CWC ENERGY SERVICES

2015 Annual Report

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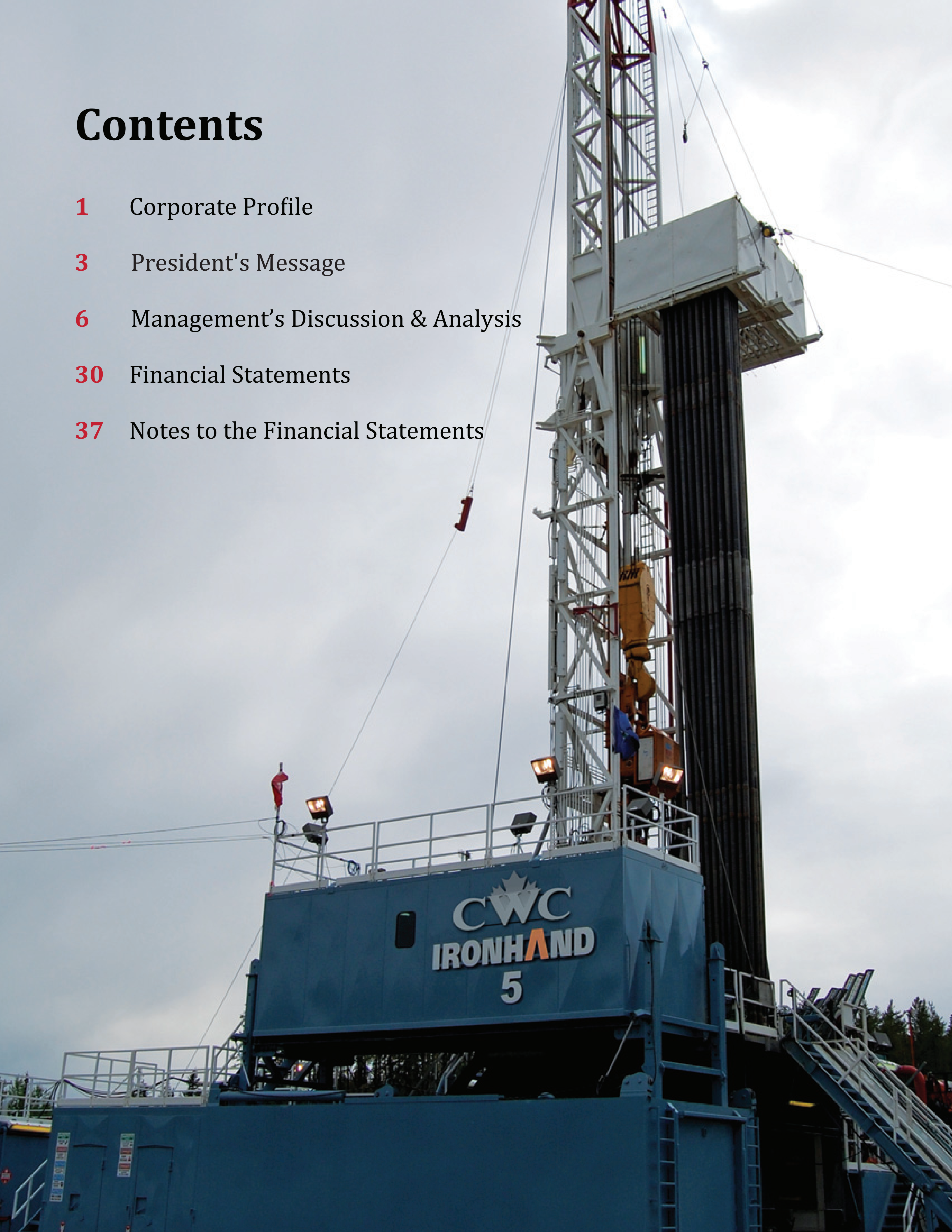


CWC
ENERGY SERVICES

Corporate Profile - May 2016

TSX-V: CWC

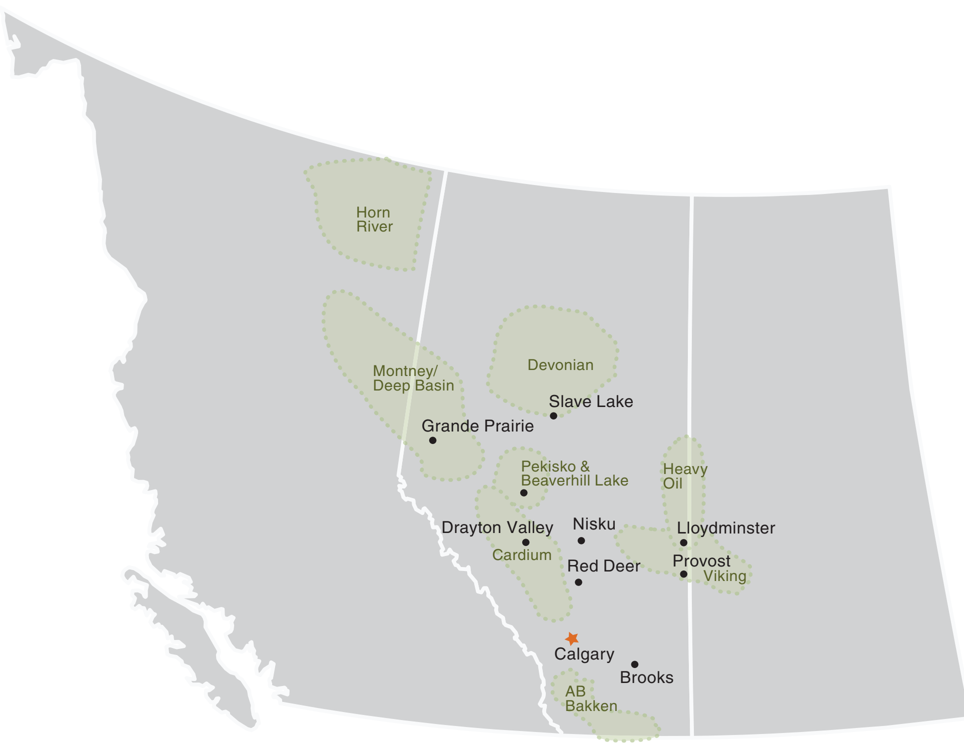
CWC Energy Services Corp. is a premier contract drilling and well servicing company operating in the WCSB with a complementary suite of oilfield services including drilling rigs, service rigs and coil tubing units. These oilfield service activities are necessary to drill wells, to complete newly drilled wells, to maintain ongoing servicing of producing wells and to abandon wells. CWC's services are provided through two divisions: Contract Drilling and Production Services.

Market Profile

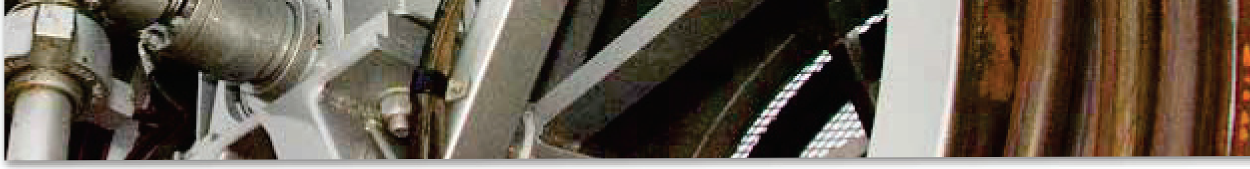
	December 31, 2015
Shares outstanding	292.6 million
Price	$0.115
Market cap	$33.6 million

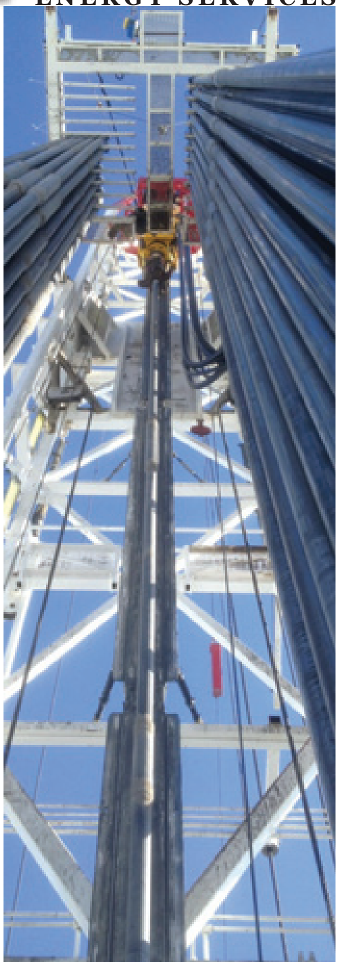
Financial Information

($ millions)	2015	2014	2013
Revenue	$81.3	$143.7	$113.3
EBITDAS	$12.0	$34.1	$26.2
Total Assets	$222.4	$275.4	$149.0
Long-Term Debt	$52.2	$65.7	$44.0
Net Debt	$40.4	$45.1	$29.5



Suite 610, 205-5th Ave SW, Calgary, AB, T2P 2V7 T: 403.264.2177 F: 403.264.2842 www.cwcenergyservices.com





Divisions

Contract Drilling

The Contract Drilling division operates under the trade name CWC Ironhand Drilling and is comprised 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 six years. In 2015, Rig #3 was upgraded to include a Pad Rig Walking System. The drilling fleet is well suited for the most active depths for horizontal drilling in the WCSB, including the Montney, Cardium, Duvernay and other deep basin horizons.

Production Services

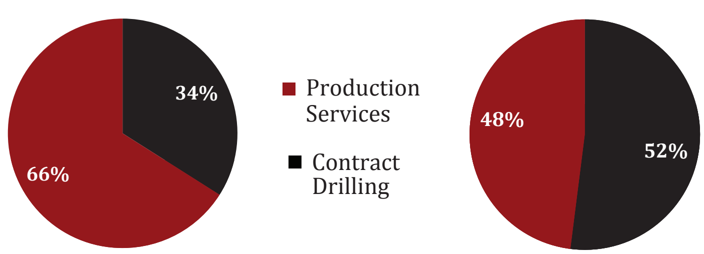
The Production Services division operates under the trade name CWC Well Services and is the second largest service rig provider in the WCSB, based on our total modern fleet of 74 service rigs as at December 31, 2015. Rig services include completions, maintenance, workovers and abandonments with depth ratings from 1,500 to 5,000 metres and are well positioned throughout the WCSB with operating locations in Slave Lake, Grande Prairie, Drayton Valley, Red Deer, Lloydminster, Provost and Brooks, Alberta. CWC also operates 9 coil tubing units with 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 Services division is well positioned for the changing demands of our oil and gas customers for horizontal drilling and deeper depth capabilities.

Equipment

	2015	2014	2013
Contract Drilling	9	9	-
Service Rigs	74	72	71
Coil Tubing	9	9	8

2015

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, CPA, CA, CFA
President & CEO

Craig Flint, CPA, CA
Chief Financial Officer

Ron Sutley
VP Operations (Drilling)

Darwin McIntyre
VP Operations (Well Services)

Bob Apps
Vice President, Sales and Marketing (Drilling)

Mike DuBois
VP Sales & Marketing (Well Services)

Suite 610, 205-5th Ave SW, Calgary, AB, T2P 2V7 T: 403.264.2177 F: 403.264.2842 www.cwcenergyservices.com

President's Message

Dear Fellow Shareholders,

I wish to share with you CWC Energy Services Corp.'s ("CWC" or the "Company") 2015 Annual Report. 2015 was a very challenging year for Canadian oilfield service companies as the oversupply of oil globally, which starting in late 2014 continued throughout 2015 and into 2016, having a negative effect on continually lower oil prices and its resultant effect on very low oilfield service activity levels.

Highlights of 2015

2015 started the year with West Texas Intermediate ("WTI") oil prices at around $55 to $60 per bbl and topping out at approximately $65 per bbl in May 2015 before its precipitous slide down to approximately $27 per bbl by February 2016. Currently, WTI has climbed back to approximately $45 per bbl, however, our exploration and production ("E&P") customers have adjusted to these lower prices by cutting their 2015 and 2016 capital expenditure programs and reducing costs with multiple rate reduction requests from their service providers, including CWC.

