CWC ENERGY SERVICES

2017 Annual Report

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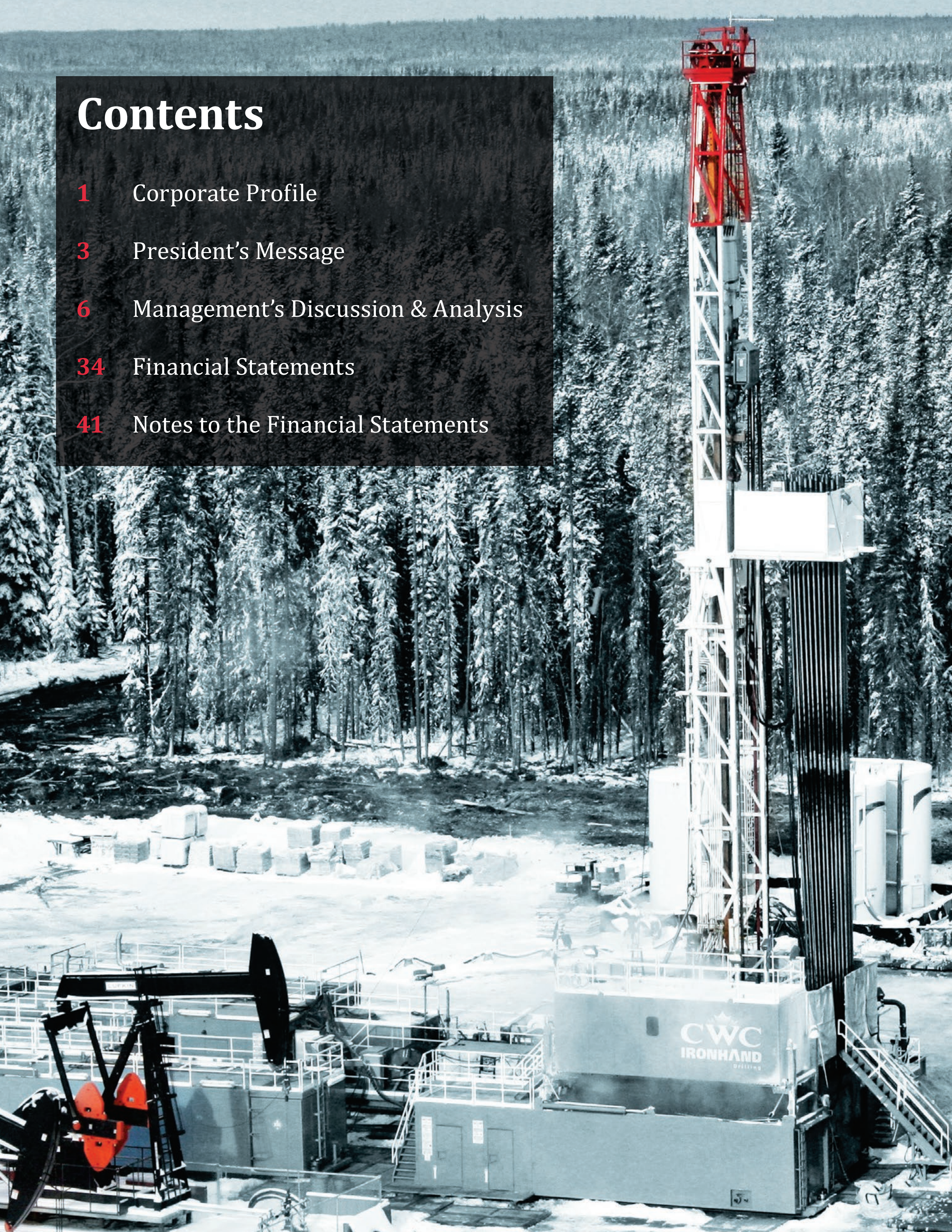


CWC ENERGY SERVICES

Corporate Profile – April 2018

TSX-V: CWC

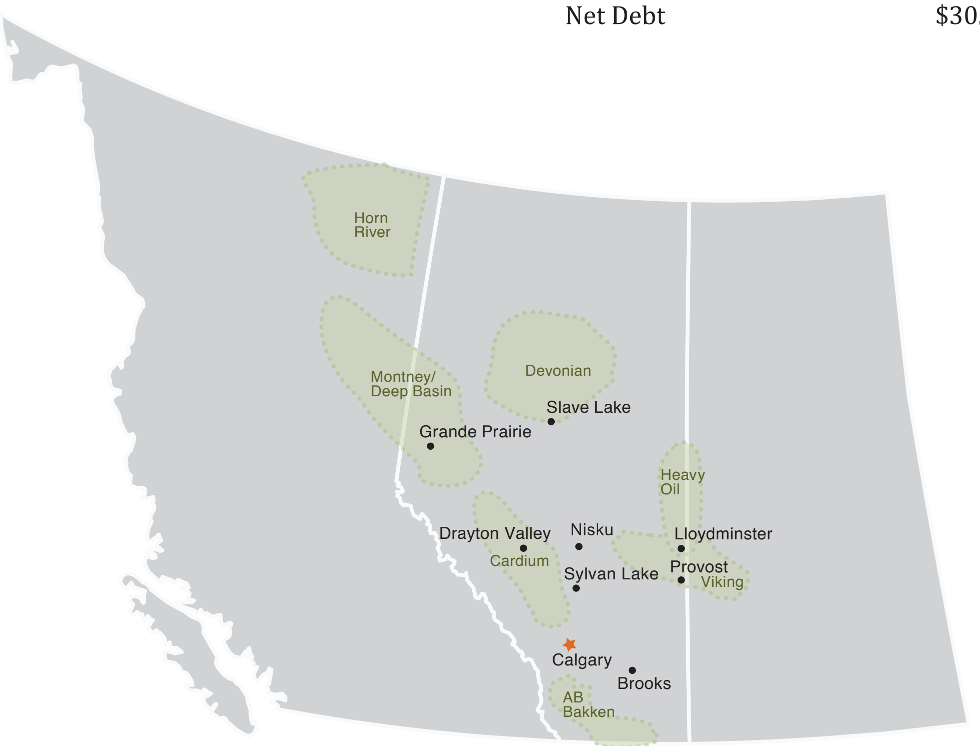
CWC Energy Services Corp. is a premier contract drilling and well servicing company operating in the WCSB with a complementary suite of oilfield services including drilling rigs, service rigs, swabbing rigs and coil tubing units. These oilfield service activities are necessary to drill wells, to complete 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, 2017
Shares outstanding	521.4 million
Price	$0.20
Market	$104.3 million

Financial Information

($ millions)	2017	2016	2015
Revenue	$112.2	$73.1	$81.3
Adjusted EBITDA	$16.1	$8.2	$12.0
Total Assets	$264.4	$210.8	$222.4
Long-Term Debt	$49.8	$33.1	$52.2
Net Debt	$30.3	$24.0	$40.4



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Board of Directors
Jim Reid, Chairman
Duncan Au
Daryl Austin
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Dean Schultz

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President & CEO
Stuart King, CPA, CA
Chief Financial Officer
Paul Donohue
VP Operations (Drilling)
Darwin McIntyre
VP Operations (Well Services)
Bob Apps
VP Sales and Marketing (Drilling)
Mike Dubois
VP Sales and Marketing (Well Services)

Divisions

Contract Drilling

The Contract Drilling division operates under the trade name CWC Ironhand Drilling which has a fleet of nine telescopic drilling rigs with depth ratings from 3,200 to 5,000 metres, eight of nine rigs have top drives, two have pad rig walking systems. The drilling rig fleet has an average age of eight years. 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.

Production Services

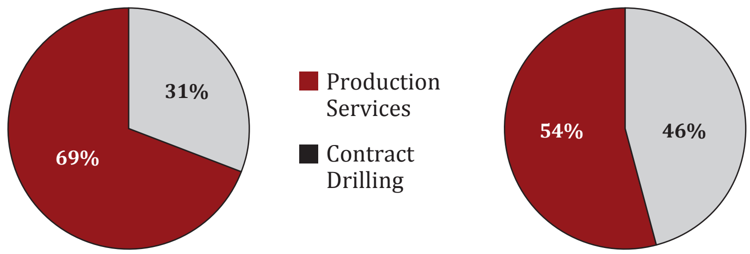
The Production Services division operates under the trade name CWC Well Services and is the largest service rig provider by operating hours in the WCSB, based on our fleet of 149 service rigs as at December 31, 2017. Rig services include completions, maintenance, workovers and abandonments with depth 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, Sylvan Lake, Lloydminster, Provost and Brooks, Alberta. CWC also operates 10 coil tubing units with depth rating from 1,500 to 4,000 metres. CWC's coil tubing units are ideally suited for the steam adjusted gravity drainage (SAGD) wells in the oilsands as well as other parts of the WCSB. Finally, CWC operates 13 Swabbing rigs in the WCSB. CWC's Swabbing services are performed by a derrick unit (similar to a small service rig) to remove liquids from within the wellbore and allow reservoir pressure to push all fluids up the tubing or casing. 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

	2017	2016	2015
Contract Drilling	9	9	9
Service Rigs	149	74	74
Coil Tubing	10	10	9
Swabbing Rigs	13	–	–

2017

REVENUE BY DIVISION **ADJUSTED EBITDA BY DIVISION ***



** Divisional contribution, corporate costs excluded*

President's Message

Dear Fellow Shareholders,

I am very pleased to share with you CWC Energy Services Corp.'s ("CWC" or the "Company") 2017 Annual Report. 2017 can best be described as a year of significant recovery in Canadian oilfield services from the depths of the four decade lows experienced in 2016. CWC's operational and financial results improved significantly in 2017 and the Company strategically positioned itself to become the largest service rig company in Canada as measured by operating hours.

Highlights of 2017

2017 started the year with West Texas Intermediate ("WTI") oil prices around $50 to $55 per bbl and dropping to $45 per bbl by mid-June 2017 before its steady rise to $60 per bbl by the end of the year. Currently, WTI continues to move positively upward to $65 per bbl as OPEC and Russia's discipline in managing oil supplies by adhering to the production quotas set for OPEC members at their November 30, 2017 meeting, is proving that it can be successful in increasing oil prices. This increase in oil prices resulted in increased capital expenditure programs and drilling activity by Canadian exploration and production ("E&P") companies, which ultimately translated into increased business and financial results for CWC. In 2017, CWC increased revenue to $112.2 million (a $39.1 million increase or 53% from 2016) and increased Adjusted EBITDA to $16.1 million (a $7.8 million increase or 95% from 2016) resulting in a net income of $4.9 million (a $12.3 million increase from the net loss of $7.5 million in 2016). Under the backdrop of an improving Canadian oil patch, CWC's Board of Directors announced a Strategic Alternatives Review process on May 4, 2017. 207 strategic and financial market participants were approached with the assistance of GMP FirstEnergy and CIBC World Markets. 25 parties showed an interest in CWC and signed Confidentiality Agreements of which 9 parties submitted a proposal for CWC's consideration. CWC pursued several of these proposals which ultimately ended with the acquisition of the 75 service rigs and 13 swabbing rigs of C&J Energy Production Services-Canada Ltd. ("C&J") on November 5, 2017 for $37.5 million in cash. CWC acquired C&J at such an attractive price that it recorded a gain on acquisition of $9.1 million. The combination of CWC's 74 service rigs and C&J's 75 service rigs created the largest service rig company in Canada by operating hours. In the last 7 years, CWC has grown its service rig fleet by 108 rigs or 263%; more than any other company in Canada during this time. Improving from being the sixth largest service rig company to the largest service rig company in Canada by operating hours in 7 short years and doing so under the worst industry conditions in four decades is a testament to CWC's productive, efficient and safety conscious employees, exceptional management team, Board of Directors guidance and, above all, the support of our debtholders and shareholders in providing the necessary financing to achieve these goals.

On October 30, 2017, our banking syndicate agreed to CWC's exercise of its accordion feature to expand our credit facilities from $65 million to $100 million to accommodate the acquisition of the C&J assets. In addition on August 4, 2017, the banking syndicate extended the credit facilities and certain other amendments, including revised financial covenants and continuation of an equity cure provision, to provide financial security and flexibility to July 31, 2020. Such support from our debtholders allows CWC to focus on its business operations and strategic growth initiatives to create long-term shareholder value.

