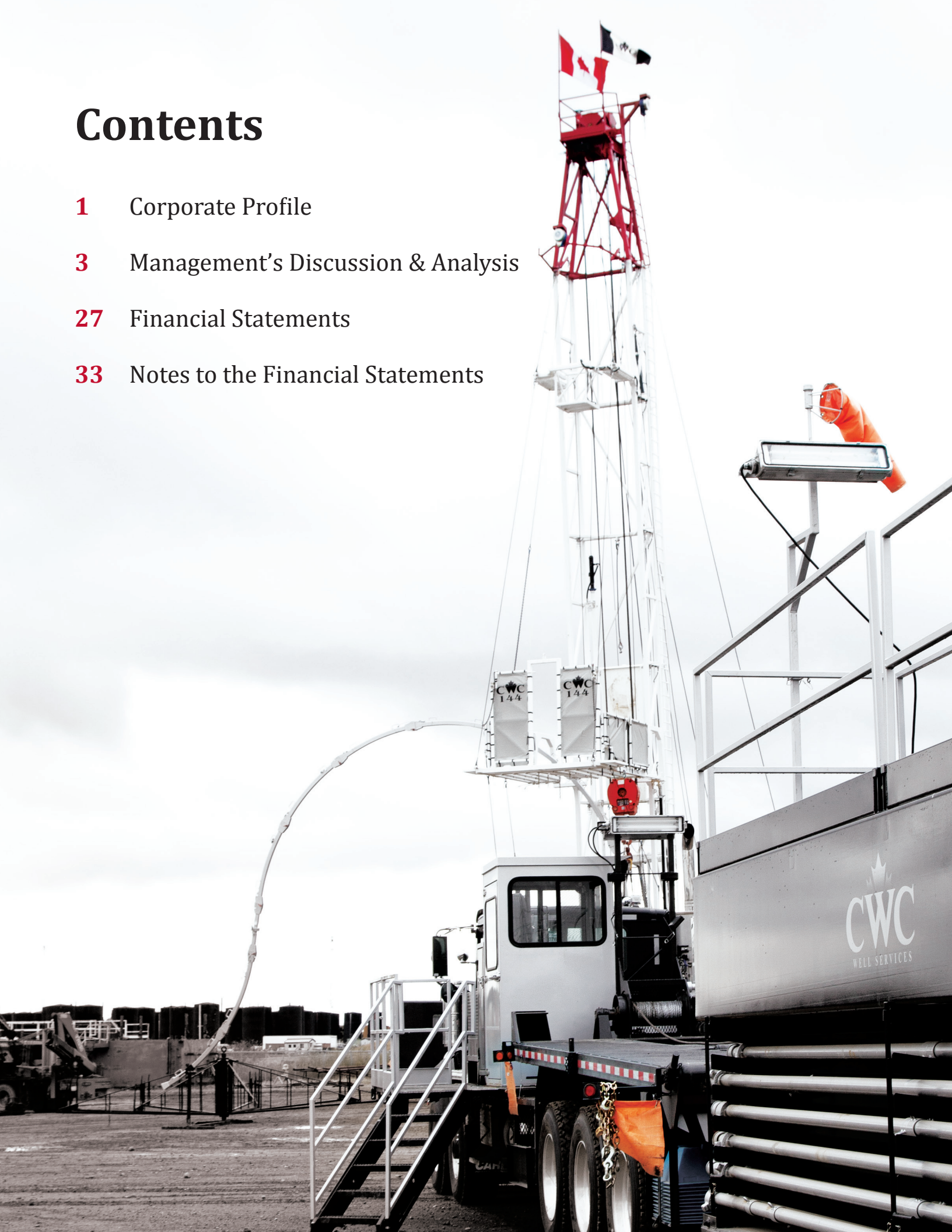
CWC
WELL SERVICES

2013 Annual Report

Contents



CWC WELL SERVICES

Corporate Profile - March 2014

2013 PROFIT 500 CANADA'S FASTEST-GROWING COMPANIES

TSX-V: CWC

CWC Well Services Corp. is a premier well servicing company operating in the Western Canadian Sedimentary Basin with a complementary suite of oilfield services including service rigs, coil tubing, snubbing and well testing.

PROFIT Magazine recognized CWC Well Services Corp. for making it on their 2013 PROFIT 500 list with a five year revenue growth of 137%. This achievement follows on the heels of making the 2012 TSX Venture 50 list where CWC placed fifth in The Diversified Industries category out of 2,250 TSX Venture Exchange listed companies.

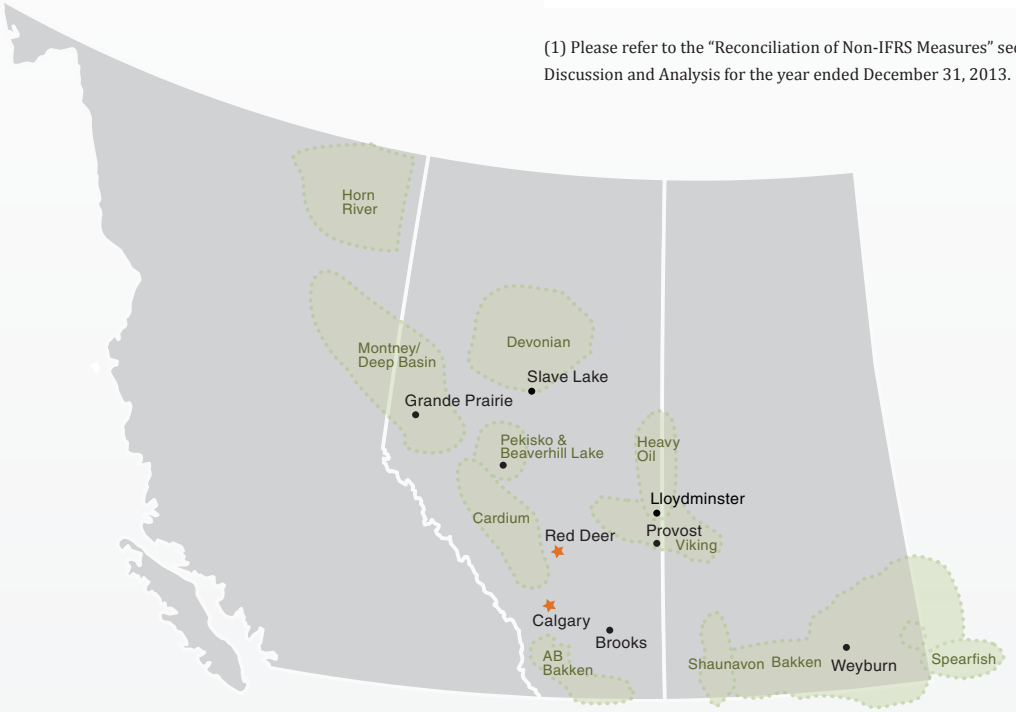
Market Profile

	December 31, 2013
Shares outstanding	155.3 million
Price	$0.83
Market cap	$128.9 million

Financial Information

($ millions)	2013	2012	2011
Revenue	$113.3	$112.3	$109.5
EBITDAS(1)	$26.2	$25.0	$28.5
Total Assets	$149.0	$152.7	$159.8
Long-Term Debt	$44.0	$45.0	$47.9
Net Debt(1)	$29.5	$31.2	$25.5

(1) Please refer to the "Reconciliation of Non-IFRS Measures" section in the Management's Discussion and Analysis for the year ended December 31, 2013.



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CWC WELL SERVICES

Divisions

Well Servicing

The Well Servicing division is comprised of service rigs and coil tubing. With 71 service rigs, CWC is the sixth largest well servicing company offering one of the youngest and most technologically advanced service rig fleets in the WCSB. These service rigs provide completions, workovers and abandonments with depths ranging from 1,500 to 5,000 metres and are well positioned throughout the WCSB. CWC also operates 8 coil tubing units to a maximum capacity of 2 inch coil and depth rating from 1,500 to 4,000 metres. CWC's Well Servicing division is well positioned for the changing demands of our oil and gas customers for horizontal drilling and deeper depth capabilities.

Other Oilfield Services

The Other Oilfield Services division is comprised of snubbing units and well testing packages. With 7 rig assist and stand-alone snubbing units, 6 of which operate at 5,000 psi, CWC is one of the larger snubbing companies in the WCSB. All 5,000 psi snubbing units are equipped with the most effective egress safety systems that are above and beyond the established safety standards in the industry. CWC also operates 10 well testing packages ranging from 200 to 285 psi trailer-mounted pressure tanks and 18 metre freestanding flare stacks.

Equipment

	2013	2012	2011
Service Rigs	71	68	63
Coil Tubing	8	8	8
Snubbing	7	8	8
Well Testing	10	11	12

Management

Duncan Au, CA, CFA
President & CEO

Ryan Michaluk, CA, CMA
Chief Financial Officer

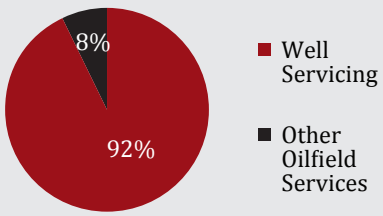
Rick Dawson, VP
Business Development

Darwin McIntyre
VP Operations
(Eastern)

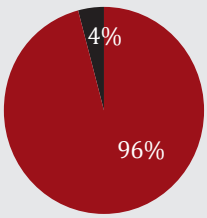
Layne Wilk
VP Operations
(Central)

2013

REVENUE BY DIVISION



EBITDAS BY DIVISION*



** Divisional contribution, corporate costs excluded*

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 Well Services Corp. (unless the context indicates otherwise, a reference in this MD&A to "CWC", the "Company", "we", "us", or "our" means CWC Well Services Corp.). The following discussion and analysis provided by CWC is dated March 5, 2014 and should be read in conjunction with the audited annual financial statements for the year ended December 31, 2013. Additional information regarding CWC can be found in the Company's latest Annual Information ("AIF"). The audited annual financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise noted. Additional information relating to CWC, including the AIF, is available on SEDAR at www.sedar.com.

