

CWC ENERGY SERVICES CORP.

Unaudited Condensed Interim Financial Statements

For the three and nine months ended September 30, 2015 and 2014

CWC ENERGY SERVICES CORP.
STATEMENTS OF FINANCIAL POSITION
As at September 30, 2015 and December 31, 2014
(unaudited)

<i>Stated in thousands of Canadian dollars</i>	Note	September 30, 2015	December 31, 2014
ASSETS			
Current			
Cash		\$ 2	\$ 69
Accounts receivable		17,603	34,826
Inventory		2,157	2,335
Prepaid expenses and deposits		713	1,175
Assets held for sale	5	685	-
		21,160	38,405
Property and equipment	6	213,934	218,910
Intangibles		1,152	1,390
Goodwill	7	-	16,648
		\$ 236,246	\$ 275,353
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 5,016	\$ 13,064
Dividend payable	9(f)	723	4,738
Current portion of long-term debt	8	198	201
		5,937	18,003
Deferred tax liability	10	19,485	19,180
Long-term debt	8	57,321	65,465
		82,743	102,648
SHAREHOLDERS' EQUITY			
Share capital	9	226,256	219,677
Contributed surplus		6,703	6,546
Deficit		(79,456)	(53,518)
		153,503	172,705
		\$ 236,246	\$ 275,353
Subsequent event	14		

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the three and nine months ended September 30, 2015 and 2014
(unaudited)

<i>Stated in thousands of Canadian dollars except per share amounts</i>	Note	Three months ended September 30		Nine months ended September 30	
		2015	2014	2015	2014
Revenue		\$ 21,135	\$ 38,846	\$ 62,473	\$ 97,707
Expenses	13				
Direct operating expenses		14,191	24,356	42,121	64,895
Selling and administrative expenses		3,265	4,604	10,642	12,294
Stock based compensation		234	498	808	1,135
Finance costs	8	545	588	1,644	1,554
Transaction costs		-	-	-	788
Depreciation and amortization		4,277	5,708	11,739	13,794
Loss (gain) on disposal of equipment		(63)	(129)	251	(242)
Impairment of goodwill and assets held for sale		17,322	-	17,322	-
		39,771	35,625	84,527	94,218
Net (loss) income before income taxes		(18,636)	3,221	(22,054)	3,489
Deferred income tax expense (recovery)	10	(533)	975	305	1,180
Net (loss) income and comprehensive (loss) income		\$ (18,103)	\$ 2,246	\$ (22,359)	\$ 2,309
(Loss) income per share					
Basic and diluted		\$ (0.06)	\$ 0.01	\$ (0.08)	\$ 0.01

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2015 and 2014

(unaudited)

*Stated in thousands of Canadian dollars
except share amounts*

	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance – January 1, 2014		155,323,066	\$ 108,184	\$ 6,056	\$ (22,896)	\$ 91,344
Net income and comprehensive income		-	-	-	2,309	2,309
Stock based compensation expense	9(c)	-	-	1,018	-	1,018
Issued common shares for acquisition		80,785,158	84,017	-	-	84,017
Issued for cash		34,270,000	27,323	-	-	27,323
Exercise of stock options	9(c)	80,000	62	(25)	-	37
Settlement of restricted share units	9(d)	58,333	44	(44)	-	-
Cancellation of common shares purchased under normal course issuer bid		(597,500)	(484)	(71)	-	(555)
Dividends declared	9(f)	-	-	-	(12,342)	(12,342)
Balance – September 30, 2014		269,919,057	\$ 219,146	\$ 6,934	\$ (32,929)	\$ 193,151
Balance - January 1, 2015		270,762,224	\$ 219,677	\$ 6,546	\$ (53,518)	\$ 172,705
Net loss and comprehensive loss		-	-	-	(22,359)	(22,359)
Stock based compensation expense	9(c)	-	-	797	-	797
Exercise of stock options	9(c)	2,630,002	1,181	(523)	-	658
Settlement of restricted share units	9(d)	120,000	117	(117)	-	-
Issued common shares under dividend reinvestment and stock dividend plans	9(f)	15,791,436	5,281	-	-	5,281
Dividends declared	9(f)	-	-	-	(3,579)	(3,579)
Balance – September 30, 2015		289,303,662	\$ 226,256	\$ 6,703	\$ (79,456)	\$ 153,503

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2015 and 2014

(unaudited)

