CWC ENERGY SERVICES CORP.

Unaudited Condensed Interim Financial Statements

For the three months ended March 31, 2016 and 2015

CWC ENERGY SERVICES CORP.

STATEMENTS OF FINANCIAL POSITION

As at March 31, 2016 and December 31, 2015

(unaudited)

Stated in thousands of Canadian dollars	Note	**March 31, 2016**	December 31, 2015
ASSETS			
Current			
Cash		**$ 2**	$ 2
Accounts receivable		**14,172**	13,800
Inventory		**2,079**	2,112
Prepaid expenses and deposits		**1,057**	1,419
		17,310	17,333
Property and equipment	5	**200,503**	204,067
Intangibles		**952**	1,028
		$ 218,765	$ 222,428
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 5,160**	$ 5,511
Current portion of long-term debt	6	**227**	205
		5,387	5,716
Deferred tax liability		**16,724**	17,214
Long-term debt	6	**50,538**	52,036
		72,649	74,966
SHAREHOLDERS' EQUITY			
Share capital	7	**227,153**	227,149
Contributed surplus	7	**6,596**	6,516
Deficit		**(87,633)**	(86,203)
		146,116	147,462
		$ 218,765	$ 222,428

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the three months ended March 31, 2016 and 2015

(unaudited)

Stated in thousands of Canadian dollars except per share amounts	Note	**2016**	2015
Revenue		**$ 19,740**	$ 27,830
Expenses	10		
Direct operating expenses		**14,116**	18,219
Selling and administrative expenses		**3,067**	4,357
Stock based compensation	7	**84**	323
Finance costs	6	**577**	574
Depreciation and amortization		**3,671**	4,184
Loss on disposal of equipment		**145**	35
		21,660	27,692
Net income (loss) before income taxes		**(1,920)**	138
Deferred income tax expense (recovery)		**(490)**	100
Net income (loss) and comprehensive income (loss)		**$ (1,430)**	$ 38
Earnings (loss) per share			
Basic and diluted	7	**$ (0.00)**	$ 0.00

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2016 and 2015

(unaudited)

Stated in thousands of Canadian dollars except share amounts	Note	**Number of Shares**	**Share Capital**	**Contributed Surplus**	**Deficit**	**Total Equity**
Balance January 1, 2015		270,762,224	$ 219,677	$ 6,546	$ (53,518)	$ 172,705
Net income and comprehensive income		-	-	-	38	38
Stock based compensation expense	7	-	-	315	-	315
Exercise of stock options	7	30,000	13	(6)	-	7
Issued common shares under dividend reinvestment and stock dividend plans	7	8,283,106	3,281	-	-	3,281
Dividends declared	7	-	-	-	(1,421)	(1,421)
Balance – March 31, 2015		279,075,330	$ 222,971	$ 6,855	$ (54,901)	$ 174,925
Balance January 1, 2016		**292,628,007**	**$ 227,149**	**$ 6,516**	**$ (86,203)**	**$ 147,462**
Net loss and comprehensive net loss		**-**	**-**	**-**	**(1,430)**	**(1,430)**
Stock based compensation expense	7	**-**	**-**	**84**	**-**	**84**
Settlement of restricted share units		**10,000**	**4**	**(4)**	**-**	**-**
Balance – March 31, 2016		**292,638,007**	**$ 227,153**	**$ 6,596**	**$ (87,633)**	**$ 146,116**

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2016 and 2015
(unaudited)

Stated in thousands of Canadian dollars	Note	**2016**	2015
Operating activities:			
Net income (loss)		**$ (1,430)**	$ 38
Adjustments for:			
Stock based compensation expense	7	**84**	323
Finance costs		**577**	574
Depreciation and amortization		**3,671**	4,184
Loss on disposal of equipment		**145**	35
Deferred income tax expense (recovery)		**(490)**	100
		2,557	5,254
Changes in non-cash working capital balances	8	**(328)**	12,234
Operating cash flow		**2,229**	17,488
Investing activities:			
Purchase of equipment		**(186)**	(5,011)
Proceeds on disposal of equipment		**89**	114
Investing cash flow		**(97)**	(4,897)
Financing activities:			
Repayment of long-term debt		**(1,563)**	(10,359)
Interest paid		**(488)**	(530)
Finance costs paid		**(25)**	(200)
Finance lease repayments		**(56)**	(54)
Common shares issued on exercise of options	7	**-**	7
Dividends paid	7	**-**	(1,457)
Financing cash flow		**(2,132)**	(12,593)
Decrease in cash during the period		**-**	(2)
Cash, beginning of period		**2**	69
Cash, end of period		**$ 2**	$ 67

See accompanying notes to the financial statements.

