL transports and handles oilfield produced fluids and supports the oilfield chemical business by hauling, handling, managing and warehousing products. EQUAL operates from two terminals and yards located in Edson, Alberta and Carlyle, Saskatchewan.

Proprietary and Patented Solutions

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

There are currently 46 patents issued to the Corporation in multiple jurisdictions that serve to maintain and protect our competitive position in the oilfield chemicals marketplace. There are also currently 16 patents pending primarily relating to new drilling fluid systems and new production and specialty chemicals products internally developed by CESTC.

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

Product	Description of Application	Function
Seal-AX ™	• Medium/deep/horizontal drilling fluid	• Provides unique method of reducing seepage and fighting total losses of drilling fluids while drilling in oil-based and water-based muds
Polarbond™	• Medium/deep/horizontal drilling fluid	• Water based shale inhibitor and friction reducing agent
ABS40™	• Vertical/deep/horizontal drilling fluid	• Specialized environmentally friendly synthetic oil based mud system
Cotton Seal™	• Vertical/deep/horizontal drilling fluid	• Whole mud loss agent and seepage loss agent for oil based mud systems
Enerdrill	• Deep/horizontal drilling fluid	• Ultra lightweight synthetic oil based fluid • Enhances rate of penetration in deep, highly consolidated formations being drilled horizontally
Bond Log Plus	• SAGD drilling fluid	• Enhances quality and integrity of cement jobs in build interval of well
PureStar	• Deep/horizontal drilling fluid	• Environmentally compatible salt free synthetic oil based mud system
Envirobond	• Vertical/horizontal drilling fluid	• Advanced water-based shale inhibitor • Inhibits hydration and migration of fine solids, clays and shales • Prevents damage to heavy oil production zone • Controls mud density

Product	Description of Application	Function
Liquidrill ™	• Horizontal • Heavy oil • Long reach lateral sections • Long interval sections • SAGD • Multi-lateral horizontal wells • Coalbed methane	• Clay-free polymer mud system • Controls fluid loss • Proven in many multi-hole projects in high risk areas for shallow vertical depths and long reach lateral sections • Non-damaging water-based drilling fluid
Invert/Ecovert	• Deep/vertical/horizontal drilling fluid	• Hydrocarbon based • Maintains stability in highly deviated wellbores • Allows pipe to be tripped without restriction
Enerclear	• Medium and deep/horizontal drilling fluid	• Weighted salt based fluid for increased drill bit life and faster rate of penetration • System has inhibitive qualities
Liquislide Salt	• Medium and deep/horizontal drilling fluid • SAGD and heavy oil drilling fluid	• Provides enhanced lubricity to oil based mud, salt and water based systems
Tarbreak and Tarbreak #2	• SAGD drilling fluid	• Reduces adhesiveness of bitumen • Enables drilling by reducing viscosity
Poly-Core	• SAGD drilling fluid	• Core fluid for bitumen reservoirs • Oilsands delineation drilling •
Enerseal	Medium/deep/horizontal drilling fluid	• Unique rheology profile that mitigates fluid losses in permeable and fractured formations
Fracturing Additives	• Water based Gellants • Breakers • PH Control • Clay Control • Flow Enhancers • Biocides • Scale Inhibitors • Cross Linkers • Lubricants	• Specific chemical additives to enhance performance / efficacy of well fracturing / completions
Stimulation Products	• Acid packages • Surfactants • Solvent packages • Organic acid packages	• Restores and/or increases production from wells
Corrosion Control	• Acid gas corrosion protection • Waterflood corrosion inhibitor • Flowline corrosion inhibitor • Pipeline corrosion inhibitor • Downhole corrosion inhibitor • Combination products	• Control of downhole, plant and pipeline corrosion issues • Specialize in severe corrosion environments
Paraffin & Asphaltene	• Control the many problems associated with paraffin and asphaltene deposition in oil and natural gas production	• Increase the efficiency of the production process • Reduces operating costs

Product	Description of Application	Function
	• Pour point depressants • Crystal modifiers • Dispersants • Solvents • Asphaltene dispersants for natural gas and oil	
Scale Inhibitors	• Controls the deposition of all forms of carbonate and sulfate scale • Controls scale deposition in downhole equipment and production facility	• Maintains production of wells • Reduces downtime and lost production • Reduces operating costs
Water Treatment	• Chemicals for removing hydrocarbon residue from disposal water • Flocculants for solids removal • Sand control	• Water quality
Emulsion Breakers	• Resolve oil and water emulsions occurring during crude oil production and processing • Assist in the clarification of produced water	• Separate oil from emulsion • Clean water from emulsion and ready for disposal • Reduces operating costs
Foamers & Defoamers	• Foamers from removing H2O from natural gas wells • Defoamers for alleviating foaming in oil and water systems	• Increase the efficiency of the production process
H2S Scavengers	• Removal of H2S from natural gas and hydrocarbon streams and from produced-water	• Ensures pipeline and specification natural gas and hydrocarbons • Ensures rail specification oil • Safety
Salt Inhibitors and Desalters	• Reduces the formation of salt in the production process • Desalters remove excess salt from oil	• Reduces downtime of wells and lost production
Hydrate Inhibitors Breakers	• Designed to control the formation of gas hydrates in pipelines • Breakers to remove hydrates after formation	• Reduces downtime of wells and lost production
Anti-Foulants	• Preventing asphaltene deposition in process equipment	• Efficient facility operation • Reduces downtime
Biocides	• Control anaerobic and aerobic bacteria for water injection, water used in completions / fracturing , produced-water and cooling-water systems	• Water quality maintenance

Product	Description of Application	Function
Gas Processing Chemicals	• Dehydration • Heat transfer • Defoamers • Hydrate control	• Natural gas plant processing efficiencies
Solid Chemistries	• Corrosion control • Scale inhibitors • Paraffin control • Foamers • Biocides	• Effective downhole, tank and pipeline application of solid chemistries • Engineered to distribute the chemical treatment at the specific location • Environmentally safe as product design eliminates potential for any spill in transit or on site

Clients

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

The Corporation's business is based in large part on strong client relationships. The Corporation has a well-established client base of approximately 1,400 Operators, Downstream Operators, Suppliers and industrial customers having operations throughout western Canada and in the US. The top five clients of the Corporation accounted for approximately 26% of its revenues for the year ended December 31, 2014, with one large independent Operator accounting for approximately 14%.

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

Competition

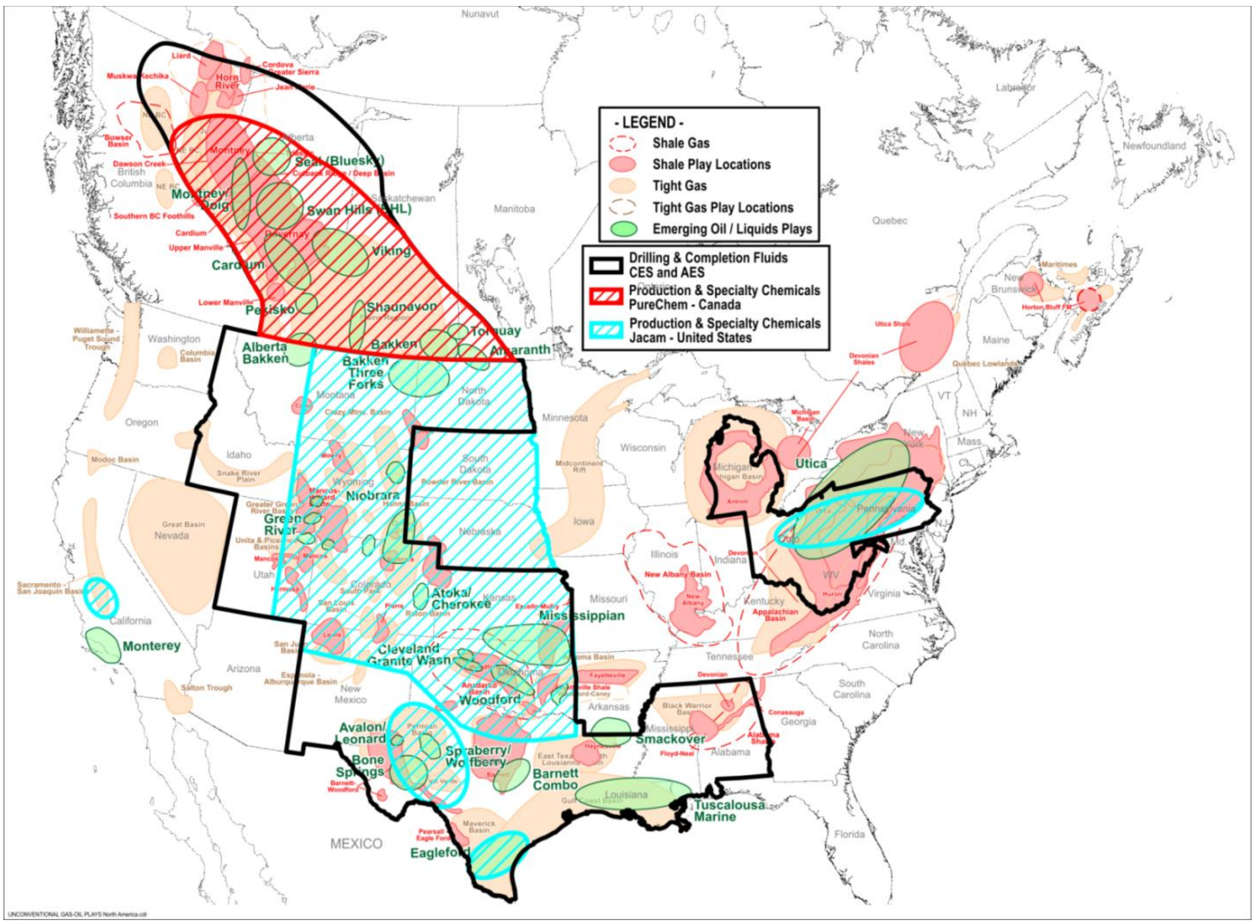
The drilling and completion fluids business is competitive. Four large integrated oilfield service companies control a broad majority of the world-wide drilling fluids marketplace. Drilling and completion fluid companies compete by focusing their efforts on the price of materials, quality of product,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