<i>Stated in thousands of Canadian dollars</i>	Note	Three months ended September 30		Nine months ended September 30	
		2015	2014	2015	2014
Operating activities:					
Net (loss) income		\$ (18,103)	\$ 2,246	\$ (22,359)	\$ 2,309
Adjustments for:					
Stock based compensation expense	9(c)	234	498	808	1,135
Finance costs		545	588	1,644	1,554
Depreciation		4,277	5,708	11,739	13,794
Impairment of goodwill and assets held for sale		17,322	-	17,322	-
Loss (gain) on disposal of equipment		(63)	(129)	251	(242)
Deferred income tax expense (recovery)	10	(533)	975	305	1,180
		3,679	9,886	9,710	19,730
Changes in non-cash working capital balances	11	(7,573)	(7,395)	9,753	5,843
Operating cash flow		(3,894)	2,491	19,463	25,573
Investing activities:					
Acquisition of Ironhand Drilling Inc.		-	-	-	(18,189)
Purchase of equipment		(1,250)	(12,244)	(8,394)	(19,488)
Proceeds on disposal of equipment		238	6,484	395	7,468
Investing cash flow		(1,012)	(5,760)	(7,999)	(30,209)
Financing activities:					
Increase (repayment) of long-term debt		5,814	9,014	(8,068)	(10,214)
Interest paid		(481)	(545)	(1,472)	(1,438)
Finance costs paid		-	-	(200)	(229)
Finance lease repayments		(60)	(68)	(170)	(178)
Common shares issued for cash		-	-	-	26,848
Common shares issued on exercise of options	9(c)	-	-	658	37
Common shares repurchased for cancellation	9(b)	-	(555)	-	(555)
Dividends paid	9(f)	(432)	(4,734)	(2,279)	(9,782)
Financing cash flow		4,841	3,112	(11,531)	4,489
Decrease in cash during the period		(65)	(157)	(67)	(147)
Cash, beginning of period		67	212	69	202
Cash, end of period		\$ 2	\$ 55	\$ 2	\$ 55

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

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 November 24, 2015.

(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, 2014.

(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, 2014. These unaudited interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2014 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.

5. Assets held for sale

Assets held for sale totaling \$685 (December 31, 2014: NIL) are comprised of equipment related to the production services segment. The Company has developed plans and entered into agreements to dispose of this equipment within the next year. The assets related to these agreements have been reclassified from property, plant and

CWC ENERGY SERVICES CORP.

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

equipment to current assets held for sale and are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss of \$674 was recognized as a result of reclassifying the equipment.

6. Property and equipment

	Contract drilling equipment	Production services equipment	Other equipment	Total
Costs				
Balance, December 31, 2014	\$ 104,749	\$ 205,233	\$ 1,638	\$ 311,620
Additions	4,207	4,284	25	8,516
Disposals	(515)	(965)	(5)	(1,485)
Transfers	(56)	(4,633)	143	(4,546)
Balance, September 30, 2015	108,385	203,919	1,801	314,105
Accumulated depreciation				
Balance, December 31, 2014	4,543	86,825	1,342	92,710
Depreciation	3,020	8,359	122	11,501
Disposals	(57)	(782)	(1)	(840)
Transfers	14	(3,214)	-	(3,200)
Balance, September 30, 2015	7,520	91,188	1,463	100,171
Net book value				
Balance, December 31, 2014	\$ 100,206	\$ 118,408	\$ 296	\$ 218,910
Balance, September 30, 2015	\$ 100,865	\$ 112,731	\$ 338	\$ 213,934

At September 30, 2015, property and equipment includes equipment under finance leases which are recorded at cost totaling \$969 (December 31, 2014: \$887), less accumulated depreciation of \$608 (December 31, 2014: \$476).

Transfers include assets with a net book value of \$1,346 that were transferred to assets held for sale during the period (see note 5).

7. Goodwill impairment

The Company reviews the carrying value of its long-lived assets at each reporting period for indicators of impairment. During the period ended September 30, 2015 the Corporation determined that low commodity prices and its impact on the current and future business and industry activity levels was an indicator of impairment and performed a comprehensive assessment of the carrying values of property, plant and equipment, goodwill and intangibles for the contract drilling and production services cash generating units.

The recoverable amount of each CGU was based on value in use, estimated using discounted cash flows based on historical results and incorporates the Company's most recent 2015 and 2016 internal forecasts. The fair value of measurement was categorized as Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2015
After tax discount rate	13.7%
Terminal value growth rate	2.5%
Forecasted Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA") growth rate (average of next five years)	24.2%

CWC ENERGY SERVICES CORP.

