CWC ENERGY SERVICES CORP.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **CWC Energy Services Corp.**

Opinion

We have audited the consolidated financial statements of CWC Energy Services Corp. (the "Company") which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or

error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kim Wiggins.

Ernst & Young LLP

Calgary, Canada
March 4, 2021

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2020 and December 31, 2019

Stated in thousands of Canadian dollars	Note	**December 31, 2020**	December 31, 2019
ASSETS			
Current			
Cash		**$ 166**	$ 117
Accounts receivable	13,14	**16,232**	23,800
Prepaid expenses and deposits		**1,925**	2,725
		18,323	26,642
Property, plant and equipment	5	**183,900**	216,756
		$ 202,223	$ 243,398
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**6,254**	8,108
Current portion of long-term debt	6	**750**	1,141
		7,004	9,249
Long term			
Deferred tax liability	7	**7,761**	12,706
Long-term debt	6	**29,481**	39,411
		44,246	61,366
SHAREHOLDERS' EQUITY			
Share capital	8	**255,478**	259,515
Contributed surplus		**19,395**	15,459
Accumulated other comprehensive loss		**(194)**	(730)
Deficit		**(116,702)**	(92,212)
		157,977	182,032
		$ 202,223	$ 243,398

Commitments and contingencies (note 12)
Subsequent event (note 18)
See accompanying notes to the consolidated financial statements.

Approved on behalf of the board:

(signed) "Gary Bentham" — Gary Bentham, Director

(signed) "Jim Reid" — Jim Reid, Director

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the years ended December 31, 2020 and 2019

Stated in thousands of Canadian dollars except per share amounts	Note	**2020**	2019
Revenue and other income			
Revenue	16	**$ 67,893**	$ 108,446
Other income	17	**6,786**	-
		74,679	108,446
Expenses	11		
Direct operating expenses		**49,149**	79,609
Selling and administrative expenses		**14,432**	16,671
Stock based compensation	8(c)(d)	**1,094**	921
Finance costs	6	**2,135**	2,431
Depreciation and amortization		**11,001**	13,168
Loss on disposal of equipment		**844**	290
Impairment of assets	5	**25,451**	-
		104,106	113,090
Loss before income taxes		**(29,427)**	(4,644)
Income taxes	7		
Current tax		**8**	23
Deferred tax		**(4,945)**	(2,967)
Total income taxes		**(4,937)**	(2,944)
Net loss		**$ (24,490)**	$ (1,700)
Other comprehensive gain (loss)			
Item that may be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on translation of foreign operations		**536**	(730)
Comprehensive loss		**$ (23,954)**	$ (2,430)
Net loss per share			
Basic and diluted	8	**$ (0.05)**	$ (0.00)

See accompanying notes to the consolidated financial statements.

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

Stated in thousands of Canadian dollars except share amounts	Note	**Number of Shares**	**Share Capital**	**Contributed Surplus**	**Accumulated Other Comprehensive Income**	**Deficit**	**Total Equity**
Balance – January 1, 2019		512,509,291	$ 261,353	$ 13,390	$ -	$ (90,512)	$ 184,231
Net loss		-	-	-	-	(1,700)	(1,700)
Stock based compensation expense	8(c)(d)	-	-	921	-	-	921
Settlement of restricted share units	8(d)	2,725,058	472	(472)	-	-	-
Cancellation of common shares purchased under normal course issuer bid	8(b)	(4,532,000)	(2,310)	1,620	-	-	(690)
Other comprehensive loss		-	-	-	(730)	-	(730)
Balance – December 31, 2019		510,702,349	$ 259,515	$ 15,459	$ (730)	$ (92,212)	$ 182,032
Balance – January 1, 2020		**510,702,349**	**$ 259,515**	**$ 15,459**	**$ (730)**	**$ (92,212)**	**$ 182,032**
Net loss		**-**	**-**	**-**	**-**	**(24,490)**	**(24,490)**
Stock based compensation expense	8(c)(d)	**-**	**-**	**1,094**	**-**	**-**	**1,094**
Settlement of stock options	8(c)	**-**	**-**	**(43)**	**-**	**-**	**(43)**
Settlement of restricted share units	8(d)	**3,902,567**	**532**	**(532)**	**-**	**-**	**-**
Cancellation of common shares purchased under normal course issuer bid	8(b)	**(8,984,000)**	**(4,569)**	**3,417**	**-**	**-**	**(1,152)**
Other comprehensive income		**-**	**-**	**-**	**536**	**-**	**536**
Balance – December 31, 2020		**505,620,916**	**$ 255,478**	**$ 19,395**	**$ (194)**	**$ (116,702)**	**$ 157,977**

See accompanying notes to the consolidated financial statements.

