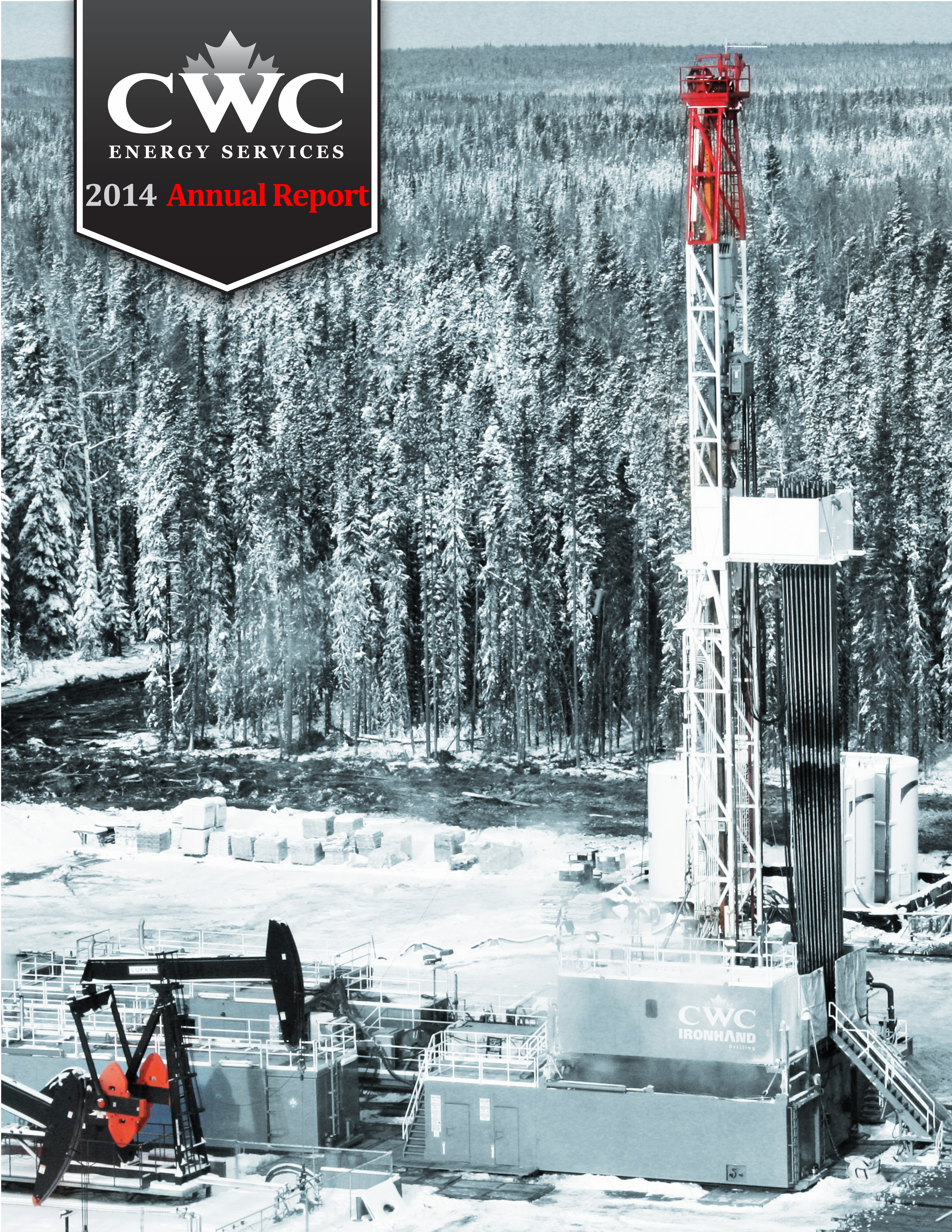
CWC ENERGY SERVICES

2014 Annual Report



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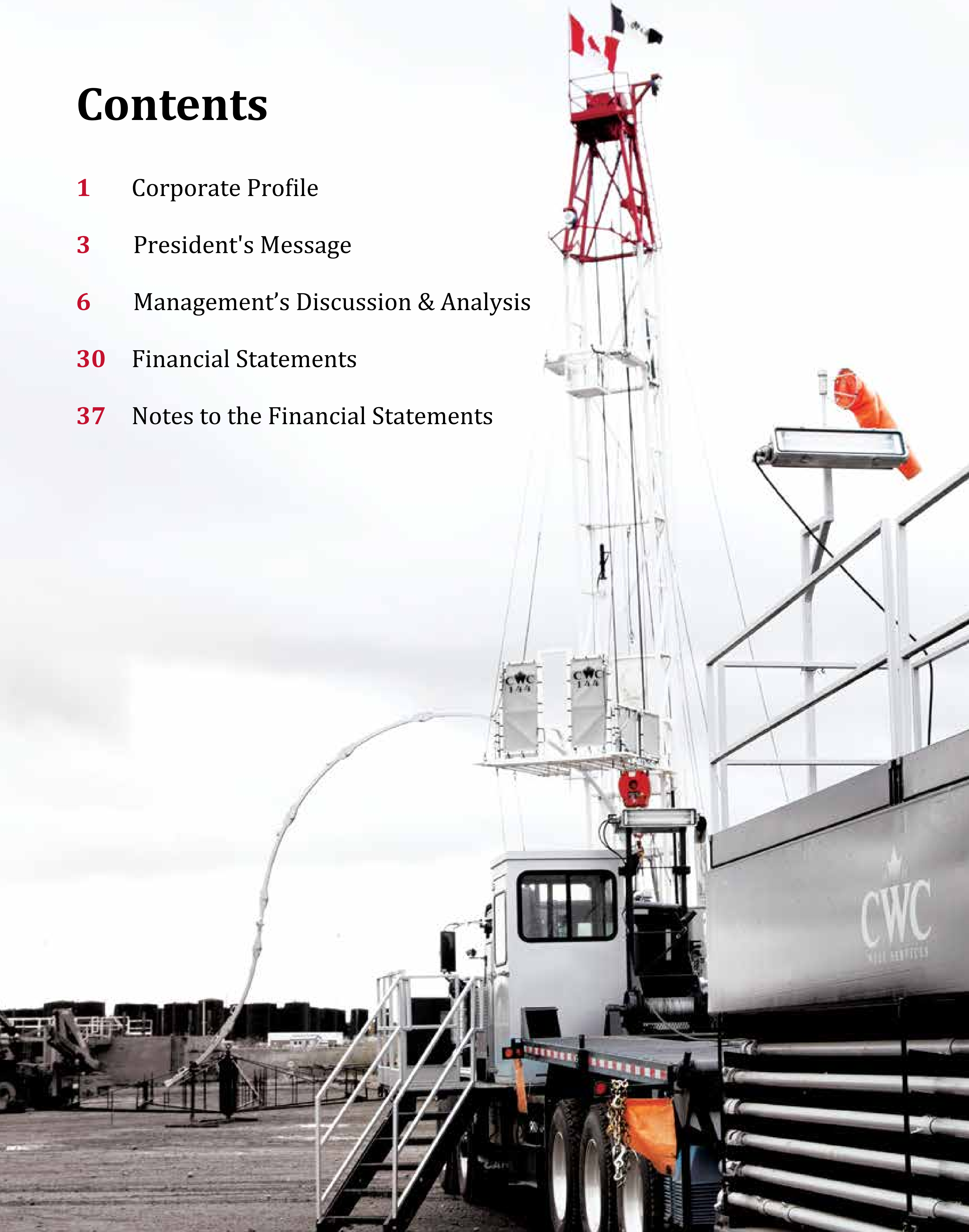


Corporate Profile

CWC
ENERGY SERVICES

TSX-V: CWC

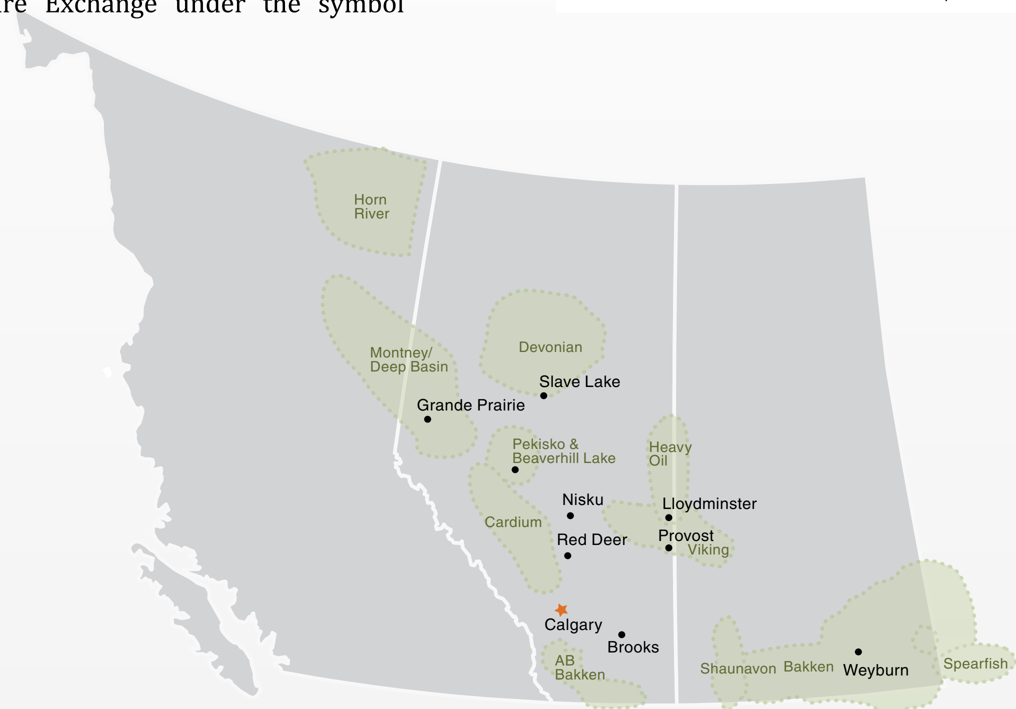
CWC Energy Services Corp. is a premier oilfield services company operating in the western Canadian Sedimentary Basin with a complementary suite of services including drilling rigs, service rigs and coil tubing. CWC provides contract drilling services and operates as CWC Ironhand Drilling. CWC's production services includes service rigs and coil tubing units and operates as CWC Well Services. The Company's corporate office is located in Calgary, Alberta, with operational locations in Nisku, Grande Prairie, Slave Lake, Red Deer, Lloydminster, Provost, and Brooks, Alberta and Weyburn, Saskatchewan. The Company's shares trade on the TSX Venture Exchange under the symbol "CWC".

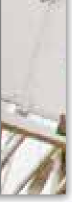
Market Profile

	December 31, 2014
Shares outstanding	270.8 million
Price	$0.43
Market cap	$116.4 million

Financial Information

($ millions)	2014	2013	2012
Revenue	$143.7	$113.3	$112.3
EBITDAS	$34.1	$26.2	$25.0
Total Assets	$275.4	$149.0	$152.7
Long-Term Debt	$65.7	$44.0	$45.0
Net Debt	$28.9	$29.5	$31.2





Divisions

Contract Drilling

The Contract Drilling division operates under the trade name CWC Ironhand Drilling and is comprised of 9 telescopic double drilling rigs with depths ranging from 3,200 to 4,500 metres with an average age of 5 years. 8 of the 9 drilling rigs have top drives. All of the drilling rigs are ideally suited for the most active depths for horizontal drilling in the WCSB. With an operational base out of Nisku, Alberta, CWC Ironhand Drilling is ideally positioned for the deeper depths of the WCSB.

Production Services

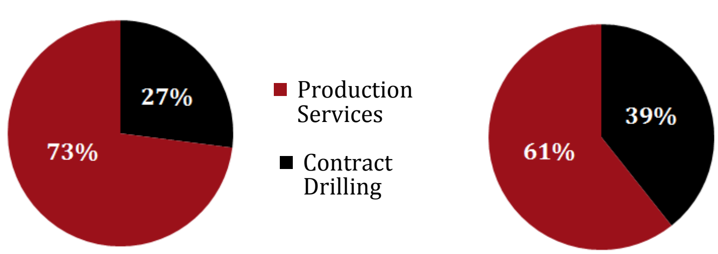
The Production Services division operates under the trade name CWC Well Services and is comprised of 72 service rigs and 9 coil tubing units. At December 31, 2014, CWC is the fifth largest well servicing company offering one of the youngest and most technologically-advanced service rig fleets in the WCSB. These service rigs provide completions, workovers and abandonments with depths ranging from 1,500 to 5,000 metres and are well positioned throughout the WCSB with operating locations in Grande Prairie, Red Deer, Lloydminster, Provost and Brooks, Alberta and Weyburn, Saskatchewan. CWC also operates 9 coil tubing units to a maximum capacity of 2 inch coil and depth rating from 1,500 to 4,000 metres. CWC's coil tubing units are ideally suited for the SAGD wells in the oilsands as well as other parts of the WCSB. CWC's Well Servicing division is well positioned for the changing demands of our oil and gas customers for horizontal drilling and deeper depth capabilities.

Equipment

	2014	2013	2012
Contract Drilling	9	-	-
Service Rigs	72	71	68
Coil Tubing	9	8	8

2014

REVENUE BY DIVISION **EBITDAS BY DIVISION ***



* *Divisional contribution, corporate costs excluded*

Board of Directors
Jim Reid, Chairman
Duncan Au
Daryl Austin
Gary Bentham
Wade McGowan
Dean Schultz

Management
Duncan Au, CA, CFA
President & CEO
Craig Flint, CA
Chief Financial Officer
Ron Sutley
VP Operations (Drilling)
Darwin McIntyre
VP Operations
(Well Services - East)
Layne Wilk
VP Operations
(Well Services -West)
Brian Weighill
VP Sales & Marketing
(Drilling)
Mike DuBois
VP *Sales & Marketing*
(Well Services)
Karen Dilon, CA
VP Finance & Controller

President's Message

Dear Fellow Shareholders,

I am very pleased to be able to share with you CWC Energy Services Corp.'s ("CWC" or the "Company") 2014 Annual Report. 2014 can best be described as a year of transformation and significant growth for our business resulting in record high revenue and cash flows. However, concerns over the oversupply of oil globally and its resultant effect on lower oil prices has created an uncertain short-term future for our business as reflected in our share price performance in the last two months of 2014 and continuing into 2015.

Highlights of 2014

In 2014, CWC continued to grow with record revenue ($143.7 million; $30.4 million increase from 2013) and record earnings before interest, taxes, depreciation, amortization, (gain) loss on disposal of assets, transaction costs, goodwill impairment and stock based compensation ("EBITDAS") ($34.1 million; $7.9 million increase from 2013) primarily as a result of the acquisition of Ironhand Drilling Inc. ("Ironhand") on May 15, 2014.

2014 saw extreme volatility in West Texas Intermediate ("WTI") oil prices. For the first half of 2014, WTI stayed strong at around $90 to $100 per bbl. However, oil prices started to decrease in the latter half of 2014 as concerns over the increasing supply of oil globally took hold, in part as a result of new technologies in horizontal drilling and multi-stage fracking opening up North American shale oil deposits that only five short years ago were unattainable. On November 27, 2014, the Organization of Petroleum Exporting Countries ("OPEC") decided that they would not cut oil production in favour of letting the global market determine the appropriate supply and demand balance and, therefore, the appropriate price for oil. After this OPEC statement, WTI oil prices immediately fell from the mid $70's to mid $50's per bbl by December 31, 2014. Currently, WTI is approximately $45 per bbl and our exploration and production ("E&P") customers have been adjusting to the new realities by cutting their 2015 capital expenditure programs and reducing costs including rate reductions from its' service providers including CWC.

But before we get ahead of ourselves to discuss what 2015 might look like, let's enjoy what CWC was able to accomplish in 2014. On March 20, 2014, CWC announced the acquisition of Ironhand, an eight telescopic double drilling rig company with one of the highest utilization rates in the Western Canadian Sedimentary Basin ("WCSB"). The closing of the purchase of Ironhand on May 15, 2014 has transformed CWC by combining a Contract Drilling division, whose drilling rigs are ideally suited for the most active depths for horizontal drilling in the WCSB, with a best-in-class well servicing company as represented by the Production Services division. The combination of these two divisions will provide a platform for meaningful long-term growth opportunities to service our existing and future E&P customers with the most relevant fleet of equipment for the longer depths and horizontal reaches of our WCSB. In August 2014, CWC purchased two shallow Class I coil tubing units to increase our ability to service E&P customers with steam assisted gravity drainage ("SAGD") wells. In September 2014, CWC put into service its ninth telescopic double drilling rig with a two year customer contract.

In October 2014, CWC put into service a new slant service rig increasing the Company's ability to service more heavy oil and SAGD wells. The addition of this fourth slant service rig increases CWC's total service rig fleet to 72, making CWC the fourth largest service rig company in the WCSB with one of the youngest and most technologically advanced fleets in Canada compared to our competitors. In the last four years, CWC has grown its service rig fleet by 31 rigs or 76%; more than any other service rig company in Canada during this time. In fact since July 2011, among the six largest Canadian service rig companies, CWC is the only company to increase its service rig fleet, while every other company has reduced the number of service rigs it has in its Canadian fleet resulting in an increase in market share relative to the other five companies.

CWC was not only growing its drilling rig, service rig and coil tubing asset base in 2014, but it also divested itself of non-core assets. In April 2014, CWC sold a Class III deep coil tubing unit as the market for deep conventional coil tubing units became extremely competitive with an increased supply of new deep coil tubing units over the last several years having an adverse affect on industry utilization and pricing. In September 2014, CWC announced the sale of its snubbing assets and business in several separate transactions. The sale of the Class III coil tubing unit and the snubbing assets and business has further focused the Company on its core assets and services of drilling rigs, service rigs and shallow and intermediate depth coil tubing units.

Concurrent with the acquisition of Ironhand, the Board of Directors ("Board") increased the quarterly dividend by 7.7% from $0.01625 per common share to $0.0175 per common share starting with the June 30, 2014 dividend. The declaration of future dividends is determined by the Board on a quarter-by-quarter basis based on the sustainability of CWC's cash flows and earnings. When OPEC decided on November 27, 2014 not to cut the supply of oil to the global marketplace, oil prices fell quickly in a short period of time. CWC had to react quickly to preserve cash resources as our activity level and environment were about to be negatively impacted. On December 23, 2014, CWC got conditional approval from the TSX Venture Exchange ("TSXV") to institute a dividend reinvestment plan ("DRIP") and a stock dividend program ("SDP") starting with the December 31, 2014 dividend. 69.2% of CWC's shareholders elected to participate in the DRIP and SDP for the December 31, 2014 dividend thereby saving CWC $3.4 million in cash dividends.

From a shareholders' perspective, CWC's share price performed well for the first nine months of 2014 reaching a high of $1.24 (a 49% increase from $0.83 at December 31, 2013), but fell dramatically in the last three months of 2014 as the capital markets adjusted equity valuations for the dramatic drop in oil prices and the anticipated slowdown that was about to take place in activity levels for all oilfield service companies in 2015. CWC's total return (share price appreciation and dividends) for the year ended December 31, 2014 was (40)%; our first negative return in five years. However, from a long-term shareholder value perspective, CWC shareholders are still up with a five year total return of 222%; significantly higher than any other publicly traded Canadian contract drilling or well servicing company.