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

The discount rate was a post-tax measure estimated based on the historical industry average weighted average cost of capital, with a possible debt leveraging of 30% at a market interest rate of 3.0%. The pre-tax discount rate is approximately 17.2%.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Forecasted EBITDA was estimated taking into account past experience, adjusted as follows:

- revenue growth was projected taking into account the significant reduction in contract drilling activity levels in 2015 which is expected to continue through 2016;
- revenue growth from drilling rig activity was projected to rebound beginning in 2017, returning to historical levels in 2018 and beyond, taking into account the Contract Drilling's segment history of having above industry average utilizations; and
- revenue growth from pricing (rate per day) was projected to increase beginning in 2017 consistent with activity improvement.

The results of the test indicated a goodwill impairment of the Contract Drilling CGU at September 30, 2015 of \$16,648.

8. Loans and borrowings

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

	September 30, 2015	December 31, 2014
Current liabilities:		
Current portion of finance lease liabilities	\$ 198	\$ 201
	\$ 198	\$ 201
Non-current liabilities:		
Bank Loan	\$ 57,588	\$ 65,657
Finance lease liabilities	168	215
Financing fees	(435)	(407)
	\$ 57,321	\$ 65,465
Total loans and borrowings	\$ 57,519	\$ 65,666

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 \$100 million extendible revolving term facility (the "Bank Loan") and other credit instruments. The Bank Loan is for a committed term until June 21, 2017 (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 2.75% 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 3.75%. Standby fees under the Bank Loan range between 0.39% and 0.84%. 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 September 30, 2015, \$100 million was

CWC ENERGY SERVICES CORP.

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

available for immediate borrowing under the \$100 million Bank Loan facility and \$57.6 million was outstanding (December 31, 2014: \$65.7 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 September 30, 2015, the applicable rates under the Bank Loan are: bank prime rate plus 1.5%, bankers acceptances rate plus a stamping fee of 2.5%, and standby fee rate of 0.57%.

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

	Covenant limits	Actual Sept 30, 2015
Consolidated Debt ⁽²⁾ to Consolidated EBITDA ⁽¹⁾	3.00:1.00 or less	2.49:1.00
Consolidated Debt ⁽²⁾ to Capitalization ⁽³⁾	0.50:1.00 or less	0.27:1.00
Consolidated Adjusted Cash Flow ⁽⁴⁾ to Consolidated Finance Obligations ⁽⁵⁾	1.15:1.00 or more	9.21:1.00

⁽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, 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.

Subsequent to quarter end, in November 2015, the Company reached an agreement with its banking syndicate to, among other things, amend the Consolidated Debt to Consolidated EBITDA covenant limit to 5.00:1.00 for December 31, 2015; 5.25:1.00 for March 31 and June 30, 2016; 5.50:1.00 for September 30, 2016; 5.00:1.00 for December 31, 2016 and returns to 3.00:1.00 for March 31, 2017 and thereafter. See note 14.

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 4.5% 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 \$173 were amortized and included in finance costs during the nine months ended September 30, 2015 (year ended December 31, 2014: \$158).

9. Share capital

(a) Authorized

Unlimited number of Common voting shares without par value.

Unlimited number of Preferred shares without par value.

(b) Normal course issuer bid

The Company has a program to purchase its common shares from time to time in accordance with the normal course issuer bid procedures under Canadian securities laws. Pursuant to the issuer bid, CWC is allowed to purchase for cancellation up to 14,229,807 of its issued and outstanding common shares at prevailing market prices on the TSX Venture Exchange or other recognized marketplaces during the twelve month period ending May 21, 2016. There were no purchases made under the NCIB in the first nine months of 2015. For the year ended December 31, 2014, 1,091,000 shares for consideration of \$941 including commissions were purchased under the NCIB.

CWC ENERGY SERVICES CORP.

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

(c) 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, 2014	13,020,012	0.54
Exercised for common shares	(2,630,002)	0.25
Forfeited	(1,565,010)	0.36
Balance at September 30, 2015	8,825,000	\$ 0.66

For the three months ended September 30, 2015, stock-based compensation expense relating to stock options totaled \$84 (three months ended September 30, 2014: \$226). For the nine months ended September 30, 2015, stock-based compensation expense relating to stock options totaled \$355 (nine months ended September 30, 2014: \$388).