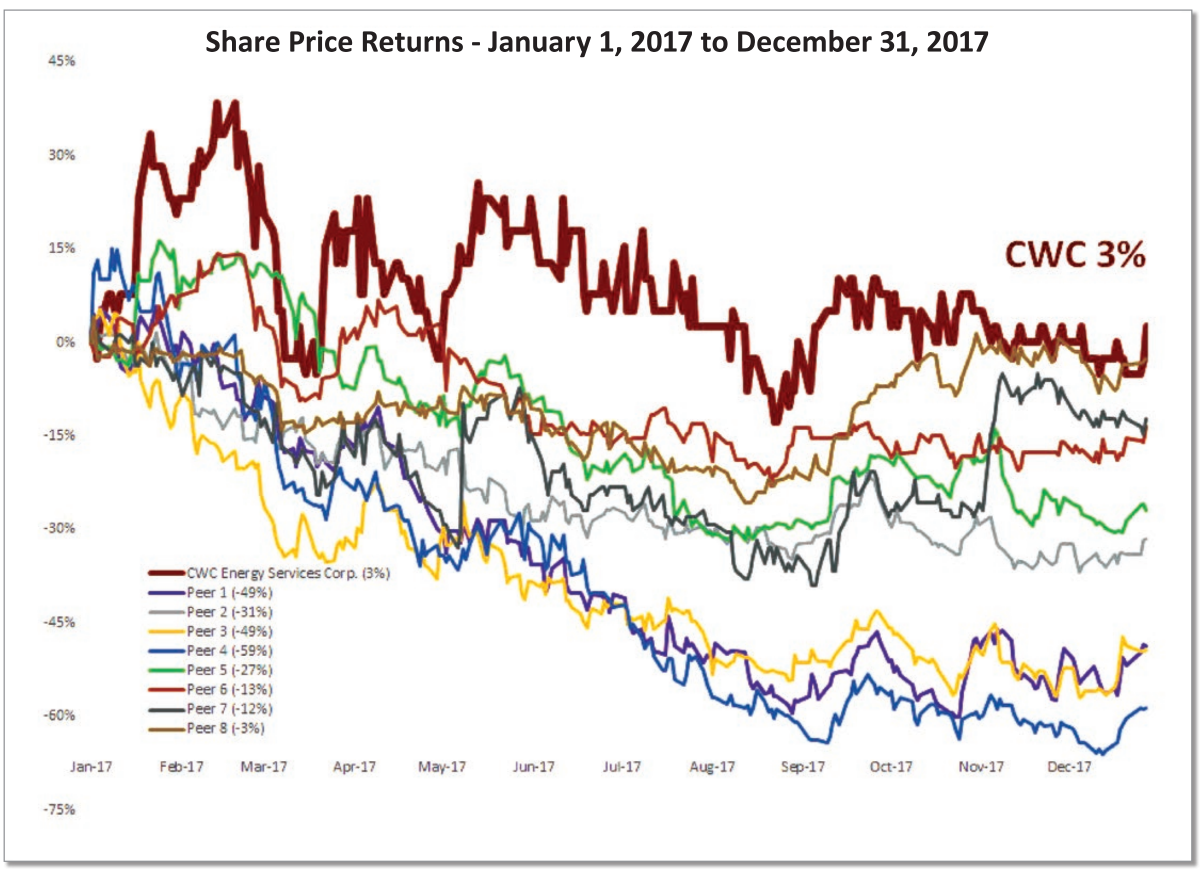
On December 13, 2017, CWC announced the closing of its fully subscribed $26.0 million equity rights offering by issuing an additional 130.1 million shares to its existing shareholders. $15.9 million of these proceeds were used to reduce the long-term debt incurred on the acquisition of C&J with the remainder of the $10.0 million, held in a segregated bank account, to be used at a later date to reduce long-term debt and apply the equity cure provisions to the Company's financial covenants. The credit facility renewal by the banking syndicate and the equity injection from CWC's existing shareholders to fund the C&J acquisition will ensure CWC is well positioned to pursue future growth opportunities.

Outlook For 2018

The activity outlook for 2018 appears to be a repeat of 2017. On January 31, 2018, the Petroleum Services Association of Canada ("PSAC") revised its forecast for number of wells drilled in 2018 to 7,600 wells, a decrease of 300 wells or 4% from its original October 31, 2017 forecast, but consistent with the 7,550 wells drilled in 2017. CWC continues to perform extremely well relative to its industry peer group. Q1 2018 activity levels have been very strong with 9 of 9 drilling rigs (100%), 93 of 107 service rigs (87%), 6 of 8 swabbing rigs (75%) and 8 of 9 coil tubing units (89%) experiencing operating days and hours. In addition to the high activity levels, CWC has been successful in modestly increasing service rig hourly rates with our E&P customers in Q1 2018, although such increases have yet to return to 2014 pre-downturn levels. As for the drilling rigs, average revenue per operating day remains stable in Q1 2018, after a 21% increase in Q4 2017 over Q3 2017, as the excess supply of drilling rigs in the WCSB keeps a lid on further pricing increases at this time.

Shareholder Returns

From a shareholder return perspective, while 2017 was not a great year for share price appreciation for public Canadian contract drilling and well servicing companies, CWC was the only company to produce a small positive share price return for its shareholders as the following graph indicates:



The poor share price performance for the entire Canadian contract drilling and well servicing sector despite better fundamental operating and financial performance in 2017 compared to 2016, can largely be attributable to the negative macro environment surrounding our E&P customers' ability to get their oil and natural gas to markets. The delays in building pipelines and the constantly increasing costs and regulations put on our customers by federal and provincial government authorities versus the more accommodating investment environment in the U.S. towards oil and natural gas has led to investment dollars flowing to U.S. companies compared to Canadian companies. While there does not appear to be any catalysts that will reverse this competitiveness and investment trend in the near future, CWC believes these are opportunistic times for consolidation with our peers at very attractive valuations and as such will create superior returns for shareholders over the long-term.

Conclusion

In closing, I would like to express my sincere thanks to CWC's employees for their truly hard work and dedication to making CWC the best performing contract drilling and well servicing company in Canada. To our customers, we cherish your ongoing business and relationship, but must find a sustainable pricing level that allows our industry to remain healthy given the rising costs so that together we may accomplish each other's objectives. To my Board of Directors, thank you for your support, wisdom, guidance and belief in this management team. And to all of my fellow shareholders who continue to believe and support us, patience is not the ability to wait, but how you act while waiting. Patience is not a virtue, it is a necessity!

Sincerely and submitted on behalf of the Board of Directors,

Duncan T. Au

President & Chief Executive Officer

March 24, 2018

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 February 28, 2018 and should be read in conjunction with audited annual financial statements for the year ended December 31, 2017. Additional information regarding CWC can be found in the Company's latest Annual Information Form ("AIF"). The audited annual financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise noted. Additional information relating to CWC, including the AIF, is available on SEDAR at www.sedar.com.

Highlights for the Three Months Ended December 31, 2017

- On November 5, 2017 CWC acquired the service and swabbing rig assets and ongoing operations of C&J Energy Production Services-Canada Ltd. ("C&J Canada") from C&J Energy Services, Inc. ("C&J Parent") for total consideration of $37.5 million in cash (the "Transaction"). The combination of CWC's premier well servicing fleet of 74 service rigs (67 active) and C&J Canada's 75 service rigs (44 Active) creates the largest active service rig fleet in Canada of 149 service rigs (111 active) based on the combined 2017 operating hours reported by the Canadian Association of Oilwell Drilling Contractors ("CAODC") with a Canadian service rig market share of approximately 16%.

- In Q4 2017 the Company experienced increased demand for drilling and well servicing largely attributable to higher crude oil prices. The Q4 2017 average crude price, as measured by WTI, of US$55.28/bbl was a 15% increase over Q3 2017 average price of US$48.18/bbl and 13% higher than US$49.04/bbl in Q4 2016. Natural gas prices, as measured by AECO, continued to be depressed, but increased 23% from an average of $1.36/GJ in Q3 2017 to $1.67/GJ in Q4 2017 (Q4 2016: $2.22/GJ).

- CWC's drilling rig utilization of 56% in Q4 2017 (Q4 2016: 31%) continued to significantly outperform the CAODC industry average of 28%, further demonstrating the desirability and demand by exploration and production ("E&P") customers for CWC's telescopic double drilling rigs. CWC achieved 463 drilling rig operating days in Q4 2017 (Q4 2016: 257 days) as the increased activity level in Q4 2017, compared to Q4 2016, reflects the increased optimism of our E&P customers as a result of the aforementioned increase in commodity pricing.

- CWC's service rig utilization of 46% in Q4 2017 was slightly higher than the 45% utilization in Q4 2016. However, a record setting 40,879 operating hours was 51% higher than the 27,091 operating hours in Q4 2016 as a result of the additional 44 active service rigs purchased from C&J Canada on November 5, 2017 increasing CWC's active service rig fleet from 67 to 111 rigs.

- CWC's coil tubing utilization of 24% in Q4 2017 (Q4 2016: 32%) from 1,978 operating hours was 16% lower than the 2,349 operating hours in Q4 2016. Operating hours were negatively impacted by the continuation of low natural gas prices which started in Q3 2017 causing delays in allocation and commitment of capital by our E&P customers. These capital allocation delays were further caused by a change of ownership in land and well positions among some of CWC's key customers.

- Revenue of $37.4 million, an increase of $16.4 million (78%) compared to $21.0 million in Q4 2016. The increase from Q4 2016 is a result of increased year-over-year activity levels and the addition of the C&J Canada assets. Between November 5, 2017 and December 31, 2017, approximately $4.4 million of revenue and $2.0 million of gross margin [(1)] was recognized relating to the C&J Canada assets.

- Adjusted EBITDA [(1)] of $6.6 million, an increase of $3.7 million (128%) compared to $2.9 million in Q4 2016. The increased Adjusted EBITDA is a direct result of the 51% increase in service rig activity primarily as a result of the C&J Canada acquisition combined with a 13% increase in the average revenue per hour for service rigs compared to the prior period. In addition, an 80% increase in drilling rig operating days in Q4 2017 combined with a 14% increase in average revenue per operating day compared to the prior period also contributed to the increased Adjusted EBITDA. CWC has achieved 18 continuous quarters of positive Adjusted EBITDA since Q2 2013 initially demonstrating management's superior ability to reduce costs to offset lower revenue from reduced pricing and activity since the beginning of this industry downturn three years ago and now beginning to demonstrate management's ability to increase pricing and activity as the industry recovers.

- Net income of $8.5 million, an increase of $10.2 million compared to a net loss of $1.7 million in Q4 2016. The increase in Net income in Q4 2017 is primarily due to a gain on acquisition of $9.1 million, related to the C&J Canada acquisition.

- On October 30, 2017, CWC and its syndicated lenders agreed to the Company's exercise of the accordion feature to expand its credit facilities from $65 million to $100 million. The expanded credit facilities provide financial security and flexibility to July 31, 2020. The expanded credit facilities were initially used to complete the $37.5 million C&J Canada acquisition which has since been partially repaid from the equity proceeds on the successful completion of the $26.0 million Rights Offering on December 13, 2017. The expanded credit facilities are now available to assist the Company in completing further acquisitions, financing capital expenditures and for general working capital purposes.

- On December 13, 2017, CWC completed an offering of rights (the "Rights Offering") to holders of its common shares (the "Common Shares") of record at the close of business on November 15, 2017 (the "Record Date"). The Rights issued under the Rights Offering expired on December 11, 2017. Each registered shareholder of Common Shares on the Record Date received one (1) Right for each Common Share held by such shareholder. Three (3) Rights plus the sum of $0.20 entitled the Rights holder to subscribe for one Common Share. Eligible shareholders were entitled to subscribe for additional Common Shares, subject to certain limitations set out in the Company's rights offering circular (the "Rights Offering Circular"). On December 13, 2017, CWC closed the rights offering for aggregate gross proceeds of $26.0 million ($25.9 million after deductions of share issue costs). Under the fully subscribed offering, 130,148,781 common shares were issued to shareholders who exercised their rights.

- During Q4 2017, 405,000 (Q4 2016: nil) common shares were purchased, cancelled and returned to treasury under CWC's Normal Course Issuer Bid ("NCIB").

Highlights for the Year Ended December 31, 2017

- CWC's drilling rig utilization of 51% in 2017 (2016: 26%) exceeded the CAODC industry average of 29%. Activity levels in 2017 have increased 94% compared to 2016 reflecting increased year-over-year industry activity, focused marketing efforts on E&P companies with ongoing drilling programs and the high quality and efficiency of our drilling rigs and field employees. 2017 drilling rig operating days of 1,672 operating days (2016: 814 operating days) is the highest CWC has achieved since acquiring Ironhand Drilling Inc. in May 2014.

- CWC's service rig utilization was 45% in 2017 (2016: 40%). This utilization was achieve with a record setting 122,243 operating hours in 2017 (2016: 95,208 operating hours); the most in the Company's twelve year history and shows CWC's commitment to being the market leader in the Canadian service rig industry. The Company's continuing increase in market share since Q4 2015 can be attributed to its modern active fleet of 111 service rigs, exceptional sales and operational management, and experienced rig crews performing work safely and efficiently.

- CWC's coil tubing utilization was consistent with the previous year at 29% in 2017 (2016: 30%). 2017 operating hours of 9,561 hours was a 10% increase over the 8,690 operating hours in 2016 as a result of one additional active coil tubing unit being added to the fleet in 2017 compared to 2016. Coil tubing utilization in 2017 was impacted by low natural gas prices, which started in Q3 2017, causing delays in allocation and commitment of capital by our E&P customers. These capital allocation delays were further caused by a change of ownership in land and well positions among some of CWC's key customers.

- Revenue of $112.2 million, an increase of $39.1 million (53%) compared to $73.1 million in 2016. The increase from the previous year is primarily due to a 105% increase in drilling rig operating days and 28% increase in service rig operating hours driven by the addition of the C&J Canada assets on November 5, 2017, as well as an increase in pricing of 8% for drilling rig and 6% for service rig in 2017 compared to 2016.

- Adjusted EBITDA (1) of $16.1 million, an increase of $7.9 million (96%) compared to $8.2 million in 2016. The increased Adjusted EBITDA is consistent with the increased activity level for drilling rigs and service rigs driven by the addition of the C&J Canada assets and the increase in pricing in 2017 compared to 2016.

- Net income of $4.9 million, an increase of $12.4 million compared to a net loss of $7.5 million in 2016. Net income in 2017 includes a gain on acquisition of $9.1 million, related to the C&J Canada acquisition.

- On April 7, 2017, the Company renewed its NCIB with an Automatic Securities Purchase Plan ("ASPP") with Raymond James Ltd., which expires on April 6, 2018. During 2017, the Company purchased 3,493,500 (2016: nil) common shares under its NCIB which were cancelled and returned to treasury.

- On May 4, 2017, CWC announced a process to review strategic alternatives with a view to maximizing shareholder value by capitalizing on CWC's strong financial and operational performance, market share and attractive fleet of modern assets. The Special Committee of the Board of Directors, their financial advisors and management of CWC evaluated several potential alternatives and proposals received, which ultimately culminated in the announcement and closing of the C&J Canada acquisition on November 5, 2017.