Outlook For 2015

Q1 2015 started with our E&P customers coming back after the Christmas break with a mission in mind to reduce the day and hourly rates of their oilfield service providers by 10% to 20%. CWC worked with our E&P customers to decrease our rates, but still allow for a positive profit margin. However, regardless of the rate reductions, the E&P companies have significantly curtailed drilling, completions, maintenance and abandonment activity in Q1 2015 to do their part in reducing the amount of oil currently in the global marketplace. The Canadian Association of Oilwell Drilling Contractors ("CAODC") is forecasting 2015 drilling rig utilization of 26% (2014: 45%). For the first two months of 2015, the CAODC drilling rig utilization was 41% compared to 68% for the same period in 2014. CWC's revenue decreased approximately 40% in the first two months of 2015 compared to 2014 as a result of lower activity levels and rate reductions as well as an unusually warm winter affecting our ability to move equipment to the well site. As I write this letter in late March, we are already in the midst of an early spring breakup. CWC believes the length of time spring breakup will last in 2015 will be driven by economic conditions related to the price of oil rather than environmental ones.

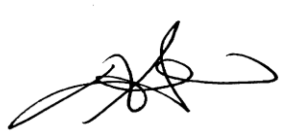
Given these circumstances, CWC has already implemented several cash saving initiatives aimed at preserving our cash resources and maintaining our balance sheet strength as well as retaining our most valuable asset – our key employees. These cash saving initiatives are intended to result in 2015 cash savings of $23.4 million compared to 2014 and include:

- The Board of Directors and senior management reducing their compensation by 9%;
- Salary reductions for all employees by 4%;
- Layoffs of 15% of salaried employees and 5% of field employees;
- Profit share and bonus programs for all employees suspended;
- Non-core well testing business suspended;
- Reduction of 2015 capital expenditure budget by 26%; and
- DRIP and SDP with approximately 69.2% participation rate and reduction of the quarterly dividend to $0.005 per common share results in a cash dividend reduction of 88%.

Although CWC does not expect to be in breach of our debt covenants, as a protective measure CWC received approval from our banking syndicate to relax certain of these debt covenants such that CWC is well positioned to manage the current slowdown in activity levels.

In closing, I would like to express my sincere thanks to the employees of CWC for their ongoing support, hard work and dedication. To our customers, we cherish your ongoing business and relationship and together we will weather this storm. To my Board of Directors, thank you for your guidance and wisdom through these choppy waters. And to all of my fellow shareholders who continue to believe and support us, we will return to happier times for it is not the strong, but the responsive that survive.

Sincerely and submitted on behalf of the Board of Directors,



Duncan T. Au
President & Chief Executive Officer
March 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

Management's Discussion and Analysis ("MD&A") is a review of the results of operations and liquidity and capital resources of CWC Energy Services Corp. (unless the context indicates otherwise, a reference in this MD&A to "CWC", the "Company", "we", "us", or "our" means CWC Energy Services Corp.). The following discussion and analysis provided by CWC is dated March 9, 2015 and should be read in conjunction with audited annual financial statements for the year ended December 31, 2014. Additional information regarding CWC can be found in the Company's latest Annual Information Form ("AIF"). The audited annual financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise noted. Additional information relating to CWC, including the AIF, is available on SEDAR at www.sedar.com.

Highlights for the Three Months Ended December 31, 2014

- Record revenue of $46.0 million, a 46% increase from $31.5 million in Q4 2013. Revenue increase was attributable to the addition of the Contract Drilling segment through the acquisition of Ironhand Drilling Inc. ("Ironhand") on May 15, 2014. Contract Drilling had Q4 2014 revenue of $20.3 million, reflecting strong rig utilization, increased rig rates and Rig #9 being put into service in late September 2014. Revenue from Production Services of $25.7 million was $5.8 million or 19% lower than Q4 2013 as a result of lower service rig utilization and the sale of the snubbing assets and business in September 2014.

- Record EBITDAS[1] of $13.5 million, which was 78% higher than the $7.6 million in Q4 2013. The increase in EBITDAS is due to the addition of the Contract Drilling segment contributing in Q4 2014 as a result of the acquisition of Ironhand in May 2014 with no corresponding contribution in Q4 2013.

- Contract Drilling segment achieved industry leading rig utilization of 84% in Q4 2014, significantly higher than the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 45%.

- Service Rig utilization in Q4 2014 of 45% was 7% lower than Q4 2013 of 52% due to the continuation of reduced activity from several of CWC's largest exploration and production ("E&P") customers. The Company continued its efforts to more broadly diversify its customer base in Q4 2014 such that reduced activity levels from any large customers would have less of an impact on overall revenue and cash flow in the future.

- Although the Company had a record Q4 and year ended 2014, the recent decline in crude oil and natural gas prices and the reduced outlook for oilfield services activity and pricing in 2015 has resulted in CWC recording a $20.9 million goodwill impairment charge in the Contract Drilling segment. This goodwill impairment charge has resulted in a net loss of $15.8 million in Q4 2014 compared to a net income of $2.2 million in Q4 2013.

- One new drilling rig (Rig #9) and one new slant service rig (Rig #504) were put into service in Q4 2014. Construction continued on another new telescopic double drilling rig (Rig #10), which has now been put on hold, and two new slant service rigs: Rig #505 delivered in January 2015 and Rig #506 is expected to be delivered in Q2 2015.

- On December 23, 2014 the Company implemented a Dividend Reinvestment Plan ("DRIP") and a Stock Dividend Program ("SDP") effective for the December 31, 2014 dividend paid on January 15, 2015. Holders of approximately 69.2% of outstanding common shares elected to participate in the DRIP or SDP for the December 31, 2014 dividend.

[1] Please refer to "Reconciliation of Non-IFRS Measures" section for further information.

Highlights for the Year Ended December 31, 2014

- Record revenue of $143.7 million for the year ended December 31, 2014, $30.4 million (27%) higher than 2013 revenue of $113.3 million. The Contract Drilling segment contributed incremental revenue of $38.8 million as a result of the acquisition of Ironhand on May 15, 2014. This was offset by lower revenue from the Production Services segment as a result of the sale of the snubbing assets and business in September 2014 and reduced activity from several of CWC's largest E&P customers resulting in lower utilization in Q3 and Q4 2014 compared to Q3 and Q4 2013.

- Record EBITDAS for the year ended December 31, 2014 of $34.1 million, an increase of $7.9 million (30%) from 2013 due primarily to the addition of the Contract Drilling segment as a result of the acquisition of Ironhand on May 15, 2014.

- For the 7.5 months since its acquisition, the Contract Drilling rig utilization was 70% compared to the CAODC industry average of 42% for the same period and 45% for year ended 2014.

- Service rig utilization for the year ended December 31, 2014 of 45% was 4% lower than the year ended 2013 of 49% due to the continuation of reduced activity from several of CWC's largest E&P customers in Q3 and Q4 2014.

- Net loss for the year ended December 31, 2014 was $13.5 million, a decrease of $18.3 million compared to net income of $4.8 million in 2013 due primarily to a $20.9 million goodwill impairment charge related to its Contract Drilling segment.

- On May 15, 2014, the Company entered the contract drilling business with the acquisition of Ironhand. CWC now has a best-in-class modern contract drilling fleet of nine telescopic double drilling rigs with depth ratings of 3,200 to 4,500 metres having an average age of five years. In conjunction with the Ironhand acquisition, CWC:

    - closed an equity financing for gross proceeds of $28.8 million through the issuance of 34,270,000 common shares at $0.84 per common share; and
    - amended and increased its credit facility from $75 million to $100 million, plus a $25 million accordion option to expand the credit facility to $125 million at a future date, subject to approval from the financing syndicate. The amendments include the extension of the committed term to June 21, 2017.

- The Company renewed its Normal Course Issuer Bid ("NCIB") effective May 22, 2014, to purchase from time to time, as it considered advisable, up to 13,520,411 of its issued and outstanding common shares through the facilities of the TSX Venture Exchange ("TSXV") or other recognized marketplaces. To December 31, 2014, 1,091,000 common shares have been repurchased, returned to Treasury and cancelled.

- On September 15, 2014, CWC announced the sale of its snubbing assets and business in several separate transactions for gross proceeds of $6.5 million, thereby further focusing the Company on its core assets and services of drilling rigs, service rigs and coil tubing.

- Declared dividends of $0.06875 per common share or $17.2 million for the year ended December 31, 2014.

Corporate Overview

CWC Energy Services Corp. is a premier oilfield services company operating in the WCSB with a complementary suite of services including drilling rigs, service rigs and coil tubing. CWC's Contract Drilling segment includes the results of operations for CWC's drilling rigs which are operated by the Company's CWC Ironhand Drilling division. CWC's Production Services segment includes the results of operations for CWC's service rigs, coil tubing units, and well testing equipment which are operated by the Company's CWC Well Services division. The Company's corporate office is located in Calgary, Alberta, with operational locations in Nisku, Grande Prairie, Slave Lake, Red Deer, Lloydminster, Provost, and Brooks, Alberta and Weyburn, Saskatchewan. The Company's shares trade on the TSX Venture Exchange under the symbol "CWC".

On May 15, 2014, CWC changed its name from CWC Well Services Corp. to CWC Energy Services Corp. and amalgamated with its wholly-owned subsidiary, Ironhand Drilling Inc.

Financial and Operational Highlights

$ thousands, except shares, per share amounts, and margins	Three months ended December 31, 2014	2013	% Change	Years ended December 31, 2014	2013	% Change
FINANCIAL RESULTS						
Revenue						
Contract drilling[1]	20,308	-	n/m[4]	38,819	-	n/m[4]
Production services	25,651	31,515	(19%)	104,847	113,297	(7%)
	45,959	31,515	46%	143,666	113,297	27%
EBITDAS [2]	13,487	7,598	78%	34,058	26,171	30%
EBITDAS margin (%) [2]	29%	24%	5%	24%	23%	1%
Funds from operations [2]	13,487	7,598	78%	33,217	26,171	27%
Net (loss) income	(15,760)	2,196	n/m[4]	(13,451)	4,863	n/m[4]
Net (loss) income margin (%)	(34%)	7%	(41%)	(9%)	4%	(13%)
Dividends declared[3]	4,828	2,638	83%	17,171	10,461	64%
Per share information						
Weighted average number of shares outstanding – basic	269,799,952	155,158,173		227,675,260	155,067,901	
Weighted average number of shares outstanding – diluted	269,799,952	159,840,021		227,675,260	159,634,517	
EBITDAS [2] per share – basic	$0.05	$0.05		$0.15	$0.17	
EBITDAS [2] per share – diluted	$0.05	$0.05		$0.15	$0.16	
Net income per share - basic and diluted	($0.06)	$0.01		($0.06)	$0.03	
Dividends declared per share	$0.0175	$0.01625		$0.06875	$0.065	

$ thousands, except ratios	December 31, 2014	December 31, 2013
FINANCIAL POSITION AND LIQUIDITY		
Working capital (excluding debt) [2]	20,603	14,507
Working capital (excluding debt) ratio [2]	2.2:1	2.3:1
Total assets	275,353	148,999
Total long-term debt (including current portion)	65,666	44,009
Shareholders' equity	172,705	91,344

(1) CWC entered into the contract drilling business on May 15, 2014, through the acquisition of Ironhand and results are included May 16, 2014 onward.

(2) Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.

(3) Dividends declared includes dividends to common shareholders and to vested stock option holders as at the record date.

(4) Not meaningful.

Working capital (excluding debt) and total assets have increased significantly since December 31, 2013 largely as a result of the acquisition of Ironhand which had a fair value of net assets acquired of $128.7 million on May 15, 2014. Long term debt (including current portion) has increased significantly since December 31, 2013 due to $26 million in debt assumed as part of the acquisition of Ironhand offset by funds from operations and asset sales.

Shareholders' equity has increased significantly since December 31, 2013 due primarily to the issuance of $112.8 million in new equity. In Q2 2014, $27.4 million (net of costs) was raised through the subscription receipts offering resulting in the issuance of 34.3 million common shares at a price of $0.84 per common share. Also in Q2 2014, $84.0 million in common shares were issued as purchase consideration to former Ironhand shareholders with 80.8 million common shares issued at a deemed price of $1.04 per common share based on the closing price of CWC's common shares on the TSX Venture Exchange on May 15, 2014. The impact of issued equity in 2014 was offset by $0.9 million in shares purchased under the normal course issuer bid ("NCIB"), net loss of $13.5 million and total declared dividends of $17.2 million.

Operational Overview

The acquisition of Ironhand on May 15, 2014 resulted in the aggregation of the well servicing and other oilfield services segments into the Productions Services segment, as this acquisition shifted the Company's internal financial reporting and operational management structure. Management concluded that the well servicing and other oilfield services segments share similar economic characteristics and are also similar in other respects in accordance with IFRS 8.12.

Contract Drilling

Ironhand was acquired on May 15, 2014 and operations renamed CWC Ironhand Drilling representing our Contract Drilling segment. Our Contract Drilling segment has a fleet of nine telescopic double drilling rigs with depth ratings from 3,200 to 4,500 metres, eight of nine rigs have top drives and the rig fleet has an average age of five years. All of the drilling rigs are well suited for the most active depths for horizontal drilling in the WCSB, including the Montney, Duvernay, Cardium and other deep basin horizons.

OPERATING HIGHLIGHTS	December 31, 2014	September 30, 2014	June 30, 2014[1]
Drilling Rigs			
Number of drilling rigs [2]	9	9	8
Revenue per operating day [3]	$29,305	$27,715	$30,258
Drilling rig operating days	693	551	107
Drilling rig utilization % [4]	84%	75%	29%
CAODC industry average utilization rate	45%	46%	26%[5]

[1] Ironhand was acquired on May 15, 2014, as such the Contract Drilling Segment includes the results for the period commencing May 16, 2014.
[2] Number of drilling rigs at the end of the period.
[3] Revenue per operating day is calculated based on operating days (i.e. spud to rig release basis). New drilling rigs are added based on the first day of field service.
[4] Drilling rig utilization is calculated based on operating days (i.e. spud to rig release basis) in accordance with the methodology prescribed by the CAODC . New drilling rigs are added based on the first day of field service.
[5] Calculated including ½ month of May which was 20% utilization and the month of June, which was 29% as reported by the CAODC.

CWC achieved industry leading utilization of 84% in Q4 2014 compared to the CAODC industry average of 45%. Such utilization and the addition of Rig #9 in late September 2014 resulted in record Contract Drilling revenue of $20.3 million for Q4 2014. For the 7.5 months ended December 31, 2014, the Contract Drilling segment achieved utilization of 70% compared to the CAODC industry average of 42% for the same period and 45% for the year ended 2014 resulting in revenue of $38.8 million since being acquired. CWC began construction of Rig #10 in Q4 2014, a new telescopic double drilling rig with a depth capacity of 4,500 meters, which was expected to be put into service in Q3 2015. Due to the swift and dramatic decrease in oil prices and reduced drilling activity levels in 2015, CWC has decided to defer the continuation of building Rig #10 to beyond 2015 when management can reassess whether industry demand and conditions have improved.

Production Services

CWC is the fifth largest service rig provider in the WCSB, having a modern fleet of 72 service rigs as at December 31, 2014. The Company's service rig fleet consists of 41 singles, 27 doubles, and 4 slant rigs. The average age of CWC's service rig fleet is approximately seven years, making CWC's fleet amongst the newest in the WCSB. Rig services include completions, maintenance, workovers and abandonments with depth ratings from 1,500 to 5,000 metres.

CWC's Class I, II and III coil tubing units have depth ratings from 1,500 to 4,000 metres. As at December 31, 2014, the Company's fleet of nine coil tubing units consist of five Class I, three Class II and one Class III coil tubing units. The market for the Class III deep coil tubing unit has become extremely competitive with an increased supply of new deep coil tubing units over the last several years having an adverse affect on industry utilization and pricing. In light of these competitive challenges for CWC's one Class III coil tubing unit, the Company has chosen to focus its sales and operational efforts on its eight Class I and II coil tubing units which are better suited at servicing steam-assisted gravity drainage ("SAGD") wells, which are shallower in depth and more appropriate for these coil tubing units.

OPERATING HIGHLIGHTS	Three months ended Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Service Rigs								
Number of units [1]	72	71	71	71	71	71	69	68
Hours worked	28,644	26,354	20,399	37,652	33,828	32,190	17,700	37,689
Utilization % [2]	45%	42%	33%	61%	52%	51%	29%	62%
Revenue per hour	$790	$756	$752	$820	$786	$755	$746	$823
Coil Tubing Units								
Number of units [1]	9	9	7	8	8	8	8	8
Hours worked	2,631	2,056	1,403	4,600	2,106	1,833	1,045	3,285
Utilization % [3]	32%	29%	22%	64%	29%	25%	14%	46%
Revenue per hour	$825	$894	$784	$967	$1,129	$1,074	$1,107	$1,209
Snubbing Units								
Number of units [1]	0[5]	0[5]	6	6	6	6	6	6
Hours worked	0	702	494	1,214	1,081	891	220	1,460
Utilization % [4]	n/m[6]	13%	11%	22%	20%	16%	4%	27%
Revenue per hour	n/m[6]	$1,459	$1,532	$1,868	$1,774	$1,666	$1,218	$1,416

(1) Number of units at the end of the period – includes units which are out of service for recertification and/or refurbishment.

(2) Service rig utilization is calculated based on 10 hours a day, 365 days a year. New service rigs are added based on the first day of field service. Service rigs requiring their 24,000 hour recertification and/or refurbishment and are out of service for greater than 90 days are excluded from the utilization calculation until their first day back in field service.

(3) Coil tubing unit utilization is calculated based on 10 hours a day, 365 days a year. New coil tubing units are added based on the first day of field service.

(4) Snubbing unit utilization is calculated based on 10 hours a day, 365 days a year. New snubbing units are added based on the first day of field service.

(5) During Q3 2014 snubbing had six units in operation, however the snubbing assets were sold in several transactions the last of which closed September 24, 2014. The information shown relates to the operating results of the snubbing assets prior to disposition.

(6) Not meaningful.

Service rig hours and utilization decreased in Q4 2014 to 45% compared to Q4 2013 of 52% as a result of continued reduced activity levels with several of CWC's largest E&P customers. This reduced activity along with the sale of its snubbing assets and business in September 2014 (Q4 2013 revenue of $1.9 million with no corresponding revenue in Q4 2014) resulted in revenue of $25.7 million in Q4 2014 compared to $31.5 million in Q4 2013, a decrease of $5.8 million. For the year ended 2014, Production Services revenue was $104.8 million compared to 2013 of $113.3 million, a decrease of $8.5 million. CWC continued its efforts to more broadly diversify its customer base in Q4 2014 such that reduced activity levels from any large customers would have less of an impact on overall revenue and cash flow in the future. The Company put one new slant service rig (Rig #504) into service during Q4 2014 and has targeted heavy oil and SAGD wells for this new rig. Q4 2014 also saw the construction of two more slant service rigs. Rig #505 was delivered in January 2015 while Rig #506 is expected to be delivered Q2 2015. The addition of these two new slant service rigs will help CWC establish a greater market presence with a total of six slant service rigs capable of servicing the growing number of heavy oil and SAGD wells.

Coil tubing utilization increased in Q4 2014 to 32% compared to Q4 2013 of 29% as a result of the continued focus on SAGD wells with CWC's Class I and II coil tubing units. For the year ended December 31, 2014, utilization increased to 37% compared to 2013 of 28%. In August 2014, CWC purchased two more Class I coil tubing units to increase our ability to service E&P customers with SAGD wells. The drop in average revenue per hour in Q4 2014 of $825 and year end 2014 of $894 compared to Q4 2013 of $1,129 and year end 2013 of $1,171 is a direct result of the lower hourly rate charged on Class I and II units compared to the Class III unit. CWC had two Class III coil tubing units for all of 2013 contributing to the higher average hourly rate compared to only one Class III coil tubing unit for much of 2014, as CWC sold one of its two Class III units in April 2014.