The Company has a Dividend Bonus Plan whereby holders of vested and in-the-money stock options receive a payment equal to the declared dividend amount. A portion of the dividend bonus is treated as stock based compensation while the remainder is recorded as a dividend. For the three months ended September 30, 2015, stock-based compensation relating to the dividend bonus plan totaled \$0 (three months ended September 30, 2014: \$40). For the nine months ended September 30, 2015, stock based compensation relating to the dividend bonus plan totaled \$11 (nine months ended September 30, 2014: \$116).

(d) Restricted share units

The following table summarizes information about RSU's outstanding as at September 30, 2015:

Issue date fair value	Number of RSU's outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price (\$)	Number of RSU's exercisable
\$0.30 – 1.04	1,945,000	1.7	n/a	-

For the three months ended September 30, 2015, stock-based compensation expense relating to RSU's totaled \$140 (three months ended September 30, 2014: \$232). For the nine months ended September 30, 2015, stock-based compensation expense relating to RSU's totaled \$442 (nine months ended September 30, 2014: \$630).

For the nine months ended September 30, 2015, 120,000 RSU's were exercised (September 30, 2014: 58,333), 75,000 RSU's were forfeited (September 30, 2014: NIL) and 75,000 RSU's were issued (September 30, 2014: 465,000 issued).

(e) Per share amounts

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Weighted average common shares outstanding – basic	286,626,800	270,344,750	283,435,832	213,489,814
Dilutive stock options	-	4,995,950	-	4,996,656
Dilutive Restricted Share Units	-	1,057,891	-	792,036
Weighted average common shares outstanding – diluted	286,626,800	276,398,591	283,435,832	219,278,506

Outstanding stock options and RSU's are currently the only instruments which could potentially dilute earnings per share. For the three and nine months ended September 30, 2015, all stock options and RSU's (three months ended September 30, 2014: 3,550,000 stock options and NIL RSU's; nine months ended September 30, 2014: 3,633,333 stock options and 465,000 RSU's) were not included in the computation of earnings per common share because to do so would be anti-dilutive.

CWC ENERGY SERVICES CORP.

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

(f) Dividends

On November 12, 2014, the Company declared dividends of \$0.0175 per common share that were paid on January 15, 2015, to shareholders of record on December 31, 2014.

On March 9, 2015, the Company declared dividends of \$0.005 per common share that were paid on April 15, 2015, to shareholders of record on March 31, 2015.

On May 13, 2015, the Company declared dividends of \$0.005 per common share that were paid on July 15, 2015, to shareholders of record on June 30, 2015.

On August 10, 2015, the Company declared dividends of \$0.0025 per common share that were paid on October 15, 2015, to shareholders of record on September 30, 2015.

The Company has a Dividend Reinvestment Plan ("DRIP") and Stock Dividend Program ("SDP") that provides eligible shareholders the opportunity to reinvest quarterly cash dividends into additional common shares at a discount. Common shares are issued from treasury at 95 percent of the five day volume-weighted average market price or purchased through the facilities of the TSX Venture Exchange. Eligible shareholders may elect to participate in the DRIP or SDP or continue to receive a cash dividend.

For the nine months ended September 30, 2015, 15,283,527 and 507,909 common shares were issued under the DRIP and SDP respectively.

10. Income taxes

In June 2015, the Alberta corporate tax rate was increased to 12 percent from 10 percent. As a result, the Company's deferred tax liability increased by \$1,545, with a corresponding increase to deferred tax expense in the period.

11. Supplemental cash flow information

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Change in non-cash working capital items:				
Accounts receivable	\$ (7,594)	\$ (10,229)	\$ 17,209	\$ (8,343)
Inventory	34	13	178	42
Prepaid expenses and deposits	355	64	462	(273)
Accounts payable and accrued liabilities	(368)	2,757	(8,096)	3,779
Working capital acquired on acquisition	-	-	-	10,638
	\$ (7,573)	\$ (7,395)	\$ 9,753	\$ 5,843

CWC ENERGY SERVICES CORP.

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

12. 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.