- On August 4, 2017, CWC and its syndicated lenders completed an extension of its credit facilities and certain other amendments to provide financial security and flexibility to July 31, 2020. The amendments further provide the Company access to another equity cure under the same terms and conditions, a reduction in the minimum liquidity from $10.0 million to $5.0 million, and quarterly financial covenant for Consolidated Debt to Consolidated EBITDA ratio as follows:

For the Quarter Ended	Previously	Currently
December 31, 2017	4.00 : 1	4.00:1
Thereafter	3.50 : 1	4.00:1

  In addition, on October 30, 2017, CWC and its syndicated lenders agreed to the Company's exercise of the accordion feature to expand its credit facilities from $65 million to $100 million to accommodate the acquisition of the C&J Canada assets.

(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 Western Canadian Sedimentary Basin ("WCSB") with a complementary suite of oilfield services including drilling rigs, service rigs, swabbing rigs and coil tubing units. The Company's corporate office is located in Calgary, Alberta, with operational locations in Nisku, Grande Prairie, Slave Lake, Sylvan Lake, 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, 2017	2016	% Change	Year ended December 31, 2017	2016	2015
FINANCIAL RESULTS						
Revenue						
Contract Drilling	10,914	5,299	106%	35,222	15,903	27,758
Production Services	26,506	15,693	69%	76,993	57,219	53,502
	37,420	20,992	78%	112,215	73,122	81,260
Adjusted EBITDA (1)	6,630	2,923	128%	16,063	8,220	12,037
Adjusted EBITDA margin (%) (1)	18%	14%		14%	11%	15%
Funds from operations	5,081	2,923	74%	14,514	8,220	12,037
Net income (loss) and comprehensive income (loss)	8,544	(1,717)	n/m (2)	4,861	(7,468)	(29,106)
Net income (loss) and comprehensive income (loss) margin (%)	23%	(8%)	31%	4%	(10%)	(36%)
Dividends declared	-	-	-	-	-	3,579
Per share information						
Weighted average number of shares outstanding – basic	418,913,266	390,655,440		399,008,915	349,836,144	285,524,891
Weighted average number of shares outstanding – diluted	423,221,202	390,655,440		403,359,537	349,836,144	285,524,891
Adjusted EBITDA (2) per share – basic and diluted	$0.02	$0.01		$0.04	$0.02	$0.04
Net income (loss) per share - basic and diluted	$0.02	($0.00)		$0.01	($0.02)	($0.10)
Dividends declared per share	$0.00	$0.00		$0.00	$0.00	$0.0125

$ thousands, except ratios	December 31, 2017	December 31, 2016	December 31, 2015
FINANCIAL POSITION AND LIQUIDITY			
Working capital (excluding debt) (1)	19,543	9,142	11,822
Working capital (excluding debt) ratio (1)	2.6:1	2.2:1	3.1:1
Total assets	264,354	210,750	222,428
Total long-term debt (including current portion)	49,810	33,142	52,241
Shareholders' equity	186,519	155,482	147,462

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

(2) Not meaningful.

Working capital (excluding debt) has increased 114% since December 31, 2016 due to increased accounts receivable from higher revenue in Q4 2017 offset by higher current liabilities. Long-term debt (including current portion) has increased by $16.7 million mainly due to the acquisition of C&J Canada's assets for $37.5 million less proceeds from the Rights Offering of $26.0 million and an increase in working capital of $10.4 million. Additionally, funds from operations were used for capital expenditures and to purchase shares under the NCIB. Shareholders' equity has increased since December 31, 2016 due to the net income of $4.5 million for the year ended December 31, 2017 and the closing of the $26.0 million Rights Offering offset by the purchase and cancellation of common shares under the NCIB program.

Operational Overview

Contract Drilling

CWC Ironhand Drilling, the Company's Contract Drilling segment, has a fleet of nine telescopic double drilling rigs with depth ratings from 3,200 to 5,000 metres, eight of nine rigs have top drives and two have pad rig walking systems. 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. In 2017, the Company completed the upgrades to Drilling Rig #4 to a high specification rig capable of racking over 6,500 metres of drill pipe. The upgrade is part of the Company's strategic initiatives to increase the capabilities of its existing fleet to meet the growing demands of E&P customers for deeper depths at a cost effective price.

	Three months ended							
OPERATING HIGHLIGHTS	**Dec. 31, 2017**	**Sep. 30, 2017**	**Jun. 30, 2017**	**Mar. 31, 2017**	**Dec. 31, 2016**	**Sep. 30, 2016**	**Jun. 30, 2016**	**Mar. 31, 2016**
Drilling Rigs								
Active drilling rigs, end of period	9	9	9	9	9	9	8	8
Inactive drilling rigs, end of period	-	-	-	-	-	-	1	1
Total drilling rigs, end of period	9	9	9	9	9	9	9	9
Revenue per operating day (1)	$23,572	$19,424	$19,575	$20,942	$20,623	$16,835	$21,754	$21,565
Drilling rig operating days	463	522	155	532	257	301	65	191
Drilling rig utilization % (2)	56%	63%	19%	66%	31%	37%	9%	26%
CAODC industry average utilization %	28%	29%	17%	40%	24%	17%	7%	20%
Wells drilled	30	29	17	41	21	21	5	14
Average days per well	15.0	18.0	9.1	13.0	12.2	14.3	13.0	13.6
Meters drilled (thousands)	128.1	112.2	45.6	151.8	82.0	70.0	19.5	56.0
Meters drilled per day	277	215	294	285	319	232	300	293
Average meters per well	4,270	3,869	2,684	3,702	3,906	3,332	3,903	4,000

(1) Revenue per operating day is calculated based on operating days (i.e. spud to rig release basis). New or inactive 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.

Contract Drilling revenue of $10.9 million for Q4 2017 (Q4 2016: $5.3 million) was achieved with a utilization rate of 56% (Q4 2016: 31%), compared to the CAODC industry average of 28%. CWC achieved 463 drilling rig operating days in Q4 2017, an 80% increase from Q4 2016, reflecting increased year-over-year industry activity, focused marketing efforts on E&P companies with ongoing drilling programs and the high quality and efficiency of our drilling rigs and field employees, coupled with Q4 2016 having experienced unusually warm and wet weather conditions, which negatively affected ground conditions and the movement of heavy equipment resulting in lower activity levels. Q4 2017 revenue was 106% higher compared to Q4 2016 as increased activity was combined with a 14% increase in revenue per operating day

Contract Drilling revenue of $35.2 million for the year ended December 31, 2017 (2016: $15.9 million) was realized as a result of a 105% increase in drilling rig operating days to 1,672 days (2016: 814 days). CWC's utilization rate in 2017 of 51% continues to significantly exceed the CAODC industry average of 29% and has increased from 26% for the year ended December 31, 2016 when CWC marketed only 8 of 9 drilling rigs for the first half of the year. Increased activity was complemented by average revenue per operating day of $21,066 in 2017, 8% higher than in 2016. Improved financial performance for 2017 reflect higher industry activity due to higher average crude oil prices, despite experiencing a modest pull back in Q2 and Q3 2017, and to CWC's modern, relevant, well maintained and cost effective drilling rigs, as well as a solid reputation for safe and efficient operations, exceptional management and experienced drilling rig crews.

Production Services

With a fleet of 149 service rigs, CWC is the largest well servicing company in Canada as measured by operating hours. CWC's service rig fleet consists of 77 single, 58 double, and 14 slant rigs providing services which include completions, maintenance, workovers and abandonments with depth ratings from 1,500 to 5,000 metres. CWC has chosen to park 38 of its service rigs and focus its sales and operational efforts on the remaining 111 active service rigs.

CWC's fleet of ten coil tubing units consists of six Class I, three Class II and one Class III coil tubing units having depth ratings from 1,500 to 4,000 metres. In light of competitive challenges for CWC's one inactive Class III coil tubing unit, subsequent to the year ended December 31, 2017, the Company has sold this Class III coil tubing unit for cash proceeds of $0.5 million and has chosen to focus its sales and operational efforts on its nine 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 operations.

CWC's fleet of 13 swabbing rigs were acquired as part of the C&J Canada acquisition and operate under the trade name of CWC Swabtech. The Company has chosen to park four of its swabbing rigs and focus its sales and operational efforts on the remaining nine active swabbing rigs.

	Three months ended							
OPERATING HIGHLIGHTS	**Dec. 31, 2017**	**Sep. 30, 2017**	**Jun. 30, 2017**	**Mar. 31, 2017**	**Dec. 31, 2016**	**Sep. 30, 2016**	**Jun. 30, 2016**	**Mar. 31, 2016**
Service Rigs								
Active service rigs, end of period	111	66	66	66	67	66	65	65
Inactive service rigs, end of period	38	8	8	8	7	8	9	9
Total service rigs, end of period	149	74	74	74	74	74	74	74
Operating hours	40,879	28,320	20,047	32,997	27,091	22,927	21,724	23,466
Revenue per hour	$606	$559	$551	$584	$536	$543	$548	$580
Service rig utilization % (1)	46%	47%	33%	56%	45%	38%	37%	40%
Coil Tubing Units								
Active coil tubing units, end of period	9	9	9	9	8	8	8	8
Inactive coil tubing units, end of period	1	1	1	1	2	1	1	1
Total coil tubing units, end of period	10	10	10	10	10	9	9	9
Operating hours	1,978	1,783	1,557	4,243	2,349	2,160	1,147	3,034
Revenue per hour	$728	$688	$657	$491	$507	$458	$508	$662
Coil tubing unit utilization % (2)	24%	22%	19%	52%	32%	29%	16%	42%
Swabbing Rigs								
Active swabbing rigs, end of period	9	-	-	-	-	-	-	-
Inactive swabbing rigs, end of period	4	-	-	-	-	-	-	-
Total swabbing rigs, end of period	13	-	-	-	-	-	-	-
Operating hours	1,063	-	-	-	-	-	-	-
Revenue per hour	$286	-	-	-	-	-	-	-
Swabbing rig utilization % (1)	19%	-	-	-	-	-	-	-

(1) Service rig & swabbing rig utilizations are calculated based on 10 hours a day, 365 days a year. New service rigs & swabbing rigs are added based on the first day of field service. Service rigs and swabbing 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 $26.5 million in Q4 2017, up $10.8 million (69%) compared to $15.7 million in Q4 2016 primarily as a result of adding an additional 44 active service rigs and nine active swabbing rigs from the C&J Canada acquisition; an increase of 66% in CWC's active service rigs fleet from 67 to 111 rigs for the last 57 days of 2017.

CWC's service rig utilization of 46% in Q4 2017 was slightly higher than the 45% in Q4 2016, while the 40,879 operating hours was 51% higher than the 27,091 operating hours in Q4 2016.

CWC's coil tubing utilization of 24% in Q4 2017 (Q4 2016: 32%) from 1,978 operating hours was 16% lower than the 2,349 operating hours in Q4 2016. Operating hours were negatively impacted by the continuation of low natural gas prices which started in Q3 2017 causing delays in allocation and commitment of capital by our E&P customers. These capital allocation delays were further caused by a change of ownership in land and well positions among some of CWC's key customers. The decreased activity level in Q4 2017 was more than offset by an increase in coil tubing's average revenue per hour of $728; a 44% increase from $507 per hour in Q4 2016 as the Company was successful in increasing pricing for its Class I and II coil tubing units.

For the year ended December 31, 2017, Production Services revenue of $77.0 million was 35% higher than the $57.2 million achieved in 2016 as a result of a 28% increase in service rig operating hours from 95,223 in 2016 to a Company record setting 122,242 operating hours in 2017 driven by the addition of 44 service rigs for the last 57 days of 2017 as a result of the C&J Canada acquisition, as well as an increase in pricing of 6% in 2017 compared to 2016. Service rig utilization increased to 46% in 2017 compared to 40% in 2016. In addition, coil tubing operating hours increased 10% to 9,561 operating hours in 2017 (2016: 8,690 operating hours) as a result of one additional active coil tubing unit being added to the fleet in 2017 compared to 2016. The 10% increase in coil tubing activity combined with the 10% increase to the average coil tubing revenue per hour in 2017 compared to 2016 also helped contribute to the increased Production Services revenue in 2017 compared to 2016. However, the coil tubing utilization of 29% in 2017 (2016: 30%) was impacted by low natural gas prices, which started in Q3

2017, causing delays in allocation and commitment of capital by our E&P customers. These capital allocation delays were further caused by a change of ownership in land and well positions among some of CWC's key customers.

Outlook

The continued optimism that has been building up throughout 2017 over improving crude oil prices, as OPEC reaffirmed their decision to curtail production at their November 30, 2017 meeting. As a result, crude oil as represented by WTI, closed above US$60/bbl for the year ended December 31, 2017; the first time it has achieve this price since May 2015. WTI averaged US$55.28/bbl in Q4 2017, an increase of 15% over the Q3 2017 average price of US$48.18/bbl and a 13% increase from the Q4 2016 average price of US$49.04/bbl. Natural gas prices improved in Q4 2017 with AECO averaging $1.67/GJ; an increase of 23% over the Q3 2017 average price of $1.36/GJ, but still significantly lower by 43% from the Q4 2016 average price of $2.95/GJ. With the backdrop of an improving crude oil price and a depressed natural gas price, the Petroleum Services Association of Canada ("PSAC") on January 31, 2018 updated its 2018 forecast of number of wells drilled to 7,600 wells; a decrease of 300 wells or 4% compared to their original 2018 forecast on October 31, 2017, but consistent with the 7,550 wells drilled in 2017.

