CWC
ENERGY SERVICES

2022 Q2 Report


CWC

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

Management's Discussion and Analysis ("MD&A") is a review of the results of operations and liquidity and capital resources of CWC Energy Services Corp. (unless the context indicates otherwise, a reference in this MD&A to "CWC", the "Company", "we", "us", or "our" means CWC Energy Services Corp.). The following discussion and analysis provided by CWC is dated July 29, 2022 and should be read in conjunction with unaudited condensed interim consolidated financial statements ("Financial Statements") for the three and six months ended June 30, 2022, the audited annual consolidated financial statements for the year ended December 31, 2021 ("Annual Financial Statements"), and the annual management's discussion and analysis for the year ended December 31, 2021 ("Annual MD&A"). Additional information regarding CWC can be found in the Company's latest Annual Information Form ("AIF"). The Financial Statements are prepared in accordance with IFRS and IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements. All amounts are expressed in Canadian dollars unless otherwise noted. Additional information relating to CWC is available on SEDAR at www.sedar.com.

Financial Highlights

$ thousands, except shares, per share amounts, and margins	Three months ended June 30, 2022	Three months ended June 30, 2021	Change %	Six months ended June 30, 2022	Six months ended June 30, 2021	Change %
FINANCIAL RESULTS						
Revenue						
Contract Drilling	22,718	3,424	563%	39,430	10,742	267%
Production Services	19,963	13,073	53%	44,082	30,424	45%
	42,681	16,497	159%	83,512	41,166	103%
Other income	-	(2,579)	(100%)	-	(3,644)	(100%)
Adjusted EBITDA[1]	7,600	2,489	205%	16,026	7,343	118%
Adjusted EBITDA margin (%)[1]	18%	15%		19%	18%	
Net income (loss)	2,664	(759)	n/m[3]	6,103	(312)	n/m[3]
Net income (loss) margin (%)[2]	6%	(5%)	11%	7%	(1%)	8%
Capital expenditures	12,682	1,434	784%	15,473	2,709	471%
Per share information:						
Weighted average number of shares outstanding – basic	509,786,609	504,534,525		509,459,831	505,286,936	
Weighted average number of shares outstanding - diluted	523,123,662	504,534,525		520,768,461	505,286,936	
Adjusted EBITDA[1] per share - basic and diluted	$ 0.01	$ 0.00		$ 0.03	$ 0.01	
Net income per share - basic and diluted	$ 0.01	$ (0.00)		$ 0.01	$ (0.00)	

$ thousands, except ratios	June 30, 2022	December 31, 2021
FINANCIAL POSITION AND LIQUIDITY		
Working capital (excluding debt)[1]	23,305	18,966
Working capital (excluding debt) ratio[1]	3.2:1	3.1:1
Total assets	241,827	226,645
Total long-term debt (including current portion)	49,773	45,847
Shareholders' equity	170,976	163,269

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

Working capital (excluding debt) for June 30, 2022 has increased $4.3 million (23%) since December 31, 2021 driven by increases in accounts receivable ($6.4 million (24%)) offset by decreases in prepaid expenses and deposits ($0.4 million (26%)) and increases in accounts payable ($1.6 million (17%)). Long-term debt (including current portion) of $49.8 million has increased $3.9 million (9%) from December 31, 2021 primarily due to the purchase of three (3) triple drilling rigs in June 2022 and partially offset by the payment of long-term debt from operating cash flows in the first six months of 2022.

Highlights for the Three Months Ended June 30, 2022

- Record Q2 2022 revenue in CWC's seventeen (17) year history of $42.7 million, an increase of $26.2 million (159%) compared to $16.5 million in Q2 2021. Revenue increased $19.3 million (563%) in the Contract Drilling segment and $6.9 million (53%) in the Production Services segment in Q2 2022 compared to Q2 2021.
- Record Q2 2022 Adjusted EBITDA[(1)] of $7.6 million, an increase of $5.1 million (205%) compared to $2.5 million in Q2 2021, which was the previous Q2 record.
- Record Q2 2022 net income of $2.7 million, an increase of $3.5 million compared to net loss of $0.8 million in Q2 2021.
- Purchase of three (3) triple drilling rigs and critical spare components for US$7.4 million (approximately C$9.6 million) on June 24, 2022.
- Drilled Alberta's first lithium evaluation well showing the diversity and versatility of our equipment.
- First Canadian drilling and well services company to publicly report our Scope 1 and 2 emissions in our 2022 ESG Report.

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

Highlights for the Six Months Ended June 30, 2022

- Record revenue for the first six months of 2022 in CWC's seventeen (17) year history of $83.5 million, an increase of $42.3 million (103%) compared to $41.2 million in the first six months of 2021. Revenue increased $28.7 million (267%) in the Contract Drilling segment and $13.7 million (45%) in the Production Services segment compared to the first six months of 2021.
- Record Adjusted EBITDA[(1)] for the first six months of 2022 of $16.0 million, an increase of $8.7 million (118%) compared to $7.3 million in the first six months of 2021.
- Record net income for the first six months of 2022 of $6.1 million, an increase of $6.4 million compared to a net loss of $0.3 million in the first six months of 2021.

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

Industry Overview

Average crude oil and natural gas prices

	Three months ended							
	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020
Crude oil								
West Texas Intermediate (US$/bbl)	108.41	94.29	77.19	70.56	66.12	57.79	42.75	40.92
Western Canadian Select (US$/bbl)	93.05	81.49	60.44	57.64	54.68	45.39	33.48	31.79
Natural gas								
AECO (C$/mcf)	6.92	4.66	4.89	3.75	3.05	2.91	2.84	2.25

Source: GLJ Ltd price forecasts.

Russia's invasion of Ukraine and the western world's response with trade sanctions against Russia, including sanctions on crude oil and natural gas by certain countries, have resulted in a significant increase in crude oil and natural gas prices in the first six months of 2022. In addition, the continued re-opening of the global economy after being significantly slowed down in 2020 and 2021 due to the COVID-19 health pandemic, has resulted in a steady rise in global demand without a significant corresponding increase in global supply for crude oil and natural gas, further justifying the higher prices experienced in the first six months of 2022. However, significant inflationary increases and rising interest rates have sparked fears of a global recession, which has recently pulled WTI back to a range of US$95 to US$100/bbl. Despite recessionary fears, discussion about energy security is on the top of many governmental agendas, which should bode well for North American oil and gas activity and oilfield service companies for the foreseeable future.

Corporate Overview

CWC Energy Services Corp. is a premier contract drilling and well servicing company operating in Canada and the United States with a complementary suite of oilfield services including drilling rigs and service rigs. The Company's corporate office is located in Calgary, Alberta, with operational locations in Nisku, Grande Prairie, Slave Lake, Sylvan Lake, Drayton Valley, Lloydminster, Provost and Brooks, Alberta and U.S. offices in Denver, Colorado and Casper, Wyoming. The Company's shares trade on the TSX Venture Exchange under the symbol "CWC".

The Contract Drilling division operates under the trade name CWC Ironhand Drilling and is comprised of thirteen (13) electric triple drilling rigs with depth ratings from 3,600 to 7,600 metres and nine (9) telescopic double drilling rigs with depth ratings from 3,200 to 5,000 metres. All twenty-two (22) rigs have top drives, seventeen (17) have pad rig moving systems, eight (8) have 7,500 psi pumping systems, three (3) have carbon reduction bi-fuel capabilities, and two (2) have high line power capabilities. All of the drilling rigs are ideally suited for the most active depths for horizontal drilling in the Western Canadian Sedimentary Basin ("WCSB"), including the Montney, Cardium, Duvernay and other deep basin horizons, and select United States basins including the Permian, Eagle Ford, Niobrara, Denver-Julesburg ("DJ"), Powder River and Bakken.