From the beginning of 2015, CWC's Board of Directors and management recognized the severity of this downturn and proactively implemented 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 resulted in 2015 annualized cash savings of $33.0 million compared to 2014, broken down as follows:

- $13.3 million from reduction in net capital expenditure spending;
- $13.0 million from reduction and suspension in cash dividend payouts through the implementation of the Dividend Reinvestment Plan ("DRIP") and Stock Dividend Program ("SDP") in December 2014, reduced dividends declared in March 2015 and again in June 2015 with an ultimate suspension of the dividend in December 2015;
- $6.5 million from employee compensation reductions and employee layoffs. CWC's headcount at December 31, 2015 was 366 employees, down 41% compared to the prior year; and
- $0.2 million from reduced interest expense due to a lower long-term debt balance (2015: $52.2 million, 2014: $65.7 million).

CWC continued to streamline its business and assets in March 2015 by suspending operations in our non-core Well Testing business and selling all of these assets in October 2015. In May 2015, CWC consolidated its Calgary offices into one premise space by bringing the Contract Drilling, Production Services and Executive offices together to create more synergies after the acquisition of Ironhand Drilling Inc. ("Ironhand") in 2014. In July 2015, CWC opened a new service rig operating location in Drayton Valley, Alberta by hiring an experienced local Field Supervisor to start up our operations. In August 2015, CWC closed its Weyburn, Saskatchewan service rig operations and moved all of the assets back to Alberta, thereby exited an extremely competitive southeast Saskatchewan market. In December 2015, CWC restructured the Production Services organizational structure by flattening the reporting structure and having all seven Operation Managers report to one Vice President, Operations, thereby removing differences between Western and Eastern operations.

While efficiency and productivity gains were certainly the focus throughout 2015, CWC did make key investments to its sales group with the hiring of two experienced Sales Representatives to expand our customer base and geographical reach in the Western Canadian Sedimentary Basin ("WCSB"). Such sales and operational efforts have shown progress as CWC's Q4 2015 utilization (i.e. operating hours) for its service rigs were higher by approximately 26% than in Q1 2015 and Q3 2015 amidst a backdrop of declining utilization for our competitors as reported by the Canadian Association of Oilwell Drilling Contractors ("CAODC"). This higher utilization has carried into Q1 2016 as the service rig utilization is higher by another 12% compared to Q4 2015, thus demonstrating that CWC's strategy of focusing on maintenance, workovers and abandonment work on existing wells (approximately 90%) as opposed to completion work on newly drilled wells (approximately 10%) is paying off in a low commodity price environment. The Contract Drilling division continued to be an outperformer in 2015 with a 31% utilization compared to CAODC industry average of 23%. Unfortunately for our Contract Drilling division, as oil prices dropped below $40 per bbl starting in August 2015, CWC noticed a significant drop in activity from its E&P customers to drill new wells.

Outlook For 2016

On April 18, 2016, CAODC forecasted 2016 drilling rig utilization of 21% (2015: 24%) with 4,728 wells being drilled (2015: 5,394 wells). On April 28, 2016, the Petroleum Services Association of Canada ("PSAC") released its revised forecast, which is even more conservative, predicting 3,315 wells being drilled in 2016. Whichever forecast you believe, the message is that 2016 is going to be worse than 2015, from an oilfield services activity perspective.

Despite the negativity in the industry, CWC is performing relatively well under challenging circumstances. While Q1 2016 overall drilling activity in the WCSB was low by any historical measure as a result of $30 per bbl oil prices, CWC's drilling rig utilization rate of 26% still managed to beat the CAODC industry average of 20%. Our service rig utilization rate in Q1 2016 of 40% (CAODC: 24%) was even more impressive as we increased our operating hours by 12% compared to Q4 2015, while the CAODC total service rig operating hours declined by 25% during that same period. To provide further context on this Q1 2016 service rig performance, this utilization would be the highest that CWC has obtained since Q4 2014. We anticipate that CWC will continue its service rig industry outperformance throughout the remainder of 2016.

On April 25, 2016, our banking syndicate agreed to an extension of a $65 million credit facility to July 31, 2018 with revised financial covenants and an equity cure provision. Such support and increased financial flexibility from our debt holders allows CWC to focus on its business operations and strategic initiatives through a prolonged industry downturn and demonstrates the continued strong support from our banking syndicate.

In addition, on April 25, 2016 CWC announced that it would raise up to $14.6 million in new equity by issuing additional common shares in CWC to existing shareholders through a rights offering. CWC's largest shareholder, Brookfield Capital Partners Ltd., which controls approximately 70% of the common shares of CWC, has confirmed that it will participate in the rights offering to the fullest extent possible. The rights offering is expected to close on or about June 2, 2016. With the credit facility renewal by the banking syndicate and the equity injection from CWC's existing shareholders, CWC will be well positioned to weather the industry downturn through to 2018.

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 what you know, but what you USE of what you know that makes us a survivor.

Sincerely and submitted on behalf of the Board of Directors,

Duncan T. Au

President & Chief Executive Officer

April 29, 2016

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 April 22, 2016 and should be read in conjunction with audited annual financial statements for the year ended December 31, 2015. Additional information regarding CWC can be found in the Company's latest Annual Information Form ("AIF"). The audited 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, 2015

- The three months ended December 31, 2015 was characterized by continuing concerns over the global oversupply of crude oil and regional oversupply of natural gas, amidst a growing concern over a potential slowdown in global demand. Crude oil and natural gas prices declined in Q4 2015 and both reset multi-year lows during December 2015. Crude oil, as represented by West Texas Intermediate ("WTI"), ended 2015 at US$37.13/bbl, down 18% from September 30, 2015 while AECO natural gas ended 2015 at $2.46/GJ down 8% from September 30, 2015.

- CWC's drilling rig utilization of 23% in Q4 2015 (Q4 2014: 84%) decreased compared to Q3 2015 of 46%, but exceeded the Canadian Association of Oilwell Drilling Contractors ("CAODC") Q4 2015 industry average of 20%. The decreased drilling activity was primarily due to the precipitous drop in crude oil prices during Q4 2015. Service rig utilization increased to 36% in Q4 2015 (Q4 2014: 45%) compared to 27% in Q3 2015 as exploration and production ("E&P") customers spent more of their operating and capital budgets on producing wells compared to drilling new wells. In Q4 2015, 89% of CWC's service rig work was maintenance, workovers and abandonments on existing wells as compared to completions work on newly drilled wells.

- Revenue of $18.8 million, a decrease of $27.2 million (59%) compared to record revenue of $46.0 million in Q4 2014. Approximately 66% of the revenue decrease is due to lower year-over-year activity levels with the remainder due to lower year-over-year pricing from E&P customers resulting from lower commodity prices.

- EBITDAS(1) of $2.3 million, a decrease of $11.2 million (83%) compared to $13.5 million in Q4 2014. Lower EBITDAS is a direct result of lower activity levels and pricing partly offset by lower variable and fixed costs from the Company's 2015 cash saving initiatives.

- In Q4 2015, CWC recorded a $6.9 million charge for impairment of property and equipment. The impairment is consistent with reduced activity and pricing due to the continuation of lower commodity prices and the reduced outlook for oilfield services activity and pricing through 2017.

- Net loss of $6.7 million, a decrease of $9.1 million compared to net loss of $15.8 million in Q4 2014. The year-over-year reduction in the net loss is due primarily to a reduction in impairment charges in Q4 2015 compared to Q4 2014 offset by the impact of lower activity levels and pricing.

- On November 26, 2015, the Company amended its credit agreement with its banking syndicate to provide for certain financial covenants for Consolidated Debt to Consolidated EBITDA ratio. In April 2016, the Company further extended its credit agreement with its banking syndicate to include, among other things, the following terms:

    - the maturity date of the credit facilities were extended to July 31, 2018;

- the credit facilities were voluntarily reduced from $75.0 million to $65.0 million with the ability to increase the credit facilities by an additional $60.0 million through an accordion feature, subject to approval by the banking syndicate;
- a reduction in the minimum liquidity required from $12.5 million to $10.0 million;
- amendments to the quarterly financial covenants for Consolidated Debt to Consolidated EBITDA ratio; and
- the inclusion of an equity cure provision to allow the inclusion of equity offerings in the calculation of Consolidated EBITDA towards the Consolidated Debt to Consolidated EBITDA ratio, subject to specific conditions.

- In Q4 2015, CWC completed the sale of its Well Testing and other non-core assets for proceeds of $0.7 million, further reduced its salaried employee count resulting in one-time severance costs of $0.2 million and created operational efficiencies by flattening the management reporting structure in the Production Services segment.

Highlights for the Year Ended December 31, 2015

- Crude oil prices, as represented by WTI, averaged US$48.85/bbl in 2015 compared to US$93.00/bbl in 2014, a 47% decline while AECO natural gas averaged $2.57/GJ in 2015 compared to $4.27/GJ in 2014, a 40% decline. The impact of lower commodity prices on our E&P customer's capital and operating budgets quickly resulted in less drilling and production services activity and lower pricing for our services.

- CWC's drilling rig utilization of 31% in 2015 (2014: 67%) exceeded the CAODC industry average of 23% (2014: 44%). Service rig utilization was 29% in 2015 (2014: 45%).

- Revenue for the year ended December 31, 2015 was $81.3 million, a decrease of $62.4 million (43%) compared to record revenue earned in 2014 of $143.7 million. The Contract Drilling segment revenue was $27.8 million, a decrease of $11.0 million (28%) from prior year, and Production Services segment revenue was $53.5 million, a decrease of $51.4 million (49%) from prior year. Approximately 65% of the 2015 decrease in revenue is due to lower year-over-year activity levels with the remainder due to lower year-over-year pricing from E&P customers. Revenue for the year ended December 31, 2014 for the Contract Drilling segment represented only seven and a half months as operations commenced on May 16, 2014.

- EBITDAS[(1)] for the year ended December 31, 2015 was $12.0 million, a decrease of $22.0 million (65%) compared to record EBITDAS of $34.1 million in the prior year. Lower EBITDAS is a direct result of lower activity and pricing levels partly offset by lower variable and fixed costs from the Company's 2015 cash saving initiatives.

- Net loss for the year ended December 31, 2015 was $29.1 million, an increase of $15.6 million compared to a net loss of $13.5 million in the prior year. The increased net loss is primarily due to the impact of lower activity and pricing levels and the year-over-year increase in impairment of goodwill, intangibles and property and equipment, offset by lower expenses combined with an increase in deferred tax expense (recovery).

- In 2015, CWC's employee count has been reduced by approximately 41% from 619 employees at December 31, 2014 to 366 employees at December 31, 2015. CWC's field employees are paid on an hourly rate basis, as opposed to a salary, resulting in a high variable based cost structure as opposed to a fixed cost structure (i.e. hourly field employees do not get paid if there is no activity).

- In 2015, the Company implemented a cash preservation plan which resulted in a reduction in cash outflow of approximately $33.0 million. Approximately 20% of the savings were from layoffs and salary and wage reductions, 40% from lower net capital expenditures, and 40% from reduction in the rate of dividends per share and the implementation of a Dividend Reinvestment Plan ("DRIP") and a Stock Dividend Program ("SDP") in December 2014.

- CWC declared dividends of $3.6 million for the year ended December 31, 2015, a decrease of $13.6 million (79%) from $17.2 million in 2014. The Board of Directors of the Company decreased the dividends declared per share in Q1 2015 and Q3 2015, and suspended the Company dividend in Q4 2015 to preserve cash as commodity prices and activity levels continued to decline throughout the year.

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

Corporate Overview

CWC Energy Services Corp. is a premier contract drilling and well servicing company operating in the WCSB with a complementary suite of oilfield services including drilling rigs, service rigs and coil tubing units. The Company's corporate office is located in Calgary, Alberta, with operational locations in Nisku, Grande Prairie, Slave Lake, Red Deer, Drayton Valley, Lloydminster, Provost and Brooks, Alberta. The Company's shares trade on the TSX Venture Exchange under the symbol "CWC".