The production and specialty chemicals business is a very competitive and a highly consolidated industry. In North America, the number of production and specialty chemicals companies that offer a suite of proprietary products across the life-cycle of the oilfield service is presently dominated by two large conglomerates that control approximately 65% of the industry. Similar to the drilling fluids business, the production and specialty chemicals entities compete by focusing their efforts on the price of materials, quality and efficacy of the product, capabilities of its research and development team, and the knowledge and technical expertise of its management and field personnel. Management believes that its production and specialty chemicals business can grow in a competitive and consolidated marketplace by leveraging our technical skills and our state-of-the-art facilities as we constantly develop new and innovative solutions to meet our customer's needs.

Target Market

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

Below is a map indicating where CESTC and its consumable chemical solution divisions operate.



Equipment and Facilities

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

The Corporation's head office and the Canadian drilling fluids and production and specialty chemical businesses are all located in Calgary, Alberta. AES operates the drilling fluids business out of the Houston, Texas office, AES Permian operates the drilling fluids business focused on west Texas and the Permian Basin out of the Midland, Texas office and JACAM operates the US production and specialty chemical businesses out of Sterling, Kansas.

CESTC, in its capacity as operator of the Canadian drilling fluids business, owns two warehouses and truck terminals located in Edson, Alberta, and Carlyle, Saskatchewan. In Canada, CESTC also rents warehouse space throughout Alberta, British Columbia and Saskatchewan as inventory and stock point locations to facilitate efficient delivery of its services and products to clients. These warehouses are typically owned by trucking companies or oilfield service providers.

AES and AES Permian combined have operations in fifteen US states that are serviced with three oil based mud plants in Texas, an additional eight owned warehouses located in North Dakota, Oklahoma, Pennsylvania and Texas and rented stock point facilities located in Louisiana, New Mexico, West Virginia and Wyoming. AES Permian also owns a parcel of raw land in Texas

JACAM has one research laboratory, two manufacturing and reacting facilities located in Sterling, KS and a blending facility located in Sonora, TX. JACAM operates in seventeen US states that are serviced with nineteen owned warehouses located in Kansas, North Dakota, Colorado, Oklahoma, and Texas. Rented stock point facilities are located in twelve states providing JACAM a presence in almost all of the major US basins. JACAM also owns a parcel of raw land in Texas.

SWP has a long term lease for its barite grinding facility at the Port of Corpus Christi, Texas. Currently the construction of the barite grinding facility is in progress and the estimated completion of the facility is expected by Q4 2015 at an estimated cost of USD 6.0 million**.**

Personnel

As at December 31, 2014, the Corporation, together with its subsidiaries, employed 1,610 employees and retained the services of approximately 148 consultants. As at March 1, 2015, the Corporation, together with its subsidiaries, employed 1573 employees and retained the services of approximately 118 consultants.

Procurement

The Corporation has a significant procurement group with specialists located in Calgary, Carlyle, Sterling and Houston. The Corporation continues to pursue a more focused approach to direct procurement from manufacturers to realize cost-savings. Additionally, the Corporation's procurement groups are constantly sourcing more raw materials for use in its manufacturing and blending processes resulting in additional cost-savings. These improvements have allowed the Corporation to defend margin integrity in an extremely price conscious environment. As a result of its increasing scale, the Corporation continues to put more emphasis on procurement practices to improve quality, reliability and cost effectiveness of supply.

Competitive Advantages

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

Strong Reputation and Diversified Client Base

The Corporation, by its estimated market-share, is the largest Canadian drilling fluid systems provider, and is growing its market-share in the US, and is serving a wide range of Operators, Downstream Operators and Suppliers in the NAM. The Corporation has a growing presence in Canada in the production and specialty chemical business through its PureChem division and has an expanding footprint in the US through the JACAM and Southwest Acquisitions. The Corporation's client base represents a cross-section of the North American oil and natural gas industry, including independent junior and intermediate oil and natural gas exploration and production entities, large multinational producers and joint ventures, as well as, other service companies and mid-stream and pipeline companies. Management has a strong reputation which they expect will provide the Corporation with continued client referrals.

Client Retention

The Corporation's business is based in large part on strong client relationships. The Corporation's ability to design and deliver effective oilfield related chemical solutions has historically led to a high retention rate for existing clients that have recurring needs for the Corporation's services.

Vertical Integration

The Corporation continues to take steps to control its source of supply of input products and to blend or manufacture the products it supplies to its end customers. In 2011, through its PureChem division, CESTC established a chemical blending facility in Carlyle, Saskatchewan to blend specialty products for drilling fluids and to blend production and specialty products for completions, stimulations, production and infrastructure associated with hydrocarbon production. The JACAM Acquisition significantly expands the Corporation's chemical blending capabilities and further vertically integrates the Corporation with advanced chemical reacting capabilities. The manufacturing facilities located in Sterling, Kansas allow the Corporation to blend and react both the basic molecules and end products it provides its customers. Other recent vertical integration initiatives include the current construction of the barite grinding facility at the Port of Corpus Christi, Texas by SWP and the construction of an organo clay plant in Sterling, Kansas that manufactures organophilic clay which is a key input in invert or oil based drilling fluid systems.

Experienced and Committed Management and Professional Team

The Corporation has been successful in attracting and retaining talented professionals. The average experience of Management exceeds 25 years. Management's interests are aligned with those of the Corporation and Shareholders through their holding of approximately 8.5% of the outstanding Common Shares. See "Directors and Officers", "Description of Capital Structure" and "Escrowed Securities".

Complimentary Environmental Business

Clear provides environmental consulting and drilling fluids waste disposal consulting services primarily to oil and gas producers active in the WCSB. The business of Clear involves pre-site assessments, and determining the appropriate processes for disposing of or recycling fluids produced by drilling operations and to carry out various related services necessary to dispose of drilling fluids. This business line is complementary to the drilling and completion fluids business and provides opportunity to provide a more integrated service in certain circumstances.

Warehousing and trucking

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

Health, Safety and Environment

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

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

Each year, CESTC establishes goals and objectives for each of its business divisions with respect to health safety and environment. Our goals and objectives are achieved through the cooperation, involvement, awareness and action of all of the Corporation's employees, contractors and visitors.

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

The Health, Safety and Environment Committee of our Board is responsible for overseeing the Corporation's health, safety and environment program and performance. The Committee regularly reviews health, safety and environment metrics, including program audit results as well as key areas of focus for the program within the Corporation.

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

The elements of the Corporation's business that are subject to particular environmental regulatory oversight and potential liability include the reacting, blending, storage, transportation, use and handling of fluids and chemicals (including a range of petroleum products), and our waste disposal services. For example, an accidental spill of fluid or chemicals by the Corporation or another party could attract liability for damages, including clean-up costs (through a government order, a civil claim by a third party, or both), and/or regulatory enforcement proceedings seeking penalties. Likewise in our waste disposal business, an accidental release or mishandling of waste causing damage could attract significant liability, as could the discovery of soil or groundwater contamination (whether or not caused by the Corporation) at any of our current or formerly owned or operated properties. In the US, and to a lesser extent in Canada, the environmental regime for waste also provides "cradle to grave" liability, so that in some cases waste disposed at a third party disposal site years earlier can later become the subject of government and civil claims for remediation. The Corporation does not expect to be a responsible party in that kind of action but given the nature of our business, it remains a possibility in the future.

