CWC ENERGY SERVICES CORP.

Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

CWC ENERGY SERVICES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

Stated in thousands of Canadian dollars	Note	**March 31, 2022**	December 31, 2021
ASSETS			
Current			
Cash		**$ -**	$ 90
Accounts receivable		**32,389**	26,227
Prepaid expenses and deposits		**1,512**	1,594
		33,901	27,911
Property, plant and equipment	5	**197,509**	198,734
		$ 231,410	$ 226,645
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**8,330**	8,945
Current portion of long-term debt	6	**738**	764
		9,068	9,709
Long term			
Deferred tax liability		**9,689**	8,584
Long-term debt	6	**46,208**	45,083
		64,965	63,376
SHAREHOLDERS' EQUITY			
Share capital	7	**255,103**	255,066
Contributed surplus		**20,456**	20,262
Accumulated other comprehensive (loss) income		**(424)**	70
Deficit		**(108,690)**	(112,129)
		166,445	163,269
		$ 231,410	$ 226,645

See accompanying notes to the condensed interim consolidated financial statements.

CWC ENERGY SERVICES CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2022 and 2021
(Unaudited)

Stated in thousands of Canadian dollars except per share amounts	Note	Three months ended March 31, 2022	Three months ended March 31, 2021
Revenue and other income			
Revenue	9	$ **40,831**	$ 24,669
Other income		**-**	1,065
		40,831	25,734
Expenses	9, 10		
Direct operating expenses		**27,313**	17,548
Selling and administrative expenses		**5,092**	3,332
Stock based compensation	7(b)(c)	**231**	176
Finance costs	6	**388**	259
Depreciation and amortization	5	**2,926**	2,696
Loss (gain) on disposal of equipment		**337**	(212)
Impairment of assets		**-**	1,296
		36,287	25,095
Income before income taxes		**4,544**	639
Deferred income tax expense		**1,105**	192
Net income		$ **3,439**	$ 447
Other comprehensive income (loss)			
Item that may be reclassified to profit or loss in subsequent periods:			
Unrealized loss on translation of foreign operations		**(494)**	(165)
Comprehensive income		$ **2,945**	$ 282
Net income per share			
Basic and diluted	7	$ **0.01**	$ 0.00

See accompanying notes to the condensed interim consolidated financial statements.

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2022 and 2021

(Unaudited)

Stated in thousands of Canadian dollars except share amounts	Note	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance – January 1, 2021		505,620,916	$ 255,478	$ 19,395	$ (194)	$ (116,702)	$ 157,977
Net income		-	-	-	-	447	447
Stock based compensation expense	7(b)(c)	-	-	176	-	-	176
Settlement of restricted share units	7(c)	1,051,381	136	(136)	-	-	-
Cancellation of common shares purchased under normal course issuer bid		(2,249,500)	(1,137)	810	-	-	(327)
Other comprehensive loss		-	-	-	(165)	-	(165)
Balance – March 31, 2021		504,422,797	$ 254,477	$ 20,245	$ (359)	$ (116,255)	$ 158,108
Balance – January 1, 2022		**509,072,091**	**$ 255,066**	**$ 20,262**	**$ 70**	**$ (112,129)**	**$ 163,269**
Net income		**-**	**-**	**-**	**-**	**3,439**	**3,439**
Stock based compensation expense	7(b)(c)	**-**	**-**	**231**	**-**	**-**	**231**
Settlement of restricted share units	7(c)	**274,000**	**37**	**(37)**	**-**	**-**	**-**
Other comprehensive loss		**-**	**-**	**-**	**(494)**	**-**	**(494)**
Balance – March 31, 2022		**509,346,091**	**$ 255,103**	**$ 20,456**	**$ (424)**	**$ (108,690)**	**$ 166,445**

See accompanying notes to the condensed interim consolidated financial statements.

