CWC
ENERGY SERVICES
2021 Annual Report

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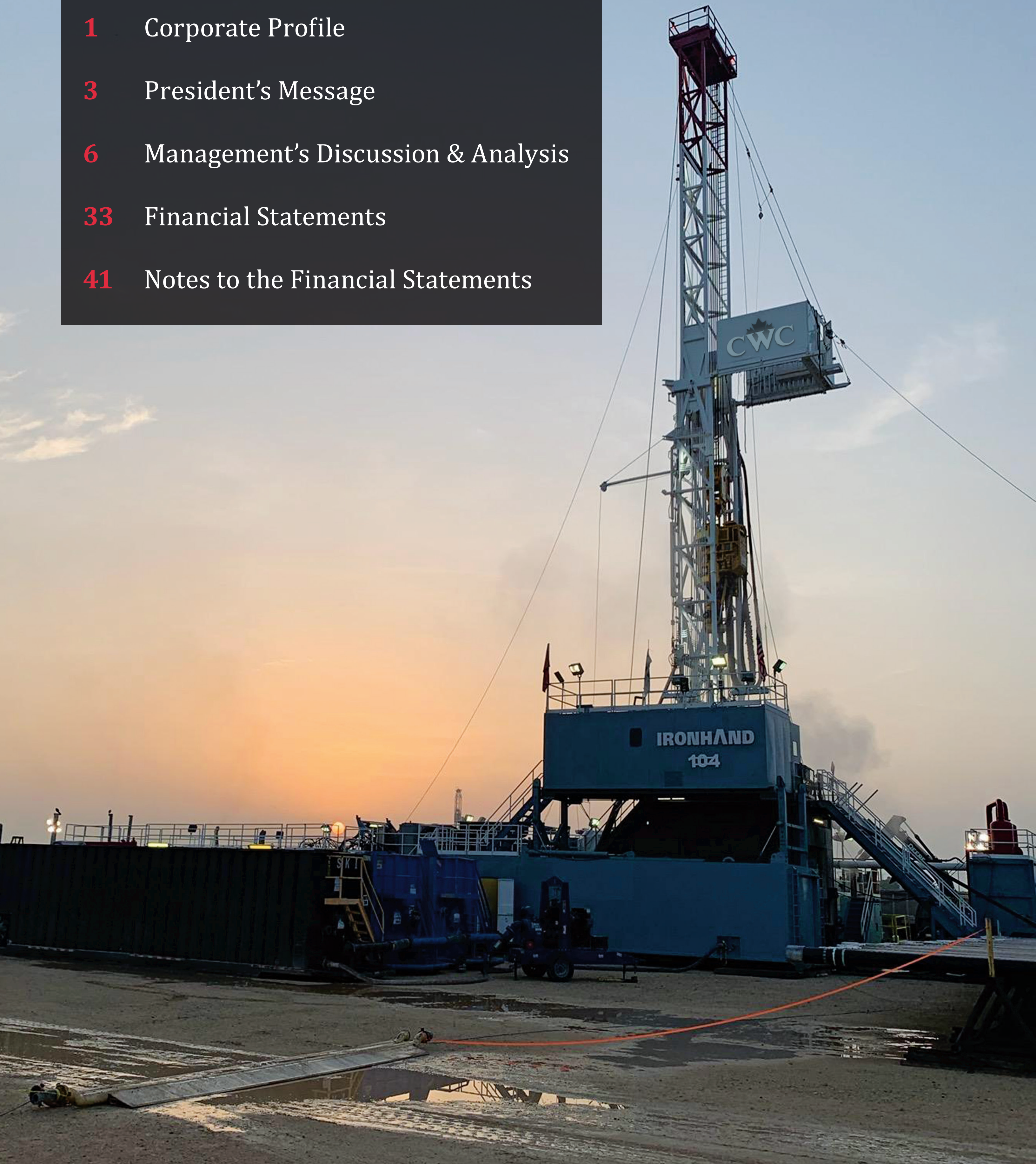


CWC
ENERGY SERVICES

Corporate Profile – May 2022

TSX-V: CWC

CWC Energy Services Corp. provides drilling rigs and service rigs to established oil and gas producers in Canada and the United States. These oilfield service activities are necessary to complete newly drilled wells and to maintain ongoing servicing of producing wells. CWC's services are provided through 2 divisions: Contract Drilling and Production Services.

Market Profile

	April 30, 2022
Shares outstanding	509.3 million
Price	$0.295
Market	$150.3 million

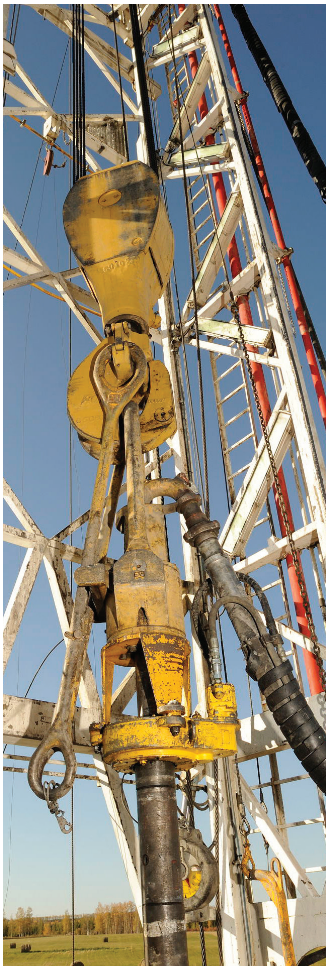
Financial Information

($ millions)	2021	2020	2019
Revenue	$102.6	$67.9	$108.4
Adjusted EBITDA	$18.9	$11.1	$12.2
Total Assets	$226.6	$202.2	$243.4
Long-Term Debt	$45.8	$30.2	$40.6
Net Debt	$26.9	$18.2	$22.0

Suite 2910, 605 - 5th Ave SW, Calgary, AB, T2P 3H5 T: 403.264.2177 F: 403.264.2842 www.cwcenergyservices.com

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

Management
Duncan Au, FCPA, FCA, CFA
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 and is comprised of 10 electric triple drilling rigs with depth ratings from 3,600 to 7,600 metres and 9 telescopic double drilling rigs with depth ratings from 3,200 to 5,000 metres. All 19 drilling rigs have top drives, 8 have pad rig walking systems, 9 have 7,500 psi pumping systems, 3 have carbon reduction bi-fuel capabilites, and 2 have high line power capabilities. All of the drilling rigs are ideally suited for the most active depths for horizontal drilling in the Western Canadian Sedimentary Basin), including the Montney, Cardium, Duvernay and other deep basin horizons, and select United States basins including the Permian, Eagle Ford, Niobrara, Denver-Julesburg, Powder River, and Bakken. With operational bases in Nisku, Alberta and Casper, Wyoming, CWC Ironhand Drilling is ideally positioned for the deeper depths of the Canadian and U.S. basins.

Production Services

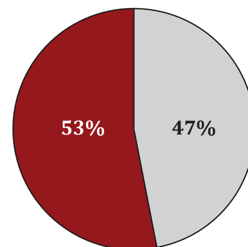
The Production Services division operates under the trade name CWC Well Services. With 143 service rigs, CWC is one of the largest well servicing companies in Canada as measured by active fleet and operating hours, offering the most technologically advanced service rig fleet in the WCSB. These service rigs provide completions, maintenance, workovers and well decommissioning with depths ranging from 1,500 to 5,000 metres and are well positioned throughout the WCSB with operating locations in Grande Prairie, Slave Lake, Sylvan Lake, Drayton Valley, Lloydminster, Provost and Brooks, Alberta.

Equipment

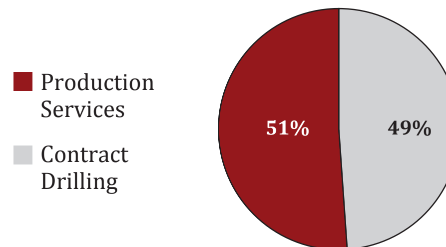
	2022	2021	2020	2019
Contract Drilling	19	19	9	9
Service Rigs	143	144	145	146

2022 ESTIMATE

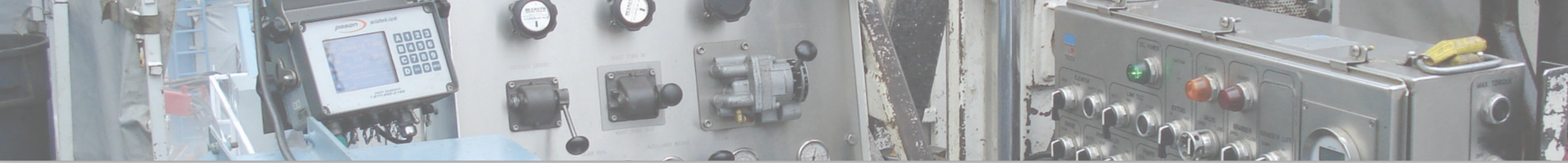
REVENUE BY DIVISION



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") 2021 Annual Report. 2021 can best be described as a year of significant recovery from the COVID-19 global health pandemic and the measures governments put in place to slow the spread of the virus. The CAOEC's 2021 Canadian drilling rig operating days of 43,842 days was an increase of 47% over 2020 of 29,746 operating days and nearly recovering to the pre COVID-19 levels in 2019 of 45,427 operating days. The downturn of 2020 resulted in CWC becoming extremely efficient and lean in its cost structure, thereby producing 2021 operational and financial results that were the best the Company has had in the last 7 years. In addition, CWC took advantage of this environment to geographically diversify and further expand our operations in the United States by acquiring 10 triple drilling rigs and doubling our drilling rig fleet in Canada and the U.S. from 9 to 19 drilling rigs at an extremely accretive acquisition price for our shareholders.

Highlights of 2021

2021 started the year with West Texas Intermediate ("WTI") oil prices at US$50 per bbl and steadily rising to end the year at just under US$80 per bbl, as the distribution of COVID-19 vaccines became readily available and the re-opening of the global economy resulted in a steady rise in demand for crude oil and natural gas. This increase in global demand for crude oil and natural gas translated into a significant recovery in North American oilfield services activity in the last half of 2021, which ultimately translated into increased business and financial results for CWC. In 2021, CWC increased revenue to $102.6 million (a $34.7 million increase or 51% from 2020) and increased Adjusted EBITDA to $18.9 million (a $7.8 million increase or 70% from 2020) resulting in net income of $4.6 million (a $29.1 million increase from the net loss of $25.5 million in 2020).

Under the backdrop of an improving North American oil patch, CWC's Board of Directors announced on November 1, 2021 the acquisition of 10 high-spec triple drilling rigs based out of Casper, Wyoming for US$17.3 million (approximately $21.4 million) using our existing credit facilities from our banking syndicate. CWC acquired these 10 triple drilling rigs at a very attractive price, estimating the replacement cost of these drilling rigs and related equipment and inventory to be $251.4 million resulting in the purchase price being 8.5% of replacement cost. The cash flow expected to be generated from these 10 triple drilling rigs in 2022 and future years is expected to be highly accretive for CWC's shareholders with the long-term objective of further increasing shareholder value.

To improve CWC's focus on growing and supporting its core business of drilling rigs and service rigs, CWC announced on August 27, 2021 the sale of its 10 non-core swabbing rigs assets and business. Together with the disposition of the 9 non-core coil tubing units in May 2021, CWC has now simplified its 2 business segments focused purely on Contract Drilling in Canada and the U.S. and Production Services in Canada.

On November 9, 2021 our banking syndicate agreed to CWC's exercise of its accordion feature to expand the credit facilities from $50 million to $70 million to accommodate the acquisition of the 10 triple drilling rigs. In addition on March 4, 2021, the banking syndicate extended the terms of the credit facilities and made certain other amendments, including revised financial covenants and a covenant amendment option, to provide financial security and flexibility to July 31, 2024. Such support from our debtholders allows CWC to focus on its business operations and strategic growth initiatives to create long-term shareholder value.

On April 14, 2021, the Company's Normal Course Issuer Bid ("NCIB") expired and was not renewed. Prior to the NCIB's expiration, CWC purchased 2,249,500 common shares in 2021 under the NCIB and cancelled and returned them to treasury. These common shares represented 8% of the 27,760,775 shares traded on the TSX Venture Exchange in 2021, as the Company added value for its shareholders for the first 3.5 months of the year by reducing the number of common shares outstanding and providing liquidity for those shareholders looking to sell their shares.

On June 14, 2021, CWC released its inaugural Environmental, Social and Governance ("ESG") Report for 2021. The ESG Report covers performance metrics for 2018 to 2020. In the inaugural ESG Report, CWC's objective was to highlight our Company's ESG profile using the framework established by the Sustainability Accounting Standards Board ("SASB") for Oil and Gas Services. This allows CWC to identify, manage and report on material ESG factors specific to our industry. CWC's commitment to ESG and sustainability has shown improvement over the last three years as outlined in the report. Management will continue to work towards advancing these efforts further in future years, especially in the area of emission reductions and establishing goals and targets. One of the initial steps CWC has taken towards meeting its ESG targets has been to convert some of our field equipment to have carbon reduction bi-fuel capabilities. In addition, CWC is proud to say that 2% of its revenue in 2021 came from work on carbon capture, helium and salt water disposal wells using our current equipment, thereby reflecting the diversity and versatility of the nature of work for CWC's drilling rigs. Management is confident that CWC will continue to be regarded as a leader on ESG and sustainability matters in the oilfield services industry as the nature of the work for our equipment evolves.