CWC is experiencing strong utilization in its drilling rig and service rig business units well above the CAODC industry averages. During Q1 2018, the Company has all nine drilling rigs working (100%) and expects this utilization to continue until Q2 2018 spring breakup. Similar to CWC's drilling rigs, the Company's service rigs continue to see strong industry demand leading all other Canadian service rig companies with the highest operating hours as determined by the CAODC. CWC was successful in increasing service rig pricing by 8% in Q4 2017 compared to Q3 2017 and intends to continue implementing pricing increases with our E&P customers to cover the additional costs of the Government of Alberta's Bill 17, which requires employers to pay statutory holiday pay to its hourly field employees regardless of whether the employee works on a statutory holiday. CWC believes the improving crude oil price will allow for the Company to increase the price for its services throughout 2018. However, aggressive pricing from certain competitors will limit how much CWC will be able to garner from our E&P customers. As such, CWC will continue to sustainably position itself as a low cost contractor for its E&P customers providing the highest quality service from the highest quality people at reasonable prices. CWC has achieved 18 continuous quarters of positive Adjusted EBITDA since Q2 2013 initially demonstrating management's ability to reduce costs thereby offseting lower revenue from reduced pricing and activity since the beginning of this industry downturn three years ago and now beginning to demonstrate management's ability to increase pricing and activity as the industry recovers.

While CWC continues to maintain focus on its operational and financial performance, it also recognizes the need to pursue opportunities that create long-term shareholder value. On May 4, 2017, CWC announced a process to review strategic alternatives with a view to maximizing shareholder value by capitalizing on CWC's strong financial and operational performance, market share and attractive fleet of modern assets. This strategic alternatives review process resulted in CWC's acquisition of C&J Canada's service and swabbing rig assets to become the largest service rig company in Canada by operating hours, according to the CAODC, with 111 active service rigs and approximately 16% of the Canadian service rig market share. CWC will continue to pursue opportunities to consolidate the North American drilling and well servicing industry. CWC cautions that there are no guarantees that other strategic opportunities will result in a transaction, or if a transaction is undertaken, as to its terms or timing.

Discussion of Financial Results

Revenue, Direct Operating Expenses and Gross Margin

$ thousands	Three months ended December 31, 2017	2016	Change $	Change %	Year ended December 31, 2017	2016	Change $	Change %
Revenue								
Contract Drilling	10,914	5,299	5,615	106%	35,222	15,903	19,319	121%
Production Services	26,506	15,693	10,813	69%	76,993	57,219	19,774	35%
	37,420	20,992	16,428	78%	112,215	73,122	39,093	53%
Direct operating expenses								
Contract Drilling	7,026	3,938	3,088	78%	24,690	12,356	12,334	100%
Production Services	19,594	11,310	8,284	73%	57,671	40,853	16,818	41%
	26,620	15,248	11,372	75%	82,361	53,209	29,152	55%
Gross margin (1)								
Contract Drilling	3,888	1,361	2,527	186%	10,532	3,547	6,985	197%
Production Services	6,912	4,383	2,529	58%	19,322	16,366	2,956	18%
	10,800	5,744	5,056	88%	29,854	19,913	9,941	50%
Gross margin percentage(1)								
Contract Drilling	36%	26%			30%	22%		
Production Services	26%	28%			25%	29%		
	29%	27%			27%	27%		

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

Q4 2017 revenue of $37.4 million, an increase of $16.4 million (78%) compared to $21.0 million in Q4 2016. Revenue increased $5.6 million (106%) in the Contract Drilling segment and $10.8 million (69%) in the Production Services segment in Q4 2017 compared to Q4 2016. The main drivers of the increase in Q4 2017 over Q4 2016 were increased drilling rig utilization of 56% in Q4 2017 (Q4 2016: 31%) and a slight increase in service rig utilization of 46% in Q4 2017 (Q4 2016: 45%) while increasing the active service rig fleet to 111 rigs in Q4 2017 (Q4 2016: 67 active service rigs).

For 2017, revenue of $112.2 million, an increase of $39.1 million (53%) compared to $73.1 million in 2016. The increase in revenue is due to higher Contract Drilling revenue of $19.3 million (121%) combined with an increase of $19.8 million (35%) in the Production Services segment for 2017 compared to 2016. Of the $19.3 million increase in Contract Drilling revenue, approximately 87% is due to higher activity, while 13% is due to pricing as average revenue per operating day in 2017 of $21,066 is 8% higher than the 2016 average revenue per operating day of $19,537. Production Services revenue for 2017 was $19.8 million (35%) higher than 2016 as a 28% increase in service rig activity and a 10% increase in coil tubing activity (operating hours) and a 6% increase in service rig pricing and a 10% increase in coil tubing pricing (revenue per hour) was accomplished with the addition of the 44 active service rigs acquired from C&J Canada on November 5, 2017 and the addition of one coil tubing unit for 2017 which was not active in 2016.

Higher industry activity in 2017 allowed CWC to diversify its customer base and reduce reliance on its top customer. Revenue contribution from the Company's top ten customers dropped from 74% in 2016 to 62% in 2017 with CWC's top customer's revenue contribution dropping from 32% in 2016 to 21% in 2017.

Approximately 66% (2016: 73%) of revenue in 2017 was from work on crude oil wells while 34% (2016: 25%) was from natural gas wells (2016: Other: 2%). Further, approximately 38% (2016: 26%) of revenue was related to drilling and completions work, 37% (2016: 63%) from maintenance and workovers on producing wells and 25% (2016: 11%) from abandonments.

Many direct operating expenses, including labour costs related to field operating employees, 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. Contract Drilling's gross margin percentage of 36% in Q4 2017 is higher than the 26% in Q4 2016 and the 30% for 2017 is higher than the 22% for 2016 as a result of higher activity levels and pricing. Production Services' gross margin of 26% in Q4 2017 is lower than the 28% in Q4 2016, as service rig field labour wages increased during the quarter. Production Services' gross margin of 25% for 2017 is lower than the 29% for 2016 as a result of increased service rig field labour wages in Q4 2017, increases in repair and maintenance due to higher activity levels, and higher fuel costs in part driven by the impact of the Alberta Carbon Tax Levy introduced on January 1, 2017 which could not be recovered from our E&P customers. In addition higher gross margins in 2016 were attributable to Q2 to Q4 2016 experiencing a higher than normal percentage of service rigs operating 24 hours a day compared to a lesser number of 24 hour operations from Q2 to Q4 2017.

Selling and Administrative Expenses

$ thousands	Three months ended December 31, 2017	2016	Change $	Change %	Year ended December 31, 2017	2016	Change $	Change %
Selling and administrative expenses	4,170	2,821	1,349	48%	13,791	11,693	2,098	18%

Most selling and administrative expenses, such as building and office rent and administrative salaries are fixed and are not subject to significant fluctuation on a quarterly basis. Other costs such as travel, training, professional and legal fees can fluctuate depending on specific activity or services required in the period.

Selling and administrative expenses of $4.2 million in Q4 2017, an increase of $1.4 million (48%) compared to $2.8 million in Q4 2016. Selling and administrative expenses of $13.8 million for the year ended December 31, 2017, an increase of $2.1 million (18%) compared to $11.7 million in 2016. The increased selling and administrative expenses are due primarily to the 24 salaried employees that joined CWC from the C&J Canada acquisition, additional costs to recruit field employees combined with other costs incurred due to significantly higher year-over-year activity levels across all segments. Severance costs totaling $0.3 million were paid in 2017 (2016: $0.2 million) and a bonus accrual of $0.4 million is included in 2017 (2016: nil).

Adjusted EBITDA

$ thousands	Three months ended December 31, 2017	2016	Change $	Change %	Year ended December 31, 2017	2016	Change $	Change %
Adjusted EBITDA (1)								
Contract Drilling	3,624	996	2,628	264%	9,591	2,422	7,169	296%
Production Services	4,765	2,577	2,188	85%	11,073	9,491	1,582	17%
Corporate	(1,759)	(650)	(1,109)	(171%)	(4,601)	(3,693)	(908)	(25%)
	6,630	2,923	3,707	128%	16,063	8,220	7,843	96%
Adjusted EBITDA margin (%) (1)	18%	14%			14%	11%		

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

Management uses Adjusted EBITDA as a measure of the cash flow generated by the Company. Positive Adjusted EBITDA 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 NCIB.

Adjusted EBITDA of $6.6 million in Q4 2017, an increase of $3.7 million (128%) compared to $2.9 million in Q4 2016. The increase in Adjusted EBITDA is due to a $2.6 million increase in the Contract Drilling, a $2.2 million increase in the Production Services segment offset by a $1.1 million increase in Corporate expenses.

For the year ended December 31, 2017, Adjusted EBITDA of $16.1 million, an increase of $7.9 million (96%) compared to $8.2 million in 2016. The increase in Adjusted EBITDA is consistent with increased activity and pricing from Contract Drilling ($7.2 million) and Production Services ($1.6 million) offset by higher Corporate expenses ($0.9 million).

Transaction Costs

$ thousands	Three months ended December 31, 2017	2016	Change $	Change %	Year ended December 31, 2017	2016	Change $	Change %
Transaction costs	1,549	-	1,549	n/m (1)	1,549	-	1,549	n/m (1)

(1) Not meaningful.

Transaction costs of $1.5 million were incurred on the acquisition of C&J Canada's service and swabbing rig assets.

Stock Based Compensation

$ thousands	Three months ended December 31, 2017	2016	Change $	Change %	Year ended December 31, 2017	2016	Change $	Change %
Stock based compensation	278	594	(316)	(53%)	869	945	(76)	(8%)

Stock based compensation of $0.3 million in Q4 2017, a decrease of $0.3 million (-53%) compared to $0.6 million in Q4 2016. Stock based compensation of $0.9 million for the year ended December 31, 2017, a decrease of $0.1 million (-8%) compared to $1.0 million for the year ended December 31, 2016. Stock based compensation is primarily a function of outstanding stock options and restricted share units ("RSU's") being expensed over their vesting term.

Finance Costs

$ thousands	Three months ended December 31, 2017	2016	Change $	Change %	Year ended December 31, 2017	2016	Change $	Change %
Finance costs	606	502	104	21%	2,054	2,515	(461)	(18%)

Finance costs of $0.6 million in Q4 2017, an increase of $0.1 million (21%) compared to $0.5 million in Q4 2016. The increase in finance costs was due to increased debt levels at the end of the year due to the acquisition of the C&J Canada assets.

Finance costs were $2.1 million for the year ended December 31, 2017, a decrease of $0.4 million (-18%) compared to $2.5 million in 2016. The decrease in finance costs was due to lower average interest rates, and a reduction in the average outstanding borrowing in 2017 when compared to 2016 following the July 2017 repayment of $7.6 million from the proceeds of the $14.6 million rights offering in June 2016.

Depreciation and Amortization

$ thousands	Three months ended December 31, 2017	2016	Change $	Change %	Year ended December 31, 2017	2016	Change $	Change %
Depreciation and Amortization								
Contract Drilling	1,973	984	989	101%	6,215	3,284	2,931	89%
Production Services	2,801	2,708	93	3%	10,730	10,799	(69)	(1%)
Corporate	37	41	(4)	(10%)	158	165	(7)	(4%)
	4,811	3,733	1,078	29%	17,103	14,248	2,855	20%

Depreciation and amortization for drilling rigs, service rigs and swabbing rigs are predominately based on operating days and hours. Coil tubing units, capitalized re-certifications and other production equipment are depreciated on a straight line basis resulting in consistent depreciation and amortization expense regardless of activity. Amortization of Intangibles is based on estimated remaining life. As such, the change in depreciation for Q4 2017 and the year ended December 31, 2017 predominately reflect changes in utilizations and the increase in usage of the Contract Drilling and Production Services equipment in 2017 compared to 2016.

Loss on Disposal of Equipment

$ thousands	Three months ended December 31, 2017	2016	Change $	Change %	Year ended December 31,, 2017	2016	Change $	Change %
Loss on disposal of equipment	112	231	(119)	(52%)	40	394	(354)	(90%)

Management continually monitors the asset mix and equipment needs and invests and divests assets as needed to optimize operations. During Q4 2017 and the year ended December 31, 2017, the loss on disposal of equipment was the result of the sale of equipment with proceeds on sale of $0.3 million (Q4 2016: $0.9 million) and $0.5 million (2016: $1.1 million) respectively.

Gain on Acquisition

$ thousands	Three months ended December 31, 2017	2016	Change $	Change %	Year ended December 31,, 2017	2016	Change $	Change %
Gain on acquisition	9,128	-	9,128	n/m (1)	9,128	-	9,128	n/m (1)

(1) Not meaningful.

The gain relates to the acquisition of C&J Canada's service and swabbing rig assets. The gain was calculated as the difference between the total acquisition fair value of the identifiable net assets acquired being $49.0 million and the fair value of the consideration transferred being $37.5 million with $2.4 million being deducted for deferred tax liability.

Deferred Income Taxes Expense (Recovery)

$ thousands	Three months ended December 31, 2017	2016	Year ended December 31, 2017	2016
Net income (loss) before income taxes	8,402	(2,137)	3,576	(9,882)
Deferred income tax expense (recovery)	(142)	(420)	(1,285)	(2,414)
Deferred income tax expense (recovery) as a % of net income (loss) before income taxes	(2%)	20%	(36%)	24%
Expected statutory income tax rate	27%	27%	27%	27%

Income taxes are a function of taxable income and are calculated differently than accounting net income. Differences between accounting net income and taxable income include such things as gains or losses on disposal of fixed assets, stock based compensation, differences between income tax estimates and actual tax filings, goodwill impairment, and other differences.

The deferred income tax recovery for 2017 of $1.3 million (2016: $2.4 million) is a result of the net income before income taxes being adjusted into a net loss for tax purposes by adjusting for the temporary and permanent differences. The largest item being added back to net income (loss) for accounting purposes to get to net income (loss) for tax purposes in 2017 is the $9.1 million gain on acquisition recorded as part of the purchase price allocation on the acquisition of C&J Canada's service and swabbing rig assets.