Highlights for the Three Months Ended December 31, 2013

- Revenue increased 7% to $31.5 million for the three months ended December 31, 2013 as compared to $29.4 million in the fourth quarter of 2012.
- EBITDAS increased 8% to $7.6 million for the three months ended December 31, 2013 as compared to $7.0 million in the fourth quarter of 2012[(1)].
- Net income increased by 27% to $2.2 million compared to net income of $1.7 million in the fourth quarter of 2012.
- Deployed one new single service rig to the field on time and on budget.

Highlights for the Year Ended December 31, 2013

- Revenue increased 1% to $113.3 million for the year ended December 31, 2013 as compared to $112.3 million in 2012.
- EBITDAS increased 4% to $26.2 million for the year ended December 31, 2013 as compared to $25.0 million in 2012[(1)].
- Net income was $4.9 million for the year ended December 31, 2013 as compared to $4.8 million in 2012.
- Completed the 2013 capital expenditure program with three new service rigs constructed, delivered and put into active service. All three new service rigs builds in 2013 were completed within the approved capital budget at a cost of $8.2 million.
- Entered into a new three year long term credit facility providing the Company with $75 million of committed long term financing from a syndicate of three Canadian financial institutions and $25 million of additional borrowings subject to the bankers' prior consent. Interest rates under the facilities are lower than under the previous term debt facilities.
- Paid dividends of $0.065 per common share which equates to a dividend yield of 7.8% based on a closing share price of $0.83 per share on December 31, 2013.
- Exited 2013 with a strong balance sheet having a debt to equity ratio of 0.5:1, $31 million of immediately available undrawn availability under our bank lines, and a debt to 2013 EBITDAS ratio of 1.7:1[(2)].

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

(2) Calculated as Total Loans and Borrowings of $44,009 divided by EBITDAS[(1)] of $26,171.

Corporate Overview

CWC Well Services Corp. is a premier well servicing company operating in the Western Canadian Sedimentary Basin ("WCSB") with a complementary suite of oilfield services including service rigs, coil tubing, snubbing and well testing. The Company's corporate office is located in Calgary, Alberta, with operational locations in Red Deer, Provost, Lloydminster, Brooks, Slave Lake and Grande Prairie, Alberta and Weyburn, Saskatchewan.

Management is comprised of experienced oilfield service personnel who have a track record of successfully creating shareholder value. The Company's shares trade on the TSX Venture Exchange under the symbol "CWC".

Financial and Operational Highlights

$ thousands, except shares, per share amounts, margins and ratios	Three months ended December 31, 2013	Three months ended December 31, 2012	% Change	Years ended December 31, 2013	Years ended December 31, 2012	% Change
FINANCIAL RESULTS						
Revenue						
Well servicing	28,865	27,135	6%	104,691	102,807	2%
Other oilfield services	2,650	2,261	17%	8,606	9,525	(10%)
	31,515	29,396	7%	113,297	112,332	1%
EBITDAS [1]	7,598	7,050	8%	26,171	25,049	4%
EBITDAS margin (%) [1]	24%	24%		23%	22%	
Funds from (used in) operations [1]	7,598	7,050	8%	26,171	25,046	4%
Net income	2,196	1,729	27%	4,863	4,783	2%
Net income margin (%)	7%	6%		4%	4%	
Dividends declared	2,524	2,670		10,085	10,073	
Dividend declared per common share	$0.01625	$0.01625		$0.065	$0.065	
Per share information						
Weighted average number of shares outstanding – basic	155,158,173	154,852,758		155,067,901	155,355,742	
Weighted average number of shares outstanding - diluted	159,840,021	159,419,334		159,634,517	159,910,105	
EBITDAS [1] per share - basic	0.05	0.05		0.17	0.16	
EBITDAS [1] per share - diluted	0.05	0.04		0.16	0.16	
Net income per share - basic and diluted	0.01	0.01		0.03	0.03	

$ thousands, except margins and ratios	December 31, 2013	December 31, 2012
FINANCIAL POSITION AND LIQUIDITY		
Working capital (excluding debt) [1]	14,507	13,846
Working capital (excluding debt) ratio [1]	2.3:1	2.3:1
Total assets	148,999	152,680
Total Long-term debt (including current portion)	44,009	45,004
Shareholders' equity	91,344	96,465

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

Operational Overview

CWC demonstrated solid and stable performance in 2013, increasing revenue, net income and EBITDAS over 2012 levels on both a fourth quarter and annual basis while operating in a challenging service industry environment characterized by year over year declines in producer spending levels and drilling and service rig industry utilization.

The Canadian Association of Oilwell Drilling Contractors ("CAODC") reports drilling rig utilization was 41% in 2013 as compared to 53% in both 2012 and 2011. We use drilling activity as a reference point since expenditures on new wells by oil and gas companies comprise the largest portion of industry spending and such changes in drilling activity is a leading indicator for all energy services including well servicing.

	Three months ended							
COMMODITY PRICES ($ average prices for the quarter)	**Dec 31, 2013**	**Sep 30, 2013**	**Jun 30, 2013**	**Mar 31, 2013**	**Dec 31, 2012**	**Sep 30, 2012**	**Jun 30, 2012**	**Mar 31, 2012**
Crude Oil								
WTI crude oil $US/bbl	97.46	105.83	94.22	94.37	88.18	92.22	93.49	102.93
WCS crude oil $CAD/bbl	68.45	91.75	76.82	62.99	69.49	70.04	71.31	81.64
WCS differential to WTI $USD/bbl	32.19	17.48	19.16	31.96	18.08	21.72	22.87	21.42
Natural Gas								
AECO Monthly index natural gas $CAD/GJ	2.99	2.65	3.40	2.92	2.90	2.08	1.74	2.39

Commodity prices are a significant activity driver as CWC's customers' exploration and development programs are directly impacted by oil and natural gas prices. Oil and gas producers spend capital on new wells and service operations when they are economic within the context of current and forecasted commodity prices. Western Canadian Select ("WCS") crude oil is the type of crude oil produced by most of our customers. WCS crude oil is heavier than the more actively quoted West Texas Intermediate ("WTI") crude oil and can trade at a substantial discount to WTI due to both the heavy nature and the Canadian delivery location. WCS averaged $75.00 /bbl during 2013 as compared to $73.12 /bbl during 2012 providing relatively stable pricing year over year.

Natural gas prices have improved appreciably in 2013 as compared to 2012, with the average AECO monthly index price being $2.99 per GJ for 2013 as compared to $2.28 in 2012. However, last year saw lower prices than we had experienced in over a decade and while higher prices are good for our customers, we expect producers will require sustained and forecasted pricing at levels above $4.00 per GJ before we anticipate significant levels of activity to return to conventional dry natural gas oriented development.

Consistent with the shift in industry activity away from natural gas oriented development towards oil and liquids rich natural gas development, CWC has shifted focus towards oil related activities. Additionally, since mid 2012 CWC has concentrated on production maintenance, workovers and abandonments as opposed to completion activity which is more dependent upon drilling activity levels. Currently, we estimate 85% of service rig activity is on oil wells due to the challenging environment for natural gas production and drilling.

Well Servicing Division

	Three months ended							
OPERATING HIGHLIGHTS	**Dec 31, 2013**	**Sep 30, 2013**	**Jun 30, 2013**	**Mar 31, 2013**	**Dec 31, 2012**	**Sep 30, 2012**	**Jun 30, 2012**	**Mar 31, 2012**
Service Rigs								
Number of units, end of period	71	71	69	68	68	65	65	63
Hours worked	33,828	32,190	17,700	37,689	32,059	31,347	21,186	37,543
Utilization % (1)	52%	51%	29%	62%	53%	52%	36%	65%
Coil Tubing Units								
Number of units, end of period	8	8	8	8	8	8	8	8
Hours worked	2,106	1,833	1,045	3,285	1,463	1,034	417	3,956
Utilization % (2)	44%	38%	22%	68%	30%	22%	9%	90%

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

(2) Coil tubing unit utilization is calculated based on 200 hours a month. New coil tubing units are added based on the first day of field service.

CWC is the 6th largest service rig provider in the WCSB, having a modern fleet of 71 service rigs and 8 coil tubing units as at December 31, 2013. During 2013 CWC took delivery of three new service rigs, all of which were in active service before year end. All three new service rigs were built within their approved 2013 capital budget at a total cost of $8.2 million. The first of these three service rigs was deployed into the field during August, the second during September and the third during October, 2013. Two of these rigs have been deployed in our north central Alberta base where we have been building a presence since the fourth quarter of 2012, bringing our total current rig count to six in this area.

At December 31, 2013, CWC had 71 service rigs consisting of 41 singles, 27 doubles, and 3 slant rigs. The average age of CWC's service rig fleet is approximately 6 years, making CWC's fleet amongst the newest in the WCSB. Service rigs have a very long useful life if properly serviced and maintained and many rigs operating in Western Canada are over 25 years old. In the past two years CWC has added seven newly built service rigs to our fleet and refurbished and recertified one previously unused service rig. Customer acceptance of our new, high quality equipment, continues to be strong and a differentiating factor for CWC. Both customers and field personnel generally prefer to use newer equipment due to lighter weight, better design, and modern safety features. Rig services include completions, maintenance, workovers and abandonments with depth ratings from 1,500 to 5,000 metres. Our service rig fleet, with its leading edge technology, continues to stand out in an industry characterized by ageing equipment and infrastructure. CWC's Class I, II and III coil tubing units have depth ratings from 1,500 to 4,000 metres and are well positioned for the changing demand of our customers for deeper depth capabilities.

Consistent with general industry activity levels, our service rig utilization was slightly lower in 2013 than in 2012 for both the fourth quarter and full year periods. 2013 saw a general decline for most oilfield service activities as many oil and gas exploration and production companies moderated their activity levels due to a number of factors including limited access to capital markets for equity funding, continued depressed natural gas prices, relatively wide differentials for crude oil, especially heavy grade crude oil, a lack of transportation options for crude oil to get to market, and a more prolonged period of wet weather and spring breakup in the current year.

Our coil tubing units experienced higher utilization in 2013 than in 2012 for both the fourth quarter and full year periods despite lower industry activity levels as a result of our continuing sales focus and operational excellence.