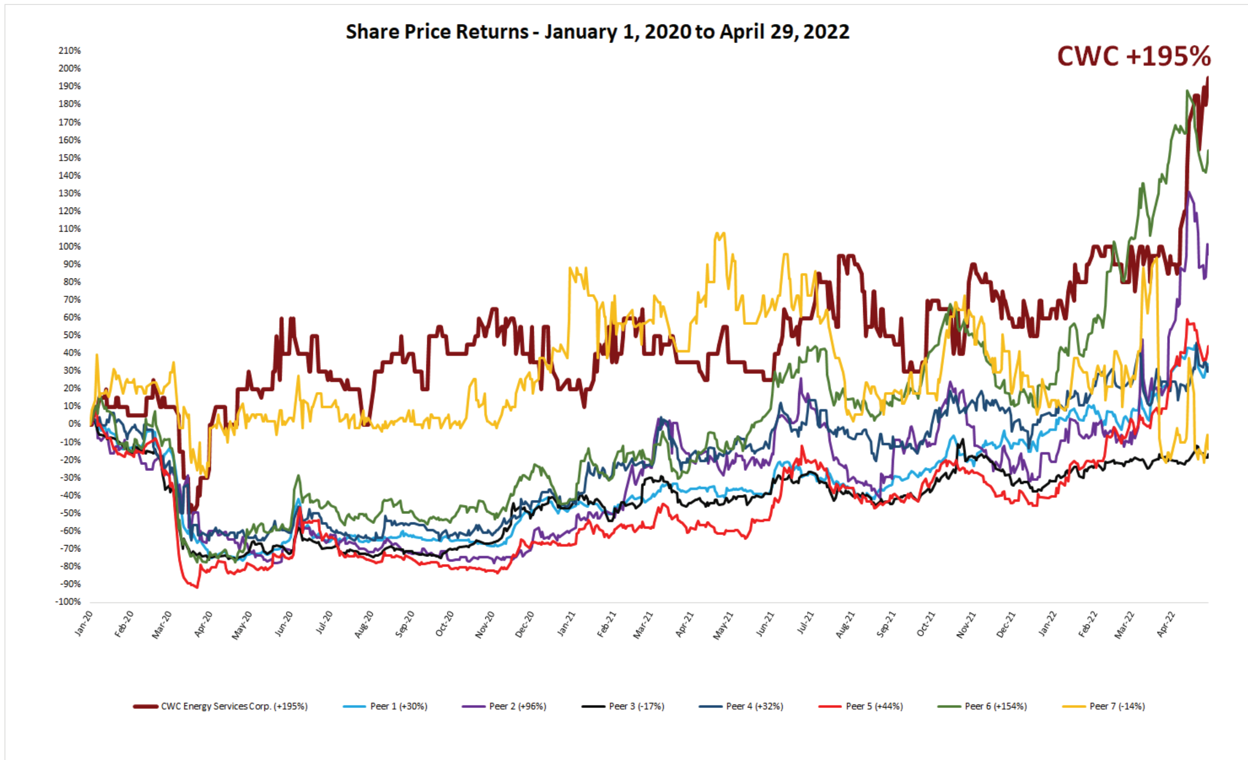
Outlook For 2022

As strong as the recovery was in the latter half of 2021, the outlook for oilfield services activity in 2022 is even stronger. WTI has marched upwards from the beginning of the year at US$80 per bbl to over US$115 per bbl in 3 short months, primarily as a result of Russia's invasion of Ukraine and the economic sanctions put on Russia by democratic countries around the world. The topic of "Energy Security" has now risen to the top of the agenda for many countries and governments. Where a nation gets its oil and natural gas from in the future may become more relevant, which is a positive development for North American oilfield services activity. On November 23, 2021, the CAOEC forecasted 58,111 operating days for Canadian drilling rigs in 2022, an increase of 33% compared to 2021.

For CWC, Q1 2022 has started off stronger than we have anticipated. Both activity levels and pricing are significantly stronger than what we experienced in Q4 2021 for both the drilling rigs and service rigs. The nominal pricing rates for both the drilling rigs and service rigs have rebounded to levels not seen since 2014, before the downturn occurred. However, inflation has also risen for both labour and supplies such that in real pricing terms, the industry still needs to continue increasing rates further for its E&P customers for the remainder of 2022 to be as well off in real pricing terms as 2014. The biggest challenge for CWC and the industry will be to attract more field labour or rig crews to accommodate the increased activity levels currently being requested by our E&P customers, as the demand for our services is greater than what the Company is able to supply with our available rig crews. The issue will not be a lack of rigs and equipment, but rather a lack of available field labour.

Shareholder Returns

From a shareholder return perspective, I am very pleased to report that CWC is the best performing public Canadian contract drilling and well servicing company with a share price appreciation of almost 200% of what it was prior to the COVID-19 induced downturn as the graph of Share Price Returns from January 1, 2020 to April 29, 2022 on the following page indicates:



It is my belief that the share price performance for the Canadian contract drilling and well servicing sector in 2022 will have more room to the upside as oil and natural gas prices continue its march higher, our E&P customers pursue sustainable, disciplined and extremely profitable cash flow models and necessary oilfield services continue to increase activity levels throughout 2022.

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 and the U.S. To our customers, we cherish your ongoing business and relationship and thank you for sharing your good cash flow fortunes this year with our drilling and service rig pricing increases, which will help create a healthy and sustainable energy industry for all stakeholders. To my Board of Directors, thank you for your support, wisdom, guidance and belief in this management team, who continue to push forward and give their best every day. And to all of my fellow shareholders who continue to believe and support us, it has been a long 7 years, but I do believe that your patience and perseverance is now paying off.

Sincerely and submitted on behalf of the Board of Directors,

Duncan T. Au

President & Chief Executive Officer

April 29, 2022

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

Management's Discussion and Analysis ("MD&A") is a review of the results of operations and liquidity and capital resources of CWC Energy Services Corp. (unless the context indicates otherwise, a reference in this MD&A to "CWC", the "Company", "we", "us", or "our" means CWC Energy Services Corp.). The following discussion and analysis provided by CWC is dated March 2, 2022 and should be read in conjunction with audited consolidated financial statements for the year ended December 31, 2021. Additional information regarding CWC can be found in the Company's latest Annual Information Form ("AIF"). The consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements. All amounts are expressed in Canadian dollars unless otherwise noted. Additional information relating to CWC is available on SEDAR at www.sedar.com.

Financial Highlights

$ thousands, except shares, per share amounts, and margins	Three months ended December 31, 2021	2020	Change %	Year ended December 31, 2021	2020	2019
FINANCIAL RESULTS						
Revenue						
Contract Drilling	12,533	5,327	135%	31,712	19,859	28,497
Production Services	21,160	14,738	44%	70,923	48,034	79,949
	33,693	20,065	68%	102,635	67,893	108,446
Other income (expense)	(927)	2,363	(139%)	3,835	6,786	-
Adjusted EBITDA[1]	6,135	5,034	22%	18,872	11,098	12,166
Adjusted EBITDA margin (%)[1]	18%	25%		18%	16%	11%
Impairment of assets	-	-	n/m[3]	(1,296)	(25,451)	-
Net income (loss)	2,866	(769)	n/m[3]	4,573	(24,490)	(1,700)
Net income (loss) margin (%)[2]	9%	(4%)	13%	4%	(36%)	(2%)
Capital expenditures	25,039	591	n/m[3]	29,278	5,138	5,349
Per share information:						
Weighted average number of shares outstanding – basic	506,011,580	504,081,811		505,337,978	507,104,004	511,106,531
Weighted average number of shares outstanding - diluted	513,877,389	504,081,811		513,203,787	507,104,004	511,106,531
Adjusted EBITDA[1] per share - basic and diluted	$ 0.01	$ 0.01		$ 0.04	$ 0.02	$ 0.02
Net income (loss) per share - basic and diluted	$ 0.01	$ (0.01)		$ 0.01	$ (0.05)	$ (0.00)

$ thousands, except ratios	As at December 31, 2021	2020	2019
FINANCIAL POSITION AND LIQUIDITY			
Working capital (excluding debt)[1]	18,966	12,069	18,534
Working capital (excluding debt) ratio[1]	3.1:1	2.9:1	3.3:1
Total assets	226,645	202,223	243,398
Total long-term debt (including current portion)	45,847	30,231	40,552
Shareholders' equity	163,269	157,977	182,032

[1] Please refer to the "Non-GAAP and Other Financial Measures" section for further information.
[2] Net income (loss) margin is a Non-GAAP Measure which is calculated as net income (loss) divided by total revenue.
[3] Not meaningful.

Working capital (excluding debt) for December 31, 2021 has increased $6.9 million (57%) since December 31, 2020 driven by increases in accounts receivable ($10.0 million (62%)) offset by decreases in prepaid expenses and deposits ($0.3 million (17%)) and increases in accounts payable ($2.7 million (43%)). Long-term debt (including current portion) of $45.8 million has increased $15.6 million (52%) from December 31, 2020 primarily due to the purchase of ten (10) triple drilling rigs in Q4 2021 partially offset by the payment of long-term debt from operating cash flows throughout 2021.

Highlights for the Three Months Ended December 31, 2021

- Average Q4 2021 crude oil price, as measured by West Texas Intermediate ("WTI"), of US$73.51/bbl was 4% higher than the Q3 2021 average price of US$70.64/bbl (Q4 2020: US$42.63/bbl) and the price differential between Canadian heavy crude oil, as represented by Western Canadian Select ("WCS"), and WTI maintained a differential in the range of US$14.30/bbl to US$19.30/bbl during the fourth quarter of 2021. Natural gas prices, as measured by AECO of $4.44/GJ was 30% higher than the Q3 2021 average of $3.42/GJ (Q4 2020: $2.52/GJ).
- On November 9, 2021, CWC announced the acquisition of ten (10) high-spec triple drilling rigs and related ancillary equipment from a privately held contract drilling company based in Casper, Wyoming for total cash consideration including transaction costs of US$18.5 million (approximately C$23.5 million). The purchase further expands CWC's presence in the U.S. and more than doubles the size of the Company's active drilling fleet to nineteen (19) drilling rigs comprised of seven (7) conventional heavy double drilling rigs in Canada and five (5) AC triple, five (5) DC triple and two (2) conventional heavy double drilling rigs in the U.S.
- CWC's Canadian drilling rig utilization in Q4 2021 of 60% (Q4 2020: 39%) was more than double the Canadian Association of Energy Contractors ("CAOEC") industry average of 29% (Q4 2020: 16%). Canadian activity levels were higher in Q4 2021 with 387 drilling rig operating days (Q4 2020: 248 drilling rig operating days) from seven (7) Canadian drilling rigs as global demand for crude oil and natural gas returned when public health measures to slow the spread of COVID-19 were relaxed as a result of vaccinations becoming readily available. Average revenue per operating day of $25,103 resulted in revenue of $9.7 million (Q4 2020: $5.3 million) from the Canadian drilling operations. Due to the acquisition of the ten (10) triple drilling rigs on November 9, 2021, CWC had a quarterly weighted average[2] of eight (8) U.S. drilling rigs and 79 operating days in Q4 2021 (Q4 2020: nil operating days from two (2) U.S. drilling rigs) resulting in U.S. Contract Drilling revenue of $2.8 million with an average revenue per operating day of US$28,425, as travel restrictions implemented between Canada and the U.S. eased and our Canadian rig crews were able to return to the U.S.
- Service rig utilization in Q4 2021 of 68% (Q4 2020: 42%) was driven by 29,737 operating hours which were 34% higher than the 22,273 operating hours in Q4 2020 with a Q4 2021 average revenue per hour of $712 (Q4 2020: $645) resulting in Production Services revenue of $21.2 million (Q4 2020: $14.7 million). During Q4 2021, the Company earned $1.3 million in revenue on 87 oil and gas sites requiring well decommissioning under the Alberta Site Rehabilitation Program ("SRP") and two (2) oil and gas sites under the Saskatchewan Accelerated Site Closure Program ("ASCP"). The $1.0 billion Alberta SRP, the $400 million ASCP and the $100 million B.C. Dormant Sites Reclamation Program ("DSRP") provide grants to eligible oilfield service contractors to perform well, pipeline, and oil and gas site closure and reclamation work, creating jobs and supporting the environment until December 31, 2022. CWC's Production Services segment is well positioned to continue to provide well decommissioning work on these inactive wells.
- Revenue of $33.7 million, an increase of $13.6 million (68%) compared to $20.1 million in Q4 2020.
- Adjusted EBITDA[1] of $6.1 million, an increase of $1.1 million (22%) compared to $5.0 million in Q4 2020. Adjusted EBITDA net of Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") of $7.1 million, an increase of $4.4 million (164%) compared to $2.7 million in Q4 2020.
- Net income of $2.9 million, an increase of $3.7 million compared to a net loss of $0.8 million in Q4 2020.

Highlights for the Year Ended December 31, 2021

- CWC's Canadian drilling rig utilization for 2021 of 41% (2020: 27%) significantly exceeded the CAOEC industry average of 25% (2020: 16%). Canadian activity levels for 2021 increased by 53% to 1,054 drilling rig operating days from seven (7) Canadian drilling rigs (2020: 689 drilling rig operating days). Average revenue per operating day of $23,433 resulted in revenue of $24.7 million from the Canadian drilling operations. U.S. drilling rig activity levels for 2021 were 198 drilling rig operating days (2020: 144 drilling rig operating days) from an annual weighted average[3] of three (3) U.S. drilling rigs for a utilization of 16% (2020: 20% from two (2) U.S. drilling rigs). U.S. Contract Drilling revenue of $7.0 million represented 22% of CWC's total Contract Drilling revenue in 2021 with an average revenue per operating day of US$28,198.
- CWC's service rig utilization for 2021 of 60% (2020: 34%) was driven by 105,570 operating hours, which were 45% higher than the 72,610 operating hours in 2020 with an average revenue per hour of $663 (2020: $644) resulted in Production Services revenue of $70.9 million (2020: $48.0 million).

- Revenue of $102.6 million, an increase of $34.7 million (51%) compared to $67.9 million in 2020.
- Adjusted EBITDA[1] of $18.9 million, an increase of $7.8 million (70%) compared to $11.1 million in 2020. 2021 Adjusted EBITDA[1] is the highest level of Adjusted EBITDA[1] that the Company has achieved since 2014 when the downturn in the global oil and gas industry first started.
- Net income of $4.6 million, an increase of $29.0 million compared to a net loss of $24.5 million in 2020. The increase is primarily due to a charge for impairment of assets of $25.5 million taken in Q1 2020.
- On August 27, 2021, CWC announced the sale of its swabbing rig assets and business for gross proceeds of $0.7 million, thereby further focusing the Company on its core assets and services of drilling rigs and service rigs.
- For the year ended December 31, 2021, the Company purchased 2,249,500 (2020: 8,994,000) common shares under the Normal Course Issuer Bid ("NCIB") which were cancelled and returned to treasury (2020: 9,113,500 common shares were cancelled and returned to treasury).