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

Net Income (Loss) and Comprehensive Income (Loss)

$ thousands	Three months ended December 31, 2017	2016	Change $	Change %	Year ended December 31, 2017	2016	Change $	Change %
Net income (loss) and comprehensive income (loss)	8,544	(1,717)	10,261	n/m (1)	4,861	(7,468)	12,329	n/m (1)

(1) Not meaningful.

Net income (loss) and comprehensive income (loss) of $8.5 million in Q4 2017, an increase of $10.2 million compared to $(1.7) million in Q4 2016. Net income (loss) and comprehensive income (loss) for 2017 was $4.9 million, an increase of $12.4 million compared to $(7.5) million in 2016. The largest cause of the increases is the $9.1 million gain on acquisition recorded as part of the purchase price allocation on the acquisition of C&J Canada's service and swabbing rig assets. In addition, the increase in Adjusted EBITDA from the Contract Drilling and Production Services segments more than offset the higher Corporate costs and Company depreciation and amortization for both Q4 2017 and for the year ended December 31, 2017.

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 inflows are used to repay outstanding amounts on the Company's credit facilities, and fund capital requirements.

During 2017, the Company's Funds from Operations of $14.5 million combined with a $16.7 million increase in long-term debt and $26.0 million from common share issuances was used to fund a $10.3 million increase in non-cash working capital, $43.8 million in capital expenditures, net of proceeds on disposition, $2.3 million to pay interest on long-term debt, finance lease payments and pay financing costs and $0.8 million to acquire shares under the NCIB.

At December 31, 2017 the Company had working capital (excluding debt) of $19.5 million compared to $9.1 million at December 31, 2016. (Please refer to the "Reconciliation of Non-IFRS Measures" section for further information). The increase in working capital (excluding debt) from December 31, 2016 is due to increased accounts receivable from higher revenue in Q4 2017 versus Q4 2016 offset by higher current liabilities. Typically, as activity levels and/or pricing increase or decrease working capital will also increase or decrease.

On August 4, 2017, CWC and its syndicated lenders completed an extension of its credit facilities and certain other amendments to provide financial security and flexibility to July 31, 2020. The amendments further provide the Company access to another equity cure under the same terms and conditions, a reduction in the minimum liquidity from $10.0 million to $5.0 million, and quarterly financial covenant for Consolidated Debt to Consolidated EBITDA ratio as follows:

For the Quarter Ended	Previously	Currently
December 31, 2017	4.00 : 1	4.00:1
Thereafter	3.50 : 1	4.00:1

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, 2017, the Company is in compliance with each of the financial covenants. The Company expects to be able to renew the credit facilities prior to maturity.

On October 30, 2017, CWC and its syndicated lenders agreed to the Company's exercise of the accordion feature to expand its credit facilities from $65 million to $100 million. The expanded credit facilities provide financial security and flexibility to July 31, 2020. The syndicate lenders also provided consent to permit the acquisition of the C&J Canada assets with the expanded credit facilities. The expanded credit facilities were initially used to complete the transaction with C&J Canada and upon the successful completion of the Rights Offering, are subsequently available to assist the Company in completing further acquisitions, financing capital expenditures and for general working capital purposes.

Effective December 31, 2017, the applicable rates under the Bank Loan are: bank prime rate plus 1.00%, banker's acceptances rate plus a stamping fee of 2.00%, and standby fee rate of 0.45%.

On December 13, 2017, CWC announced the closing of a Rights Offering of its common shares. The Rights Offering was fully subscribed and generated $26.0 million in gross proceeds for 130,148,781 common shares issued. In December 2017, the Company elected to repay $16.0 million of the Company's outstanding indebtedness from the proceeds from the Rights Offering. At December 31, 2017, the remaining $10.0 million of proceeds from the Rights Offering were held in a segregated bank account so that it may be utilized as an equity cure in future quarters.

Capital Requirements

On December 13, 2017 the Company announced its capital expenditure budget for 2018 of $12.7 million, $7.2 million of which is growth capital to improve certain drilling and coil tubing equipment while the remaining $5.5 million is maintenance and infrastructure capital related to recertifications, additions and upgrades to field equipment for the drilling rigs, service rigs, swabbing rigs and coil tubing divisions as well as information technology infrastructure. The increase to the 2018 capital expenditure budget compared to the 2017 capital expenditure of $6.8 million is consistent with CWC's commitment to safety and operational efficiency with high quality and well maintained equipment. CWC intends to finance its 2018 capital expenditure budget from operating cash flows.

As utilization of the Company’s equipment increases, CWC plans to recertify several of its service rigs. As at December 31, 2017, the Company has capital spending plans as noted in the section titled “Capital Expenditures”. Additional discretionary capital expenditures will be required in order to continue to grow the Company’s assets and revenue in the future. It is anticipated future cash requirements for capital expenditures will be met through a combination of funds from operations and borrowing against existing credit facilities as required. However, additional funds may be raised by new debt instruments, equity issuances and proceeds from the sale of assets.

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:

	February 28, 2018	December 31, 2017	December 31, 2016
Common shares	522,109,625	521,378,958	391,920,676
Stock options	25,563,335	27,546,667	21,791,000
Restricted share units	4,822,332	5,135,332	4,473,000

During the year ended December 31, 2017, 983,333 stock options were exercised, 1,568,000 were forfeited and 8,307,000 were granted. In addition, 1,819,668 RSU's were exercised, 200,000 were forfeited and 2,682,000 were granted.

On April 7, 2017, the Company renewed its NCIB which now expires on April 6, 2018. Under the NCIB the Company may purchase, from time to time as it considers advisable, up to 19,653,292 of issued and outstanding common shares through the facilities of the TSXV. In addition, CWC entered into an automatic securities purchase plan (the “ASPP”) (as defined under applicable securities laws) with Raymond James Ltd. ("Raymond James") for the purpose of making purchases under the ASPP. Such purchases will be determined by Raymond James in its sole discretion, without consultation with CWC having regard to the price limitation and aggregate purchase limitation and other terms of the ASPP and the rules of the TSXV. Conducting the NCIB as an ASPP allows common shares to be purchased at times when CWC would otherwise be prohibited from doing so pursuant to securities laws and its internal trading policies During Q4 2017, 405,000 common shares (Q4 2016: nil) were purchased, cancelled and returned to treasury, bringing the total to 3,493,500 common shares purchased, cancelled and returned to treasury for the year ended December 31, 2017.

CWC completed an offering of rights to holders of its common shares of record at the close of business on November 15, 2017. The Rights issued under the Rights Offering expired on December 11, 2017. Each registered shareholder of Common Shares on the Record Date received one Right for each Common Share held by such shareholder. Three Rights plus the sum of $0.20 entitled the Rights holder to subscribe for one Common Share. Eligible shareholders were entitled to subscribe for additional Common Shares, subject to certain limitations set out in the Company's rights offering circular. On December 13, 2017, CWC closed the rights offering for aggregate gross proceeds of $26.0 million ($25.9 million after deductions of share issue costs). Under the fully subscribed offering, 130,148,781 common shares were issued to shareholders who exercised their rights.

Capital Expenditures

$ thousands	Three months ended December 31, 2017	2016	Year ended December 31, 2017	2016
Contract Drilling	1,176	1,303	3,964	1,662
Production Services	37,730	451	40,559	996
Corporate	-	-	9	-
Total capital expenditures	38,906	1,754	44,532	2,658
Growth capital	37,605	207	39,340	207
Maintenance and infrastructure capital	1,301	1,547	5,192	2,451
Total capital expenditure	38,906	1,754	44,532	2,658

Capital expenditures in 2017 of $44.5 million are $41.9 million higher than the $2.7 million in 2016 and primarily consist of the acquisition of C&J Canada's service and swabbing rig assets, recertification costs, leasehold improvements, new drill pipe, coil tubing equipment and vehicles.

A 2018 capital expenditure budget of $12.7 million was approved by the Board of Directors on December 13, 2017, $7.2 million of which is growth capital to improve certain drilling and coil tubing equipment while the remaining $5.5 million is maintenance and infrastructure capital related to recertifications, additions and upgrades to field equipment for the drilling rigs, service rigs, swabbing rigs and coil tubing divisions as well as information technology infrastructure.

Commitments and Contractual Obligations

Under the terms of the Company's amended credit facilities, the borrowing under the credit facilities are due in full on July 31, 2020. The Company is committed to monthly payments of interest and bank charges until July 31, 2020. There have been no significant changes in other commitments or contractual obligations since December 31, 2016. Management believes that there will be sufficient cash flows generated from operations to service the interest on the debt and finance the required growth and maintenance capital of the Company in 2018.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts Three months ended	2017 Dec. 31	Sept. 30	June 30	March 31	2016 Dec. 31	Sept. 30	June 30	March 31
Revenue	37,420	27,173	15,114	32,580	20,922	18,506	13,884	19,740
Adjusted EBITDA	6,630	4,055	228	5,150	2,923	1,741	999	2,557
Net income (loss)	8,544	(638)	(2,677)	(368)	(1,717)	(2,042)	(2,279)	(1,430)
Net income (loss) per share: basic and diluted	0.02	0.00	(0.01)	0.00	0.00	(0.01)	(0.01)	0.00
Total assets	264,354	208,355	203,265	218,171	210,750	212,634	212,440	218,906
Total long-term debt	49,810	34,404	28,887	38,828	33,142	34,013	32,235	50,538
Shareholders' equity	186,519	151,833	152,596	155,358	155,482	156,605	158,515	146,116

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, swabbing 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 2017 saw the acquisition of C&J Canada's service and swabbing rig assets for $37.5 million. Higher operating activity and pricing in the Contract Drilling and Production Services' segments also contributed to the improved financial results compared to the previous seven quarters. CWC closed a rights offering for aggregate gross proceeds of $26.0 million ($25.9 million after deductions of share issue costs) to partially finance the acquisition of the C&J Canada assets. Under the fully subscribed offering, 130,148,781 common shares were issued to shareholders who exercised their rights. During Q4 2017, 405,000 common shares were purchased, cancelled and returned to treasury under the NCIB;
- During Q3 2017, 1,402,000 common shares were purchased under the NCIB and a total of 1,441,500 common shares were cancelled and returned to treasury;
- During Q2 2017, 1,404,000 common shares were purchased under the NCIB and a total of 1,478,000 common shares were cancelled and returned to treasury;
- Q1 2017 saw significantly higher operating activity in the Company's Contract Drilling and Production Services segments than what had been experienced in the last eight to twelve quarters;
- Q4 2016 saw improved utilizations in both drilling and service rig activity as a result of increased global crude oil and natural gas prices after OPEC's agreement on crude oil production cuts;
- Q3 2016 activity and pricing continued to be negatively impacted by low global crude oil and natural gas prices. However, the Company continued to see leading market share and utilization of its service rigs;
- Q2 2016 service rig fleet worked a record 21,730 operating hours, the highest second quarter in the company's previous eleven years despite a very challenging industry operating environment, which continued to reduce hourly rates. The prolonged downturn and pricing pressure had a significant impact on the utilization of the Company's Contract Drilling division as the need to drill new wells by E&P customers were at extremely low levels; and
- Q1 2016 activity and pricing continued to be negatively impacted by low global crude oil and natural gas prices. However, the Company saw a significant increase in its market share and utilization of its service rigs during a period of declining industry activity.

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:

<u>Business combinations</u>
The acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets obtained, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible assets and intangible assets, the excess is recognized in income.

Goodwill is not depreciated, but is measured at cost less any accumulated impairment losses.

Transaction costs incurred in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees are expensed as incurred.

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.

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.

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, 2017. The new standards, amendments to standards and interpretations are not 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. Based on our assessment, we do not expect adoption of the standard to have a material impact on the financial statements, however, we do expect to have additional disclosures.

On May 28, 2015, the IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") replacing International Accounting Standard 11, "Construction Contracts" ("IAS 11"), IAS 18, "Revenue" ("IAS 18"), and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser in accordance with a five step model. Disclosure requirements have also been expanded.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. Our assessment primarily involved reviewing our sales contracts to determine if any performance obligations exist that will need to be separately identified that may affect the timing of when revenue will be recognized under IFRS 15. Based on our assessment, CWC has not identified any material impacts on the timing and measurement of revenue from our existing revenue recognition practices from the adoption of the new standard, however, we do expect to have additional disclosures.

On January 13, 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16") replacing International Accounting Standard 17, "Leases" ("IAS 17"). 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 new standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has been adopted. The standard may be applied retrospectively or using a modified retrospective approach.

The Company will adopt the new standard on the effective date of January 1, 2019. The Company is developing an implementation plan to identify all arrangements which will fall within the scope of IFRS 16. Management believes that it has sufficient resources allocated to the project to ensure timely implementation and has commenced its assessment of key arrangements.

The Company will address any system and process changes necessary to compile the information to meet the disclosure requirements of the new standard. As the Company is currently evaluating the impact of this standard, it has not yet determined the effect on its consolidated financial statements.

Related Party Transactions

As at December 31, 2017, of the total outstanding shares of the Company, 78.0% are directly or indirectly owned by Brookfield Capital Partners Ltd. and Brookfield Business Partners L.P. (together "Brookfield"). The Company is related to Brookfield by virtue of control, and is therefore also related to Brookfield's affiliates.

During 2017, the Company had revenue totaling $1,101 (2016: $1,195) and accounts receivable as at December 31, 2017 of $14 (December 31, 2016: $271) 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.

In December 2017, as part of the Rights Offering, Brookfield acquired 122,577,317 common shares of CWC at $0.20 per common share. The Company received total proceeds of $24,515 from Brookfield for the common shares issuance.

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, 2017 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.