Because of the importance of environmental laws, the Corporation has compliance and monitoring programs in place and stays abreast of trends and legal developments that may impact our business. In that regard, the Corporation is sensitive to changes to the existing environmental legal regime, unexpected outcomes or more rigorous enforcement, all of which can have a material impact on the Corporation's operations and financial results either directly or through a substantial increase in exploration or production costs or delays for customers, which may result in less demand for the Corporation's services.

Insurance

The Corporation maintains insurance, which in Management's view, provides coverage that addresses all material insurable risks, is similar to that which would be maintained by a prudent owner and operator of similar businesses and is subject to deductibles, limits and exclusions that are customary and reasonable given the cost of procuring insurance and current operating conditions. The Corporation is responsible for obtaining or causing to be obtained a policy of insurance for its directors and officers. See “Risk Factors – Risks Relating to the Business of the Corporation – Operating Risks and Insurance”.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

CESTC is authorized to issue an unlimited number of Common Shares. The holders of Common Shares are entitled to: dividends if, as and when declared by the Board of Directors; one vote per share at meetings of the holders of Common Shares; and upon liquidation, dissolution or winding up of CESTC, receive pro rata the remaining property and assets of CESTC, subject to the rights of shares having priority over the Common Shares. As at the date hereof, there were 215,995,797 Common Shares outstanding.

Preferred Shares

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

Senior Notes

CESTC has $300 million in principal amount of Senior Notes outstanding. The Senior Notes bear interest at a rate of 7.375% and are due April 17, 2020. 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 Corporation’s current and future subsidiaries.

The Senior Notes were issued pursuant to the terms of a trust indenture dated April 17, 2013 among Computershare Trust Company of Canada, as trustee, CESTC and each material subsidiary of CESTC as a guarantor of CESTC’s obligations thereunder (the “**Senior Notes Indenture**”).

The Senior Notes Indenture contains the terms and provisions governing the Senior Notes, including covenants respecting limitations on restricted payments, limitations on additional indebtedness, limitations on liens, limitations on transactions with affiliates, limitations on asset sales, limitations on conduct of business, provision of financial information, limitations on amalgamations, mergers and consolidations and designation of restricted and unrestricted subsidiaries.

The Senior Notes Indenture also provides: (i) for the early redemption of the Senior Notes by CESTC, subject to the payment of redemption premiums and prices set out in the Senior Notes Indenture; and (ii) that, in the event of a change of control of CESTC, each holder of Senior Notes will have the right to require that CESTC purchase all or a portion of such holder’s notes at a purchase price in cash equal to 101% of the principal amount of such notes plus accrued and unpaid interest.

A complete copy of the Senior Notes Indenture may be found under CESTC’s profile on SEDAR at www.sedar.com.

Senior Facility

The Corporation has a secured syndicated credit facility (the “**Senior Facility**”) which allows the Corporation to borrow up to $200 million with no borrowing base requirement. The Senior Facility has a term to maturity of three years, maturing on September 30, 2017 and may be extended by one year upon the agreement of the lenders and the

Company. In addition, subject to certain terms and conditions, the Company may increase its Senior Facility by $100 million to a maximum borrowing of $300 million.

The obligations and indebtedness under the Senior Facility are secured by all of the assets of the Corporation and its subsidiaries and the Corporation and each of its subsidiaries have provided guarantees to the lenders under the Senior Facility.

A complete copy of the senior secured syndicated credit facility agreement may be found under CESTC's profile on SEDAR at www.sedar.com.

Shareholder Rights Plan

CESTC has adopted a shareholder rights plan (the "**Shareholder Rights Plan**") with an effective date of June 30, 2013. The Shareholder Rights Plan was approved by the Shareholders at the annual general and special meeting of the Shareholders held on June 20, 2013. The Shareholder Rights Plan must be re-approved by the Shareholders at every third annual meeting of the Shareholders following the effective date.

The objectives of the Shareholder Rights Plan are to ensure, to the extent possible, that all Shareholders are treated equally and fairly in connection with any take-over bid or similar proposal to acquire Common Shares. The Shareholder Rights Plan, under which Computershare Trust Company of Canada acts as rights agent, generally provides that, following the acquisition by any person or entity of 20% or more of the issued and outstanding Common Shares (except pursuant to certain permitted or excepted transactions) and upon the occurrence of certain other events, each holder of Common Shares, other than such acquiring person or entity, shall be entitled to acquire Common Shares at a discounted price. A completed copy of the Shareholder Rights Plan was filed on June 25, 2013 as a ''Security Holder Document'' on under CESTC's SEDAR profile at www.sedar.com.

DIVIDEND HISTORY

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

Through the course of the year, monthly dividends declared as a proportion of net income and cash flow from operations will vary significantly based on the activity levels of the Corporation's operations. During periods of higher activity, dividends declared as a percentage of net income and cash flow from operations will decrease, and likewise, during lower activity periods dividends declared as a percentage of net income and cash flow from operations will increase. Dividends are funded by cash provided by operating activities. During periods of insufficient cash availability, due to either the seasonality of the business or changes in the level of working capital, dividends may be funded through CESTC's surplus cash reserves or by accessing CESTC's credit facilities.

Management and the Board of Directors review the appropriateness of dividends on a monthly basis taking into account applicable solvency requirements under corporate legislation, current and anticipated industry conditions and, particularly, growth opportunities requiring expansion capital and Management's forecast of distributable funds. Although, at this time, CESTC intends to continue to make cash dividends to shareholders, these dividends are not guaranteed. In addition, future expansion, investments and acquisitions may be funded internally by withholding a portion of cash flow in conjunction with, or in replacement, of external sources of capital such as debt or the issuance of equity. To the extent that CESTC withholds cash flow to finance these activities, the amount of cash dividends to shareholders may be reduced. Alternatively, to the extent that CESTC's sustainable operating after tax cash flow improves, the amount of cash dividends to shareholders may be increased. Over the long-term, CESTC's business model has historically shown it can support a large proportion of cash flow from operations being paid out as a dividend or distribution as the long-term capital investments required and maintenance capital expenditures required for CESTC to execute its business plan are not significant.

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

On June 20, 2013, the Shareholders approved a stock dividend program and a stock settled director fee program. The stock dividend program, when activated by the Corporation, provides Shareholders the opportunity to receive their dividend payments in the form of Common Shares. The stock settled director fee program provides directors of the Corporation the opportunity to receive their director fees in the form of Common Shares. The number of Common Shares issued to settle the Corporation's obligations under both of these programs is calculated using the five day volume weighted average share price prior to the payment date of the applicable dividend or director fee.

The following tables set forth the dividends declared by CESTC on Common Shares during the years ended December 31, 2012, December 31, 2013, and December 31, 2014:

Dividend Record Date	**2012 Monthly Common Share Dividend (2)**	**Dividend Record Date**	**2013 Monthly Common Share Dividend (2)**	**Dividend Record Date**	**2014 Monthly Common Share Dividend (2)**
January 31, 2012	$0.0150	January 31, 2013	$0.0183	January 31, 2014 (1)	$0.0217
February 29, 2012	$0.0150	February 28, 2013	$0.0183	February 28, 2014 (1)	$0.0217
March 30, 2012	$0.0167	March 29, 2013	$0.0183	March 28, 2014 (1)	$0.0233
April 30, 2012	$0.0167	April 30, 2013	$0.0183	April 30, 2014 (1)	$0.0233
May 31, 2012	$0.0167	May 31, 2013	$0.0183	May 30, 2014 (1)	$0.0250
June 29, 2012	$0.0167	June 28, 2013	$0.0183	June 30, 2014 (1)	$0.0250
July 31, 2012	$0.0167	July 31, 2013	$0.0183	July 31, 2014	$0.0250
August 31, 2012	$0.0167	August 30, 2013	$0.0200	August 29, 2014	$0.0275
September 28, 2012	$0.0167	September 28, 2013	$0.0200	September 30, 2014	$0.0275
October 31, 2012	$0.0167	October 31, 2013	$0.0200	October 31, 2014	$0.275
November 30, 2012	$0.0183	November 29, 2013	$0.0217	November 28, 2014	$0.0275
December 31, 2012	$0.0183	December 31, 2013	$0.0217	December 31, 2014	$0.0275
TOTAL	**$0.2000**	**TOTAL**	**$0.2317**	**TOTAL**	**$0.3025**

Notes

(1) These dividends were paid prior to the 2014 Stock Split.

(2) After giving effect to the 2014 Stock Split in respect of all dividends paid for the years ended December 31, 2012, December 31, 2013, and December 31, 2014.