(1) Please refer to the "Non-GAAP and Other Financial Measures" section for further information.
(2) Quarterly weighted average number of rigs is calculated as (2 rigs x 40 days) + (12 rigs x 52 days) / 92 days
(3) Annual weighted average number of rigs is calculated as (2 rigs x 313 days) + (12 rigs x 52 days) / 365 days

Corporate Overview

CWC Energy Services Corp. is a premier contract drilling and well servicing company operating in Canada and the United States with a complementary suite of oilfield services including drilling rigs and service rigs. 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 and U.S. offices in Denver, Colorado and Casper, Wyoming. The Company's shares trade on the TSX Venture Exchange under the symbol "CWC".

Operational Overview

Contract Drilling

The Contract Drilling division operates under the trade name CWC Ironhand Drilling and is comprised of ten (10) electric triple drilling rigs with depth ratings from 3,600 to 7,600 metres and nine (9) telescopic double drilling rigs with depth ratings from 3,200 to 5,000 metres. 18 of 19 rigs have top drives and eight (8) have pad rig walking systems. All of the drilling rigs are ideally suited for the most active depths for horizontal drilling in the Western Canadian Sedimentary Basin ("WCSB"), including the Montney, Cardium, Duvernay and other deep basin horizons. The Company has expanded its drilling rig services into select United States basins including the Permian, Eagle Ford, Niobrara, Denver-Julesburg ("DJ"), Powder River and Bakken.

	Three months ended							
OPERATING HIGHLIGHTS	**Dec. 31 2021**	**Sep. 30, 2021**	**Jun. 30, 2021**	**Mar. 31, 2021**	**Dec. 31, 2020**	**Sep. 30, 2020**	**Jun. 30, 2020**	**Mar. 31, 2020**
Drilling Rigs – Canada								
Total drilling rigs, end of period	7	7	7	7	7	7	7	7
Revenue per operating day[1]	$25,103	$22,061	$24,392	$22,497	$21,452	$19,214	$19,382	$22,849
Drilling rig operating days	387	296	54	317	248	28	68	344
Drilling rig utilization %[2]	60%	46%	9%	50%	39%	4%	11%	54%
CAOEC industry average utilization %	29%	27%	15%	27%	16%	9%	4%	35%
Wells drilled	30	25	7	28	23	4	4	26
Average days per well	12.9	11.9	9.0	11.3	10.8	7.1	17.1	13.2
Meters drilled (thousands)	129.2	101.2	22.0	112.4	88.5	13.7	20.2	99.6
Meters drilled per day	334	341	405	354	356	483	295	290
Average meters per well	4,305	4,048	3,664	4,014	3,848	3,412	5,053	3,831

OPERATING HIGHLIGHTS	Dec. 31 2021	Sep. 30, 2021	Jun. 30, 2021	Three months ended Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020
Drilling Rigs – United States								
Total drilling rigs, end of period	12	2	2	2	2	2	2	2
Revenue per operating day (US$)[1]	$28,425	$26,806	$28,196	$80,000[3]	-	-	-	$25,139
Drilling rig operating days	79	58	61	2	-	-	-	144
Drilling rig utilization %[2]	11%	31%	33%	1%	-	-	-	79%
Wells drilled	5	6	5	-	-	-	-	10
Average days per well	15.7	9.6	12.1	-	-	-	-	14.4
Meters drilled (thousands)	15.1	11.8	19.3	-	-	-	-	40.5
Meters drilled per day	193	205	319	-	-	-	-	282
Average meters per well	3,015	1,969	3,867	-	-	-	-	4,053

[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).
[3] Revenue is enhanced by one-time recovery of mobilization costs.

Canadian Contract Drilling revenue of $9.7 million for Q4 2021 (Q4 2020: $5.3 million) was achieved with a utilization rate of 60% (Q4 2020: 39%), compared to the CAOEC industry average of 29% (Q4 2020: 16%). CWC completed 387 Canadian drilling rig operating days in Q4 2021, compared to 248 Canadian drilling rig operating days in Q4 2020 as global demand for crude oil and natural gas returned when public health measures to slow the spread of COVID-19 were relaxed as a result of vaccinations becoming readily available.

U.S. Contract Drilling revenue of $2.8 million for Q4 2021 (Q4 2020: $nil) was achieved with a utilization rate of 11% with 79 U.S. drilling rig operating days (Q4 2020: nil) as travel restrictions implemented between Canada and the U.S. eased and our Canadian rig crews were able to return to the U.S. The lower utilization rate in Q4 2021 was a result of the purchase of ten (10) triple drilling rigs on November 9, 2021 and starting up operations with no previous base of assets, employees or customers.

Production Services

With a fleet of 144 service rigs, CWC is one of the largest well servicing companies in Canada as measured by active fleet and operating hours. CWC's service rig fleet consists of 75 single, 55 double and 14 slant rigs providing services which include completions, maintenance, workovers and well decommissioning with depth ratings from 1,500 to 5,000 metres. In 2021, CWC chose to park 77 of its service rigs and focus its sales and operational efforts on the remaining 67 active service rigs due to the reduction in the number of service rigs currently required to service the WCSB and the tight labour market experienced in the industry for service rig crews.

OPERATING HIGHLIGHTS	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Three months ended Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020
Service Rigs								
Active service rigs, end of period	67	67	68	66	81	82	82	83
Inactive service rigs, end of period	77	77	77	79	64	63	63	62
Total service rigs, end of period	144	144	145	145	145	145	145	145
Operating hours	29,737	28,293	20,463	27,087	22,273	15,859	4,037	30,442
Revenue per hour	$712	$675	$623	$630	$645	$605	$619	$666
Service rig utilization %[1]	68%	64%	47%	64%	42%	29%	8%	56%

[1] In accordance with CAOEC methodology, service rig utilization is calculated based on 10 operating hours a day x number of days per quarter x 5 days a week divided by 7 days in a week to reflect maximum utilization available due to hours of service restrictions on rig crews. Service rigs requiring their 24,000 hour recertification, refurbishment or have been otherwise removed from service for greater than 90 days are excluded from the utilization calculation until their first day back in field service.

Production Services revenue of $21.2 million in Q4 2021, up $6.4 million (44%) compared to $14.7 million in Q4 2020. The revenue increase in Q4 2021 was a result of the global demand for crude oil and natural gas returning when public health measures to slow the spread of COVID-19 were relaxed as a result of vaccinations becoming readily available.

CWC's service rig utilization in Q4 2021 of 68% (Q4 2020: 42%) with 29,737 operating hours was 34% higher than the 22,273 operating hours in Q4 2020. Average revenue per hour of $712 in Q4 2021 was $67 per hour (10%) higher than the $645 per hour in Q4 2020 as the Company implemented pricing adjustments to partially offset increased labour costs in response to continuing industry labour shortages and higher inflation from our suppliers.

On September 10, 2021, the Company sold its non-core swabbing rig assets and business for gross proceeds of $0.7 million. Prior to the sale, the swabbing rig business contributed revenue of $0.8 million and Adjusted EBITDA of $0.1 million for the year ended December 31, 2021.

Outlook

The outlook for contract drilling and well servicing in Canada and the U.S. continues to improve as the removal of economic restrictions due to the COVID-19 health pandemic has supported a continuing increase in crude oil and natural gas prices. To support the cautious re-opening of the global economy, in July 2021 OPEC+ agreed to add back 4 million barrels per day of curtailed production in increments of 400,000 barrels per day each month into 2022. This moderate and gradual add back of oil production was reconfirmed in OPEC's meeting on February 2, 2022, thus supporting the continuation of higher crude oil prices, as measured by WTI, currently over US$95/bbl. With a strong crude oil price and global demand for crude oil continuing to rise in 2022, CWC believes North American oilfield service activity will continue to increase in 2022. Such optimism is reflected in the Canadian Association of Petroleum Producers ("CAPP") January 20, 2022 forecast that capital spending in the Canadian oil and natural gas industry will increase 22% to $32.8 billion in 2022 as oilfield activity levels have now recovered to their pre COVID-19 health pandemic levels.

CWC is currently experiencing a strong Q1 2022 with both activity and pricing increasing for both the drilling rig and service rig segments. However, as demand for our services increases for the remainder of 2022, CWC believes the labour market for rig crews will continue to be extremely tight, resulting in inflationary pressure on field labour costs, which will warrant further rate increases to our E&P customers.

In June 2021, CWC released its inaugural Environmental, Social and Governance ("ESG") Report. Our commitment to ESG and sustainability has shown improvement over the last three years as outlined in our report. We will continue to work towards advancing these efforts further in future years, especially in the area of emission reductions and establishing goals and targets. One of the initial steps CWC has taken towards meeting its ESG targets has been to convert some of our field equipment to have carbon reduction bi-fuel capabilities. In addition, CWC is proud to say that 2% of its revenue in 2021 came from work on carbon capture, helium and salt water disposal wells using our current equipment, thereby reflecting the diversity and versatility of the nature of work for CWC's drilling rigs. Management is confident that CWC will continue to be regarded as a leader on ESG and sustainability matters in the oilfield services industry as the nature of the work for our equipment evolves.

Discussion of Financial Results

Revenue, Direct Operating Expenses and Gross Margin

$ thousands	Three months ended December 31, 2021	2020	Change $	Change %	Year ended December 31, 2021	2020	Change $	Change %
Revenue								
Contract Drilling	12,533	5,327	7,206	135%	31,712	19,859	11,853	60%
Production Services	21,160	14,738	6,422	44%	70,923	48,034	22,889	48%
	33,693	20,065	13,628	68%	102,635	67,893	34,742	51%
Direct operating expenses								
Contract Drilling	8,870	3,977	4,893	123%	24,127	13,713	10,414	76%
Production Services	13,298	10,101	3,197	32%	48,161	35,436	12,725	36%
	22,168	14,078	8,090	57%	72,288	49,149	23,139	47%
Gross margin (1)								
Contract Drilling	3,663	1,350	2,313	171%	7,585	6,146	1,439	23%
Production Services	7,862	4,637	3,225	70%	22,762	12,598	10,164	81%
	11,525	5,987	5,538	93%	30,347	18,744	11,603	62%
Gross margin percentage (1)								
Contract Drilling	29%	25%	n/a	4%	24%	31%	n/a	(7%)
Production Services	37%	31%	n/a	6%	32%	26%	n/a	6%
	34%	30%	n/a	4%	30%	28%	n/a	2%

(1) Please refer to the "Non-GAAP and Other Financial Measures" section for further information.

Q4 2021 revenue of $33.7 million, an increase of $13.6 million (68%) compared to $20.1 million in Q4 2020. Revenue increased $7.2 million (135%) in the Contract Drilling segment and $6.4 million (44%) in the Production Services segment in Q4 2021 compared to Q4 2020. The revenue increase in Q4 2021 was a result of a combination of both an increase in industry activity as global demand for crude oil and natural gas returned when public health measures to slow the spread of COVID-19 were relaxed as a result of vaccinations becoming readily available and an increase to pricing to partially offset increased labour costs in response to continuing industry labour shortages and higher inflation from our suppliers.

During Q4 2021, CWC provided services to two customers who each accounted for greater than 10% of our consolidated revenue during the quarter (Q4 2020: one customer).

Revenue contribution from the Company's top ten customers decreased from 63% in 2020 to 54% in 2021.

For the year end December 31, 2021, approximately 71% of revenue (2020: 75%) was from work on crude oil wells, 27% (2020: 25%) was from natural gas wells and 2% (2020: nil) was from other wells comprised of carbon capture, helium, and salt water disposal wells. Further, approximately 36% of revenue (2020: 34%) was related to drilling and completions work, 47% of revenue (2020: 51%) from maintenance and workovers on producing wells and 17% of revenue (2020: 15%) from well decommissioning.

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 29% in Q4 2021 is higher than the 25% gross margin percentage in Q4 2020 and Production Services' gross margin percentage of 37% in Q4 2021 is higher than the 32% in Q4 2020 as industry activity levels returned to more normal levels in Q4 2021 compared to the COVID-19 induced activity level slowdown experienced in Q4 2020.

Other Income (Expense)

$ thousands	Three months ended December 31, 2021	Three months ended December 31, 2020	Change $	Change %	Year ended December 31, 2021	Year ended December 31, 2020	Change $	Change %
Other income (expense)	(927)	2,363	(3,290)	(139%)	3,835	6,786	(2,951)	(43%)

Other income consists of Government of Canada grants received under the CEWS and CERS programs. CEWS is a program to assist employers facing financial hardship, as measured by certain monthly revenue declines compared to the prior year as a result of the COVID-19 health pandemic. CERS is a program to assist businesses who have experienced a drop in revenue due to the COVID-19 health pandemic to cover part of their commercial rent, mortgage interest and property expenses.

Other expense of ($0.9) million in Q4 2021, a decrease of $3.3 million (139%) compared to other income of $2.4 million in Q4 2020. The decrease is a result of the end of the subsidy programs from the Government of Canada in Q4 2021 compared to Q4 2020 as well as amounts owed under the executive compensation wage subsidy repayment rules imposed on publicly traded corporations.

Other income of $3.8 million for the year ended December 31, 2021, a decrease of $3.0 million (37%) compared to $6.8 million in 2020 as the maximum weekly benefit per employee was reduced as a result of higher revenue in 2021 compared to 2020 and an end to the subsidy programs by the Government of Canada in October 2021.

Selling and Administrative Expenses

$ thousands	Three months ended December 31, 2021	Three months ended December 31, 2020	Change $	Change %	Year ended December 31, 2021	Year ended December 31, 2020	Change $	Change %
Selling and administrative expenses	4,463	3,316	1,147	35%	15,310	14,432	878	6%

Selling and administrative expenses of $4.5 million in Q4 2021, an increase of $1.1 million (35%) compared to $3.3 million in Q4 2020.

Selling and administrative expenses of $15.3 million for the year ended December 31, 2021, an increase of $0.9 million (6%) compared to $14.4 million in 2020. The increase in selling and administrative expenses for the three months and year ended December 31, 2021 compared to the same periods in 2020 were primarily due to the cash saving initiatives in 2020, including reduced head counts and compensation reductions implemented as a result of the COVID-19 health pandemic, being relaxed in the second half of 2021 in response to increased activity levels.