The Production Services division operates under the trade name CWC Well Services. With a fleet of 143 service rigs, CWC is one of Canada's largest well servicing companies as measured by active fleet and operating hours. CWC's service rig fleet consists of 75 single, 54 double and 14 slant rigs providing services which include completions, maintenance, workovers and well decommissioning with depth ratings from 1,500 to 5,000 metres. In 2022, CWC chose to park 79 of its service rigs and focus its sales and operational efforts on the remaining 64 active service rigs due to the reduction in the number of service rigs currently required to service the WCSB and the tight labour market experienced in the industry for service rig crews.

Outlook

The outlook for contract drilling and well servicing in Canada and the U.S. continues to improve as the removal of economic restrictions due to the COVID-19 health pandemic has created an increased demand for crude oil and natural gas without a sufficient corresponding increase in global supply. This supply/demand imbalance, along with Russia's invasion of Ukraine, has resulted in increases in the crude oil and natural gas prices that we have seen for the first half of 2022. Discussion about energy security is on the top of many governmental agendas, which should bode well for North American oil and gas activity and oilfield service companies for the foreseeable future. CWC believes North American oilfield service activity will continue to increase in the back half of 2022 and into 2023.

CWC experienced a very strong Q2 2022 with both activity and prices increasing, which led to the Company achieving record second quarter and first half revenue, Adjusted EBITDA and net income in the Company's seventeen (17) year history. The Company believes that demand for our contract drilling and well servicing will increase for the remainder of 2022 and into 2023 buoyed by the addition of our thirteen (13) triple drilling rigs in the U.S. CWC currently has work for all seven (7) of seven (7) drilling rigs in Canada and eight (8) of twelve (12) drilling rigs in the U.S. The three (3) newly acquired U.S. triple drilling rigs are currently undergoing Level IV recertifications and upgrades and are expected to be marketable in Q4 2022. 52 of the 64 active service rigs in Canada are crewed and have work for the back half of 2022 and into 2023. CWC has been successful in recruiting new field employees and crewing both our drilling and service rigs. The Company now employs over 640 employees; a higher employee count than our February 2020 pre-COVID-19 employment level. However, the primary constraint for how quickly the industry and CWC can grow continues to be the available labour market for rig crews, which remains extremely tight. This limited availability of rig crews has resulted in inflationary pressure on field labour costs as well as fuel and supplies, which have been and will continue to be, passed on to our E&P customers through further price increases in the back half of 2022.

While CWC expects a continuation of the strong operational and financial results for the remainder of 2022, various global uncertainties may derail the Company's expected positive path. Russia's invasion of Ukraine has elicited a strong global response of sanctions against Russia from many western countries. Such sanctions may have a negative effect on the global economy through supply chain disruptions and volatile commodity prices. In addition, many global economies are experiencing high levels of inflation resulting in central banks increasing interest rates at a rapid pace, which is intended to slow the pace of inflation. If interest rates increase too rapidly, or rise to a high enough level whereby economic activity slows significantly resulting in a global recession, CWC may be negatively impacted.

In June 2022, CWC released its 2022 Environmental, Social and Governance ("ESG") Report. Since the release of our inaugural report last year, we've made numerous strides in our ESG journey, including being leaders in the Canadian drilling and well services sector by publicly reporting our Scope 1 and 2 emissions. We are committed to advancing these efforts further in future years as we work on emission reductions and setting targets with our customers to reduce our collective environmental impact. One of the initial steps CWC has taken towards meeting its ESG targets has been to convert some of our field equipment to have carbon reduction bi-fuel capabilities and converting a service rig to a Tier 4 engine. As we

progress through 2022, we are deepening our commitment to ESG excellence and look forward to sharing our initiatives and progress with our stakeholders. CWC is honoured to have worked with one of our customers on drilling Alberta's first lithium evaluation well. We are proud of the versatility of our equipment and are not just limited to working strictly in the oil and gas fields. CWC has worked on carbon capture, helium, potash and saltwater disposal wells in the past, thereby reflecting the diversity and versatility of the nature of work for our drilling rigs. Management is confident that CWC will continue to be regarded as a leader in ESG and sustainability matters in the oilfield services industry as the nature of the work for our equipment evolves.

Results of Operations

$ thousands, except per share amounts	Three months ended June 30, 2022	Three months ended June 30, 2021	Change $	Change %	Six months ended June 30, 2022	Six months ended June 30, 2021	Change $	Change %
Revenue	42,681	16,497	26,184	159%	83,512	41,166	42,346	103%
Direct operating expenses	30,262	13,116	17,146	131%	57,575	30,664	26,911	88%
Gross margin [1]	12,419	3,381	9,038	267%	25,937	10,502	15,435	147%
Other income	-	2,579	(2,579)	(100%)	-	3,644	(3,644)	(100%)
Selling and administrative expenses	4,819	3,471	1,348	39%	9,911	6,803	3,108	46%
Adjusted EBITDA[1]	7,600	2,489	5,111	205%	16,026	7,343	8,683	118%
Stock based compensation	231	167	64	38%	462	343	119	35%
Finance costs	605	246	359	146%	993	505	488	97%
Depreciation and amortization	2,982	2,581	401	16%	5,908	5,277	631	12%
Loss on disposal of equipment	227	418	(191)	(46%)	564	206	358	174%
Impairment of assets	-	-	-	n/m[2]	-	1,296	(1,296)	(100%)
Income (loss) before income taxes	3,555	(923)	4,478	(485%)	8,099	(284)	8,383	n/m[2]
Deferred income tax expense (recovery)	891	(164)	1,055	n/m[2]	1,996	28	1,968	n/m[2]
Net income (loss)	2,664	(759)	3,423	n/m[2]	6,103	(312)	6,415	n/m[2]
Net income (loss) per share								
Basic and diluted	$ 0.01	$ (0.00)	$ 0.00	n/m[2]	$ 0.01	$ (0.00)	$ 0.01	n/m[2]

(1) Please refer to the "Non-GAAP and Other Financial Measures" section for further information.
(2) Not meaningful.

Contract Drilling – Canada and United States

$ thousands, except margins, number of rigs, revenue per operating day, and utilization	Three months ended June 30, 2022	2021	Change $	Change %	Six months ended June 30, 2022	2021	Change $	Change %
Revenue								
Canada	7,784	1,323	6,461	488%	20,573	8,465	12,108	143%
United States	14,934	2,101	12,833	611%	18,857	2,277	16,580	728%
	22,718	3,424	19,294	563%	39,430	10,742	28,688	267%
Direct operating expenses								
Canada	5,848	1,417	4,431	313%	14,832	6,663	8,169	123%
United States	11,009	1,701	9,308	547%	13,769	1,848	11,921	645%
	16,857	3,118	13,739	441%	28,601	8,511	20,090	236%
Gross margin [1]								
Canada	1,936	(94)	2,030	n/m[4]	5,741	1,802	3,939	219%
United States	3,925	400	3,525	881%	5,088	429	4,659	1,086%
	5,861	306	5,555	1,815%	10,829	2,231	8,598	385%
Gross margin percentage [1]								
Canada	25%	(7%)	n/a	32%	28%	21%	n/a	7%
United States	26%	19%	n/a	7%	27%	19%	n/a	8%
	26%	9%	n/a	17%	27%	21%	n/a	6%
Total drilling rigs, end of period								
Canada	7	7	-	0%	7	7	-	0%
United States	15	2	13	650%	15	2	13	650%
	22	9	13	144%	22	9	13	144%
Revenue per operating day[2]								
Canada	$28,693	$22,817	$5,876	26%	$28,513	$24,500	$4,013	16%
United States (US$)	US$28,920	US$29,790	US$(870)	(3%)	US$29,347	US$28,450	US$897	3%
Drilling rig operating days								
Canada	273	54	219	406%	717	371	346	93%
United States	398	60	338	563%	511	62	449	724%
	671	114	557	489%	1,228	433	795	184%
Drilling rig utilization %[3]								
Canada	43%	9%	n/a	34%	57%	29%	n/a	28%
United States	21%	33%	n/a	(12%)	24%	17%	n/a	7%
	39%	14%	n/a	25%	36%	27%	n/a	9%

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

(2) Revenue per operating day is calculated based on operating days (i.e. spud to rig release basis). New or inactive drilling rigs are added based on the first day of field service.