The historical distribution and dividend payments described above may not be reflective of future dividend payments, which will be subject to review by the Board of Directors taking into account the prevailing circumstances at the relevant time. See "Risk Factors – Risks Relating to the Structure of the Corporation".

As at March 1, 2015, the Partnership and AES Holdco are indebted to its lenders under the Senior Facility. Principal and interest payable under the Senior Facility have priority over distributions from the Partnership to CESTC, which in turn could affect dividends payable to Shareholders. Accordingly, the Corporation may have to reduce or suspend dividends in order to ensure debt amounts are paid. In addition, the terms of the Senior Facility impose certain restrictive covenants on the Partnership that may affect the payment of distributions.

CESTC has $300 million in principal amount of Senior Notes outstanding. The Senior Notes Indenture contains detailed restrictive covenants setting out the circumstances, including the satisfaction of certain financial ratios, in which CESTC is permitted to make dividend payments to its Shareholders. The Senior Notes Indenture would prohibit CESTC from paying any dividend not in compliance with the provisions of the Senior Notes Indenture and the necessity of complying with such provisions may restrict CESTC from paying dividends from time to time. A complete copy of the Senior Notes Indenture may be found under CESTC's profile on SEDAR at www.sedar.com.

See "Risk Factors – Risks Relating to Financing, Debt, Access to Capital, Liquidity and Capital Markets – Debt Service".

CREDIT RATINGS

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

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

	Standard & Poor's Ratings Services ("S&P")	**DBRS Limited ("DBRS")**
Corporate Credit Rating	B	B (high)
Long-Term Issue Credit Rating (Canadian Energy Services & Technology Corp. - Senior Unsecured Notes)	B	B (high)
Outlook/Trend	Stable	Negative

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

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

The outlook assesses the potential direction of a long-term credit rating over the intermediate term. In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. The "Stable" rating outlook means that the rating is not likely to change.

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

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

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

MARKET FOR SECURITIES

As of January 7, 2010, the Common Shares have been listed on the TSX under the symbol "CEU". The following table sets forth the high and low closing prices and volumes traded for the Common Shares for each month of the year ending December 31, 2014:

2014			
	Price Range ($)		
Period	High	Low	Trading Volume
January (1)	23.51	20.66	3,803,563
February (1)	26.59	22.33	2,649,182
March (1)	29.36	25.72	4,128,269
April (1)	32.72	27.20	4,163,605
May (1)	35.05	31.20	5,333,459
June (1)	34.74	31.14	3,850,243
July (2)	11.66	9.12	12,952,046
August (2)	10.91	9.12	8,753,557
September (2)	11.11	8.81	11,449,993
October (2)	9.70	7.56	20,093,621
November (2)	9.74	6.75	16,641,547
December (2)	7.50	5.84	26,349,635

Notes
(1) These figures are presented without giving effect to the 2014 Stock Split.
(2) These figures are presented after giving effect to the 2014 Stock Split, including for the period from July 1-July 23.

ESCROWED SECURITIES

The following table sets forth the class, percentage and number of securities of CESTC that are subject to escrow or contractual restrictions on transfer as at March 1, 2015.

Designation of Class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of Class(6)
Common Shares	5,454,545 Common Shares(1)	2.53%
Common Shares	1,676,152 Common Shares(2)	0.78%
Common Shares	376,677 Common Shares(3)	0.17%
Common Shares	1,456,422 Common Shares(4)	0.67%
Common Shares	868,455 Common Shares(5)	0.40%

Notes:
(1) The 5,454,545 Common Shares are held by the Escrow Agent in accordance with the terms of the JACAM Escrow Agreement pursuant to the JACAM Acquisition. The JACAM Escrow Agreement provides that certificates representing the original 16,363,635 Common Shares held in escrow pursuant to the JACAM Escrow Agreement will be released to JACAM Chemicals as to 1/3 on March 1, 2014, 1/3 on March 1, 2015 and 1/3 on March 1, 2016, respectively, subject in each case to certain industry standard escrow release conditions relating to a "change of control" or take-over bid in respect of the Corporation.
(2) The 1,676,152 Common Shares are held by the Escrow Agent in accordance with the terms of the AES Permian Escrow Agreement pursuant to the AES Permian Acquisition. The AES Permian Escrow Agreement provides that certificates representing 2,514,228 Common Shares held in escrow pursuant to the AES Permian Escrow Agreement will be released to Venture Mud as to 1/3 on July 15, 2014, 1/3 on July 15, 2015 and 1/3 on July 15, 2016, respectively, subject in each case to certain industry standard escrow release conditions relating to a "change of control" or take-over bid in respect of the Corporation.

(3) The 376,677 Common Shares are held by the Escrow Agent in accordance with the terms of the Mega Fluids Escrow Agreement pursuant to the Mega Fluids Acquisition. The Mega Fluids Escrow Agreement provides that certificates representing 1,130,031 Common Shares held in escrow pursuant to the Mega Fluids Escrow Agreement will be released to certain individuals as to 1/3 on December 31, 2013, 1/3 on December 31, 2014 and 1/3 on December 31, 2015, respectively, subject in each case to certain industry standard escrow release conditions relating to a "change of control" or take-over bid in respect of the Corporation.

(4) The 1,456,422 Common Shares are held by the Escrow Agent in accordance with the terms of the Rheotech Escrow Agreement pursuant to the Rheotech Acquisition. The Rheotech Escrow Agreement provides that certificates representing 1,456,422 Common Shares held in escrow pursuant to the Rheotech Escrow Agreement will be released to Rheotech as to 1/3 on July 1, 2015, 1/3 on July 1, 2016 and 1/3 on July 1, 2017, respectively, subject in each case to certain industry standard escrow release conditions relating to a "change of control" or take-over bid in respect of the Corporation.

(5) The 868,455 Common Shares are held by the Escrow Agent in accordance with the terms of the Southwest Escrow Agreement pursuant to the Southwest Acquisition. The Southwest Escrow Agreement provides that certificates representing 868,455 Common Shares held in escrow pursuant to the Southwest Escrow Agreement will be released to Southwest as to 1/3 on September 5, 2015, 1/3 on September 5, 2016 and 1/3 on September 5, 2017, respectively, subject in each case to certain industry standard escrow release conditions relating to a "change of control" or take-over bid in respect of the Corporation.

(6) Calculated using the number of Common Shares outstanding as at March 1, 2015 of 215,995,797

DIRECTORS AND OFFICERS

Directors and Officers

The following sets out the respective names, municipalities of residence, positions with CESTC and the General Partner and principal occupations of the directors and officers of CESTC and the General Partner for the prior five year period.

Name and Municipality of Residence	Position with CESTC and the General Partner	Director or Officer of CESTC (and the General Partner) Since	Occupation during Last Five Years
KYLE D. KITAGAWA, CA (2) .... Calgary, Alberta, Canada	Director and Chairman of the Board of Directors	January 1, 2010 (December 9, 2005)	Independent businessman and corporate director since March, 2003. Prior thereto, President and Chief Executive Officer of Enron Canada Corp.
D. MICHAEL G. STEWART (2)(3) .... Calgary, Alberta, Canada	Director	January 1, 2010 (January 5, 2006)	Corporate director. Prior thereto, Executive Vice President, Business Development of Westcoast Energy Inc.
JOHN M. HOOKS (1) .... Calgary, Alberta, Canada	Director	January 1, 2010 (December 9, 2005)	President, Chief Executive Officer and a Director of Phoenix Technology Services Inc., the administrator of Phoenix Technology Income Fund (a directional and horizontal drilling services company).
RODNEY L. CARPENTER(3) .... Calgary, Alberta, Canada	Director	January 1, 2010 (December 9, 2005)	Independent Businessman. Former Vice President, Business Development of the General Partner from January, 2006 to December 31, 2008. Prior thereto, President and Chief Executive Officer of Canadian Fluid Systems Ltd.
BURTON J. AHRENS (2) .... New York, NY, USA	Director	September 13, 2013	President and Chief Executive Officer of Edgehill Corporation since 1992 and former Co-Manager of USIR Capital LLC.