Financial and Operational Highlights

$ thousands, except shares, per share amounts, margins and ratios	Three months ended December 31, 2015	2014 (1)	% Change	Years ended December 31, 2015	2014 (1)	% Change
FINANCIAL RESULTS						
Revenue						
Contract Drilling (1)	4,769	20,308	(77%)	27,758	38,819	(28%)
Production Services	14,018	25,651	(45%)	53,502	104,847	(49%)
	18,787	45,959	(59%)	81,260	143,666	(43%)
EBITDAS (2)	2,327	13,540	(83%)	12,037	34,058	(65%)
EBITDAS margin (%) (2)	12%	29%	(17%)	15%	24%	(9%)
Funds from operations (2)	2,327	13,487	(83%)	12,037	33,217	(64%)
Net loss	(6,747)	(15,760)	n/m(3)	(29,106)	(13,451)	n/m(3)
Net loss margin (%)	(36%)	(34%)	n/m(3)	(36%)	(9%)	n/m(3)
Dividends declared	-	4,848	(100%)	3,579	17,171	(79%)
Per share information						
Weighted average number of shares outstanding – basic	285,514,473	269,799,952		285,514,473	227,675,260	
Weighted average number of shares outstanding – diluted	285,514,473	269,799,952		285,514,473	227,675,260	
EBITDAS (2) per share – basic and diluted	$0.01	$0.05		$0.04	$0.15	
Net loss per share - basic and diluted	$(0.02)	$(0.06)		$(0.10)	$(0.06)	
Dividends declared per share	$0.00	$0.0175		$0.0125	$0.06875	

$ thousands, except margins and ratios	December 31, 2015	December 31, 2014
FINANCIAL POSITION AND LIQUIDITY		
Working capital (excluding debt) (2)	11,822	20,603
Working capital (excluding debt) ratio (2)	3.1:1	2.2:1
Total assets	222,428	275,353
Total Long-term debt (including current portion)	52,241	65,666
Shareholders' equity	147,462	172,705

(1) CWC entered into the contract drilling business on May 15, 2014, through the acquisition of Ironhand Drilling Inc. 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.

Working capital (excluding debt) and total assets have decreased since December 31, 2014 as a result of collection of accounts receivables combined with lower revenue from reduced activity levels and pricing reductions. In addition, total assets are lower following the impairment of goodwill, intangibles, and property & equipment. Long-term debt (including current portion) has decreased as Funds from Operations and collection of accounts receivable exceeded capital expenditures, interest and dividends declared in 2015.

Shareholders' equity has decreased since December 31, 2014 as net loss, primarily as a result of impairment in goodwill, intangibles and property & equipment and dividends have more than offset the additional equity issued under the Company's stock option plan, restricted share award plan, and the DRIP and SDP.

Operational Overview

Contract Drilling

Ironhand Drilling Inc. ("Ironhand") was acquired on May 15, 2014 and renamed CWC Ironhand Drilling representing our Contract Drilling segment. CWC's 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 six years. In 2015, Rig #3 was upgraded to include a Pad Rig Walking System. All of the drilling rigs are well suited for the most active depths for horizontal drilling in the WCSB, including the Montney, Cardium, Duvernay and other deep basin horizons.

	Three months ended						
OPERATING HIGHLIGHTS	**Dec. 31, 2015**	**Sep. 30, 2015**	**Jun. 30, 2015**	**Mar. 31, 2015**	**Dec. 31, 2014**	**Sep. 30, 2014**	**Jun. 30, 2014**(3)
Drilling Rigs							
Active drilling rigs, end of period	9	9	9	9	9	9	8
Revenue per operating day (1)	$24,996	$24,740	$26,661	$30,553	$29,305	$27,715	$30,258
Drilling rig operating days	191	379	99	359	693	551	107
Drilling rig utilization % (2)	23%	46%	12%	44%	84%	75%	29%
CAODC industry average utilization %	20%	24%	13%	34%	45%	46%	26%

(1) 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.

(2) 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.

(3) Ironhand was acquired on May 15, 2014, as such the Contract Drilling Segment includes the results for the period commencing May 16, 2014.

Contract Drilling revenue of $4.8 million for Q4 2015 and $27.8 million for the year ended 2015 was achieved with a utilization rate of 23% and 31% respectively compared to the CAODC industry average of 20% in Q4 2015 and 23% for the year ended December 31, 2015. Overall, Contract Drilling revenue was 77% lower than Q4 2014 and 28% lower than May 16, 2014 to December 31, 2014 as the impact of lower crude oil prices negatively impacted drilling activity and pricing. Contract Drilling operating days in Q4 2015 were 72% lower than Q4 2014, driving most of the reduction in revenue. Q4 2014 was a record quarter for Contract Drilling (in terms of operating days and revenue) when its 84% utilization was 39% higher than the industry average.

The 2015 decrease in commodity prices which is being driven by record global production levels, growing storage levels, and persistent demand concerns resulted in E&P companies in the WCSB reducing total wells drilled in 2015 by 52% compared to 2014, in an effort to conserve their cash resources until commodity prices recover.

Production Services

CWC is the second largest service rig provider in the WCSB, based on our total modern fleet of 74 service rigs as at December 31, 2015. The Company's service rig fleet consists of 41 single, 27 double, and 6 slant rigs. CWC's fleet is amongst the newest in the WCSB. Rig services include completions, maintenance, workovers and abandonments with depth ratings from 1,500 to 5,000 metres. Given the current downturn in the industry, CWC has chosen to park ten of its service rigs and focus its sales and operational efforts on the remaining 64 service rigs.

CWC's Class I, II and III coil tubing units have depth ratings from 1,500 to 4,000 metres. As at December 31, 2015, the Company's fleet of nine coil tubing units consists of five Class I, three Class II and one Class III coil tubing units. The market for the Class III deep coil tubing unit is 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 SAGD wells, which are shallower in depth and more appropriate for these coil tubing units.

OPERATING HIGHLIGHTS	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014
	Three months ended							
Service Rigs								
Active service rigs, end of period	64	65	66	66	69	68	68	69
Inactive service rigs, end of period	10	9	8	7	3	3	3	2
Total service rigs, end of period	74	74	74	73	72	71	71	71
Operating hours	21,008	16,676	14,051	16,580	28,644	26,354	20,399	37,652
Revenue per hour	$615	$657	$668	$769	$790	$756	$752	$820
Service rig utilization % (1)	36%	27%	23%	29%	45%	42%	33%	61%
Coil Tubing Units								
Active coil tubing units, end of period	8	8	8	8	9	9	7	8
Inactive coil tubing units, end of period	1	1	1	1	0	0	0	0
Total coil tubing units, end of period	9	9	9	9	9	9	7	8
Operating hours	1,665	1,048	2,111	4,351	2,631	2,056	1,403	4,600
Revenue per hour	$657	$771	$724	$885	$825	$894	$784	$967
Coil tubing units utilization % (2)	23%	14%	29%	60%	32%	29%	22%	64%

(1) 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, refurbishment or have been otherwise removed from service for greater than 90 days are excluded from the utilization calculation until their first day back in field service.

(2) 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.

Production Services revenue was $14.0 million for the quarter, $53.5 million for the year, down $11.6 million (45%) and $51.3 million (49%) respectively year-over-year. CWC, like the entire oilfield services industry, continues to be impacted by lower crude oil prices negatively impacting E&P company's capital spending and the resultant reduction in pricing due to competitive pressure. Service rig operating hours of 21,008 in Q4 2015 was the best quarter in 2015 for the Company with approximately 26% more operating hours than Q1 2015 and Q3 2015. In addition the Company's operating hours were the third highest amongst all CAODC registered service rig companies for Q4 2015. CWC's increased activity in Q4 2015 was due to: (i) a focus on production work; (ii) an increase in market share with active senior E&P companies; and (iii) an aggressive pricing strategy initiated in September 2015. However, this increased activity is offset by a decline in revenue per hour which has decreased approximately 6% from Q3 2015 and 22% from Q4 2014. Coil tubing utilization was 23% in Q4 2015 compared to 32% in Q4 2014 as the low commodity prices in Q4 2015 delayed start dates on planned customer projects. The decrease of 20% in coil tubing units' average hourly rate from Q4 2014 is a function of less SAGD work in Q4 2015 compared to Q4 2014 and overall pricing pressures from our E&P customers.

In September 2014, the Company sold its Snubbing assets and business which contributed total revenue of $4.0 million and EBITDAS of $1.1 million in 2014 with no corresponding amounts in 2015. In March 2015, CWC suspended its non-core Well Testing business, which contributed 2014 revenue of $2.9 million and EBITDAS of $0.3 million. These Well Testing assets along with other non-core Production Services assets were disposed of in October 2015.

Outlook

In January and February 2016, crude oil and natural gas prices continued its decline, hitting lows of approximately US$26.19/bbl and $1.46/GJ respectively. The slowdown in North American drilling activity levels has not yet resulted in a meaningful reduction in inventory to global crude oil supplies. Prospects for any significant supply and demand rebalance in 2016 is becoming increasingly unlikely resulting in further reductions in commodity price forecasts by analysts. On January 27, 2016, Petroleum Services Association of Canada ("PSAC") revised its 2016 forecast of wells drilled by 5% to 4,900 wells from 5,150 wells forecast on November 3, 2015. The 2016 forecast represents a 7% reduction from 2015 total of 5,292 wells drilled. Under such a scenario, CWC anticipates activity levels and pricing to remain at or below Q4 2015 levels for the remainder of 2016.

In response to the lower activity levels and pricing pressures, CWC was successful in reducing the cost structure and cash requirements for 2015 and beyond. CWC expects lower drilling activity and ongoing pricing pressure through 2016 will further negatively impact CWC's revenue, EBITDAS and Funds from Operations. While the $33.0 million of 2015 cash saving initiatives will benefit 2016, additional opportunities for further cost savings have been and will continue to be considered throughout 2016.

In April 2016, CWC reached an agreement with its banking syndicate to voluntarily reduce the credit facilities from $75.0 million to $65.0 million with the ability to increase the credit facilities by an additional $60.0 million through an accordion feature, subject to approval by the banking syndicate. In addition, the banking syndicate has agreed to extend the maturity of its credit facilities to July 31, 2018 and to amend the Consolidated Debt to Consolidated EBITDA ratios and calculations through to Q2 2018. With the amendments to the credit facilities the Company anticipates that it will be in compliance with its financial covenant ratios up to Q2 2018. The company also anticipates that the resulting increased financial flexibility will allow CWC to focus on its business operations and strategic initiatives through a prolonged industry downturn and demonstrates the continued strong support of its banking syndicate.

While CWC maintains focus on its cost structure in a lower oilfield services activity environment, it is also mindful of taking advantage of opportunities that may be created during these times in the commodity cycle. Management continues to evaluate strategic opportunities and pursue those it believes will fundamentally position CWC well for the future with the overriding criteria of being able to create long-term shareholder value.

Discussion of Financial Results

Revenue and Direct Operating Expenses

$ thousands	Three months ended December 31, 2015	Three months ended December 31, 2014	Change $	Change %	Year ended December 31, 2015	Year ended December 31, 2014	Change $	Change %
Revenue								
Contract Drilling [1]	4,769	20,308	(15,539)	(77%)	27,758	38,819	(11,061)	(28%)
Production Services	14,018	25,651	(11,633)	(45%)	53,502	104,847	(51,345)	(49%)
	18,787	45,959	(27,172)	(59%)	81,260	143,666	(62,406)	(43%)
Direct operating expenses								
Contract Drilling	3,263	10,342	(7,079)	(68%)	17,743	21,704	(3,961)	(18%)
Production Services	9,740	16,514	(6,774)	(41%)	37,381	70,047	(32,666)	(47%)
	13,003	26,856	(13,853)	(52%)	55,124	91,751	(36,627)	(40%)
Gross margin [2]								
Contract Drilling	1,506	9,966	(8,460)	(85%)	10,015	17,115	(7,100)	(41%)
Production Services	4,278	9,137	(4,859)	(53%)	16,121	34,800	(18,679)	(54%)
	5,784	19,103	(13,319)	(70%)	26,136	51,915	(25,779)	(50%)
Gross margin percentage [2]								
Contract Drilling	32%	49%		(17%)	36%	44%		(8%)
Production Services	31%	36%		(5%)	30%	33%		(3%)
	31%	42%		(11%)	32%	36%		(4%)

[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.