Price Competition and Cyclical Nature of the Oilfield Services Business

The drilling rig, service rig swabbing 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, swabbing rig or coil tubing contractor to select. Management believes other factors are also important, including:

- the capabilities and condition of drilling rigs, service rigs, swabbing 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, swabbing 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, swabbing rigs or coil tubing units; and
- marketing relationships.

The drilling rig, service rig, swabbing rig and coil tubing 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, swabbing 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 effect on CWC's business, financial condition, results of operations and cash flows.

Capital Overbuild in the Drilling Rig and Service Rig Industry

Because of the long life nature of drilling rigs, service rigs, swabbing 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 effect on the revenue, cash flows and earnings of CWC.

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.

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.

Oilfield Services 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 services 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 CWC's operating and debt obligations as they come due, CWC will need to significantly reduce expenditure, pursue alternative financing arrangements, dispose of significant assets, or pursue other corporate strategic alternatives, the ability of which to do so is uncertain.

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, transportation, 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 CWC’s 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, transportation regulations, 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.

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 ("GHG"). Reductions in GHG from oil and gas producers may be required which could result in, among 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.

Alberta Climate Change Leadership Plan

The Alberta Climate Leadership Plan introduced a new GHG emissions pricing regime. The Climate Leadership Act (the "CLA") received royal assent on June 13, 2016 and came into force on January 1, 2017. The Climate Leadership Regulation ("CL Regulation"), which provides further detail in respect of the carbon levy regime set out in the CLA, was released on November 3, 2016, and also came into force on January 1, 2017. The CLA establishes an Alberta carbon pricing regime in the form of a carbon levy on various types of fuel, based on rates of $20 per tonne of GHG emissions as of January 1, 2017 and $30 per tonne for 2018. The carbon levy revenue will be used to fund initiatives to reduce GHG emissions, to support Alberta's ability to adapt to climate change and for rebates or adjustments related to the carbon levy to consumers, businesses, and communities in addition to a household rebate program.

The CLA and the CL Regulation impose registration, payment, remittance, reporting and administrative obligations on applicable persons throughout the fuel supply chain. The application of the carbon levy depends on the type and quantity of fuel purchased or produced and how such fuel is used by the purchaser. Under the CLA and CL Regulations, activities integral to oil and gas production processes are exempt until 2023. The Company's Contract Drilling and Production Services appear to meet the definition of integral however the determination of what constitutes an activity that is "integral" to oil and gas production and method to avoid or recover a carbon levy is still being clarified with the Alberta government. We expect the Company and its customer's operations to have minimal direct carbon levy exposure until 2023. It is not known what will occur in 2023 when the current exemptions are expected to end.

Additional changes to provincial climate change legislation may adversely affect the Corporation's business, financial condition, results of operations and cash flows which cannot be reliably or accurately estimated at this time.

Federal Carbon Tax Strategy

In October 2016, Canada ratified the Paris Agreement on climate change that was signed by Canada and over 160 other nations at the United Nations Framework Convention on Climate Change in December 2015. Though the specific details of how Canada will accomplish the goals set out in the Paris Agreement have not yet been announced, in October 2016 the federal government announced a new national carbon pricing regime (the "Carbon Strategy") that will support the objectives of the Paris Agreement.

Under the Carbon Strategy, all provinces will be required to adopt a carbon pricing scheme that includes, at a minimum, a price on carbon emissions of $10 per tonne in 2018, rising by $10 per tonne each year to $50 per tonne in 2022. If the provinces do not adopt such a scheme, a federal regime will be imposed upon them and the funds will be transferred back to the provincial government of the jurisdiction from where they were collected. Alternatively, provinces will be given the opportunity to implement a cap-and-trade system, but will need to demonstrate that the province's emissions are consistent with both Canada's national target and the results of the provinces who have implemented the carbon pricing scheme. Further legislation and regulation is expected from the provinces in order to comply with the Carbon Strategy's requirements. For those provinces, including Alberta, which have already established a carbon tax or a cap and trade regime, or both, the national price on carbon will likely have little additional impact in the short term. None of the provinces have yet announced how they intend to comply with the long-term carbon pricing requirements. It is unclear how the Carbon Strategy will be implemented in Saskatchewan and Manitoba.

Adverse impacts to CWC's business as a result of comprehensive GHG legislation or regulation, including the CLA and the Carbon Strategy applied to the Corporation's, may include, but are not limited to: increased compliance costs and reduced demand for E&P Company's products thereby reducing the demand for our services.

Beyond existing legal requirements, the extent and magnitude of any adverse impacts of any additional programs or additional regulations cannot be reliably or accurately estimated at this time because specific legislative and regulatory requirements have not been finalized and uncertainty exists with respect to any additional measures being considered.

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 June 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, swabbing 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. and Brookfield Business Partners L.P. (together "Brookfield"), through its ownership of 78.0% of CWC's outstanding voting shares is a significant shareholder. 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 governance 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.

Drilling Rig, Service Rig, Swabbing Rig and Coil Tubing Unit Construction Risks

When CWC contracts for the construction of a drilling rig, service rig, swabbing 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, swabbing 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.

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, swabbing rig and coil tubing contracts provide for the division of responsibilities between a drilling rig, service rig, swabbing 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.

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.

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.

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 effect 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 ABCA.

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.

Cyber-Security Threats and Reliance on Information Technology

CWC's operations are dependent on the functioning of several information technology systems. Exposure of CWC's information technology systems to external threats poses a risk to the security of these systems. Such cyber-security threats include unauthorized access to information technology systems due to hacking, viruses and other causes that can result in service disruptions, system failures and the disclosure, deliberate or inadvertent, of confidential business information. Significant interruption or failure of any or all of these systems could result in operational outages, delays, lost profits, lost data, increased costs, and other adverse outcomes. These factors could include a loss of communication links or reliable information, security breaches by computer hackers and cyber terrorists, and the inability to automatically process commercial transactions or engage in similar automated or computerized business activities.

Further, the Company is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Company becomes a victim to a cyber phishing attack it could result in a loss or theft of the Company's financial resources or critical data and information or could result in a loss of control of the Company's technological infrastructure or financial resources. The Company applies technical and process controls in line with industry-accepted standards to protect our information assets and systems; however, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on our performance and earnings, as well as on our reputation. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

Forward-Looking Information may Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the company's 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 most of those 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", "view" and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements involving the anticipated benefits to be derived from the C&J Canada transaction including SG&A expense synergies with respect thereto and statements with respect to the Transaction being accretive on various metrics, management's assessment of future plans and operations, planned levels of capital expenditures, expectations as to activity levels, expectations on the sustainability of future cash flow and earnings and the ability to pay dividends, expectations with respect to crude oil and natural gas prices, activity levels in various areas, 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 expanding its customer base, and expectations regarding the business, operations, revenue and debt levels 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, 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, 2017	2016	Year ended December 31, 2017	2016	2015
NON-IFRS MEASURES					
Adjusted EBITDA:					
Net income (loss) and comprehensive income (loss)	8,544	(1,717)	4,861	(7,468)	(29,106)
Add:					
Depreciation	4,811	3,733	17,103	14,248	15,469
Finance costs	606	502	2,054	2,515	2,203
Transaction costs	1,549	-	1,549	-	-
Deferred income tax expense (recovery)	(142)	(420)	(1,285)	(2,414)	(1,966)
Stock based compensation	278	594	869	945	1,008
Gain on acquisition	(9,128)	-	(9,128)	-	-
Impairment of goodwill and assets held for sale	-	-	-	-	24,214
Loss on sale of equipment	112	231	40	394	215
Adjusted EBITDA (1)	6,630	2,923	16,063	8,220	12,037
Adjusted EBITDA per share – basic and diluted(1)	$0.02	$0.01	$0.04	$0.02	$0.04
Adjusted EBITDA margin (Adjusted EBITDA/Revenue) (1)	18%	14%	14%	11%	15%
Weighted average number of shares outstanding – basic	418,913,266	390,655,440	399,008,915	349,836,144	285,524,891
Weighted average number of shares outstanding - diluted	423,221,202	390,655,440	403,359,537	349,836,144	285,524,891
Funds from operations:					
Cash flows from operating activities	(2,116)	2,300	4,260	8,788	25,427
Add (deduct): Change in non-cash working capital	7,197	623	10,254	(568)	(13,390)
Funds from operations	5,081	2,923	14,514	8,220	12,037
Gross margin:					
Revenue	37,420	20,992	112,215	73,122	81,260
Less: Direct operating expenses	26,620	15,248	82,361	53,209	55,124
Gross margin (2)	10,800	5,744	29,854	19,913	26,136
Gross margin percentage (2)	29%	27%	27%	27%	32%

$ thousands	December 31, 2017	December 31, 2016	December 31, 2015
Working capital (excluding debt):			
Current assets	31,745	16,501	17,333
Less: Current liabilities	(12,378)	(7,535)	(5,716)
Add: Current portion of long-term debt	176	176	205
Working capital (excluding debt) (3)	19,543	9,142	11,822
Working capital (excluding debt) ratio (3)	2.6:1	2.2:1	3.1:1
Net debt:			
Long-term debt	49,634	32,966	52,036
Less: Current assets	(31,745)	(16,501)	(17,333)
Add: Current liabilities	12,378	7,535	5,716
Net debt (4)	30,267	24,000	40,419

(1) Adjusted EBITDA (Earnings before interest and finance costs, income tax expense, depreciation, amortization, gain or loss on disposal of asset, goodwill impairment, transaction costs and stock based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, Adjusted EBITDA 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 Adjusted EBITDA should not be construed as an alternative to net income (loss) and comprehensive income (loss) determined in accordance with IFRS as an indicator of the Company's performance. CWC's method of calculating Adjusted EBITDA may differ from other entities and accordingly, Adjusted EBITDA may not be comparable to measures used by other entities. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by revenue and provides a measure of the percentage of Adjusted EBITDA per dollar of revenue. Adjusted EBITDA per share is calculated by dividing Adjusted EBITDA by the weighted average number of shares outstanding as used for calculation of earnings per share.

(2) 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.

(3) 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.

(4) 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, 2017 and 2016

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of CWC Energy Services Corp.

We have audited the accompanying financial statements of CWC Energy Services Corp., which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, the statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of CWC Energy Services Corp. as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

February 28, 2018
Calgary, Canada

CWC ENERGY SERVICES CORP.

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2017 and December 31, 2016

December 31, *Stated in thousands of Canadian dollars*	Note	**2017**	2016
ASSETS			
Current			
Cash		**$ 95**	$ 2
Accounts receivable		**30,119**	15,335
Prepaid expenses and deposits		**1,531**	1,164
		31,745	16,501
Property, plant and equipment	5	**232,190**	193,525
Intangibles	6	**419**	724
		$ 264,354	$ 210,750
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 12,202**	$ 7,359
Current portion of long-term debt	7	**176**	176
		12,378	7,535
Deferred tax liability	8	**15,823**	14,767
Long-term debt	7	**49,634**	32,966
		77,835	55,268
SHAREHOLDERS' EQUITY			
Share capital	9	**266,720**	242,306
Contributed surplus		**8,609**	6,847
Deficit		**(88,810)**	(93,671)
		186,519	155,482
		$ 264,354	$ 210,750

See accompanying notes to the financial statements.

Approved on behalf of the board:

Gary Bentham, Director

Jim Reid, Director

CWC ENERGY SERVICES CORP.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2017 and 2016

Stated in thousands of Canadian dollars except per share amounts	Note	**2017**	2016
Revenue		**$ 112,215**	$ 73,122
Expenses	12		
Direct operating expenses		**82,361**	53,209
Selling and administrative expenses		**13,791**	11,693
Transaction costs		**1,549**	-
Stock based compensation		**869**	945
Finance costs		**2,054**	2,515
Depreciation and amortization		**17,103**	14,248
Loss on disposal of equipment		**40**	394
Gain on acquisition	5	**(9,128)**	-
		108,639	83,004
Net income (loss) before income taxes		**3,576**	(9,882)
Deferred income tax recovery	8	**(1,285)**	(2,414)
Net income (loss) and comprehensive income (loss)		**$ 4,861**	$ (7,468)
Net income (loss) per share			
Basic and diluted	9	**0.01**	$ (0.02)

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2017 and 2016

Stated in thousands of Canadian dollars except share amounts	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance - January 1, 2016		292,628,007	$ 227,149	$ 6,516	$ (86,203)	$ 147,462
Net loss and comprehensive loss		-	-	-	(7,468)	(7,468)
Stock based compensation expense	9(d)(e)	-	-	945	-	945
Settlement of restricted share units	9(e)	1,746,667	614	(614)	-	-
Rights offering, net of share issue costs	9(b)	97,546,002	14,543	-	-	14,543
Balance – December 31, 2016		391,920,676	$ 242,306	$ 6,847	$ (93,671)	$ 155,482
Balance – January 1, 2017		391,920,676	$ 242,306	$ 6,847	$ (93,671)	$ 155,482
Net income and comprehensive income		-	-	-	4,861	4,861
Stock based compensation expense	9(d)(e)	-	-	869	-	869
Exercise of stock options	9(d)	983,333	194	(67)	-	127
Settlement of restricted share units	9(e)	1,819,668	441	(441)	-	-
Cancellation of common shares purchased under normal course issuer bid		(3,493,500)	(2,157)	1,401	-	(756)
Rights offering, net of share issue costs	9(b)	130,148,781	25,936	-	-	25,936
Balance – December 31, 2017		521,378,958	$ 266,720	$ 8,609	$ (88,810)	$ 186,519

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

Stated in thousands of Canadian dollars	Note	**2017**	2016
Operating activities:			
Net income (loss)		**$ 4,861**	$ (7,468)
Adjustments for:			
Stock based compensation expense	9(d)	**869**	945
Finance costs		**2,054**	2,515
Depreciation and amortization		**17,103**	14,248
Gain on acquisition	5	**(9,128)**	-
Loss on disposal of equipment		**40**	394
Deferred income tax recovery	8	**(1,285)**	(2,414)
Funds from operations		**14,514**	8,220
Changes in non-cash working capital balances	10	**(10,254)**	568
Operating cash flow		**4,260**	8,788
Investing activities:			
Purchase of equipment		**(6,800)**	(2,614)
Business acquisition	(5)	**(37,500)**	
Proceeds on disposal of equipment		**530**	1,053
Investing cash flow		**(43,770)**	(1,561)
Financing activities:			
Increase (repayment) of long-term debt		**16,667**	(19,026)
Interest paid		**(1,812)**	(2,202)
Finance costs paid		**(309)**	(276)
Finance lease repayments		**(217)**	(232)
Common shares issued, net of share issue costs		**26,030**	14,509
Common shares purchased under NCIB	9(c)	**(756)**	-
Financing cash flow		**39,603**	(7,227)
Increase in cash during the year		**93**	-
Cash, beginning of year		**2**	2
Cash, end of year		**$ 95**	$ 2

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 February 28, 2018.