Name and Municipality of Residence	Position with CESTC and the General Partner	Director or Officer of CESTC (and the General Partner) Since	Occupation during Last Five Years
COLIN D. BOYER (1)(2) .... Victoria, British Columbia, Canada	Director	January 1, 2010 (December 9, 2005)	Independent businessman since August, 2006. Prior thereto, President and Chief Executive Officer of Birchill Energy Limited from March, 2004 to August, 2006. Prior thereto, President and Chief Operating Officer of Birchill Exploration Limited.
JASON H. WEST (3) .... Hutchinson, Kansas, USA	Director and President of JACAM	March 7, 2013	President of JACAM Chemicals since 2009. Prior thereto, VP and General Counsel to JACAM Chemicals from 2002 to 2009.
THOMAS J. SIMONS .... Calgary, Alberta, Canada	Director and President and Chief Executive Officer	January 1, 2010 (December 9, 2005)	President and Chief Executive Officer of the General Partner since March, 2006 and of CESTC since January 1, 2010 and Vice President and principal of Impact Fluid Systems Inc.
CRAIG F. NIEBOER .... Calgary, Alberta, Canada	Chief Financial Officer	January 1, 2010 (November 17, 2008)	Chief Financial Officer of the General Partner since November 17, 2008 and of CESTC since January 1, 2010. Prior thereto, Chief Financial Officer of BrazAlta Resources Corp. from December, 2006 to November, 2008. Prior thereto, Chief Financial Officer of Quorum Information Technologies Inc. from September, 2003 to December, 2006.
KENNETH E. ZINGER .... Calgary, Alberta, Canada	Chief Operating Officer	January 1, 2010 (December 9, 2005)	Chief Operating Officer of the General Partner since January, 2006 and of CESTC since January 1, 2010 and President of Impact Fluid Systems Inc.
JASON D. WAUGH .... Carlyle, Saskatchewan, Canada	Vice President	March 7, 2013	Vice President of General Partner and CESTC since March 7, 2013. Prior thereto Division President of the General Partner from July 2010 to March 2013. Prior thereto Division Manager of the General Partner from 2006 to July 2010.
KENNETH D. ZANDEE......................... Calgary, Alberta, Canada	Vice President, Sales and Marketing	January 1, 2010 (December 9, 2005)	Vice President, Sales and Marketing of the General Partner since March, 2006 and of CESTC since January 1, 2010. Prior thereto, Vice President and Sales Manager of Canadian Fluid Systems Ltd.

Name and Municipality of Residence	Position with CESTC and the General Partner	Director or Officer of CESTC (and the General Partner) Since	Occupation during Last Five Years
JAMES M. PASIEKA .... Calgary, Alberta, Canada	Corporate Secretary	January 20, 2014	Partner of the national law firm McCarthy Tetrault LLP since September 2013. Prior thereto, partner of the national law firm Heenan Blaikie LLP from 2001 to August 2013.

Notes:

(1) Member of the Compensation Committee. Mr. Hooks is the Chair of the Compensation Committee.
(2) Member of the Audit and Governance Committee. Mr. Stewart is the Chair of the Audit and Governance Committee.
(3) Member of the Health, Safety & Environment Committee. Mr. Carpenter is the Chair of the Health, Safety & Environment Committee

Share Ownership

As a group, the directors and executive officers of CESTC beneficially own, control or direct, directly or indirectly, 18,269,729 Common Shares, representing approximately 8.5% of the outstanding Common Shares.

Corporate Cease Trade Orders or Bankruptcies

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

Mr. Hooks was previously a director of Octane Energy Services Ltd. ("**Octane**"), an oilfield services company. On October 15, 2004, Octane announced that it, and its wholly-owned subsidiaries, Octane Energy Services Inc. and Octane Energy Services (B.C.) Inc., filed voluntary applications for protection under the *Companies' Creditors Arrangement Act* ("**CCAA**") to assist Octane in carrying out a restructuring plan. Subsequently, Octane Energy Services Inc. and Octane Energy Services (B.C.) Inc. were placed into receivership by consent, and on June 21, 2005, Octane emerged from protection under the CCAA by satisfying all of its secured and unsecured creditors by payment of 100% of the outstanding claims submitted under the claims process pursuant to the CCAA plan of arrangement. On June 28, 2005, Octane announced that its shareholders voted in favour of changing the name of the company to NX Capital Corp. Mr. Hooks ceased to be a director of Octane in May 2005.

Personal Bankruptcies

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

Penalties and Sanctions

No director or officer of the Corporation (or personal holding company of any such person) and no securityholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a

Canadian securities regulatory authority, or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other material penalties or sanctions imposed by a court or regulatory body.

Conflicts of Interest

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

RISK FACTORS

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form and the Corporation's other public disclosure documents, including the managements' discussion and analysis of operations for the Corporation for the period ended December 31, 2014. These risks and uncertainties are not the only ones facing the Corporation. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently considers remote or immaterial, may also impair the operations of the Corporation and its subsidiaries. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Corporation could be materially adversely affected.

Risks Relating to the Business of the Corporation

Volatility of Industry Activity and Oil and Natural Gas Prices

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

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

The level of activity in the oil and natural gas exploration and production industry is volatile. Any prolonged substantial reduction in oil and/or natural gas commodity prices would likely affect oil and natural gas production levels and therefore affect the demand for drilling and well services by oil and natural gas clients. A material decline in oil or natural gas commodity prices or industry activity in any of the areas in which the Corporation operates could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows and therefore on the dividends declared on the Common Shares.

Reliance on Key Personnel

The successful operation of the Corporation's business depends upon the relationships, experience, abilities, expertise, judgment, discretion, integrity and good faith of the Corporation's executive officers, general managers, employees and consultants. In addition, the ability of the Corporation to expand its services and product offerings will depend upon the ability to attract qualified personnel as needed. The demand for skilled oilfield employees including drilling fluid technicians, chemists, production and specialty chemical experts is high, and the supply is limited. The inability to retain or recruit skilled personnel could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows and therefore on dividends declared on the Common Shares.

Reliance on Significant Clients

Certain of the Corporation's clients account for a potentially significant portion of the Corporation's revenues and income. The top five customers of the Corporation accounted for approximately 25% of its revenue for the year ended December 31, 2014, with one large Operator accounting for approximately 14%. There is no guarantee that the Corporation could find new clients to replace the loss of any of its significant clients. A loss of any one or more of these significant clients could have a significant adverse effect on the Corporation's business, financial condition, results of operations and cash flows and therefore on dividends declared on the Common Shares.

Competition

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

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

Proprietary Technology

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

Despite the efforts of the Corporation, the intellectual property rights of the Corporation may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Corporation may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Corporation's operations will prevent misappropriation or infringement.

Risk of Third-Party Claims for Infringement

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

Potential Replacement or Reduced Use of Products and Services

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

Performance of Obligations

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

Agreements and Contracts

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

Vulnerability to Market Changes

Fixed costs, including leases, labour costs, and depreciation, account for a significant portion of the Corporation's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could have a material adverse effect on the Corporation's financial condition, results of operations and cash flows and therefore on dividends declared on the Common Shares.

Seasonality

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

There is greater demand within the WCSB for oilfield services, including the drilling fluid systems provided by the Corporation, in the winter season when the occurrence of freezing permits the movement and operation of heavy equipment. Consequently, oilfield service activities tend to increase in the fall and peak in the winter months of

November through March. However, if an unseasonably warm winter prevents sufficient freezing, the Corporation may not be able to access well sites, and its operating results and financial condition may therefore be adversely affected. The demand for oilfield services, including the demand for all oilfield chemistries, may also be affected by the severity of the Canadian winters. The volatility in the weather and temperature can therefore create unpredictability in activity, which can have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows and consequently on dividends declared on the Common Shares.

Government Regulation

The operations of the Corporation are subject to a variety of federal, provincial and local laws of Canada; federal, state and municipal laws of the United States; and foreign laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the emission of greenhouse gases, the operation of equipment used in its operations, the disposal of fluids and other oilfield chemistries used in its drilling fluid systems and the manufacture, management, transportation, storage and disposal of certain materials and equipment used in the Corporation's operations. The Corporation invests financial and managerial resources to ensure such compliance and will continue to do so in the future. Although such expenditures have not historically been material to the Corporation, such laws or regulations are subject to change. Accordingly, it is impossible for the Corporation to predict the cost or impact of such laws and regulations on its future operations. It is not expected that any changes to these laws, regulations or guidelines would affect the operations of the Corporation in a manner materially different than they would affect other oil and natural gas service companies of a similar size.

Corporate Income Tax

The Corporation and its various subsidiaries are subject to corporate income and other taxation in various federal, provincial and state jurisdictions in Canada, the US, and Luxembourg. For the current and historical fiscal years, the Corporation's and its subsidiaries' income tax and other tax returns are subject to audits and reassessments by the various taxation authorities and where applicable, the Corporation adjusts previously recorded tax expense to reflect audit adjustments. The Corporation asserts that it has adequately provided for all income tax obligations. However, changes in facts, circumstances and interpretations as a result of income tax audits, reassessments, litigation with tax authorities or new tax legislation could result in an increase or decrease to the provision for income taxes. In addition, there can be no assurance that the Canada Revenue Agency (the "CRA") (or a provincial tax agency), U.S. Internal Revenue Service (or a state or local tax agency), or the Luxembourg Tax Authorities (collectively the "**Tax Agencies**") will agree with how CESTC calculates its income for tax purposes or that the various Tax Agencies will not change their administrative practices to the detriment of CESTC or its Shareholders.