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 September 30, 2015	Contract drilling	Production services	Corporate	Total
Revenue	\$ 9,377	\$ 11,758	\$ -	\$ 21,135
Direct operating expenses	6,145	8,046	-	14,191
Selling and administrative expenses	344	1,997	924	3,265
Stock based compensation	-	-	234	234
Finance costs	-	-	545	545
Impairment of goodwill and assets held for sale	16,662	660	-	17,322
Loss (gain) on disposal of equipment	(96)	33	-	(63)
Net income (loss) before depreciation and taxes	(13,678)	1,022	(1,703)	(14,359)
Depreciation	1,447	2,730	100	4,277
Net loss before tax	(15,125)	(1,708)	(1,803)	(18,636)
Deferred income tax expense	-	-	(533)	(533)
Net loss	(15,125)	(1,708)	(1,270)	(18,103)
Capital expenditures	946	375	15	1,336
As at September 30, 2015				
Assets held for sale	-	685	-	685
Property and equipment	100,865	112,731	338	213,934
Intangibles	1,152	-	-	1,152
Goodwill	-	-	-	-

CWC ENERGY SERVICES CORP.

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

For the three months ended September 30, 2014	Contract drilling	Production services	Corporate	Total
Revenue	\$ 15,271	\$ 23,575	\$ -	\$ 38,846
Direct operating expenses	9,028	15,328	-	24,356
Selling and administrative expenses	365	2,483	1,756	4,604
Stock based compensation	-	-	498	498
Finance costs	-	-	588	588
Gain on disposal of equipment	-	-	(129)	(129)
Net income (loss) before depreciation and taxes	5,878	5,764	(2,713)	8,929
Depreciation	2,124	3,484	100	5,708
Net income (loss) before tax	3,754	2,280	(2,813)	3,221
Deferred income tax recovery	-	-	975	975
Net income (loss)	3,754	2,280	(3,788)	2,246
Capital expenditures	5,473	6,742	29	12,244
As at September 30, 2014				
Property and equipment	97,287	117,608	338	215,233
Intangibles	1,470	-	-	1,470
Goodwill	37,528	-	-	37,528
For the nine months ended September 30, 2015	Contract drilling	Production services	Corporate	Total
Revenue	\$ 22,989	\$ 39,484	\$ -	\$ 62,473
Direct operating expenses	14,479	27,642	-	42,121
Selling and administrative expenses	943	6,075	3,624	10,642
Stock based compensation	-	-	808	808
Finance costs	-	-	1,644	1,644
Impairment of goodwill and assets held for sale	16,662	660	-	17,322
Loss (gain) on disposal of equipment	194	56	1	251
Net income (loss) before depreciation and taxes	(9,289)	5,051	(6,077)	(10,315)
Depreciation	3,293	8,365	81	11,739
Net income (loss) before tax	(12,582)	(3,314)	(6,158)	(22,054)
Deferred income tax expense	-	-	305	305
Net income (loss)	(12,582)	(3,314)	(6,463)	(22,359)
Capital expenditures	4,207	4,284	25	8,516

CWC ENERGY SERVICES CORP.

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

For the nine months ended September 30, 2014	Contract drilling	Production services	Corporate	Total
Revenue	\$ 18,510	\$ 79,197	\$ -	\$ 97,707
Direct operating expenses	11,363	53,532	-	64,895
Selling and administrative expenses	575	7,382	4,337	12,294
Stock based compensation	-	-	1,135	1,135
Finance costs	-	-	1,554	1,554
Transaction costs	-	-	788	788
Gain on disposal of equipment	-	-	(242)	(242)
Net income (loss) before depreciation and taxes	6,572	18,283	(7,572)	17,283
Depreciation	2,602	10,815	377	13,794
Net income (loss) before tax	3,970	7,468	(7,949)	3,489
Deferred income tax expense	-	-	1,180	1,180
Net income (loss)	3,970	7,468	(9,129)	2,309
Capital expenditures	7,276	12,399	79	19,754

13. Expenses by nature

For the three months ended September 30, 2015	Direct operating expenses	Selling and administrative expenses and transaction costs	Stock based compensation	Finance costs	Depreciation and amortization expense	(Gain) on sale of equipment	Impairment of goodwill and assets held for sale	Total
Personnel expenses	\$ 9,413	\$ 2,063	\$ 234	\$ -	\$ -	\$ -	-	\$ 11,710
Termination expenses	9	65	-	-	-	-	-	74
Other operating expenses ⁽¹⁾	4,769	-	-	-	-	-	-	4,769
Other selling and administrative expenses	-	640	-	-	-	-	-	640
Bad debt (recovery)	-	(80)	-	-	-	-	-	(80)
Facility expenses	-	577	-	-	-	-	-	577
Depreciation expense	-	-	-	-	4,277	-	-	4,277
Finance costs	-	-	-	545	-	-	-	545
(Gain) on disposal of equipment	-	-	-	-	-	(63)	-	(63)
Impairment of goodwill and assets held for sale	-	-	-	-	-	-	17,322	17,322
Total	\$ 14,191	\$ 3,265	\$ 234	\$ 545	\$ 4,277	\$ (63)	\$ 17,322	\$ 39,771

CWC ENERGY SERVICES CORP.