Revenue has declined year-over-year both for Q4 2015 and the year ended December 31, 2015. Contract Drilling and Production Services segments experienced reduced utilization and reduced day and hourly rates resulting in lower revenue consistent with declines seen throughout the industry. The reduction in Contract Drilling segment revenue results from reduced activity when compared to the record Q4 2014 activity of 693 operating days combined with a 15% reduction in revenue per operating day. The reduction in Production Services segment revenue is due to reduced year-over-year industry activity for service rigs and coil tubing units combined with reduced hourly revenues. The suspension of the Well Testing business in Q1 2015 resulted in $0.9 million and $6.6 million revenue decline in Q4 2015 and full year 2015, respectively.

Generally, 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 of which is related to field operating employees and, as such, predominately variable in nature. Both Contract Drilling and Production Services segments experienced reductions in field labour costs which offset declining revenue. Gross margin percentages have decreased for the quarter and full year 2015 as a result of lower customer pricing outpacing lower operating costs and field labour wage reductions. In addition, some direct operating expenses will not vary on activity (repairs and maintenance, insurance, licensing, permitting etc.). In 2015 CWC significantly reduced field labour wages to offset the impact of day and hourly rate reductions on revenue.

Selling and Administrative Expenses and Transaction Costs

$ thousands	Three months ended December 31, 2015	2014	Change $	Change %	Year ended December 31, 2015	2014	Change $	Change %
Selling and administrative expenses	3,457	5,563	(2,106)	(38%)	14,099	17,857	(3,758)	(21%)
Transaction costs	-	53	(53)	n/m [1]	-	841	(841)	n/m [1]

[1] Not meaningful.

The reduction in activity and the Company's focus on reducing discretionary costs has positively impacted expenses in both Q4 2015 and the year ended December 31, 2015. Q4 2015 selling and administrative expenses of $3.5 million are 38% lower than Q4 2014, while full year 2015 expenses were $3.8 million, or 21% lower than 2014. The decrease in the quarter and full year 2015 selling and administrative expenses is a result of the cash savings initiatives undertaken in 2015, including the salary reductions for all salaried staff, layoffs and suspension of bonus accruals. Offsetting the cost reduction is total employee severances of $0.2 million in Q4 2015 (Q4 2014: $0.2 million) and $0.6 million full year (2014: $0.2 million) from staff reductions in 2015 and full year selling and administrative expenses of the Contract Drilling segment, compared to seven and a half months in 2014.

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.

EBITDAS

$ thousands	Three months ended December 31, 2015	2014	Change $	Change %	Year ended December 31, 2015	2014	Change $	Change %
EBITDAS [1]								
Contract Drilling	1,130	9,536	(8,406)	(88%)	8,698	16,110	(7,412)	(46%)
Production Services	2,153	7,812	(5,659)	(72%)	7,920	29,136	(21,216)	(73%)
Corporate	(956)	(3,808)	2,852	(75%)	(4,581)	(11,188)	6,607	(59%)
	2,327	13,540	(11,213)	(83%)	12,037	34,058	(22,021)	(65%)
EBITDAS margin (%)[1]	12%	29%	n/a	(17%)	15%	24%	n/a	(9%)

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

Management uses EBITDAS as a measure of the cash flow generated by the Company. Positive EBITDAS provides the cash flow needed to grow the business through purchase of new equipment or business acquisitions, fund working capital, service and reduce outstanding long-term debt, pay a dividend or repurchase outstanding common shares under the Company's NCIB.

EBITDAS for Q4 2015 of $2.3 million, a $11.2 million (83%) decrease from $13.5 million in Q4 2014. The year-over-year EBITDAS decline of $8.4 million from the Contract Drilling segment and $5.7 million decline in the Production Services from lower activity and pricing was offset by a $2.9 million decrease in Corporate segment expenses. Annual EBITDAS of $12.0 million declined $22.0 million (65%) from $34.1 million in 2014. Contract Drilling segment EBITDAS of $8.7 million has decreased $7.4 million as a result of the decreased activity and pricing in 2015, offset by the full year 2015 operations compared to seven and a half months in 2014. Production Services EBITDAS of $7.9 million has declined $21.2 million (73%) from $29.1 million in 2014 as a result of the year-over-year decline in activity and pricing and the impact of the sale of the Snubbing business (Q3 2014) and suspension of the Well Testing business (Q1 2015). Corporate costs decreased for the Q4 2015 and full year 2015 as a result of cash saving initiatives implemented throughout 2015 offset by a full year of Corporate costs associated with the Contract Drilling segment, compared to seven and a half months in 2014, and one-time severance costs associated with staff reductions.

Stock Based Compensation

$ thousands	Three months ended December 31, 2015	2014	Change $	Change %	Year ended December 31, 2015	2014	Change $	Change %
Stock based compensation	200	210	(10)	(5%)	1,008	1,345	(337)	(25%)

Stock based compensation is primarily a function of outstanding stock options and restricted share units ("RSUs") being expensed over their vesting term. Stock based compensation was lower in 2015 primarily due to the higher price of $1.04/share of stock option and RSU grants in May 2014 compared to the lower priced stock option and RSU grants in

December 2014 ($0.45/share) and December 2015 ($0.11/share). As a generalization, a higher stock based compensation expense will result from a higher trading price of CWC's common shares at the time the stock options and RSUs are granted.

Finance Costs

$ thousands	Three months ended December 31, 2015	2014	Change $	Change %	Year ended December 31, 2015	2014	Change $	Change %
Finance costs	559	632	(73)	(12%)	2,203	2,186	17	1%

Finance costs for Q4 2015 have decreased 12% from Q4 2014 due to a reduction in the 2015 average outstanding borrowing amount due to repayment and reduced working capital requirements in 2015, partially offset by higher average interest rates and amortization of capitalized finance costs. Finance costs for the year ended December 31, 2015 increased 1% from 2014 as the lower average outstanding borrowings were offset by marginally higher interest rates and higher amortization of capitalized financing costs.

Depreciation

$ thousands	Three months ended December 31, 2015	2014	Change $	Change %	Year ended December 31, 2015	2014	Change $	Change %
Depreciation								
Contract Drilling	844	2,179	(1,335)	(61%)	4,151	4,782	(631)	(13%)
Production Services	2,790	3,449	(659)	(19%)	10,935	14,263	(3,328)	(23%)
Corporate	96	121	(25)	(21%)	383	498	(115)	(23%)
	3,730	5,749	(2,019)	(35%)	15,469	19,543	(4,074)	(21%)

Depreciation for drilling rigs and service rigs are based on operating days and hours. Coil tubing units, capitalized recertifications and other production equipment are depreciated straight line resulting in consistent depreciation expense regardless of activity. Depreciation in both the Contract Drilling and Production Services segments for Q4 2015 decreased from Q4 2014 as a result of the lower activity levels and the sale of the Well Testing assets. Total depreciation in 2015 was 21% lower than 2014 due to reduced operating activity, sale of the Snubbing assets (Q3 2014) and Well Testing assets (Q3 2015) offset by a full year of depreciation in 2015 compared to seven and a half months in 2014 for the Contract Drilling segment.

(Gain) Loss on Disposal of Equipment

$ thousands	Three months ended December 31, 2015	2014	Change $	Change %	Year ended December 31, 2015	2014	Change $	Change %
(Gain) loss on disposal of equipment	(36)	(4)	(32)	n/m[1]	215	(246)	461	n/m[1]

[1] Not meaningful

Management continually monitors the asset mix and equipment needs and invests and divests assets as needed to optimize operations. During 2015, the loss on disposal of equipment was the result of the sale of equipment and the regular replacement of crew trucks resulting in proceeds on sale of $1.1 million (2014: $7.5 million).

Impairment of Goodwill and Assets

$ thousands	Three months ended December 31, 2015	2014	Change $	Change %	Year ended December 31, 2015	2014	Change $	Change %
Impairment of goodwill and assets	6,892	20,880	(13,988)	(67%)	24,214	20,880	3,337	16%

CWC reviews the carrying value of its long-term assets at each reporting period for indicators of impairment. At December 31, 2015 and December 31, 2014 the Company determined that low commodity prices and its impact on the current and future business and industry activity levels was an indicator of impairment and as such performed a comprehensive assessment of the carrying values of property, equipment, goodwill, and intangibles for the Contract Drilling and Production Services segments. As a result of the assessment, an impairment of the goodwill associated with the acquisition of Ironhand of $16.7 million was recorded in Q3 2015 and $4.0 million impairment of tangible and intangible assets of the Contract Drilling segment was recorded in Q4 2015 compared to the goodwill impairment of $20.9 million in Q4 2014 associated with the acquisition of Ironhand.

During Q3 2015, CWC recognized an impairment of the Well Testing assets of $0.6 million. These assets were sold in Q4 2015. Further, given the significant degree of uncertainty regarding oil and natural gas activity and pricing for the remainder of 2015 and into 2016, and the impact thereof, the Company reviewed the recoverable value of its service rigs and coil tubing units resulting in an impairment of tangible assets in the Production Services segment of $2.9 million.

Income Taxes

$ thousands	Three months ended December 31, 2015	2014	Year ended December 31, 2015	2014
Net loss before income taxes	(9,018)	(13,980)	(31,072)	(10,491)
Deferred income tax expense (recovery)	(2,271)	1,780	(1,966)	2,960
Deferred income tax expense (recovery) as a % of net (loss) income before income taxes	25%	(13%)	6%	(28%)
Expected statutory income tax rate	27%	25%	27%	25%

The deferred income tax recovery of $2.0 million for the year ended December 2015 results from the net loss from operations offset by the impact of the 2015 Alberta income tax rate increase. The deferred income tax expense (recovery) as a percentage of net loss before income taxes of 6% is lower than the expected statutory income tax rate as a result of the Q3 2015 impairment of goodwill, which is not deductible for income tax purposes, and as such is added back in arriving at deferred income tax expense (recovery).

The Company has substantial tax pools and non-capital losses available to reduce future taxable income. The Company does not expect to pay any cash taxes in the next five to seven years.

Net Loss and Comprehensive Loss

$ thousands	Three months ended December 31, 2015	2014	Change $	Change %	Year ended December 31, 2015	2014	Change $	Change %
Net loss and comprehensive loss	(6,747)	(15,760)	9,013	(57%)	(29,106)	(13,451)	(15,655)	n/m[(1)]

[(1)] Not meaningful

Net loss and comprehensive loss in Q4 2015 was $9.0 million lower than Q4 2014 due to a reduction in impairment of goodwill and assets ($14.0 million), selling and administrative expenses ($2.1 million), deferred income tax expense (recovery) ($4.1 million), and lower depreciation ($2.0 million). The expense reduction is offset by lower gross profit from Contract Drilling and Production Services segments which decreased $13.3 million due to reduced activity and pricing.

Year ended December 31, 2015 net loss and comprehensive loss was $15.7 million higher than 2014 as the impairment of goodwill and assets was $3.3 million higher and gross profit from Contract Drilling and Production Services segments were $25.8 million lower. These are offset by a reduction in selling and administrative expenses and transaction costs of $4.6 million, $4.9 million in lower deferred income tax expense (recovery), and a $4.1 million reduction in depreciation.

Liquidity and Capital Resources

Source of Funds:

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 credit facilities, new debt instruments, equity issuances and proceeds from the sale of assets. Cash inflow is used to repay outstanding amounts on the Company's credit facilities, fund capital requirements or pay dividends.

In 2015, the Company had operating cash flows of $25.4 million. Of the $25.4 million in cash flows from operations, $7.8 million was used to fund capital expenditures net of proceeds on disposition, $15.1 million was paid to reduce the outstanding debt and pay interest expense and $2.5 million was returned to shareholders in the form of cash dividends.

At December 31, 2015 the Company had working capital excluding debt of $11.8 million compared to $20.6 million at December 31, 2014. (Please refer to the "Reconciliation of Non-IFRS Measures" section for further information). The decline in working capital is consistent with the reduced 2015 revenue earned due to lower activity and pricing. Typically, as activity levels increase or decrease working capital will also increase or decrease.