CWC ENERGY SERVICES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2022 and 2021
(Unaudited)

Stated in thousands of Canadian dollars except per share amounts	Note	Three months ended March 31, 2022	Three months ended March 31, 2021
Operating activities:			
Net income		**$ 3,439**	$ 447
Adjustments for:			
Stock based compensation	7	**231**	176
Finance costs		**388**	259
Unrealized gain on interest rate swap agreement		**174**	91
Depreciation and amortization	5	**2,926**	2,696
Impairment of assets and assets held for sale		**-**	1,296
Loss (gain) on disposal of equipment	5	**337**	(212)
Foreign exchange		**10**	(5)
Deferred income tax expense		**1,105**	192
Funds from operations		**8,610**	4,940
Changes in non-cash working capital balances	8	**(6,695)**	(2,662)
Operating cash flow		**1,915**	2,278
Investing activities:			
Purchase of equipment	5	**(2,791)**	(1,275)
Proceeds on disposal of equipment		**251**	530
Investing cash flow		**(2,540)**	(745)
Financing activities:			
Increase in (repayment of) long-term debt		**1,149**	(742)
Interest paid		**(491)**	(301)
Finance costs paid		**(60)**	(202)
Lease payments		**(63)**	(37)
Common shares purchased under NCIB		**-**	(327)
Financing cash flow		**535**	(1,609)
Decrease in cash during the period		**(90)**	(76)
Cash, beginning of period		**90**	166
Cash, end of period		**$ -**	$ 90

See accompanying notes to the consolidated financial statements.

1. Reporting entity

CWC Energy Services Corp. ("CWC" or the "Company") is incorporated under the Business Corporations Act (Alberta). The address of the Company's head office is Suite 2910, 605 – 5th Avenue SW, Calgary, Alberta, Canada. The Company is an oilfield services company providing drilling and well servicing to oil and gas exploration and development companies throughout the Western Canadian Sedimentary Basin ("WCSB") and select United States basins including the Permian, Eagle Ford, Niobrara, Denver-Julesburg ("DJ"), Powder River and Bakken. These consolidated financial statements reflect only the Company's proportionate interests in such activities and are comprised of the Company and its subsidiaries. The Company's common stock is listed and traded on the TSX Venture Exchange under the symbol CWC. Additional information regarding CWC's business is available in CWC's most recent Annual Information Form available on SEDAR at www.sedar.com, on the Company's website www.cwcenergyservices.com, or by contacting the Company at the address noted above.

2. Basis of presentation

(a) Statement of compliance

These consolidated interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2021.

These condensed interim consolidated financial statements were approved by the Board of Directors on April 29, 2022.

(b) Basis of measurement

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

(c) Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars. Each of the Company's subsidiaries are measured using the function currency of that subsidiary, which is the currency of the primary economic environment in which that subsidiary operates. 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 condensed interim consolidated financial statements in conformity with IFRS requires that certain estimates and judgments be made with respect to the reported amounts of revenue and expenses and the carrying amounts of assets and liabilities. These estimates are based on historical experience and management's judgment. Anticipating future events involves uncertainty and consequently the estimates used by management in the preparation of the condensed interim consolidated financial statements may change as future events unfold, additional experience is acquired or the Company's operating environment changes. In many cases the use of judgment is required to make estimates.

3. Significant accounting policies

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2021. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2021.

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

4. Seasonality of operations

The Company's Canadian operations are dependent on weather conditions which impact our ability to move heavy equipment safely and efficiently in Western Canada's oil and natural gas fields. Activity levels during the first quarter are typically the most robust as the frost creates a stable ground mass that allows for easy access to well sites and easier drilling and service rig movement. The second quarter is traditionally the slowest due to road bans during spring break-up. When winter frost leaves the ground, it renders many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. Road bans during this time restrict service and support equipment access to well sites. The third quarter has more activity as the summer months are typically drier than the second quarter. The fourth quarter is again quite active as winter temperatures freeze the ground once more maximizing site access. However, there may be temporary halts to operations in extreme cold weather when the temperature falls below -35C.