(3) Drilling rig utilization is calculated based on operating days (i.e. spud to rig release basis). Drilling rigs requiring their Level IV recertification, refurbishment or have been otherwise removed from service for greater than 90 days are excluded from the utilization calculation until their first day back in field service.

Canadian Contract Drilling revenue of $7.8 million for Q2 2022 (Q2 2021: $1.3 million) was achieved with a utilization rate of 43% (Q2 2021: 9%), compared to the CAOEC industry average of 23% (Q2 2021: 15%). CWC completed 273 Canadian drilling rig operating days in Q2 2022, an increase of 219 operating days (406%) compared to 54 Canadian drilling rig operating days in Q2 2021.

Gross margin in the Canadian Contract Drilling segment was $1.9 million, an increase of $2.0 million from a negative gross margin of $0.1 million in Q2 2021. The gross margin increase is a result of a 406% increase in Canadian drilling rig operating days and a 26% increase in average revenue per operating day while the increase in direct operating expenses, primarily related to inflationary increases in field labour, fuel and supplies cost, was successfully recovered from customers.

U.S. Contract Drilling revenue of $14.9 million for Q2 2022 (Q2 2021: $2.1 million) was achieved with 398 U.S. drilling rig operating days (Q2 2021: 60 U.S. drilling rig operating days). During Q2 2022, CWC had five (5) triple drilling rigs and two (2) double drilling rigs working in the U.S.

Gross margin in the U.S. Contract Drilling segment was $3.9 million, an increase of $3.5 million from $0.4 million in Q2 2021. The gross margin increase is a result of a 563% increase in U.S. drilling rig operating days partially offset by a 3% decrease in average revenue per operating day.

Total Contract Drilling's gross margin percentage of 26% in Q2 2022 is higher than the 9% gross margin percentage in Q2 2021 as the Company was successful in increasing pricing and recovering inflationary increases for field labour, fuel and supplies costs from customers.

Production Services – Canada

$ thousands, except margins, number of rigs, revenue per operating hour, and utilization	Three months ended June 30, 2022	2021	Change $	Change %	Six months ended June 30, 2022	2021	Change $	Change %
Revenue	19,963	13,073	6,890	53%	44,082	30,424	13,658	45%
Direct operating expenses	13,405	9,998	3,407	34%	28,974	22,153	6,821	31%
Gross margin [1]	6,558	3,075	3,483	113%	15,108	8,271	6,837	83%
Gross margin percentage [1]	33%	24%	n/a	9%	34%	27%	n/a	7%
Service rigs, end of period								
Active service rigs	64	68	(4)	(6%)	64	68	(4)	(6%)
Inactive service rigs	79	77	2	3%	79	77	2	3%
Total service rigs	143	145	(2)	(1%)	143	145	(2)	(1%)
Revenue per hour	$848	$623	$225	36%	$813	$627	$186	30%
Service rig operating hours	23,536	20,463	3,073	15%	54,192	47,550	6,642	14%
Service rig utilization %[2]	57%	47%	n/a	10%	65%	55%	n/a	10%

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

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

Production Services revenue of $20.0 million in Q2 2022, an increase of $6.9 million (53%) compared to $13.1 million in Q2 2021 as both activity levels and pricing increased. CWC's service rig utilization in Q2 2022 of 57% (Q2 2021: 47%) with 23,536 operating hours was 15% higher than the 20,463 operating hours in Q2 2021. Average revenue per hour of $848 in Q2 2022 was $225 (36%) higher than the $623 per hour in Q2 2021 as the Company implemented pricing adjustments to partially offset higher inflationary field labour, fuel and supplies costs.

During Q2 2022, the Company earned $1.3 million (Q2 2021: $1.7 million) in revenue on 59 oil and gas sites (Q2 2021: 115) requiring well decommissioning under the Alberta Site Rehabilitation Program ("SRP") and 6 oil and gas sites (Q2 2021: 13) under the Saskatchewan Accelerated Site Closure Program ("ASCP"). The $1.0 billion Alberta SRP, the $400 million ASCP and the $100 million B.C. Dormant Sites Reclamation Program ("DSRP") provide grants to eligible oilfield service contractors to perform well, pipeline, and oil and gas site closure and reclamation work, creating jobs and supporting the environment until March 31, 2023. CWC's Production Services segment is well positioned to continue to provide well decommissioning work on these inactive wells.

Selling and Administrative Expenses

$ thousands	Three months ended June 30, 2022	2021	Change $	Change %	Six months ended June 30, 2022	2021	Change $	Change %
Selling and administrative expenses	4,819	3,471	1,348	39%	9,911	6,803	3,108	46%

Selling and administrative expenses of $4.8 million in Q2 2022, an increase of $1.3 million (39%) compared to $3.5 million in Q2 2021. For the six months ended June 30, 2022, selling and administrative expenses of $9.9 million, an increase of $3.1 million (46%) compared to $6.8 million in 2022. The increase in selling and administrative expenses for the quarter and six months ended June 30, 2022 compared to the same periods in 2021 was primarily due to increased number of employees and compensation in response to increased activity levels.

Adjusted EBITDA[1]

$ thousands	Three months ended June 30, 2022	2021	Change $	Change %	Six months ended June 30, 2022	2021	Change $	Change %
Adjusted EBITDA[1]								
Contract Drilling	4,441	140	4,301	3,072%	8,185	1,907	6,278	329%
Production Services	4,236	3,378	858	25%	10,557	7,465	3,092	41%
Corporate	(1,077)	(1,029)	(48)	(5%)	(2,716)	(2,029)	(687)	(34%)
	7,600	2,489	5,111	205%	16,026	7,343	8,683	118%
Adjusted EBITDA margin (%) [1]	18%	15%	n/a	3%	19%	18%	n/a	1%

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

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

Adjusted EBITDA[1] was $7.6 million for Q2 2022, an increase of $5.1 million compared to $2.5 million in Q2 2021.

Adjusted EBITDA[1] was $16.0 million for the first six months of 2022, an increase of $8.7 million compared to $7.3 million in the same period of 2021. The increase in Adjusted EBITDA[1] is a result of the removal of the economic restrictions due to the COVID-19 health pandemic and the continuing increase in crude oil and natural gas prices resulting in increased demand for the Company's services.

Stock Based Compensation

$ thousands	Three months ended June 30, 2022	2021	Change $	Change %	Six months ended June 30, 2022	2021	Change $	Change %
Stock based compensation	231	167	64	38%	462	343	119	35%

Stock based compensation is primarily a function of outstanding stock options and restricted share units ("RSUs") being expensed over their vesting periods.

Stock based compensation of $0.2 million for Q2 2022 did not materially change compared to $0.2 million in Q2 2021.

Stock based compensation of $0.5 million in the first six months of 2022, is consistent with $0.3 million in the same period of 2021.

Finance Costs

$ thousands	Three months ended June 30, 2022	2021	Change $	Change %	Six months ended June 30, 2022	2021	Change $	Change %
Finance costs	605	246	359	146%	993	505	488	97%

Finance costs of $0.6 million in Q2 2022, an increase of $0.4 million from $0.2 million in Q2 2021.

Finance costs of $1.0 million in the first six months of 2022, an increase of $0.5 million compared to $0.5 million in the same period of 2021. The increase in finance costs for the quarter and six months ended June 30, 2022 compared to the same periods in 2021 was primarily due to the higher long-term debt balances and increased interest rates in 2022.

Depreciation

$ thousands	Three months ended June 30, 2022	2021	Change $	Change %	Six months ended June 30, 2022	2021	Change $	Change %
Depreciation	2,982	2,581	401	16%	5,908	5,277	631	12%

Depreciation of $3.0 million in Q2 2022, an increase of $0.4 million (16%) compared to $2.6 million in Q2 2021.