1. Reporting entity

CWC Energy Services Corp. ("CWC" or the "Company") is incorporated under the *Business Corporations Act* (Alberta). The address of the Company's head office is Suite 610, 205 – 5th Avenue SW, Calgary, Alberta, Canada. The Company is an oilfield services company providing drilling and production services to oil and gas exploration and development companies throughout the Western Canadian Sedimentary Basin ("WCSB"). The Company's common stock is listed and traded on the TSX Venture Exchange under the symbol CWC. Additional information regarding CWC's business is available in CWC's most recent Annual Information Form available on SEDAR at www.sedar.com, on the Company's website www.cwcenergyservices.com, or by contacting the Company at the address noted above.

2. Basis of presentation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all the information required for full annual financial statements.

These condensed interim financial statements were approved by the Board of Directors on May 11, 2016.

(b) Use of estimates and judgments

The preparation of the condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the report amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2015.

(c) Comparative figures

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

3. Significant accounting policies

The accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended December 31, 2015. These unaudited interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2015 as filed on SEDAR.

4. Seasonality of operations

The Company's operations are located in Western Canada. The ability to move heavy equipment safely and efficiently in Western Canadian oil and natural gas fields is dependent on weather conditions. 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's 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.

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

5. Property and equipment

	Contract Drilling equipment	Production Services equipment	Other equipment	Total
Costs				
Balance, December 31, 2015	$ 108,508	$ 204,123	$ 1,881	$ 314,512
Additions	26	240	-	266
Disposals	-	(540)	-	(540)
Balance, March 31, 2016	108,534	203,823	1,881	314,238
Accumulated depreciation and impairment losses				
Balance, December 31, 2015	12,230	96,710	1,505	110,455
Depreciation	731	2,822	43	3,596
Disposals	-	(306)	-	(306)
Balance, March 31, 2016	12,961	99,226	1,548	113,735
Net book value				
Balance, December 31, 2015	$ 96,278	$ 107,413	$ 376	$ 204,067
Balance, March 31, 2016	$ 95,573	$ 104,597	$ 333	$ 200,503

6. Loans and borrowings

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

	March 31, 2016	December 31, 2015
Current liabilities:		
Current portion of finance lease liabilities	$ 227	$ 205
	$ 227	$ 205
Non-current liabilities:		
Bank Loan	$ 50,796	$ 52,359
Finance lease liabilities	179	178
Financing fees	(437)	(501)
	$ 50,538	$ 52,036
Total loans and borrowings	$ 50,765	$ 52,241

The Company has a credit facility with a syndicate of four Canadian financial institutions (the “Credit Facility”). The Credit Facility provides the Company with a $65 million extendible revolving term facility (the “Bank Loan”) and other credit instruments. The Bank Loan is for a committed term until July 31, 2018 (the “Maturity Date”). No principal payments are required under the Bank Loan until the Maturity Date, at which time any amounts outstanding are due and payable. The Company may, on an annual basis, request the Maturity Date be extended for a period not to exceed three years from the date of the request. If a request for an extension is not approved by the banking syndicate, the Maturity Date will remain unchanged.

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company’s trailing Consolidated Debt to Consolidated EBITDA(1) ratio from a minimum of the bank’s prime rate plus 0.75% to a maximum of the bank’s prime rate plus 3.75% or from a minimum of the bankers acceptances rate plus a stamping fee of 1.75% to a maximum of the bankers acceptances rate plus a stamping fee of 4.75%. Standby fees under the Bank Loan range between 0.39% and 1.07%. Interest and fees under the Bank Loan is payable monthly. The Company has the option to borrow funds denominated in either Canadian or United States dollars under the Credit Facility. Borrowings under the Bank Loan are limited to an aggregate of 75% of accounts receivable outstanding less than 90 days plus 60% of the net book value of property and equipment less certain priority payables. As at March 31, 2016, $62.5 million was available for immediate borrowing under the $75 million Bank Loan facility and $50.8 million was outstanding (December 31, 2015: $52.4 million). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings to up to $125 million, subject to the approval of the lenders. The Bank Loan is secured by a security agreement covering all of the assets of the Company and a first charge Security Interest covering all assets of the Company. Effective March 31, 2016 the applicable rates under the Bank Loan are: bank prime rate plus 3.75%, bankers acceptances rate plus a stamping fee of 4.75%, and standby fee rate of 1.07%.

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	Actual March 31, 2016
Consolidated Debt(2) to Consolidated EBITDA(1)	6.00:1.00 or less	5.29:1.00
Consolidated Debt(2) to Capitalization(3)	0.50:1.00 or less	0.26:1.00
Consolidated Adjusted Cash Flow(4) to Consolidated Finance Obligations(5)	1.15:1.00 or more	4.27:1.00

(1) Consolidated EBITDA is calculated as net income plus finance costs, plus current and deferred income taxes, plus depreciation, plus stock based compensation, plus any non recurring losses or impairment losses, or permitted severance costs, minus any non recurring gain, plus any expenses related to corporate or business acquisitions with all amounts being for the twelve month period ended the calculation date. EBITDA is adjusted to reflect the inclusion of material acquisitions or material dispositions on a pro forma basis for the twelve month period ended the calculation date.
(2) Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted 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.
(5) Consolidated Finance Obligations is calculated as finance costs plus scheduled principal payments on debt including scheduled principal payments under finance leases minus accretion of finance fees included in finance costs for the twelve month period ended the calculation date.