Environmental Liability

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

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

In addition, laws and regulations relating to the environment, including those relating to the emission of greenhouse gases, and which apply to the business and operations of the Corporation are likely to change and become more stringent in the future. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Corporation cannot predict the nature of the restrictions that may be imposed. The Corporation may be required to increase operating expenses or capital expenditures in order to comply with any new environmental restrictions or regulations, which could in turn reduce the amount of dividends declared on the Common Shares.

Permits

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

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

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

The Corporation's ability to provide services to its customers is also dependent upon the availability at reasonable prices of raw materials which the Corporation purchases from various suppliers, most of whom are located in North America and increasingly from overseas. The Corporation believes alternate suppliers exist for all major required raw materials. The availability and supply of materials has been consistent in the past; however in periods of high activity, periodic shortages of certain materials have been experienced and costs may be affected. Management maintains relationships with a number of suppliers in an attempt to mitigate this risk. However, if the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to the Corporation's clients could have a material adverse effect on the Corporation's results of operation and cash flows and therefore on the dividends declared on the Common Shares.

Operating Risks and Insurance

The Corporation's operations take place, in part, at well sites and are therefore subject to hazards inherent in the oil and natural gas industry, such as equipment defects, malfunction and failures, and natural disasters which could result in fires, vehicle accidents, explosions and uncontrollable flows of oil, natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. The Corporation's operations also involve the reacting, blending and transporting of volatile and at times toxic chemicals and materials which can result in fires, explosions, burns, respiratory illness and other problems. Although on the drilling and well service side of the business the aforementioned hazards are primarily the responsibility of the Operator who contracts with the Corporation this isn't the situation with the chemical manufacturing arm and as such these risks could expose the Corporation to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with clients, employees and regulators.

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

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

Credit Risk

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

Risks Relating to Past and Future Transactions

Acquisition and Development Risks

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

Failure to Achieve Benefits of Acquisitions

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

Operational and Business Risks Relating to Acquisitions

The Corporation has conducted due diligence with respect to the Conversion Transaction, the US Drilling Fluids Acquisitions, the JACAM Acquisition, the 2014 Canadian Acquisitions and the Southwest Acquisition in relation to business, legal, operational, financial and environmental matters but there can be no assurance that the Corporation has identified all of the potential liabilities related to those transactions and any acquired businesses and assets. In particular, if the assets of the aforementioned acquisitions prove to be less valuable than anticipated, the Corporation's financial results could be adversely affected.

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

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

Tax Related Risks Associated with the Conversion Transaction

Effective January 1, 2010, Canadian Energy Services L.P. (the "Partnership") and Canadian Energy Services Inc. (the "General Partner") completed a transaction with Nevaro Capital Corporation ("Nevaro") which resulted in the

Partnership converting from a publicly-traded Canadian limited partnership to a publicly-traded corporation formed under the Canada Business Corporations Act (the "Conversion"). The Conversion resulted in the unitholders of the Partnership becoming shareholders of CESTC with no changes to the underlying business operations. CESTC undertook the Conversion as the limited partnership structure restricted the ability for CESTC to grow in the United States. Pursuant to the Limited Partnership Agreement in place, only persons who were residents in Canada, or, if partnerships were Canadian partnerships, in each case for purposes of the Tax Act, could own Class A Units of CESTC. CESTC proactively assessed several options available to expand its equity holding base beyond Canadian residents. In addition, in order to satisfy conditions of the Champion acquisition, CESTC was required to alter its legal structure. The resulting decision of CESTC was to pursue the Conversion. The steps pursuant to which the Conversion was effected were structured to be tax deferred to CESTC and unitholders based on current legislation.

In August 2014, the Corporation received a proposal letter from the CRA which stated its intent to challenge the Canadian tax consequences of 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). CESTC provided a response to the proposal letter in September 2014 and to date, no further correspondence has been received. If the CRA issues a Notice of Reassessment for the 2010, 2011 and 2012 taxation years, the Corporation would be required to pay 50 percent of the tax liability claimed by the CRA in order to appeal these reassessments. If the reassessments are issued and maintained on appeal, the estimated tax liability for the three years since the Conversion would amount to approximately $16.0 million in cash taxes. CESTC would have 90 days from the date of the Notice of Reassessment to prepare and file a Notice of Objection. If the CRA is not in agreement with the Corporation's Notice of Objection, CESTC will have the option to file an appeal with the Tax Court of Canada. If the Corporation is successful in appealing its reassessment in the Tax Court of Canada, then any amounts paid to the CRA in connection with the reassessment will be refunded plus interest. In the event CESTC is unsuccessful, then any remaining taxes payable plus interest and penalties will have to be remitted.

The impact of the CRA proposal on CESTC's tax provision has been considered by management and the Corporation 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 CESTC'S tax filing position. No amount has been provided for in the Corporation's December 31, 2014 financial statements related to the Conversion.

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

Access to Current and Additional Financing

The Corporation's ability to access its Senior Facility is directly dependent on, among other factors, certain financial ratios and other restrictive covenants. A breach of any of these covenants, which may be affected by events beyond the Corporation's control, could constitute an event of default which, if not cured or waived, could result in the amounts outstanding on the credit facility to become due and payable immediately. In addition, the Corporation's Senior Facility may, from time to time, impose operating and financial restrictions on the Corporation that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to the Corporation's securities, incurring of additional indebtedness, provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, or disposition of assets, among others.

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

Debt Service

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

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

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

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

Capital Markets

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

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

At December 31, 2014, the Corporation had approximately $133 million of unused credit available under its Senior Facility.

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

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

Unpredictability and Volatility of Share Price

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

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

Ability to Achieve Profitability and Manage Growth

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

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

There can be no assurance that the Corporation will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on it business, financial condition, results of operations and cash flow and therefore on dividends declared on the Common Shares.

Risks Relating to the Structure of the Corporation

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

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

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

Leverage and Restrictive Covenants

The degree to which the Corporation is financially leveraged could have important consequences to the Shareholders, including: (i) a portion of the Corporation's cash flow from operations will be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for dividends on the Common Shares; and (ii) certain of the Corporation's borrowings will be at variable rates of interest, which exposes the Corporation to the risk of increased interest rates. The Corporation's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

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

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

Restrictions on Potential Growth

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

Issuance of Additional Common Shares

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

Other Risks

Changes in Laws

Income tax laws and other laws or government incentive programs relating to the oil and natural gas industry may in the future be changed or interpreted in a manner that adversely affects the Corporation and Shareholders. Tax authorities having jurisdiction over the Corporation or the Shareholders may disagree with the manner in which the Corporation calculates its income for tax purposes or could change their administrative practices to the Corporation's detriment or to the detriment of Shareholders.

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

Conflicts of Interest

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

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

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

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

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

Legal Proceedings

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

AUDIT COMMITTEE INFORMATION

The disclosure regarding the Corporation's Audit Committee required under Multilateral Instrument 52-110, adopted by certain of the Canadian securities regulatory authorities, is contained in Appendix "A" of this Annual Information Form. The Charter of the Audit and Governance Committee is contained in Appendix "B" of this Annual Information Form.

LEGAL PROCEEDINGS

There are no legal proceedings involving claims for damages in an amount exceeding 10% of CESTC's current assets to which CESTC is or was a party or in respect of which any of property is or was subject during the year ended December 31, 2014, nor are there any such proceedings known to Management to be contemplated.

MATERIAL CONTRACTS

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

The Senior Facility in effect permits the Corporation to borrow up to $200 million with no borrowing base requirement. In addition, subject to certain terms and conditions, the Company may increase its Senior Facility by $100 million to a maximum borrowing of $300 million. The Senior Facility was executed on September 5, 2014, remains in effect and is a material contract to CESTC. See "Description of Capital Structure – Senior Facility" for further information.

CESTC has $300 million in principal amount of Senior Notes outstanding. The Senior Notes Indenture remains in effect and is a material contract to CESTC. See "Description of Capital Structure – Senior Notes" for further information.

INTERESTS OF EXPERTS

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

TRANSFER AGENT AND REGISTRAR

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

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on the internet on the Corporation's SEDAR profile at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in the Corporation's information circular dated May 15, 2014 for the annual general and special meeting of Shareholders held on June 18, 2015. Additional financial information is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2014, and the accompanying management's discussion and analysis of financial conditions and results of operations dated March 12, 2015. Shareholders who wish to receive printed copies of these documents free of charge should contact the Corporation using the contact information included on the final page of this Annual Information Form.