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

For the three months ended September 30, 2014	Direct operating expenses	Selling and administrative expenses and transaction costs	Stock based compensation	Finance costs	Depreciation and amortization expense	(Gain) on sale of equipment	Total
Personnel expenses	\$15,700	\$ 2,744	\$ 498	\$ -	\$ -	\$ -	\$ 18,942
Other operating expenses ⁽¹⁾	8,656	-	-	-	-	-	8,656
Other selling and administrative expenses	-	1,292	-	-	-	-	1,292
Facility expenses	-	568	-	-	-	-	568
Depreciation expense	-	-	-	-	5,708	-	5,708
Transaction costs	-	-	-	-	-	-	-
Finance costs	-	-	-	588	-	-	588
(Gain) on sale of equipment	-	-	-	-	-	(129)	(129)
Total	\$ 24,356	\$ 4,604	\$ 498	\$ 588	\$ 5,708	\$(129)	\$ 35,625

For the nine months ended September 30, 2015	Direct operating expenses	Selling and administrative expenses	Stock based compensation	Finance costs	Depreciation and amortization expense	Loss on sale of equipment	Impairment of goodwill and assets held for sale	Total
Personnel expenses	\$27,422	\$ 5,974	\$ 808	\$ -	\$ -	\$ -	\$ -	\$ 34,204
Termination expenses	29	302	-	-	-	-	-	331
Other operating expenses ⁽¹⁾	14,670	-	-	-	-	-	-	14,670
Other selling and administrative expenses	-	2,363	-	-	-	-	-	2,363
Bad debt	-	210	-	-	-	-	-	210
Facility expenses	-	1,793	-	-	-	-	-	1,793
Depreciation expense	-	-	-	-	11,739	-	-	11,739
Finance costs	-	-	-	1,644	-	-	-	1,644
Loss on sale of equipment	-	-	-	-	-	251	-	251
Impairment of goodwill and assets held for sale	-	-	-	-	-	-	17,322	17,322
Total	\$ 42,121	\$ 10,642	\$ 808	\$ 1,644	\$ 11,739	\$ 251	17,322	\$ 84,527

CWC ENERGY SERVICES CORP.

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015 and 2014

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

For the nine months ended September 30, 2014	Direct operating expenses	Selling and administrative expenses and transaction costs	Stock based compensation	Finance costs	Depreciation and amortization expense	(Gain) on sale of equipment	Total
Personnel expenses	\$ 42,513	\$ 6,972	\$ 1,135	\$ -	\$ -	\$ -	\$ 50,620
Other operating expenses ⁽¹⁾	22,382	-	-	-	-	-	22,382
Other selling and administrative expenses	-	3,630	-	-	-	-	3,630
Facility expenses	-	1,692	-	-	-	-	1,692
Depreciation expense	-	-	-	-	13,794	-	13,794
Transaction costs	-	788	-	-	-	-	788
Finance costs	-	-	-	1,554	-	-	1,554
(Gain) on sale of equipment	-	-	-	-	-	(242)	(242)
Total	\$ 64,895	\$ 13,082	\$ 1,135	\$ 1,554	\$ 13,794	\$ (242)	\$ 94,218

⁽¹⁾ Other operating expenses consists of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Repairs and maintenance	\$ 2,513	\$ 4,511	\$ 7,407	\$ 9,382
Fuel	1,283	1,234	3,490	5,222
Travel and subsistence	152	267	635	1,449
Equipment rental	53	172	760	923
Operating supplies and consumables	206	1,855	644	2,746
License, registration and permits	236	100	811	1,038
Certification and inspection	281	379	854	1,195
Other	45	138	69	427
	\$ 4,769	\$ 8,656	\$ 14,670	\$ 22,382

14. Subsequent event

In November 2015, the Company agreed to amend its credit agreement with its banking syndicate. The amendments agreed to will result in changes to its Consolidated Debt to Consolidated EBITDA ratio as discussed in Note 8 and reduces the credit facility from \$100 million to \$75 million with an ability to increase the credit facility through an accordion feature of \$50 million, subject to approval by the banking syndicate. In addition, the agreement requires the Company to maintain a minimum liquidity of \$12.5 million undrawn on the credit facility.