(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:

Business combinations
The acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets obtained, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible assets and intangible assets, the excess is recognized in income.

Goodwill is not depreciated, but is measured at cost less any accumulated impairment losses.

Transaction costs incurred in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees are expensed as incurred.

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

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

<u>Impairment of tangible and intangible assets</u>
Tangible and intangible assets are reviewed annually with respect to their useful lives, or more frequently, if events or changes in circumstances indicate that the assets might be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell ("FVLCS") and value in use ("VIU"). 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.

<u>Depreciation and amortization</u>
Depreciation and amortization 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.

<u>Income taxes</u>
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.

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

3. Significant accounting policies

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

(a) 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.

(b) 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.

The costs of replacing a component of property and equipment are 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 replaced 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
Buildings	Straight-line with residual values of up to-20%	25 years
Production equipment – service and swabbing 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.

(c) 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 VIU and its 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.

(d) 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.

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

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

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

(e) 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.

(f) 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.

(g) 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, 2017 and December 31, 2016 there were no provisions recognized in the financial statements.

(h) 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.

(i) 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 at an 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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 9(d), 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 9(e), 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.

(o) 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

(p) 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.

(q) 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, 2017. 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. Based on our assessment, we do not expect adoption of the standard to have a material impact on the financial statements, however, we do expect to have additional disclosures.

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. Our assessment primarily involved reviewing our sales contracts to determine if any performance obligations exist that will need to be separately identified that may affect the timing of when revenue will be recognized under IFRS 15. Based on our assessment, CWC has not identified any material impacts on the timing and measurement of revenue from our existing revenue recognition practices from the adoption of the new standard, however, we do expect to have additional disclosures.

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 Company is currently evaluating the impact of IFRS 16 on its financial statements.

4. Determination of fair values

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

The carrying amounts for cash, accounts receivable, and accounts payable and accrued liabilities 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, 2017.

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

5. Property, plant and equipment

	Contract drilling equipment	Production services property, plant and equipment	Other equipment	Total
Costs				
Balance, January 1, 2017	**$ 108,947**	**$ 206,269**	**$ 1,874**	**$ 317,090**
Additions	**3,964**	**52,062**	**9**	**56,035**
Disposals	**(433)**	**(1,347)**	**-**	**(1,780)**
Balance, December 31, 2017	**112,478**	**256,984**	**1,883**	**371,345**
Accumulated depreciation and impairment losses				
Balance, January 1, 2017	**15,073**	**106,944**	**1,548**	**123,565**
Depreciation	**5,910**	**10,730**	**158**	**16,798**
Disposals	**(365)**	**(843)**	**-**	**(1,208)**
Balance, December 31, 2017	**20,618**	**116,831**	**1,706**	**139,155**
Net book value				
Balance, December 31, 2017	**$ 91,860**	**$ 140,153**	**$ 177**	**$ 232,190**

	Contract drilling equipment	Production services property, plant and equipment	Other equipment	Total
Costs				
Balance, January 1, 2016	$ 108,508	$ 206,314	$ 1,881	$ 316,703
Additions	1,662	930	66	2,658
Disposals	(1,223)	(907)	(141)	(2,271)
Transfers	-	(68)	68	-
Balance, December 31, 2016	108,947	206,269	1,874	317,090
Accumulated depreciation and impairment losses				
Balance, January 1, 2016	12,230	96,710	1,505	110,445
Depreciation	2,979	10,800	165	13,944
Disposals	(136)	(566)	(122)	(824)
Balance, December 31, 2016	15,073	106,944	1,548	123,565
Net book value				
Balance, December 31, 2016	$ 93,874	$ 99,325	$ 326	$ 193,525

At December 31, 2017, property and equipment includes equipment under finance leases which are recorded at cost totaling $878 (December 31, 2016: $854), less accumulated depreciation of $547 (December 31, 2016: $586).

No asset impairment loss or impairment reversal was recorded for the year ended December 31, 2017 as triggers for an impairment test were not identified in any of the CGUs.

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

Acquisition of Canadian Assets of C&J Canada

On November 5, 2017, the Company completed the acquisition of all of the service and swabbing rig assets and ongoing operations of C&J Energy Production Services-Canada Ltd. ("C&J Canada") from C&J Energy Services, Inc. for total consideration of $37.5 million in cash. The acquisition of C&J Canada has been accounted for as a business combination under IFRS 3. The purchase equation is as follows:

Consideration transferred		**Purchase Price Equation**
Cash	**$**	**37,500**
Identifiable assets (liabilities) acquired		
Buildings	**$**	**7,432**
Land		**11,467**
Rigs		**29,580**
Other Equipment		**470**
Property taxes & other deposits		**54**
Deferred tax liabilities		**(2,375)**
Bargain purchase gain		**(9,128)**
	$	**37,500**

C&J Canada's identifiable assets and liabilities have been measured at their fair values on the date of acquisition. Determinations of fair value often require management to make assumptions and estimates about future events. CWC has determined the fair value of assets acquired and liabilities assumed as of the date of acquisition. The fair value of buildings, land and rigs were determined based on third party appraisal. Prepaid expenses and deposits and other equipment book value was determined to be equal to the fair value. Deferred tax liabilities were determined by applying statutory tax rate to assets acquired fair value less available tax pools.

Between the acquisition date and December 31, 2017 approximately $4.4 million of revenue and $2.0 million of gross margin was recognized relating to the C&J Canada assets.

CWC incurred approximately $1.5 million of transaction costs related to the acquisition that are expensed in the Statement of Comprehensive Income (Loss).

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

6. Intangible assets

	Intangible assets
Costs	
Balance, January 1, 2017 & December 31, 2017	**$ 1,588**
Accumulated depreciation and impairment losses	
Balance, January 1, 2017	**864**
Depreciation of intangible assets	**305**
Balance, December 31, 2017	**1,169**
Net book value	
Balance, December 31, 2017	**$ 419**

	Intangible assets
Costs	
Balance, January 1, 2016 and December 31, 2016	$ 1,588
Accumulated depreciation and impairment losses	
Balance, January 1, 2016	560
Depreciation of intangible assets	304
Balance, December 31, 2016	864
Net book value	
Balance, December 31, 2016	$ 724

7. 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,	**2017**	2016
Current liabilities:		
Current portion of finance lease liabilities	**$ 176**	$ 176
	$ 176	$ 176
Non-current liabilities:		
Bank Loan	**$ 50,000**	$ 33,333
Finance lease liabilities	**165**	97
Financing fees	**(531)**	(464)
	$ 49,634	$ 32,966
Total loans and borrowings	**$ 49,810**	$ 33,142

The Company has credit facilities with a syndicate of four Canadian financial institutions (the "Credit Facility"). The Credit Facility provides the Company with a $100 million extendible revolving term facility (the "Bank Loan") and other credit instruments. Of the Bank Loan, $90 million is a syndicated facility with the remaining $10 million being an operating facility. During the third quarter, the Bank Loan was extended for a committed term until July 31, 2020 (the "Maturity Date"). No principal payments are required under the Bank Loan until the Maturity Date, at which time any amounts outstanding are due and payable. The Company may, on an annual basis, request the Maturity Date be extended for a period not to exceed three years from the date of the request. If a request for an extension is not approved by the banking syndicate, the Maturity Date will remain unchanged.

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

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company's trailing Consolidated Debt to Consolidated EBITDA[(1)] ratio from a minimum of the bank's prime rate plus 0.75% to a maximum of the bank's prime rate plus 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 Bank Loan range between 0.39% and 1.07%. Interest and fees under the Bank Loan are payable monthly. The Company has the option to borrow funds denominated in either Canadian or United States dollars under the Credit Facility. Borrowings under the Bank Loan are limited to an aggregate of 75% of accounts receivable outstanding less than 90 days plus 60% of the net book value of property and equipment less certain priority payables. As at December 31, 2017, of the $100,000 Bank Loan facility, $40,000 was available for immediate borrowing and $60,000 was outstanding (December 31, 2016: $41,013). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings up to $125,000, subject to the approval of the lenders. The Bank Loan is secured by a security agreement covering all of the assets of the Company and a first charge Security Interest covering all assets of the Company. Effective December 31, 2017, the applicable rates under the Bank Loan are: bank prime rate plus 1.00%, banker's acceptances rate plus a stamping fee of 2.00%, and standby fee rate of 0.45%.

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

	Covenant limits	Actual December 31, 2017
Consolidated Debt[(2)] to Consolidated EBITDA[(1)]	4.00:1.00 or less	1.75:1.00
Consolidated Debt[(2)] to Capitalization[(3)]	0.50:1.00 or less	0.21:1.00
Consolidated Adjusted Cash Flow[(4)] to Consolidated Finance Obligations[(5)]	1.15:1.00 or more	10.00:1.00

[(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. Consolidated EBITDA is increased if debt repayments from the proceeds of equity issuance are used to repay the syndicated facility and designated by the Company as an Equity Cure amount. The Consolidated Debt to Consolidated EBITDA covenant limit reduces to 4.00:1.00 for the periods commencing December 31, 2017, to maturity.
[(2)] Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted to exclude the funds held in the segregated account and 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. The Calculation of Adjusted Cash Flow excludes Consolidated EBITDA resulting from an Equity Cure.
[(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.

On October 30, 2017, CWC and its syndicated lenders agreed to the Company's exercise of the accordion feature to expand its credit facilities from $65 million to $100 million.

On December 11, 2017, the Company received gross proceeds of $26,027 from a rights offering of common shares (see Note 9), $10,000 of the funds were placed into a segregated bank account. At December 31, 2017 the $10,000 plus earned interest has been offset against long-term debt as the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

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

	December 31, 2017		
	Cash	**Long-Term Debt**	**Net**
Gross amounts	**$ 10,000**	**$ (59,634)**	**$ (49,634)**
Amount offset	**(10,000)**	**10,000**	**-**
Net amounts	**$ -**	**$ (49,634)**	**$ (49,634)**

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 $242 were amortized and included in finance costs during the year ended December 31, 2017 (year ended December 31, 2016: $313).

8. 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,	**2017**	2016
Net income (loss) before income taxes	**$ 3,576**	$ (9,882)
Combined federal and provincial income tax rate	**27%**	27%
Expected income taxes	**965**	(2,668)
Increase (decrease) resulting from:		
Non-deductible items	**36**	29
Gain on acquisition	**(2,465)**	-
Stock based compensation	**235**	255
Other	**(56)**	(30)
	$ (1,285)	$ (2,414)

The deferred income tax liability is comprised of:

	December 31, 2016	Recognized in Earnings	Recognized in Equity	Gain on Acquisition	**December 31, 2017**
Deferred tax assets					
Non capital losses	$ 13,370[(1)]	(2,012)	-	-	**$ 11,358[(1)]**
Share issue costs	196	(85)	33	-	**144**
Finance lease liabilities	74	19	-	-	**93**
Other	119	(104)	-	-	**15**
	13,759	(2,182)	33	-	**11,610**
Deferred tax liabilities:					
Property and equipment	(28,526)	3,467	-	(2,374)	**(27,433)**
Net deferred income tax liability	$ (14,767)	1,285	33	(2,374)	**$ (15,823)**

(1) The Company has $42,063 (2016: $49,520) 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 2037.

All changes in deferred income tax temporary differences were recognized in income in the years ended December 31, 2017 and 2016.

9. Share capital

(a) Authorized

Unlimited number of Common voting shares without par value.
Unlimited number of Preferred shares without par value.

(b) Rights offering

On December 13, 2017, CWC closed a rights offering for aggregate gross proceeds of $26,027 ($25,936 after deductions of $125 in share issue costs plus deferred taxes of $34). Under the fully subscribed offering, 130,148,781 common shares were issued to shareholders who exercised their rights. Each eligible shareholder received one right for every three common shares held and each right was exercisable for one common share at a price of $0.20 per share.

On June 2, 2016, CWC closed a rights offering for the aggregate gross proceeds of $14,632 ($14,543 after deductions of $123 in share issues costs plus deferred taxes of $33). Under the fully subscribed offering, 97,546,002 common shares were issued to shareholders who exercised their rights. Each eligible shareholder received one right for every three common shares held and each right was exercisable for one common share at a price of $0.15 per share.

(c) Normal course issuer bid

The Company has a program to purchase its common shares from time to time in accordance with the normal course issuer bid procedures under Canadian securities laws. Pursuant to the issuer bid, CWC is allowed to purchase for cancellation up to 19,653,292 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 April 6, 2018.