Other Oilfield Services

	Three months ended							
OPERATING HIGHLIGHTS	**Dec 31, 2013**	**Sep 30, 2013**	**Jun 30, 2013**	**Mar 31, 2013**	**Dec 31, 2012**	**Sep 30, 2012**	**Jun 30, 2012**	**Mar 31, 2012**
Snubbing Units								
Number of units, end of period	6	6	6	6	7	7	7	7
Hours worked	1,081	891	220	1,460	1,191	574	241	2,065
Utilization %	24%	20%	5%	28%	23%	11%	5%	46%
Well Testing Units								
Number of units, end of period	11	11	11	11	11	11	11	12
Number of tickets billed	211	233	76	376	204	410	238	468

Other Oilfield Services comprised 8% of total revenue for the three month and full year periods ended December 31, 2013 and 6% of CWC's property and equipment net book value as at December 31, 2013, and therefore represents only a small component of CWC's overall activities.

CWC's Other Oilfield Services segment provides a variety of services for the completion and production phases of oil and natural gas wells with its 6 snubbing units and 11 well testing units. The snubbing division continues to be negatively affected by low activity on natural gas projects that suit our equipment. We attribute the lower number of well testing jobs in 2013 to a decrease in the amount of shallow well completion activity in the industry.

Outlook

As we move into 2014, CWC anticipates a continuation of the steady demand for our service rigs and coil tubing units at levels of utilization similar to those of the past couple of years. Currently we are experiencing a continuation of strong crude oil prices and, more recently, stronger natural gas prices. We expect to see an enhanced sense of urgency amongst our customers to ramp up both production oriented work and new drilling and completion work in order to realize upon these higher prices in 2014.

CWC also believes market sentiment is being impacted by the high profile challenges being faced by pipeline companies to expand take away capacity from Western Canada to both domestic and export markets and the potential for new impediments to continued expansion of crude oil shipments by rail. We remain optimistic the uncertainty regarding these issues will be resolved and anticipate both longer term pricing for Western Canadian crude and market sentiment will improve when these uncertainties are positively resolved. Improving market sentiment towards the oil and gas industry will enable our customers to raise additional funds to spend on the types of services offered by CWC and ultimately increase the utilization of our services.

On January 9, 2014, CWC announced that its Board of Directors had approved a 2014 capital expenditure budget of $10.3 million comprised of $4.7 million in growth capital and $5.6 million in maintenance and infrastructure capital. The growth capital will be directed at building one new slant service rig and two new pump trucks and supporting equipment to support our growth in SAGD wells. The maintenance and infrastructure capital will primarily be directed at Level IV recertifications on four existing service rigs and upgrades or additions to field equipment for the service rig, coil tubing, and snubbing divisions and information technology infrastructure. CWC intends to finance its 2014 capital expenditures budget from operating cash flows.

The Company remains committed to disciplined fiscal management and pursuit of growth opportunities driven by customer demand. Management continues to evaluate and assess merger and acquisition opportunities of oilfield service businesses and assets that are best-in-class and have the potential to increase shareholder value.

Discussion of Financial Results

	Three months ended December 31,				Year ended December 31,			
$ thousands	**2013**	**2012**	**Change $**	**Change %**	**2013**	**2012**	**Change $**	**Change %**
Revenue								
Well servicing	28,865	27,135	1,730	6%	104,691	102,807	1,884	2%
Other oilfield services	2,650	2,261	389	17%	8,606	9,525	(919)	(10%)
	31,515	29,396	2,119	7%	113,297	112,332	965	1%
Direct operating expenses								
Well servicing	18,151	17,112	1,039	6%	66,177	65,890	287	0%
Other oilfield services	1,690	1,636	54	3%	6,272	7,320	(1,048)	(14%)
	19,841	18,748	1,093	6%	72,499	73,210	(761)	(1)%
Gross margin [1]								
Well servicing	10,714	10,023	691	7%	38,514	36,917	1,597	4%
Other oilfield services	960	625	335	54%	2,334	2,205	129	6%
	11,674	10,648	1,026	10%	40,848	39,122	1,726	4%
Gross margin percentage [1]								
Well servicing	37%	37%	n/a	0%	37%	36%	n/a	1%
Other oilfield services	36%	28%	n/a	8%	27%	23%	n/a	4%
	37%	36%	n/a	1%	36%	35%	n/a	1%

[1] Please refer to the "Reconciliation of Non-IFRS Measures" later in this MD&A.

Revenue

Revenue for the fourth quarter of 2013 was 7% above the prior year quarter with gains experienced in both our well servicing and other oilfield services segments. Slightly lower service rig utilization rates were offset by an increase in the number of service rigs year over year and utilization increased for both our coil tubing units and snubbing units over the prior year.

Revenue for the year ended December 31, 2013 was 1% above the prior year with well servicing revenue increasing slightly due primarily to the increased number of service rigs in the current year and other oilfield services revenue decreasing due to the impact of lower full year utilization for both our snubbing and well testing units as compared to the prior year period. Most of the full year decrease occurred in the second quarter with spring breakup being longer and wetter in 2013 than in 2012.

CWC continues to focus on providing production and maintenance oriented services to better capitalized and financed senior and intermediate E&P companies. Revenue from our top ten customers has been 61% and 62% of total revenue in the current year quarter and full year periods respectively with the majority of those customers being large or intermediate exploration and production companies of high to excellent credit quality.

Direct Operating Expenses and Gross Margin

Many operating costs are variable in nature and increase or decrease with activity levels such that much of the change in operating costs in the year over year periods correspond to the increase or decrease in revenue in the current period compared to the prior period. Labour cost is the largest cost incurred by the Company, with much of this cost being variable in nature. However, there is also a portion of our labour costs which are fixed in nature and do not reduce, even in periods of lower activity. As a result, while revenue increased by 7% in the current year quarter, operating costs increased by only 6%. For the year ended December 31, 2013, revenue have increased by 1% and operating costs have decreased by 1%.

Gross margins have increased in both absolute terms and percentage terms in both the three month and one year periods ended December 31, 2013 as compared to the prior year periods.

Selling and Administrative Expenses

	Three months ended December 31,				Year ended December 31,			
$ thousands	**2013**	**2012**	**Change $**	**Change %**	**2013**	**2012**	**Change $**	**Change %**
Selling and administrative expenses	4,076	3,598	478	13%	14,677	14,073	604	4%

Selling and administrative expenses have increased year over year for both the three month and full year periods ended December 31, 2013. Many of the costs in this category, such as building and office rent, and office staff salaries are relatively fixed in nature and are not subject to significant fluctuation on a quarterly basis. Other costs such as professional and legal fees can fluctuate depending on specific services received in the period. There have been no significant changes in the structure of our selling and administration areas between 2013 and 2012. The fourth quarter of 2013 had higher levels of bad debt expense and an adjustment relating to the phase out of the Alberta Fuel tax rebate which contributed the most significant portion of the increase as compared to fourth quarter of 2012. Management believes the current structure and therefore level of expenses will continue to be adequate to allow for our planned growth in activity and revenue, subject to normal inflation.

EBITDAS

	Three months ended December 31,				Year ended December 31,			
$ thousands	**2013**	**2012**	**Change $**	**Change %**	**2013**	**2012**	**Change $**	**Change %**
EBITDAS [(1)]	7,598	7,050	548	8%	26,171	25,049	1,122	4%
EBITDAS margin (%) [(1)]	24%	24%	n/a	0%	23%	22%	n/a	1%

[(1)] Please refer to the "Reconciliation of Non-IFRS Measures" later in this MD&A.

Management uses EBITDAS as a measure of the cash flow generated by the Company. Positive EBITDAS provides the cash flow needed to grow our business through the purchase of new equipment or business acquisitions, maintain a dividend for our shareholders, repurchase outstanding common shares under the Normal Course Issuer Bid, and reduce outstanding long-term debt. The year over year growth in EBITDAS for both the three month and full year periods ended December 31 is a result of stable overall margins, relatively consistent year over year utilization, and an increase in the amount of equipment year over year.

Stock-Based Compensation

	Three months ended December 31,				Year ended December 31,			
$ thousands	**2013**	**2012**	**Change $**	**Change %**	**2013**	**2012**	**Change $**	**Change %**
Stock based compensation	288	229	59	26%	914	833	81	10%

Stock based compensation is primarily a function of the outstanding stock options and restricted share units being expensed over their vesting term. As a generalization, a higher trading price for our common shares will increase the value of stock options and restricted share units ("RSUs") at their grant date which is the value used for stock based compensation expensing. As CWC's stock price has increased significantly over the past two years, the value and therefore expense amounts of new RSUs is generally higher now than it was for RSUs issued in the prior year. Additionally, payments under the Company's dividend bonus plan have increased as more in-the-money stock options have vested over time.

Finance Costs

$ thousands	Three months ended December 31, 2013	2012	Change $	Change %	Year ended December 31, 2013	2012	Change $	Change %
Finance costs	481	755	(274)	(36%)	3,262	2,948	314	11%

Lower finance costs for the three month period ended December 31, 2013 are primarily a result of lower interest rates under the current bank facilities compared to the facilities which were in place in the prior year quarter. Average outstanding debt levels in the current year quarter were higher than in the prior year quarter.

For the full year periods ended December 31, interest expense in the current year was higher due to a combination of higher average borrowings and higher interest and finance fees under our former credit facilities. On June 21, 2013, the Company entered into a new long term credit facility the details of which are more fully described in the section titled "**Liquidity and Capital Resources – Sources of Funds".** This new facility replaced both a non-revolving term debt facility and a revolving facility both of which were subject to maturity on April 30, 2014. The interest rates under both former facilities were higher than the interest rates under the new long term debt facility with the old term facility interest rate being 7.42% per annum. In conjunction with the early termination of the term debt facility, a cash payment of $0.7 million was made in accordance with the terms of the fixed term non-revolving facility and a $0.2 million non-cash charge related to accelerated accretion of deferred loan fees was recorded as finance costs. Although the new facility resulted in increased cash costs for the year ended December 31, 2013, lower future interest costs and the financial flexibility provided by having a three year revolving facility requiring no principal payments until maturity on June 21, 2016 is expected to more than offset this one time cost.