SCHEDULE "A"
AUDIT AND GOVERNANCE COMMITTEE DISCLOSURE

PURSUANT TO MULTILATERAL INSTRUMENT 52-110

Overview

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

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

The Audit and Governance Committee Charter

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

Composition of the Audit Committee

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

Relevant Education and Experience

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

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

Name	Principal Occupation and Biography
D. Michael G. Stewart	Michael Stewart is a corporate director. He also serves on the Boards of Directors of TransCanada Corporation and its subsidiary TransCanada Pipelines and Pengrowth Energy Corporation. Prior thereto, Mr. Stewart held several positions at Westcoast Energy Inc. (Westcoast") from 1993 to 2002 when Westcoast was acquired by Duke Energy Corporation. The positions Mr. Stewart held at Westcoast and its subsidiary and affiliate

Name	Principal Occupation and Biography
	companies included Executive Vice President, Business Development of Westcoast, responsible for the development of Westcoast's power, international and major new projects; President of Westcoast Energy International Inc.; Chairman of Westcoast Power Inc.; Chairman of the Management Committee of Maritimes & Northeast Pipeline Limited Partnership; and Co-Chief Executive Officer of Foothills Pipelines Ltd. Before joining Westcoast Mr. Stewart held a number of executive positions with companies involved in the energy, fertilizer and sulphur businesses. Mr. Stewart graduated from Queen's University with a Bachelor of Science degree in Geological Sciences. He is a member of the Institute of Corporate Directors and the Association of Professional Engineers and Geoscientists of Alberta (non-practicing).
Kyle D. Kitagawa, CA	Kyle Kitagawa brings over 30 years of experience in commodity trading, equity investing, and structured finance in energy and energy intensive industries. Prior to April 2003, he held senior executive positions in a global energy trading and capital corporation. Currently, Mr. Kitagawa serves as Chairman of Coral Hill Energy Ltd and is a Director of Zargon Oil & Gas Ltd. He holds a Master of Business Administration degree from Queen's University, a Bachelor of Commerce from the University of Calgary and is a Chartered Accountant.
Burton J. Ahrens	Burt Ahrens is the President of the Edgehill Corporation, a diversified venture capital company with a bias towards energy and energy-related investments. Mr. Ahrens was Co-Manager of USIR Capital LLC, an opportunistic growth-oriented hedge fund and the Chairman of Edgehill Select group, LLC, the sponsor of an umbrella trust that has registered and listed seven sub-funds on the Dublin Stock Exchange. Mr. Ahrens was a founder and President of Oil Fields Systems Corp., which in 1985 was acquired by Snyder Oil Corporation and its publicly traded affiliate, American Oil Fields, PLC. He was also Chairman of Perkins Drilling Company, then the largest drilling company in Ohio at the time of its sale in December 1980. Mr. Ahrens is or has been a director of several public and private corporations. A graduate of Cornell and Yale Law School, where he was an editor of the Yale Law Journal, Mr. Ahrens practiced law with Cravath, Swaine & Moore and was founding Senior Partner of Feit & Ahrens.
Colin D. Boyer	Colin Boyer is an Independent Businessman. Mr. Boyer was, until August, 2006, the President and Chief Executive Officer of Birchill Energy Limited, a private oil and natural gas company. Mr. Boyer’s 30 years of experience in the oil and natural gas industry includes acting as President of Boyer Petroleum Engineering Ltd. from 1985 to 2000, a consulting engineering firm providing services for field operations, production and reservoir analysis and management. Mr. Boyer is currently a director of a private oil and natural gas company. Mr. Boyer has a Bachelor of Science degree with a major in Petroleum Engineering from the University of Wyoming and has been a member of the Association of Professional Engineers and Geoscientists of Alberta since 1976.

External Auditor Service Fees

The following table sets out the aggregate fees billed by the Corporation's external auditor for the years ended December 31, 2013, and December 31, 2014.

Period Ended	Audit Fees(1)	Audit-Related Fees(2)	Tax Fees(3)	All Other Fees(4)
December 31, 2013	$395,759	Nil	$1,188,960	Nil
December 31, 2014	$563,997	Nil	$433,986	Nil

Notes:

(1) Audit Fees are comprised of the aggregate fees billed by the Corporation's auditor. The Corporation has been billed for professional services for the audit of the Corporation's annual consolidated financial statements and reviews of the Corporation's quarterly financial statements, as well as services provided in connection with statutory and regulatory filings or engagements.

(2) Audit-Related Fees are comprised of the aggregate fees billed for assurance and related services by the Corporation's external auditor that are reasonably related to the performance of the audit review of the Corporation's financial statements and are not reported under note (1) above.

(3) Tax Fees are comprised of the aggregate fees billed for professional services rendered by the Corporation's external auditor for tax compliance, tax advice, and tax planning.

(4) All Other Fees are comprised of the aggregate fees billed for products and services provided by the Corporation's external auditor, other than the services reported under notes (1), (2), and (3), above.

SCHEDULE "B"
AUDIT AND GOVERNANCE COMMITTEE CHARTER

PART I
ESTABLISHMENT OF COMMITTEE

1. Committee Purpose

The Audit and Governance Committee (the "**Committee**") is established by the board of directors (the "**Board of Directors**") of Canadian Energy Services & Technology Corp. (the "**Corporation**"), for the purpose of: (i) overseeing the accounting and financial reporting processes of the Corporation including the reviews and audits of the financial statements of the Corporation; and (ii) maintaining and enhancing the Corporation's corporate governance practices, including identifying and recommending qualified individuals in respect of the Board of Directors.

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

(a) the quality and integrity of the financial statements and related disclosure of the Corporation;

(b) compliance by the Corporation with legal and regulatory requirements that could have a material effect upon the financial position of the Corporation which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole;

(c) the independent auditor's qualifications and independence;

(d) the performance of the Corporation's independent auditor; and

(e) the performance of the Board of Directors, individual members of the Board of Directors, committees and the Chair of the Board of Directors.

2. Composition of Committee

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

(a) an "unrelated" and "independent" director as defined in, and for the purposes of, any applicable governance guidelines or listing standards of any stock or securities exchange upon which the securities of the Corporation are, from time to time, listed; and

(b) an "independent" and "financially literate" director for the purposes of any applicable corporate, securities or other legislation or any rule, regulation, instrument, policy, guideline or interpretation under such legislation, including, but not limited to, National Instrument 52-110 – *Audit Committees*, promulgated under the *Securities Act* (Alberta).

3. Appointment of Committee Members

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

PART II
COMMITTEE PROCEDURE

4. Vacancies

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

5. Committee Chair

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

6. Absence of Chair

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

7. Secretary of Committee

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

8. Regular Meetings

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

9. Special Meetings

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

10. Quorum

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

11. Notice of Meetings

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

12. Agenda

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

13. Delegation

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

14. Access

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

15. Attendance of Others at a Meeting

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

16. Procedure, Records and Reporting

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

17. Outside Consultants or Advisors

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

PART III
COMMITTEE TERMS OF REFERENCE - AUDIT

18. Appointment of the Corporation's Independent Auditor

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

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

19. Specific Mandates

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

(a) Oversight in Respect of Financial Disclosure

(i) review, discuss with management and the independent auditor, and recommend to the Board of Directors for approval:

A. the audited annual financial statements;

B. the annual information form;

C. the annual management's discussion and analysis;

D. the portions of the management proxy circular, for any annual or special meeting of shareholders, containing significant financial information respecting the Corporation;

E. all financial statements included in prospectuses or other offering documents;

F. any significant financial information contained in all prospectuses and all documents which may be incorporated by reference in a prospectus;

G. any significant financial information respecting the Corporation contained in a material change report, business acquisition report or press release;

(ii) review, discuss with management and the independent auditor, and recommend to the Board of Directors for approval:

A. the unaudited interim financial statements of the Corporation;

B. the quarterly management's discussion and analysis of the Corporation;

C. the interim reports of the Corporation;

(iii) review and discuss with management:

A. each press release which contains significant financial information respecting the Corporation (including, without limitation, annual and interim earnings press releases) or contains earnings guidance, prior to public dissemination thereof;

B. the use of "pro forma" or "adjusted" non-GAAP information;

C. financial information and earnings guidance provided to analysts and rating agencies; provided, however, that such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made) and in accordance with the Disclosure and Media

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

(iv) review with management and the independent auditor the scope of the audit, in particular the independent auditor's view of the Corporation's accounting principles as applied in the financial statements in terms of disclosure quality and evaluation methods, inclusive of the clarity of the Corporation's financial disclosure and reporting, degree of conservatism or aggressiveness of the Corporation's accounting principles and underlying estimates, and other significant decisions made by management in preparing the financial disclosure and reviewed by the independent auditor;

(v) review with management and the independent auditor major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls and procedures for financial reporting and management information systems and inquire of management and the independent auditor about significant risks and exposures to the Corporation that could significantly affect the Corporation's financial statements;

(vi) review with management and the independent auditor, and satisfy itself as to the adequacy of the procedures that are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of those procedures;

(vii) review with management and the independent auditor (including those of the following that are contained in any report of the independent auditor): (a) all critical accounting policies and practices to be used by the Corporation in preparing its financial statements; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of these alternative treatments, and the independent auditor's assessment of the alternatives; and (c) other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences;

(viii) review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet transactions on the Corporation's financial statements;

(ix) review the plans of management and the independent auditor regarding any significant changes in accounting practices or policies and the financial and accounting impact thereof;

(x) review with management, the independent auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters have been disclosed in the financial statements;

(xi) review disclosures by the Corporation's President and Chief Executive Officer and Chief Financial Officer with respect to any required certification for the Corporation's financial statements by such individuals; and

(xii) discuss with management the Corporation's material financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's financial risk assessment and financial risk management policies and insurance policies.