Depreciation of $5.9 million in the first six months of 2022, an increase of $0.6 million (12%) compared to $5.3 million in the same period of 2021 was primarily due to the higher depreciable asset base compared to the prior period.

Impairment of Assets and Assets Held for Sale

$ thousands	Three months ended June 30, 2022	2021	Change $	Change %	Six months ended June 30, 2022	2021	Change $	Change %
Impairment of assets and assets held for sale	-	-	-	n/m[1]	-	1,296	(1,296)	(100%)

[1] Not meaningful

For the six months ended June 30, 2021, the Company recognized an impairment charge of $1.3 million related to coil tubing units and swabbing rig assets with a carrying amount of $3.1 million. The assets were subsequently sold for proceeds of $1.3 million resulting in a loss on disposal of $0.6 million.

Loss on Disposal of Equipment

$ thousands	Three months ended June 30, 2022	2021	Change $	Change %	Six months ended June 30, 2022	2021	Change $	Change %
Loss on disposal of equipment	227	418	(191)	(46%)	564	206	358	174%

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

For the six months ended June 30, 2022, the loss on disposal of equipment was primarily related to drill pipe lost downhole that was partially recovered from customers.

Deferred Income Tax Expense (Recovery)

$ thousands	Three months ended June 30, 2022	2021	Six months ended June 30, 2022	2021
Income (loss) before income taxes	3,555	(923)	8,099	(284)
Deferred income tax expense (recovery)	891	(164)	1,996	28
Deferred income tax expense as a % of net income before income taxes	25%	18%	25%	(10%)
Expected statutory income tax rate	23.2%	23.7%	23.2%	23.7%

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

The deferred income tax expense in Q2 2022 of $0.9 million (Q2 2021: deferred income tax recovery of $0.2 million) and $2.0 million in the first six months of 2022 (2021: $0.03 million) is a result of the income (loss) before income taxes.

The Company has substantial tax pools and non-capital losses available to reduce future taxable income in Canada and the United States.

Net Income (Loss) and Comprehensive Income (Loss)

$ thousands	Three months ended June 30, 2022	2021	Change $	Change %	Six months ended June 30, 2022	2021	Change $	Change %
Net income (loss)	2,664	(759)	3,423	n/m[1]	6,103	(312)	6,415	n/m[1]
Unrealized gain (loss) on translation of foreign operations	1,213	(159)	1,372	n/m[1]	719	(324)	1,043	n/m[1]
Comprehensive income (loss)	3,877	(918)	4,795	n/m[1]	6,822	(636)	7,458	n/m[1]

[1] Not meaningful

Net income of $2.7 million in Q2 2022, an increase of $3.4 million compared to net loss of $0.8 million in Q2 2021. Comprehensive income of $3.9 million in Q2 2022, an increase of $4.8 million compared to comprehensive loss of $0.9 million in Q2 2021.

For the first six months of 2022, net income of $6.1 million, an increase of $6.4 million compared to net loss of $0.3 million in the same period of 2021. Comprehensive income of $6.8 million in the first six months of 2022, an increase of $7.5 million compared to comprehensive loss of $0.6 million in the same period of 2021. The increase in net income and comprehensive income in 2022 were primarily due to the overall increase in industry activity as restrictive measures taken to reduce the spread of COVID-19 globally were eased and oil and gas prices increased. In addition, no impairment of assets was recognized in the first six months of 2022 compared to $1.3 million in the same period of 2021.

Liquidity and Capital Resources

Source of Funds

The Company's liquidity needs in the short and long-term can be sourced in several ways including funds from operations, borrowing against existing credit facilities, new debt instruments, equity issuances and proceeds from the sale of assets. Cash inflows are used to repay outstanding amounts on the Company's credit facilities and fund capital requirements.

During the first six months of 2022, the Company's operating cash flow of $11.9 million, proceeds on disposal of equipment of $0.3 million, $3.7 million increase in long-term debt, and $0.4 million cash from the settlement of options were used to fund $15.2 million of capital expenditures and $1.2 million of interest on long-term debt, finance costs and lease payments.

At June 30, 2022 the Company had working capital (excluding debt) of $23.3 million, an increase of $4.3 million (23%) from $19.0 million at December 31, 2021 (please refer to the "Non-GAAP and Other Financial Measures" section for further information). The increase in working capital (excluding debt) is primarily due to higher accounts receivable related to increased activity levels in Q2 2022 versus Q4 2021. Typically as activity levels increase or decrease, working capital will also increase or decrease.

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.

On July 29, 2022, the Company exercised the accordion feature to expand the Credit Facility to an $80.3 million Bank Loan comprised of a $50.7 million Canadian syndicated facility, a US$12.0 million (C$15.6 million) U.S. syndicated facility, a $7.5 million Canadian operating facility and a US$5.0 million (C$6.5 million) U.S. operating facility. The company further amended the Credit Facility to extend the maturity to July 31, 2025.

The Company is in compliance with each of the financial covenants at June 30, 2022. Effective June 30, 2022, the applicable rates under the Bank Loan are bank prime rate plus 1.375%, bankers' acceptances rate plus a stamping fee of 2.375%, and standby fee rate of 0.594%.

The Company's Mortgage Loan is a loan maturing on June 28, 2028 that is amortized over 22 years with blended monthly principal and interest payments of $86 thousand. At maturity, approximately $7.0 million of principal will become payable assuming only regular monthly payments are made. On May 2, 2022 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 3.38% per annum plus the applicable credit spread of 1.35%, for an effective fixed rate of 4.73%. The fair value of the interest rate swap arrangement is the difference between the forward interest rates and the discounted contract rate. At June 30, 2022, the mark-to-market value of the interest rate swap of $0.03 million is included within accounts payable and accrued liabilities on the Consolidated Statements of Financial Position (December 31, 2021: $0.2 million).

Capital Requirements

On December 6, 2021, the Company announced its capital expenditure budget for 2022 of $9.9 million, $6.9 million of which is maintenance and infrastructure capital related to recertifications, additions and upgrades to field equipment for the drilling rig and service rig divisions as well as information technology infrastructure, with the remaining $3.0 million being growth capital to upgrade one of the drilling rigs, purchase additional mud pumps and additional strings of specialty drill pipe. Further, on June 24, 2022, the Company announced the acquisition of three (3) high-spec AC triple drilling rigs in the U.S. for US$7.4 million ($9.6 million). In conjunction with the purchase, the Company added an additional $8.3 million to its capital expenditure budget for 2022 for recertifications and upgrades of the three newly acquired rigs. Additionally, the Company has increased its 2022 capital expenditure budget by a further $2.5 million in growth capital, resulting in a total growth capital expenditure budget for 2022 of $23.4 million. CWC intends to finance its 2022 capital expenditure budget from operating cash flows and by borrowing against existing credit facilities.

The Company's 2022 capital expenditure is detailed in the section below titled "Capital Expenditure". In the future, additional discretionary capital expenditures will be required in order to continue to grow the Company's assets and revenue. It is anticipated future cash requirements for capital expenditures will be met through a combination of funds from operations and borrowing against existing credit facilities as required. However, additional funds may be raised by new debt instruments, equity issuances and proceeds from the sale of assets.

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

Common Shares and Dividends

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

	July 29, 2022	June 30, 2022	December 31, 2021
Common shares	511,642,938	511,624,938	509,072,091
Stock options	5,166,000	5,166,000	7,323,000
Restricted share units	15,672,040	15,690,040	16,085,887

For the six months ended June 30, 2022, 2,157,000 stock options and 395,847 Restricted Share Units were exercised.