In April 2016, the Company reached an agreement with its banking syndicate to, among other things, extend the Maturity Date of the Credit Facility to July 31, 2018 from June 21, 2017, amend the Consolidated EBITDA definition and amend the maximum Consolidated Debt to Consolidated EBITDA ratio under the Credit Facility to 6.0:1 for March 31, 2016, decreasing to 5.5:1 for June 30, 2016 and September 30, 2016, 5.25:1 for December 31, 2016 and March 31, 2017, further decreasing to 4.75:1 for June 30, 2017, 4.5:1 at September 30, 2017, 4.0:1 for December 31, 2017 and decreasing to 3.5:1 for March 31, 2018 and thereafter. The Company has also reached an agreement to amend the calculation of Consolidated EBITDA to include a new equity cure provision which allows the Company to include proceeds of equity offerings in the calculation of Consolidated EBITDA, subject to specific conditions.

Obligations under finance leases are primarily for leased automobiles with an expected term of three years and a one year minimum term. Interest rates on finance leases are specific to each leased asset, are fixed for the lease term and vary between 4.4% and 5.3% 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 $89 were amortized and included in finance costs during the three months ended March 31, 2016 (year ended December 31, 2015: $238).

7. Share capital

(a) 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, 2015	14,400,000	$ 0.43
Granted	**3,700,000**	**0.18**
Forfeited	**(1,100,000)**	**0.67**
Balance at March 31, 2016	**17,000,000**	**$ 0.36**

For the three months ended March 31, 2016, stock-based compensation expense relating to stock options totaled $65 (three months ended March 31, 2015: $161).

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

(b) Restricted share unit plan ("RSUs")
The following table summarizes information about RSUs outstanding as at March 31, 2016:

Issue date fair value	Number of RSUs outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price ($)	Number of RSUs exercisable
$0.09 - $1.04	**2,138,334**	**2.0**	**n/a**	**153,334**

For the three months ended March 31, 2016, stock-based compensation expense relating to RSUs totaled $18 (March 31, 2015: $154)

During the first quarter of 2016, 141,667 RSUs were forfeited, (March 31, 2015: 75,000) and 10,000 RSUs were exercised (March 31, 2015: NIL).

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

	For the three months ended March 31,	
	2016	2015
Weighted average common shares outstanding – basic	**292,636,578**	277,658,060
Dilutive stock options	**-**	1,765,598
Dilutive RSUs	**-**	225,447
Weighted average common shares outstanding – diluted	**292,636,578**	279,649,105

Outstanding stock options and RSUs are currently the only instruments which could potentially dilute earnings per share. For the three months ended March 31, 2016, 17,000,000 stock options and 2,138,334 RSUs (March 31, 2015: 7,500,000 stock options and 860,000 RSUs) were not included in the computation of earnings per common share because to do so would be anti-dilutive.

8. Supplemental cash flow information

	For the three months ended March 31,	
	2016	2015
Change in non-cash working capital items:		
Accounts receivable	**$ (372)**	$ 16,972
Inventory	**33**	56
Prepaid expenses and deposits	**362**	164
Accounts payable and accrued liabilities	**(351)**	(4,958)
	$ (328)	$ 12,234

9. Operating segments

The Company operates in the Western Canadian oilfield service industry through its Contract Drilling and Production Services segments. The Contract Drilling segment provides drilling rigs and related ancillary equipment to oil and gas exploration and production companies. The Production Services segment provides well services to oil and gas exploration and production companies through the use of service rigs and coil tubing units.

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

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

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 March 31, 2016	Contract Drilling	Production Services	Corporate	Total
Revenue	**$ 4,119**	**$ 15,621**	**$ -**	**$ 19,740**
Direct operating expenses	**2,969**	**11,147**	**-**	**14,116**
Selling and administrative expenses	**167**	**1,718**	**1,182**	**3,067**
Stock based compensation	**-**	**-**	**84**	**84**
Finance costs	**-**	**-**	**577**	**577**
Loss on disposal of equipment	**-**	**145**	**-**	**145**
Net income (loss) before depreciation and taxes	**983**	**2,470**	**(1,702)**	**1,751**
Depreciation	**806**	**2,822**	**43**	**3,671**
Net income (loss) before tax	**177**	**(352)**	**(1,745)**	**(1,920)**
Income tax expense (reduction)	**-**	**-**	**(490)**	**(490)**
Net income (loss)	**177**	**(352)**	**(1,255)**	**(1,430)**
Capital expenditures	**26**	**240**	**-**	**266**
As at March 31, 2016				
Property and equipment	**95,573**	**104,597**	**333**	**200,503**
Intangibles	**952**	**-**	**-**	**952**