5. Property, plant and equipment

	Contract Drilling equipment	Production Services property, plant, and equipment	Right-of-use assets	Other equipment	Total
Costs					
Balance, January 1, 2022	$ 148,692	$ 243,251	$ 827	$ 2,113	$ 394,883
Additions	1,902	774	-	115	2,791
Disposals	(304)	(538)	-	-	(842)
Effect of foreign currency exchange differences	(609)	-	-	-	(609)
Balance, March 31, 2022	149,681	243,487	827	2,228	396,223
Accumulated depreciation and impairment losses					
Balance, January 1, 2022	60,845	132,833	457	2,014	196,149
Depreciation	1,265	1,584	56	21	2,926
Disposals	(35)	(219)	-	-	(254)
Effect of foreign currency exchange differences	(107)	-	-	-	(107)
Balance, March 31, 2022	61,968	134,198	513	2,035	198,714
Net book value					
Balance, March 31, 2022	$ 87,713	$ 109,289	$ 314	$ 193	$ 197,509

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

6. Loans and borrowings

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

	March 31, 2022	December 31, 2021
Current liabilities		
Current portion of lease liabilities	**$ 156**	$ 182
Current portion of Mortgage Loan	**582**	582
	$ 738	$ 764
Non-current liabilities		
Bank Loan	**$ 36,383**	$ 35,088
Mortgage Loan	**10,036**	10,182
Lease liabilities	**178**	215
Financing fees	**(389)**	(402)
	$ 46,208	45,083
Total loans and borrowings	**$ 46,946**	$ 45,847

The Company has credit facilities with a syndicate of four Canadian financial institutions (the "Credit Facility"). On November 9, 2021, the Company exercised the accordion feature to expand the Credit Facility to a $69,935 extendible revolving term facility (the "Bank Loan") with other credit instruments. Of the Bank Loan, $55,250 is a syndicated facility and $7,500 is a Canadian operating facility with the remaining $7,185 (US$5,750) being a U.S. operating facility. On March 4, 2021, CWC and its syndicated lenders completed an extension of its credit facilities and certain other amendments until July 31, 2024 ("Maturity Date"). No principal payments are required under the Bank Loan until the Maturity Date, at which time any amounts outstanding are due and payable. The Company may, on an annual basis, request the Maturity Date be extended for a period not to exceed three years from the date of the request. If a request for an extension is not approved by the banking syndicate, the Maturity Date will remain unchanged.

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company's trailing Consolidated Debt[2] to Consolidated EBITDA[1] ratio from a minimum of the bank's prime rate plus 1.25% to a maximum of the bank's prime rate plus 4.25% or from a minimum of the bankers' acceptances rate plus a stamping fee of 2.25% to a maximum of the bankers' acceptances rate plus a stamping fee of 5.25%. Standby fees under the Bank Loan range between 0.56% and 1.31%. Interest and fees under the Bank Loan are payable monthly. The Company has the option to borrow funds denominated in either Canadian or United States dollars under the Credit Facility. Borrowings under the Bank Loan are limited to an aggregate of 75% of accounts receivable outstanding less than 90 days plus 60% of the net book value of property and equipment less certain priority payables. As at March 31, 2022, of the $69,935 Bank Loan facility, $33,490 was available for immediate borrowing and $36,383 was outstanding (December 31, 2021: $35,088). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings up to $125,000, subject to the approval of the lenders. The Bank Loan is secured by a security agreement covering all of the assets of the Company and a first charge Security Interest covering all assets of the Company (other than real estate assets related to the Mortgage Loan). Effective March 31, 2022, the applicable rates under the Bank Loan are: bank prime rate plus 1.5%, bankers' acceptances rate plus a stamping fee of 2.5%, and standby fee rate of 0.625%.

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

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

	Covenant limits	**March 31, 2022**
Consolidated Debt(2) to Consolidated EBITDA(1)	3.50:1.00 or less	**1.70:1.00**
Consolidated Debt(2) to Capitalization(3)	0.50:1.00 or less	**0.18:1.00**
Consolidated Adjusted Cash Flow(4) to Consolidated Adjusted Finance Obligations(5)	1.15:1.00 or more	**22.56:1.00**