Capital Expenditures

	Three months ended June 30,		Change	Change	Six months ended June 30,		Change	Change
$ thousands	**2022**	**2021**	**$**	**%**	**2022**	**2021**	**$**	**%**
Capital expenditures								
Contract drilling	11,227	1,040	10,187	980%	13,129	1,995	11,134	558%
Production services	1,455	390	1,065	273%	2,229	710	1,519	214%
Other equipment	-	4	(4)	(100%)	115	4	111	2,775%
	12,682	1,434	11,248	784%	15,473	2,709	12,764	471%
Growth capital	9,994	734	9,260	1,262%	11,530	991	10,539	1,063%
Maintenance and infrastructure capital	2,688	700	1,988	284%	3,943	1,718	2,225	130%
Total capital expenditures	12,682	1,434	11,248	784%	15,473	2,709	12,764	471%

Capital expenditures of $12.7 million in Q2 2022, an increase of $11.2 million compared to $1.4 million in Q2 2021. The increase in Q2 2022 is primarily due to the purchase of three (3) triple drilling rigs for US$7.4 million (C$9.6 million) and recertifications of equipment.

Commitments and Contractual Obligations

Under the terms of the Company's amended Bank Loan, the borrowings under the Bank Loan are due in full on July 31, 2025. The Company is committed to monthly payments of interest and bank charges until July 31, 2025. The Company's Mortgage Loan is being amortized over 22 years with blended monthly principal and interest payments and matures on June 30, 2028. Management believes that there will be sufficient cash flows generated from operations to service the interest on the debt and finance the required capital expenditures of the Company for 2022.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts	Three months ended							
	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020
Revenue	42,681	40,831	33,693	27,776	16,497	24,669	20,065	10,322
Adjusted EBITDA[1]	7,600	8,426	6,135	5,394	2,489	4,854	5,034	1,953
Net income (loss)	2,664	3,439	2,866	2,019	(759)	447	(769)	(810)
Net income (loss) per share: basic and diluted	0.01	0.01	0.01	0.00	0.00	0.00	(0.01)	(0.00)
Total assets	241,827	231,410	226,645	200,777	193,127	202,191	202,223	199,421
Total long-term debt	49,773	46,946	45,847	24,688	21,187	29,285	30,231	27,960
Shareholders' equity	170,976	166,445	163,269	159,953	157,242	158,108	157,977	158,959

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

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

Through the eight quarters presented, the amount of revenue and net income (loss), adjusted for the effects of seasonality, have fluctuated primarily due to changes in the utilization of equipment, changes in the day and hourly billing rate, and the increase in the number of drilling rigs and service rigs over the period as detailed in the section titled "Results of Operations".

Other significant impacts have been a result of:

- Q2 2022 saw the Company achieve record Q2 revenue, Adjusted EBITDA[1] and net income in its 17-year history with the continuation of higher activity levels as crude oil, as measured by WTI, rose to an average of US$108/bbl with natural gas, as measured by AECO, averaging over $6.90/mcf which resulted in both increases in activity levels and pricing. Additionally in the quarter, the Company acquired three (3) high-spec AC triple drilling rigs for US$7.4 million (CAD$9.6 million) further expanding the Company's presence in the U.S.
- Q1 2022 saw crude oil prices continue to rise above US$105/bbl as activity levels rose to pre-COVID-19 health pandemic levels. Inflation rose in field labour, fuel and supply costs, which resulted in pricing increases for the Company's customers, which more than offset the higher inflation resulting in higher Adjusted EBITDA and margins in over seven (7) years.
- Q4 2021 saw the Company acquire ten (10) triple drilling rigs and related ancillary equipment based in Casper, Wyoming for total cash consideration including transaction costs of US$18.5 million (approximately C$23.5 million). The purchase further expanded the Company's presence in the U.S. and more than doubled the size of the Company's active drilling fleet to nineteen (19) drilling rigs comprised of seven (7) conventional heavy double drilling rigs in Canada and five (5) AC triple, five (5) DC triple and two (2) conventional heavy double drilling rigs in the U.S. The Company believes the purchase of these ten (10) triple drilling rigs will have a significant positive impact on future quarterly operational and financial results.
- Q3 2021 saw the continuation of higher activity levels as crude oil prices continued to rise towards US$80/bbl. A continuation of a shortage of field labour or rig crews in the industry during the quarter resulted in a further increase in wages, which led to higher pricing for the Company's well servicing work.
- Q2 2021 saw the continuation of higher activity levels adjusted for seasonality as crude oil prices continued to rise to over US$70/bbl. Shortage of available field labour or rig crews in the industry during the quarter became a constraint to higher growth, which is expected to lead to higher pricing for the Company's drilling and well servicing work in future quarters.

- Q1 2021 saw the continuation of a recovery in Canadian oilfield service activity compared to Q4 2020 as the belief of the return to normalcy as a result of the rollout of the COVID-19 vaccines provided support for an increased forecast of global crude oil demand for the remainder of 2021. As such, oil prices continued to rise during the quarter to over US$60/bbl. During Q1 2021, 2,249,500 common shares were purchased, cancelled and returned to treasury under the NCIB.
- Q4 2020 saw a modest recovery in oilfield service activity compared to Q3 2020 as the lower demand for crude oil amid the global economic downturn as a result of the COVID-19 health pandemic and the measures put in place to slow the spread of the virus continued. Crude oil prices continued to modestly increase in Q4 2020 to an average of US$42.63/bbl as the introduction of vaccines to combat the virus were distributed globally toward the end of the quarter, thereby increasing E&P customers' confidence to increase drilling and production activities. During Q4 2020, 1,196,500 common shares were purchased under the NCIB and 1,282,500 common shares were cancelled and returned to treasury.
- Q3 2020 saw a continuation of low economic activity in the oilfield services sector as a result of lower demand for crude oil amid the global economic downturn as a result of the COVID-19 health pandemic and the measures put in place to slow the spread of the virus. However, oil prices recovered in Q3 2020 from the lows experienced in Q2 2020 to an average of US$40.90/bbl. This oil price recovery caused a gradual increase in the utilization of service rigs, but was not enough to increase drilling rig activity from its historical lows. During Q3 2020, 2,405,000 common shares were purchased under the NCIB and 2,349,000 common shares were cancelled and returned to treasury.

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

Critical Accounting Estimates and Judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

CEO and CFO Certifications

The CEO and CFO of TSX Venture Exchange listed companies, such as CWC, are not required to certify they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Instead, an optional form of certification has been made available to TSX Venture Exchange listed companies and has been used by CWC's certifying officers for the June 30, 2022 interim 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 state:

- They have reviewed the interim 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 interim filings.

Risks and Uncertainties

Certain activities of the Company are affected by factors that are beyond its control or influence. Additional risks and uncertainties that management may be unaware of at the present time may also become important factors which affect the Company. Along with the risks discussed in this MD&A, other business risks faced by the Company may be found under "Risk Factors" in the Company's December 31, 2021 Management's Discussion and Analysis which is available under the Company's profile at www.sedar.com.