Depreciation

$ thousands	Three months ended December 31, 2013	2012	Change $	Change %	Year ended December 31, 2013	2012	Change $	Change %
Depreciation								
Well servicing	3,424	3,203	221	7%	13,694	12,435	1,259	10%
Other oilfield services	306	310	(4)	(1%)	1,233	1,254	(21)	(2%)
Corporate	119	152	(33)	(22%)	491	571	(80)	(14%)
	3,849	3,665	184	5%	15,418	14,260	1,158	8%

Depreciation for the year ended December 31, 2013 includes a charge of $672 thousand in the well servicing segment for the impairment of a new coil tubing unit originally planned under our 2012 and 2013 capital build program. The construction of this unit had previously been put on hold during the second quarter due to repeated delays in the manufacturing timeline. During the third quarter the manufacturer went into receivership and we determined this amount, originally spent in 2012, will not provide future economic benefit to CWC. This impairment accounts for most of the increase in depreciation expense for the year ended December 31, 2013 as compared to the prior year period.

Depreciation for service rigs is based on hours of work. As a result, an increase or decrease in hours worked for an individual service rig results in an increase or decrease in depreciation expense for that individual service rig. However, there can be significant variation in the historical cost basis for our service rigs based on type and our newest service rigs, which have the highest cost and depreciation rate per hour, also typically have higher utilization. Our coil tubing, snubbing and well testing units are depreciated straight line resulting in consistent depreciation expense regardless of utilization or hours of use.

(Gain) Loss on Sale of Equipment

$ thousands	Three months ended December 31, 2013	2012	Change $	Change %	Year months ended December 31, 2013	2012	Change $	Change %
(Gain) loss on sale of equipment	(46)	91	(137)	n/m [1]	(171)	238	(409)	n/m[1]

[1] Not meaningful

Management continually monitors the asset mix and equipment needs and invests and divests assets as needed to optimize our operations. During 2013 one snubbing unit was sold at a gain which accounts for most of the current year gain. In 2012, the loss on sale of equipment related primarily to key upgrades to significant components of equipment.

Income Taxes

$ thousands	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2012
Net income before income taxes	3,026	2,310	6,748	6,770
Deferred income tax expense	830	581	1,885	1,987
Deferred income tax expense as a % of net income before income taxes	27%	25%	28%	29%
Expected statutory income tax rate	25%	25%	25%	25%

Income taxes are a function of taxable income and are calculated differently than accounting income. Differences between accounting income and taxable income include such things as the non-taxable portion of capital gains, the non-deductible portion of capital losses, items which are not deductible for income tax purposes such as (gains) losses on disposal of fixed assets, stock based compensation, differences between income tax estimates and actual tax filings, and other differences. Additionally, the recognition or de-recognition of certain tax credits or pool balances can occur based on judgments as to the ability of the Corporation to be able to realize the benefits of such tax balances or credits in the future. The difference between the actual income tax rate and the expected income tax rate in both the current year and prior year periods is due to these types of items. The Company has substantial tax pools and non-capital losses available to reduce future taxable income such that no cash taxes are expected to be payable for 2014.

Net Income and Comprehensive Income

$ thousands	Three months ended December 31, 2013	Three months ended December 31, 2012	Change $	Change %	Year ended December 31, 2013	Year ended December 31, 2012	Change $	Change %
Net income and comprehensive income	2,196	1,729	467	27%	4,863	4,783	80	2%

Net income for the three months ended December 31 increased by $0.5 million in the current year three month period and $0.1 million for the full year period as compared to the same periods of 2012. The quarter over quarter increase is due primarily to increased gross margins in the current year.

The increase in net income for the full year period reflects increased gross margins in the current year somewhat offset by increased finance costs associated with the termination of the previous term debt facility and increased depreciation relating to the cancelled coil tubing unit.

Liquidity and Capital Resources

Sources of Funds:
During the year ended December 31, 2013, the Corporation financed capital expenditures with cash flow from operations, changes in working capital and bank debt.

At December 31, 2013, the Corporation had positive working capital excluding debt of $14.5 million (Please refer to the "Reconciliation of Non-IFRS Measures" section for further information).

The Company entered into a new credit facility with a syndicate of three Canadian financial institutions on June 21, 2013 (the "Credit Facility"). The Credit Facility currently provides the Company with a $75 million extendible revolving term facility (the "Bank Loan") with an additional $25 million available, subject to the approval of the lenders, pursuant to an accordion feature for a total Credit Facility of $100 million. The Bank Loan is for a committed term until June 21, 2016. No principal payments are required under the Bank Loan until June 21, 2016, at which time any amounts outstanding are due and payable.

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company's trailing debt to cash flow (Earnings before income taxes, depreciation, amortization, and stock based compensation – "EBITDAS") ratio as defined in the Credit Agreement: from a minimum of the bank's prime rate plus 0.75% to a maximum of the bank's prime rate plus 2.25% or from a minimum of the bankers acceptances rate plus a stamping fee of 1.75% to a maximum of the bankers acceptances rate plus a stamping fee of 3.25%. Standby fees under the Bank Loan range between 0.39% and 0.73%. Interest and fees under the Bank Loan is payable monthly. The Company has the option to borrow funds denominated in either Canadian or United States dollars under the Facility. The interest rates under the new Bank Loan are lower than under the previous facilities.

As at December 31, 2013, drawings under the Bank Loan totaled $44 million, leaving $31 million of immediately available and undrawn capacity under the Bank Loan.

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. Under the terms of the Bank Loan, the Company is required to comply with certain financial covenants. As of December 31, 2013, the Company is in compliance with each of those financial covenants.

Effective January 1, 2014 the applicable rates under the agreement are: bank prime rate plus 1.25%, bankers acceptances rate plus a stamping fee of 2.25%, and standby fee rate of 0.51%.

The current portion of loans and borrowings is $0.2 million and consists entirely of amounts payable under finance leases.

Capital Requirements:
Over the past three years the Company has been increasing its asset base of service rigs and coil tubing units. Given the Company's relatively young fleet of equipment many capital expenditures are discretionary in nature and are incurred with a view to increase the size and revenue generating capacity of the business as opposed to being required in order to maintain the current business operations. The Company anticipates spending approximately $3 million annually over the next several years to recertify the oldest of its service rigs due for their Level IV recertification. As at December 31, 2013, the Company has capital spending plans as noted in the section titled **"Capital Expenditures"**. Additional discretionary capital expenditures will be required in order to continue to grow the Company's assets and revenue in the future. It is anticipated future cash requirements for capital expenditures will be met through a combination of funds generated from operations and bank debt from existing credit facilities as required. However, additional funds may be raised by additional bank debt, other forms of debt, the sale of assets, or the issue of equity.

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

Dividends, Normal Course Issuer Bid and Outstanding Share Data

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

	March 5, 2014
Common shares	155,353,066
Stock options	8,277,012
Restricted share units	1,600,000

The following table summarizes dividends paid since December 31, 2011:

Declaration Date	Record Date	Payment Date	Dividend per Common Share
March 20, 2012	June 29, 2012	July 13, 2012	$0.03250
August 13, 2012	September 28, 2012	October 15, 2012	$0.01625
November 15, 2012	December 31, 2012	January 15, 2013	$0.01625
February 7, 2013	March 29, 2013	April 15, 2013	$0.01625
May 9, 2013	June 28, 2013	July 15, 2013	$0.01625
August 14, 2013	September 30, 2013	October 15, 2013	$0.01625
November 13, 2013	December 31, 2013	January 15, 2014	$0.01625
March 5, 2014	March 31, 2014	April 15, 2014	$0.01625

The declaration of dividends is determined on a quarter by quarter basis by the Board of Directors and reflects CWC's positive view on the sustainability of its cash flows and earnings in the future.

During 2013, 439,500 common shares were purchased under the Normal Course Issuer Bid ("NCIB"). The Company renewed its NCIB effective April 1, 2013, to purchase from time to time, as it considered advisable, up to 7,755,795 of its issued and outstanding common shares on the open market through the facilities of the TSX Venture Exchange ("TSXV"). The price that the Company will pay for any common share under the NCIB will be the prevailing market price on the TSXV at the time of such purchase. From January 1, 2014 to March 5, 2014, no common shares were purchased under the renewed NCIB. The NCIB expires on March 31, 2014.

Capital Expenditures

$ 000's	Year ended December 31, 2013	Three months ended December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Capital expenditures:					
Well servicing	10,910	879	2,355	4,809	2,867
Other oilfield services	466	81	9	10	366
Corporate	181	117	3	8	53
Total capital expenditures	**11,557**	**1,077**	**2,367**	**4,827**	**3,286**

$ 000's	Year ended December 31, 2012	Three months ended December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Capital expenditures:					
Well servicing	15,016	5,156	2,010	2,956	4,894
Other oilfield services	875	383	38	278	176
Corporate	459	168	8	171	112
Total capital expenditures	**16,350**	**5,707**	**2,056**	**3,405**	**5,182**

Capital expenditures in 2013 were primarily targeted to address identified opportunities to expand into additional geographic regions in the WCSB, particularly in the north central region of Alberta. Expenditures consisted mainly of costs for the construction of three new service rigs to support our growth into north central Alberta and major recertification costs of a snubbing unit and a service rig. All three new service rigs builds in 2013 were completed within the approved capital budget at a cost of $8.2 million. Other capital expenditures were for upgrades or additions to field equipment and information technology infrastructure.

Capital expenditures in 2012 consisted mainly of the construction of four new service rigs and recertification of one service rig. The remaining amounts were spent on equipment upgrades and replacements, and computer and leasehold upgrades and improvements.

The Board of Directors has approved a capital expenditure budget for 2014 totaling $10.3 million comprised of $4.7 million of growth capital and $5.6 million for maintenance and infrastructure capital. The growth capital will be directed at building one new slant service rig and two new pump trucks and supporting equipment to support the company's growth in steam-assisted gravity drainage wells. The maintenance and infrastructure capital will primarily be directed at Level 4 recertifications on four existing service rigs, upgrades or additions to field equipment for the service rig, coil tubing and snubbing divisions, and for information technology infrastructure.

The Company continues to be committed to disciplined fiscal management and pursuit of growth opportunities driven by customer demand. Management continues to evaluate and assess merger and acquisition opportunities of oilfield service businesses and assets that are best-in-class that would have the potential to increase shareholder value.