(1) Consolidated EBITDA is calculated as net income plus finance costs, plus current and deferred income taxes, plus depreciation, plus stock-based compensation, plus any non-recurring losses or impairment losses, or permitted severance costs, minus any non-recurring gain, plus any expenses related to corporate or business acquisitions with all amounts being for the twelve month period ended the calculation date, minus all principal paid or payable in connection with the Mortgage Loan. Consolidated EBITDA is adjusted to reflect the inclusion of material acquisitions or material dispositions on a pro forma basis for the twelve month period ended the calculation date. Consolidated EBITDA is increased if debt repayments from the proceeds of equity issuance are used to repay the syndicated facility and designated by the Company as an Equity Cure amount.
(2) Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted to exclude: the Mortgage Loan, the funds held in any segregated accounts and to remove any financing fees included.
(3) Capitalization is calculated as Consolidated Debt plus Shareholders' Equity as at the calculation date.
(4) Consolidated Adjusted Cash Flow is calculated as Consolidated EBITDA minus amounts paid for transaction costs, dividends or share repurchases in the twelve month period ended the calculation date. The Calculation of Adjusted Cash Flow excludes Consolidated EBITDA resulting from an Equity Cure.
(5) Consolidated Adjusted Finance Obligations is calculated as finance costs plus scheduled principal payments on debt including scheduled principal payments under finance leases minus accretion of finance fees included in finance costs for the twelve month period ended the calculation date (excluding scheduled principal payments attributed to the Mortgage Loan).

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

Under the interest rate swap agreement, the Company pays a fixed rate of 2.65% per annum plus the applicable credit spread of 1.35%, for an effective fixed rate of 4.0%. The fair value of the interest rate swap arrangement is the difference between the forward interest rates and the discounted contract rate. At March 31, 2022, the mark-to-market value of the interest rate swap of $34 is included within accounts payable and accrued liabilities on the Consolidated Statements of Financial Position (December 31, 2021: $210).

Lease liabilities consist of vehicles and office space which mature in 1 to 3 years. The incremental borrowing rates applied to the individual lease liabilities vary from 5.0% to 6.0% per annum.

Financing fees consist of commitment fees and legal expenses relating to the Credit Facility and are being amortized using the effective interest rate method over the term of the Credit Facility. Financing fees of $73 for the three months ended March 31, 2022 were amortized and included in finance costs (three months ended March 31, 2021: $49).

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

7. Share capital

a. Authorized

Unlimited number of Common voting shares without par value.

Unlimited number of Preferred shares without par value.

b. Stock options

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

	Number of options	Weighted average exercise price
Balance at December 31, 2021 and March 31, 2022	**7,323,000**	**0.20**

For the three months ended March 31, 2022, stock based compensation expense relating to stock options totaled $1 (for the three months ended March 31, 2021: $1).

c. Restricted share unit plan

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

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

	Number of RSUs	Weighted average fair value at issue date
Balance at December 31, 2021	**16,085,887**	**0.14**
Redeemed for common shares	**(274,000)**	**0.14**
Balance at March 31, 2022	**15,811,887**	**0.14**

The following table summarizes information about RSUs outstanding as at March 31, 2022:

Issue date fair value	Number of RSUs outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price ($)	Number of RSUs exercisable
$ 0.09 - $ 0.17	**15,811,887**	**2.49**	**n/a**	**2,066,388**

For the three months ended March 31, 2022, stock-based compensation expense relating to RSUs totaled $230 (three months ended March 31, 2021: $175).

d. Weighted average common shares outstanding

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

	For the three months ended March 31,	
	2022	**2021**
Weighted average common shares outstanding – basic	**509,129,425**	506,047,702
Effect of dilutive share-based compensation plans	**8,702,666**	6,408,326
Weighted average common shares outstanding – diluted	**517,832,091**	512,456,028

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

Outstanding stock options and RSUs are currently the only instruments which could potentially dilute earnings per share. For the three months ended March 31, 2022, 7,056,000 stock options (March 31, 2021: 13,632,000 stock options and 13,741,181 RSUs) were not included in the computation of net income per common share because to do so would have been anti-dilutive.