Adjusted EBITDA[1]

$ thousands	Three months ended December 31, 2021	2020	Change $	Change %	Year ended December 31, 2021	2020	Change $	Change %
Adjusted EBITDA[1]								
Contract Drilling	2,935	1,451	1,484	102%	6,313	5,442	871	16%
Production Services	5,947	4,730	1,217	26%	18,689	10,395	8,294	80%
Corporate	(2,747)	(1,147)	(1,600)	(139%)	(6,130)	(4,739)	(1,391)	(29%)
	6,135	5,034	1,101	22%	18,872	11,098	7,774	70%
Adjusted EBITDA margin (%) [1]	18%	25%	n/a	(7%)	18%	16%	n/a	2%

[1] Please refer to the "Non-GAAP and Other Financial Measures" section for further information.

Management uses Adjusted EBITDA[1] as a measure of the cash flow generated by the Company. Positive Adjusted EBITDA[1] provides the cash flow needed to grow the business through purchase of equipment or business acquisitions, fund working capital, service and reduce outstanding long-term debt, or repurchase outstanding common shares under an NCIB.

Adjusted EBITDA[1] of $6.1 million for Q4 2021, an increase of $1.1 million compared to $5.0 million in Q4 2020. Adjusted EBITDA[1] net of CEWS and CERS was $7.1 million in Q4 2021, an increase of $4.4 million (164%) compared to $2.7 million in Q4 2020.

Adjusted EBITDA[1] of $18.9 million for the year ended December 31, 2021, an increase of $7.8 million compared to $11.1 million in 2020. The increases in Adjusted EBITDA for the three months and year ended December 31, 2021 compared to the same periods in 2020 were primarily due to increased activity levels as the economy began to recover from the effects of the measures taken to combat the COVID-19 health pandemic.

Stock Based Compensation

$ thousands	Three months ended December 31, 2021	2020	Change $	Change %	Year ended December 31, 2021	2020	Change $	Change %
Stock based compensation	263	685	(422)	(62%)	782	1,094	(312)	(29%)

Stock based compensation of $0.3 million for Q4 2021, a decrease of $0.4 million compared to $0.7 million for Q4 2020.

Stock based compensation of $0.8 million for the year ended December 31, 2021, a decrease of $0.3 million compared to $1.1 million in 2020. Stock based compensation is primarily a function of outstanding stock options and restricted share units ("RSUs") being expensed over their vesting periods.

Finance Costs

$ thousands	Three months ended December 31, 2021	2020	Change $	Change %	Year ended December 31, 2021	2020	Change $	Change %
Finance costs	294	309	(15)	(5%)	1,086	2,135	(1,049)	(49%)

Finance costs of $0.3 million in Q4 2021 were unchanged compared to $0.3 million in Q4 2020.

For the year ended December 31, 2021, finance costs of $1.1 million, a decrease of $1.0 million (49%) compared to $2.1 million in 2020. The decrease in finance costs for the year ended December 31, 2021 compared to the same period in 2020 was primarily due to lower long-term debt levels throughout most of 2021.

Depreciation and Amortization

$ thousands	Three months ended December 31, 2021	2020	Change $	Change %	Year ended December 31, 2021	2020	Change $	Change %
Depreciation and amortization								
Contract Drilling	1,107	812	295	36%	3,612	3,489	123	4%
Production Services	1,531	1,710	(179)	(10%)	6,447	6,794	(347)	(5%)
Corporate	136	130	6	5%	504	718	(214)	(30%)
	2,774	2,652	122	5%	10,563	11,001	(438)	(4%)

Depreciation and amortization of $2.8 million in Q4 2021, an increase of $0.1 million (5%) compared to $2.7 million in Q4 2020 is primarily due to the addition of $25.0 million of equipment in the quarter as a result of the purchase of ten (10)

triple drilling rigs partially offset by the lower asset base in the Production Services segment as a result of the sale of the coil tubing and swabbing rig assets in 2021.

Depreciation and amortization of $10.6 million for the year ended December 31, 2021, a decrease of $0.4 million (4%) compared to $11.0 million in 2020. The decrease is primarily due to the lower depreciable asset base for most of 2021.

Impairment of Assets and Assets Held for Sale

$ thousands	Three months ended December 31, 2021	2020	Change $	Change %	Year ended December 31, 2021	2020	Change $	Change %
Impairment of assets								
Contract Drilling	-	-	-	-	-	24,000	(24,000)	(100%)
Production Services	-	-	-	-	1,296	1,451	(155)	(11%)
	-	-	-	-	1,296	25,451	(24,155)	(95%)

Impairment of assets of $1.3 million for the year ended December 31, 2021, a decrease of $24.2 million (95%) compared to $24.5 million in 2020. The Company transferred Production Services equipment (coil tubing units and swabbing rigs) with a carrying amount of $3.1 million to assets held for sale and recognized an impairment charge of $1.3 million in respect of these assets. These assets were subsequently sold for proceeds of $1.3 million resulting in a loss on disposal of $0.6 million.

(Gain) Loss on Disposal of Equipment

$ thousands	Three months ended December 31, 2021	2020	Change $	Change %	Year ended December 31, 2021	2020	Change $	Change %
(Gain) loss on disposal of equipment	(208)	(16)	(192)	n/m[1]	(251)	844	(1,095)	n/m[1]

[1] Not meaningful

Management continually monitors the asset mix and equipment needs of the Company and divests assets as needed to optimize operations.

For the year ended December 31, 2021, gain on disposal of equipment of $0.3 million was primarily the result of the disposals of anciliary equipment and vehicles partially offset by the loss on dipsosal of the Company's coil tubing units and swabbing rigs with proceeds on sale of $2.6 million (2020: $0.9 million).

Deferred Income Tax Expense (Recovery)

$ thousands	Three months ended December 31, 2021	2020	Year ended December 31, 2021	2020
Net income (loss) before income taxes	3,012	1,404	5,396	(29,427)
Current income tax	-	8	-	8
Deferred income tax expense (recovery)	146	2,165	823	(4,945)
Deferred income tax expense (recovery) as a % of net income (loss) before income taxes	5%	n/m[1]	15%	17%
Expected statutory income tax rate	23.2%	23.7%	23.2%	23.7%

[1] Not meaningful

Income taxes are a function of taxable income and are calculated differently than tax provisions on accounting income. Differences between accounting 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, and other differences.

The deferred income tax expense in Q4 2021 of $0.1 million (Q4 2020: $2.2 million) and the deferred income tax expense of $0.8 million for the year ended December 31, 2021 (2020: deferred income tax recovery of $4.9 million) is a result of the net income (loss) before income taxes in each period.

The Company has substantial tax pools and non-capital losses available to reduce future taxable income in Canada and the United States 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, 2021	2020	Change $	Change %	Year ended December 31, 2021	2020	Change $	Change %
Net income (loss)	2,866	(769)	3,635	n/m[1]	4,573	(24,490)	29,063	n/m[1]
Unrealized gain (loss) on translation of foreign operations	187	(665)	852	n/m[1]	264	536	(272)	(51%)
Comprehensive income (loss)	3,053	(1,434)	4,487	n/m[1]	4,837	(23,954)	28,791	n/m[1]

[1] Not meaningful

Net income of $2.9 million in Q4 2021, an increase of $3.6 million compared to a net loss of $0.8 million in Q4 2020. Comprehensive income of $3.1 million in Q4 2021, an increase of $4.5 million compared to comprehensive loss of $1.4 million in Q4 2020.

For the year ended December 31, 2021, net income of $4.6 million, an increase of $29.1 million compared to a net loss of $24.5 million for the same period in 2020. Comprehensive income of $4.8 million for the year end December 31, 2021, an increase of $28.8 million compared to a comprehensive loss of $24.0 million in 2020. The increase in net income and comprehensive income in 2021 were primarily due to a reduction in impairment charges compared to 2020 and the overall increase in industry activity as the measures taken to reduce the spread of COVID-19 globally were eased.

Liquidity and Capital Resources

Source of Funds

The Company's liquidity needs in the short 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, acquire common shares under the NCIB and fund capital requirements.

During the year ended December 31, 2021, the Company's operating cash flow of $12.8 million, proceeds on disposal of equipment of $2.6 million, and $15.5 million increase in long-term debt were used to fund $28.8 million of capital expenditures, $1.8 million of interest on long-term debt, finance costs and lease payments, and $0.3 million in acquisitions of common shares under the NCIB.

At December 31, 2021 the Company had working capital (excluding debt) of $19.0 million, an increase of $6.9 million (57%) from $12.1 million at December 31, 2020 (please refer to the "Non-GAAP and Other Financial Measures" section for further information). The increase in working capital (excluding debt) is due to higher accounts receivable partially offset by higher accounts payable due to increased activity levels in Q4 2021 versus Q4 2020. Typically as activity levels increase or decrease, working capital will also increase or decrease.

On March 4, 2021, 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, 2024. On November 9, 2021 at the request of the Company, the syndicated lenders agreed to the Company's exercise of the accordion feature to expand its credit facilities from $42.75 million and US$5.75 million to $62.75 million and US$5.75 million. The covenant for Consolidated Debt to EBITDA ratio is as follows:

For the Quarter Ended	Previously	Currently
December 31, 2021 and thereafter	3.00 : 1.00	3.50 : 1.00

The amendments further provide the Company access to a Covenant Amendment Option. This option was negotiated to provide CWC with covenant flexibility should a significant industry slowdown occur. Upon being exercised and approved by the syndicate lenders, the covenant for Consolidated Debt to EBITDA ratio is as follows:

For the Quarter Ended	Currently	Upon Exercise of Covenant Amendment Option
December 31, 2021	3.50 : 1.00	4.25 : 1.00
March 31, 2022	3.50 : 1.00	4.25 : 1.00
June 30, 2022	3.50 : 1.00	4.00 : 1.00
September 30, 2022 and thereafter	3.50 : 1.00	3.50 : 1.00

The Company is in compliance with each of the financial covenants at December 31, 2021. As of December 31, 2021, the applicable rates under the Bank Loan are: bank prime rate plus 1.5%, bankers' acceptances rate plus a stamping fee of 2.5%, and standby fee rate of 0.625%.

The Company's Mortgage Loan is a loan maturing on June 28, 2023 that is amortized over 22 years with blended monthly principal and interest payments of $86 thousand. At maturity, approximately $9.9 million of principal will become payable assuming only regular monthly payments are made. On July 27, 2018 the Company entered into an interest rate swap to exchange the floating rate interest payments for fixed rate interest payments, which fix the Bankers' Acceptance-Canadian Dollar Offered Rate components of its interest payment on the outstanding term debt.

Under the interest rate swap agreement, the Company pays a fixed rate of 2.65% per annum plus the applicable credit spread of 1.35%, for an effective fixed rate of 4.0%. The fair value of the interest rate swap arrangement is the difference between the forward interest rates and the discounted contract rate. As of December 31, 2021, the mark-to-market value of the interest rate swap of $0.2 million is included within accounts payable and accrued liabilities on the Consolidated Statement of Financial Position (December 31, 2020: $0.6 million).

Capital Requirements

On December 6, 2021, the Company announced its capital expenditure budget for 2022 of $9.9 million, $6.9 million of which is maintenance and infrastructure capital related to re-certifications, additions and upgrades to field equipment for the drilling rig and service rig divisions as well as information technology infrastructure, with the remaining $3.0 million being growth capital to upgrade one of the drilling rigs, purchase additional mud pumps and additional strings of specialty drill pipe. CWC intends to finance its 2022 capital expenditure budget from operating cash flows.

The Company's 2021 capital expenditure is detailed in the section below titled "Capital Expenditure". In the future, additional discretionary capital expenditures will be required in order to continue to grow the Company's assets and revenue. 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:

	March 3, 2022	December 31, 2021	December 31, 2020
Common shares	509,087,091	509,072,091	505,620,916
Stock options	7,323,000	7,323,000	16,038,000
Restricted share units	16,070,887	16,085,887	14,954,562

During the year ended December 31, 2021, 8,420,000 stock options expired and 295,000 were forfeited. In addition, 7,218,000 Restricted Share Units were granted, 5,700,675 were exercised and 386,000 were forfeited.

On April 15, 2020, the Company commenced a normal course issuer bid which expired on April 14, 2021. Under this NCIB the Company was entitled to purchase, from time to time as it considered advisable, up to 25,340,742 issued and outstanding common shares through the facilities of the TSXV or other recognized marketplaces. CWC made these NCIB purchases through an Automatic Securities Purchase Plan ("ASPP") with Raymond James.

For the year ended December 31, 2021, 2,249,500 (2020: 8,984,000) common shares purchased under the NCIB were cancelled and returned to treasury (2020: 9,113,500 common shares were cancelled and returned to treasury).

Capital Expenditures

$ thousands	Three months ended December 31, 2021	2020	Change $	Change %	Year ended December 31, 2021	2020	Change $	Change %
Capital expenditures								
Contract drilling	24,778	309	24,469	n/m[1]	27,793	2,023	25,770	n/m[1]
Production services	250	282	(32)	(11%)	1,470	3,089	(1,619)	(52%)
Other equipment	11	-	11	n/m[1]	15	26	(11)	(42%)
	25,039	591	24,448	n/m[1]	29,278	5,138	24,140	n/m[1]
Growth capital	23,664	252	23,412	n/m[1]	25,393	1,741	23,652	n/m[1]
Maintenance and infrastructure capital	1,375	339	1,036	306%	3,885	3,397	488	14%
Total capital expenditures	25,039	591	24,448	n/m[1]	29,278	5,138	24,140	470%

[1] Not meaningful

Capital expenditures of $25.0 million in Q4 2021, an increase of $24.4 million compared to $0.6 million in Q4 2020.

Capital expenditures of $29.3 million for the year ended December 31, 2021, an increase of $24.1 million compared to $5.1 million in the same period of 2020. The increased capital expenditures for the quarter and year ended December 31, 2021 were primarily due to the purchase of ten (10) triple drilling rigs.