On September 15, 2014, CWC announced the sale of its non-core snubbing assets and business in several separate transactions for total gross proceeds of $6.5 million. The sale of the snubbing assets and business allows CWC to focus on its core business of drilling rigs, service rigs and coil tubing.

Outlook

The continuing volatility of commodity prices has resulted in significant reductions to the capital and operating budgets of our E&P customers. The first two months of 2015 has seen revenue decrease in both the Contract Drilling and Production Services segments by approximately 40% compared to the first two months of 2014 as a result of lower activity levels and rate reductions as well as an unusually warm winter affecting our ability to move equipment to the well site. CWC expects an earlier than normal start to, and a prolonged spring breakup as our E&P customers choose to end their drilling, completions and production maintenance programs to conserve their cash resources until commodity prices recover. Activity levels throughout the oilfield services industry for the remainder of 2015 are expected to be significantly lower as compared to 2014, resulting in utilization and rate reductions across all business segments. On January 22, 2015, the CAODC revised its drilling rig industry utilization to 26% for 2015 compared to 45% in 2014. The forecast was based on WTI of US$55/bbl.

Lower activity and pricing pressure in 2015, is expected to negatively impact CWC's revenue, EBITDAS and Funds from Operations. CWC has already begun to implement several cash saving initiatives aimed at preserving our cash resources and maintaining our balance sheet strength as well as retaining our most valuable asset – our key employees. These cash saving initiatives as follows are intended to reduce direct operating expenses by $2.0 million, selling and administrative expenses by $2.2 million, capital expenditures by $3.8 million and cash dividends by $15.4 million resulting in total 2015 cash savings of $23.4 million compared to 2014:

- The Board of Directors and the senior management team have reduced their compensation by 9%;
- Salaried employees have reduced their salaries by 4%;
- Layoffs of 12% of salaried employees and 4% of field employees;
- Profit share and bonus programs for salaried and field employees suspended for 2015;
- The non-core Well Testing business will be suspended until market conditions improve;
- Reductions in the 2015 capital expenditure budget by 26%; and
- Establishment of DRIP and SDP with an approximately 69.2% participation rate together with an annualized dividend policy of $0.02 per common share should result in a reduction of 2015 cash dividends by 88%.

At December 31, 2014, the Company's $100 million credit facility, which does not mature until June 21, 2017, has approximately $35 million undrawn. At December 31, 2014, CWC's Consolidated Debt to Consolidated EBITDA[2] ratio was 1.6:1 with a debt covenant limit of 3.0:1. Although CWC does not expect to be in breach of this debt covenants in 2015, the Company has proactively requested the banking syndicate to relax our financial covenants for Consolidated Debt to Consolidated EBITDA ratio from 3.0:1 to 3.5:1 for the quarters ending December 31, 2015 and March 31, 2016, reducing to 3.25:1 for quarters ending June 30, 2016 and September 30, 2016 and returning to 3.0:1 thereafter. The banking syndicate has agreed to the covenant relaxation and is in the process of amending the credit agreement. Other debt covenants remain unchanged.

With these initiatives already being implemented, CWC is well positioned to manage the current slowdown in activity.

[2] Consolidated Debt and Consolidated EBITDA are defined in the Company's Credit Facility. See Note 8 to 2014 Financial Statements.

Discussion of Financial Results

$ thousands	Three months ended December 31, 2014	2013	Change $	Change %	Year ended December 31, 2014	2013	Change $	Change %
Revenue								
Contract drilling(1)	20,308	-	20,308	n/m(3)	38,819	-	38,819	n/m(3)
Production services	25,651	31,515	(5,864)	(19%)	104,847	113,297	(8,450)	(7%)
	45,959	31,515	14,444	46%	143,666	113,297	30,369	27%
Direct operating expenses								
Contract drilling	10,342	-	10,342	n/m(3)	21,704	-	21,704	n/m(3)
Production services	16,514	19,841	(3,327)	(17%)	70,047	72,449	(2,402)	(3%)
	26,856	19,841	7,015	35%	91,751	72,449	19.302	27%
Gross margin (2)								
Contract drilling	9,966	-	9,966	n/m(3)	17,115	-	17,115	n/m(3)
Production services	9,137	11,674	(2,537)	(22%)	34,800	40,848	(6,048)	(15%)
	19,103	11,674	7,429	64%	51,915	40,848	11,067	27%
Gross margin percentage (2)								
Contract drilling	49%	-	n/a	n/m(3)	44%	n/m(2)	n/a	n/m(3)
Production services	36%	37%	n/a	(1%)	33%	36%	n/a	(3%)
	42%	37%	n/a	5%	36%	36%	n/a	(3%)

(1) CWC entered into the contract drilling business on May 15, 2014, through the acquisition of Ironhand and results are included May 16, 2014 onward.
(2) Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.
(3) Not meaningful.

Revenue

CWC achieved record annual and fourth quarter revenue of $143.7 million and $46.0 million respectively up significantly from the same periods in 2013. During Q4 2014, revenue increased $20.3 million from the newly acquired Contract Drilling segment which were offset by a $5.9 million decrease in Production Services segment. Production services revenues were lower due to reduced activity level with several of CWC's largest E&P customers and the sale of its snubbing assets and business in September 2014 which reduced revenue in the Production Services segment by a further $1.9 million compared to Q4 2013. CWC continued its efforts to more broadly diversify its customer base in Q4 2014 such that reduced activity levels from any large customers would have less of an impact on overall revenue and cash flow in the future.

The $7.0 million increase in direct operating expenses for Q4 2014 resulted from the newly acquired Contract Drilling segment incurring $10.0 million without a corresponding expense in Q4 2013. The decrease of $3.3 million of direct operating expenses in the Production Services segment is consistent with a decrease in revenue in Q4 2014 compared to Q4 2013 and the variable nature of the direct operating expenses.

Many direct operating expenses are variable in nature and increase or decrease with activity levels such that changes in operating costs generally correspond to changes in revenue or activity levels. Labour is the largest cost incurred by the Company, the majority related to field operating employees and, as such, variable in nature. There is however a portion of our labour costs which are fixed and do not generally reduce, even in periods of lower activity. A tight labour market and changes to our compensation structure for field personnel increased operating costs in 2014. Some of this increase in cost relative to revenue is driven by labour laws which require the Company to pay overtime labour rates at times when the Company is not contractually able to pass on overtime rate premiums to our customers. The Company is attempting to improve the matching of labour overtime costs with overtime premiums in our customer contracts. Additionally, fuel costs, which in the early part of 2014, increased the operating cost per hour, have seen a return to more manageable levels in the later part of 2014 lessening the impact on margins.

Selling and Administrative Expenses and Transaction Costs

$ thousands	Three months ended December 31, 2014	2013	Change $	Change %	Year ended December 31, 2014	2013	Change $	Change %
Selling and administrative expenses	5,563	4,076	1,487	36%	17,857	14,677	3,180	22%
Transaction costs	53	-	53	n/m(1)	841	-	841	n/m(1)

(1) Not meaningful

Full year selling and administrative expenses of $17.9 million have increased $3.2 million (22%) from $14.7 million in 2013. Similarly Q4 2014 selling and administrative expenses of $5.6 million are 36% higher than 2013. Approximately $2.5 million (80%) of the $3.2 million full year increase and $1.2 million (80%) of the Q4 2014 increase is associated with the newly acquired Contract Drilling segment where there are no comparable 2013 expenses. Most selling and administrative expenses, such as building and office rent, and office staff salaries are fixed in nature and not subject to significant fluctuation on a quarterly basis. Other costs such as professional and legal fees can fluctuate depending on specific services received in the period. The remainder of the year over year increase is due to the expansion into the Slave Lake area, general inflationary increases and incremental costs of having a larger asset base.

As a result of the poor economic climate anticipated throughout 2015, the Company put in place several cost saving initiatives in early 2015 that will reduce the future selling and administrative expenses of the Company.

Transaction costs totaling $0.8 million for the year ended 2014 relate to the acquisition of Ironhand Drilling Inc. and consist primarily of legal, professional and regulatory fees and expenses of the acquisition which are one-time only costs.

EBITDAS

	Three months ended December 31,				Year ended December 31,			
$ thousands	**2014**	**2013**	**Change $**	**Change %**	**2014**	**2013**	**Change $**	**Change %**
EBITDAS [1]								
Contract drilling	9,536	-	9,536	n/m[2]	16,110	-	16,110	n/m[2]
Production services	7,812	10,124	(2,312)	(23%)	29,136	35,148	(6,012)	(17%)
Corporate	(3,808)	(2,526)	(1,282)	51%	(11,188)	(8,977)	(2,211)	25%
	13,540	7,598	5,942	78%	34,058	26,171	7,887	30%
EBITDAS margin (%) [1]	29%	24%	n/a	5%	24%	23%	n/a	1%

[1] Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.
[2] Not meaningful

Management uses EBITDAS as a measure of the cash flow generated by the Company. Positive EBITDAS provides the cash flow needed to grow our business through purchase of new equipment or business acquisitions, maintain the dividend, repurchase outstanding common shares under a NCIB, and reduce outstanding long-term debt. CWC achieved record fourth quarter EBITDAS of $13.5 million resulting from $9.5 million from the Contract Drilling segment acquired in 2014, offset by $2.3 million in lower Production Services EBITDAS and $1.3 million higher Corporate expenses. Lower EBITDAS in the Production Services segment is consistent with the $5.9 million decrease in revenue for the current quarter. Corporate costs increased as a result of the additional corporate staff following the acquisition of Ironhand.

EBITDAS for the year ended December 31, 2014 was $34.1 million in comparison to $26.2 million in December 31, 2013. The $7.9 million increase year over year is a result of $16.1 million from the Company's newly acquired Contract Drilling division which was offset by a $8.2 million year over year decrease in the Production Services and Corporate segments. The decrease in the Production Services segment is due to declining utilization mostly in the service rig division. Corporate costs increased as a result of the additional corporate staff following the acquisition of Ironhand.

Stock-Based Compensation

	Three months ended December 31,				Year ended December 31,			
$ thousands	**2014**	**2013**	**Change $**	**Change %**	**2014**	**2013**	**Change $**	**Change %**
Stock based compensation	210	288	(78)	(27%)	1,345	914	431	47%

Stock based compensation is primarily a function of the outstanding stock options and restricted share units ("RSUs") being expensed over their vesting term. As a generalization, a higher trading price for our common shares will increase the value of stock options and RSUs at their grant date which is the value used for expensing stock based compensation. In 2014, the Company's stock price reached a high of $1.04 in May to a low of $0.365 in December. The year over year increase in annual stock based compensation expense is a result of the large number of options and RSU's granted in the year combined with the higher expense associated with the options and RSU's granted in May during the Company's trading high. The decrease in the fourth quarter expense is directly attributable to the trading lows the Company experienced at that time.

Finance Costs

$ thousands	Three months ended December 31, 2014	2013	Change $	Change %	Year ended December 31, 2014	2013	Change $	Change %
Finance costs	632	481	151	31%	2,186	3,262	(1,076)	(33%)

Finance costs for the Q4 2014 are higher than the prior year quarter due primarily to an increase in the long-term debt outstanding in the 2014 versus 2013. At December 31, 2014, total long term debt was $65.6 million compared to $44.0 million at December 31, 2013. For the full year, finance costs have decreased $1.1 million as a result of a lower rate of interest under the current bank facilities as compared to the facility in place prior to June 21, 2013. Prior to June 21, 2013, the Company had a portion of its debt under a term facility bearing interest at 7.42% per annum. In addition during 2013, the company expensed $0.9 million in cash and deferred fees to exit that facility. During 2014 the Company's borrowings under the current bank facilities bore interest at approximately 3.6%.

Depreciation

$ thousands	Three months ended December 31, 2014	2013	Change $	Change %	Year ended December 31, 2014	2013	Change $	Change %
Depreciation								
Contract drilling	2,179	-	2,179	n/m[(1)]	4,782	-	4,782	n/m[(1)]
Production services	3,449	3,749	(300)	(8%)	14,263	14,946	(683)	(5%)
Corporate	121	100	21	21%	498	472	26	6%
	5,749	3,849	1,900	49%	19,543	15,418	4,125	27%

[(1)] Not meaningful

Depreciation for drilling rigs and service rigs are based on hours of work. As such, an increase or decrease in hours worked for an individual drilling or service rig results in an increase or decrease in depreciation expense for that individual drilling or service rig. There can be significant variation in the historical cost basis for our service rigs based on type of rig and our newest service rigs, which have the highest cost and depreciation rate per hour, also typically have higher utilization. Coil tubing and well testing units are depreciated straight line resulting in consistent depreciation expense regardless of utilization or hours of use. The increase in depreciation in Q4 2014 of $1.9 million is a direct result of $2.2 million in depreciation related to the newly acquired Contract Drilling segment with no corresponding depreciation expense in the prior year quarter offset by $0.3 million decrease in the Production Services segment as a result of lower activity levels for the service rigs in Q4 2014 compared to Q4 2013. On an annual basis, depreciation increased $4.1 million; $4.8 million related to Contract Drilling which was offset by a $0.7 million decrease in the Production Services Segment. The year over year decrease in Production Services was a result of the lower activity in the year on the service rig equipment subject to depreciation on a unit-of-production basis.

Gain on Disposal of Equipment

$ thousands	Three months ended December 31, 2014	2013	Change $	Change %	Year ended December 31, 2014	2013	Change $	Change %
Gain on disposal of equipment	(4)	(46)	42	n/m[(1)]	(246)	(171)	(75)	n/m[(1)]

[(1)] Not meaningful

Management continually monitors the asset mix and equipment needs and invests and divests assets as needed to optimize our operations. During 2014, the snubbing assets and business was divested in several separate transactions for gross proceeds of $6.5 million resulting in a gain on disposal of equipment of $0.2 million. In addition, in Q2 2014 a Class III coil tubing unit was disposed of for proceeds of $0.9 million resulting in a gain on disposal of $0.1 million.

Income Taxes

$ thousands	Three months ended December 31, 2014	2013	Year ended December 31, 2014	2013
Net (loss) income before income taxes	(13,980)	3,026	(10,491)	6,748
Deferred income tax expense	1,780	830	2,960	1,885
Deferred income tax expense as a % of net (loss) income before income taxes	(13%)	27%	(28%)	28%
Expected statutory income tax rate	25%	25%	25%	25%

The effective tax for the Company in Q4 and full year of -13% and -28% are impacted by the goodwill impairment in the Contract Drilling segment of $20.9 million. The impairment is not deductible for income tax purposes and as such is added back to net (loss) income before income taxes in arriving at deferred income tax expense. Without the impairment in the quarter, deferred income tax expense as a percentage of net income before taxes would be 26% for Q4 and 28% for full year 2014.

Income taxes are a function of taxable income and are calculated differently than accounting income. Differences between accounting income and taxable income include such things as the non-taxable portion of capital gains, the non-deductible portion of capital losses, items which are not deductible for income tax purposes such as gains or losses on disposal of fixed assets, stock based compensation, differences between income tax estimates and actual tax filings, goodwill impairment, and other differences. Additionally, the recognition or de-recognition of certain tax credits or pool balances can occur based on the assessment of the ability of the Corporation to realize the benefits of such tax balances or credits in the future. The difference between the actual income tax rate and the expected income tax rate in both the current year and prior year periods is due to these types of items. The Company has substantial tax pools and non-capital losses available to reduce future taxable income such that no cash taxes are expected to be payable through 2017.

Net (Loss) Income and Comprehensive (Loss) Income

	Three months ended December 31,				Year ended December 31,			
$ thousands	**2014**	**2013**	**Change $**	**Change %**	**2014**	**2013**	**Change $**	**Change %**
Net (loss) income and comprehensive (loss) income	(15,760)	2,196	(17,956)	(818%)	(13,451)	4,863	(18,314)	(377%)

Net (loss) income and comprehensive (loss) income decreased $18.0 million in Q4 2014 compared to Q4 2013 and $18.3 million year over year as a result of record revenue and EBITDAS attributed to the newly acquired Contract Drilling segment, offset by a $20.9 million goodwill impairment in Q4 2014. In both the current year and the prior year ended December 31, the Company had certain nonrecurring costs which adversely effected the net income reported. In the current year to date net (loss) income and comprehensive (loss) income, transaction costs of $0.8 million relating to the Ironhand acquisition were expensed. In 2013, the Company expensed $0.9 million in cash and deferred fees in connection with the cancellation of a credit facility with less favorable terms.

Liquidity and Capital Resources

The Company's liquidity needs in the short term and long term can be sourced in several ways including: funds from operations, borrowing against existing debt credit facilities, new debt instruments, equity issuances and proceeds from the sale of assets. Cash inflows are used to repay outstanding amounts on the Company's debt credit facility, fund capital requirements and pay dividends. At December 31, 2014, the Company's $100 million credit facility, which does not mature until June 21, 2017, has approximately $35 million undrawn.

During the year ended December 31, 2014, the Company earned funds from operations of $33.2 million, $7.0 million higher than 2013 on strong operational results. In addition, the Company realized proceeds of $7.5 million (2013: $1.2 million) from the Q3 2014 disposal of the snubbing assets and business and the Q2 2014 sale of a class III coil tubing unit. On April 10, 2014 the Company closed a bought deal financing of 34,270,000 common shares for gross proceeds of $28.8 million (net: $26.8 million). Also on May 15, 2014, pursuant to a plan of arrangement the Company issued 80,785,158 common shares in exchange for shares of Ironhand.

As at December 31, 2014 the Company had positive working capital excluding debt of $20.6 million (Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.

During the year ended December 31, 2014 the Company used its available funds to acquire Ironhand, purchase $28.8 million in additional equipment and to maintain its current equipment, pay $14.5 million in dividends to investors, and repurchase approximately 1.0 million common shares under its NCIB program. As noted above, the acquisition of Ironhand on May 15, 2014 was financed with a combination of new equity and borrowing under the debt credit facility.

On May 15, 2014, the Company amended its syndicated debt credit facility. The amendments included the addition of a fourth Canadian financial institution to the syndicate, an increase in the credit facility to $100.0 million, and an extension of the committed term to June 21, 2017. All other terms of the credit facility remain substantially the same or more favorable to the Company than was the case prior to the amendments, including the continued availability of the $25 million accordion. No principal payments are required under the credit facility until June 21, 2017, at which time any amounts outstanding are due and payable. As at December 31, 2014, drawings under the credit facility totaled $65.7 million. The credit facility is secured by a general security agreement covering all of the assets of the Company and a first charge security interest covering all assets of the Company. Under the terms of the credit facility, the Company is required to comply with certain financial covenants. As of December 31, 2014, the Company is in compliance with each of those financial covenants.

At December 31, 2014, CWC's Consolidated Debt to trailing 12 month EBITDA ratio was 1.6:1 with a debt covenant limit of 3.0:1. In response to the expected drop in CWC's EBITDA for 2015 and 2016, our banking syndicate has agreed to relax our financial covenants for Consolidated Debt to EBITDA ratio from 3.0:1 to 3.5:1 for the quarters ending December 31, 2015 and March 31, 2016, reducing to 3.25:1 for quarters ending June 30, 2016 and September 30, 2016 and returning to 3.0:1 thereafter. Other debt covenants remain unchanged.

As funds from operations are expected to decline during the downturn currently being experienced, the Company has focused on cost-saving initiatives, reduction of capital expenditures and reduction of the dividend paid to shareholder. As noted in the Outlook section, the company has taken significant and immediate steps to ensure the Company has sufficient liquidity to cover future financial obligations.