Commitments and Contractual Obligations

CWC's contractual financial obligations as at December 31, 2013 are summarized as follows:

$ 000's	Payments due by period: Next 12 months	Between 1 and 3 years	Between 4 and 5 years	Greater than 5 years	Total
Contractual obligations:					
Bank Loan	-	44,017	-	-	44,017
Finance lease liabilities	185	119	-	-	304
Operating lease payments	1,113	1,627	265	-	3,005
Total contractual obligations	**1,298**	**45,763**	**265**	**-**	**47,326**

Under the terms of the Company's credit facility, the Bank Loan is due in full on June 21, 2016. The Company is committed to make only monthly payments of interest and bank charges until June 21, 2016. Management believes that, based on anticipated activity levels for its services, there will be sufficient cash flows generated from operations to service the interest on the debt, finance the growth capital of the Company and maintain a dividend payment to its shareholders.

Finance lease liabilities relate to passenger vehicles. Operating leases relate primarily to buildings and lands leased in operations.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts	2013				2012			
Three months ended	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Revenue	31,515	28,559	14,845	38,378	29,396	26,887	17,143	38,907
EBITDAS [1]	7,597	7,578	(269)	11,265	7,050	6,348	584	11,066
Net (loss) income	2,196	1,629	(3,844)	4,883	1,729	1,255	(2,726)	4,525
Net (loss) income per share: basic and diluted	0.01	0.01	(0.02)	0.03	0.01	0.01	(0.02)	0.03
Total assets	148,999	150,522	144,604	157,262	152,680	147,566	146,914	160,570
Total long-term debt	44,009	46,225	42,279	42,634	41,841	37,987	32,115	44,304
Shareholders' equity	91,344	91,537	92,440	98,969	96,465	97,272	98,474	101,568

[1] Please refer to the "Reconciliation of Non-IFRS Measures" later in this MD&A.

The table above summarizes CWC's quarterly results for the previous eight financial quarters. All of CWC's operations are carried out in Western Canada. The second quarter (three months ended June 30) is typically expected to be the weakest financial and operating quarter for the Company due to ground conditions being impacted by spring breakup. The ability to move heavy equipment in the Canadian crude oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this spring breakup has a direct impact on the Company's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen enough to support equipment. As a result, late March through May is traditionally the Company's slowest time, and as such the revenue, operating costs, and financial results of the Company will vary on a quarterly basis.

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

Other significant impacts have been a result of:

- Three months ended June 30, 2013, spring breakup in 2013 was wetter and more prolonged than in 2012 resulting in a larger decline in seasonal activity levels than in 2012.
- Three months ended June 30, 2013, $0.7 million of finance costs were incurred to terminate debt facilities prior to their expiry (see the heading titled "Finance Costs" in this document).
- Three months ended September 30, 2013, $0.7 million for impairment of a coil tubing unit not completed due to the manufacturer going into receivership.

Selected Annual Financial Information

Selected annual financial information derived from the audited financial statements for the three most recently completed financial years is set forth below and is prepared in accordance with IFRS.

$ thousands, except per share amounts	As at or years ended December 31,		
	2013	2012	2011
Revenue			
Well servicing	$ 104,691	$ 102,807	$ 89,025
Other oilfield services	8,606	9,525	20,477
	113,297	112,332	109,502
Net income and comprehensive income	4,863	4,783	12,690
Per share:			
Basic	$0.03	$0.03	$0.08
Diluted	$0.03	$0.03	$0.08
Total assets	148,999	152,680	159,774
Total long-term financial liabilities (excludes current portion and future income taxes)	43,824	39,419	39,564
Dividends declared per common voting share	$0.065	$0.065	$-

Revenue increased sequentially from 2011 to 2012 to 2013 primarily as a result of the increase in the number of service rigs in our fleet adjusted for changes in utilization levels. In 2011 we averaged 57.6 service rigs, in 2012 we averaged 66.8 service rigs and in 2013 we averaged 69.3 service rigs in active service during the year. Our service rig utilization has declined through the three year period consistent with a general industry wide decline in oilfield service activity with average utilizations of 56% in 2011, 50% in 2012 and 48% in 2013.

The decline in revenue from our other oilfield services segment from 2011 to 2012 was primarily the result of the disposition of our nitrogen assets in December, 2011.

Net income in 2011 was positively impacted by the recognition of previously unrecognized tax benefits of $4.2 million and a gain on the sale of equipment, primarily our nitrogen units, of $1.1 million.

Total assets decreased from December 31, 2011 to December 31, 2012 due primarily to a $7.5 million reduction in the amount of outstanding accounts receivable. Total assets decreased from December 31, 2012 to December 31, 2013 primarily due to the amount of depreciation recorded exceeding the amount of new asset additions in the year ended December 31, 2013.

The change in the amount of long term financial liabilities is primarily due to changes in the amount of long-term debt.

Financial Instruments and Other Instruments

The Company has financial instruments carried on the balance sheet as follows: accounts receivable, accounts payable and accrued liabilities, dividend payable, and long-term debt all of which are measured at amortized cost. The fair values of the cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature; the fair value of the Company's long-term debt approximates its carrying value due to the floating interest rate terms.

The Company's financial instruments have exposure to credit 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.

Accounts receivable includes balances from a large number of customers primarily operating in the oil and gas industry. The Company assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual amount receivable.

b) 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

The Company's operations are almost exclusively conducted in Canadian Dollars and has little exposure to foreign currency risk.

- 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. The Company has not entered into any interest rate swaps or other financial arrangements that mitigate the Company's exposure to interest rate fluctuations.

- Commodity price risk

The Company is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices.

The Company uses bank debt as a part of its capital structure, primarily to finance the acquisition of capital assets. The Company uses accounts receivable, and accounts payable in the normal course of business for purchase and sale of goods and services.

Critical Accounting Estimates and Judgments

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

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

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

Determination of cash generating units

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

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

Impairment of tangible and intangible assets

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

Depreciation and amortization

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

Stock based compensation

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

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

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

Allowance for doubtful accounts receivable

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

Income taxes

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

New Accounting Pronouncements

Effective January 1, 2013, the Company adopted the following accounting standards or revisions thereto:

IFRS 7: *Financial Instruments – Disclosures*
IFRS 10: *Consolidated Financial Statements*
IFRS 11: *Joint Arrangements*
IFRS 12: *Disclosure of Interests in Other Entities*
IFRS 13: *Fair Value Measurement*

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

Future Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company.

IAS 32: Offsetting Financial Assets and Financial Liabilities – In 2011, the IASB issued amendments to IAS 32 clarifying the meaning of "currently has a legal enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are required to be adopted for periods beginning October 1, 2014. The Company is currently analyzing the impact, if any, that the adoption of this standard will have on its financial statements.

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, 2013 annual filings. The certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires that the certifying officer's state:

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

Risks and Uncertainties

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

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

Operational Risks

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

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

Oilfield Service Industry Risks

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

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

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

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

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

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

Price Competition and Cyclical Nature of the Oilfield Services Business
The service rig, coil tubing, snubbing and well testing 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 service rig, snubbing or coil tubing contractor to select. Management believes other factors are also important. Among those factors are:

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

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

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

Service Rig and Coil Tubing Units Construction Risks

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

Equipment and Parts Availability

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

Capital Overbuild in the Contract Service Rig Industry

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

Dependence on Suppliers

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

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

Management maintains relationships with a number of suppliers in an attempt to mitigate this risk. However, if the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to the Company's customers could have a material adverse effect on the Company's results of operations and the Company's financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Alternatives to and Changing Demand for Petroleum Products
Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

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

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

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

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

Forward-Looking Information

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

Reconciliation of Non-IFRS Measures

$ thousands except share and per share amounts	Three months ended December 31, 2013	Three months ended December 31, 2012	Years ended December 31, 2013	Years ended December 31, 2012
NON-IFRS MEASURES				
EBITDAS:				
Net income	2,196	1,729	4,863	4,783
Add:				
Depreciation	3,849	3,665	15,418	14,260
Finance costs	481	755	3,262	2,948
Income tax expense	830	581	1,885	1,987
Stock based compensation	288	229	914	833
(Gain) loss on sale of equipment	(46)	91	(171)	238
EBITDAS (1)	7,598	7,050	26,171	25,049
EBITDAS per share – basic (1)	0.05	0.05	0.17	0.16
EBITDAS per share – diluted (1)	0.05	0.04	0.16	0.16
EBITDAS margin (EBITDAS/Revenue) (1)	24%	24%	23%	22%
Weighted average number shares outstanding - basic	155,158,173	154,852,758	155,067,901	155,355,742
Weighted average number shares outstanding - diluted	159,840,021	159,419,334	159,634,517	159,910,105
Funds from operations:				
Cash flows from operating activities	5,904	3,731	25,200	32,715
Add (deduct): Change in non-cash working capital	1,694	3,319	971	(7,669)
Funds from operations (2)	7,598	7,050	26,171	25,046
Funds from operations per share – basic (2)	0.05	0.05	0.17	0.16
Funds from operations per share – diluted(2)	0.05	0.05	0.16	0.16
Gross margin:				
Revenue	31,515	29,396	113,297	112,332
Less: Direct operating expenses	19,841	(18,748)	(72,449)	(73,210)
Gross margin (3)	11,674	10,648	40,848	39,122
Gross margin percentage (3)	37%	36%	36%	35%

$ thousands	December 31, 2013	December 31, 2012
Working capital (excluding debt):		
Current Assets	25,353	24,142
Less: Current Liabilities	(11,031)	(15,881)
Add: Current portion of long term debt	185	5,585
Working capital (excluding debt) (4)	14,507	13,846
Working capital (excluding debt) ratio(4)	2.3:1	2.3:1
Net debt:		
Long term debt	43,824	39,419
Less: Current assets	(25,353)	(24,142)
Add: Current liabilities	11,031	15,881
Net debt (5)	29,502	31,158

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

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

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

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

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

Management's report

To the Shareholders of CWC Well Services Corp.:

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

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

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

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

Calgary, Alberta
March 5, 2014

(signed) "Ryan Michaluk"
Ryan Michaluk
Chief Financial Officer

Calgary, Alberta
March 5, 2014

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of CWC Well Services Corp.