Commitments and Contractual Obligations

Under the terms of the Company's amended Bank Loan, the borrowings under the Bank Loan are due in full on July 31, 2024. The Company is committed to monthly payments of interest and bank charges until July 31, 2024. The Company's Mortgage Loan is being amortized over 22 years with blended monthly principal and interest payments and matures on June 28, 2023. Management believes that there will be sufficient cash flows generated from operations to service the interest on the debt and finance the required capital expenditures of the Company for 2022.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts	2021				2020			
Three months ended	**Dec. 31**	**Sep. 30**	**Jun. 30**	**Mar. 31**	**Dec. 31**	**Sep. 30**	**Jun. 30**	**Mar. 31**
Revenue	33,693	27,776	16,497	24,669	20,065	10,322	3,966	33,540
Adjusted EBITDA[1]	6,135	5,394	2,489	4,854	5,034	1,953	(1,397)	5,508
Net income (loss)	2,866	2,019	(759)	447	(769)	(810)	(3,734)	(19,177)
Net income (loss) per share: basic and diluted	0.01	0.00	0.00	0.00	(0.01)	(0.00)	(0.00)	(0.04)
Total assets	226,645	200,777	193,127	202,191	202,223	199,421	196,565	221,110
Total long-term debt	45,847	24,688	21,187	29,285	30,231	27,960	25,788	43,337
Shareholders' equity	163,269	159,953	157,242	158,108	157,977	158,959	160,281	164,802

[1] Please refer to the "Non-GAAP and Other Financial Measures" section for further information.

The table above summarizes CWC's quarterly results for the previous eight financial quarters. CWC's operations are carried out in western Canada and the United States. 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 in Canada. 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 hourly billing rate, and the increase in the number of drilling rigs and service rigs over the period as detailed in the section titled "Operational Overview".

Other significant impacts have been a result of:

- In Q4 2021, the Company acquired ten (10) triple drilling rigs and related ancillary equipment based in Casper, Wyoming for total cash consideration including transaction costs of US$18.5 million (approximately C$23.5 million). The purchase further expanded the Company's presence in the U.S. and more than doubles the size of the Company's active drilling fleet to nineteen (19) drilling rigs comprised of seven (7) conventional heavy double drilling rigs in Canada and five (5) AC triple, five (5) DC triple and two (2) conventional heavy double drilling rigs in the U.S. The Company believes the purchase of these ten (10) triple drilling rigs will have a significant positive impact on future quarterly operational and financial results.
- Q3 2021 saw the continuation of higher activity levels as crude oil prices continued to rise towards US$80/bbl. A continuation of a shortage of field labour or rig crews in the industry during the quarter resulted in a further increase to wages, which led to higher pricing for the Company's well servicing work.
- Q2 2021 saw the continuation of higher activity levels adjusted for seasonality as crude oil prices continued to rise to over US$70/bbl. Shortage of available field labour or rig crews in the industry during the quarter became a constraint to higher growth, which is expected to lead to higher pricing for the Company's drilling and well servicing work in future quarters.
- Q1 2021 saw the continuation of a recovery in Canadian oilfield service activity compared to Q4 2020 as the belief of the return to normalcy as a result of the rollout of the COVID-19 vaccines provided support for an increased forecast of global crude oil demand for the remainder of 2021. As such, oil prices continued to rise during the quarter to over US$60/bbl. During Q1 2021, 2,249,500 common shares were purchased, cancelled and returned to treasury under the NCIB.
- Q4 2020 saw a modest recovery in oilfield service activity compared to Q3 2020 as the lower demand for crude oil amid the global economic downturn as a result of the COVID-19 health pandemic and the measures put in place to slow the spread of the virus continued. Crude oil prices continued to modestly increase in Q4 2020 to an average of US$42.63/bbl as the introduction of vaccines to combat the virus were distributed globally toward the end of the quarter, thereby increasing E&P customers' confidence to increase drilling and production activities. During Q4 2020, 1,196,500 common shares were purchased under the NCIB and 1,282,500 common shares were cancelled and returned to treasury.
- Q3 2020 saw a continuation of low economic activity in the oilfield services sector as a result of lower demand for crude oil amid the global economic downturn as a result of the COVID-19 health pandemic and the measures put in place to slow the spread of the virus. However, oil prices recovered in Q3 2020 from the lows experienced in Q2 2020 to an average of US$40.90/bbl. This oil price recovery caused a gradual increase in the utilization of service rigs, but was not enough to increase drilling rig activity from its historical lows. During Q3 2020, 2,405,000 common shares were purchased under the NCIB and 2,349,000 common shares were cancelled and returned to treasury.
- Q2 2020 demand for crude oil declined amid the global economic downturn as a result of the COVID-19 health pandemic and the measures put in place to slow the spread of the virus. The impact this had on the Company resulted in a 79% decline in revenue compared to Q2 2019 and the Company posting its first negative Adjusted EBITDA[(1)] in 27 quarters. During Q2 2020, 1,708,000 common shares were purchased under the NCIB and 1,718,000 common shares were cancelled and returned to treasury.
- Q1 2020 saw the combined effects of the reduction in global demand for crude oil due to the COVID-19 health pandemic and the increase in global supply of crude oil resulting in a rapid and uneconomic decline in oil prices. This negatively affected current and future drilling and production levels in Canada and the U.S. resulting in decreased demand for drilling and production services by our E&P customers in mid-March 2020. The Company acted quickly to implement cash saving initiatives to preserve cash resources and maintain balance sheet strength as well as retaining our most valuable asset – our key employees. The Company reduced its head count by 43% through departures and layoffs of its employees and contractors and incurred $0.1 million in severance costs related to these layoffs in Q1 2020. During Q1 2020, 3,674,500 common shares were purchased under the NCIB and 3,764,000 common shares were cancelled and returned to treasury.

Critical Accounting Estimates and Judgments

This MD&A of the Company's financial condition and results of operations is based on the consolidated financial statements which are prepared in accordance with IFRS. The preparation of the consolidated 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 consolidated 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.

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, 2021 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 at the present time 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.

CWC's business is generally tied in large part to the oil and gas exploration and production industry in Western Canada and the Unites States. CWC's business is sensitive to and will be affected by changing industry conditions in the oil and gas industry and economic developments generally 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 business and its financial and operating results including its revenue, margins and cash flow.

Economic Developments

Fluctuations in oil and natural gas prices combined with COVID-19 and the measures taken by governments and companies to reduce its spread may have an adverse impact on many aspects of the Company's business. Increased capital market and interest rate volatility may negatively affect the Company's ability to access external financing. The overall market for the Company's services may undergo stagnant or negative growth due to reduced capital expenditures by the Company's current and potential customers as many are now focusing on redeploying significant portions of their excess cash flow as returns to shareholders in the form of increased or special dividends and implementing share buyback programs as opposed to increasing capital expenditures. Supply-chain shortages or disruptions, the full or partial closure of transportation infrastructure, temporary suspension of some or all business operations, and labour disruptions (including those affecting the Company's key employees and drilling and service rig crews) arising from illness, reductions in working hours, layoffs

or restrictions on movement may also adversely affect the Company's growth and operating results. Whether and to what extent the market volatility and COVID-19 outbreak will continue to affect the Company's business and operations will depend on future developments which, at this time, remain uncertain and difficult to predict. However, management believes operational and liquidity management strategies that have been employed will, to the extent possible, mitigate the above risks and certain of the other risks discussed below.

Price Competition and Cyclical Nature of the Oilfield Services Business

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

- the capabilities and condition of drilling rigs or service rigs;
- the quality and safety of service and availability and experience of crews;
- the safety record of the contractor and the particular drilling rig or service rig;
- 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 or service rigs; and
- marketing relationships.

The drilling rig and service rig industry historically has been cyclical and has experienced periods of low demand, excess rig supply, and low day or hourly rates, followed by periods of high demand, short rig supply and increasing day or hourly rates. Periods of excess rig supply intensify the competition in the industry and result in rigs being idle. There are numerous drilling rig and service rig 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 and the United States. The oil and natural gas services business in which CWC operates is highly competitive. To be successful, CWC must provide quality services in a safe manner 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.

Oversupply of Oilfield Services Equipment in the Drilling Rig and Service Rig Industry

Because of the long-life nature of drilling rigs and service rigs and the lag between the moment a decision to build a rig is made and the moment the rig is placed into service, the number of rigs in the industry does not always correlate to the level of demand for those rigs. Periods of high demand often spur increased capital expenditures on rigs, and those capital expenditures may exceed actual demand. An oversupply of oilfield services equipment 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 oil and gas exploration and production industry in Canada and the United States 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 or continue to use its capital to make capital expenditures, as further discussed above. The level of activity in the oil and gas exploration and production industry in Canada and the United States 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.

COVID-19 and Its Effect on the Global Economy

In March 2020, the World Health Organization declared COVID-19 a global pandemic, prompting many countries around the world to close international borders and order the closure of institutions and businesses deemed non-essential. This resulted in a swift and significant reduction in economic activity in Canada and internationally along with a sudden drop in demand for oil, liquids and natural gas. Since 2020, oil prices have recovered from their historic lows, but price support from future demand remains uncertain as countries experience varying degrees of virus outbreak and new variants of the virus emerge following efforts to re-open local economies and international borders. Low commodity prices resulting from reduced demand associated with the impact of COVID-19 has had, and may have in the future, a negative impact on the Company's operational results and financial condition.

The extent to which the Company's operational and financial results are affected by COVID-19 will depend on various factors and consequences beyond its control such as the duration and scope of the pandemic; additional actions taken by business and government in response to the pandemic, and the speed and effectiveness of responses to combat the virus. Additionally, COVID-19 and its effect on local and global economic conditions stemming from the pandemic could also aggravate the other risk factors identified herein, the extent of which is not yet known.

Reputational Risk Associated with the Company's Operations

The Company's business, operations or financial condition may be negatively impacted as a result of any negative public opinion towards the Company or as a result of any negative sentiment toward, or in respect of, the Company's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Company operates as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses and increased costs and/or cost overruns. The Company's reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other oilfield service providers, over which the Company has no control. Similarly, the Company's reputation could be impacted by negative publicity related to loss of life, injury or damage to property and environmental damage caused by the Company's

operations. In addition, if the Company develops a reputation of having an unsafe work site, it may impact the ability of the Company to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate related litigation against governments and fossil fuel companies may impact the Company's reputation. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Company's reputation. Damage to the Company's reputation could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Company's securities.

Changing Investor Sentiment

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during transportation and indigenous rights, have affected certain investors' sentiments towards investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and natural gas properties or companies, or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust environmental, social, and governance policies and practices. Developing and implementing such policies and practices can involve significant cost and require a significant time commitment from the Board, management and employees of the Company. Failing to implement the policies and practices, as requested by institutional investors, may result in such investors reducing their investment in the Company, or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Company's securities even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of the Company's assets which may result in an impairment charge.

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 Company 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 Company 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.

Seasonal Nature of CWC's Business

The Company's operations are carried on generally in Western Canada and the United States. 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.

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.

Climate Change

Global climate issues continue to attract public and scientific attention. Numerous reports, including reports from the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially hydrocarbon combustion, on global climate issues. In turn, increasing public, government, and investor attention is being paid to global climate issues and to emissions of greenhouse gas ("**GHG**"), including emissions of carbon dioxide and methane from the production and use of oil, liquids and natural gas. The majority of countries across the globe, including Canada, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In addition, during the course of the 2021 United Nations Climate Change Conference in Glasgow, Scotland, Canada's Prime Minister Justin Trudeau made several pledges aimed at reducing Canada's GHG emissions and environmental impact. As discussed below, the Company faces both transition risks and physical risks associated with climate change and climate change policy and regulations.

Transition risks

Foreign and domestic governments continue to evaluate and implement policy, legislation, and regulations focused on restricting emissions commonly referred to as GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may accelerate the implementation of these measures. Given the evolving nature of climate change policy and the control of GHG emissions and resulting requirements, including carbon taxes and carbon pricing schemes implemented by varying levels of government, it is expected that current and future climate change regulations will have the effect of increasing the Company's operating expenses, and, in the long-term, potentially reducing the demand for oil, liquids, natural gas and related products, resulting in a decrease in the Company's profitability and a reduction in the value of its assets and services.

Claims have been made against certain energy companies alleging that GHG emissions from oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. As a result, individuals, government authorities, or other organizations may make claims against oil and natural gas companies, including the Company, for alleged personal injury, property damage, or other potential liabilities. While the Company is not a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely affect the demand for and price of securities issued by the Company, impact its operations and have an adverse impact on its financial condition.

Given the perceived elevated long-term risks associated with policy development, regulatory changes, public and private legal challenges, or other market developments related to climate change, there have also been efforts in recent years affecting the investment community, including investment advisors, sovereign wealth funds, banks, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG-intensive operations and products. Certain stakeholders have also pressured insurance providers and commercial and investment banks to reduce or stop financing, and providing insurance coverage to oil and natural gas and related infrastructure businesses and projects. The impact of such efforts require the Company's management to dedicate significant time and resources to these climate change-related concerns, may adversely affect the Company's operations, the demand for and price of the Company's securities and may negatively impact the Company's cost of capital and access to the capital markets.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators published for comment Proposed National Instrument 51-107 – *Disclosure of Climate Related Matters*, intended to introduce climate-related disclosure requirements for reporting issuers in Canada with limited exceptions. If the Company is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected.

Physical risks

Based on the Company's current understanding, the potential physical risks resulting from climate change are long-term in nature and associated with a high degree of uncertainty regarding timing, scope, and severity of potential impacts. Many experts believe global climate change could increase extreme variability in weather patterns such as increased frequency of severe weather, rising mean temperature and sea levels, and long-term changes in precipitation patterns. Extreme hot and cold weather, heavy snowfall, heavy rainfall, and wildfires may restrict the Company's ability to access properties and cause operational difficulties, including damage to equipment. Extreme weather also increases the risk of personnel injury as a result of dangerous working conditions.

Inflation and Cost Management

The Company's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations.

Political Uncertainty Risks

Political changes in North America and political instability in the Middle East and elsewhere (such as the current conflict between Russia and Ukraine) may cause disruptions in the supply of oil that affects the oil and gas industry. Conflicts, or conversely peaceful developments, arising outside of Canada, including changes in political regimes or parties in power, may have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and result in a reduction of the Company's profitability or, conversely, could result in a material increase in prices and therefore result in an increase in the Company's profitability.