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

Stated in thousands of Canadian dollars except per share amounts	Note	2020	2019
Operating activities:			
Net loss		$ **(24,490)**	$ (1,700)
Adjustments for:			
Stock based compensation	8	**1,094**	921
Finance costs		**2,135**	2,431
Depreciation and amortization	5	**11,001**	13,168
Impairment of assets	5	**25,451**	-
Loss on disposal of equipment	5	**844**	290
Deferred income tax recovery	7	**(4,945)**	(2,967)
Funds from operations		**11,090**	12,143
Changes in non-cash working capital balances	9	**6,514**	104
Operating cash flow		**17,604**	12,247
Investing activities:			
Purchase of equipment	5	**(5,138)**	(4,341)
Proceeds on disposal of equipment		**901**	295
Investing cash flow		**(4,237)**	(4,046)
Financing activities:			
Repayment of long-term debt		**(9,903)**	(4,365)
Interest paid		**(1,918)**	(2,145)
Finance costs paid		**(6)**	(373)
Lease repayments		**(629)**	(866)
Cash settlement on exercise of options	8(c)	**(43)**	-
Common shares purchased under NCIB	8(b)	**(1,152)**	(690)
Financing cash flow		**(13,651)**	(8,439)
Decrease in cash during the period		**(284)**	(238)
Effect of exchange rate changes on cash and cash equivalents		**333**	(153)
Cash, beginning of year		**117**	508
Cash, end of year		$ **166**	$ 117

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 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") and the Bakken, Denver-Julesburg ("DJ"), and Eagle Ford basins located in the United States. These consolidated financial statements reflect only the Company's proportionate interests in such activities and are comprised of the Company and its subsidiaries. The Company's common stock is listed and traded on the TSX Venture Exchange under the symbol CWC. Additional information regarding CWC's business is available in CWC's most recent Annual Information Form available on SEDAR at www.sedar.com, on the Company's website www.cwcenergyservices.com, or by contacting the Company at the address noted above.

2. Basis of presentation

(a) Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors on March 4, 2021.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the 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.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The outbreak and the measures implemented by governments across the world intended to limit the pandemic have adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil.

The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions in the preparation of its financial results. These uncertainties increase the complexity of estimates and assumptions used to prepare the consolidated financial statements, and changes to these assumptions could result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

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

details of the nature of these estimates and assumptions may be found in the relevant notes to the consolidated financial statements.

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

Determination of cash generating units

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

Impairment of tangible assets

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

Depreciation and amortization

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

Income taxes

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

3. Significant accounting policies

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

(a) Business combinations

The Company uses the acquisition method to account for business acquisitions. The Company measures goodwill as the fair value of the consideration transferred, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a gain on acquisition is recognized immediately in net income. Goodwill is allocated as of the date of the business combination to the CGU and groups of CGU's that are expected to benefit from the business combination and represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which can be no higher than the operating segment level. Goodwill is not amortized and is tested for impairment annually. Additionally, goodwill is reviewed at each reporting date to determine if events or changes in circumstances indicate that the asset might be impaired, in which case an impairment test is performed. Goodwill is measured at cost less accumulated impairment losses. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred and recognized in other items within net income.

(b) Property and equipment and depreciation

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour; and
- any other costs directly attributable to bringing the assets to a working condition for their intended use.

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

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

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

Items of property and equipment are depreciated from the date that they are inspected and determined to be ready for field use, or in respect of internally constructed assets, from the date that the asset is completed or ready for use.

Effective April 1, 2019 the Company changed the method for depreciating its drilling and service rigs from a unit of production method to a straight-line method. In addition, the Company changed certain estimates relating to useful lives and salvage values. The change in depreciation methodology reflects the current and future economic environment within the industry and the Company believes that straight line deprecation better reflects the pattern in which the assets' future economic benefits will be consumed by the Company, primarily as a result of idle or underutilized assets being depreciated more quickly in periods of low activity. These adjustments were applied prospectively.