We have audited the accompanying financial statements of CWC Well Services Corp., which comprise the statements of financial position as at December 31, 2013 and December 31, 2012, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CWC Well Services Corp. as at December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

Calgary, Canada
March 5, 2014

CWC WELL SERVICES CORP.

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2013 and December 31, 2012

December 31, *(Stated in thousands of Canadian dollars)*	Note	**2013**	2012
ASSETS			
Current			
Cash		**$ 202**	$ -
Accounts receivable	15	**22,359**	21,404
Inventory		**2,392**	2,537
Prepaid expenses and deposits		**400**	201
		25,353	24,142
Property and equipment	6	**123,646**	128,538
		$ 148,999	$ 152,680
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 8,322**	$ 7,779
Dividend payable	9	**2,524**	2,517
Current portion of long-term debt	7	**185**	5,585
		11,031	15,881
Deferred tax liability	8	**2,800**	915
Long-term debt	7	**43,824**	39,419
		57,655	56,215
SHAREHOLDERS' EQUITY			
Share capital	9	**108,184**	108,001
Contributed surplus	9	**6,056**	5,762
Deficit		**(22,896)**	(17,298)
		91,344	96,465
		$ 148,999	$ 152,680

See accompanying notes to the financial statements.

Approved on behalf of the board:

(signed) "Gary Bentham"
Gary Bentham, Director

(signed) "Duncan Au"
Duncan Au, Director

CWC WELL SERVICES CORP.

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2013 and 2012

Stated in thousands of Canadian dollars except per share amounts	Note	**2013**	2012
Revenue		**$ 113,297**	$ 112,332
Expenses	12		
Direct operating expenses		**72,449**	73,210
Selling and administrative expenses		**14,677**	14,073
Stock based compensation	9	**914**	833
Finance costs	7	**3,262**	2,948
Depreciation		**15,418**	14,260
(Gain) loss on disposal of equipment		**(171)**	238
		106,549	105,562
Net income before income taxes		**6,748**	6,770
Deferred income tax expense	8	**1,885**	1,987
Net income and comprehensive income		**$ 4,863**	$ 4,783
Earnings per share			
Basic and diluted	9	**$ 0.03**	$ 0.03

See accompanying notes to the financial statements.

CWC WELL SERVICES CORP.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31 2013 and 2012

Stated in thousands of Canadian dollars except share amounts	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance – January 1, 2012		156,444,077	$ 109,143	$ 5,236	$ (11,755)	$ 102,624
Net income and comprehensive income		-	-	-	4,783	4,783
Stock based compensation expense	9	-	-	750	-	750
Exercise of stock options	9	343,322	149	(63)	-	86
Cancellation of common shares purchased under normal course issuer bid	9	(1,871,500)	(1,291)	(161)	-	(1,452)
Dividends declared	9	-	-	-	(10,326)	(10,326)
Balance – December 31, 2012		154,915,899	$ 108,001	$ 5,762	$ (17,298)	$ 96,465
Net income and comprehensive income		**-**	**-**	**-**	**4,863**	**4,863**
Stock based compensation expense	9	**-**	**-**	**793**	**-**	**793**
Exercise of stock options	9	**661,667**	**355**	**(155)**	**-**	**200**
Stock options settled in cash	9	**-**	**-**	**(190)**	**-**	**(190)**
Settlement of restricted share units	9	**185,000**	**131**	**(131)**	**-**	**-**
Cancellation of common shares purchased under normal course issuer bid	9	**(439,500)**	**(303)**	**(23)**	**-**	**(326)**
Dividends declared	9	**-**	**-**	**-**	**(10,461)**	**(10,461)**
Balance – December 31, 2013		**155,323,066**	**$ 108,184**	**$ 6,056**	**$ (22,896)**	**$ 91,344**

See accompanying notes to the financial statements.

CWC WELL SERVICES CORP.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013 and 2012

Stated in thousands of Canadian dollars	Note	**2013**	2012
Operating activities:			
Net income from continuing operations		**$ 4,863**	$ 4,783
Adjustments for:			
Stock based compensation expense	9	**914**	833
Finance costs		**3,262**	2,945
Depreciation		**15,418**	14,260
(Gain) loss on disposal of equipment		**(171)**	238
Deferred income tax expense	8	**1,885**	1,987
		26,171	25,046
Changes in non-cash working capital balances	10	**(971)**	7,669
Operating cash flow		**25,200**	32,715
Investing activities:			
Purchase of equipment		**(11,440)**	(16,350)
Proceeds on disposal of equipment		**1,208**	474
Investing cash flow		**(10,232)**	(15,876)
Financing activities:			
Retirement of long-term debt		**(14,250)**	-
Increase (repayment) of long-term debt		**13,329**	(8,250)
Increase (decrease) in bank indebtedness		**-**	3,353
Finance costs paid		**(414)**	(143)
Interest paid		**(2,851)**	(2,731)
Finance lease repayments		**(186)**	(145)
Common shares purchased for cancellation	9	**(126)**	(1,453)
Common shares issued on exercise of options	9	**-**	86
Stock options settled in cash	9	**(190)**	-
Dividends paid	9	**(10,078)**	(7,556)
Financing cash flow		**(14,766)**	(16,839)
Increase in cash during the year		**202**	-
Cash, beginning of year		**-**	-
Cash, end of year		**$ 202**	$ -

See accompanying notes to the financial statements.

1. Reporting entity

CWC Well Services Corp. ("CWC" or the "Company") is incorporated under the *Business Corporations Act* (Alberta). The address of the Company's registered office is Suite 755, 255 – 5th Avenue Southwest, Calgary, Alberta, Canada. The Company is an oilfield services company providing production services to oil and gas exploration and development companies throughout the Western Canadian Sedimentary Basin. The Company's common stock is listed and traded on the TSX Venture Exchange under the symbol CWC. Additional information regarding CWC's business is available in CWC's most recent Annual Information Form available on SEDAR at www.sedar.com, or on our website www.cwcwellservices.com, or by contacting the Company at the address noted above.

2. Basis of presentation

(a) Statement of compliance

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

These financial statements were approved by the Board of Directors on March 5, 2014.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for marketable securities which are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

Determination of cash generating units

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

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

Impairment of tangible and intangible assets

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

Depreciation and amortization

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

Stock based compensation

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

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

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

Allowance for doubtful accounts receivable

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

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

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

3. Significant accounting policies

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

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

(b) 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
- any other costs directly attributable to bringing the assets to a working condition for their intended use;

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

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

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

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

Assets	Method	Rate
Production equipment – service rigs and Level IV recertifications	Unit of production with residual values of none to-20%	24,000 operating hours
Production equipment – Coil, Snubbing units	Straight-line with residual values of none to-20%	10 years
Support equipment	Straight-line with residual values of none 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 excluding inventories and deferred tax assets
Non-financial assets excluding inventories and deferred tax assets are assessed at the end of each reporting period to determine if any indication of impairment exists. If any such indication exists, the Company estimates the recoverable amount of the asset. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use ("VIU") and its fair value less costs to sell ("FVLCS"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU's.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(g) Provisions
A provision is recognized in the financial statements when the Company has an obligation, whether existing or potential as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the obligation is determined to be material, then the estimated amount of the provision is determined by discounting the expected future cash outflows. At December 31, 2013 and December 31, 2012 there were no provisions recognized in the financial statements.

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

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

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

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

Leasing contracts are classified as either finance or operating leases.

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

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

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

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

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

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

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

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

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

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

(n) Employee costs

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

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

Under the Company's stock option plan described in note 9, options to purchase common shares are granted to directors, officers and employees. The fair value of common share purchase options is calculated at the date of grant using the Black-Scholes option pricing model and that value is recorded as compensation expense over the vesting period of the option with an offsetting credit to contributed surplus. Upon exercise of the share purchase options: i) if shares are issued from treasury, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in common share capital, or ii) if a cash payment is made to the participant, contributed surplus is reduced by the amount of the cash payment. It is the Company's intent to settle future common share purchase options by means of the issue of shares from treasury.

Under the Company's restricted share unit plan described in note 9, restricted share units ("RSUs") are granted to directors, officers and employees. The fair value of RSUs is calculated at the date of grant using on the market price of the common shares and that value is recorded as compensation expense over the vesting period of the RSU with an offsetting credit to contributed surplus. Upon settlement of the RSUs: i) if shares are issued from treasury, share capital is increased and contributed surplus is decreased by the amount previously expensed for stock based compensation for the RSUs, or ii) if common shares are purchased in open market purchases or purchases pursuant to private transactions with third parties, the amount paid for such purchases is recorded as a reduction in contributed surplus, or iii) if a cash payment is made to the participant, contributed surplus is reduced by the amount of the cash payment. It is the Company's intent to settle future RSUs by means of the issue of shares from treasury.

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

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

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

(p) Segmented information
The operating divisions are grouped into two distinct reporting segments: Well Servicing and Other Oilfield 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.

4. Changes in accounting policies including initial adoption

Effective January 1, 2013, the Company adopted the following accounting standards or revisions thereto:

IFRS 7: *Financial Instruments – Disclosures*
IFRS 10: *Consolidated Financial Statements*
IFRS 11: *Joint Arrangements*
IFRS 12: *Disclosure of Interests in Other Entities*
IFRS 13: *Fair Value Measurement*

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

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company.

IAS 32: Offsetting Financial Assets and Financial Liabilities – In 2011, the IASB issued amendments to IAS 32 clarifying the meaning of "currently has a legal enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are required to be adopted for periods beginning October 1, 2014. The Company is currently analyzing the impact, if any, that the adoption of this standard will have on its financial statements.

5. Determination of fair values

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

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

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

(a) Property and equipment

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

(b) Inventories

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

(c) Share based compensation transactions

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

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

(d) Fair value hierarchy

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

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

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

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

The Company did not have any financial instruments that were required to be classified in Level 1, 2 or 3 as at December 31, 2013. There were no transfers between Level 1 and 2 in the period.