Capital Requirements:
Over the past three years the Company has been increasing its asset base of drilling rigs and service rigs. Given the Company's relatively young fleet of equipment many capital expenditures are discretionary in nature and are incurred with a view to increase the size and revenue generating capacity of the business as opposed to being required in order to maintain the current business operations. In 2014, the Company initiated a plan that would result in spending approximately $3.0 million annually over the next several years to recertify the oldest of its service rigs due for their Level IV recertification. With the current downturn the Company has decided to delay the program to preserve cash flows. Because these recertifications are based on hours of service, the reduced activity currently being experienced in 2015 will prolong the time before recertification is required. Once utilizations return to normal, the program will be reinstated to ensure the effective management of the Company's cash flows as well as ensure that future operations are not negatively impacted by rigs "houring out". As at December 31, 2014, the Company has capital spending plans as noted in the section titled "Capital Expenditures". Additional discretionary capital expenditures will be required in order to continue to grow the Company's assets and revenue in the future. It is anticipated future cash requirements for capital expenditures will be met through a combination of funds generated from operations and bank debt from the Company's existing credit facility as required. However, additional funds may be raised by additional bank debt, other forms of debt, the sale of assets, or the issue of equity.

CWC may require additional financing in the future to implement its strategies and business objectives. It is possible that such financing will not be available, or if available, will not be available on favorable terms. If CWC issues any shares in the future to finance its operations or implement its strategies, the current shareholders of CWC may incur a dilution of their interest.

Common Shares, Outstanding Share Data, Dividends and Normal Course Issuer Bid

The following table summarizes outstanding share data and potentially dilutive securities:

	March 9, 2015	December 31, 2014	December 31, 2013
Common shares	279,045,330	270,762,224	155,323,066
Stock options	12,620,012	13,020,012	8,307,012
Restricted share units	1,990,000	2,065,000	1,600,000

On December 23, 2014, the Company introduced a DRIP and SDP as a prudent cash resource measure given the volatility and uncertainty in the oil price environment. Eligible shareholders may elect to participate in the DRIP or SDP. Participation in the DRIP or the SDP is optional and will not affect shareholders' cash dividends unless they elect to participate in the DRIP or SDP. The adoption of the DRIP and SDP provides CWC with additional cash resources while ensuring that it continues to maintain its balance sheet flexibility allowing for the payment of a cash or stock dividend. 69.2% of the common shares outstanding elected to participate in the DRIP and SDP, as a result, on January 15, 2015, 7,982,080 and 301,026 common shares were issued under the DRIP and SDP respectively, resulting in a total cash savings of $3.3 million. Shares issued under DRIP and SDP have a dilutive effect to shareholders that elect to receive a cash dividend.

On April 10, 2014, CWC issued a total of 34,270,000 subscription receipts at a price of $0.84 per subscription receipt for aggregate gross proceeds of $28.8 million. On May 15, 2014, contemporaneous with the closing of the acquisition of Ironhand, each subscription receipt was converted to one common share of CWC. $18.2 million of the net proceeds from the April 10, 2014 subscription receipt offering were used to satisfy the cash portion of the purchase consideration for the Ironhand acquisition with the remainder used towards extinguishing the bank debt of Ironhand under its former banking facility which was repaid in full and cancelled on May 15, 2014.

On May 15, 2014, CWC acquired Ironhand pursuant to a plan of arrangement whereby all of the issued and outstanding common shares of Ironhand were exchanged for common shares of CWC or cash. The aggregate purchase consideration consisted of 80,785,158 common shares of CWC and $18.2 million in cash.

The following table summarizes dividends declared or paid since December 31, 2013:

Declaration Date	Record Date	Payment Date	Dividend per Common Share
November 13, 2013	December 31, 2013	January 15, 2014	$0.01625
March 5, 2014	March 31, 2014	April 15, 2014	$0.01625
May 15, 2014	June 30, 2014	July 15, 2014	$0.01750
August 14, 2014	September 30, 2014	October 15, 2014	$0.01750
November 12, 2014	December 31, 2014	January 15, 2015	$0.01750
March 9, 2015	March 31, 2015	April 15, 2015	$0.00500

The declaration of dividends is determined on a quarter by quarter basis by the Board of Directors and is based on the sustainability of its cash flows and earnings in the future.

The Company's previous normal course issuer bid ("NCIB") expired on March 31, 2014. From January 1, 2014 to March 31, 2014, no common shares were purchased under the NCIB. The Company renewed its NCIB effective May 22, 2014, to purchase from time to time, as it considered advisable, up to 13,520,411 of its issued and outstanding common shares through the facilities of the TSX Venture Exchange ("TSXV") or other recognized marketplaces. The price that the Company will pay for any common share under the NCIB will be the prevailing market price on the TSXV or such other recognized marketplace at the time of such purchase. During Q3 2014, 597,500 common shares were purchased under the NCIB for total proceeds including commissions of $0.6 million. Of these 597,500 common shares, 547,500 common shares were returned to treasury and cancelled as at September 30, 2014. In Q4 2014, a further 493,500 common shares were repurchased under the NCIB. These remaining 543,500 common shares were returned to treasury and cancelled in Q4 2014. The NCIB expires on May 21, 2015.

Capital Expenditures

The Board of Directors approved a 2014 capital expenditure budget of $45.6 million consisting of $31.2 million in growth capital and $14.4 million of maintenance and infrastructure capital. The growth capital consists of:

- two new telescopic double drilling rigs complete with top drives (Rig #9 & 10);
- three new slant service rigs; and
- two Class II coil tubing units.

As at December 31, 2014, the Company has spent $28.8 million of the $45.6 million 2014 capital expenditure budget and taken delivery of:

- one new telescopic double drilling rig (Rig #9);
- one new slant service rig (Rig #504); and
- two Class II coil tubing units (Unit #10 & 11).

During December 2014, the Company announced a 2015 capital budget of $14.6 million comprised of $9.1 million in growth capital and $5.5 million of maintenance capital. As a result of reduced industry activity, the Board of Directors has reduced the 2015 capital expenditure budget by $3.8 million to $10.8 million. This revised 2015 capital expenditure budget of $10.8 million is comprised of $6.1 million in growth capital and $4.7 million in maintenance capital.

Of the 2015 growth capital, slant service Rig #505 was delivered in January 2015 while slant service Rig #506 is expected to be delivered during Q2 2015.

Commitments and Contractual Obligations

CWC's contractual financial obligations as at December 31, 2014 are summarized as follows:

	Payments due by period				
	Next 12 months	**Between 1 and 3 years**	**Between 4 and 5 years**	**Greater than 5 years**	**Total**
Contractual obligations:					
Bank Loan	$ **-**	$ **65,657**	$ **-**	$ **-**	$ **65,657**
Finance lease liabilities	**201**	**215**	**-**	**-**	**416**
Operating lease payments	**1,490**	**3,065**	**613**	**-**	**5,168**
Total contractual obligations	$ **1,691**	$ **68,937**	$ **613**	$ **-**	$ **71,241**

Under the terms of the Company's amended credit facility, the Bank Loan is due in full on June 21, 2017. The Company is committed to monthly payments of interest and bank charges until June 21, 2017. Management believes that, despite the lower activity levels anticipated for its services combined with the cost-saving initiatives planned for 2015, there will be sufficient cash flows generated from operations to service the interest on the debt, finance the required maintenance capital of the Company and maintain a dividend payment to its shareholders.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts	**2014**				**2013**			
Three months ended	**Dec. 31**	**Sept. 30**	**June 30**	**March 31**	**Dec. 31**	**Sept. 30**	**June 30**	**March 31**
Revenue	45,959	38,846	20,488	38,373	31,515	28,559	14,845	38,378
EBITDAS	13,540	9,886	1,176	9,456	7,598	7,578	(269)	11,265
Net (loss) income	(15,760)	2,246	(3,182)	3,245	2,196	1,629	(3,844)	4,883
Net (loss) income per share: basic and diluted	(0.06)	0.01	(0.01)	0.02	0.01	0.01	(0.02)	0.03
Total assets	275,353	288,011	277,679	151,661	148,999	150,522	144,604	157,262
Total long-term debt	65,666	60,313	51,324	43,547	44,009	46,225	42,279	42,634
Shareholders' equity	172,705	193,151	195,851	92,202	91,344	91,537	92,440	98,969

The table above summarizes CWC's quarterly results for the previous eight financial quarters. All of CWC's operations are carried out in western Canada. The second quarter is typically expected to be the weakest financial and operating quarter for the Company due to ground conditions being impacted by spring breakup. The ability to move heavy equipment in the Canadian crude oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this spring breakup has a direct impact on the Company's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen enough to support equipment. As a result, late March through May is traditionally the Company's slowest time, and as such the revenue, operating costs, and financial results of the Company will vary on a quarterly basis.

Through the eight quarters presented, the amount of revenue and net (loss) income, adjusted for the effects of seasonality have fluctuated primarily due to changes in the utilization of our equipment generally and the increase in the number of drilling rigs, service rigs and coil tubing units over the period as detailed in the section titled "Operational Overview".

Other significant impacts have been a result of:

- Q4 2014 represented another record revenue quarter for CWC since the Company's inception. The Contract Drilling segment, acquired in the second quarter of 2014 represented 44% of the Company's fourth quarter revenues;
- Q4 2014 saw revenue in the Production Services segment decline on a year over year basis by 19%. Of the $5.9 million decrease in revenue, $1.9 million is a result of a decrease in the snubbing assets and business as it was sold in

Q3 2014 with the remaining $4.0 million decline in revenue a result of reduced activity level with several of CWC's largest E&P customers. Q4 2014 service rig utilization declined by 7% compared to Q4 2013;

- Q4 2014 net loss includes $20.9 million goodwill impairment. Goodwill arose on the purchase of Ironhand in Q2 2014. At the time of purchase, the current economic downturn had not yet emerged and all indications were that CWC would continue to grow the Contract Drilling segment with the completion of Rig #9 and building an additional Rig #10 in 2015. In Q1 2015, revised predictions of lower drilling activity were released by CAODC and PSAC and analysts were predicting that 2015 would be a significantly challenging year for oilfield service companies. Although the Company anticipates the decline in the Contract Drilling segment revenue to be less than others in the industry, the anticipated decline was sufficient to indicate an impairment to the Goodwill;
- Q3 2014 represented the first full three month period with the Contract Drilling segment which represented 39% of the Company's Q3 revenue;
- Q3 2014 included a gain on disposal of equipment of $0.2 million in net income as a result of the sale of the snubbing assets and business;
- Q2 2014, $0.8 million in transaction costs were incurred relating to the acquisition of Ironhand;
- Q3 2013, $0.7 million for impairment of a coil tubing unit not completed due to the manufacturer going into receivership;
- Q2 2013, an increase in the precipitation levels in the spring of 2013 led to a prolonged spring breakup compared to recent years resulting in a larger decline in seasonal activity levels than in previous years;
- Q2 2013, $0.9 million of finance costs were incurred to terminate debt facilities prior to their expiry; and
- The increase to total assets and shareholders' equity reflects the acquisition of Ironhand and related equity financing. Ironhand was acquired for a total purchase consideration of $128.7 million.

Critical Accounting Estimates and Judgments

This MD&A of the Company's financial condition and results of operations is based on the financial statements which are prepared in accordance with IFRS. The preparation of the financial statements requires that certain estimates and judgments be made with respect to the reported amounts of revenue and expenses and the carrying amounts of assets and liabilities. These estimates are based on historical experience and management's judgment. Anticipating future events involves uncertainty and consequently the estimates used by management in the preparation of the financial statements may change as future events unfold, additional experience is acquired or the Company's operating environment changes. In many cases the use of judgment is required to make estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Further details of the nature of these estimates and assumptions may be found in the relevant notes to the financial statements.

Management considers the following to be the most significant of the judgments, apart from those involved in making estimates, made in preparation of the financial statements:

<u>Determination of cash generating units</u>
For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units or "CGU's"). The grouping of assets into CGU's requires management exercise significant judgment.

Management considers the following to be the most significant of the estimates made in preparation of the financial statements:

<u>Impairment of tangible and intangible assets</u>
Tangible and intangible assets are reviewed annually with respect to their useful lives, or more frequently, if events or changes in circumstances indicate that the assets might be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. As a result, any impairment losses are a result of management's best estimates of expected revenue, expenses and cash flows at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature impairment tests involve a significant degree of judgment as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Depreciation and amortization

Depreciation of property and equipment and intangible assets is carried out on the basis of the estimated useful lives of the related assets. Assessing the reasonableness of the estimated useful lives of property and equipment and intangibles requires judgment and is based on currently available information, including historical experience by the Company. Additionally, the Company may consult with external equipment builders or manufacturers to assess whether the methodologies and rates utilized are consistent with their expectations. Changes in circumstances, such as technological advances, changes to the Company's business strategy, changes in the Company's capital strategy or changes in regulations may result in the actual useful lives differing from the Company's estimates. A change in the remaining useful life of a group of assets, or their expected residual value, will affect the depreciation rate used to amortize the group of assets and thus affect depreciation expense as reported in the Company's results of operations. These changes are reported prospectively when they occur.

Stock based compensation

Compensation expense associated with stock options granted is based on various assumptions, using the Black-Scholes option-pricing model, to produce an estimate of compensation. This estimate may vary due to changes in the variables used in the model including interest rates, expected life, expected volatility, expected dividends, expected forfeitures and share prices.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which were fully transferable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Stock-based compensation expense is also provided for RSUs. The number of stock options and RSUs expected to vest is expensed on a graded vested basis over the vesting period of the stock options and RSUs. The number of stock options and RSUs that actually vest could differ from those estimates and any changes are recognized prospectively when they occur as an increase or decrease in compensation expense.

Allowance for doubtful accounts receivable

The allowance for doubtful accounts are reviewed by management on a regular basis. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Company takes into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Company's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances. However, given the cyclical nature of the oil and natural gas industry along with the current economic operating environment, a customer's ability to fulfill its payment obligations can change suddenly and without notice. The assessment of the credit worthiness of a customer requires management to use significant judgment. The estimation of the allowance for doubtful accounts is subject to measurement uncertainty.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recorded based on temporary differences between the carrying amount of an asset or liability and its tax base. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Company's operations are complex and computation of the provision for income taxes involves tax interpretations, regulations and legislation that are continually changing. Any changes in the estimated amounts are recognized prospectively in the statement of income and comprehensive income.

New Accounting Pronouncements

Effective January 1, 2014, the Company adopted the following accounting standards or revisions thereto:

IAS 36 - Impairment of Assets - Amendments of IAS 36 require entities to disclose the recoverable amount of an impaired Cash Generating Unit ("CGU"). The Company assessed the effect of IAS 36 on its financial results and financial position and will adopt these disclosures in the annual financial statements.

IFRIC 21 - Levies - Interpretation of IAS 37, Provisions, Contingent Liabilities and Assets - sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as the result of a past event. The interpretation clarifies that the obligation that gives rise to the liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company assessed the effect of IFRIC 21 on its financial results and statement of financial position and has determined there is no material impact.

On adoption, these standards had no impact on the recognition or measurement of the balances recorded in the Company's financial statements.

A number of new standards, amendments to standards and interpretations have been issued by the IASB and are not yet effective for the year ended December 31, 2014. The new standards, amendments to standards and interpretations have not been applied in preparing these condensed interim financial statements. None of these are expected to have a significant effect on the consolidated financial statements, except for:

IFRS 15, Revenue from Contracts with Customers, which provides guidance on revenue recognition and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to annual reporting periods beginning on or after January 1, 2017, with early adoption permitted under IFRS. The Company has not yet assessed the impact this standard will have on the financial statements.

Related Party Transactions

The Company is controlled by Brookfield Capital Partners Ltd. ("Brookfield"). Brookfield indirectly beneficially owns or exercises control or direction over approximately 67% of the issued and outstanding common shares. On May 15, 2014, pursuant to a plan of arrangement under the Business Corporations Act (Alberta), the Company acquired all of the issued and outstanding shares of Ironhand to enter the contract drilling business. Ironhand was indirectly controlled by Brookfield and two of the Company's directors who were also directors of Ironhand. All transactions with related parties were measured and recorded at the exchange amount which is equivalent to fair value. Fair value is defined as the transaction amount with unrelated parties under similar terms and conditions.

The Company is related to Brookfield by virtue of control, and therefore also may be related to certain of Brookfield's affiliates. During 2014, the Company had revenue totaling $0.3 million in the normal course of business with companies under common control. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-related companies on an arm's length basis.

During 2014, the Company used the legal services of a firm in which the spouse of one of its directors is a partner in relation to the federal temporary foreign worker program. Amounts were billed based on normal market rates for such services.

CEO and CFO Certifications

The CEO and CFO of TSX Venture Exchange listed companies, such as CWC, are not required to certify they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Instead, an optional form of certification has been made available to TSX Venture Exchange listed companies and has been used by CWC's certifying officers for the December 31, 2014 annual filings. The certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires that the certifying officer's state:

- They have reviewed the annual financial report and MD&A;
- That, based on their knowledge, they have determined there is no untrue statement of a material fact, or any omission of material fact required to be stated which would make any statement not misleading in light of the circumstances under which it was made within the annual filings; and
- That based upon their knowledge, the annual filings, together with the other financial information included in the annual filings, fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date and for the periods presented in the annual filings.

Risks and Uncertainties

Certain activities of the Company are affected by factors that are beyond its control or influence. Additional risks and uncertainties that management may be unaware of, or that they determine to be immaterial may also become important factors which affect the Company. Along with the risks discussed in this MD&A, other business risks faced by the Company may be found under "Risk Factors" in the Company's most recent Annual Information Form which is available under the Company's profile at www.sedar.com or by contacting the Company.

CWC's various businesses are generally tied in large part to the oil and gas exploration and production industry in Western Canada. CWC's businesses are sensitive to and will be affected by changing industry conditions in the oil and gas industry including changes in the level of demand, changes in pricing levels, changes in legislation or in regulation relating to exploration, development, production, refining, transportation, or marketing in the oil and gas industry. The following is a summary of certain risk factors relevant to CWC's business. All of these risk factors could negatively impact CWC's revenue, margins and cash flow.

Operational Risks

Demand and prices for CWC's products and services depend upon the level of activity in the Canadian oil and gas exploration and production industry which in turn depends on the level of oil and gas prices, expectations about future oil and gas prices, the cost of exploring for, producing and delivering oil and gas, the discovery rate of new oil and gas reserves, available pipeline and other oil and gas transportation capacity, worldwide weather conditions, political, military, regulatory and economic conditions and the ability of oil and gas companies to raise capital. The level of activity in the Canadian oil and gas exploration and production industry is volatile. No assurances can be given that current levels of oil and gas exploration and production activities will continue or that demand for the Company's services will continue to reflect the level of activity in the industry generally. Industry conditions will continue to be influenced by numerous factors over which the Company will have no control. Prices for oil and gas are expected to continue to be volatile and to affect the demand for and pricing of the Company's products and services. A material decline in oil or gas prices or Canadian oil and gas industry activity could have a material adverse affect on the Company's business, results or operations and prospects.

The Company's operations are subject to hazards inherent in the oilfield service industry, such as explosions, fires and spills that can cause personal injury or loss of life, damage to or destruction of property, equipment and the environment and suspension of operations. In addition, claims for loss of oil and gas production, damage to formations, damage to facilities and business interruptions can occur. While the Company maintains insurance coverage that it believes to be adequate and customary in the industry, there can be no assurances that insurance proceeds will be available or sufficient or that CWC will be able to maintain adequate insurance in the future at rates considered reasonable. The single occurrence of a significant uninsured claim or a claim in excess of the insurance coverage limits maintained by the Company could have a material adverse effect on the Company's business, results of operation and prospects.