8. Supplemental cash flow information

	Three months ended March 31, 2022	2021
Source (use) of cash related to working capital items:		
Accounts receivable	**$ (6,162)**	$ (3,797)
Prepaid expenses and deposits	**82**	545
Accounts payable and accrued liabilities	**(615)**	590
	$ (6,695)	$ (2,662)

9. Segmented information

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

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

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

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

The amounts related to each industry segment are as follows:

For the three months ended March 31, 2022	**Contract Drilling**	**Production Services**	**Corporate**	**Total**
Revenue				
Canada	$ 12,789	$ 24,119	$ -	$ 36,908
United States	3,923	-	-	3,923
Total revenue	16,712	24,119	-	40,831
Direct operating expenses				
Canada	$ 8,984	$ 15,569	$ -	$ 24,553
United States	2,760	-	-	2,760
Total direct operating expenses	11,744	15,569	-	27,313
Selling and administrative expenses	1,224	2,229	1,639	5,092
Stock based compensation	-	-	231	231
Finance costs	-	-	388	388
Depreciation	1,266	1,520	140	2,926
Loss on disposal of equipment	252	85	-	337
Income (loss) before tax	2,226	4,716	(2,398)	4,544
Deferred income tax expense	-	-	1,105	1,105
Net income (loss)	$ 2,226	$ 4,716	$ (3,503)	$ 3,439
Capital expenditures	$ 1,902	$ 774	$ 115	$ 2,791
As at March 31, 2022				
Property, plant and equipment				
Canada	$ 52,805	$ 109,289	$ 193	$ 162,287
United States	34,908	-	-	34,908
	87,713	109,289	193	197,195
Right-of-use assets	-	310	4	314
Total property, plant and equipment	$ 87,713	$ 109,599	$ 197	$ 197,509

Included in accounts receivable at March 31, 2022 was $2,151 (December 31, 2021: $3,619) of accrued revenue for services provided in the month then ended. There have been no significant adjustments for prior period accrued revenue in the current period.

As of March 31, 2022, the Company did not have any sales contracts beyond one year in term.

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

For the three months ended March 31, 2021	Contract Drilling	Production Services	Corporate	Total
Revenue				
Canada	$ 7,142	$ 17,351	$ -	$ 24,493
United States	176	-	-	176
Total revenue	7,318	17,351	-	24,669
Other income	97	903	65	1,065
Direct operating expenses				
Canada	5,246	12,155	-	17,401
United States	147	-	-	147
Total direct operating expenses	5,393	12,155	-	17,548
Selling and administrative expenses	255	2,012	1,065	3,332
Stock based compensation	-	-	176	176
Finance costs	-	-	259	259
Depreciation	848	1,740	108	2,696
Gain on disposal of equipment	(28)	(184)	-	(212)
Impairment of assets	-	1,296	-	1,296
Income (loss) before tax	947	1,235	(1,543)	639
Deferred income tax expense	-	-	192	192
Net income (loss)	$ 947	$ 1,235	$ (1,735)	$ 447
Capital expenditures	$ 955	$ 320	$ -	$ 1,275
As at March 31, 2021				
Property, plant and equipment				
Canada	$ 51,076	$ 114,758	$ 123	$ 165,957
United States	12,754	-	-	12,754
	63,830	114,758	123	178,711
Right-of-use assets	$ 37	$ 40	$ 54	$ 131
Total property, plant and equipment	$ 63,867	$ 114,798	$ 177	$ 178,842

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

10. Expenses by nature

The following tables summarize the disaggregation of direct operating and selling and administrative expenses by nature:

For the three months ended March 31, 2022	Direct operating expenses	Selling and administrative expenses	Total
Personnel expenses	$ 18,511	$ 3,089	$ 21,600
Third party charges	3,448	-	3,448
Repairs and maintenance	5,354	-	5,354
Other selling and administrative expenses	-	1,490	1,490
Bad debt expense	-	53	53
Facility expenses	-	460	460
Total	$ 27,313	$ 5,092	$ 32,405

For the three months ended March 31, 2021	Direct operating expenses	Selling and administrative expenses	Total
Personnel expenses	$ 11,942	$ 2,208	$ 14,150
Third party charges	2,715	-	2,715
Repairs and maintenance	2,891	-	2,891
Other selling and administrative expenses	-	922	922
Bad debt recovery	-	(194)	(194)
Facility expenses	-	396	396
Total	$ **17,548**	$ **3,332**	$ **20,880**