Forward-Looking Information

This MD&A contains certain forward-looking information and statements (collectively, "forward-looking statements") within the meaning of applicable Canadian securities legislation. Certain statements contained in this MD&A, including those contained in the section titled "Outlook" and including statements which may contain such words as "anticipate", "could", "continue", "should", "seek", "may", "intend", "likely", "plan", "estimate", "believe", "expect", "will", "objective", "ongoing", "project" and similar expressions are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements including management's assessment of future plans and operations, planned levels of capital expenditures, expectations as to industry and Company activity levels in various areas, expectations on the sustainability of future cash flow and earnings, expectations with respect to crude oil and natural gas prices, expectations regarding the level and type of drilling and production and related drilling and well services activity in the WCSB and U.S. basins, expectations regarding entering into long term drilling contracts and expanding our customer base, and expectations regarding the business, operations, revenue and debt levels of the Company in addition to general economic conditions including industry labour shortages, inflationary pressures and a rising interest rate environment and the impact of those conditions on the Company. Although the Company believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurances that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Factors that could cause actual results to vary from forward-looking statements or may affect the operations, performance, development and results of CWC's businesses include, among other things: risks and assumptions associated with operations, such as CWC's ability to successfully implement its strategic initiatives and achieve expected benefits therefrom; assumptions concerning operational reliability; the ability to access sufficient capital from internal and external sources including debt and equity capital; risks inherent in CWC's Canadian and U.S. operations; CWC's ability to generate sufficient cash flow from operations to meet its current and future obligations; risks associated with the failure to finalize formal agreements with counterparties in certain circumstances; CWC's ability to make capital investments and the amounts of capital investments; increases in maintenance, operating or financing costs; the realization of the anticipated benefits of transactions; the possibility that CWC is unable to identify or consummate any acceptable strategic alternatives; the availability and price of labour, equipment and construction materials; the status, credit risk and continued existence of customers having contracts with CWC and its affiliates; availability of energy commodities; volatility of and assumptions regarding prices of energy commodities; competitive factors, including competition from third parties in the areas in which CWC operates or intends to operate, pricing pressures and supply and demand in the drilling and service rig business; fluctuations in currency and interest rates; inflation; risks of war (including the war in Ukraine), hostilities, civil insurrection, pandemics (including COVID-19), instability and political and economic conditions in or affecting jurisdictions in which CWC and its affiliates operate; severe weather conditions and risks related to climate change; terrorist threats; risks associated with technology; changes in laws and regulations, including environmental, regulatory and taxation laws, and the interpretation of such changes to CWC's business; the risks associated with existing and potential or threatened future lawsuits, legal proceedings and regulatory actions against CWC and its affiliates; availability of adequate levels of insurance; difficulty in obtaining necessary regulatory approvals or land access rights and maintenance of support of such approvals and rights; the effects and impacts of the COVID-19 pandemic on CWC's business and general economic and business conditions and markets; and such other risks and uncertainties described in the Annual MD&A under the section entitled "Risk Factors" and from time to time in CWC's reports and filings with the Canadian securities authorities. The impact of any one assumption, risk, uncertainty or other factor on a forward-looking statement cannot be determined with certainty, as these are interdependent and CWC's future course of action depends on management's assessment of all information available at the relevant time. You can find a discussion of those risks and uncertainties in the Annual MD&A under the section entitled "Risk Factors" and in CWC's other securities filings at www.sedar.com.

Readers are cautioned that the foregoing list of assumptions, risks, uncertainties and factors is not exhaustive. See also the section entitled "Risks and Uncertainties" for further risk factors. The forward-looking statements contained in this MD&A are made as of the date of this MD&A and, except to the extent expressly required by applicable securities laws and regulations, CWC assumes no obligation to update or revise forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this MD&A and all subsequent forward-looking statements, whether written or oral, attributable to CWC or persons acting on CWC's behalf are expressly qualified in their entirety by these cautionary statements. Any forward-looking statements made previously may be inaccurate now.

Non-GAAP and Other Financial Measures

$ thousands, except shares, per share amounts and margins	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
NON-GAAP MEASURES				
Adjusted EBITDA:				
Net income (loss)	2,664	(759)	6,103	(312)
Add:				
Stock based compensation	231	167	462	343
Finance costs	605	246	993	505
Depreciation and amortization	2,982	2,581	5,908	5,277
Impairment of assets	-	-	-	1,296
Loss on sale of equipment	227	418	564	206
Income tax expense (recovery)	891	(164)	1,996	28
Adjusted EBITDA[1]	7,600	2,489	16,026	7,343
Adjusted EBITDA per share – basic and diluted[1]	$ 0.01	$ 0.00	$ 0.03	$ 0.01
Adjusted EBITDA margin (Adjusted EBITDA/Revenue)[1]	18%	15%	19%	18%
Weighted average number of shares outstanding - basic	509,786,609	504,534,525	509,459,831	505,286,936
Weighted average number of shares outstanding - diluted	523,123,662	504,534,525	520,768,461	505,286,936
Gross margin:				
Revenue	42,681	16,497	83,512	41,166
Less: Direct operating expenses	30,262	13,116	57,575	30,664
Gross margin[2]	12,419	3,381	25,937	10,502
Gross margin percentage[2]	29%	20%	31%	26%

$ thousands	June 30, 2022	December 31, 2021
Working capital (excluding debt):		
Current assets	33,803	27,911
Less: Current liabilities	(11,233)	(9,709)
Add: Current portion of long-term debt	735	764
Working capital (excluding debt) [3]	23,305	18,966
Working capital (excluding debt) ratio[3]	3.2:1	3.1:1
Net debt:		
Long-term debt	49,038	45,083
Less: Current assets	(33,803)	(27,911)
Add: Current liabilities	11,233	9,709
Net debt [4]	26,468	26,881

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

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

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

(4) Net debt is calculated based on long-term debt less current assets plus current liabilities. Net debt is not a recognized measure under IFRS and does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures provided by other companies. Management believes net debt is a useful indicator of a company's debt position.

CWC ENERGY SERVICES CORP.

Unaudited Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

Stated in thousands of Canadian dollars	Note	**June 30, 2022**	December 31, 2021
ASSETS			
Current			
Cash		**$ -**	$ 90
Accounts receivable		**32,629**	26,227
Prepaid expenses and deposits		**1,174**	1,594
		33,803	27,911
Property, plant and equipment	5	**208,024**	198,734
		$ 241,827	$ 226,645
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**10,498**	8,945
Current portion of long-term debt	6	**735**	764
		11,233	9,709
Long term			
Deferred tax liability		**10,580**	8,584
Long-term debt	6	**49,038**	45,083
		70,851	63,376
SHAREHOLDERS' EQUITY			
Share capital	7	**255,784**	255,066
Contributed surplus		**20,429**	20,262
Accumulated other comprehensive income		**789**	70
Deficit		**(106,026)**	(112,129)
		170,976	163,269
		$ 241,827	$ 226,645

See accompanying notes to the condensed interim consolidated financial statements.
Subsequent event (note 11)

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

For the three and six months ended June 30, 2022 and 2021
(Unaudited)

Stated in thousands of Canadian dollars except per share amounts	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Revenue and other income					
Revenue	9	**$ 42,681**	$ 16,497	**$ 83,512**	$ 41,166
Other income		**-**	2,579	**-**	3,644
		42,681	19,076	**83,512**	44,810
Expenses	9				
Direct operating expenses	10	**30,262**	13,116	**57,575**	30,664
Selling and administrative expenses	10	**4,819**	3,471	**9,911**	6,803
Stock based compensation	7(b)(c)	**231**	167	**462**	343
Finance costs	6	**605**	246	**993**	505
Depreciation	5	**2,982**	2,581	**5,908**	5,277
Loss on disposal of equipment		**227**	418	**564**	206
Impairment of assets		**-**	-	**-**	1,296
		39,126	19,999	**75,413**	45,094
Income before income taxes		**3,555**	(923)	**8,099**	(284)
Deferred income tax expense (recovery)		**891**	(164)	**1,996**	28
Net income (loss)		**$ 2,664**	$ (759)	**$ 6,103**	$ (312)
Other comprehensive income (loss)					
Item that may be reclassified to profit or loss in subsequent periods:					
Unrealized gain (loss) on translation of foreign operations		**1,213**	(159)	**719**	(324)
Comprehensive income (loss)		**$ 3,877**	$ (918)	**$ 6,822**	$ (636)
Net income (loss) per share					
Basic and diluted	7	**$ 0.01**	**$ (0.00)**	**$ 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 and six months ended June 30, 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 loss		-	-	-	-	(312)	(312)
Stock based compensation expense	7(b)(c)	-	-	343	-	-	343
Settlement of restricted share units	7(c)	1,393,381	182	(182)	-	-	-
Cancellation of common shares purchased under normal course issuer bid		(2,249,500)	(1,137)	810	-	-	(327)
Other comprehensive loss		-	-	-	(324)	-	(324)
Balance – June 30, 2021		504,764,797	$ 254,523	$ 20,366	$ (518)	$ (117,014)	$ 157,357
Balance – January 1, 2022		**509,072,091**	**$ 255,066**	**$ 20,262**	**$ 70**	**$ (112,129)**	**$ 163,269**
Net income		**-**	**-**	**-**	**-**	**6,103**	**6,103**
Stock based compensation expense	7(b)(c)	**-**	**-**	**462**	**-**	**-**	**462**
Settlement of stock options	7(b)	**2,157,000**	**665**	**(242)**	**-**	**-**	**423**
Settlement of restricted share units	7(c)	**395,847**	**53**	**(53)**	**-**	**-**	**-**
Other comprehensive income		**-**	**-**	**-**	**719**	**-**	**719**
Balance – June 30, 2022		**511,624,938**	**$ 255,784**	**$ 20,429**	**$ 789**	**$ (106,026)**	**$ 170,976**

See accompanying notes to the condensed interim consolidated financial statements.