The current industry slowdown in activity combined with the increased pressure to reduce day and hourly rates from E&P customers has reduced the Company's projections regarding operating cash flows for 2015. As a result, the Company instituted cash saving initiatives throughout 2015 which resulted in annual cash savings of approximately $32.2 million compared to 2014. The Company continues to evaluate activity, pricing, operations and expenses to ensure it has taken the significant steps to ensure the Company has sufficient liquidity to cover future financial obligations.

On November 26, 2015, the Company amended its credit agreement with its banking syndicate. The amendments were as follows:

- the credit facilities were reduced from $100.0 million to $75.0 million with the ability to increase the credit facilities through an accordion feature of $50.0 million subject to approval by the banking syndicate;
- the financial covenants for Consolidated Debt to Consolidated EBITDA ratio changed to 5.0:1 for December 31, 2015, increasing to 5.25:1 for March 31, 2016 and June 30, 2016, increasing to 5.5:1 for September 30, 2016, decreasing to 5.0:1 for December 31, 2016 and decreasing to 3.0:1 thereafter. Other debt covenants remain unchanged; and
- the Company must maintain a minimum liquidity of at least $12.5 million undrawn on the credit facilities.

In April 2016, CWC and its syndicated lenders agreed to amend its credit facilities to provide increased financial flexibility to July 31, 2018. The amendments include, among other things, the following terms:

- the maturity date of the credit facilities were extended to July 31, 2018;
- the credit facilities were voluntarily reduced from $75.0 million to $65.0 million with the ability to increase the credit facilities by an additional $60.0 million through an accordion feature, subject to approval by the banking syndicate;
- the minimum liquidity is reduced from $12.5 million to $10.0 million;
- the quarterly financial covenant for Consolidated Debt to Consolidated EBITDA ratio are as follows:

For the Quarter Ended	Covenant
June 30, 2016 and September 30, 2016	5.50 : 1
December 31, 2016 and March 31, 2017	5.25 : 1
June 30, 2017	4.75 : 1
September 30, 2017	4.50 : 1
December 31, 2017	4.00 : 1
Thereafter	3.50 : 1

- an equity cure provision which allows the Company to apply the proceeds of equity offerings in the calculation of Consolidated EBITDA for purposes of its quarterly Consolidated Debt to Consolidated EBITDA ratio until March 31, 2018, subject to certain conditions.

    - an equity cure may be utilized in no more than two quarters during such period;
    - equity cure may not be utilized in consecutive quarters; and
    - the equity cure utilized in any quarter is not to exceed the greater of 50% of total EBITDA over the prior twelve month period or $15.0 million.

The credit facilities are secured by a general security agreement and a first charge security interest covering all of the assets of the Company. Under the terms of the credit facilities, the Company is required to comply with certain financial covenants. As of December 31, 2015, the Company is in compliance with each of the financial covenants. No principal payments are required under the credit facilities until its maturity on July 31, 2018, at which time any amounts outstanding are due and payable. The Company expects to be able to renew the credit facilities prior to maturity. As at December 31, 2015, drawings under the credit facilities totaled $52.0 million.

At December 31, 2015 the applicable rates under the credit agreement are: bank prime rate plus 3.75%, bankers acceptances rate plus a stamping fee of 4.75% and a standby fee rate of 1.07%.

Capital Requirements:
Prior to 2015, the Company had been increasing its asset base of drilling rigs, service rigs and coil tubing units. 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 in activity 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 pre-2015 activity levels, the Level IV recertification program will be reinstated to ensure that future operations are not negatively impacted by rigs "houring out". In 2015, the Company had actual capital spending 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 facilities 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 and Dividends

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

	April 22, 2016	December 31, 2015	December 31, 2014
Common shares	292,638,007	292,628,007	270,762,224
Stock options	18,100,000	14,400,000	13,020,012
Restricted share units	2,280,001	2,290,001	2,065,000

In 2015, 2,630,002 stock options were exercised, 699,999 RSUs were exercised and 18,535,782 shares were issued under the DRIP and SDP. In addition 2,890,010 stock options and 95,000 RSUs were forfeited and cancelled.

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. Participation in the DRIP or the SDP was optional and did not affect shareholders' cash dividends unless they elect to participate in the DRIP or SDP. The adoption of the DRIP and SDP provided CWC with additional cash resources while ensuring that it continues to maintain its balance sheet flexibility. Shares issued under the DRIP and SDP had a dilutive effect to shareholders that elected to receive a cash dividend.

Since the introduction of the DRIP and SDP on December 23, 2014, the following shares have been issued under the respective plans:

	October 15, 2015	July 15, 2015	April 15, 2015	January 15, 2015
Dividend declared per common shares	$0.0025	$0.005	$0.005	$0.0175
Common shares issued under DRIP	2,702,220	4,025,934	3,275,513	7,982,080
Common shares issued under SDP	42,126	61,592	145,291	301,026
% of dividend settled through the issuance of shares	70.0%	69.7%	72.1%	69.2%
Cash savings (in thousands)	$ 506	$ 994	$ 1,006	$ 3,281

The following table summarizes dividends declared since December 31, 2014:

Declaration Date	Record Date	Payment Date	Dividend per Common Share
March 9, 2015	March 31, 2015	April 15, 2015	$0.0050
May 13, 2015	June 30, 2015	July 15, 2015	$0.0050
August 10, 2015	September 30, 2015	October 15, 2015	$0.0025

Given the current uncertainty in the oilfield services sector, on November 24, 2015, the Board of Directors suspended the Company's quarterly dividend and the DRIP and SDP.

The Company renewed its NCIB effective May 22, 2015, to purchase from time to time, as it considered advisable, up to 14,229,807 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 2014, 1,090,500 common shares were purchased and returned to treasury and cancelled under the NCIB for total proceeds including commissions of $0.9 million. No purchases were made in 2015. The NCIB expires on May 21, 2016 unless renewed.

Capital Expenditures

$ thousands	Three months ended December 31, 2015	2014	Year ended December 31, 2015	2014
Contract Drilling	123	4,963	4,332	12,285
Production Services	537	4,349	4,842	16,825
Total capital expenditures	660	9,312	9,174	29,110
Growth capital	84	3,429	4,484	16,265
Maintenance and infrastructure capital	576	5,883	4,690	12,845
Total capital expenditure	660	9,312	9,174	29,110

Capital expenditures in 2015 totaled $9.2 million, $0.4 million higher than anticipated due to Q4 2015 unanticipated maintenance capital of $0.3 million and $0.1 million in 2016 budgeted maintenance capital delivered in Q4 2015. Full year 2015 growth capital spending of $4.5 million was primarily incurred to complete slant service rigs #505 and #506 and supporting equipment in order to further expand growth in heavy oil and SAGD wells. Additional growth capital was incurred to begin upgrades to Drilling Rig #2 and settle long lead items on Drilling Rig #10. Maintenance capital spending of $4.7 million has been primarily directed at new drill pipe, a pad rig walking system for Drilling Rig #3, required drilling and service rig recertification costs and upgrades, additions to field equipment for the service rig and coil tubing divisions and information technology infrastructure.

A 2016 capital expenditure budget of $2.6 million was approved by the Board of Directors on December 8, 2015 comprised entirely of maintenance and infrastructure capital related to recertifications, additions and upgrades to field equipment for the drilling rig, service rig and coil tubing unit divisions as well as for information technology.

Commitments and Contractual Obligations

Under the terms of the Company's amended credit facilities, the Bank Loan is due in full on July 31, 2018. The Company is committed to monthly payments of interest and bank charges until July 31, 2018. There have been no significant changes in commitments or contractual obligations since December 31, 2014. Management believes that, despite the lower activity levels anticipated for its services combined with the cash saving initiatives planned for 2015, there will be sufficient cash flows generated from operations to service the interest on the debt and finance the required maintenance capital of the Company.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts	2015				2014			
Three months ended	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Revenue	18,787	21,135	13,508	27,830	45,959	38,846	20,488	38,373
EBITDAS	2,327	3,679	777	5,254	13,540	9,886	1,176	9,456
Net income (loss)	(6,747)	(18,103)	(4,294)	38	(15,760)	2,246	(3,182)	3,245
Net income (loss) per share: basic and diluted	(0.02)	(0.06)	(0.02)	0.00	(0.06)	0.01	(0.01)	0.02
Total assets	222,428	236,246	249,544	258,835	275,353	288,011	277,679	151,661
Total long-term debt	52,241	57,519	51,618	55,096	65,666	60,313	51,324	43,547
Shareholders' equity	147,462	153,503	171,100	174,925	172,705	193,151	195,851	92,202

The table above summarizes CWC's quarterly results for the previous eight financial quarters. 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 income (loss), adjusted for the effects of seasonality, have fluctuated primarily due to changes in the utilization of equipment, changes in the day and hours billing rate, 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 2015 activity and pricing continued to be negatively impacted by low global crude oil and natural gas prices. Q4 2015 Net income (loss) includes an impairment of drilling rig, service rig and coil tubing property and equipment and intangible assets totaling $6.9 million.
- Q3 2015 saw improved utilizations in drilling and service rig activity compared to Q2 2015 due in part to improved crude oil pricing in Q2 2015. Q3 2015 net loss includes a $17.3 million impairment in goodwill and assets held for sale. The goodwill arose on the purchase of Ironhand in Q2 2014.
- Q2 2015 continued to be negatively impacted by global market conditions resulting in a 34% decline in both revenue and EBITDAS from Q2 2014. Net loss was further impacted by the 2% increase to the Alberta corporate income tax rate;
- Q1 2015 was impacted by the global oversupply of oil and the 2014 decision by OPEC not to curtail production which resulted in significant decreases in revenue in both Contract Drilling and Production Services. Decreases in rates were demanded by E&P customers, which further impacted revenue negatively;
- Q4 2014 represented a 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 Q4 2014 revenue;
- 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. 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 2014 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 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;
- Q2 2014, $0.8 million in transaction costs were incurred relating to the acquisition of Ironhand;

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 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 impairment in respect of accounts receivable

The allowance for impairment of accounts is 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 expense have not been significant and is 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 impairment of 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

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, 2015. 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 annual financial statements, except for:

IFRS 9, Financial Instruments Classification and Measurement, which introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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, 2018, with early adoption permitted under IFRS. The Company has not yet assessed the impact this standard will have on the financial statements.

IFRS 16, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

Related Party Transactions

Of the total outstanding shares of the Company, 70% 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 2015, the Company earned revenue totaling $1.2 million (2014 - $0.3 million) in the normal course of business with companies under common control. At December 31, 2015, a total of $0.2 million ($2014 - nil) was owed to CWC by 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.

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, 2015 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. 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. No assurances can be given that current levels of oil and gas exploration and production activities will improve, deteriorate further, or 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. The 2015 decline in global crude oil and natural gas prices has negatively impacted 2015 Canadian oil and gas industry activity and as a result has had a material adverse affect on the Company's business, results, operations 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. 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.

Hazards such as unusual or unexpected geological formations, pressures, blow-outs, fires or other conditions may be encountered in drilling or servicing 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.

Leverage and Restrictive Covenants
The ability of CWC to make payments or advances will be subject to applicable laws and contractual restrictions in the instruments governing any indebtedness of those entities including the credit facilities. The degree to which CWC is leveraged could have important consequences for investors including: (i) CWC's ability to obtain additional financing for working capital, capital expenditures or future acquisitions; (ii) all or part of CWC's cash flow from operations may be dedicated to the payment of the principal of and interest on CWC's indebtedness, thereby reducing funds available for future operations and to pay dividends; (iii) certain of CWC's borrowings may be at variable rates of interest, which exposes CWC to the risk of increased interest rates; and (iv) CWC may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors could have a material adverse effect on CWC's business, financial condition, results of operations and cash flows.

The credit facilities contain numerous covenants that limit the discretion of management with respect to certain business matters. These covenants will place restrictions on, among other things, the ability of CWC to create liens or other encumbrances; to pay dividends or make other distributions, or make certain other investments, loans and guarantees; to sell or otherwise dispose of assets or repurchase stock, merge, amalgamate or consolidate with another entity. In addition, the credit facilities, contain a number of financial covenants that require CWC to meet certain financial ratios and financial condition tests. CWC's ability to meet such tests could be affected by events beyond its control, and it may not be able to meet such tests.