(b) Oversight in Respect of Legal and Regulatory Matters

(i) review, if necessary, with legal counsel, the Corporation's compliance policies, legal matters and any material reports or inquiries received from regulators or governmental agencies that could have a material effect upon the financial position of the Corporation and which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole.

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

(i) consult with management on management's appointment, replacement, reassignment or dismissal of the Chief Financial Officer of the Corporation; and

(ii) ensure the Chief Financial Officer of the Corporation and the Finance Director of the Corporation have access to the Chair, the Chairman of the Board of Directors and the Chief Executive Officer of the Corporation, and shall meet separately with the Chief Financial Officer of the Corporation and the Finance Director of the Corporation to review any problems or difficulties he or she may have encountered in the performance of his or her responsibilities and report to the Board of Directors on such meetings.

(d) Oversight in Respect of the Independent Auditor

(i) meet with the independent auditor prior to the annual audit to review the planning and staffing of the audit;

(ii) review annually the independent auditor's formal written statement of independence delineating all relationships between itself and the Corporation and review all such relationships;

(iii) receive confirmation from the independent auditor as to its standing as a "participating audit firm" and its compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board as those concepts are set forth in National Instrument 52-108 of the Canadian Securities Administrators;

(iv) review and evaluate the independent auditor, including the lead partner of the independent auditor team;

(v) meet separately with the independent auditor to review with them any problems or difficulties they may have encountered and specifically:

A. any difficulties which were encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management; and

B. any changes required in the planned scope of the audit;

and report to the Board of Directors on such meetings;

(vi) review and approve the engagement letters of the independent auditor for the interim quarterly reviews and annual audit of the financial statements of the Corporation; and

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

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

(i) have the sole authority to pre-approve all audit services (which may entail providing comfort letters in connection with securities underwritings) and all permitted non-audit services, other than non-audit services where:

A. the aggregate amount of all such non-audit services provided to the Corporation or its subsidiaries constitutes not more than 5% of the total amount of fees paid by the Corporation (and its subsidiaries) to the independent auditor during the fiscal year in which the non-audit services are provided;

B. such services were not recognized by the Corporation (or any subsidiary) at the time of the engagement to be non-audit services; and

C. such services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee; and

(ii) delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this section; provided that the decision of any member to whom authority is delegated to pre-approve an activity shall be presented to the Committee at the first scheduled meeting following such decision, and provided further that, if the Committee approves an audit service within the scope of the engagement of the independent auditor, such audit service shall be deemed to have been pre-approved for purposes of this section.

(f) Oversight in Respect of Certain Policies

(i) establish procedures for: (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and

(ii) periodically review the Corporation's Disclosure and Media Policy, Insider Trading Policy and any other policies the Committee deems appropriate for the performance of its oversight responsibilities.

20. Oversight Function

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

PART IV
COMMITTEE TERMS OF REFERENCE – GOVERNANCE

21. Establishment and Review of Board of Directors Member Characteristics

The Committee shall:

(a) establish and review with the Board of Directors the appropriate skills and characteristics required of Board of Directors' members, taking into consideration the Board of Directors' short-term needs and long-term succession plans; and

(b) develop, and annually update, a long-term plan for the Board of Director's composition that takes into consideration the characteristics of independence, age, skills, experience and availability of service to the Corporation of its members, as well as the opportunities, risks, and strategic direction of the Corporation.

22. Evaluation, Identification and Recommendation of Nominees to the Board of Directors

In consultation with the Chairman of the Board of Directors and the Chief Executive Officer, the Committee shall:

(a) identify and recommend to the Board of Directors nominees for election or re-election to the Board of Directors or for appointment to fill any vacancy that is anticipated or has arisen on the Board of Directors in accordance with governance guidelines as or policies adopted by or applicable to the Corporation from time to time and this Charter;

(b) evaluate candidates for the Board of Directors recommended by shareholders; and

(c) report to the Board of Directors regularly on the status of these efforts.

23. Monitoring and Review of Board of Directors Member Education and Development

The Committee shall:

(a) review, monitor and make recommendations regarding the initial orientation and education of new Board of Directors members, and the ongoing education of directors; and

(b) upon a significant change in a director's principal occupation or upon a director assuming any significant outside commitments, review, as appropriate and in light of the then current Board of Directors policies and the Corporation's governance guidelines and policies adopted by or applicable to the Corporation, the continued Board of Directors membership of such director.

24. Recommendation of Directors to Serve as Committee Members and Chairs

The Committee shall recommend to the Board of Directors individual directors to serve as members and Chairs of each committee of the Board of Directors.

25. Development of Governance Guidelines

The Committee shall develop and recommend to the Board of Directors for approval a set of governance guidelines for the Corporation. The Committee shall periodically review the Corporation's governance guidelines to determine whether the Guidelines remain appropriate for the Corporation and shall develop and recommend to the Board of Directors for approval any changes in the governance guidelines that the Committee determines to be necessary or advisable. The Committee shall be responsible for the Corporation's response regarding compliance with the governance guidelines, recommendations or requirements of any applicable regulator or securities exchange.

26. Board of Directors Guidelines, Policies, Procedures and Charter

In order to implement the governance guidelines of the Corporation, as may be implemented, adopted or amended from time to time, the Committee shall:

(a) review periodically, for Board of Directors' approval, policies and procedures by which the Board of Directors will operate and the Terms of Reference and/or Charter for the Board of Directors, the Chairman of the Board of Directors and committees of the Board of Directors;

(b) review the Corporation's structures and procedures to ensure the Board of Directors is able to, and in fact does, function independently of management;

(c) advise the Board of Directors regularly with respect to significant developments in the law and practice of corporate governance, as well as the compliance by the Corporation with its governance guidelines, as may be implemented, adopted or amended from time to time, and applicable laws and regulations;

(d) make recommendations to the Board of Directors on all matters of corporate governance, including any reports that may be required or considered advisable, and on any corrective action to be taken, as the Committee may deem appropriate; and

(e) at the request of the Chairman of the Board of Directors or the Board of Directors, undertake such other corporate governance initiatives as may be necessary or desirable to contribute to the success of the Corporation.

27. Establishment and Implementation of Evaluation Processes

The Committee shall establish criteria for, and annually implement, an evaluation process for the Board of Directors.

28. Oversight of Risk Management Activities

The Committee shall periodically monitor and review the Corporation’s risk management policies and procedures to ensure:

(a) the policies and procedures provide for the identification of key risks to the Corporation’s business and operations;

(b) there is executive responsibility for the implementation of appropriate strategies for the management and mitigation of key risks; and

(c) the Board of Directors and its committees maintain appropriate oversight of the implementation and application of the Corporation’s risk management policies, procedures and strategies.

29. Establishment of Procedure for Independent Counsel Engagement by a Committee or Director

The Committee shall ensure that there is a system that enables each Committee and each director to engage separate independent counsel in appropriate circumstances, at the Corporation's expense, and be responsible for the ongoing administration of such a system.

30. Review of Disclosure

The Committee shall review those portions of the Corporation's annual disclosure documents containing significant information relating to matters within the Committee's mandate.

PART V
GENERAL

31. Self-Evaluation

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

32. Review of Committee’s Charter

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

33. Non-Exhaustive List

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

.

Canadian Energy
SERVICES & TECHNOLOGY CORP.

CANADIAN ENERGY SERVICES & TECHNOLOGY CORP.
1400, 700 – 4th Avenue S.W.
Calgary, Alberta, Canada
T2P 3J4

Telephone: 1-888-785-6695
Fax: (403) 266-5708
www.CanadianEnergyServices.com