Oilfield Service Industry Risks

There are many risks inherent in the oilfield services industry, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. CWC's success will depend on the ability of CWC's customers to select and acquire suitable producing properties or undeveloped exploration prospects. The marketability of any oil and natural gas acquired or discovered by CWC's customers will be affected by numerous factors beyond the control of such customers. These factors include market fluctuations, the price of crude oil, the price of natural gas, the supply and demand for oil and natural gas, the proximity and capacity of oil and natural gas pipelines and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, allowable production, the import and export of oil and natural gas, and environmental protection. The effect of these factors cannot be accurately predicted.

Hazards such as unusual or unexpected geological formations, pressures, blow-outs, fires or other conditions may be encountered in servicing operating wells. CWC will have the benefit of insurance maintained by it, however, CWC may become liable for damages arising from pollution, blowouts or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons.

Seasonal Nature of CWC's Business

The Company's operations are carried on generally in Western Canada. The ability to move heavy equipment in the Western Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Company's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen enough to support equipment. The timing of freeze-up and spring breakup affects the ability to move equipment in and out of these areas. As a result, mid March through May is traditionally the Company's slowest time, and as such, the operating results of the Company will vary on a quarterly basis.

Equipment and Technology Risks

Complex drilling programs for the exploration and development of remaining conventional and unconventional oil and natural gas reserves in North America places high demands on drilling rigs, service rigs, coil tubing units and related equipment. CWC's ability to deliver equipment and services that are more efficient than equipment and services offered by its competitors is critical to continued success. There is no assurance that competitors will not achieve technological improvements that are more advantageous, timely or cost effective than improvements developed by CWC.

The ability of CWC to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment and there can be no assurance that CWC will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by CWC to do so could have a material adverse effect on CWC's business, financial condition, results of operations and cash flows. No assurances can be given that competitors will not achieve technological advantages over CWC.

In the future, the Company may seek patents or other similar protections in respect of particular tools, equipment and technology; however, the Company may not be successful in such efforts. Competitors may also develop similar tools, equipment and technology to those of the Company thereby adversely affecting the Company's competitive advantage in one or more of its businesses. Additionally, there can be no assurance that certain tools, equipment or technology developed by the Company may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on the business, results of operations and financial condition of the Company.

Price Competition and Cyclical Nature of the Oilfield Services Business

The contract drilling, service rig and coil tubing businesses are highly competitive with numerous industry participants. Management believes pricing and rig availability are the primary factors considered by CWC's potential customers in determining which drilling rig, service rig or coil tubing contractor to select. Management believes other factors are also important. Among those factors are:

- the capabilities and condition of drilling rigs, service rigs or coil tubing units;
- the quality of service and experience of crews;
- the safety record of the contractor and the particular drilling rig, service rig, or coil tubing unit ;
- the offering of ancillary services;
- the ability to provide equipment adaptable to, and personnel familiar with, new technologies;
- the mobility and efficiency of the drilling rigs, service rigs, or coil tubing units; and
- marketing relationships.

The drilling and service rig industry historically has been cyclical and has experienced periods of low demand, excess rig supply, and low day or hourly rates, followed by periods of high demand, short rig supply and increasing day or hourly rates. Periods of excess rig supply intensify the competition in the industry and often result in rigs being idle. There are numerous drilling rig, service rig and coil tubing unit suppliers in each of the markets in which CWC operates. In all of those markets, an oversupply of equipment can cause greater price competition. Drilling rig and service rig companies compete primarily on a regional basis, and the intensity of competition may vary significantly from region to region at any particular time.

CWC provides oil and natural gas services primarily to the field operation locations of oil and natural gas exploration and production companies located in western Canada. The oil and natural gas services business in which CWC operates is highly competitive. To be successful, CWC must provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which CWC operates are service quality and availability, reliability and performance of equipment used and of qualified people to perform its services, technical knowledge and experience and reputation for safety and price. CWC will compete with several regional competitors that are both smaller and larger than it is. These competitors offer similar services in all geographic regions in which CWC operates. As a result of competition, CWC may be unable to continue to provide its present services or to acquire additional business opportunities, which could have a material adverse affect on CWC's business, financial condition, results of operations and cash flows.

Drilling Rig, Service Rig and Coil Tubing Units Construction Risks

When CWC contracts for the construction of a drilling rig, service rig or coil tubing unit, the cost of construction of the rig or coil tubing units and the timeline for completing the construction are estimated at that time. Actual costs of construction may, however, vary significantly from those estimated as a result of numerous factors, including, without limitation, changes in input costs such as the price of steel; variations in labour rates; and, to the extent that component parts must be sourced from other countries, fluctuations in exchange rates. In addition, several factors could cause delays in the construction of a drilling rig, service rig or coil tubing unit, including, and without limitation, shortages in skilled labour and delays or shortages in the supply of component parts. Construction delays may lead to postponements of the anticipated date for deployment of the newly constructed rig or coil tubing unit into operation and any such postponement could have a negative effect on cash flows generated from operations, of which the effect may be material.

Equipment and Parts Availability
The Company's ability to expand its operations and provide reliable service is dependent upon timely delivery of new equipment and replacement parts from fabricators and suppliers. A lack of skilled labour to build equipment combined with new competitors entering the oilfield service sector has resulted in increased order times on new equipment and increased uncertainty surrounding final delivery dates. Significant delays in the arrival of new equipment from expected dates may impact future growth and the financial performance of the Company. CWC attempts to mitigate this risk by maintaining strong relations with key fabricators and suppliers.

Capital Overbuild in the Drilling Rig and Service Rig Industry
Because of the long life nature of drilling rig and service rig equipment and the lag between the moment a decision to build a rig is made and the moment the rig is placed into service, the number of rigs in the industry does not always correlate to the level of demand for those rigs. Periods of high demand often spur increased capital expenditures on rigs, and those capital expenditures may exceed actual demand. This capital overbuild could cause CWC's competitors to lower their rates and could lead to a decrease in rates in the oilfield services industry generally, which would have a material adverse affect on the revenue, cash flows and earnings of CWC.

Dependence on Suppliers
The ability of the Company to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to equipment, parts, components and consumables. Failure of suppliers to deliver such equipment, parts, components and consumables at a reasonable cost and in a timely manner would be detrimental to the Company's ability to maintain existing customers and expand its customer list. No assurances can be given that the Company will be successful in maintaining its required supply of equipment, parts, components and consumables.

The Company's ability to provide services to its customers is also dependent upon the availability at reasonable prices of raw materials which the Company purchases from various suppliers, most of whom are located in Canada or the United States. Alternate suppliers exist for all raw materials. In periods of high industry activity periodic industry shortages of certain materials have been experienced and costs may be affected. In contrast, periods of low industry activity levels may cause financial distress on a supplier, thus limiting their ability to continue to operate and provide the Company with necessary services and supplies.

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 Company's customers could have a material adverse effect on the Company's results of operations and the Company's financial condition.

Dependence on Key Personnel
CWC's future performance and development will depend to a significant extent on the efforts and abilities of its executive officers and key management personnel, and on the ability to attract and retain qualified field staff. The loss of the services of one or more of its management team could harm the Company. Also CWC's success largely depends on the Company's continuing ability to attract, develop and retain skilled employees in all areas of its business. The ability of the Company to expand its services is dependent upon its ability to attract additional qualified employees. The ability to secure the services of additional personnel is constrained in times of strong industry activity.

Risks of Interruption and Casualty Losses
CWC's operations are, or will be, subject to many hazards inherent in the well workover and completion industry, including blowouts, cratering, explosions, fires, loss of well control, loss of hole, damaged or lost drilling equipment and damage or loss from inclement weather or natural disasters and reservoir damage. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage, damage to the property of others and damage to producing or potentially productive oil and natural gas formations. Generally, drilling rig, service rig and coil tubing contracts provide for the division of responsibilities between a drilling rig, service rig, or coil tubing unit provider and its customer, and CWC will seek to obtain indemnification from its customers by contract for certain of these risks. CWC will also seek protection through insurance. However, CWC cannot ensure that such insurance or indemnification agreements will adequately protect it against liability from all of the consequences of the hazards described above. The occurrence of an event not fully insured or indemnified against, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, insurance may not be available to cover any or all of these risks, or, even if available, may not be adequate. Insurance premiums or other costs may rise significantly in the future, so as to make such insurance prohibitively expensive or uneconomic.

Merger and Acquisition Activity
Merger and acquisition activity in the oil and gas exploration and production sector may impact demand for CWC's services as customers focus on reorganizing their business prior to committing funds to exploration and development projects. Further, in any merger or acquisition transaction the resulting or acquired company may have preferred supplier relationships with oilfield service providers other than CWC.

Future Capital Requirements and Future Sales of Common Shares by CWC
CWC may require additional financing in the future to implement its strategies and business objectives. It is possible that such financing will not be available, or if available, will not be available on favorable terms. CWC may issue additional common shares in the future, which may dilute a shareholder's holdings in CWC or negatively affect the market price of our common shares. CWC's articles permit the issuance of an unlimited number of common shares. The directors of CWC have the discretion to determine the price and the terms of issue of further issuances of common shares, subject to applicable law. Also, additional common shares will be issued by CWC on the exercise of stock options granted pursuant to CWC's stock option plan, or pursuant to its restricted share unit plan.

Capital and Financial Markets
As future capital expenditures and potential acquisitions will need to be financed out of cash generated from operations, through debt or, if available, equity offerings, the Company's ability to access new capital is dependent on, among other factors, the overall state of capital markets generally, and the appetite for investments in the energy industry and the Company's securities specifically. All of these factors could have a negative effect on CWC's ability to obtain new capital on acceptable terms, or at all and this could have a material adverse effect on our operations and share price.

Government Regulation
CWC operations are subject to a variety of federal, provincial and local laws, regulations and guidelines, including laws and regulations related to health and safety, the conduct of operations, the manufacture, management, transportation and disposal of certain materials used in the Company's operations. Changes in any such laws, regulations or guidelines could have a material adverse effect on the CWC operations.

In addition, the oil and gas industry in general is subject to extensive government policies and regulations, which result in additional cost and risk for industry participants or parties, such as CWC, that service the industry. Royalty rates, other laws or government incentive programs relating to the oil and gas industry generally may in the future be changed or interpreted in a manner that adversely affects the Company and our shareholders.

Environmental Protection
CWC, is subject to various environmental laws and regulations enacted in most jurisdictions in which the Company operates, which primarily govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Company's operations. CWC believes that all CWC's business lines are currently in compliance with such laws and regulations. CWC's customers are subject to similar laws and regulations, as well as limits on emissions into the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, CWC cannot predict the nature of the restrictions that may be imposed. CWC may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Historically, environmental protection requirements have not had a significant financial operational effect on capital expenditures, earnings or competitive position of the Company. Environmental protection requirements are not presently anticipated to have a significant effect on such matters in the future.

The services provided by CWC, in some cases, involve flammable products being pumped under high pressure. To address these risks, CWC has developed and implemented safety and training programs. In addition, comprehensive insurance and risk management program has been established to protect CWC's assets and operations. CWC also complies with current environmental requirements and maintains an ongoing participation in various industry-related committees and programs.

The Company has established procedures to address compliance with current environmental laws and regulations and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Company may have the benefit of insurance maintained by it or the operator; however the Company may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

Climate Change Legislation
In recent years, a number of initiatives relating to climate change have been proposed through domestic legislation and international agreements (such as the Kyoto Protocol and the United Nations Framework Convention on Climate Change). Many of these initiatives require nations to reduce their emissions of carbon dioxide and other greenhouse gases. Reductions in greenhouse gases from oil and gas producers may be required which could result in, amount other things, increased operating and capital expenditures for those producers which may make certain production of crude oil or natural gas by those producers uneconomic, resulting in reductions in such production and resulting decrease in the demand for the Company's services. The Company is unable to predict the impact, if any, of any such climate change initiatives, both current and future, on the Company.

Third Party Credit Risk
CWC may be exposed to third party credit risk through its contractual arrangements with other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company.

Failure to Realize Anticipated Benefits of Acquisitions
The Company makes acquisitions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions, retaining key employees and customer relationships and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources, may divert management's focus from other strategic opportunities and operational matters and ultimately the Company may fail to realize anticipated benefits of acquisitions.

CWC May Make Dispositions of Businesses and Assets in the Ordinary Course of Business
Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that CWC can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of CWC, if disposed of, could be expected to realize less than their carrying value on the financial statements of CWC.

Tax Matters
The taxation of companies is complex. In the ordinary course of business, CWC is subject to ongoing audits by tax authorities. While CWC believes that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the tax authorities. In addition, the tax filing positions of businesses acquired by CWC may be reviewed and challenged by the tax authorities. If such challenge were to succeed, it could have a material adverse affect on CWC's tax position. Further, the interpretation of, and changes in, tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect CWC's tax position. As a consequence, CWC is unable to predict with certainty the effect of the foregoing on CWC's effective tax rate and earnings.

CWC regularly reviews the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes materially differ from the provisions, CWC's effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved. CWC intends to mitigate this risk through ensuring tax staff is well trained and supervised and that tax filing positions are carefully scrutinized by management and external consultants, as appropriate.

There can be no assurance that income tax laws or the interpretation thereof in any of the jurisdictions in which CWC operates will not be changed or interpreted or administered in a manner which adversely affects CWC, its subsidiaries and its shareholders. In addition, there is no assurance that the Canada Revenue Agency, or a provincial or foreign tax agency (collectively the "Tax Agencies") will agree with the manner in which CWC or its subsidiaries calculate their income or taxable income for tax purposes or that any of the Tax Agencies will not change their administrative practices to the detriment of CWC or its shareholders (or both).

Vulnerability to Market Changes
Fixed costs, including costs associated with leases, labour costs and depreciation will account for a significant portion of the Company's costs and expenses. As a result, reduced utilization of equipment and other fixed assets resulting from reduced demand, equipment failure, weather or other factors could significantly affect financial results.

Alternatives to and Changing Demand for Petroleum Products
Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and

any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Interest Rate Risk
The Company is exposed to interest rate price risk as its bank loan has floating interest rate terms. However, the floating interest rate terms do give rise to interest rate cash flow risk as interest payments are recalculated as the market rates change. Management currently does not see this risk as significant due to Canada's history of reasonably stable interest rates and their expectations of future interest rates.

Conflicts of Interest
Certain of the directors and officers of the Company are also directors and officers of other oil and natural gas exploration and/or production entities and oil and natural gas services companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under, the Canada Business Corporations Act.

Legal Proceedings
The Company is involved in litigation from time to time in the ordinary course of business. No assurance can be given as to the final outcome of any legal proceedings or that the ultimate resolution of any legal proceedings will not have a material adverse effect on the Company.

Forward-Looking Information may Prove Inaccurate
Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Forward-Looking Information

This MD&A contains certain forward-looking information and statements within the meaning of applicable Canadian securities legislation. Certain statements contained in this MD&A, including everything contained in the section titled "Outlook" and including statements which may contain such words as "anticipate", "could", "continue", "should", "seek", "may", "intend", "likely", "plan", "estimate", "believe", "expect", "will", "objective", "ongoing", "project" and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements including management's assessment of future plans and operations, planned level of capital expenditures, expectations as to changes in activity levels, expectations on the sustainability of future cash flow and earnings and the ability to pay dividends, expectations with respect to oil and natural gas prices and price levels necessary for increases in oil and natural gas activity levels, activity levels in various areas, continuing focus on cost saving measures, expectations regarding the level and type of drilling and production and related drilling and well services activity in the WCSB, expectations regarding entering into long term drilling contracts, and expectations regarding the business, operations and revenue of the Company in addition to general economic conditions. Although the Company believes that the expectations and assumptions on which such forward-looking information and statements are based are reasonable, undue reliance should not be placed on the forward-looking information and statements because the Company can give no assurances that they will prove to be correct. Since forward-looking information and statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the drilling and oilfield services sector (ie. demand, pricing and terms for oilfield drilling and services; current and expected oil and gas prices; exploration and development costs and delays; reserves discovery and decline rates; pipeline and transportation capacity; weather, health, safety and environmental risks), integration of acquisitions, including the Ironhand Acquisition, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties and environmental regulations, stock market volatility and the inability to access sufficient capital from external and internal sources and the inability to pay dividends. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through SEDAR at www.sedar.com. The forward-looking information and statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. Any forward-looking statements made previously may be inaccurate now.

Reconciliation of Non-IFRS Measures

$ thousands except share and per share amounts	Three months ended December 31, 2014	2013	Year ended December 31, 2014	2013
NON-IFRS MEASURES				
EBITDAS:				
Net (loss) income	(15,760)	2,196	(13,451)	4,863
Add:				
Depreciation	5,749	3,849	19,543	15,418
Finance costs	632	481	2,186	3,262
Transaction costs	53	-	841	-
Deferred income tax expense	1,780	830	2,960	1,885
Goodwill Impairment	20,880	-	20,880	-
Stock based compensation	210	288	1,345	914
Gain on sale of equipment	(4)	(46)	(246)	(171)
EBITDAS (1)	13,540	7,598	34,058	26,171
EBITDAS per share – basic(1)	$0.05	$0.05	$0.15	$0.17
EBITDAS per share – diluted(1)	$0.05	$0.05	$0.15	$0.16
EBITDAS margin (EBITDAS/Revenue) (1)	29%	24%	24%	23%
Weighted average number shares outstanding - basic	269,799,952	155,158,173	227,675,260	155,067,901
Weighted average number shares outstanding - diluted	269,799,952	159,840,021	227,675,260	159,634,517
Funds from operations:				
Cash flows from operating activities	9,425	5,904	34,998	25,200
Add (deduct): Change in non-cash working capital	4,062	1,694	(1,781)	971
Funds from operations (2)	13,487	7,598	33,217	26,171
Gross margin:				
Revenue	45,959	31,515	143,666	113,297
Less: Direct operating expenses	26,856	19,841	91,751	72,449
Gross margin (3)	19,103	11,674	51,915	40,848
Gross margin percentage (3)	42%	37%	36%	36%

$ thousands	December 31, 2014	December 31, 2013
Working capital (excluding debt):		
Current assets	38,405	25,353
Less: Current liabilities	(18,003)	(11,031)
Add: Current portion of long term debt	201	185
Working capital (excluding debt) (4)	20,603	14,507
Working capital (excluding debt) ratio(4)	2.2:1	2.3:1
Net debt:		
Long term debt	65,465	43,824
Less: Current assets	(38,405)	(25,353)
Add: Current liabilities	18,003	11,031
Net debt (5)	28,860	29,502

(1) EBITDAS (Earnings before interest and finance costs, income tax expense, depreciation, amortization, (gain) loss on disposal of asset, transaction costs, goodwill impairment and stock based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Company's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes, pay dividends, repurchase common shares under the Normal Course Issuer Bid, and fund capital programs. Investors should be cautioned, however, that EBITDAS should not be construed as an alternative to net (loss) income and comprehensive (loss) income determined in accordance with IFRS as an indicator of the Company's performance. CWC's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities. EBITDAS margin is calculated as EBITDAS divided by revenue and provides a measure of the percentage of EBITDAS per dollar of revenue. EBITDAS per share is calculated by dividing EBITDAS by the weighted average number of shares outstanding as used for calculation of earnings per share.