Other government and political factors that could adversely affect the Company's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could affect the Company's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, and the success of these initiatives may decrease demand for the Company's services.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry including the balance between economic development and environmental policy. The oil and natural gas industry has become an increasingly politically polarizing topic in Canada, which has resulted in a rise in civil disobedience surrounding oil and natural gas development—particularly with respect to infrastructure projects. Protests, blockades and demonstrations have the potential to delay and disrupt the Company's activities.

Non-Governmental Organizations and Eco-Terrorism Risks

The business activities conducted by the Company may, at times, be subject to public opposition. Such public opposition could expose the Company to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Indigenous groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of the federal, provincial or municipal governments, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses, and direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that the Company will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require the Company to incur significant and unanticipated capital and operating expenditures.

In addition, the Company's oilfield services equipment could be the subject of a terrorist attack. If any of the Company's equipment are the subject of a terrorist attack it may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The Company does not have insurance to protect against the risk from acts of terrorism in Canada, however does have coverage under the Terrorism Risk Insurance Act in the United States.

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, 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 Business Partners L.P. ("Brookfield"), through its ownership of 56.8% 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 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 and Service Rig Construction Risks

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

Risks of Interruption, Casualty Losses and Insurance

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 and service rig contracts provide for the division of responsibilities between a drilling rig or service rig 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.

The Company's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead the Company to decide to reduce or possibly eliminate, coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, the Company's overall risk exposure could be increased and the Company could incur significant costs.

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.

Management of Growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth, it may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

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. Management does anticipate that interest rates are likely to increase in 2022 to combat inflation, but do not expect rates to increase to a level that will have a large impact on future cash flows.

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 Alberta Business Corporations Act.

Legal and Regulatory Proceedings

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

Intellectual Property Litigation

Due to the rapid development of oil and natural gas technology, in the normal course of the Company's operations, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings in which it is alleged that the Company has infringed the intellectual property rights of others or which the Company initiates against others it believes are infringing upon its intellectual property rights. The Company's involvement in intellectual property litigation could result in significant expense, adversely affecting the development of its assets or intellectual property or diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Company's favour. In the event of an adverse outcome as a defendant in any such litigation, the Company may, among other things, be required to: (a) pay substantial damages and/or cease the development, use, sale or importation of processes that infringe upon other patented intellectual property; (b) expend significant resources to develop or acquire non-infringing intellectual property; (c) discontinue processes incorporating infringing technology; or (d) obtain licences to the infringing intellectual property. However, the Company may not be successful in such development or acquisition, or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on the Company's business and financial results.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

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.

Increasingly, social media is used as a vehicle to carry out cyber phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to gain entry into the Company's systems and obtain confidential information. The Company restricts the social media access of its employees and periodically reviews, supervises, retains and maintains the ability to retrieve social media content. Despite these efforts, as social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that the Company may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms. Additionally, insensitive messages, negative reviews, or inappropriate online behaviour of employees on social media presents reputational risks to the Company.

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" and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements including management's assessment of future plans and operations, planned levels of capital expenditures, expectations as to activity levels, expectations on the sustainability of future cash flow and earnings, 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 and U.S. basins, 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 including the implications of the COVID-19 health pandemic on the Company's business, operations and personnel. These factors and risks include, but are not limited to, the risks associated with the COVID-19 health pandemic and their implications on the demand and supply in the drilling and oilfield services sector (i.e. 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), significant expansion measures to stop the spread of COVID-19 further restricting or prohibiting the operations of the Company's facilities and operations, actions to ensure social distancing due to COVID-19, 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. 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.

Non-GAAP and Other Financial Measures

$ thousands, except shares, per share amounts and margins	Three months ended December 31, 2021	2020	Year Ended December 31, 2021	2020	2019
NON-GAAP MEASURES					
Adjusted EBITDA:					
Net income (loss)	2,866	(769)	4,573	(24,490)	(1,700)
Add:					
Stock based compensation	263	685	782	1,094	921
Finance costs	294	309	1,086	2,135	2,431
Depreciation and amortization	2,774	2,652	10,563	11,001	13,168
Impairment of assets	-	-	1,296	25,451	-
(Gain) loss on sale of equipment	(208)	(16)	(251)	844	290
Income tax expense (recovery)	146	2,173	823	(4,937)	(2,944)
Adjusted EBITDA[1]	6,135	5,034	18,872	11,098	12,166
Adjusted EBITDA per share – basic and diluted[1]	$ 0.01	$ 0.01	$ 0.04	$ 0.02	$ 0.02
Adjusted EBITDA margin (Adjusted EBITDA/Revenue)[1]	18%	25%	18%	16%	11%
Weighted average number of shares outstanding - basic	506,011,580	504,081,811	505,337,978	507,104,004	511,106,531
Weighted average number of shares outstanding - diluted	514,870,615	504,081,811	513,203,787	507,104,004	511,106,531
Gross margin:					
Revenue	33,693	20,065	102,635	67,893	108,446
Less: Direct operating expenses	22,168	14,078	72,288	49,149	79,609
Gross margin[2]	11,525	5,987	30,347	18,744	28,837
Gross margin percentage[2]	34%	30%	30%	28%	27%

$ thousands	December 31, 2021	December 31, 2020	December 31, 2019
Working capital (excluding debt):			
Current assets	27,911	18,323	26,642
Less: Current liabilities	(9,709)	(7,004)	(9,249)
Add: Current portion of long-term debt	764	750	1,141
Working capital (excluding debt) [3]	18,966	12,069	18,534
Working capital (excluding debt) ratio[3]	3.1:1	2.9:1	3.3:1
Net debt:			
Long-term debt	45,083	29,481	39,411
Less: Current assets	(27,911)	(18,323)	(26,642)
Add: Current liabilities	9,709	7,004	9,249
Net debt [4]	26,881	18,162	22,018

[1] Adjusted EBITDA (earnings before interest and finance costs, income tax expense, depreciation, amortization, gain or loss on disposal of asset, impairment of assets, goodwill impairment, transaction costs, stock based compensation and other one-time non-cash gains and losses) is not a recognized measure under IFRS. Management believes that in addition to net income, 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, 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) 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 (loss) 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-GAAP 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 calculated based on long-term debt less current assets plus current liabilities. 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.

Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **CWC Energy Services Corp.**

Opinion

We have audited the consolidated financial statements of CWC Energy Services Corp. (the "Company") which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or

error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kim Wiggins.

Ernst & Young LLP

Calgary, Canada
March 2, 2022

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2021 and December 31, 2020

Stated in thousands of Canadian dollars	Note	**December 31, 2021**	December 31, 2020
ASSETS			
Current			
Cash		**$ 90**	$ 166
Accounts receivable	15, 16	**26,227**	16,232
Prepaid expenses and deposits		**1,594**	1,925
		27,911	18,323
Property, plant and equipment	5	**198,734**	183,900
		$ 226,645	$ 202,223
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**8,945**	6,254
Current portion of long-term debt	6	**764**	750
		9,709	7,004
Long term			
Deferred tax liability	7	**8,584**	7,761
Long-term debt	6	**45,083**	29,481
		63,376	44,246
SHAREHOLDERS' EQUITY			
Share capital	8	**255,066**	255,478
Contributed surplus		**20,262**	19,395
Accumulated other comprehensive loss		**70**	(194)
Deficit		**(112,129)**	(116,702)
		163,269	157,977
		$ 226,645	$ 202,223

Commitments and contingencies (note 14)
See accompanying notes to the consolidated financial statements

Approved on behalf of the board:

(signed) "Gary Bentham"
Gary Bentham, Director

(signed) "Jim Reid"
Jim Reid, Director

CWC ENERGY SERVICES CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2021 and 2020

Stated in thousands of Canadian dollars except per share amounts	Note		**2021**		**2020**
Revenue and other income					
Revenue	10	$	**102,635**	$	67,893
Other income	11		**3,835**		6,786
			106,470		74,679
Expenses	13				
Direct operating expenses			**72,288**		49,149
Selling and administrative expenses			**15,310**		14,432
Stock based compensation	8(c)(d)		**782**		1,094
Finance costs	6		**1,086**		2,135
Depreciation and amortization	5		**10,563**		11,001
(Gain) loss on disposal of equipment	5		**(251)**		844
Impairment of assets	5		**1,296**		25,451
			101,074		104,106
Income (loss) before income taxes			**5,396**		(29,427)
Income taxes	7				
Current tax expense			**-**		8
Deferred tax expense (recovery)			**823**		(4,945)
Income tax expense (recovery)			**823**		(4,937)
Net income (loss)		$	**4,573**	$	(24,490)
Other comprehensive income					
Item that may be reclassified to profit or loss in subsequent periods:					
Unrealized gain on translation of foreign operations			**264**		536
Comprehensive income (loss)		$	**4,837**	$	(23,954)
Net income (loss) per share					
Basic and diluted	8	$	**0.01**	$	(0.05)

See accompanying notes to the consolidated financial statements.

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

Stated in thousands of Canadian dollars except share amounts	Note	**Number of Shares**	**Share Capital**	**Contributed Surplus**	**Accumulated Other Comprehensive Income (Loss)**	**Deficit**	**Total Equity**
Balance – January 1, 2020		510,702,349	$ 259,515	$ 15,459	$ (730)	$ (92,212)	$ 182,032
Net loss		-	-	-	-	(24,490)	(24,490)
Stock based compensation expense	8(c)(d)	-	-	1,094	-	-	1,094
Exercise of stock options	8(c)	-	-	(43)	-	-	(43)
Settlement of restricted share units	8(d)	3,902,567	532	(532)	-	-	-
Cancellation of common shares purchased under normal course issuer bid	8(b)	(8,984,000)	(4,569)	3,417	-	-	(1,152)
Other comprehensive income		-	-	-	536	-	536
Balance – December 31, 2020		505,620,916	$ 255,478	$ 19,395	$ (194)	$ (116,702)	$ 157,977
Balance – January 1, 2021		**505,620,916**	**$ 255,478**	**$ 19,395**	**$ (194)**	**$ (116,702)**	**$ 157,977**
Net income		**-**	**-**	**-**	**-**	**4,573**	**4,573**
Stock based compensation expense	8(c)(d)	**-**	**-**	**782**	**-**	**-**	**782**
Settlement of restricted share units	8(d)	**5,700,675**	**725**	**(725)**	**-**	**-**	**-**
Cancellation of common shares purchased under normal course issuer bid	8(b)	**(2,249,500)**	**(1,137)**	**810**	**-**	**-**	**(327)**
Other comprehensive income		**-**	**-**	**-**	**264**	**-**	**264**
Balance – December 31, 2021		**509,072,091**	**$ 255,066**	**$ 20,262**	**$ 70**	**$ (112,129)**	**$ 163,269**

See accompanying notes to the consolidated financial statements.

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

Stated in thousands of Canadian dollars except per share amounts	Note	2021	2020
Operating activities:			
Net income (loss)		$ **4,573**	$ (24,490)
Adjustments for:			
Stock based compensation	8	**782**	1,094
Finance costs		**1,086**	2,135
Unrealized gain (loss) on interest rate swap agreement	6	**362**	(326)
Depreciation and amortization	5	**10,563**	11,001
Impairment of assets	5	**1,296**	25,451
(Gain) loss on disposal of equipment	5	**(251)**	844
Foreign exchange		**515**	333
Deferred income tax expense (recovery)	7	**823**	(4,945)
Funds from operations		**19,749**	11,097
Changes in non-cash working capital balances	9	**(6,973)**	6,514
Operating cash flow		**12,776**	17,611
Investing activities:			
Purchase of equipment	5	**(28,836)**	(5,138)
Proceeds on disposal of equipment		**2,571**	901
Investing cash flow		**(26,265)**	(4,237)
Financing activities:			
Increase (repayment) of long-term debt		**15,523**	(9,903)
Interest paid		**(1,212)**	(1,592)
Finance costs paid		**(334)**	(6)
Lease repayments		**(237)**	(629)
Cash settlement on exercise of options	8(c)	**-**	(43)
Common shares purchased under NCIB	8(b)	**(327)**	(1,152)
Financing cash flow		**13,413**	(13,325)
Decrease in cash during the year		**(76)**	49
Cash, beginning of year		**166**	117
Cash, end of year		$ **90**	$ 166

See accompanying notes to the consolidated 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 well servicing to oil and gas exploration and development companies throughout the Western Canadian Sedimentary Basin ("WCSB") and select United States basins including the Permian, Eagle Ford, Niobrara, Denver-Julesburg ("DJ"), Powder River and Bakken. These consolidated financial statements reflect only the Company's proportionate interests in such activities and are comprised of the Company and its subsidiaries. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies that follow have been consistently applied to all years presented. Certain prior year balances have been reclassified to match the current year presentation.

These consolidated financial statements were approved by the Board of Directors on March 2, 2022.

(b) Basis of measurement

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

(c) Functional and presentation currency

These annual consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements:

<u>Determination of cash generating units</u>

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

<u>Impairment of tangible assets</u>

Tangible 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 dispose ("FVLCD") 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.

Depreciation and amortization

Depreciation and amortization of property and equipment 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 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 consolidated statements of comprehensive income (loss).

3. Significant accounting policies

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

The following is a summary of depreciation estimates for the Company's property and equipment:

Assets	Method	Rate
Drilling rigs and related equipment	Straight-line with residual values of up to-10%	25 years
Buildings	Straight-line with residual values of up to-20%	25 years
Production equipment – service rigs	Straight-line with residual values of up to-10%	25 years
Production equipment - swabbing rigs and service rig Level IV recertifications	Unit of production	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

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

Non-financial 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 FVLCD. 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.

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

(d) Financial instruments

Financial assets include cash and accounts receivable. The Company determines the classification of its financial assets at initial recognition and records the assets at their fair value. Cash and accounts receivable are carried at amortized cost.

All financial liabilities are initially recognized at fair value net of transaction costs and subsequently carried at amortized cost.