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2022 and 2021

(Unaudited)

Stated in thousands of Canadian dollars except per share amounts	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Operating activities:					
Net income (loss)		**$ 2,664**	$ (759)	**$ 6,103**	$ (312)
Adjustments for:					
Stock based compensation	7	**231**	167	**462**	343
Finance costs		**605**	246	**993**	505
Unrealized gain on interest rate swap agreement		**2**	86	**176**	177
Depreciation	5	**2,982**	2,581	**5,908**	5,277
Impairment of assets and assets held for sale		**-**	-	**-**	1,296
Loss on disposal of equipment	5	**227**	418	**564**	206
Foreign exchange		**129**	21	**139**	16
Deferred income tax expense (recovery)		**891**	(164)	**1,996**	28
Funds from operations		**7,731**	2,596	**16,341**	7,536
Changes in non-cash working capital balances	8	**2,266**	6,505	**(4,429)**	3,843
Operating cash flow		**9,997**	9,101	**11,912**	11,379
Investing activities:					
Purchase of equipment	5	**(12,359)**	(1,339)	**(15,150)**	(2,614)
Proceeds on disposal of equipment		**40**	763	**291**	1,293
Investing cash flow		**(12,319)**	(576)	**(14,859)**	(1,321)
Financing activities:					
Increase in (repayment of) long-term debt		**2,510**	(8,148)	**3,659**	(8,890)
Interest paid		**(531)**	(270)	**(1,022)**	(571)
Finance costs paid		**(32)**	(50)	**(92)**	(252)
Lease payments		**(48)**	(57)	**(111)**	(94)
Cash settlement on exercise of options	7(b)	**423**	-	**423**	-
Common shares purchased under NCIB	7(c)	**-**	-	**-**	(327)
Financing cash flow		**2,322**	(8,525)	**2,857**	(10,134)
Decrease in cash during the period		**-**	-	**(90)**	(76)
Cash, beginning of period		**-**	90	**90**	166
Cash, end of period		**$ -**	$ 90	**$ -**	$ 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 at 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 July 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 is measured using the functional 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.

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 extremely 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	13,129	1,906	323	115	15,473
Disposals	(535)	(980)	(126)	-	(1,641)
Effect of foreign currency exchange differences	710	-	-	-	710
Balance, June 30, 2022	161,996	244,177	1,024	2,228	409,425
Accumulated depreciation and impairment losses					
Balance, January 1, 2022	60,845	132,833	457	2,014	196,149
Depreciation	2,629	3,122	112	45	5,908
Disposals	(42)	(618)	(126)	-	(786)
Effect of foreign currency exchange differences	130	-	-	-	130
Balance, June 30, 2022	63,562	135,337	443	2,059	201,401
Net book value					
Balance, June 30, 2022	$ 98,434	$ 108,840	$ 581	$ 169	$ 208,024

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:

	June 30, 2022	December 31, 2021
Current liabilities		
Current portion of lease liabilities	**$ 153**	$ 182
Current portion of Mortgage Loan	**582**	582
	$ 735	$ 764
Non-current liabilities		
Bank Loan	**$ 39,038**	$ 35,088
Mortgage Loan	**9,891**	10,182
Lease liabilities	**456**	215
Financing fees	**(347)**	(402)
	$ 49,038	45,083
Total loans and borrowings	**$ 49,773**	$ 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 June 30, 2022, of the $70,159 Bank Loan facility, $31,057 was available for immediate borrowing and $39,038 was outstanding (December 31, 2021: $35,088). The Bank Loan has an accordion feature which provides the Company with the 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 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 June 30, 2022, the applicable rates under the Bank Loan are bank prime rate plus 1.375%, bankers' acceptances rate plus a stamping fee of 2.375%, and standby fee rate of 0.594%.

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

	Covenant limits	**June 30, 2022**
Consolidated Debt(2) to Consolidated EBITDA(1)	3.50:1.00 or less	**1.48:1.00**
Consolidated Debt(2) to Capitalization(3)	0.50:1.00 or less	**0.19:1.00**
Consolidated Adjusted Cash Flow(4) to Consolidated Adjusted Finance Obligations(5)	1.15:1.00 or more	**20.53:1.00**

(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 30, 2028 that is amortized over 22 years with blended monthly principal and interest payments of $86. At maturity, approximately $7,030 of principal will become payable assuming only regular monthly payments are made. On May 2, 2022, 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 3.38% per annum plus the applicable credit spread of 1.35%, for an effective fixed rate of 4.73%. The fair value of the interest rate swap arrangement is the difference between the forward interest rates and the discounted contract rate. At June 30, 2022, the mark-to-market value of the interest rate swap of $35 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 7.5% 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 $74 for the three months ended June 30, 2022 (three months ended June 30, 2021: $62) and $147 for the six months ended June 30, 2022 (six months ended June 30, 2021: $111) were amortized and included in finance costs.

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	**7,323,000**	**0.20**
Exercised	**(2,157,000)**	**0.20**
Balance at June 30, 2022	**5,166,000**	**0.20**

For the three months ended June 30, 2022, stock based compensation expense relating to stock options totalled $1 (for the three months ended June 30, 2021: $1). For the six months ended June 30, 2022, stock based compensation expense relating to stock options totalled $2 (for the six months ended June 30, 2021: $2).

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	**(395,847)**	**0.14**
Balance at June 30, 2022	**15,690,040**	**0.14**

The following table summarizes information about RSUs outstanding as at June 30, 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	**15,690,040**	**2.24**	**n/a**	**2,322,388**

For the three months ended June 30, 2022, stock based compensation expense relating to RSUs totalled $230 (for the three months ended June 30, 2021: $166). For the six months ended June 30, 2022, stock based compensation expense relating to stock options totalled $460 (for the six months ended June 30, 2021: $342).

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 June 30,		For the six months ended June 30,	
	2022	**2021**	**2022**	**2021**
Weighted average common shares outstanding – basic	**509,786,609**	504,534,525	**509,459,831**	505,286,936
Effect of dilutive share-based compensation plans	**13,337,053**	-	**11,308,630**	-
Weighted average common shares outstanding – diluted	**523,123,662**	504,534,525	**520,768,461**	505,286,936

Outstanding stock options and RSUs are currently the only instruments which could potentially dilute earnings per share. For the three and six months ended June 30, 2021, the effect of all outstanding stock options and RSUs were not included in the computation of net loss per common share because to do so would have been anti-dilutive.

8. Supplemental cash flow information

	Three months ended June 30,		Six months ended June 30,	
	2022	**2021**	**2022**	**2021**
Source (use) of cash related to working capital items:				
Accounts receivable	**$ (240)**	$ 6,381	**$ (6,402)**	$ 2,584
Prepaid expenses and deposits	**338**	174	**420**	719
Accounts payable and accrued liabilities	**2,168**	(50)	**1,553**	540
	$ 2,266	$ 6,505	**$ (4,429)**	$ 3,843

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.