On April 7, 2017, CWC entered into an automatic securities purchase plan (the "ASPP") (as defined under applicable securities laws) with Raymond James Ltd. ("Raymond James") for the purpose of making purchases under the ASPP. Such purchases will be determined by Raymond James in its sole discretion, without consultation with CWC having regard to the price limitation and aggregate purchase limitation and other terms of the ASPP and the rules of the TSXV. Conducting the NCIB as an ASPP allows common shares to be purchased at times when CWC would otherwise be prohibited from doing so pursuant to securities laws and its internal trading policies.

For the year ended December 31, 2017, 3,493,500 shares (2016: nil) for consideration of $756, including commissions (2016: nil) were purchased under the NCIB. In the year ended December 31, 2017, a total of 3,493,500 shares were cancelled and returned to treasury (2016: nil).

(d) Stock options

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

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

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

	Number of options	Weighted average exercise price
Balance at January 1, 2016	14,400,000	0.43
Granted	11,291,000	0.18
Forfeited	(3,900,000)	0.57
Balance at December 31, 2016	21,791,000	0.28
Granted	**8,307,000**	**0.20**
Exercised for common shares	**(983,333)**	**0.13**
Forfeited	**(1,568,000)**	**0.43**
Balance at December 31, 2017	**27,546,667**	**0.25**

The following table summarizes information about stock options outstanding as at December 31, 2017:

Exercise price	Number of options outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price	Number of options exercisable
$ 0.20	**8,307,000**	**4.95**	**$ 0.20**	**-**
$ 0.19	**5,273,000**	**3.94**	**$ 0.19**	**1,757,661**
$ 0.175	**5,083,333**	**3.19**	**$0.175**	**1,516,677**
$0.11	**4,983,334**	**2.94**	**$ 0.11**	**3,133,336**
$0.45	**2,200,000**	**1.98**	**$ 0.45**	**2,200,000**
$ 1.04	**1,700,000**	**1.37**	**$1.04**	**1,700,000**
$ 0.11 - $ 1.04	**27,546,667**	**3.61**	**0.25**	**10,307,674**

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:

	2017	2016
Risk free interest rate (%)	**1.6%**	0.8%
Expected life (years)	**4.7**	4.5
Expected volatility (%)	**75%**	77%
Expected forfeiture rate (%)	**12%**	12%
Expected dividend per share	**$ 0.00**	$ 0.00

The weighted average fair value of the stock options issued during the year ended December 31, 2017 was $0.20 (year ended December 31, 2016 - $0.13). For the year ended December 31, 2017, stock-based compensation expense relating to stock options totaled $592 (year ended December 31, 2016: $371).

(e) Restricted share unit plan

The Company has a restricted share unit plan which allows CWC to issue RSUs 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 RSUs to officers and key employees. RSUs vest annually over three years from the date of grant as employees or directors render continuous service to the Company and have a maximum term of the end of the third year following their grant date. The Company may choose to settle RSUs for the intrinsic value of the RSUs on the settlement date, but the Company has no current intention or obligation to do so.

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

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

	Number of RSUs	**Weighted average fair value at issue date**
Balance at January 1, 2016	2,290,001	0.39
Granted	4,301,333	0.19
Redeemed for common shares	(1,746,667)	0.35
Forfeited – unvested	(371,667)	0.42
Balance at December 31, 2016	4,473,000	0.21
Granted	**2,682,000**	**0.20**
Redeemed for common shares	**(1,819,668)**	**0.24**
Forfeited - unvested	**(200,000)**	**0.21**
Balance at December 31, 2017	**5,135,332**	**0.19**

The following table summarizes information about RSUs outstanding as at December 31, 2017:

Issue date fair value	Number of RSUs outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price ($)	Number of RSUs exercisable
$0.09 -$0.39	**5,135,332**	**2.924**	**n/a**	**811,322**

For the year ended December 31, 2017, stock based compensation expense relating to RSUs totaled $274 (year ended December 31, 2016: $574).

(f) Net income (loss) per share

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

	Year ended December 31,	
	2017	2016
Weighted average common shares outstanding – basic	**399,008,915**	349,836,144
Dilutive stock options & RSUs	**4,350,622**	-
Weighted average common shares outstanding – diluted	**403,359,537**	349,836,144

Outstanding stock options and RSUs are currently the only instruments which could potentially dilute earnings per share. For the year ended December 31, 2016, 21,791,000 stock options and 4,473,000 RSUs were not included in the computation of net loss per common share because to do so would be anti-dilutive.

(g) Contributed surplus

Contributed surplus comprises amounts paid in by equity holders. Contributed surplus in the form of surplus paid in by equity holders 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 equity holders, credits resulting from redemption or conversion of shares at less than the amount set up as share capital, and any other contribution by equity holders 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.

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

10. Supplemental cash flow information

For the years ended December 31,	**2017**	2016
Change in non-cash working capital items:		
Accounts receivable	**$ (14,784)**	$ (1,535)
Prepaid expenses and deposits	**(313)**	255
Accounts payable and accrued liabilities	**4,843**	1,848
	$ (10,254)	$ 568

11. 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, swabbing 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.

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

The amounts related to each industry segment are as follows:

For the year ended December 31, 2017	Contract Drilling	Production Services	Corporate	Total
Revenue	**$ 35,222**	**$ 76,993**	**$ -**	**$112,215**
Direct operating expenses	**24,690**	**57,671**	**-**	**82,361**
Selling and administrative expenses	**941**	**8,249**	**4,601**	**13,791**
Transaction costs	**-**	**-**	**1,549**	**1,549**
Stock based compensation	**-**	**-**	**869**	**869**
Finance costs	**-**	**-**	**2,054**	**2,054**
Gain on acquisition	**-**	**-**	**(9,128)**	**(9,128)**
Loss (gain) on disposal of equipment	**48**	**(8)**	**-**	**40**
Net income before depreciation and taxes	**9,543**	**11,081**	**55**	**20,679**
Depreciation	**6,215**	**10,730**	**158**	**17,103**
Net income before tax	**3,328**	**351**	**(103)**	**3,576**
Deferred income tax recovery	**-**	**-**	**(1,285)**	**(1,285)**
Net income	**$ 3,328**	**$ 351**	**$ 1,182**	**$ 4,861**
Capital expenditures	**3,964**	**52,062**	**9**	**56,035**
As at December 31, 2017				
Property and equipment	**91,860**	**140,153**	**177**	**232,190**
Intangibles	**419**	**-**	**-**	**419**

For the year ended December 31, 2016	Contract Drilling	Production Services	Corporate	Total
Revenue	$ 15,903	$ 57,219	$ -	$ 73,122
Direct operating expenses	12,356	40,853	-	53,209
Selling and administrative expenses	1,125	6,875	3,693	11,693
Stock based compensation	-	-	945	945
Finance costs	-	-	2,515	2,515
Loss on disposal of equipment	238	156	-	394
Net income (loss) before depreciation and taxes	2,184	9,335	(7,153)	4,366
Depreciation	3,284	10,799	165	14,248
Net loss before tax	(1,100)	(1,464)	(7,318)	(9,882)
Deferred income tax recovery	-	-	(2,414)	(2,414)
Net loss	$ (1,100)	$ (1,464)	$ (4,904)	$ (7,468)
Capital expenditures	1,662	930	66	2,658
As at December 31, 2016				
Property and equipment	93,874	99,325	326	193,525
Intangibles	724	-	-	724

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

12. Expenses by nature

For the year ended December 31, 2017	Direct operating expenses	Selling and administrative expenses & Transaction costs	Stock based compensation	Finance costs	Depreciation expense	Loss on sale of equipment	Total
Personnel expenses	**$ 56,477**	**$ 8,187**	**$ 869**	**$ -**	**$ -**	**$ -**	**$ 65,533**
Other operating expenses(1)	**25,884**	**-**	**-**	**-**	**-**	**-**	**25,884**
Other selling and administrative expenses	**-**	**3,621**	**-**	**-**	**-**	**-**	**3,621**
Transaction costs		**1,549**					**1,549**
Bad debt expenses	**-**	**9**	**-**	**-**	**-**	**-**	**9**
Facility expenses	**-**	**1,974**	**-**	**-**	**-**	**-**	**1,974**
Depreciation expense	**-**	**-**	**-**	**-**	**17,103**	**-**	**17,103**
Finance costs	**-**	**-**	**-**	**2,054**	**-**	**-**	**2,054**
Loss on disposal of equipment	**-**	**-**	**-**	**-**	**-**	**40**	**40**
Total	**$ 82,361**	**$ 15,340**	**$ 869**	**$ 2,054**	**$ 17,103**	**$ 40**	**$117,767**

For the year ended December 31, 2016	Direct operating expenses	Selling and administrative expenses	Stock based compensation	Finance costs	Depreciation expense	Loss on sale of equipment	Total
Personnel expenses	$ 36,330	$ 6,994	$ 945	$ -	$ -	$ -	$ 44,269
Other operating expenses(1)	16,879	-	-	-	-	-	16,879
Other selling and administrative expenses	-	2,564		-	-	-	2,564
Bad debt recovery	-	(38)	-	-	-	-	(38)
Facility expenses	-	2,173	-	-	-	-	2,173
Depreciation expense	-	-	-	-	14,248	-	14,248
Finance costs	-	-	-	2,515	-	-	2,515
Loss on disposal of equipment	-	-	-	-	-	394	394
Total	$ 53,209	$ 11,693	$ 945	$ 2,515	$ 14,248	$ 394	$ 83,004

(1) Other operating expenses consists of the following:

December 31,	2017	2016
Repairs and maintenance	**$ 11,218**	$ 7,082
Fuel	**8,098**	4,876
Operating supplies and consumables	**1,609**	1,193
Certification and inspection	**1,346**	1,130
License, registration and permits	**1,244**	983
Travel and accommodation	**1,573**	846
Equipment rental	**470**	562
Other	**326**	207
	$ 25,884	$ 16,879

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

13. Commitments and contingencies:

As at December 31, 2017, 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	$ -	$ 50,000	$ -	$ -	$ 50,000
Finance lease liabilities	176	165	-	-	341
Operating lease payments	920	712	-	-	1,632
Total contractual obligations	$ 1,096	$ 50,877	$ -	$ -	$ 51,973

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 a 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.

14. Related parties

Of the total outstanding shares of the Company, 78.0% are directly or indirectly owned by Brookfield Capital Partners Ltd and Brookfield Business Partners LP (together "Brookfield"). The Company is related to Brookfield by virtue of control, and is therefore also related to Brookfield's affiliates. During 2017, the Company had revenue totaling $1,101 (2016: $1,195) ($14 in accounts receivable as at December 31, 2017 (December 31, 2016: $271)) in the normal course of business with companies under common control. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-related companies on an arm's length basis.

During the year, as part of the rights offering discussed in note 9, Brookfield acquired 122,577,317 shares. The Company received total proceeds of $24,515 from Brookfield for the shares.

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, 2017	December 31, 2016
Short term employee benefits (including directors' fees)	**$ 1,268**	$ 1,335
Share based payments (stock options and RSUs)	**718**	564
Termination benefits	**200**	-
Total compensation to key management including directors and officers	**$ 2,186**	$ 1,899

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 Board of Directors.

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

15. 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 and cash, prior to the amount offset against long-term debt, represents the maximum exposure to credit risk as at December 31, 2017 and December 31, 2016.

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, 2017, ten customers comprised 62% of revenue (2016: 74%) and one customer comprised 21% of revenue (2016: 32%). At December 31, 2017, ten customers comprised 62% of trade accounts receivables (2016: 66%) and one customer comprised 23% of trade accounts receivables (2016: 21%).

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,	**2017**	2016
Trade accounts receivable:		
1 to 30 days outstanding – not past due	**$ 16,081**	$ 9,646
31 to 90 days outstanding	**13.723**	5,351
>90 days overdue	**441**	414
Allowance for impairment of accounts	**(126)**	(76)
	$ 30,119	$ 15,335

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

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

	2017	2016
Balance as at January 1	**$ 76**	$ 147
Additional allowance	**89**	328
Amounts recovered	**(13)**	(306)
Amounts used	**(26)**	(93)
Balance as at December 31	**$ 126**	$ 76

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, 2017, the Company has available committed amounts under its Credit Facility in the amount of $37,321 (2016: $13,987), segregated cash of $10,000 (2016: $7,680), plus trade and other receivables of $30,182 (2016: $15,335) for a total of $77,503 (2016: $37,002) 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 2018. 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 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, 2017	**2018**	**2019**	**2020**	**2021**	**2022 and beyond**
Accounts payable and accrued liabilities	**$ 12,202**	**$ -**	**$ -**	**$ -**	**$ -**
Long-term debt	**176**	**-**	**49,634**	**-**	**-**
	$ 12,378	**$ -**	**$ 49,634**	**$ -**	**$ -**

Years ended December 31, 2016	2017	2018	2019	2020	2021 and beyond
Accounts payable and accrued liabilities	$ 7,359	$ -	$ -	$ -	$ -
Long-term debt	176	32,966	-	-	-
	$ 7,535	$ 32,966	$ -	$ -	$ -

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 long-term debt which bears interest at floating market rates. For the year ended December 31, 2017, if the prime interest rate increased/decreased by 1%, with all other variables held constant, net income would have been $486 lower/higher (2016: $329). 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 customers are exposed to commodity price risk which poses an indirect risk to the Company. A change in commodity prices, specifically crude oil and natural gas prices may 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.

16. 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, pay a dividend 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 7). 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, 2017, the actual and forecasted Consolidated Debt to Consolidated EBITDA of the Company has declined, primarily due to the rights offering, increased pricing and utilization and amendments to credit facility terms. The Consolidated Debt to Consolidated EBITDA ratio at December 31, 2017 was 1.75:1.00 (at December 31, 2016: 2.70:1.00). The Company was in compliance with all externally imposed capital requirements as at December 31, 2017 and 2016.

17. Comparative Figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

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

Stuart King, CPA, CA
Chief Financial Officer

Paul Donohue
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
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