Derivative financial instruments are classified at fair value through profit of loss. The Company's derivatives are interest rate swaps with changes in fair value recorded in the consolidated statements of comprehensive income (loss).

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 consolidated 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.

(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 consolidated 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, 2021 and 2020 there were no provisions recognized in the consolidated financial statements.

(h) Leases

A contract is, or contains, a lease if the contract conveys the right of control of the use of an identified asset for a period of time in exchange for considerations. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation. At the commencement date, a corresponding right of use ("ROU") asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs. Depreciation is recognized on the ROU asset over the lease term.

(i) Revenue recognition

Contract Drilling provides drilling rigs and related ancillary equipment to oil and gas exploration and production companies. Customer contracts may be for a single well, multiple wells or a fixed term and are based upon daily, hourly or contracted rates. The Company recognizes revenue when it has a right to invoice for all

contracts in which the value of the performance completed to date directly corresponds with the right to consideration. Operating time is measured through industry standard tour sheets that document the daily activity of the rig.

Production Services provides well servicing to oil and gas exploration and production companies through the use of service rigs. In general, Production Services are not performed under long-term contracts and do not include penalties for termination. Contracts are based upon daily, hourly or contracted rates and the Company recognizes revenue when it has a right to invoice for all contracts in which the value of the performance completed to date directly corresponds with the right to consideration. Operating time is measured through daily tour sheets and field tickets.

For both its Contract Drilling and its Production Services, the Company does not expect to have any revenue contracts where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. The Company does not incur material costs to obtain contracts with customers and consequently, does not recognize any contract assets. The Company does not have any contract liabilities associated with its Contract Drilling or Production Services customer contracts. As revenue from Contract Drilling and Production Services contracts is recognized as invoiced, the transaction price allocated to remaining performance obligations and an explanation of when the Company expects to recognize such amounts as revenue are not disclosed.

(j) 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.

(k) Foreign currency translation

Functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operate and is normally the currency in which the entity primarily generates and expends cash. The financial statements of the Company's subsidiaries are translated into Canadian dollars, which is the presentation currency of the Company. The assets and liabilities of subsidiaries whose functional currencies are other than Canadian dollars are translated into Canadian dollars at the foreign exchange rate at the balance sheet date, while revenues and expenses of such subsidiaries are translated using average monthly foreign exchange rates, which approximate the foreign exchange rates on the dates of the transactions. Foreign exchange differences arising on translation are included in other comprehensive income.

The Company's transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate at the balance sheet date and differences arising on translation are recognized in net earnings. Non-monetary assets that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of the transactions.

(l) 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 consolidated 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.

(m) 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 8(c), 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 issuance of shares from treasury.

Under the Company's restricted share unit plan described in note 8(d), 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 issuance 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.

(n) 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.

(o) 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.

(p) Government grants

A government grant is recognized where there is reasonable assurance that the grant will be received and that the Company will comply with any conditions attached to the grant. When the grant relates to an expense item, it is recognized as other income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset and is recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge.

(q) COVID-19-Related Rent Concessions (Amendments to IFRS 16)

In May 2020, the IASB published COVID-19-Related Rent Concessions, which amends IFRS 16, Leases, to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The Company adopted the amendment effective for the year ending December 31, 2020 and has elected to apply the provided practical expedient. The Company will account for any change in lease payments resulting from a COVID-19-related rent concession the same way it would account for the change if the change were not a lease modification.

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 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 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 quoted 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.

5. Property, plant and equipment

	Contract Drilling equipment	Production Services property, plant, and equipment	Right-of-use assets	Other equipment	Total
Costs					
Balance, January 1, 2021	$ 121,530	$ 256,123	$ 946	$ 2,098	$ 380,697
Additions	27,793	1,028	442	15	29,278
Disposals	(362)	(13,900)	(561)	-	(14,823)
Effect of foreign currency exchange differences	(269)	-	-	-	(269)
Balance, December 31, 2021	148,692	243,251	827	2,113	394,883
Accumulated depreciation and impairment losses					
Balance, January 1, 2021	57,357	136,726	753	1,961	196,797
Depreciation	3,560	6,703	247	53	10,563
Disposals	(54)	(11,892)	(543)	-	(12,489)
Impairments	-	1,296	-	-	1,296
Effect of foreign currency exchange differences	(18)	-	-	-	(18)
Balance, December 31, 2021	60,845	132,833	457	2,014	196,149
Net book value					
Balance, December 31, 2021	$ 87,847	$ 110,418	$ 370	$ 99	$ 198,734

	Contract Drilling equipment	Production Services property, plant, and equipment	Right-of-use assets	Other equipment	Total
Costs					
Balance, January 1, 2020	$ 120,058	$ 255,878	$ 1,905	$ 2,072	$ 379,913
Additions	2,023	3,089	-	26	5,138
Disposals	(146)	(2,844)	(963)	-	(3,953)
Effect of foreign currency exchange differences	(405)	-	4	-	(401)
Balance, December 31, 2020	121,530	256,123	946	2,098	380,697
Accumulated depreciation and impairment losses					
Balance, January 1, 2020	30,583	129,598	1,084	1,892	163,157
Depreciation	3,383	7,051	498	69	11,001
Disposals	(4)	(1,374)	(830)	-	(2,208)
Impairments	24,000	1,451	-	-	25,451
Effect of foreign currency exchange differences	(605)	-	1	-	(604)
Balance, December 31, 2020	57,357	136,726	753	1,961	196,797
Net book value					
Balance, December 31, 2020	$ 64,173	$ 119,397	$ 193	$ 137	$ 183,900

In 2021, the Company recognized an impairment charge of $1,296 in respect of production services equipment that was subsequently sold for proceeds of $1,273, resulting in a loss on disposal of $577. A portion of this equipment had previously been impaired by $1,451 during the year ended December 31, 2020 as the Company discontinued operations of its Coil Tubing division on March 17, 2020.

At December 31, 2021, the Company determined that there were no indicators of impairment or impairment reversal identified and no impairment loss or reversal was recognized in with respect to any of the Company's CGUs.

The impairment test completed at March 31, 2020 for the Contract Drilling CGU resulted in the carrying amount of the CGU exceeding its recoverable amount by $24,000, and therefore the Company recorded an impairment expense of $24,000 in the Statement of Comprehensive Loss.

6. Loans and borrowings

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

	December 31, 2021	December 31, 2020
Current liabilities		
Current portion of lease liabilities	**$ 182**	$ 168
Current portion of Mortgage Loan	**582**	582
	$ 764	$ 750
Non-current liabilities		
Bank Loan	**$ 35,088**	$ 18,983
Mortgage Loan	**10,182**	10,764
Lease liabilities	**215**	38
Financing fees	**(402)**	(304)
	$ 45,083	29,481
Total loans and borrowings	**$ 45,847**	$ 30,231

The Company has credit facilities with a syndicate of four Canadian financial institutions (the "Credit Facility"). On November 9, 2021, the Company exercised the accordion feature to expand the Credit Facility to a $70,040 extendible revolving term facility (the "Bank Loan") with other credit instruments. Of the Bank Loan, $55,250 is a syndicated facility and $7,500 is a Canadian operating facility with the remaining $7,290 (US$5,750) being a U.S. operating facility. On March 4, 2021, CWC and its syndicated lenders completed an extension of its credit facilities and certain other amendments until July 31, 2024 ("Maturity Date"). No principal payments are required under the Bank Loan until the Maturity Date, at which time any amounts outstanding are due and payable. The Company may, on an annual basis, request the Maturity Date be extended for a period not to exceed three years from the date of the request. If a request for an extension is not approved by the banking syndicate, the Maturity Date will remain unchanged.

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company's trailing Consolidated Debt[(2)] to Consolidated EBITDA[(1)] ratio from a minimum of the bank's prime rate plus 1.25% to a maximum of the bank's prime rate plus 4.25% or from a minimum of the bankers' acceptances rate plus a stamping fee of 2.25% to a maximum of the bankers' acceptances rate plus a stamping fee of 5.25%. Standby fees under the Bank Loan range between 0.56% and 1.31%. 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, 2021, of the $70,040 Bank Loan facility, $34,889 was available for immediate borrowing and $35,088 was outstanding (December 31, 2020: $18,983). 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 (other than real estate assets related to the Mortgage Loan). Effective December 31, 2021, the applicable rates under the Bank Loan are: bank prime rate plus 1.5%, bankers' acceptances rate plus a stamping fee of 2.5%, and standby fee rate of 0.625%.

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

	Covenant limits	**December 31, 2021**
Consolidated Debt[2] to Consolidated EBITDA[1]	3.50:1.00 or less	**1.99:1.00**
Consolidated Debt[2] to Capitalization[3]	0.50:1.00 or less	**0.18:1.00**
Consolidated Adjusted Cash Flow[4] to Consolidated Adjusted Finance Obligations[5]	1.15:1.00 or more	**27.16:1.00**

(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, minus all principal paid or payable in connection with the Mortgage Loan. Consolidated 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.

(2) Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted to exclude: the Mortgage Loan, the funds held in any segregated accounts 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 Adjusted 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 (excluding scheduled principal payments attributed to the Mortgage Loan).

Mortgage Loan is a loan maturing on June 28, 2023 that is amortized over 22 years with blended monthly principal and interest payments of $86. At maturity, approximately $9,891 of principal will become payable assuming only regular monthly payments are made. On July 27, 2018, the Company entered into an interest rate swap to exchange the floating rate interest payments for fixed rate interest payments, which fix the Bankers' Acceptance-Canadian Dollar Offered Rate components of its interest payment on the outstanding term debt.

Under the interest rate swap agreement, the Company pays a fixed rate of 2.65% per annum plus the applicable credit spread of 1.35%, for an effective fixed rate of 4.0%. The fair value of the interest rate swap arrangement is the difference between the forward interest rates and the discounted contract rate. At December 31, 2021, the mark-to-market value of the interest rate swap of $210 is included within accounts payable and accrued liabilities on the Consolidated Statements of Financial Position (December 31, 2020: $572).

Lease liabilities consist of vehicles and office space which mature in 1 to 3 years. The incremental borrowing rates applied to the individual lease liabilities vary from 5.0% to 6.0% 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 $235 for the year ended December 31, 2021 were amortized and included in finance costs (year ended December 31, 2020: $216).

7. 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,		**2021**		2020
Income (loss) before income taxes	**$**	**5,396**	$	(29,427)
Combined federal and provincial income tax rate		**23%**		24%
Expected income taxes		**1,241**		(7,062)
Increase (decrease) resulting from:				
Non-deductible items		**19**		22
Tax rate changes		**(42)**		173
Stock based compensation		**182**		266
Unrecognized deferred tax asset		**(89)**		1,120
Adjustments related to prior year		**(459)**		344
Other		**(29)**		200
	$	**823**	$	(4,937)

The deferred income tax liability is comprised of:

		December 31, 2020		Recognized in Earnings		**December 31, 2021**
Deferred tax assets:						
Non capital losses[1]	$	11,562	$	2,104	$	**13,666**
Share issue costs		8		(8)		**-**
Finance lease liabilities		48		44		**92**
Unrecognized deferred tax asset		(1,120)		(418)		**(1,538)**
Other		(296)		554		**258**
		10,202		2,276		**12,478**
Deferred tax liabilities:						
Property and equipment		(17,963)		(3,099)		**(21,062)**
Net deferred income tax liability	$	(7,761)	$	(823)		**(8,584)**

[1] The Company has $47,906 (2020: $43,625) of non-capital loss carry forwards in Canada and $8,424 (2020: $4,823) of net operating losses in the USA for income tax purposes which are available for application against future taxable income. These loss carry forwards expire between 2029 and 2042.

All changes in deferred income tax temporary differences were recognized in income in the years ended December 31, 2021 and 2020.

8. Share capital

a. Authorized

Unlimited number of Common voting shares without par value.

Unlimited number of Preferred shares without par value.

b. Normal course issuer bid

On April 15, 2020, the Company commenced a normal course issuer bid (“NCIB”) which expired on April 14, 2021. Under this NCIB the Company was entitled to purchase, from time to time as it considered advisable, up to 25,340,742 issued and outstanding common shares through the facilities of the TSXV or other recognized marketplaces.

CWC made its NCIB purchases through an automatic securities purchase plan (the “ASPP”) (as defined under applicable securities laws) with Raymond James Ltd. ("Raymond James"). Such purchases were 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 allowed common shares to be purchased at times when CWC was otherwise prohibited from doing so pursuant to securities laws and its internal trading policies.

For the year ended December 31, 2021, 2,249,500 common shares for consideration of $327, including commissions were purchased, cancelled, and returned to treasury under the NCIB (for the year ended December 31, 2020: 8,984,000 common shares for consideration of $1,152 were purchased and 9,113,500 common shares were cancelled and returned to treasury).

c. 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.

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

	Number of options	Weighted average exercise price
Balance at January 1, 2020	20,666,667	0.17
Exercised	(4,316,667)	0.11
Expired	(286,000)	0.19
Forfeited	(26,000)	0.20
Balance at December 31, 2020	**16,038,000**	**0.19**
Expired	**(8,420,000)**	**0.18**
Forfeited	**(295,000)**	**0.19**
Balance at December 31, 2021	**7,323,000**	**0.20**

The following table summarizes information about stock options outstanding as at December 31, 2021:

Exercise price	Number of options outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price	Number of options exercisable
$ 0.10	**267,000**	**2.93**	**$ 0.10**	**178,000**
$ 0.20	**7,056,000**	**0.96**	**$ 0.20**	**7,056,000**
$ 0.10 - $ 0.20	**7,323,000**	**1.04**	**$ 0.20**	**7,234,000**

On December 3, 2020, the Board of Directors approved the cash settlement of 4,316,667 outstanding stock options with an exercise price of $0.11 for their intrinsic value when exercised. Although the Company has the discretion to settle stock options in cash, the Company has no intention to approve the cash settlement of any other outstanding stock options. Based on the Company's share price at December 3, 2020, the amount required to settle these options was $43.

For the year ended December 31, 2021, stock based compensation expense relating to stock options totaled $5 (for the year ended December 31, 2020: $259).

d. 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 directors, officers, and key employees. RSUs vest annually over three years from the date of grant as employees

or directors render continuous service to the Company and have a maximum term of the end of the third year following their grant date. The Company may choose to settle RSUs for the intrinsic value of the RSUs on the settlement date, but the Company has no current intention or obligation to do so.