(2) Funds from operations is not a recognized measure under IFRS. Management believes that in addition to cash flow from operations, funds from operations is a useful supplemental measure as it provides an indication of the cash flow generated by the Company's principal business activities prior to consideration of changes in working capital. Investors should be cautioned, however, that funds from operations should not be construed as an alternative to cash flow from operations determined in accordance with IFRS as an indicator of the Company's performance. CWC's method of calculating funds from operations may differ from other entities and accordingly, funds from operations may not be comparable to measures used by other entities. Funds from operations is equal to cash flow from operations before changes in non-cash working capital items related to operations.

(3) Gross margin is calculated from the statement of comprehensive income as revenue less direct operating costs and is used to assist management and investors in assessing the Company's financial results from operations excluding fixed overhead costs. Gross margin percentage is calculated as gross margin divided by revenue. The Company believes the relationship between revenue and costs expressed by the gross margin percentage is a useful measure when compared over different financial periods as it demonstrates the trending relationship between revenue, costs and margins. Gross margin and gross margin percentage are non-IFRS measures and do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures provided by other companies.

(4) Working capital (excluding debt) is calculated based on current assets less current liabilities excluding the current portion of long-term debt. Working capital (excluding debt) is used to assist management and investors in assessing the Company's liquidity. Working capital (excluding debt) does not have any meaning prescribed under IFRS and may not be comparable to similar measures provided by other companies. Working capital (excluding debt) ratio is calculated as current assets divided by the difference of current liabilities less the current portion of long term debt.

(5) Net debt is not a recognized measure under IFRS and does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures provided by other companies. Management believes net debt is a useful indicator of a company's debt position.

CWC ENERGY SERVICES CORP.

Financial Statements

For the years ended December 31, 2014 and 2013

Management's report

To the Shareholders of CWC Energy Services Corp.:

The accompanying financial statements of CWC Energy Services Corp. are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the financial statements within reasonable limits of materiality.

The Audit Committee is appointed by the Board of Directors, with all of its members being independent directors. The Audit Committee meets with management, as well as with the external auditors, to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the financial statements and the auditor's report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the financial statements for presentation to the shareholders. The external auditors have direct access to the Audit Committee of the Board of Directors.

The financial statements have been audited independently by KPMG LLP on behalf of the Company in accordance with generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the financial statements.

(signed) "Duncan Au"
Duncan Au
President and Chief Executive Officer

Calgary, Alberta
March 9, 2015

(signed) "Craig S. Flint"
Craig Flint
Chief Financial Officer

Calgary, Alberta
March 9, 2015

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of CWC Energy Services Corp.

We have audited the accompanying consolidated financial statements of CWC Energy Services Corp., which comprise the statements of financial position as at December 31, 2014 and December 31, 2013, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of CWC Energy Services Corp. as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 9, 2015

CWC ENERGY SERVICES CORP.

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2014 and December 31, 2013

December 31, *(Stated in thousands of Canadian dollars)*	Note	**2014**	2013
ASSETS			
Current			
Cash		**$ 69**	$ 202
Accounts receivable		**34,826**	22,359
Inventory		**2,335**	2,392
Prepaid expenses and deposits		**1,175**	400
		38,405	25,353
Property and equipment	5	**218,910**	123,646
Intangibles	6	**1,390**	-
Goodwill	6	**16,648**	-
		$ 275,353	$ 148,999
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 13,064**	$ 8,322
Dividend payable	10	**4,738**	2,524
Current portion of long-term debt	8	**201**	185
		18,003	11,031
Deferred tax liability	9	**19,180**	2,800
Long-term debt	8	**65,465**	43,824
		102,648	57,655
SHAREHOLDERS' EQUITY			
Share capital	10	**219,677**	108,184
Contributed surplus	10	**6,546**	6,056
Deficit		**(53,518)**	(22,896)
		172,705	91,344
		$ 275,353	$ 148,999

See accompanying notes to the financial statements.

Approved on behalf of the board:

(signed) "Gary Benthan"
Gary Bentham, Director

(signed) "Duncan Au"
Duncan Au, Director

CWC ENERGY SERVICES CORP.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2014 and 2013

Stated in thousands of Canadian dollars except per share amounts	Note	**2014**	2013
Revenue		**$ 143,666**	$ 113,297
Expenses	13		
Direct operating expenses		**91,751**	72,449
Selling and administrative expenses		**17,857**	14,677
Stock based compensation	10	**1,345**	914
Finance costs	8	**2,186**	3,262
Transaction costs	7	**841**	-
Depreciation		**19,543**	15,418
Gain on disposal of equipment		**(246)**	(171)
Goodwill impairment	6	**20,880**	-
		154,157	106,549
Net (loss) income before income taxes		**(10,491)**	6,748
Deferred income tax expense	9	**2,960**	1,885
Net (loss) income and comprehensive (loss) income		**$ (13,451)**	$ 4,863
(Loss) earnings per share			
Basic and diluted	10	**$ (0.06)**	$ 0.03

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2014 and 2013

Stated in thousands of Canadian dollars except share amounts	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance – January 1, 2013		154,915,899	$ 108,001	$ 5,762	$ (17,298)	$ 96,465
Net income and comprehensive income		-	-	-	4,863	4,863
Stock based compensation expense	10	-	-	793	-	793
Exercise of stock options	10	661,667	355	(155)	-	200
Stock options settled in cash	10	-	-	(190)	-	(190)
Settlement of restricted share units	10	185,000	131	(131)	-	-
Cancellation of common shares purchased under normal course issuer bid	10	(439,500)	(303)	(23)	-	(326)
Dividends declared	10	-	-	-	(10,461)	(10,461)
Balance – December 31, 2013		155,323,066	$ 108,184	$ 6,056	$ (22,896)	$ 91,344
Net (loss) and comprehensive (loss)		**-**	**-**	**-**	**(13,451)**	**(13,451)**
Stock based compensation expense	**10**	**-**	**-**	**1,200**	**-**	**1,200**
Issued common shares for acquisition	**7**	**80,785,158**	**84,017**	**-**	**-**	**84,017**
Issued for cash	**10**	**34,270,000**	**27,470**	**-**	**-**	**27,470**
Exercise of stock options	**10**	**880,000**	**419**	**(182)**	**-**	**237**
Settlement of restricted share units	**10**	**595,000**	**471**	**(471)**	**-**	**-**
Cancellation of common shares purchased under normal course issuer bid	**10**	**(1,091,000)**	**(884)**	**(57)**	**-**	**(941)**
Dividends declared	**10**	**-**	**-**	**-**	**(17,171)**	**(17,171)**
Balance – December 31, 2014		**270,762,224**	**$ 219,677**	**$ 6,546**	**$ (53,518)**	**$ 172,705**

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

Stated in thousands of Canadian dollars	Note	**2014**	2013
Operating activities:			
Net (loss) income from operations		**$ (13,451)**	$ 4,863
Adjustments for:			
Stock based compensation expense	10	**1,345**	914
Finance costs		**2,186**	3,262
Depreciation		**19,543**	15,418
Impairment of goodwill		**20,880**	-
(Gain) loss on disposal of equipment		**(246)**	(171)
Deferred income tax expense	9	**2,960**	1,885
		33,217	26,171
Changes in non-cash working capital balances	11	**1,754**	(971)
Operating cash flow		**34,971**	25,200
Investing activities:			
Business acquisition		**(18,189)**	-
Purchase of equipment		**(28,788)**	(11,440)
Proceeds on disposal of equipment		**7,528**	1,208
Investing cash flow		**(39,449)**	(10,232)
Financing activities:			
Retirement of long-term debt		**-**	(14,250)
Increase (repayment) of long-term debt		**(4,943)**	13,329
Finance costs paid		**(229)**	(414)
Interest paid		**(2,029)**	(2,851)
Finance lease repayments		**(240)**	(186)
Common shares issued for cash		**26,995**	
Common shares purchased for cancellation	10	**(941)**	(126)
Common shares issued on exercise of options	10	**238**	-
Stock options settled in cash	10	**-**	(190)
Dividends paid	10	**(14,506)**	(10,078)
Financing cash flow		**4,345**	(14,766)
(Decrease) increase in cash during the year		**(133)**	202
Cash, beginning of year		**202**	-
Cash, end of year		**$ 69**	$ 202

See accompanying notes to the financial statements.

1. Reporting entity

CWC Energy Services Corp. ("CWC" or the "Company") is incorporated under the *Business Corporations Act* (Alberta). On May 15, 2014 CWC changed its name from CWC Well Services Corp. to CWC Energy Services Corp. and amalgamated with its wholly owned subsidiary, Ironhand Drilling Inc. (note 7). The address of the Company's head office is Suite 755, 255 – 5th Avenue SW, Calgary, Alberta, Canada. The Company is an oilfield services company providing drilling and production services to oil and gas exploration and development companies throughout the Western Canadian Sedimentary Basin ("WCSB"). The Company's common stock is listed and traded on the TSX Venture Exchange under the symbol CWC. Additional information regarding CWC's business is available in CWC's most recent Annual Information Form available on SEDAR at www.sedar.com, or on the Company's website www.cwcenergyservices.com, or by contacting the Company at the address noted above.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were approved by the Board of Directors on March 9, 2015.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These annual financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand except where otherwise noted.

(d) New standards, amendments and interpretations

Effective January 1, 2014, the Company adopted the following accounting standards or revisions thereto:

IAS 36 - Impairment of Assets - Amendments of IAS 36 require entities to disclose the recoverable amount of an impaired Cash Generating Unit ("CGU"). The Company adopted these disclosures, as applicable, in these financial statements.

IFRIC 21 - Levies - Interpretation of IAS 37, Provisions, Contingent Liabilities and Assets - sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as the result of a past event. The interpretation clarifies that the obligation that gives rise to the liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company assessed the effect of IFRIC 21 on its financial results and statement of financial position and has determined there is no material impact.

(e) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires that certain estimates and judgments be made with respect to the reported amounts of revenue and expenses and the carrying amounts of assets and liabilities. These estimates are based on historical experience and management's judgment. Anticipating future events involves uncertainty and consequently the estimates used by management in the preparation of the financial statements may change as future events unfold, additional experience is acquired or the Company's operating environment changes. In many cases the use of judgment is required to make estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Further details of the nature of these estimates and assumptions may be found in the relevant notes to the financial statements.

Management considers the following to be the most significant of the judgments, apart from those involved in making estimates, made in preparation of the financial statements:

Determination of cash generating units
For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units or "CGU's"). The grouping of assets into CGU's requires management exercise significant judgment.

Management considers the following to be the most significant of the estimates made in preparation of the financial statements:

Impairment of tangible and intangible assets
Tangible and intangible assets are reviewed annually with respect to their useful lives, or more frequently, if events or changes in circumstances indicate that the assets might be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. As a result, any impairment losses are a result of management's best estimates of expected revenue, expenses and cash flows at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature impairment tests involve a significant degree of judgment as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Depreciation and amortization
Depreciation of property and equipment and intangible assets is carried out on the basis of the estimated useful lives of the related assets. Assessing the reasonableness of the estimated useful lives of property and equipment and intangibles requires judgment and is based on currently available information, including historical experience by the Company. Additionally, the Company may consult with external equipment builders or manufacturers to assess whether the methodologies and rates utilized are consistent with their expectations. Changes in circumstances, such as technological advances, changes to the Company's business strategy, changes in the Company's capital strategy or changes in regulations may result in the actual useful lives differing from the Company's estimates. A change in the remaining useful life of a group of assets, or their expected residual value, will affect the depreciation rate used to amortize the group of assets and thus affect depreciation expense as reported in the Company's results of operations. These changes are reported prospectively when they occur.

Stock based compensation
Compensation expense associated with stock options granted is based on various assumptions, using the Black-Scholes option-pricing model, to produce an estimate of compensation. This estimate may vary due to changes in the variables used in the model including interest rates, expected life, expected volatility, expected dividends, expected forfeitures and share prices.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which were fully transferable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Stock-based compensation expense is also provided for RSUs. The number of stock options and RSUs expected to vest is expensed on a graded vested basis over the vesting period of the stock options and RSUs. The number of stock options and RSUs that actually vest could differ from those estimates and any changes are recognized prospectively when they occur as an increase or decrease in compensation expense.

Allowance for doubtful accounts receivable
The allowance for doubtful accounts are reviewed by management on a regular basis. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Company takes into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Company's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances. However, given the cyclical nature of the oil and natural gas industry along with the current economic operating environment, a customer's ability to fulfill its payment obligations can change suddenly and without notice. The assessment of the credit worthiness of a customer requires management to use significant judgment. The estimation of the allowance for doubtful accounts is subject to measurement uncertainty.

Income taxes
The Company uses the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recorded based on temporary differences between the carrying amount of an asset or liability and its tax base. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Company's operations are complex and computation of the provision for income taxes involves tax interpretations, regulations and legislation that are continually changing. Any changes in the estimated amounts are recognized prospectively in the statement of income and comprehensive income.

(f) Comparative figures
Certain comparative amounts have been reclassified to conform to the current period's presentation.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Inventory
Inventory consists mainly of operating supplies, consumables and repair parts. Inventory is stated at the lower of cost or net realizable value. The cost of inventory is accounted for on a weighted average basis and includes expenditures incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(b) Business combinations
The Company uses the acquisition method to account for business acquisitions. The Company measures goodwill as the fair value of the consideration transferred, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a gain on acquisition is recognized immediately in net income. Goodwill is allocated as of the date of the business combination to the CGU and groups of CGU's that are expected to benefit from the business combination and represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which can be no higher than the operating segment level. Goodwill is not amortized and is tested for impairment annually. Additionally, goodwill is reviewed at each reporting date to determine if events or changes in circumstances indicate that the asset might be impaired, in which case an impairment test is performed. Goodwill is measured at cost less accumulated impairment losses. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred and recognized in other items within net income.

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

- the cost of materials and direct labour; and
- any other costs directly attributable to bringing the assets to a working condition for their intended use.

Costs of replacing a component of property and equipment is capitalized only when it is probable that the future economic benefits associated with the component will flow to the Company. The carrying amount of the replacement component is derecognized. Cost of routine repairs and maintenance is expensed as incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

Items of property and equipment are depreciated from the date that they are inspected and determined to be ready for field use, or in respect of internally constructed assets, from the date that the asset is completed or ready for use. Depreciation is recorded annually over the estimated useful lives of the assets using the following deprecation methods and rates:

Assets	Method	Rate
Drilling rigs and related equipment	Unit of production with residual values up to-20%	1,500 to 5,000 operating days
Production equipment – service rigs and Level IV recertifications	Unit of production with residual values up to-20%	24,000 operating hours
Production equipment – Coil, Snubbing units	Straight-line with residual values of up to-20%	10 years
Support equipment	Straight-line with residual values of up to-15%	2 to 10 years
Miscellaneous equipment	Straight-line with no residual value	3 to 5 years

Intangible assets acquired in business combinations consist of trade names which are amortized over five years and customer contracts which are amortized over the remaining contractual term of up to two years.

Assets under construction are not depreciated until they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Impairment of non-financial assets excluding inventories and deferred tax assets
Non-financial assets excluding inventories and deferred tax assets are assessed at the end of each reporting period to determine if any indication of impairment exists. If any such indication exists, the Company estimates the recoverable amount of the asset. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use (“VIU”) and its fair value less costs to sell (“FVLCS”). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or

CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU's.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of goodwill, if any, allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

CWC's corporate assets, which do not generate separate cash inflows, are allocated to the CGU's on a reasonable basis for impairment testing purposes.

(e) Financial instruments

Financial assets include accounts receivable and marketable securities (if any). The Company determines the classification of its financial assets at initial recognition and records the assets at their fair value. Subsequently, financial assets are carried at fair value or amortized cost less impairment charges. Where non-derivative financial assets are carried at fair value, gains and losses on remeasurement are recognized directly in equity unless the financial assets have been designated as being held at fair value through profit or loss, in which case the gains and losses are recognized directly in net earnings.

All financial liabilities are initially recognized at fair value net of transaction costs and subsequently carried at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

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

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

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

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

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

Financial assets designated as at fair value through profit or loss comprise equity securities that would otherwise would have been classified as available for sale.

Loans and receivables

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

(f) Cash

Cash comprises cash balances that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(g) Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are returned to treasury and cancelled no more than six months from repurchase.

(h) Provisions

A provision is recognized in the financial statements when the Company has an obligation, whether existing or potential as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the obligation is determined to be material, then the estimated amount of the provision is determined by discounting the expected future cash outflows. At December 31, 2014 and December 31, 2013 there were no provisions recognized in the financial statements.

(i) Revenue recognition

The Company's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms do not include the provision for post-service obligations. Revenue is recognized when services are rendered and when collectability of the consideration is probable and when the amount of revenue can be measured reliably.

(j) Leases

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At the inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized as amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

Leasing contracts are classified as either finance or operating leases.

The Company classifies a lease as a finance lease if it transfers substantially all of the risks and rewards of ownership to the lessee. Upon the initial recognition of the lease asset it is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance lease and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

(k) Dividends
Dividends on shares are recognized in the Company's financial statements in the period in which the dividends are declared and approved by the Board of Directors of the Company.

(l) Finance costs
Finance costs encompass interest expense on financial liabilities and accretion expense on debt issuance costs and are recognized in profit or loss in the period in which they are incurred using the effective interest method.

(m) Foreign currency transactions
These financial statements are presented in Canadian dollars, which is the functional and reporting currency of the Company. Transactions in foreign currency are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets are translated into Canadian dollars at the exchange rate prevailing on the date of acquisition.

(n) Income Tax
Tax is recognized in profit or loss, except to the extent that it relates to a business combination or items recognized in other comprehensive income or directly in equity.

Current tax is the expected tax on taxable income less adjustments to prior periods using tax rates enacted, or substantively enacted as at the reporting date in jurisdictions where the Company operates.

Deferred income taxes are recognized based on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill and are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income taxes are calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date and apply to when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Current and deferred income tax assets and liabilities are offset when there is a legally enforceable right to settle on a net basis and when such assets and liabilities relate to income taxes imposed by the same taxation authority.

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

(o) Employee costs
Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under the bonus plan when a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can reasonably be estimated.

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be measured reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

Under the Company's stock option plan described in note 10, options to purchase common shares are granted to directors, officers and employees. The fair value of common share purchase options is calculated at the date of grant using the Black-Scholes option pricing model and that value is recorded as compensation expense over the vesting period of the option with an offsetting credit to contributed surplus. Upon exercise of the share purchase options: i) if shares are issued from treasury, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in common share capital, or ii) if a cash payment is made to the participant, contributed surplus is reduced by the amount of the cash payment. It is the Company's intent to settle future common share purchase options by means of the issue of shares from treasury.

Under the Company's restricted share unit plan described in note 10, restricted share units ("RSUs") are granted to directors, officers and employees. The fair value of RSUs is calculated at the date of grant using the market price of the common shares and that value is recorded as compensation expense over the vesting period of the RSU with an offsetting credit to contributed surplus. Upon settlement of the RSUs: i) if shares are issued from treasury, share capital is increased and contributed surplus is decreased by the amount previously expensed for stock based compensation for the RSUs, or ii) if common shares are purchased in open market purchases or purchases pursuant to private transactions with third parties, the amount paid for such purchases is recorded as a reduction in contributed surplus, or iii) if a cash payment is made to the participant, contributed surplus is reduced by the amount of the cash payment. It is the Company's intent to settle future RSUs by means of the issue of shares from treasury.

The Company estimates future forfeitures for both stock options and RSUs and expenses stock options and RSUs based on the Company's estimate of stock options and RSUs expected to reach vesting. Any difference between the number of stock options and RSUs expected to vest and the number of stock options and RSUs which actually vest is accounted for as a change in estimate when those stock options or RSUs become vested or are forfeited before vesting.