The following is a summary of depreciation estimates for the Company's property and equipment as of April 1, 2019:

Assets	Method	Rate
Drilling rigs and related equipment	Straight-line with residual values of up to-10%	25 years
Buildings	Straight-line with residual values of up to-20%	25 years
Production equipment – service rigs	Straight-line with residual values of up to-10%	25 years
Production equipment - swabbing rigs and service rig Level IV recertifications	Unit of production	24,000 operating hours
Production equipment – coil	Straight-line with residual values of up to-20%	10 years
Support equipment	Straight-line with residual values of up to-15%	2 to 10 years
Miscellaneous equipment	Straight-line with no residual value	3 to 5 years

Assets under construction are not depreciated until they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(c) Impairment of non-financial assets

Non-financial assets are assessed at the end of each reporting period to determine if any indication of impairment exists. If any such indication exists, the Company estimates the recoverable amount of the asset. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

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

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

(d) Financial instruments

Financial assets include cash and accounts receivable. The Company determines the classification of its financial assets at initial recognition and records the assets at their fair value. Subsequently, financial assets are carried at fair value or amortized cost less impairment charges.

All financial liabilities are initially recognized at fair value net of transaction costs and subsequently carried at amortized cost.

Derivative financial instruments are classified at fair value through profit of loss. The Company's derivatives are interest rate swaps with changes in fair value recorded in the consolidated statements of income and comprehensive income.

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

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

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

(e) Cash

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

(f) Common shares

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

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

(g) Provisions

A provision is recognized in the consolidated financial statements when the Company has an obligation, whether existing or potential as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the obligation is determined to be material, then the estimated amount of the provision is determined by discounting the expected future cash outflows. At December 31, 2020 and 2019 there were no provisions recognized in the consolidated financial statements.

(h) Leases

A contract is, or contains, a lease if the contract conveys the right of control of the use of an identified asset for a period of time in exchange for considerations. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation. At the commencement date, a corresponding Right of Use ("ROU") is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs. Depreciation is recognized on the ROU asset over the lease term.

(i) Revenue recognition

Contract Drilling provides drilling rigs and related ancillary equipment to oil and gas exploration and production companies. Customer contracts may be for a single well, multiple wells or a fixed term and are based upon daily, hourly or contracted rates. The Company recognizes revenue when it has a right to invoice for all contracts in which the value of the performance completed to date directly corresponds with the right to consideration. Operating time is measured through industry standard tour sheets that document the daily activity of the rig.

Production Services provides well services to oil and gas exploration and production companies through the use of service rigs, swabbing rigs or coil tubing units. In general, Production Services are not performed under long-term contracts and do not include penalties for termination. Contracts are based upon daily, hourly or contracted rates and the Company recognizes revenue when it has a right to invoice for all contracts in which the value of the performance completed to date directly corresponds with the right to consideration. Operating time is measured through daily tour sheets and field tickets.

For both its Contract Drilling and its Production Services, the Company does not expect to have any revenue contracts where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year. As a consequence, the Company does not adjust any of the

transaction prices for the time value of money. The Company does not incur material costs to obtain contracts with customers and consequently, does not recognize any contract assets. The Company does not have any contract liabilities associated with its Contract Drilling or Production Services customer contracts. As revenue from Contract Drilling and Production Services contracts is recognized as invoiced, the transaction price allocated to remaining performance obligations and an explanation of when the Company expects to recognize such amounts as revenue are not disclosed.

(j) Finance costs

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

(k) Foreign currency translation

Functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operate and is normally the currency in which the entity primarily generates and expends cash. The financial statements of the Company's subsidiaries are translated into Canadian dollars, which is the presentation currency of the Company. The assets and liabilities of subsidiaries whose functional currencies are other than Canadian dollars are translated into Canadian dollars at the foreign exchange rate at the balance sheet date, while revenues and expenses of such subsidiaries are translated using average monthly foreign exchange rates, which approximate the foreign exchange rates on the dates of the transactions. Foreign exchange differences arising on translation are included in Other Comprehensive Income ("OCI").

The Company's transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate at the balance sheet date and differences arising on translation are recognized in net earnings. Non-monetary assets that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of the transactions.

(l) Income Tax

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

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

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

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

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

(m) Employee costs

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

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

Under the Company's stock option plan described in note 8(c), options to purchase common shares are granted to directors, officers and employees. The fair value of common share purchase options is calculated at the date of grant using the Black-Scholes option pricing model and that value is recorded as compensation expense over the vesting period of the option with an offsetting credit to contributed surplus. Upon exercise of the share purchase options: i) if shares are issued from treasury, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in common share capital, or ii) if a cash payment is made to the participant, contributed surplus is reduced by the amount of the cash payment. It is the Company's intent to settle future common share purchase options by means of the issue of shares from treasury.