The amounts related to each industry segment are as follows:

For the three months ended June 30, 2022	**Contract Drilling**	**Production Services**	**Corporate**	**Total**
Revenue				
Canada	$ 7,784	$ 19,963	$ -	$ 27,747
United States	14,934	-	-	14,934
Total revenue	22,718	19,963	-	42,681
Direct operating expenses				
Canada	$ 5,848	$ 13,405	$ -	$ 19,253
United States	11,009	-	-	11,009
Total direct operating expenses	16,857	13,405	-	30,262
Selling and administrative expenses	1,420	2,322	1,077	4,819
Stock based compensation	-	-	231	231
Finance costs	-	-	605	605
Depreciation	1,362	1,475	145	2,982
Loss on disposal of equipment	226	1	-	227
Income (loss) before tax	2,853	2,760	(2,058)	3,555
Deferred income tax expense	-	-	891	891
Net income (loss)	$ 2,853	$ 2,760	$ (2,949)	$ 2,664
Capital expenditures	$ 11,227	$ 1,455	$ -	$ 12,682
As at June 30, 2022				
Property, plant and equipment				
Canada	$ 52,987	$ 108,840	$ 169	$ 161,996
United States	45,448	-	-	45,448
	98,435	108,840	169	207,444
Right-of-use assets	-	325	255	580
Total property, plant and equipment	$ 98,435	$ 109,165	$ 424	$ 208,024

Included in accounts receivable at June 30, 2022 was $7,520 (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 June 30, 2022, the Company did not have any sales contracts beyond one year in term.

For the three months ended June 30, 2021	**Contract Drilling**	**Production Services**	**Corporate**	**Total**
Revenue				
Canada	$ 1,323	$ 13,073	$ -	$ 14,396
United States	2,101	-	-	2,101
Total revenue	3,424	13,073	-	16,497
Other income	146	2,288	145	2,579
Direct operating expenses				
Canada	$ 1,417	$ 9,998	$ -	$ 11,415
United States	1,701	-	-	1,701
Total direct operating expenses	3,118	9,998	-	13,116
Selling and administrative expenses	312	1,985	1,174	3,471
Stock based compensation	-	-	167	167
Finance costs	-	-	246	246
Depreciation	811	1,656	114	2,581
Loss on disposal of equipment	-	418	-	418
Impairment of assets	-	-	-	-
(Loss) income before tax	(671)	1,304	(1,556)	(923)
Deferred income tax recovery	-	-	(164)	(164)
Net (loss) income	$ (671)	$ 1,304	$ (1,392)	$ (759)
Capital expenditures	$ 1,040	$ 390	$ 4	$ 1,434
As at June 30, 2021				
Property, plant and equipment				
Canada	$ 51,480	$ 113,308	$ 113	$ 164,901
United States	12,412	-	-	12,412
	63,892	113,308	113	177,313
Right-of-use assets	23	111	42	176
Total property, plant and equipment	$ 63,915	$ 113,419	$ 155	$ 177,489

For the six months ended June 30, 2022	**Contract Drilling**	**Production Services**	**Corporate**	**Total**
Revenue				
Canada	**$ 20,573**	**$ 44,082**	**$ -**	**$ 64,655**
United States	**18,857**	**-**	**-**	**18,857**
Total revenue	**39,430**	**44,082**	**-**	**83,512**
Direct operating expenses				
Canada	**$ 14,832**	**$ 28,974**	**$ -**	**$ 43,806**
United States	**13,769**	**-**	**-**	**13,769**
Total direct operating expenses	**28,601**	**28,974**	**-**	**57,575**
Selling and administrative expenses	**2,644**	**4,551**	**2,716**	**9,911**
Stock based compensation	**-**	**-**	**462**	**462**
Finance costs	**-**	**-**	**993**	**993**
Depreciation	**2,628**	**2,995**	**285**	**5,908**
Loss on disposal of equipment	**478**	**86**	**-**	**564**
Income (loss) before tax	**5,079**	**7,476**	**(4,456)**	**8,099**
Deferred income tax expense	**-**	**-**	**1,996**	**1,996**
Net income (loss)	**$ 5,079**	**$ 7,476**	**$ (6,452)**	**$ 6,103**
Capital expenditures	**$ 13,129**	**$ 2,229**	**$ 115**	**$ 15,473**

For the six months ended June 30, 2021	**Contract Drilling**	**Production Services**	**Corporate**	**Total**
Revenue				
Canada	$ 8,465	$ 30,424	$ -	$ 38,889
United States	2,277	-	-	2,277
Total revenue	10,742	30,424	-	41,166
Other income	243	3,191	210	3,644
Direct operating expenses				
Canada	6,663	22,153	-	28,816
United States	1,848	-	-	1,848
Total direct operating expenses	8,511	22,153	-	30,664
Selling and administrative expenses	567	3,997	2,239	6,803
Stock based compensation	-	-	343	343
Finance costs	-	-	505	505
Depreciation	1,659	3,396	222	5,277
(Gain) loss on disposal of equipment and assets held for sale	(28)	234	-	206
Impairment of assets held for sale	-	1,296	-	1,296
Income (loss) before tax	276	2,539	(3,099)	(284)
Deferred income tax recovery	-	-	28	28
Net income (loss)	$ 276	$ 2,539	$ (3,127)	$ (312)
Capital expenditures	$ 1,995	$ 710	$ 4	$ 2,709

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 June 30, 2022	Direct operating expenses	Selling and administrative expenses	Total
Personnel expenses	$ 19,987	$ 3,166	$ 23,153
Third party charges	1,362	-	1,362
Repairs and maintenance	8,913	-	8,913
Other selling and administrative expenses	-	1,620	1,620
Bad debt recovery	-	(396)	(396)
Facility expenses	-	429	429
Total	**$ 30,262**	**$ 4,819**	**$ 35,081**

For the three months ended June 30, 2021	Direct operating expenses	Selling and administrative expenses	Total
Personnel expenses	$ 8,494	$ 2,026	$ 10,520
Third party charges	2,211	-	2,211
Repairs and maintenance	2,411	-	2,411
Other selling and administrative expenses	-	1,114	1,114
Bad debt recovery	-	(26)	(26)
Facility expenses	-	357	357
Total	**$ 13,116**	**$ 3,471**	**$ 16,587**

For the six months ended June 30, 2022	Direct operating expenses	Selling and administrative expenses	Total
Personnel expenses	$ 38,498	$ 6,255	$ 44,753
Third party charges	4,810	-	4,810
Repairs and maintenance	14,267	-	14,267
Other selling and administrative expenses	-	3,110	3,110
Bad debt recovery	-	(343)	(343)
Facility expenses	-	889	889
Total	**$ 57,575**	**$ 9,911**	**$ 67,486**

For the six months ended June 30, 2021	Direct operating expenses	Selling and administrative expenses	Total
Personnel expenses	$ 20,436	$ 4,234	$ 24,670
Third party charges	4,926	-	4,926
Repairs and maintenance	5,302	-	5,302
Other selling and administrative expenses	-	2,036	2,036
Bad debt recovery	-	(220)	(220)
Facility expenses	-	753	753
Total	**$ 30,664**	**$ 6,803**	**$ 37,467**

11. Subsequent event

On July 29, 2022, the Company exercised the accordion feature to expand the Credit Facility to an $80,310 Bank Loan comprised of a $50,710 Canadian syndicated facility, a US$12,000 (C$15,600) U.S. syndicated facility, a $7,500 Canadian operating facility and a US$5,000 (C$6,500) U.S. operating facility. The Company further amended the Credit Facility to extend the maturity to July 31, 2025.

(This page intentionally left blank)

(This page intentionally left blank)

Corporate Information

Directors
Jim Reid, Chairman
Duncan T. Au[1]
Daryl Austin
Gary L. Bentham[1]
Wade McGowan[1, 2, 3]
Nancy Foster[2]
Jason Chehade[2, 3]

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

Officers
Duncan T. Au, FCPA, FCA, CFA, ICD.D
President & Chief Executive Officer

Stuart King, CPA, CA
Chief Financial Officer

Paul Donohue
Vice President Operations (Drilling)

Darwin McIntyre
Vice President Operations (Well Services)

Bob Apps
Vice President, Sales and Marketing (Drilling)

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

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

Auditors
Ernst & Young LLP

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

Legal Counsel
Burnet, Duckworth & Palmer LLP

Transfer Agent
Computershare Limited

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

Stock Exchange Listing
TSX Venture: CWC

CWC
ENERGY SERVICES

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