6. Property and equipment

	Production equipment	Support equipment	Miscellaneous equipment	Assets under construction	Total
Costs					
Balance, January 1, 2013	**$ 117,730**	**$ 76,041**	**$ 1,998**	**$ 1,265**	**$ 197,034**
Additions	**1,655**	**630**	**169**	**9,103**	**11,557**
Transfers	**8,024**	**1,850**	**-**	**(9,874)**	**-**
Disposals	**(2,435)**	**(130)**	**-**	**-**	**(2,565)**
Balance, December 31, 2013	**124,974**	**78,391**	**2,167**	**494**	**206,026**
Accumulated depreciation					
Balance, January 1, 2013	**33,670**	**33,764**	**1,062**	**-**	**68,496**
Depreciation	**8,382**	**6,564**	**472**	**-**	**15,418**
Disposals	**(1,425)**	**(109)**	**-**	**-**	**(1,534)**
Balance, December 31, 2013	**40,627**	**40,219**	**1,534**	**-**	**82,380**
Net book value					
Balance, December 31, 2013	**$ 84,347**	**$ 38,172**	**$ 633**	**494**	**$ 123,646**

	Production equipment	Support equipment	Miscellaneous equipment	Assets under construction	Total
Costs					
Balance, January 1, 2012	$ 104,955	$ 71,682	$ 1,425	$ 3,598	$ 181,660
Additions	2,932	1,416	607	11,928	16,883
Transfers	10,361	3,524	51	(13,936)	-
Disposals	(518)	(581)	(85)	(325)	(1,509)
Balance, December 31, 2012	117,730	76,041	1,998	1,265	197,034
Accumulated depreciation					
Balance, January 1, 2012	26,490	27,654	597	-	54,741
Depreciation	7,267	6,442	551	-	14,260
Disposals	(87)	(332)	(86)	-	(505)
Balance, December 31, 2012	33,670	33,764	1,062	-	68,496
Net book value					
Balance, December 31, 2012	$ 84,060	$ 42,277	$ 936	$ 1,265	$ 128,538

At December 31, 2013, property and equipment includes equipment under finance leases which are recorded at cost totaling $750 (December 31, 2012: $634), less accumulated depreciation of $455 (December 31, 2012: $267).

7. Loans and borrowings

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

	December 31, 2013	December 31, 2012
Current liabilities:		
Bank indebtedness	**$ -**	$ 3,163
Current portion of long term debt	**-**	2,250
Current portion of finance lease liabilities	**185**	172
	$ 185	$ 5,585
Non-current liabilities:		
Bank Loan	**$ 44,041**	$ 39,549
Finance lease liabilities	**119**	202
Financing fees	**(336)**	(332)
	$ 43,824	$ 39,419
Total loans and borrowings	**$ 44,009**	$ 45,004

The Company has a credit facility with a syndicate of three Canadian financial institutions (the "Credit Facility"). The Credit Facility provides the Company with a $75 million extendible revolving term facility (the "Bank Loan") and other credit instruments. The Bank Loan is for a committed term until June 21, 2016 (the "Maturity Date"). No principal payments are required under the Bank Loan until the Maturity Date, at which time any amounts outstanding are due and payable. The Company may, on an annual basis, request the Maturity Date be extended for a period not to exceed three years from the date of the request. If a request for an extension is not approved by the banking syndicate, the Maturity Date will remain unchanged.

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company's trailing debt to cash flow (Earnings before income taxes, depreciation, amortization, and stock based compensation – "EBITDAS") ratio as defined in the Credit Agreement: from a minimum of the bank's prime rate plus 0.75% to a maximum of the bank's prime rate plus 2.25% or from a minimum of the bankers acceptances rate plus a stamping fee of 1.75% to a maximum of the bankers acceptances rate plus a stamping fee of 3.25%. Standby fees under the Bank Loan range between 0.39% and 0.73%. Interest and fees under the Bank Loan is payable monthly. The Company has the option to borrow funds denominated in either Canadian or United States dollars under the Credit Facility. Borrowings under the Bank Loan are limited to an aggregate of 75% of accounts receivable outstanding less than 90 days plus 60% of the net book value of property and equipment less certain priority payables. As at December 31, 2013, $75 million was available for immediate borrowing under the $75 million Bank Loan facility and $44.0 million was outstanding (December 31, 2012: $41.8 million). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings to up to $100 million, subject to the approval of the lenders. The Bank Loan is secured by a security agreement covering all of the assets of the Company and a first charge Security Interest covering all assets of the Company. Effective January 1, 2014 the applicable rates under the Bank Loan are: bank prime rate plus 1.25%, bankers acceptances rate plus a stamping fee of 2.25%, and standby fee rate of 0.51%.

Under the terms of the Credit Facility, the Company is required to comply with the following financial covenants, as defined in the Credit Agreement, on a quarterly basis: a working capital ratio excluding borrowings under the Bank Loan of not less than 1.25 to 1.00; a ratio of total debt to capitalization (capitalization defined as total shareholders' equity, less intangible assets and goodwill plus total debt) not to exceed 50%; a debt service coverage ratio (as defined in the credit agreement) of not less than 1.15 to 1.00; and a total debt to trailing twelve month earnings before interest, income taxes, depreciation and amortization ratio of less than 3.00 to 1.00. The Company was in compliance with all covenants at December 31, 2013 and December 31, 2012.

Obligations under finance leases are primarily for leased automobiles with an expected term of three years and a one year minimum term. Interest rates on finance leases are specific to each leased asset, are fixed for the lease term and vary between 4.4% and 5.6% 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 $410 were amortized and included in finance costs during the year ended December 31, 2013 (year ended December 31, 2012: $217).

8. Income taxes

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

Years ended December 31,	**2013**	2012
Earnings before income taxes	**$ 6,748**	$ 6,770
Combined federal and provincial income tax rate	**25%**	25%
Expected income taxes	**1,687**	1,692
Increase (decrease) resulting from:		
Non-deductible items	**34**	34
Income tax effect of income tax rate change	**-**	16
Stock based compensation	**198**	187
Other	**(34)**	58
	$ 1,885	$ 1,987

The deferred income tax liability is comprised of:

	December 31, 2013	December 31, 2012
Deferred tax assets		
Non capital losses	**$ 11,500[1]**	$ 11,685
Share issue costs	**-**	162
Finance lease liabilities	**160**	93
Other	**132**	56
	11,792	11,996
Deferred tax liabilities:		
Property and equipment	**(14,584)**	(12,908)
Other	**(8)**	(3)
	(14,592)	(12,911)
Net deferred income tax liability	**$ (2,800)**	$ (915)

[1] The Company has $46.0 million of non capital loss carry forwards for income tax purposes which are available for application against future taxable income. These non capital loss carry forwards expire between 2027 and 2033.

All changes in deferred income tax temporary differences were recognized in income in the years ended December 31, 2013 and 2012.

9. 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
The Company has a program to purchase its common shares from time to time in accordance with the normal course issuer bid procedures under Canadian securities laws. Pursuant to the issuer bid, CWC is allowed to purchase for cancellation up to 7,755,795 of its issued and outstanding common shares at prevailing market prices on the TSX Venture Exchange during the 12-month period ending March 31, 2014.

(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, but the Company has no current intention or obligation to do so.

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

	Number of options	Weighted average exercise price
Balance at January 1, 2012	10,365,008	$ 0.39
Granted	250,000	0.80
Exercised for common shares	(343,322)	0.25
Expired	(300,989)	1.33
Forfeited – unvested	(440,349)	0.45
Balance at December 31, 2012	9,530,348	0.38
Granted	**600,000**	**0.75**
Exercised for cash	**(409,994)**	**0.31**
Exercised for common shares	**(661,667)**	**0.30**
Expired	**(285,001)**	**1.78**
Forfeited – unvested	**(466,674)**	**0.35**
Balance at December 31, 2013	**8,307,012**	**$ 0.37**

The following table summarizes information about stock options outstanding as at December 31, 2013:

Exercise price	Number of options outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price	Number of options exercisable
$ 0.25	**5,957,012**	**1.7**	**$ 0.25**	**5,956,012**
$ 0.60	**1,500,000**	**2.8**	**$ 0.60**	**966,641**
$ 0.75	**600,000**	**4.6**	**$ 0.75**	**-**
$ 0.80	**250,000**	**3.4**	**$ 0.80**	**83,334**
$ 0.25- 0.80	**8,307,012**	**2.2**	**$ 0.37**	**7,005,987**

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

	2013	2012
Risk free interest rate (%)	**1.69%**	1.62%
Expected life (years)	**5.0**	5.0
Expected volatility (%)	**54%**	113%
Expected forfeiture rate (%)	**0%**	19%
Expected dividend per share	**$ -**	$ -

The weighted average fair value of the stock options issued during the year ended December 31, 2013 was $0.36 (year ended December 31, 2012 - $0.64). For the year ended December 31, 2013, stock-based compensation expense relating to stock options totaled $434 (year ended December 31, 2012: $744).

(d) Restricted share unit plan

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

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

	Number of RSU's	**Weighted average fair value at issue date**
Balance at January 1, 2012	-	$ -
Granted	660,000	0.71
Balance at December 31, 2012	660,000	0.71
Granted	**1,230,000**	**0.83**
Redeemed for common shares	**(185,000)**	**0.71**
Forfeited - unvested	**(105,000)**	**0.71**
Balance at December 31, 2013	**1,600,000**	**$ 0.80**

The following table summarizes information about RSU's outstanding as at December 31, 2013:

Issue date fair value	**Number of RSU's outstanding**	**Weighted average remaining life (years) contractual**	**Weighted average exercise price ($)**	**Number of RSU's exercisable**
$0.71 – 0.84	**1,600,000**	**2.7**	**n/a**	**-**

For the year ended December 31, 2013, stock-based compensation expense relating to RSU's totaled $359 (year ended December 31, 2012: $7).

(e) Earnings per share

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

	Year ended December 31,	
	2013	2012
Weighted average common shares outstanding – basic	**155,067,901**	155,355,742
Dilutive stock options	**4,359,372**	4,554,363
Dilutive Restricted Share Units	**207,244**	-
Weighted average common shares outstanding – diluted	**159,634,517**	159,910,105

Outstanding stock options and RSU's are currently the only instruments which could potentially dilute earnings per share. For the year ended December 31, 2013, 1,333,359 stock options and 1,230,000 RSU's (year ended December 31, 2012: 2,279,001 and 660,000 RSU's) were not included in the computation of net income per common share because to do so would be anti-dilutive.