Under the Company's restricted share unit plan described in note 8(d), RSUs are granted to directors, officers and employees. The fair value of RSUs is calculated at the date of grant using the market price of the common shares and that value is recorded as compensation expense over the vesting period of the RSU with an offsetting credit to contributed surplus. Upon settlement of the RSUs: i) if shares are issued from treasury, share capital is increased and contributed surplus is decreased by the amount previously expensed for stock based compensation for the RSUs, or ii) if common shares are purchased in open market purchases or purchases pursuant to private transactions with third parties, the amount paid for such purchases is recorded as a reduction in contributed surplus, or iii) if a cash payment is made to the participant, contributed surplus is reduced by the amount of the cash payment. It is the Company's intent to settle future RSUs by means of the issue of shares from treasury.

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

(n) Per share amounts

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

(o) Segmented information

The operating divisions are grouped into two distinct reporting segments: Contract Drilling and Production Services and are supported by the Corporate reporting segment. The reporting segments share common economic characteristics and are differentiated by the type of service provided and customer needs. The reporting segments financial results are reviewed regularly by the Company's senior management. Senior management makes decisions about resource allocation and assesses segment performance based on the internally prepared segment information.

(p) Government grants

A government grant is recognized where there is reasonable assurance that the grant will be received and that the Company will comply with any conditions attached to the grant. When the grant relates to an expense item, it is recognized as other income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset and is recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge.

(q) COVID-19-Related Rent Concessions (Amendments to IFRS 16)

In May 2020, the IASB published COVID-19-Related Rent Concessions, which amends IFRS 16, Leases, to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The Company adopted the amendment effective for the year ending December 31, 2020 and has elected to apply the provided practical expedient. The Company will account for any change in lease payments resulting from a COVID-19-related rent concession the same way it would account for the change if the change were not a lease modification.

4. Determination of fair values

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

The fair value of long-term debt approximates its carrying value as the debt bears interest at floating rates and the credit spreads approximate current market rates.

(a) Fair value hierarchy

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

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

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

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

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, 2020	$ 120,058	$ 255,878	$ 1,905	$ 2,072	$ 379,913
Additions	2,023	3,089	-	26	5,138
Disposals	(146)	(2,844)	(963)	-	(3,953)
Effect of foreign currency exchange differences	(405)	-	4	-	(401)
Balance, December 31, 2020	121,530	256,123	946	2,098	380,697
Accumulated depreciation and impairment losses					
Balance, January 1, 2020	30,583	129,598	1,084	1,892	163,157
Depreciation	3,383	7,051	498	69	11,001
Disposals	(4)	(1,374)	(830)	-	(2,208)
Impairments	24,000	1,451	-	-	25,451
Effect of foreign currency exchange differences	(605)	-	1	-	(604)
Balance, December 31, 2020	57,357	136,726	753	1,961	196,797
Net book value					
Balance, December 31, 2020	$ 64,173	$ 119,397	$ 193	$ 137	$ 183,900

	Contract Drilling equipment	Production Services property, plant, and equipment	Right-of-use assets	Other equipment	Total
Costs					
Balance, December 31, 2018	$ 119,532	$ 255,655	$ -	$ 1,942	$ 377,129
Right-of-use assets	(167)	(771)	1,583	-	645
Balance, January 1, 2019	119,365	254,884	1,583	1,942	377,774
Additions	1,280	2,931	363	130	4,704
Disposals	-	(1,937)	(40)	-	(1,977)
Effect of foreign currency exchange differences	(587)	-	(1)	-	(588)
Balance, December 31, 2019	120,058	255,878	1,905	2,072	379,913
Accumulated depreciation and impairment losses					
Balance, December 31, 2018	26,282	123,376	-	1,813	151,471
Right-of-use assets	(5)	(250)	255	-	-
Balance, January 1, 2019	26,277	123,126	255	1,813	151,471
Depreciation	4,316	7,810	849	79	13,054
Disposals	-	(1,338)	(20)	-	(1,358)
Effect of foreign currency exchange differences	(10)	-	-	-	(10)
Balance, December 31, 2019	30,583	129,598	1,084	1,892	163,157
Net book value					
Balance, December 31, 2019	$ 89,475	$ 126,280	$ 821	$ 180	$ 216,756

The combined effects of the reduction in global demand for crude oil due to the COVID-19 health pandemic and the increase in global supply of crude oil led to a rapid decline in oil prices. This negatively affected current and forecasted drilling and production levels in Canada and the United States resulting in decreased demand for drilling services by our exploration and production customers. As such, the Company concluded that indicators of impairment existed and performed an impairment test for the Contract Drilling cash generating unit ("CGU") at March 31, 2020.