A failure to comply with the obligations in the credit facilities, including financial ratios and financial condition tests, could result in a default which, if not cured or waived, would permit acceleration of the repayment of the relevant indebtedness as the lenders could elect to declare all amounts outstanding under the credit facilities to be immediately due and payable and terminate all commitments to extend further credit. If the lenders were to accelerate the repayment of borrowings, CWC may not have sufficient assets to repay balances owing on the credit facilities as well as its unsecured indebtedness as the acceleration of CWC's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. If CWC's indebtedness is accelerated and the Corporation was not able to repay its indebtedness or borrow sufficient funds to refinance it, the lenders under the credit facilities could proceed to realize upon the collateral granted to them to secure that indebtedness which could have a material adverse effect on CWC and its cash flows. Even if CWC is able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to CWC and may impose financial restrictions and other covenants on it that may be more restrictive than the credit facilities.

Notwithstanding an event of default, there is also no assurance that CWC will be able to refinance any or all of the credit facilities at their maturity dates on acceptable terms, or on any basis.

Liquidity Risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's liquidity could be adversely affected by a material negative change in the oilfield service industry, which in turn could lead to covenant breaches of the credit facilities, which, if not amended or waived, could limit the Company's access to the credit facilities. If available liquidity is not sufficient to meet the CWC's operating and debt obligations as they come due CWC will need to significantly reduce expenditure, pursue alternative financing arrangements, disposition of significant assets, or pursue other corporate strategic alternatives, the ability to do so is uncertain.

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.

Significant Shareholder
Brookfield Capital Partners Ltd. ("Brookfield") is a significant shareholder of CWC owning, as of the date hereof, approximately 70% of the outstanding voting shares. As such, Brookfield will have, subject to applicable law, the ability to determine the outcome of certain matters submitted to shareholders for approval in the future, including the election and removal of directors, amendments to the CWC's corporate governing documents and certain business combinations. CWC's interests and those of its controlling shareholder may at times conflict, and this conflict might be resolved against CWC's interests. The concentration of control in the hands of a significant shareholder may impact the potential for the initiation, or the success, of an unsolicited bid for CWC's securities

Price Competition and Cyclical Nature of the Oilfield Services Business
The drilling rig, 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, including:

- 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 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. Oilfield Services 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 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. 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 Unit 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 a coil tubing unit 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 rigs, service rigs and coil tubing units and the lag between the moment a decision to build a rig or unit is made and the moment the rig or unit is placed into service, the number of rigs or units in the industry does not always correlate to the level of demand for those rigs or units. Periods of high demand often spur increased capital expenditures on rigs or units, 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 CWC's business, financial condition, results of operations and cash flows.

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 drilling, 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 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 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, carbon taxes, 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 its 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, a 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 Alberta Climate Leadership Plan, the Paris 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.

Third Party Credit Risk

CWC is 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 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 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 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
Regulation, 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 cash 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, 2015	2014	Year ended December 31, 2015	2014
NON-IFRS MEASURES				
EBITDAS:				
Net loss	(6,747)	(15,760)	(29,106)	(13,451)
Add:				
Depreciation	3,730	5,749	15,469	19,543
Finance costs	559	632	2,203	2,186
Transaction costs	-	53	-	841
Income tax expense (recovery)	(2,271)	1,780	(1,966)	2,960
Stock based compensation	200	210	1,008	1,345
Impairment of goodwill and assets	6,892	20,880	24,214	20,880
Loss (gain) on sale of equipment	(36)	(4)	215	(246)
EBITDAS (1)	2,327	13,540	12,037	34,058
EBITDAS per share – basic(1)	$0.01	$0.05	$0.04	$0.15
EBITDAS per share – diluted(1)	$0.01	$0.05	$0.04	$0.15
EBITDAS margin (EBITDAS/Revenue) (1)	12%	29%	15%	24%
Weighted average number shares outstanding - basic	285,514,473	269,799,952	285,514,473	227,675,260
Weighted average number shares outstanding - diluted	285,514,473	269,799,952	285,514,473	227,675,260
Funds from operations:				
Cash flows from operating activities	5,964	9,425	25,427	34,971
Add (deduct): Change in non-cash working capital	(3,637)	4,062	(13,390)	(1,754)
Funds from operations (2)	2,327	13,487	12,037	33,217
Gross margin:				
Revenue	18,787	45,959	81,260	143,666
Less: Direct operating expenses	13,003	26,856	55,124	91,751
Gross margin (3)	5,784	19,103	26,136	51,915
Gross margin percentage (3)	31%	42%	32%	36%

$ thousands	December 31, 2015	December 31, 2014
Working capital (excluding debt):		
Current Assets	17,333	38,405
Less: Current Liabilities	(5,716)	(18,003)
Add: Current portion of long term debt	205	201
Working capital (excluding debt) (4)	11,822	20,603
Working capital (excluding debt) ratio (4)	3.1:1	2.2:1
Net debt:		
Long term debt	52,036	65,465
Less: Current assets	(17,333)	(38,405)
Add: Current liabilities	5,716	18,003
Net debt (5)	40,419	45,063

(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, 2015 and 2014

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9

Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of CWC Energy Services Corp.

We have audited the accompanying consolidated financial statements of CWC Energy Services Corp., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive income, 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 Consolidated Financial Statements

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

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, 2015 and December 31, 2014, 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 Professional Accountants

April 22, 2016
Calgary, Canada

CWC ENERGY SERVICES CORP.

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2015 and December 31, 2014

December 31, *Stated in thousands of Canadian dollars*	Note	**2015**	2014
ASSETS			
Current			
Cash		**$ 2**	$ 69
Accounts receivable		**13,800**	34,826
Inventory		**2,112**	2,335
Prepaid expenses and deposits		**1,419**	1,175
		17,333	38,405
Property and equipment	5	**204,067**	218,910
Intangibles	6	**1,028**	1,390
Goodwill	6	**-**	16,648
		$ 222,428	$ 275,353
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 5,511**	$ 13,064
Dividend payable	10(g)	**-**	4,738
Current portion of long-term debt	8	**205**	201
		5,716	18,003
Deferred tax liability	9	**17,214**	19,180
Long-term debt	8	**52,036**	65,465
		74,966	102,648
SHAREHOLDERS' EQUITY			
Share capital	10	**227,149**	219,677
Contributed surplus		**6,516**	6,546
Deficit		**(86,203)**	(53,518)
		147,462	172,705
		$ 222,428	$ 275,353

See accompanying notes to the financial statements.

Approved on behalf of the board:

(signed) "Gary Bentham" — Gary Bentham, Director

(signed) "Duncan Au" — Duncan Au, Director

CWC ENERGY SERVICES CORP.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2015 and 2014

Stated in thousands of Canadian dollars except per share amounts	Note	**2015**	2014
Revenue		**$ 81,260**	$ 143,666
Expenses	13		
Direct operating expenses		**55,124**	91,751
Selling and administrative expenses		**14,099**	17,857
Stock based compensation		**1,008**	1,345
Finance costs	8	**2,203**	2,186
Transaction costs		**-**	841
Depreciation and amortization		**15,469**	19,543
Loss (gain) on disposal of equipment		**215**	(246)
Impairment of goodwill and assets	6	**24,214**	20,880
		112,332	154,157
Net loss before income taxes		**(31,072)**	(10,491)
Deferred income tax (recovery) expense	9	**(1,966)**	2,960
Net loss and comprehensive loss		**$ (29,106)**	$ (13,451)
Loss per share			
Basic and diluted		**$ (0.10)**	$ (0.06)

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2015 and 2014

Stated in thousands of Canadian dollars except share amounts	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance – January 1, 2014		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		80,785,158	84,017	-	-	84,017
Issued for cash		34,270,000	27,470	-	-	27,470
Exercise of stock options	10(d)	880,000	419	(182)	-	237
Settlement of restricted share units	10(e)	595,000	471	(471)	-	-
Cancellation of common shares purchased under normal course issuer bid		(1,091,000)	(884)	(57)	-	(941)
Dividends declared	10(g)	-	-	-	(17,171)	(17,171)
Balance – December 31, 2014		270,762,224	$ 219,677	$ 6,546	$ (53,518)	$ 172,705
Balance - January 1, 2015		**270,762,224**	**$ 219,677**	**$ 6,546**	**$ (53,518)**	**$ 172,705**
Net loss and comprehensive loss		**-**	**-**	**-**	**(29,106)**	**(29,106)**
Stock based compensation expense	10(d)(e)	**-**	**-**	**997**	**-**	**997**
Exercise of stock options	10(d)	**2,630,002**	**1,182**	**(524)**	**-**	**658**
Settlement of restricted share units	10(e)	**699,999**	**503**	**(503)**	**-**	**-**
Issued common shares under dividend reinvestment and stock dividend plans	10(g)	**18,535,782**	**5,787**	**-**	**-**	**5,787**
Dividends declared	10(g)	**-**	**-**	**-**	**(3,579)**	**(3,579)**
Balance – December 31, 2015		**292,628,007**	**$ 227,149**	**$ 6,516**	**$ (86,203)**	**$ 147,462**

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

Stated in thousands of Canadian dollars	Note	**2015**	2014
Operating activities:			
Net loss		**$ (29,106)**	$ (13,451)
Adjustments for:			
Stock based compensation expense	10(d)	**1,008**	1,345
Finance costs		**2,203**	2,186
Depreciation		**15,469**	19,543
Impairment of goodwill and assets		**24,214**	20,880
Loss (gain) on disposal of equipment		**215**	(246)
Deferred income tax (recovery) expense	9	**(1,966)**	2,960
Funds from operations		**12,037**	33,217
Changes in non-cash working capital balances	11	**13,390**	1,754
Operating cash flow		**25,427**	34,971
Investing activities:			
Acquisition of Ironhand Drilling Inc.		**-**	(18,189)
Purchase of equipment		**(8,952)**	(28,788)
Proceeds on disposal of equipment		**1,131**	7,528
Investing cash flow		**(7,821)**	(39,449)
Financing activities:			
Repayment of long-term debt		**(13,298)**	(4,943)
Interest paid		**(1,965)**	(2,029)
Finance costs paid		**(331)**	(229)
Finance lease repayments		**(241)**	(240)
Common shares issued for cash		**-**	26,995
Common shares issued on exercise of options	10(d)	**658**	238
Common shares repurchased for cancellation	10(c)	**-**	(941)
Dividends paid	10(g)	**(2,496)**	(14,506)
Financing cash flow		**(17,673)**	4,345
Decrease in cash during the period		**(67)**	(133)
Cash, beginning of period		**69**	202
Cash, end of period		**$ 2**	$ 69

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). The address of the Company's head office is Suite 610, 205 – 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, 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 April 22, 2016.

(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) 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 impairment in respect of accounts receivable
The allowance for impairment of accounts receivable is 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 impairment of 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.

(e) 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	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 the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

<u>Financial assets at fair value through profit or loss</u>
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.

<u>Loans and receivables</u>
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, 2015 and December 31, 2014 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.

(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, 2015. The following new standards, amendments to standards and interpretations have not been applied in preparing these financial statements.

IFRS 9, Financial Instruments Classification and Measurement, which introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS

16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

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

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, 2015.

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

5. Property and equipment

	Contract drilling equipment	Production services equipment	Other equipment	Total
Costs				
Balance, January 1, 2015	$ 104,749	$ 205,233	$ 1,638	$ 311,620
Additions	4,330	4,807	25	9,162
Disposals	(515)	(5,750)	(5)	(6,270)
Transfers	(56)	(167)	223	-
Balance, December 31, 2015	108,508	204,123	1,881	314,512
Accumulated depreciation and impairment losses				
Balance, January 1, 2015	4,543	86,825	1,342	92,710
Depreciation	3,806	11,185	161	15,152
Disposals	(57)	(4,206)	(1)	(4,264)
Transfers	(14)	14	-	-
Impairments	3,952	2,892	3	6,847
Balance, December 31, 2015	12,230	96,710	1,505	110,445
Net book value				
Balance, December 31, 2015	$ 96,278	$ 107,413	$ 376	$ 204,067

	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

At December 31, 2015, property and equipment includes equipment under finance leases which are recorded at cost totaling $915 (December 31, 2014: $887), less accumulated depreciation of $539 (December 31, 2014: $476).