For the three months ended March 31, 2015	Contract Drilling	Production Services	Corporate	Total
Revenue	$ 10,973	$ 16,857	$ -	$ 27,830
Direct operating expenses	6,240	11,979	-	18,219
Selling and administrative expenses	304	2,512	1,541	4,357
Stock based compensation	-	-	323	323
Finance costs	-	-	574	574
Loss on disposal of equipment	10	25	-	35
Net income (loss) before depreciation and taxes	4,419	2,341	(2,438)	4,322
Depreciation	1,313	2,830	41	4,184
Net income (loss) before tax	3,106	(489)	(2,479)	138
Income tax expense	-	-	100	100
Net income (loss)	3,106	(489)	(2,579)	38
Capital expenditures	1,770	3,234	7	5,011
As at March 31, 2015				
Property and equipment	100,673	118,732	262	219,667
Intangibles	1,311	-	-	1,311
Goodwill	16,662	-	-	16,662

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

10. Expenses by nature

For the three months ended March 31, 2016	Direct operating expenses	Selling and admini-strative expenses	Stock based compen-sation	Finance costs	Deprec-iation expense	Loss on sale of equip-ment	Total
Personnel expenses	$ 9,804	$ 1,762	$ 84	$ -	$ -	$ -	$ 11,650
Other operating expenses(1)	4,312	-	-	-	-	-	4,312
Other selling and administrative expenses	-	507	-	-	-	-	507
Bad debt	-	227	-	-	-	-	227
Facility expenses	-	571	-	-	-	-	571
Depreciation expense	-	-	-	-	3,671	-	3,671
Finance costs	-	-	-	577	-	-	577
Loss on sale of equipment	-	-	-	-	-	145	145
Total	**$ 14,116**	**$ 3,067**	**$ 84**	**$ 577**	**$ 3,671**	**$ 145**	**$ 21,660**

(1) see table below

For the three months ended March 31, 2015	Direct operating expenses	Selling and admini-strative expenses	Stock based compen-sation	Finance costs	Deprec-iation expense	Loss on sale of equip-ment	Total
Personnel expenses	$ 10,614	$ 2,402	$ 323	$ -	$ -	$ -	$ 13,339
Termination expenses	21	237	-	-	-	-	258
Other operating expenses(1)	7,584	-	-	-	-	-	7,584
Other selling and administrative expenses	-	907	-	-	-	-	907
Bad debt	-	196	-	-	-	-	196
Facility expenses	-	615	-	-	-	-	615
Depreciation expense	-	-	-	-	4,184	-	4,184
Finance costs	-	-	-	574	-	-	574
Loss on sale of equipment	-	-	-	-	-	35	35
Total	$ 18,219	$ 4,357	$ 323	$ 574	$ 4,184	$ 35	$ 27,692

(1) Other operating expenses consists of the following:

March 31,	2016	2015
Repairs and maintenance	**$ 1,790**	$ 3,822
Fuel	**1,156**	1,523
Operating supplies and consumables	**314**	248
Equipment rental	**274**	634
Travel and subsistence	**246**	804
License, registration and permits	**232**	264
Certification and inspection	**185**	239
Other	**115**	50
	$ 4,312	$ 7,584

11. Financial risk management

For the quarter ended March 31, 2016, ten customers comprised 81% of revenues (Year ended December 31, 2015 - 60%) and one customer comprised 32% of revenue (Year ended December 31, 2015 - 14%).

12. Subsequent Events

In April 2016, the Company agreed to amend its credit agreement with its banking syndicate and to extend the maturity of the credit facility to July 31, 2018 from June 21, 2017. The amendments agreed to will result in changes to its Consolidated Debt to Consolidated EBITDA ratio as discussed in note 6 and reduces the credit facility from $75 million to $65 million with an ability to increase the credit facility through an accordion feature of $60 million, subject to approval by the banking syndicate. In addition, the agreement reduces the required minimum liquidity from $12.5 million to $10 million.

On April 25, 2016, CWC announced a rights offering of its common shares. Each registered shareholder of common shares on the record date of May 2, 2016 will receive one right for each common share held. Three rights plus the subscription price of $0.15 will entitle the rights holder to subscribe for one common share. If fully subscribed, the gross proceeds from the rights offering is estimated to be $14.6 million and is expected to close on May 31, 2016. CWC's largest shareholder, Brookfield Capital Partners Ltd. which controls approximately 70% of the outstanding common shares, has confirmed that it will participate in the rights offering to the fullest extent possible.