(f) Dividends

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

Declaration Date	Record Date	Payment Date	Dividend per Common share
March 20, 2012	June 29, 2012	July 13, 2012	$0.03250
August 13, 2012	September 28, 2012	October 15, 2012	$0.01625
November 15, 2012	December 31, 2012	January 15, 2013	$0.01625
February 7, 2013	March 29, 2013	April 15, 2013	**$0.01625**
May 9, 2013	June 28, 2013	July 15, 2013	**$0.01625**
August 14, 2013	September 30, 2013	October 15, 2013	**$0.01625**
November 13, 2013	December 31, 2013	January 15, 2014	**$0.01625**

On March 5, 2014, the Company declared dividends of $0.01625 per common share to shareholders of record on March 31, 2014 to be paid on April 15, 2014.

(g) Contributed surplus

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

10. Supplemental cash flow information

	Years ended December 31	
	2013	2012
Change in non-cash working capital items:		
Accounts receivable	**$ (963)**	$ 7,468
Inventory	**145**	(96)
Prepaid expenses and deposits	**(199)**	88
Loans to employees	**-**	160
Accounts payable and accrued liabilities	**46**	49
	$ (971)	$ 7,669

11. Operating segments

The Company operates in two primary segments within the service industry in Western Canada: Well Servicing and Other Oilfield Services. The Well Servicing segment provides well services through the use of service rigs and coil tubing units. The Other Oilfield Services segment provides snubbing and production testing, primarily providing support services to the well service business.

The Company evaluates performance on net income before depreciation and taxes, as included in the management reports reviewed by key management personnel and the board of directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the respective industries.

The reportable segments are distinct operations as they offer complementary services to the well service business. Once a service rig is on site, the other services are typically onsite at various times supporting the rig activity. However, these services can be performed independently of well servicing. 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 related to the two primary segments.

The amounts related to each industry segment are as follows:

For the year ended December 31, 2013	Well Servicing	Other Oilfield Services	Corporate	Total
Revenue	$104,691	$ 8,606	$ -	$ 113,297
Finance costs	-	-	3,262	3,262
Net income (loss) before depreciation and taxes	29,627	1,383	(8,844)	22,166
Depreciation	13,694	1,233	491	15,418
Net income (loss) before tax	15,933	150	(9,335)	6,748
Income tax expense	-	-	1,885	1,885
Net income (loss)	15,933	150	(11,220)	4,863
Capital expenditures	10,910	466	181	11,557
As at December 31, 2013				
Property and equipment	115,388	7,493	764	123,646

For the year ended December 31, 2012	Well Servicing	Other Oilfield Services	Corporate	Total
Revenue	$ 102,807	$ 9,525	$ -	$ 112,332
Finance costs	-	-	2,948	2,948
Net income (loss) before depreciation and taxes	28,540	1,322	(8,832)	21,030
Depreciation	12,435	1,254	571	14,260
Net income (loss) before tax	16,105	68	(9,403)	6,770
Deferred income tax expense	-	-	(1,987)	(1,987)
Net income (loss)	16,105	68	(11,390)	4,783
Capital expenditures	15,016	875	459	16,350
As at December 31, 2013				
Property and equipment	118,627	8,839	1,072	128,538

Revenue from two customers of the Company's Well Servicing segment represents approximately $27,779 (2012: two customers representing $29,497) of the Company's total revenues.

12. Expenses by nature

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

For the year ended December 31, 2012	Direct operating expenses	Selling and administrative expenses	Stock based compen-sation	Finance costs	Deprec-iation expense	Loss (gain) on sale of equip-ment	Total
Personnel expenses	$ 51,251	$ 8,037	$ 833	$ -	$ -	$ -	$ 60,121
Other operating expenses	21,959	-	-	-	-	-	21,959
Other selling and administrative expenses	-	4,020	-	-	-	-	4,020
Facility expenses	-	2,016	-	-	-	-	2,016
Depreciation expense	-	-	-	-	14,260	-	14,260
Finance costs	-	-	-	2,948	-	-	2,948
Loss(gain) on sale of equipment	-	-	-	-	-	238	238
Total	$ 73,210	$ 14,073	$ 833	$ 2,948	$ 14,260	$ 238	$ 105,562

13. Commitments and contingencies:

As at December 31, 2013, the Company has lease commitments and other contractual obligations as follows:

	Payments due by period				
	Next 12 months	Between 1 and 3 years	Between 4 and 5 years	Greater than 5 years	Total
Contractual obligations:					
Bank Loan	**$ -**	**$ 44,017**	**$ -**	**$ -**	**$ 44,017**
Finance lease liabilities	**185**	**119**	**-**	**-**	**304**
Operating lease payments	**1,113**	**1,627**	**265**	**-**	**3,005**
Total contractual obligations	**$ 1,298**	**$ 45,763**	**$ 265**	**$ -**	**$ 47,326**

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

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

14. Related parties

Of the total outstanding shares of the Company, 85.5% are directly or indirectly owned by Brookfield Capital Partners Ltd. (the "Fund"), a private equity fund managed by Brookfield Asset Management Inc. ("Brookfield"), and the entities that constitute the Fund. The Company is related to Brookfield by virtue of control, and is therefore also related to Brookfield's affiliates. There were no transactions during 2013 with the Fund, Brookfield or its affiliates.

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

	December 31, 2013	December 31, 2012
Short term employee benefits (including directors' fees)	**$ 1,802**	$ 1,570
Share based payments (stock options and RSU's)	**745**	622
Total compensation to key management including directors and officers	**$ 2,547**	$ 2,192

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

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

15. Financial risk management

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

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

The Company has designated its financial instruments as follows: cash equivalents (if any) are classified as held to maturity investments and measured at amortized cost, accounts receivable are classified as loans and receivables which are measured at amortized cost; accounts payable and accrued liabilities long-term debt and loans and borrowings are classified as other financial liabilities which are also measured at amortized cost; the fair values of the cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature; the fair value of the Company's long-term debt and loans and borrowings approximate their carrying values due to the floating interest rate terms or the terms reflecting current market conditions. The Company had no marketable securities designated as held for trading as at December 31, 2013 (December 31, 2012: 22).

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

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of accounts receivable represents the maximum exposure to credit risk as at December 31, 2013 and December 31, 2012.

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

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, however, management also considers the demographics of the Company's customer base. During 2013, approximately 25% (2012: 26% with two customers) of the Company's revenue was attributable to sales transactions with two customers. Currently, majority of the Company's sales are concentrated within the Western Canadian Sedimentary Basin ("WCSB"). This concentration is common amongst companies in the industry.

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

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

	December 31, 2013	December 31, 2012
Trade accounts receivable:		
1 to 30 days outstanding – not past due	**$ 13,724**	$ 13,073[1]
31 to 90 days outstanding	**8,158**	7,969
>90 days overdue	**835**	489
Allowance for doubtful accounts	**(358)**	(127)
	$ 22,359	$ 21,404

[1] Includes $22 of marketable securities received in settlement of trade accounts receivable.

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

	2013	2012
Balance as at January 1:	**$ 127**	$ 170
Additional allowance	**250**	72
Amounts used (recoveries)	**(19)**	(115)
Balance as at December 31	**$ 358**	$ 127

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

b) Liquidity risk

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

The Company has undrawn capacity under its Bank Loan to provide liquidity to meet contractual obligations (see note 7 and 16).

The following table summarizes contractual maturities for non-derivative financial instruments December 31, 2013:

Years ended December 31	2014	2015	2016	2017	2018 and beyond
Accounts payable and accrued liabilities	$ 8,322	$ -	$ -	$ -	$ -
Dividend payable	2,524	-	-	-	-
Long-term debt	185	95	44,042	-	25
	$ 11,031	$ 95	$ 44,042	$ -	$ 25

c) Market risk

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

Foreign currency risk

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

Interest rate risk

Interest rate risk is the risk that future cash flow will fluctuate as a result of change in market interest rates.
The Company is exposed to interest rate fluctuations on its operating loan and long-term debt both of which bear interest at floating market rates. For the year ended December 31, 2013, if the prime interest rate increased/decreased by 1%, with all other variables held constant, net income would have been $446 lower/higher (2012 – $135). The Company has not entered into any interest rate swaps or other financial arrangements that mitigate the Company's exposure to interest rate fluctuations.

Commodity price risk

The Company is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices. A change in commodity prices, specifically oil and natural gas prices could have a material impact on cash flows of the Company's customers and could therefore affect the demand for our products or services from these customers. However, given that this is an indirect influence, the financial impact for the Company of changing oil and natural gas prices is not reasonably determinable.

16. Capital management

The Company's strategy is to maintain a level of capital for operations and to sustain future growth 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 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, or purchase shares for cancellation pursuant to normal course issuer bids.

The Company monitors capital using a key financial metric of debt-to-equity ratio, which is not a recognized measure under IFRS and, therefore, is unlikely to be comparable to similar measures of other companies. For the purpose of this calculation, debt includes operating loans, current portion of long-term debt, and long-term debt, and shareholders' equity includes share capital, contributed surplus and deficit. The Company's strategy is to maintain this ratio within the limit of its financial covenants on its credit facilities which requires the ratio to not exceed 3:1. The Company may be required to increase this from time to time as a result of expansion activities. The Company was in compliance with all externally imposed capital requirements as at December 31, 2013 and 2012.

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

	December 31, 2013	December 31, 2012
Long-term debt	**$ 44,009**	$ 45,004
Shareholders' equity	**91,344**	96,465
Debt-to-equity ratio	**0.48**	0.47

There has been no change in how the Company manages capital during the year ended December 31, 2013.

Corporate Information

Directors
Jim Reid[2], Chairman
Duncan T. Au[1]
Gary L. Bentham[1,2]
Alexander D. Greene
Wade McGowan[1, 2]

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

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

Ryan A. Michaluk, CA, CMA
Chief Financial Officer

Rick Dawson
Vice President, Business Development

Darwin McIntyre
Vice President, Operations (Eastern)

Layne Wilk
Vice President, Operations (Central)

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

Auditors
KPMG LLP

Bankers
ATB Financial
National Bank
HSBC Bank Canada

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