Given the significant degree of uncertainty regarding oil and natural gas activity and pricing for 2016 and into 2017, and the impact thereof, the Company reviewed the recoverable value of service rigs and coil tubing units which resulted in an impairment of production services equipment totaling $2,891.

In 2015, the Company transferred production services equipment with a NBV of $1,359 to assets held for sale which were subsequently sold for proceeds of $699. The Company recognized an impairment of property and equipment of $660 in respect of these assets. Further information about the impairment loss is included in note 6.

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

6. Goodwill and intangible assets

(a) Reconciliation of carrying amount

	Goodwill	Intangible assets
Costs		
Balance, January 1, 2015	**$ 37,528**	**$ 1,588**
Additions	**14**	**-**
Balance, December 31, 2015	**37,542**	**560**
Accumulated depreciation and impairment losses		
Balance, January 1, 2015	**20,880**	**198**
Depreciation of intangible assets	**-**	**317**
Impairment	**16,662**	**45**
Balance, December 31, 2015	**37,542**	**560**
Net book value		
Balance, December 31, 2015	**$ -**	**$ 1,028**

	Goodwill	Intangible assets
Costs		
Balance, January 1, 2014	$ -	$ -
Acquisition through business combination (Note 7)	37,528	1,588
Balance, December 31, 2014	37,528	1,588
Accumulated depreciation and impairment losses		
Balance, January 1, 2014	-	-
Depreciation of intangible assets	-	198
Impairment	20,880	-
Balance, December 31, 2014	20,880	198
Net book value		
Balance, December 31, 2014	$ 16,648	$ 1,390

(b) Impairment test

The Company reviews the carrying value of its long-lived assets at each reporting period for indicators of impairment. The Corporation determined that low commodity prices and its impact on the current and future business and industry activity levels was an indicator of impairment and performed a comprehensive assessment of the carrying values of property, equipment, goodwill, and intangibles for the CGU's in the Contract Drilling and Production Services segments.

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 adjusted EBITDA growth rate.

The recoverable amount of the CGUs was based on value in use, estimated using discounted cash flows based on historical results and incorporates the Company's most recent 2016 internal forecasts. The fair value of measurement was categorized as Level 3 fair value based on the inputs in the valuation technique used.

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

The key assumptions used in the estimation of the recoverable amount for all CGUs 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.

	2015	2014
After tax discount rate	13.4%	12.7%
Pre-tax discount rate	16.5%	16.0%
Terminal value growth rate	2.5%	2.5%
Assumed debt leverage	30.0%	30.0%
Market interest rate of debt	3.0%	3.0%

The most sensitive assumptions in the calculation of recoverable amounts are the discount rate and the forecasted annual adjusted EBITDA. The impairment test's sensitivity to these inputs is as follows: All else being equal, a 0.5% increase in the discount rate would have led to additional impairment losses of $400; All else being equal, a 0.5% decrease in the forecasted annual adjusted EBITDA in each of the next five years would have led to additional impairment losses of $500; All else being equal, a 0.5% decrease in the discount rate would have led to a decrease in the impairment losses of $500; All else being equal, a 0.5% increase in the forecasted annual adjusted EBITDA in each of the next five years would have led to a decrease in impairment losses of $500.

Contract Drilling CGU
Forecasted adjusted EBITDA was estimated taking into account past experience, adjusted as follows:

- revenue growth was projected taking into account the significant reduction in contract drilling activity and pricing levels in 2015 which is expected to continue through 2016;
- revenue growth from drilling rig activity was projected to improve beginning in late 2017, returning to historical levels in 2019 and beyond, taking into account the Contract Drilling's segment history of having above industry average utilizations; and
- revenue growth from pricing (rate per day) was projected to increase beginning in late 2017 consistent with activity improvement.

The resultant forecasted adjusted EBITDA growth rate over the next five years is estimated to be 50% (year ended December 31, 2014: 15%), calculated from cyclically low adjusted EBITDA earned in 2015.

The results of the test of the Contract Drilling CGU indicated a goodwill impairment of $16,662 (year ended December 31, 2014: $20,880), a tangible asset impairment of $3,952 (see note 5) and an intangible asset impairment of $45 at December 31, 2015.

Service Rigs CGU
Forecasted adjusted EBITDA was estimated taking into account past experience, adjusted as follows:

- revenue growth was projected taking into account the significant reduction in service rig activity and pricing levels in 2015 which is expected to continue through 2016;
- revenue growth from service rig activity was projected to improve beginning in late 2017, returning to historical levels in 2019 and beyond, taking into account the Service Rig segment's utilization history; and
- revenue growth from pricing (rate per hour) was projected to increase beginning in late 2017 consistent with activity improvement.

The resultant forecasted adjusted EBITDA growth rate over the next five years is estimated to be 35% (year ended December 31, 2014: 35%), calculated from cyclically low adjusted EBITDA earned in 2015.

The estimated recoverable amount of the Service Rig CGU exceeded its carrying amount by approximately $2,000 for the year ended December 31, 2015 (year ended December 31, 2014: $21,000).

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

Coil Tubing CGU
Forecasted adjusted EBITDA was estimated taking into account past experience, adjusted as follows:

- revenue growth was projected taking into account the reduction in coil tubing activity and pricing levels in 2015 which is expected to continue through 2016;
- revenue growth from coil tubing activity was projected to improve beginning in late 2017, returning to historical levels in 2019 and beyond, taking into account the Coil Tubing segment's utilization history; and
- revenue growth from pricing (rate per hour) was projected to increase beginning in late 2017 consistent with activity improvement.

The resultant forecasted adjusted EBITDA growth rate over the next five years is estimated to be 6% (year ended December 31, 2014: 27%).

The estimated recoverable amount of the Coil Tubing CGU exceeded its carrying amount by approximately $7,000 for the year ended December 31, 2015 (year ended December 31, 2014: $800).

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 had 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.

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

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.

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"). At the time of the transaction, Brookfield indirectly beneficially owned or exercised 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:

As at December 31,		**2015**		2014
Current liabilities:				
Current portion of finance lease liabilities	**$**	**205**	$	201
	$	**205**	$	201
Non-current liabilities:				
Bank Loan	**$**	**52,359**	$	65,657
Finance lease liabilities		**178**		215
Financing fees		**(501)**		(407)
	$	**52,036**	$	65,465
Total loans and borrowings	**$**	**52,241**	$	65,666

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 $75 million extendible revolving term facility (the "Bank Loan") and other credit instruments. The Credit Facility is for a committed term until June 21, 2017 (the "Maturity Date"). No principal payments are required under the Credit Facility 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.

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

Borrowing under the Credit Facility 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 3.75% 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 4.75%. Standby fees under the Credit Facility range between 0.39% and 1.07%. Interest and fees under the Credit Facility 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 Credit Facility 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. The terms of the Credit Facility requires the Company to maintain a minimum liquidity of $12.5 million undrawn, thereby reducing the maximum borrowing from $75 million to $62.5 million. As at December 31, 2015, a total of $52.4 million has been borrowed (December 31, 2014: $65.7 million). The Credit Facility 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 Credit Facility 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, 2015, the applicable rates under the Bank Loan are: bank prime rate plus 3.75%, bankers acceptances rate plus a stamping fee of 4.75%, and standby fee rate of 1.07%.

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

	Covenant limits	Actual December 31, 2015
Consolidated Debt(2) to Consolidated EBITDA(1)	5.00:1.00 or less	4.21:1.00
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	5.06:1.00

(1) Consolidated EBITDA is calculated as net income plus finance costs, plus current and deferred income taxes, plus depreciation, plus stock based compensation, plus any non recurring losses or impairment losses, or permitted severance costs, 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.

Subsequent to December 31, 2015, in April 2016, the Company reached an agreement with its banking syndicate to, among other things, extend the Maturity Date of the Credit Facility to July 31, 2018 from June 21, 2017, amend the Consolidated EBITDA definition and amend the maximum Consolidated Debt to Consolidated EBITDA ratio under the Credit Facility to 6.0:1 for March 31, 2016, decreasing to 5.5:1 for June 30, 2016 and September 30, 2016, 5.25:1 for December 31, 2016 and March 31, 2017, further decreasing to 4.75:1 for June 30, 2017, 4.5:1 at September 30, 2017, 4.0:1 for December 31, 2017 and decreasing to 3.5:1 for March 31, 2018 and thereafter. The Company has also reached an agreement to amend the calculation of Consolidated EBITDA to include a new equity cure provision which allows the Company to include proceeds of equity offerings in the calculation of Consolidated EBITDA, subject to specific conditions.

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 5.2% 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 $238 were amortized and included in finance costs during the year ended December 31, 2015 (year ended December 31, 2014: $158).

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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,	**2015**	2014
Loss before income taxes	**$ (31,072)**	$ (10,491)
Combined federal and provincial income tax rate	**26.05%**	25%
Expected income taxes	**(8,094)**	(2,623)
Increase (decrease) resulting from:		
Non-deductible items	**22**	24
Income tax effect of income tax rate change	**1,411**	-
Goodwill impairment	**4,341**	5,220
Stock based compensation	**263**	300
Other	**91**	39
	$ (1,966)	$ 2,960

The deferred income tax liability is comprised of:

	December 31, 2015	December 31, 2014
Deferred tax assets		
Non capital losses	**$ 14,531(1)**	$ 10,744(1)
Share issue costs	**294**	352
Finance lease liabilities	**103**	206
Other	**73**	84
	15,001	11,386
Deferred tax liabilities:		
Property and equipment	**(32,215)**	(30,566)
	(32,215)	(30,566)
Net deferred income tax liability	**$ (17,214)**	$ (19,180)

(1)The Company has $53.8 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 2035.

All changes in deferred income tax temporary differences were recognized in income in the years ended December 31, 2015 and 2014.

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

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

cancellation up to 14,229,807 of its issued and outstanding common shares at prevailing market prices on the TSX Venture Exchange or other recognized marketplaces during the twelve month period ending May 21, 2016. There were no purchases made under the NCIB during 2015. For the year ended December 31, 2014, 1,091,000 shares for consideration of $941 including commissions were purchased under the NCIB.

(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.

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

	Number of options	**Weighted average exercise price**
Balance at January 1, 2014	8,307,012	0.37
Granted	6,550,000	0.77
Exercised for common shares	(880,000)	0.27
Forfeited - unvested	(957,000)	0.92
Balance at December 31, 2014	13,020,012	0.54
Granted	**6,900,000**	**0.11**
Exercised for common shares	**(2,630,002)**	**0.25**
Forfeited	**(2,890,010)**	**0.31**
Balance at December 31, 2015	**14,400,000**	**$ 0.43**

The following table summarizes information about stock options outstanding as at December 31, 2015:

Exercise price	**Number of options outstanding**	**Weighted average remaining life (years) contractual**	**Weighted average exercise price**	**Number of options exercisable**
$ 0.11	**6,900,000**	**5.0**	**$ 0.11**	**-**
$ 0.45	**3,000,000**	**4.0**	**$ 0.45**	**999,999**
$ 0.60	**1,250,000**	**0.9**	**$ 0.60**	**1,250,000**
$ 0.80	**250,000**	**1.4**	**$ 0.80**	**250,000**
$ 1.04	**3,000,000**	**3.4**	**$ 1.04**	**1,000,001**
$ 0.11- 1.04	**14,400,000**	**2.5**	**$ 0.70**	**3,500,000**

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:

	2015	2014
Risk free interest rate (%)	**0.8%**	0.8%
Expected life (years)	**5.0**	5.0
Expected volatility (%)	**75%**	64%
Expected forfeiture rate (%)	**0%**	0%
Expected dividend per share	**$ 0.00**	$ 0.07

The weighted average fair value of the stock options issued during the year ended December 31, 2015 was $0.05 (year ended December 31, 2014 - $0.20). For the year ended December 31, 2015, stock-based compensation expense relating to stock options totaled $449 (year ended December 31, 2014: $468).