The Company has a dividend bonus plan to compensate stock option holders for dividends paid on common shares. Under the terms of the plan option holders of vested, in-the-money options are entitled to a bonus payment equal to the dividend amount grossed up to negate the tax consequences of receiving employment income versus dividend income. These amounts are accrued at each dividend declaration date and paid out annually, at the time of option exercise or on termination of employment, whichever event occurs first.

(p) Per share amounts

Basic per share amounts are calculated using the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated considering the effects of all dilutive potential common shares. The Company's dilutive potential common shares assumes that all dilutive stock options and restricted share units are exercised and the proceeds obtained on the exercise of dilutive stock options would be used to purchase common shares at the average market price during the period. The weighted average number of common shares outstanding is then adjusted accordingly

(q) Segmented information

The operating divisions are grouped into two distinct reporting segments: Contract Drilling and Production Services and are supported by the Corporate reporting segment. The reporting segments share common economic characteristics and are differentiated by the type of service provided and customer needs. The reporting segments financial results are reviewed regularly by the Company's senior management. Senior management makes decisions about resource allocation and assesses segment performance based on the internally prepared segment information.

The Company has changed its reportable operating segments to reflect the addition of contract drilling as an operating segment as more fully described in note 12.

(r) New accounting standards not yet effective
A number of new standards, amendments to standards and interpretations have been issued by the IASB and are not yet effective for the year ended December 31, 2014. The following new standards, amendments to standards and interpretations have not been applied in preparing these financial statements.

IFRS 15, Revenue from Contracts with Customers, which provides guidance on revenue recognition and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 applies to annual reporting periods beginning on or after January 1, 2017, with early adoption permitted under IFRS. The Company has not yet assessed the impact this standard will have on the financial statements.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

The carrying amounts for cash, accounts receivable, accounts payable and accrued liabilities and dividends payable approximate fair value due to their short-term nature. The fair value of long-term debt approximates its carrying value as the debt bears interest at floating rates and the credit spreads approximate current market rates.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property and equipment
The fair value of property and equipment recognized as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

(b) Inventories
The net realizable value of inventories is determined based on the estimated selling price in the ordinary course of business less cost and a reasonable profit margin.

(c) Share based compensation transactions
The fair value of employee stock options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility, the weighted average expected life of the instruments, the expected dividends, the expected forfeiture rate, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

The fair value of RSUs issued is determined on the grant date based on the market price of the common shares on the grant date.

(d) Fair value hierarchy
Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quote prices that are observable for the asset or liability either directly or indirectly; and

Stated in thousands of Canadian dollars except share and per share amounts

Level 3 – Inputs that are not based on observable market data.

The Company did not have any financial instruments that were required to be classified in Level 1, 2 or 3 as at December 31, 2014.

5. Property and equipment

	Contract drilling equipment	**Production services equipment**	**Other equipment**	**Total**
Costs				
Balance, January 1, 2014	**$ -**	**$ 204,608**	**$ 1,418**	**$ 206,026**
Acquisition through business combination	**92,611**	**-**	**124**	**92,735**
Additions	**12,282**	**16,778**	**96**	**29,156**
Disposals	**(144)**	**(16,153)**	**-**	**(16,297)**
Balance, December 31, 2014	**104,749**	**205,233**	**1,638**	**311,620**
Accumulated depreciation				
Balance, January 1, 2014	**-**	**81,300**	**1,080**	**82,380**
Depreciation	**4,554**	**14,529**	**262**	**19,345**
Disposals	**(11)**	**(9,004)**	**-**	**(9,015)**
Balance, December 31, 2014	**4,543**	**86,825**	**1,342**	**92,710**
Net book value				
Balance, December 31, 2014	**$ 100,206**	**$ 118,408**	**$ 296**	**$ 218,910**

	Contract drilling equipment	Production services equipment	Other equipment	Total
Costs				
Balance, January 1, 2013	$ -	$ 195,036	$ 1,998	$ 197,034
Additions	-	11,388	169	11,557
Disposals	-	(2,565)	-	(2,565)
Balance, December 31, 2013	-	203,859	2,167	206,026
Accumulated depreciation				
Balance, January 1, 2013	-	67,434	1,062	68,496
Depreciation	-	14,946	472	15,418
Disposals	-	(1,534)	-	(1,534)
Balance, December 31, 2013	-	80,846	1,534	82,380
Net book value				
Balance, December 31, 2013	$ -	$ 123,013	$ 633	$ 123,646

At December 31, 2014, property and equipment includes equipment under finance leases which are recorded at cost totaling $887 (December 31, 2013: $750), less accumulated depreciation of $476 (December 31, 2013: $455).

Stated in thousands of Canadian dollars except share and per share amounts

6. Goodwill and intangible assets

	Goodwill	Intangible assets
Cost		
Balance, December 31, 2013	$ -	$ -
Acquisition through business combination (note 7)	37,528	1,588
Balance, December 31, 2014	37,528	1,588
Accumulated amortization		
Balance, December 31, 2013	-	-
Amortization of intangible assets	-	198
Goodwill impairment	20,880	-
Balance, December 31, 2014	20,880	198
Net book value		
Balance, December 31, 2013	$ -	$ -
Balance, December 31, 2014	$ 16,648	$ 1,390

For the purposes of impairment testing, goodwill has been allocated to the Company's contract drilling CGU as it arose on the purchase of Ironhand Drilling Inc., which became the Company's contract drilling division.

The recoverable amount of this CGU was based on value in use, estimated using discounted cash flows. The fair value of measurement was categorized as Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2014
After tax discount rate	**13%**
Terminal value growth rate	**2.5%**
Budgeted Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA") growth rate (average of next five years)	**15%**

The discount rate was a post-tax measure estimated based on the historical industry average weighted average cost of capital, with a possible debt leveraging of 30% at a market interest rate of 2.3%. The pre-tax discount rate is 16%.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows:

- revenue growth was projected taking into account the significant drop in drilling activity levels expected to occur in 2015;
- revenue growth was projected for years 2016 onward taking into account the Contract Drilling's segment history of having above industry average utilizations; and
- revenue growth for rate per day was based on commodity price outlooks.

Stated in thousands of Canadian dollars except share and per share amounts

7. Business acquisition

On May 15, 2014, CWC acquired Ironhand Drilling Inc. ("Ironhand") pursuant to a plan of arrangement whereby all of the issued and outstanding common shares of Ironhand were exchanged for aggregate cash consideration of $18,189 and 80,785,158 common shares of CWC at an ascribed price of $1.04 per share, based on the trading price of CWC at closing.

The Ironhand acquisition enabled the Company to continue its growth strategy and enter the contract drilling services business in western Canada. At closing, Ironhand's fleet consisted of eight telescopic double drilling rigs with depth ratings from 3,200 to 4,500 metres with a ninth rig under construction. Seven of these eight rigs have top drives. All of the drilling rigs are ideally suited for the most active depths for horizontal drilling in the WCSB.

The fair value of consideration transferred at the acquisition date consisted of:

		Amount
Cash	$	18,189
Common shares		84,017
Assumption of bank debt		26,542
Total consideration	$	128,748

This acquisition has been accounted for using the acquisition method on May 15, 2014, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Company assessed the fair values of the net assets acquired based on management's best estimate of market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities. Subsequent to the acquisition date, Ironhand's operating results have been included in CWC's revenue, expenses and capital spending.

The fair value of consideration transferred for the Ironhand acquisition was allocated on the basis of the fair value of the net assets acquired as at May 15, 2014 as follows:

		Amount
Net working capital (1)	$	10,792
Property and equipment		92,735
Intangibles – trade name and customer contracts		1,588
Goodwill		37,528
Deferred income tax liability		(13,895)
Total fair value of net assets acquired	$	128,748

(1) Net working capital included no cash and trade receivables in the contractual amount and fair value of $12,031, all of which was expected to be collected.

The Company estimates that had the acquisition closed on January 1, 2014, $60.5 million of revenue for the year ended December 31, 2014 would have been attributable to Ironhand's assets. Included in this estimated amount is $38.8 million of revenue recognized by the Company subsequent to the acquisition date relating to Ironhand's assets. The Company estimates that had the acquisition closed on January 1, 2014, ($8.4) million of net loss for the year ended December 31, 2014 would have been attributable to Ironhand's assets. Included in this estimated amount is ($11.1) million of net loss recognized by the Company subsequent to the acquisition date relating to Ironhand's assets and an impairment of goodwill of $20.9 million.

The Company assessed the acquisition for intangible assets and concluded that customer relationship and the Ironhand Drilling trade name, which is being retained, met the criteria for recognition as intangible assets. The trade name was valued using the relief-from-royalty method and the customer contracts were valued using the multi-period excess earnings method.

Stated in thousands of Canadian dollars except share and per share amounts

Goodwill on the Ironhand acquisition is attributable to the price paid for Ironhand's newly constructed modern drilling rig fleet complete with trained and assembled workforce in competitive market conditions. None of the goodwill recognized is expected to be deductible for income tax purposes. CWC's share price on March 18, 2014, the day prior to the announcement of the acquisition was $0.88 per share. The share price on the closing date, which was the price CWC was required to use to value the shares issued for the acquisition was $1.04 per CWC share.

The Company incurred costs related to the acquisition of Ironhand of $0.8 million relating to due diligence as well as external legal and advisory fees, which were expensed in the period incurred.

This transaction was a related party transaction for CWC. The Company is controlled by Brookfield Capital Partners Ltd. ("Brookfield"). Brookfield indirectly beneficially owns or exercises control or direction over approximately 67% of the issued and outstanding common shares. On May 15, 2014, pursuant to a plan of arrangement under the Business Corporations Act (Alberta), the Company acquired all of the issued and outstanding shares of Ironhand Drilling Inc. ("Ironhand") to enter the contract drilling business. Ironhand was indirectly controlled by Brookfield and two of the Company's directors were also directors of Ironhand. Transactions with related parties were measured and recorded at the exchange amount which is equivalent to fair value. Fair value is defined as the transaction amount with unrelated parties under similar terms and conditions.

8. Loans and borrowings

The following table provides information with respect to amounts included in the statement of financial position related to loans and borrowings:

	December 31, 2014	December 31, 2013
Current liabilities:		
Current portion of finance lease liabilities	**$ 201**	$ 185
	$ 201	$ 185
Non-current liabilities:		
Bank Loan	**$ 65,657**	$ 44,041
Finance lease liabilities	**215**	119
Financing fees	**(407)**	(336)
	$ 65,465	$ 43,824
Total loans and borrowings	**$ 65,666**	$ 44,009

The Company has a credit facility with a syndicate of four Canadian financial institutions (the "Credit Facility"). The Credit Facility provides the Company with a $100 million extendible revolving term facility (the "Bank Loan") and other credit instruments. The Bank Loan is for a committed term until June 21, 2017 (the "Maturity Date"). No principal payments are required under the Bank Loan until the Maturity Date, at which time any amounts outstanding are due and payable. The Company may, on an annual basis, request the Maturity Date be extended for a period not to exceed three years from the date of the request. If a request for an extension is not approved by the banking syndicate, the Maturity Date will remain unchanged.

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company's trailing Consolidated debt to Consolidated EBITDA(1) ratio from a minimum of the bank's prime rate plus 0.75% to a maximum of the bank's prime rate plus 2.25% or from a minimum of the bankers acceptances rate plus a stamping fee of 1.75% to a maximum of the bankers acceptances rate plus a stamping fee of 3.25%. Standby fees under the Bank Loan range between 0.39% and 0.73%. Interest and fees under the Bank Loan is payable monthly. The Company has the option to borrow funds denominated in either Canadian or United States dollars under the Credit Facility. Borrowings under the Bank Loan are limited to an aggregate of 75% of accounts receivable outstanding less than 90 days plus 60% of the net book value of property and equipment less certain priority payables. As at December 31, 2014, $100 million was available for immediate borrowing under the $100 million Bank Loan facility and $65.7 million was outstanding (December 31, 2013: $44.0 million). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings to up to $125 million, subject to the approval of the lenders. The Bank Loan is secured by a security agreement covering all of the assets of the Company and a first charge Security Interest covering all assets of the Company. Effective December 31, 2014 the applicable rates under the Bank Loan are: bank prime rate plus 1.0%, bankers acceptances rate plus a stamping fee of 2.0%, and standby fee rate of 0.45%.

Stated in thousands of Canadian dollars except share and per share amounts

Under the terms of the Credit Facility, the Company is required to comply with the following financial covenants:

	Covenant limits	Actual December 31, 2014
Consolidated Debt(2) to Consolidated EBITDA(1)	3.00:1.00 or less	1.63:1.00
Consolidated Debt(2) to Capitalization(3)	0.50:1.00 or less	0.26:1.00
Consolidated Adjusted Cash Flow(4) to Consolidated Finance Obligations(5)	1.15:1.00 or more	9.41:1.00

(1) Consolidated EBITDA is calculated as net income(loss) plus finance costs, plus current and deferred income taxes, plus depreciation, plus stock based compensation, plus any non recurring losses or impairment losses, minus any non recurring gain, plus any expenses related to corporate or business acquisitions with all amounts being for the twelve month period ended the calculation date. EBITDA is adjusted to reflect the inclusion of material acquisitions or material dispositions on a pro forma basis for the twelve month period ended the calculation date.
(2) Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted to remove any financing fees included.
(3) Capitalization is calculated as Consolidated Debt plus Shareholders' Equity as at the calculation date.
(4) Consolidated Adjusted Cash Flow is calculated as Consolidated EBITDA minus amounts paid for transaction costs, dividends or share repurchases in the twelve month period ended the calculation date.
(5) Consolidated Finance Obligations is calculated as finance costs plus scheduled principal payments on debt including scheduled principal payments under finance leases minus accretion of finance fees included in finance costs for the twelve month period ended the calculation date.

Obligations under finance leases are primarily for leased automobiles with an expected term of three years and a one year minimum term. Interest rates on finance leases are specific to each leased asset, are fixed for the lease term and vary between 4.4% and 5.3% per annum.

Financing fees consist of commitment fees and legal expenses relating to the Credit Facility and are being amortized using the effective interest rate method over the term of the Credit Facility. Financing fees of $158 were amortized and included in finance costs during the year ended December 31, 2014 (year ended December 31, 2013: $410).

9. Income taxes

The provision for income taxes differs from that which would be expected by applying statutory rates. A reconciliation of the difference is as follows:

Years ended December 31,	**2014**	2013
Earnings before income taxes	**$ (10,491)**	$ 6,748
Combined federal and provincial income tax rate	**25%**	25%
Expected income taxes	**(2,623)**	1,687
Increase (decrease) resulting from:		
Non-deductible items	**24**	34
Income tax effect of income tax rate change	**-**	-
Goodwill impairment	**5,220**	
Stock based compensation	**300**	198
Other	**39**	(34)
	$ 2,960	$ 1,885

Stated in thousands of Canadian dollars except share and per share amounts

The deferred income tax liability is comprised of:

	December 31, 2014	December 31, 2013
Deferred tax assets		
Non capital losses	**$ 10,744[(1)]**	$ 11,500[(1)]
Share issue costs	**352**	-
Finance lease liabilities	**206**	160
Other	**84**	132
	11,386	11,792
Deferred tax liabilities:		
Property and equipment	**(30,566)**	(14,584)
Other	**-**	(8)
	(30,566)	(14,592)
Net deferred income tax liability	**$ (19,180)**	$ (2,800)

[(1)]The Company has $43.0 million of non capital loss carry forwards for income tax purposes which are available for application against future taxable income. These non capital loss carry forwards expire between 2027 and 2033.

All changes in deferred income tax temporary differences were recognized in income in the years ended December 31, 2014 and 2013.

10. Share capital

(a) Authorized
Unlimited number of common voting shares without par value.
Unlimited number of preferred shares without par value.

(b) Common shares
On April 10, 2014, CWC issued a total of 34,270,000 subscription receipts at a price of $0.84 per subscription receipt for aggregate gross proceeds of $28,809 ($27,470 after deduction of $1,814 in share issue costs plus deferred income taxes of $475). On May 15, 2014, contemporaneous with the closing of the acquisition of Ironhand, each subscription receipt was converted to one common share of CWC and 80,785,158 common shares were issued to the shareholders of Ironhand.

(c) Normal course issuer bid
The Company has a program to purchase its common shares from time to time in accordance with the normal course issuer bid procedures under Canadian securities laws. Pursuant to the issuer bid, CWC is allowed to purchase for cancellation up to 13,520,411 of its issued and outstanding common shares at prevailing market prices on the TSX Venture Exchange or other recognized marketplaces during the 12-month period ending May 21, 2015. During the year ended December 31, 2014, the Company purchased 1,091,000 shares for consideration of $941 including commissions.

(d) Stock options
The Company has a stock option plan which allows the Company to issue options to purchase common shares at prevailing market prices on the date of the option grant. The aggregate number of stock options and RSUs outstanding is limited to a maximum of ten percent of the outstanding common shares. The Company has granted stock options to directors, officers and key employees. Stock options vest annually over three years from the date of grant as employees or directors render continuous service to the Corporation and have a maximum term of five years. The Company may choose to settle stock options for the intrinsic value of the stock option on the exercise date, but the Company has no current intention or obligation to do so.

Stated in thousands of Canadian dollars except share and per share amounts

The following table summarizes changes in the number of stock options outstanding:

	Number of options	Weighted average exercise price
Balance at January 1, 2013	9,530,348	$ 0.38
Granted	600,000	0.75
Exercised for cash	(409,994)	0.31
Exercised for common shares	(661,667)	0.30
Expired	(285,001)	1.78
Forfeited – unvested	(466,674)	0.35
Balance at December 31, 2013	8,307,012	0.37
Granted	**6,550,000**	**0.85**
Exercised for common shares	**(880,000)**	**0.29**
Expired	**-**	**-**
Forfeited – unvested	**(957,000)**	**0.35**
Balance at December 31, 2014	**13,020,012**	**$ 0.54**

The following table summarizes information about stock options outstanding as at December 31, 2014:

Exercise price	Number of options outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price	Number of options exercisable
$ 0.25	**5,120,012**	**0.7**	**$ 0.25**	**5,120,012**
$ 0.45	**3,000,000**	**5.0**	**$ 0.45**	**-**
$ 0.60	**1,450,000**	**1.9**	**$ 0.60**	**1,450,000**
$ 0.75	**200,000**	**3.6**	**$ 0.75**	**200,000**
$ 0.80	**250,000**	**2.4**	**$ 0.80**	**166,667**
$ 1.04	**3,000,000**	**4.4**	**$ 1.04**	**-**
$ 0.25- 0.80	**13,020,012**	**2.8**	**$ 0.54**	**6,936,679**

The fair value of stock options is estimated as at the grant date using the Black-Scholes option pricing model, with the following weighted average assumptions used for stock options issued during the years ended December 31:

	2014	2013
Risk free interest rate (%)	**0.8%**	1.69%
Expected life (years)	**5.0**	5.0
Expected volatility (%)	**64%**	54%
Expected forfeiture rate (%)	**0%**	0%
Expected dividend per share	**$ 0.07**	$ -

The weighted average fair value of the stock options issued during the year ended December 31, 2014 was $0.20 (year ended December 31, 2013 - $0.36). For the year ended December 31, 2014, stock-based compensation expense relating to stock options totaled $468 (year ended December 31, 2013: $434).