The recoverable amount of the CGU was based on the value in use method, estimated using discounted cash flows incorporating the Company's most recent 2020 internal forecasts and changes in long-term commodity price forecasts at March 31, 2020. The fair value of measurement was categorized as Level 3 fair value based on the inputs in the valuation technique used.

The results of the impairment test for the Contract Drilling CGU resulted in the carrying amount of the CGU exceeding its recoverable amount by $24,000 at March 31, 2020 and therefore the Company recorded an impairment expense of $24,000 in the Statement of Comprehensive Loss.

As the Company discontinued operations of its Coil Tubing division on March 17, 2020, the Coil Tubing assets included in the Production Services segment were written down by $1,451 to their estimated disposal value of $1,000.

Given the continued uncertainty regarding oil and natural gas activity and pricing into 2021, and the impact thereof, the Company concluded indicators of impairment existed and performed an impairment test for each CGU using value-in-use to determine the recoverable amounts at December 31, 2020. For each CGU, the recoverable amount exceeded its carrying amount and therefore no further impairment was recognized.

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:

As at December 31,		**2020**		2019
Current liabilities				
Current portion of lease liabilities	**$**	**168**	$	559
Current portion of Mortgage Loan		**582**		582
	$	**750**	$	1,141
Non-current liabilities				
Bank Loan	**$**	**18,983**	$	28,304
Mortgage Loan		**10,764**		11,345
Lease liabilities		**38**		276
Financing fees		**(304)**		(514)
	$	**29,481**		39,411
Total loans and borrowings	**$**	**30,231**	$	40,552

The Company has credit facilities with a syndicate of four Canadian financial institutions (the "Credit Facility"). The Credit Facility provides the Company with a $59.8 million extendible revolving term facility (the "Bank Loan") and other credit instruments. Of the Bank Loan, $42.5 million is a syndicated facility and $10.0 million is a Canadian operating facility with the remaining $7.3 million (US$5.75 million) being a U.S. operating facility. On September 27, 2019, the Bank Loan was extended for a committed term until July 31, 2022 ("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 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 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 December 31, 2020, of the $59,821 Bank Loan facility, $40,787 was available for immediate borrowing and $18,983 was outstanding (December 31, 2019: $28,304). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings up to $125,000, subject to the approval of the lenders. The Bank Loan is secured by a security agreement covering all of the assets of the Company and a first charge Security Interest covering all assets of the Company (other than real estate assets related to the Mortgage Loan). Effective December 31, 2020, the applicable rates under the Bank Loan are: bank prime rate plus 1%, bankers' acceptances rate plus a stamping fee of 2%, and standby fee rate of 0.45%.

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

	Covenant limits	**December 31, 2020**
Consolidated Debt[2] to Consolidated EBITDA[1]	3.50:1.00 or less	**1.91:1.00**
Consolidated Debt[2] to Capitalization[3]	0.50:1.00 or less	**0.11:1.00**
Consolidated Adjusted Cash Flow[4] to Consolidated Adjusted Finance Obligations[5]	1.15:1.00 or more	**4.28:1.00**

(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. The Consolidated Debt to Consolidated EBITDA covenant limit reduces to 3.25:1.00 at March 31, 2021 and to 3.00:1.00 at September 30, 2021 and thereafter.

(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).

Subsequent to December 31, 2020 the Credit Facility was extended (see note 18 – Subsequent Event).

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

Under the interest rate swap agreement, the Company pays a fixed rate of 2.65% per annum plus the applicable credit spread of 1.35%, for an effective fixed rate of 4.0%. The fair value of the interest rate swap arrangement is the difference between the forward interest rates and the discounted contract rate. As of December 31, 2020, the mark-to-market value of the interest rate swap of $572 is included within accounts payable and accrued liabilities on the Consolidated Statements of Financial Position (December 31, 2019: $246).

Lease liabilities consist of vehicles and office space which mature in 1 to 3 years. The incremental borrowing rate applied to the individual leases liabilities varies from 4.8% to 6.4% 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. For the year ended December 31, 2020, financing fees of $216 were amortized and included in finance costs (year ended December 31, 2019: $286).