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The Company has a Dividend Bonus Plan whereby holders of vested and in-the-money stock options receive a payment equal to the declared dividend amount. A portion of the dividend bonus is treated as stock based compensation while the remainder is recorded as a dividend. For the year ended December 31, 2015, stock based compensation relating to the dividend bonus plan totaled $11 (year ended December 31, 2014: $145).

(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.

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, 2014	1,600,000	$ 0.79
Granted	1,315,000	0.39
Redeemed for common shares	(595,000)	0.79
Forfeited – unvested	(255,000)	0.47
Balance at December 31, 2014	2,065,000	0.57
Granted	**1,020,000**	**0.66**
Redeemed for common shares	**(699,999)**	**0.61**
Forfeited - unvested	**(95,000)**	**0.78**
Balance at December 31, 2015	**2,290,001**	**$ 0.59**

The following table summarizes information about RSU's outstanding as at December 31, 2015:

Issue date fair value	Number of RSU's outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price ($)	Number of RSU's exercisable
$0.09 - $0.34	1,691,667	2.55	n/a	105,000
$0.84 - $1.04	598,334	1.36	n/a	58,334
$0.09 – 1.04	**2,290,001**	**2.19**	**n/a**	**163,334**

For the year ended December 31, 2015, stock based compensation expense relating to RSU's totaled $548 (year ended December 31, 2014: $732).

(f) Loss per share

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

	Year ended December 31,	
	2015	2014
Weighted average common shares outstanding – basic	**285,524,891**	227,675,260
Dilutive stock options	**-**	-
Dilutive Restricted Share Units	**-**	-
Weighted average common shares outstanding – diluted	**285,514,473**	227,675,260

Outstanding stock options and RSU's are currently the only instruments which could potentially dilute earnings per share. For the year ended December 31, 2015, 14,400,000 stock options and 2,290,001 RSU's (year ended December 31, 2014: 13,020,012 and 2,065,000 RSU's) were not included in the computation of net loss per common share because to do so would be anti-dilutive.

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(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
March 5, 2014	March 31, 2014	April 15, 2014	**$0.01625**
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**
May 13, 2015	June 30, 2015	July 15, 2015	**$0.00500**
August 10, 2015	September 30, 2015	October 15, 2015	**$0.00250**

On December 23, 2014, the Company introduced a Dividend Reinvestment Program ("DRIP") and Stock Dividend Program ("SDP") under which 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. On November 25, 2015, the Company announced the suspension of the quarterly dividend and its DRIP and SDP.

For the year ended December 31, 2015, 17,985,746 and 550,036 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

For the years ended December 31,	**2015**	2014
Change in non-cash working capital items:		
Accounts receivable	**$ 21,009**	$ (12,467)
Inventory	**223**	57
Prepaid expenses and deposits	**(244)**	(775)
Accounts payable and accrued liabilities	**(7,598)**	4,147
Working capital acquired	**-**	10,792
	$ 13,390	$ 1,754

12. Operating segments

The Company operates in the Western Canadian oilfield service industry through its Contract Drilling and Production Services segments. The Contract Drilling segment provides drilling rigs and related ancillary equipment to oil and gas exploration and production companies. The Production Services segment provides well services to oil and gas exploration and production companies through the use of service rigs and coil tubing units.

Management uses net income before depreciation and income taxes ("segment profit") in 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.

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The amounts related to each industry segment are as follows:

For the year ended December 31, 2015	Contract drilling	Production services	Corporate	Total
Revenue	$ 27,758	$ 53,502	$ -	$ 81,260
Direct operating expenses	17,743	37,381	-	55,124
Selling and administrative expenses	1,317	8,201	4,581	14,099
Stock based compensation	-	-	1,008	1,008
Finance costs	-	-	2,203	2,203
Impairment of goodwill and assets	20,659	3,552	3	24,214
Loss on disposal of equipment	193	20	2	215
Net (loss) income before depreciation and taxes	(12,154)	4,348	(7,797)	(15,603)
Depreciation	4,123	11,185	161	15,469
Net loss before tax	(16,277)	(6,837)	(7,958)	(31,072)
Deferred income tax recovery	-	-	(1,966)	(1,966)
Net loss	(16,277)	(6,837)	(5,992)	(29,106)
Capital expenditures	4,330	4,806	25	9,161
As at December 31, 2015				
Property and equipment	96,278	107,413	376	204,067
Intangibles	1,028	-	-	1,028
Goodwill	-	-	-	-

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
Impairment of goodwill and assets	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)
Deferred 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

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

13. Expenses by nature

For the year ended December 31, 2015	Direct operating expenses	Selling and admini-strative expenses	Stock based compen-sation	Finance costs	Deprec-iation expense	Loss on sale of equip-ment	Impair-ment	Total
Personnel expenses	$ 35,670	$ 8,125	$ 1,008	$ -	$ -	$ -	$ -	$ 44,803
Termination expenses	130	431	-	-	-	-	-	561
Other operating expenses (1)	19,324	-	-	-	-	-	-	19,324
Other selling and administrative expenses	-	3,000		-	-	-	-	3,000
Bad debt (recovery)	-	159	-	-	-	-	-	159
Facility expenses	-	2,384	-	-	-	-	-	2,384
Depreciation expense	-	-	-	-	15,469	-	-	15,469
Finance costs	-	-	-	2,203	-	-	-	2,203
Loss (gain) on sale of equipment	-	-	-	-	-	215	-	215
Impairment	-	-	-	-	-		24,214	24,214
Total	**$ 55,124**	**$ 14,099**	**$ 1,008**	**$ 2,203**	**$ 15,469**	**$ 215**	**$ 24,214**	**$ 112,332**

For the year ended December 31, 2014	Direct operating expenses	Selling and admini-strative expenses	Stock based compen-sation	Finance and trans-action costs	Deprec-iation expense	Gain on sale of equip-ment	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)
Impairment	-	-	-	-	-	-	20,880	20,880
Total	$ 91,751	$ 17,857	$ 1,345	$ 3,027	$ 19,543	$ (246)	$ 20,880	$ 154,157

(1) other operating expenses consists of the following:

December 31,	2015	2014
Repairs and maintenance	$ 9,556	$ 12,152
Fuel	4,862	6,445
Certification and inspection	1,121	1,456
License, registration and permits	1,073	1,632
Operating supplies and consumables	957	10,304
Travel and accommodation	866	1,999
Equipment rental	830	1,116
Other	59	343
	$ 19,324	$ 35,447

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

14. Commitments and contingencies:

As at December 31, 2015, 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	**$ -**	**$ 52,359**	**$ -**	**$ -**	**$ 52,359**
Finance lease liabilities	**204**	**178**	**-**	**-**	**382**
Operating lease payments	**1,265**	**2,125**	**109**	**-**	**3,499**
Total contractual obligations	**$ 1,469**	**$ 54,662**	**$ 109**	**$ -**	**$ 56,290**

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, 70% 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 2015, the Company had revenue totaling $1,178 (2014: $250) ($248 in accounts receivable as at December 31, 2015 (2014: $140)) 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.

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, 2015	December 31, 2014
Short term employee benefits (including directors' fees)	**$ 2,889**	$ 2,279
Share based payments (stock options and RSU's)	**863**	932
Termination benefits	**180**	200
Total compensation to key management including directors and officers	**$ 3,932**	$ 3,411

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.

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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 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, 2015 and December 31, 2014.

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, all of the Company's sales are concentrated within the Western Canadian Sedimentary Basin ("WCSB"). For the year ended December 31, 2015, ten customers comprised 60% of revenues (2014 - 53%) and one customer comprised 14% of revenue (2014 - 10%). At December 31, 2015, ten customers comprised 75% of trade accounts receivables (2014 - 60%) and one customer comprised 21% of trade receivables (2014 – 10%).

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. 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.

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

As at December 31,	**2015**	2014
Trade accounts receivable:		
1 to 30 days outstanding – not past due	**$ 8,199**	$ 19,624
31 to 90 days outstanding	**5,404**	13,535
>90 days overdue	**344**	2,391
Allowance for impairment of accounts	**(147)**	(724)
	$ 13,800	$ 34,826

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The change in the allowance for impairment in respect of trade receivables for the years ended December 31 is as follows:

	2015	2014
Balance as at January 1:	$ 724	$ 358
Additional allowance	275	404
Amounts recovered	(166)	(38)
Amounts used	(686)	-
Balance as at December 31	$ 147	$ 724

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 allowance for impairment 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 an allowance for impairment 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.

At December 31, 2015, the Company has available committed amounts under its Credit Facility in the amount of $10,100 (2014: $34,300) plus trade and other receivables of $13,525 (2014: $34,826) for a total of $23,625 (2014: $69,126) available to fund the cash outflows related to its financial liabilities.

The Company anticipates that its existing capital resources including its Credit Facility and cash flows from operations will be adequate to satisfy its liquidity requirements through fiscal 2016. This expectation could be adversely affected by a material negative change in the oilfield service industry, which in turn could lead to covenant breaches on the Company's Credit Facility, which, if not amended or waived, could limit the Company's access to the credit facility. If available liquidity is not sufficient to meet the CWC's operating and debt servicing obligations as they come due, management's plans include further expenditure reductions, pursuing alternative financing arrangements, asset dispositions, or pursuing other corporate strategic alternatives.

The following table summarizes contractual maturities for non-derivative financial instruments:

Years ended December 31, 2015	2016	2017	2018	2019	2020 and beyond
Accounts payable and accrued liabilities	$ 5,511	$ -	$ -	$ -	$ -
Long-term debt	205	52,011	-	-	25
	$ 5,716	$ 52,011	$ -	$ -	$ 25

Years ended December 31, 2014	2015	2016	2017	2018	2019 and beyond
Accounts payable and accrued liabilities	$ 13,064	$ -	$ -	$ -	$ -
Dividend payable	$ 4,738	-	-	-	-
Long-term debt	301	-	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:

Foreign currency risk

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.

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, 2015, if the prime interest rate increased/decreased by 1%, with all other variables held constant, net income would have been $400 lower/higher (2014 – $650). 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 crude oil and natural gas prices have a material impact on cash flows of the Company's customers and 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 Consolidated Debt to Consolidated EBITDA ratio as defined in the Credit Facility (see Note 8). Consolidated Debt to Consolidated EBITDA is not a recognized measure under IFRS and, therefore, is unlikely to be comparable to similar measures of other companies.

During the year ended December 31, 2015, the actual and forecasted Consolidated EBITDA of the Company has declined resulting in review and monitoring of the actual and forecasted Consolidated Debt to Consolidated EBITDA ratio. The Consolidated Debt to Consolidated EBITDA ratio at December 31, 2015 was 4.21:1.00 (at December 31, 2014: 1.63:1.00). In the past, the key financial metric used by management was debt to equity ratio. The Company was in compliance with all externally imposed capital requirements as at December 31, 2015 and 2014.

18. Subsequent Events

In April 2016, the Company agreed to amend its credit agreement with its banking syndicate and to extend the maturity of the credit facility to July 31, 2018 from June 21, 2017. The amendments agreed to will result in changes to its Consolidated Debt to Consolidated EBITDA ratio as discussed in Note 8 and reduces the credit facility from $75 million to $65 million with an ability to increase the credit facility through an accordion feature of $60 million, subject to approval by the banking syndicate. In addition, the agreement reduces the required minimum liquidity from $12.5 million to $10 million.

Corporate Information

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

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

Officers
Duncan Au, CPA, CA, CFA
President & Chief Executive Officer

Craig Flint, CPA, CA
Chief Financial Officer

Ron Sutley
Vice President Operations (Drilling)

Darwin McIntyre
Vice President Operations (Well Services)

Bob Apps
Vice President, Sales and Marketing (Drilling)

Mike DuBois
Vice President, Sales and Marketing (Well Services)

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
Computershare Limited

Corporate Office
610, 205 – 5th Avenue SW
Calgary, Alberta T2P 2V7
Phone: (403) 264-2177
Fax: (403) 264-2842
Website: www.cwcenergyservices.com
Email: info@cwcenergyservices.com

Stock Exchange Listing
TSX Venture: CWC

CWC ENERGY SERVICES
Suite 610, 205 – 5th Ave SW
Calgary, Alberta, Canada T2P 2V7
www.cwcenergyservices.com
TSX-V: CWC