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

	Number of RSUs	Weighted average fair value at issue date
Balance at January 1, 2020	7,224,154	0.12
Granted	11,767,975	0.14
Redeemed for common shares	(3,902,567)	0.14
Expired - vested	(135,000)	0.19
Balance at December 31, 2020	**14,954,562**	**0.13**
Granted	**7,218,000**	**0.16**
Redeemed for common shares	**(5,700,675)**	**0.13**
Forfeited - unvested	**(386,000)**	**0.13**
Balance at December 31, 2021	**16,085,887**	**0.14**

The following table summarizes information about RSUs outstanding as at December 31, 2021:

Issue date fair value	Number of RSUs outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price ($)	Number of RSUs exercisable
$ 0.09 - $ 0.17	**16,085,887**	**2.72**	**n/a**	**2,322,388**

For the year end December 31 2021, stock-based compensation expense relating to RSUs totaled $777 (for the year end December 31, 2020: $835).

e. Weighted average common shares outstanding

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

	For the year ended December 31,	
	2021	**2020**
Weighted average common shares outstanding – basic	**505,337,978**	507,104,004
Effect of dilutive share-based compensation plans	**7,865,809**	-
Weighted average common shares outstanding – diluted	**513,203,787**	**507,104,004**

Outstanding stock options and RSUs are currently the only instruments which could potentially dilute earnings per share. For the year end December 31, 2021, 7,056,000 (year ended December 31, 2021: 16,038,000) stock options and 7,218,000 (year ended December 31, 2020: 14,954,562) RSUs were not included in the computation of net income (loss) per common share because to do so would have been anti-dilutive.

f. 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.

9. Supplemental cash flow information

		2021		2020
Increase (decrease) in non-cash working capital items:				
Accounts receivable	$	**(9,995)**	$	7,568
Prepaid expenses and deposits		**331**		800
Accounts payable and accrued liabilities		**2,691**		(1,854)
	$	**(6,973)**	$	6,514

10. Revenue

Revenue consists of amounts earned from sale of Contract Drilling and Production Services. Production Services includes revenue from service rigs, swabbing rigs and coil tubing units.

The following table presents the Company's revenue disaggregated by type:

For the year ended December 31, 2021	Contract Drilling	Production Services			
	Drilling Rigs	Service Rigs	Swabbing Rigs	Coil Tubing	Total
Canada	$ **24,710**	$ **70,090**	$ **833**	$ **-**	$ **95,633**
United States	**7,002**	**-**	**-**	**-**	**7,002**
Revenue	$ **31,712**	$ **70,090**	$ **833**	$ **-**	$ **102,635**

For the year ended December 31, 2020	Contract Drilling	Production Services			
	Drilling Rigs	Service Rigs	Swabbing Rigs	Coil Tubing	Total
Canada	$ 15,048	$ 46,734	$ 1,035	$ 265	$ 63,082
United States	4,811	-	-	-	4,811
Revenue	$ 19,859	$ 46,734	$ 1,035	$ 265	$ 67,893

Included in accounts receivable at December 31, 2021 was $3,619 (December 31, 2020: $1,366) of accrued revenue for services provided in the month then ended. There have been no significant adjustments for prior period accrued revenue in the current period.

As of December 31, 2021, the Company did not have any sales contracts beyond one year in term.

11. Other income

Other income consists of Government of Canada grants received under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs. CEWS is a program to assist employers facing financial hardship, as measured by certain monthly revenue declines compared to the prior year as a result of the COVID-19 health pandemic. CERS is a program to assist businesses who have seen a drop in revenue due to the COVID-19 health pandemic to cover part of their commercial rent and mortgage and property expenses.

12. Operating segments

The Company operates its Contract Drilling segment in both Canada and the United States while its Production Services segment operates in Canada. The Contract Drilling segment provides drilling rigs and related ancillary equipment to oil and gas exploration and production companies. The Production Services segment provides well services to oil and gas exploration and production companies through the use of service rigs and swabbing rigs.

Management uses net income before depreciation and income taxes ("segment income (loss)") in management reports reviewed by key management personnel and the board of directors to measure performance at a segment basis. Segment income (loss) 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 to 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.

The amounts related to each industry segment are as follows:

For the year ended December 31, 2021		Contract Drilling		Production Services		Corporate		Total
Revenue	$	31,712	$	70,923	$	-	$	102,635
Other income		475		4,074		(714)		3,835
Direct operating expenses		24,127		48,161		-		72,288
Selling and administrative expenses		1,747		8,147		5,416		15,310
Stock based compensation		-		-		782		782
Finance costs		-		-		1,086		1,086
Depreciation		3,612		6,447		504		10,563
Gain on disposal of equipment		(241)		(10)		-		(251)
Impairment of assets		-		1,296		-		1,296
Income (loss) before tax		2,942		10,956		(8,502)		5,396
Deferred income tax expense		-		-		823		823
Net income (loss)	$	2,942	$	10,956	$	(9,325)	$	4,573
Capital expenditures	$	27,793	$	1,470	$	15	$	29,278
As at December 31, 2021								
Property, plant and equipment	$	87,847	$	110,418	$	99	$	198,364
Right-of-use assets	$	-	$	353	$	17	$	370

For the year ended December 31, 2020		Contract Drilling		Production Services		Corporate		Total
Revenue	$	19,859	$	48,034	$	-	$	67,893
Other income		885		5,378		523		6,786
Direct operating expenses		13,713		35,436		-		49,149
Selling and administrative expenses		1,589		7,581		5,262		14,432
Stock based compensation		-		-		1,094		1,094
Finance costs		-		-		2,135		2,135
Depreciation		3,489		6,794		718		11,001
Loss on disposal of equipment		123		721		-		844
Impairment of assets		24,000		1,451		-		25,451
Income (loss) before tax		(22,170)		1,429		(8,686)		(29,427)
Deferred income tax recovery		-		-		(4,937)		(4,937)
Net (loss) income	$	(22,170)	$	1,429	$	(3,749)	$	(24,490)
Capital expenditures	$	2,023	$	3,089	$	26	$	5,138
As at December 31, 2020								
Property, plant and equipment	$	64,173	$	119,397	$	137	$	183,707
Right-of-use assets	$	51	$	74	$	68	$	193

13. Expenses by nature

For the year ended December 31, 2021	Direct operating expenses	Selling and administrative expenses	Stock based compensation	Finance costs	Depreciation expense	Gain on disposal of equipment	Impairment of assets	Total
Personnel expenses	$ 49,149	$ 9,172	$ 782	$ -	$ -	$ -	$ -	$ 59,103
Third party charges	10,356	-	-	-	-	-	-	10,356
Repairs and maintenance	12,783	-	-	-	-	-	-	12,783
Other selling and administrative expenses	-	4,601	-	-	-	-	-	4,601
Bad debt recovery	-	28	-	-	-	-	-	28
Facility expenses	-	1,509	-	-	-	-	-	1,509
Finance costs	-	-	-	1,086	-	-	-	1,086
Depreciation expense	-	-	-	-	10,563	-		10,563
Gain on disposal of equipment	-	-	-	-	-	(251)	-	(251)
Impairment of assets	-	-	-	-	-	-	1,296	1,296
Total	$ 72,288	$ 15,310	$ 782	$ 1,086	$ 10,563	$ (251)	$ 1,296	$ 101,074

For the year ended December 31, 2020	Direct operating expenses	Selling and administrative expenses	Stock based compensation	Finance costs	Depreciation expense	Loss on disposal of equipment	Impairment of assets	Total
Personnel expenses	$ 33,340	$ 7,856	$ 1,094	$ -	$ -	$ -	$ -	$ 42,290
Third party charges	7,586	-	-	-	-	-	-	7,586
Repairs and maintenance	8,223	-	-	-	-	-	-	8,223
Other selling and administrative expenses	-	4,313	-	-	-	-	-	4,313
Bad debt expense	-	867	-	-	-	-	-	867
Facility expenses	-	1,396	-	-	-	-	-	1,396
Finance costs	-	-	-	2,135	-	-	-	2,135
Depreciation expense	-	-	-	-	11,001	-	-	11,001
Loss on disposal of equipment	-	-	-	-	-	844	-	844
Impairment of assets	-	-	-	-	-		25,451	25,451
Total	$ 49,149	$ 14,432	$ 1,094	$ 2,135	$ 11,001	$ 844	$ 25,451	$ 104,106

14. Commitments and contingencies

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.

15. Related parties

Of the total outstanding shares of the Company, 56.8% are directly or indirectly owned by Brookfield Business Partners L.P. ("Brookfield"). The Company is related to Brookfield by virtue of control and is therefore also related to Brookfield's affiliates.

During 2021, the Company had revenue totaling $1,208 (2020: $543) and $225 in accounts receivable as at December 31, 2021 (December 31, 2020: $46) in the normal course of business with companies under common control. The terms and conditions of these transactions were no more favorable than those available, or which might reasonably be expected to be available, in similar transactions with non-related companies on an arm's length basis.

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

For the years ended December 31,	2021	2020
Short term employee benefits (including directors' fees)	$ 1,648	$ 1,531
Share based payments (stock options and RSUs)	653	630
Total compensation to key management including directors and officers	$ 2,301	$ 2,161

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 18 to 24 months gross salary, bonus and benefits.

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.

16. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's audit committee is also responsible for developing and monitoring the Company's risk management policies. The audit 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, 2021 and 2020.

Accounts receivable include 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. For the year ended December 31, 2021, ten customers comprised 52% of revenue (2020: 63%) with two customers comprising 12% and 13% of revenue respectively (2020: one customer comprised 14% of revenue). At December 31, 2021, ten customers comprised 57% of trade accounts receivable (2020: 63%) and one customer comprised 11% of trade accounts receivable (2020: 16%).

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,		2021		2020
Trade accounts receivable:				
1 to 30 days outstanding – not past due	**$**	**13,204**	$	10,350
31 to 90 days outstanding		**12,315**		5,801
>90 days overdue		**1,267**		1,015
Allowance for impairment of accounts		**(559)**		(934)
	$	**26,227**	$	**16,232**

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

		2021		2020
Balance as at January 1	**$**	**934**	$	224
Additional allowance		**28**		868
Amounts recovered		**-**		-
Amounts used		**(403)**		(158)
Balance as at December 31	**$**	**559**	$	934

For accounts receivable, the Company applies a simplified approach and recognizes lifetime expected credit losses upon initial recognition of the receivables. Historical customer default rates, age of balances outstanding, and forward-looking information are used to determine the expected credit losses. When an expected credit loss is required to be recognized, the carrying amount of the asset is reduced by the amount with an offsetting entry to net income.

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, 2021, the Company has available committed amounts under its Credit Facility in the amount of $34,889 (2020: $40,788) plus trade and other receivables of $26,227 (2020: $16,232) for a total of $61,116 (2020: $57,020) 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 2022. 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:

As at December 31, 2021	**2022**	**2023**	**2024**	**2025**	**2026 and beyond**
Accounts payable and accrued liabilities	$ 8,945	$ -	$ -	$ -	$ -
Long-term debt	764	10,334	35,151	-	-
	$ 9,710	**$ 10,334**	**$ 35,151**	**$ -**	**$ -**

As at December 31, 2020	2021	2022	2023	2024	2025 and beyond
Accounts payable and accrued liabilities	$ 6,254	$ -	$ -	$ -	$ -
Long-term debt	750	19,604	10,181	-	-
	$ 7,004	$ 19,604	$ 10,181	$ -	$ -

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 is exposed to foreign currency fluctuations on its operations in the United States. At December 31, 2021, portions of the Company's accounts payable and accrued liabilities were denominated in United States dollars and subject to foreign currency exchange fluctuations which are recorded in net income. In addition, the Company's United States subsidiary is subject to foreign currency translation adjustments upon consolidation, which are recorded separately within other comprehensive income. For the year ended December 31, 2021, the increase or decrease in comprehensive income (loss) for each $0.01 change in the U.S. dollar to Canadian dollar is estimated to be $261(December 31, 2020: $102).

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, 2021, if the prime interest rate increased by 1.0%, with all other variables held constant, net income would have been $297 lower (2020: net loss would have been $330 higher).

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.

17. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company strives to maintain a balance between debt and equity to ensure the continued access to capital markets to fund growth and ensure long-term viability. The Company continually assesses the cash flow from operations to make decisions regarding required capital maintenance, growth capital and dividends to 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 shareholders, or purchase shares for cancellation pursuant to normal course issuer bids.

The Company monitors capital using a financial metric of Consolidated Debt to Consolidated EBITDA ratio as defined in the Credit Facility (see Note 6). 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, 2021, the actual Consolidated Debt to Consolidated EBITDA of the Company has remained relatively consistent with the prior year. The Consolidated Debt to Consolidated EBITDA ratio at December 31, 2021 was 1.99:1.00 (December 31, 2020: 1.91:1.00). The Company was in compliance with all externally imposed capital requirements as at December 31, 2021 and 2020.

Corporate Information

Directors
Jim Reid, Chairman
Duncan T. Au[1]
Daryl Austin
Gary L. Bentham[1, 2]
Wade McGowan[1, 2, 3]
Dean Schultz[2, 3]

1. *Audit Committee*
2. *Compensation and Corporate Governance Committee*
3. *Quality, Health, Safety and Environment Committee*

Officers
Duncan T. Au, FCPA, FCA, 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
Ernst & Young LLP

Bankers
ATB Financial
National Bank
HSBC Bank Canada & U.S.
Canadian Western Bank

Legal Counsel
Burnet, Duckworth & Palmer LLP

Transfer Agent
Computershare Limited

Corporate Office
Suite 2910, 605 - 5th Ave SW
Calgary, Alberta T2P 3H5
Phone: (403) 264-2177
Fax: (403) 264-2842
Website: www.cwcenergyservices.com
Email: info@cwcenergyservices.com

Stock Exchange Listing
TSX Venture: CWC

Suite 2910, 605 - 5th Ave SW
Calgary, Alberta, Canada T2P 3H5
www.cwcenergyservices.com
TSX-V: CWC