7. Income taxes

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

Years ended December 31,		2020		2019
Income (loss) before income taxes	$	**(29,426)**	$	(4,644)
Combined federal and provincial income tax rate		**24%**		27%
Expected income taxes		**(7,062)**		(1,254)
Increase (decrease) resulting from:				
Non-deductible items		**22**		56
Tax rate changes		**173**		(1,933)
Stock based compensation		**266**		245
Unrecognized deferred tax asset		**1,120**		-
Adjustments related to prior year		**344**		90
Other		**200**		(148)
	$	**(4,937)**	$	(2,944)

The deferred income tax liability is comprised of:

		December 31, 2019		Recognized in Earnings		December 31, 2020
Deferred tax assets						
Non capital losses[1]	$	12,364	$	(802)	$	**11,562**
Share issue costs		17		(9)		**8**
Finance lease liabilities		189		(141)		**48**
Unrecognized deferred tax asset		-		(1,120)		**(1,120)**
Other		86		(382)		**(296)**
		12,656		(2,454)		**10,202**
Deferred tax liabilities:						
Property and equipment		(25,362)		7,399		**(17,963)**
Net deferred income tax liability	$	(12,706)	$	4,945		**(7,761)**

(1) The Company has $43,625 (2019: $50,227) of non-capital loss carry forwards for income tax purposes which are available for application against future taxable income. These non-capital loss carry forwards expire between 2029 and 2040.

All changes in deferred income tax temporary differences were recognized in income in the years ended December 31, 2020 and 2019.

8. 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

On April 15, 2020, the Company replaced its expired NCIB with a new NCIB which now expires on April 14, 2021. Under the new NCIB the Company may purchase, from time to time as it considers advisable, up to 25,340,742 of issued and outstanding common shares through the facilities of the TSXV or other recognized marketplaces.

In addition, CWC renewed its automatic securities purchase plan (the "ASPP") (as defined under applicable securities laws) with Raymond James Ltd. ("Raymond James") for the purpose of making purchases under the ASPP. Such purchases were determined by Raymond James in its sole discretion, without consultation with CWC having regard to the price limitation and aggregate purchase limitation and other terms of the ASPP and the rules of the TSXV. Conducting the NCIB as an ASPP allows common shares to be purchased at times when CWC would otherwise be prohibited from doing so pursuant to securities laws and its internal trading policies.

For the year ended December 31, 2020, 8,984,000 shares (2019: 4,532,000) for consideration of $1,152, including commissions (2019: $690) were purchased under the NCIB. For the year ended December 31, 2020, a total of 9,113,500 shares were cancelled and returned to treasury (2019: 4,402,500).

(c) Stock options

The Company has a stock option plan which allows the Company to issue options to purchase common shares at prevailing market prices on the date of the option grant. The aggregate number of stock options and RSUs outstanding is limited to a maximum of ten percent of the outstanding common shares. The Company has granted stock options to directors, officers and key employees. Stock options vest annually over three years from the date of grant as employees or directors render continuous service to the Corporation and have a maximum term of five years. The Company may choose to settle stock options for the intrinsic value of the stock option on the exercise date.

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

	Number of options	Weighted average exercise price
Balance at January 1, 2019	24,351,333	0.25
Issued	267,000	0.10
Expired	(2,900,000)	0.80
Forfeited	(1,051,666)	0.19
Balance at December 31, 2019	**20,666,667**	**0.17**
Exercised	**(4,316,667)**	**0.11**
Expired	**(286,000)**	**0.19**
Forfeited	**(26,000)**	**0.20**
Balance at December 31, 2020	**16,038,000**	**0.19**

The following table summarizes information about stock options outstanding as at December 31, 2020:

Exercise price	Number of options outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price	Number of options exercisable
$ 0.10	**267,000**	**3.93**	**$ 0.10**	**89,000**
$ 0.20	**7,167,000**	**1.96**	**$ 0.20**	**7,167,000**
$ 0.19	**4,304,000**	**0.94**	**$ 0.19**	**4,304,000**
$ 0.175	**4,300,000**	**0.21**	**$ 0.175**	**4,300,000**
$ 0.10 - $ 0.20	**16,038,000**	**1.12**	**$ 0.19**	**15,860,000**

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

	2020	2019
Risk free interest rate (%)	**n/a**	1.5%
Expected life (years)	**n/a**	4.9
Expected volatility (%)	**n/a**	83%
Expected forfeiture rate (%)	**n/a**	12%
Expected dividend per share	**n/a**	$ 0.00

On December 3, 2020, the Board of Directors approved the cash settlement of 4,316,667 outstanding stock options with an exercise price of $0.11 for their intrinsic value when exercised. Although the Company has the discretion to settle stock options in cash, the Company has no intention to approve the cash settlement of any other outstanding stock options. Based on the Company's share price at December 3, 2020, the amount required to settle these options was $43.