(e) Restricted share unit plan

The Company has a restricted share unit plan which allows the Corporation to issue RSU's which are redeemable for common shares at future vesting dates. The aggregate number of RSUs and stock options outstanding is limited to a maximum of ten percent of the outstanding common shares. The Corporation has granted RSU's to officers and key employees. RSUs vest annually over three years from the date of grant as employees or directors render continuous service to the Company and have a maximum term of the end of the third year following their grant date. The Company may choose to settle RSUs for the intrinsic value of the RSUs on the settlement date, but the Company has no current intention or obligation to do so.

Stated in thousands of Canadian dollars except share and per share amounts

The following table summarizes changes in the number of Restricted Share Units ("RSU's") outstanding:

	Number of RSU's	Weighted average fair value at issue date
Balance at January 1, 2013	660,000	$ 0.71
Granted	1,230,000	0.83
Redeemed for common shares	(185,000)	0.71
Forfeited – unvested	(105,000)	0.71
Balance at December 31, 2013	1,600,000	0.80
Granted	**1,315,000**	**0.62**
Redeemed for common shares	**(595,000)**	**0.56**
Forfeited - unvested	**(255,000)**	**0.83**
Balance at December 31, 2014	**2,065,000**	**$ 0.75**

The following table summarizes information about RSU's outstanding as at December 31, 2014:

Issue date fair value	Number of RSU's outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price ($)	Number of RSU's exercisable
$0.39 - $1.04	**2,065,000**	**2.7**	**n/a**	**-**

For the year ended December 31, 2014, stock-based compensation expense relating to RSU's totaled $732 (year ended December 31, 2013: $359).

(f) (Loss) earnings per share

The following table reconciles the common shares used in computing earnings per share for the periods noted:

	Year ended December 31, 2014	2013
Weighted average common shares outstanding – basic	**227,675,260**	155,067,901
Dilutive stock options	**-**	4,359,372
Dilutive Restricted Share Units	**-**	207,244
Weighted average common shares outstanding – diluted	**227,675,260**	159,634,517

Outstanding stock options and RSU's are currently the only instruments which could potentially dilute earnings per share. For the year ended December 31, 2014, 13,020,012 stock options and 2,065,000 RSU's (year ended December 31, 2013: 1,333,359 and 1,230,000 RSU's) were not included in the computation of net (loss) income per common share because to do so would be anti-dilutive.

(g) Dividends

The Company has made the following dividend payments in the past two fiscal years:

Declaration Date	Record Date	Payment Date	Dividend per Common share
February 7, 2013	March 29, 2013	April 15, 2013	**$0.01625**
May 9, 2013	June 28, 2013	July 15, 2013	**$0.01625**
August 14, 2013	September 30, 2013	October 15, 2013	**$0.01625**
November 13, 2013	December 31, 2013	January 15, 2014	**$0.01625**
March 5, 2014	March 31, 2014	April 15, 2014	**$0.01625**
August 14, 2014	September 30, 2014	October 15, 2013	**$0.01750**
November 12, 2014	December 31, 2014	January 15, 2015	**$0.01750**
March 9, 2015	March 31, 2015	April 15, 2015	**$0.00500**

On March 9, 2015, the Company declared dividends of $0.00500 per common share to shareholders of record on March 31, 2015 to be paid on April 15, 2015.

Stated in thousands of Canadian dollars except share and per share amounts

On December 23, 2014, the Company introduced a Dividend Reinvestment Program ("DRIP") and Stock Dividend Program ("SDP"). Eligible shareholders may elect to participate in the DRIP or SDP or continue to receive a cash dividend beginning with the December 31, 2014 quarterly dividend paid on January 15, 2015. 69.2% of the common shares outstanding as at December 31, 2014, elected to participate in the DRIP and SDP, as a result, on January 15, 2015, 7,982,080 and 301,026 common shares were issued under the DRIP and SDP respectively.

(h) Contributed surplus
Contributed surplus comprises amounts paid in by equityholders. Contributed surplus in the form of surplus paid in by equityholders includes premiums on shares issued, any portion of the proceeds of issue of shares without par value not allocated to share capital, gain on forfeited shares, proceeds arising from shares donated by equityholders, credits resulting from redemption or conversion of shares at less than the amount set up as share capital, and any other contribution by equityholders in excess of amounts allocated to share capital. Contributed surplus also includes increases and decreases in equity as a result of share based payments under the Company's stock option and RSU plans.

11. Supplemental cash flow information

	Years ended December 31	
	2014	2013
Change in non-cash working capital items:		
Accounts receivable	**$ (12,467)**	$ (963)
Inventory	**57**	145
Prepaid expenses and deposits	**(775)**	(199)
Accounts payable and accrued liabilities	**4,147**	46
Working capital acquired	**10,792**	-
	$ 1,754	$ (971)

12. Operating segments

The Company operates in the western Canadian oilfield service industry through its production services and contract drilling segments. The production services segment provides well services to oil and gas exploration and production companies through the use of service rigs, coil tubing units, snubbing units and production testing equipment. The contract drilling segment provides drilling rigs and related ancillary equipment to oil and gas exploration and production companies. The production services segment combines what was previously reported as the well servicing and other oilfield services segments in prior period financial statements. The acquisition of Ironhand on May 15, 2014 resulted in the aggregation of the well servicing and other oilfield services segments, as this acquisition shifted the Company's internal financial reporting and operational management structure and Management concluded that the well servicing and other oilfield services segments share similar economic characteristics and are also similar in other respects in accordance with IFRS 8.12.

Management uses net income before depreciation and income taxes ("segment profit") as included in the management reports reviewed by key management personnel and the board of directors to measure performance at a segment basis. Segment profit is used to measure performance as management believes this is the most relevant measure in evaluating the results of our segments relative to each other and other entities that operate within the respective industries.

The Corporate segment captures general and administrative expenses associated with supporting each of the reporting segments operations, plus costs associated with being a public company. Also, included in the Corporate segment is interest expense for debt servicing, income tax expense and other amounts not directly related to the two primary segments.

Stated in thousands of Canadian dollars except share and per share amounts

The amounts related to each industry segment are as follows:

For the year ended December 31, 2014	Contract Drilling	Production Services	Corporate	Total
Revenue	$ 38,819	$104,847	$ -	$ 143,666
Direct operating expenses	21,704	70,047	-	91,751
Selling and administrative expenses	1,005	9,946	6,906	17,857
Stock based compensation	-	-	1,345	1,345
Finance costs	-	-	2,186	2,186
Transaction costs	-		841	841
Goodwill impairment	20,880	-	-	20,880
(Gain) loss on disposal of equipment	39	(285)	-	(246)
Net (loss) income before depreciation and taxes	(4,809)	25,139	(11,278)	9,052
Depreciation	4,782	14,263	498	19,543
Net (loss) income before tax	(9,591)	10,876	(11,776)	(10,491)
Income tax expense	-	-	2,960	2,960
Net (loss) income	(9,591)	10,876	(14,736)	(13,451)
Capital expenditures	12,282	16,778	96	29,156
As at December 31, 2014				
Property and equipment	100,206	118,408	296	218,910
Intangibles	1,390	-	-	1,390
Goodwill	16,648	-	-	16,648

For the year ended December 31, 2013	Contract Drilling	Production Services	Corporate	Total
Revenue	$ -	$113,297	$ -	$ 113,297
Direct operating expenses	-	72,449	-	72,449
Selling and administrative expenses	-	9,838	4,839	14,677
Stock based compensation	-	-	914	914
Finance costs	-	-	3,262	3,262
Gain on disposal of equipment	-	(171)	-	(171)
Net income (loss) before depreciation and taxes	-	31,181	(9,015)	22,166
Depreciation	-	14,927	491	15,418
Net income (loss) before tax	-	16,254	(9,506)	6,748
Deferred income tax expense	-	-	1,885	1,885
Net income (loss)	-	16,254	(11,391)	4,863
Capital expenditures	-	11,388	169	11,557
As at December 31, 2013				
Property and equipment	-	123,013	633	123,646

Stated in thousands of Canadian dollars except share and per share amounts

13. Expenses by nature

For the year ended December 31, 2014	Direct operating expenses	Selling and admini-strative expenses	Stock based compen-Sation	Finance and Transaction costs	Deprec-iation expense	Gain on sale of equip-ment	Goodwill impair-ment	Total
Personnel expenses	**$ 56,304**	**$ 10,343**	**$ 1,345**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 67,992**
Other operating expenses (1)	**35,447**	**-**	**-**	**-**	**-**	**-**	**-**	**35,447**
Other selling and administrative expenses	**-**	**5,227**		**-**	**-**	**-**	**-**	**5,227**
Facility expenses	**-**	**2,287**	**-**	**-**	**-**	**-**	**-**	**2,287**
Depreciation expense	**-**	**-**	**-**	**-**	**19,543**	**-**	**-**	**19,543**
Transaction costs				**841**				**841**
Finance costs	**-**	**-**	**-**	**2,186**	**-**	**-**	**-**	**2,186**
Gain on sale of equipment	**-**	**-**	**-**	**-**	**-**	**(246)**	**-**	**(246)**
Goodwill impairment	**-**	**-**	**-**	**-**	**-**		**20,880**	**20,880**
Total	**$ 91,751**	**$ 17,857**	**$ 1,345**	**$ 3,027**	**$19,543**	**$ (246)**	**$20,880**	**$ 154,157**

(1) see table below

For the year ended December 31, 2013	Direct operating expenses	Selling and admini-strative expenses	Stock based compen-Sation	Finance costs	Deprec-iation expense	Gain on sale of equip-ment	Goodwill impair-ment	Total
Personnel expenses	$ 50,082	$ 8,430	$ 914	$ -	$ -	$ -	$ -	$ 59,426
Other operating expenses (1)	22,367	-	-	-	-	-	-	22,367
Other selling and administrative expenses	-	4,314	-	-	-	-	-	4,314
Facility expenses	-	1,933	-	-	-	-	-	1,933
Depreciation expense	-	-	-	-	15,418	-	-	15,418
Finance costs	-	-	-	3,262	-	-	-	3,262
Gain on sale of equipment	-	-	-	-	-	(171)	-	(171)
Total	$ 72,449	$ 14,677	$ 914	$ 3,262	$ 15,418	$ (171)	$ -	$ 106,549

(1) other operating expenses consists of the following:

December 31,	**2014**	2013
Repairs and maintenance	**$ 12,152**	$ 5,121
Operating supplies and consumables	**10,304**	6,841
Fuel	**6,445**	3,760
Travel and subsistence	**1,999**	1,934
License, registration and permits	**1,632**	1,182
Certification and inspection	**1,456**	2,002
Equipment rental	**1,116**	977
Other	**343**	550
	$ 35,447	$ 22,367

Stated in thousands of Canadian dollars except share and per share amounts

14. Commitments and contingencies:

As at December 31, 2014, the Company has lease commitments and other contractual obligations as follows:

	Payments due by period				
	Next 12 months	**Between 1 and 3 years**	**Between 4 and 5 years**	**Greater than 5 years**	**Total**
Contractual obligations:					
Bank Loan	$ -	$ 65,657	$ -	$ -	$ 65,657
Finance lease liabilities	201	215	-	-	416
Operating lease payments	1,490	3,065	613	-	5,168
Total contractual obligations	$ 1,691	$ 68,937	$ 613	$ -	$ 71,241

Operating leases relate primarily to buildings and lands leased for use in day to day operating activities. In the normal course of business the Company makes short term commitments for the purchase and delivery of new items of property and equipment.

The Company is party to legal proceedings and claims that arise during the ordinary course of business. It is the opinion of the Company that the ultimate outcome of these matters will not have a material effect upon the Company's financial position, results of operations, or cash flows.

15. Related parties

Of the total outstanding shares of the Company, 67% are directly or indirectly owned by Brookfield Capital Partners Ltd. (the "Fund"), a private equity fund managed by Brookfield Asset Management Inc. ("Brookfield"), and the entities that constitute the Fund. The Company is related to Brookfield by virtue of control, and is therefore also related to Brookfield's affiliates. During 2014, the Company had revenue totaling $250 ($140 in accounts receivable as at December 31, 2014) in the normal course of business with companies under common control. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-related companies on an arm's length basis.

During 2014, the Company used the legal services of a firm in which the spouse of one of its directors is a partner in relation to the federal temporary foreign worker program. Amounts were billed based on normal market rates for such services.

The acquisition of Ironhand on May 15, 2014, was a related party transaction as disclosed in note 7.

Key management personnel include the Company's directors and officers. The following table summarizes compensation provided to key management personnel for the years ended:

	December 31, 2014	December 31, 2013
Short term employee benefits (including directors' fees)	**$ 2,279**	$ 1,802
Share based payments (stock options and RSU's)	**932**	745
Termination benefits	**200**	-
Total compensation to key management including directors and officers	**$ 3,411**	$ 2,542

Certain executive officers are subject to a mutual term of notice of three months. On resignation at the Company's request, they are entitled to termination benefits of 12 to 24 months gross salary.

The Board of Directors of the Company has a Compensation and Corporate Governance Committee which recommends compensation for directors and key executives of the Company for review and approval by the entire Board of Directors.

16. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's audit committee is also responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its policies and procedures and training, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has designated its financial instruments as follows: cash equivalents (if any) are classified as held for trading and measured at fair value, accounts receivable are classified as loans and receivables which are measured at amortized cost; accounts payable and accrued liabilities long-term debt and loans and borrowings are classified as other financial liabilities which are also measured at amortized cost; the fair values of the cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature; the fair value of the Company's long-term debt and loans and borrowings approximate their carrying values due to the floating interest rate terms or the terms reflecting current market conditions.

The Company has exposure to credit risk, liquidity risk and market risk as follows:

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of accounts receivable represents the maximum exposure to credit risk as at December 31, 2014 and December 31, 2013.

Accounts receivable includes balances from a large number of customers primarily operating in the oil and gas industry. The Company assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, however, management also considers the demographics of the Company's customer base. Currently, majority of the Company's sales are concentrated within the Western Canadian Sedimentary Basin ("WCSB"). This concentration is common amongst companies in the industry.

The Company has a credit policy under which each new customer is analyzed individually for creditworthiness before the Company begins to provide services to the customer and prior to offering standard payment terms and conditions. The Company's review includes external ratings, when available, as well as contacting credit references and evaluating banking information provided by the customer. Purchase limits are established for each new customer, which represents the maximum open amount. Customers that fail to meet the Company's benchmark creditworthiness may be required to provide a cash deposit for part or all of the anticipated job cost until they have sufficient payment history with the Company. Under some circumstances the Company may lien a customer's location where the services were provided.

Stated in thousands of Canadian dollars except share and per share amounts

The following table details the age of the outstanding trade accounts receivable and the related allowance for doubtful accounts:

	December 31, 2014	December 31, 2013
Trade accounts receivable:		
1 to 30 days outstanding – not past due	$ 19,624	$ 13,724
31 to 90 days outstanding	13,535	8,158
>90 days overdue	2,391	835
Allowance for doubtful accounts	(724)	(358)
	$ 34,826	$ 22,359

The change in the allowance for doubtful accounts for the years ended December 31 is as follows:

	2014	2013
Balance as at January 1:	$ 358	$ 127
Additional allowance	404	250
Amounts used (recoveries)	(38)	(19)
Balance as at December 31	$ 724	$ 358

Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Company records a specific bad debt allowance when management considers that the expected recovery is less than the actual amount receivable. Recoveries are the result of amounts which were previously determined to be uncollectable being collected in a period subsequent to a bad debt allowance being recorded.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has undrawn capacity under its Bank Loan to provide liquidity to meet contractual obligations (see note 8 and 17).

The following table summarizes contractual maturities for non-derivative financial instruments December 31, 2014:

Years ended December 31	2015	2016	2017	2018	2019 and beyond
Accounts payable and accrued liabilities	$ 13,064	$ -	$ -	$ -	$ -
Dividend payable	4,738	-	-	-	-
Long-term debt	201	-	65,440	-	25
	$ 18,003	$ -	$ 65,440	$ -	$ 25

c) Market risk

Market risk is the risk of changes in market prices, such as commodity prices, foreign currency exchange rates, and interest rates will affect the net earnings or the value of financial instruments. The objective of managing market risk is to control market risk exposures within acceptable limits, while maximizing returns. Market risks to which the Company is subject include:

<u>Foreign currency risk</u>

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not engage in significant foreign currency denominated transactions and exposure to foreign currency risk is negligible.

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Interest rate risk

Interest rate risk is the risk that future cash flow will fluctuate as a result of change in market interest rates.
The Company is exposed to interest rate fluctuations on its operating loan and long-term debt both of which bear interest at floating market rates. For the year ended December 31, 2014, if the prime interest rate increased/decreased by 1%, with all other variables held constant, net income would have been $650 lower/higher (2013 – $446). The Company has not entered into any interest rate swaps or other financial arrangements that mitigate the Company's exposure to interest rate fluctuations.

Commodity price risk

The Company is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices, however, many of the Company's suppliers of parts for the equipment used by the Company purchase those supplies in US currency and are exposed to commodity price risk which poses an indirect risk to the Company as their pricing reflects these fluctuations. A change in commodity prices, specifically oil and natural gas prices could have a material impact on cash flows of the Company's customers and could therefore affect the demand for our products or services from these customers. However, given that this is an indirect influence, the financial impact for the Company of changing oil and natural gas prices is not reasonably determinable.

17. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company strives to maintain a balance between debt and equity to ensure the continued access to capital markets to fund growth and ensure long-term viability. The Company continually assesses the cash flow from operations to make decisions regarding required capital maintenance, growth capital and dividends to ordinary shareholders. When those cash flows are not anticipated to be sufficient, the Company then assesses the impact on its capital structure of funding through additional debt.

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, but is not limited to, issue new shares, issue new debt, issue new debt replacing existing debt with different characteristics, adjust the dividend paid to ordinary shareholders, or purchase shares for cancellation pursuant to normal course issuer bids.

The Company monitors capital using a key financial metric of debt-to-equity ratio, which is not a recognized measure under IFRS and, therefore, is unlikely to be comparable to similar measures of other companies. For the purpose of this calculation, debt includes operating loans, current portion of long-term debt, and long-term debt, and shareholders' equity includes share capital, contributed surplus and deficit. The Company may be required to increase this from time to time as a result of expansion activities. The Company was in compliance with all externally imposed capital requirements as at December 31, 2014 and 2013.

The following table provides the debt-to-equity ratios as at:

	December 31, 2014	December 31, 2013
Long-term debt	**$ 65,666**	$ 44,009
Shareholders' equity	**172,705**	91,344
Debt-to-equity ratio	**0.38**	0.48

There has been no change in how the Company manages capital during the year ended December 31, 2014.

Corporate Information

Directors
Jim Reid[2], Chairman
Duncan T. Au[1]
Daryl Austin
Gary L. Bentham[1,2]
Wade McGowan[1, 2]
Dean Schultz

1. *Audit Committee*
2. *Compensation and Corporate Governance Committee*

Officers
Duncan T. Au, CA, CFA
President & Chief Executive Officer

Craig Flint, CA
Chief Financial Officer

Ron Sutley
Vice President, Operations (Drilling)

Darwin McIntyre
Vice President, Operations (Well Services - East)

Layne Wilk
Vice President, Operations (Well Services - West)

Brian Weighill
Vice President Sales & Marketing (Drilling)

Mike DuBois
Vice President Sales & Marketing (Well Services)

Karen Dilon, CA
Vice President, Finance & Controller

Corporate Secretary
James L. Kidd
Burnet, Duckworth & Palmer LLP

Auditors
KPMG LLP

Bankers
ATB Financial
National Bank
HSBC Bank Canada
Canadian Western Bank

Legal Counsel
Burnet, Duckworth & Palmer LLP

Transfer Agent
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