No stock options were issued during the year ended December 31, 2020 (year ended December 31, 2019: 267,000). The weighted average fair value of the stock options issued during the year ended December 31, 2019 was $0.10. For the year ended December 31, 2020, stock based compensation expense relating to stock options totaled $259 (year ended December 31, 2019: $480).

(d) 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 January 1, 2019	5,910,001	0.17
Granted	4,393,545	0.09
Redeemed for common shares	(2,725,058)	0.17
Expired - vested	(100,000)	0.17
Forfeited - unvested	(254,334)	0.17
Balance at December 31, 2019	**7,224,154**	**0.12**
Granted	**11,767,975**	**0.14**
Redeemed for common shares	**(3,902,567)**	**0.14**
Expired - vested	**(135,000)**	**0.19**
Balance at December 31, 2020	**14,954,562**	**0.13**

The following table summarizes information about RSUs outstanding as at December 31, 2020:

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	**14,954,562**	**2.6**	**n/a**	**3,387,562**

For the year ended December 31, 2020, stock based compensation expense relating to RSUs totaled $835 (year ended December 31, 2019: $441).

(e) Weighted average common shares outstanding

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

For the years ended December 31,	**2020**	2019
Weighted average common shares outstanding – basic	**507,104,004**	511,106,531
Effect of dilutive share-based compensation plans	**-**	-
Weighted average common shares outstanding – diluted	**507,104,004**	511,106,531

Outstanding stock options and RSUs are currently the only instruments which could potentially dilute earnings per share. For the year ended December 31, 2020, 16,038,000 (year ended December 31, 2019: 20,666,667) stock options and 14,954,562 (year ended December 31, 2019: 7,224,154) RSUs were not included in the computation of net loss per common share because to do so would be anti-dilutive.

(f) Contributed surplus

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

9. Supplemental cash flow information

For the years ended December 31,		**2020**		2019
Increase (decrease) in non-cash working capital items:				
Accounts receivable	**$**	**7,568**	$	(220)
Prepaid expenses and deposits		**800**		81
Accounts payable and accrued liabilities		**(1,854)**		243
	$	**6,514**	$	104

10. Operating segments

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, swabbing 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 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 year ended December 31, 2020	Contract Drilling	Production Services	Corporate	Total
Revenue	$ 19,859	$ 48,034	$ -	$ 67,893
Other income	885	5,378	523	6,786
Direct operating expenses	13,713	35,436	-	49,149
Selling and administrative expenses	1,589	7,581	5,262	14,432
Stock based compensation	-	-	1,094	1,094
Finance costs	-	-	2,135	2,135
Depreciation	3,489	6,794	718	11,001
Loss on disposal of equipment	123	721	-	844
Impairment of assets	24,000	1,451	-	25,451
(Loss) income before tax	(22,170)	1,429	(8,685)	(29,427)
Deferred income tax recovery	-	-	(4,937)	(4,937)
Net (loss) income	$ (22,170)	$ 1,429	$ (3,749)	$ (24,490)
Capital expenditures	$ 2,023	$ 3,089	$ 26	$ 5,138
As at December 31, 2020				
Property, plant and equipment	$ 64,173	$ 119,397	$ 137	$ 183,707
Right-of-use assets	$ 51	$ 74	$ 68	$ 193

For the year ended December 31, 2019	Contract Drilling	Production Services	Corporate	Total
Revenue	$ 28,497	$ 79,949	$ -	$ 108,446
Direct operating expenses	21,484	58,125	-	79,609
Selling and administrative expenses	1,559	9,862	5,250	16,671
Stock based compensation	-	-	921	921
Finance costs	-	-	2,431	2,431
Depreciation	4,566	7,545	1,057	13,168
Loss on disposal of equipment	-	290	-	290
Income (loss) before tax	888	4,127	(9,659)	(4,644)
Deferred income tax recovery	-	-	(2,944)	(2,944)
Net income (loss)	$ 888	$ 4,127	$ (6,715)	$ (1,700)
Capital expenditures	$ 1,477	$ 3,616	$ 256	$ 5,349
As at December 31, 2019				
Property, plant and equipment	$ 89,475	$ 126,280	$ 180	$ 215,935
Right-of-use assets	$ 230	$ 473	$ 118	$ 821

11. Expenses by nature

For the year ended December 31, 2020	Direct operating expenses	Selling and administrative expenses	Stock based compensation	Finance costs	Depreciation expense	Loss on disposal of equipment	Impairment of assets	Total
Personnel expenses	$ 33,340	$ 7,856	$ 1,094	$ -	$ -	$ -	$ -	$ 42,290
Third party charges	7,586	-	-	-	-	-	-	7,586
Repairs and maintenance	8,223	-	-	-	-	-	-	8,223
Other selling and administrative expenses	-	4,313	-	-	-	-	-	4,313
Bad debt expense	-	867	-	-	-	-	-	867
Facility expenses	-	1,396	-	-	-	-	-	1,396
Finance costs	-	-	-	2,135	-	-	-	2,135
Depreciation expense	-	-	-	-	11,001	-	-	11,001
Loss on disposal of equipment	-	-	-	-	-	844	-	844
Impairment of assets	-	-	-	-	-	-	25,451	25,451
Total	$ 49,149	$ 14,432	$ 1,094	$ 2,135	$ 11,001	$ 844	$ 25,451	$ 104,106

For the year ended December 31, 2019	Direct operating expenses	Selling and administrative expenses	Stock based compensation	Finance costs	Depreciation expense	Loss on disposal of equipment	Total
Personnel expenses	$ 52,536	$ 10,125	$ 921	$ -	$ -	$ -	$ 63,582
Third party charges	11,830		-	-	-	-	11,830
Repairs and maintenance	15,243	-	-	-	-	-	15,243
Other selling and administrative expenses	-	5,018	-	-	-	-	5,018
Bad debt expense	-	194	-	-	-	-	194
Facility expenses	-	1,334	-	-	-	-	1,334
Finance costs	-	-	-	2,431	-	-	2,431
Depreciation expense	-	-	-	-	13,168	-	13,168
Loss on disposal of equipment	-	-	-	-	-	290	290
Total	$ 79,609	$ 16,671	$ 921	$ 2,431	$ 13,168	$ 290	$ 113,090

12. Commitments and contingencies

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

13. Related parties

Of the total outstanding shares of the Company, 80.4% are directly or indirectly owned by Brookfield Capital Partners Ltd and Brookfield Business Partners LP (together "Brookfield"). The Company is related to Brookfield by virtue of control and is therefore also related to Brookfield's affiliates.

During 2020, the Company had revenue totaling $543 (2019: $1,369) and $46 in accounts receivable as at December 31, 2020 (December 31, 2019: $71) in the normal course of business with companies under common control. The terms and conditions of these transactions were no more favorable than those available, or which might reasonably be expected to be available, in similar transactions with non-related companies on an arm's length basis.

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

For the years ended December 31,	2020	2019
Short term employee benefits (including directors' fees)	$ **1,278**	$ 1,717
Share based payments (stock options and RSUs)	**630**	704
Total compensation to key management including directors and officers	$ **1,908**	$ 2,421

Certain executive officers are subject to a mutual term of notice of three months. On resignation at the Company's request, they are entitled to termination benefits of 18 to 24 months gross salary, bonus and benefits.

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

14. Financial risk management

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

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

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

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of accounts receivable and cash, prior to the amount offset against long-term debt, represents the maximum exposure to credit risk as at December 31, 2020 and 2019.

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

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, however, management also considers the demographics of the Company's customer base. For the year ended December 31, 2020, ten customers comprised 63% of revenue (2019: 53%) and one customer comprised 14% of revenue (2019: 12%). At December 31, 2020, ten customers comprised 63% of trade accounts receivable (2019: 55%) and one customer comprised 16% of trade accounts receivable (2019: 15%).

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

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

As at December 31,	**2020**	2019
Trade accounts receivable:		
1 to 30 days outstanding – not past due	**$ 10,350**	$ 13,250
31 to 90 days outstanding	**5,801**	10,383
>90 days overdue	**1,015**	391
Allowance for impairment of accounts	**(934)**	(224)
	$ 16,232	$ **23,800**

The change in the allowance for impairment in respect of trade accounts receivable for the years ended December 31 is as follows:

	2020	2019
Balance as at January 1	**$ 224**	$ 772
Additional allowance	**868**	281
Amounts recovered	**-**	(57)
Amounts used	**(158)**	(772)
Balance as at December 31	**$ 934**	$ 224

For accounts receivable, the Company applies a simplified approach and recognizes lifetime expected credit losses upon initial recognition of the receivables. Historical customer default rates, age of balances outstanding, and forward-looking information are used to determine the expected credit losses. When an expected credit loss is required to be recognized, the carrying amount of the asset is reduced by the amount with an offsetting entry to net income.

(b) Liquidity risk

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

At December 31, 2020, the Company has available committed amounts under its Credit Facility in the amount of $40,788 (2019: $31,696) plus trade and other receivables of $16,232 (2019: $23,800) for a total of $57,020 (2019: $55,496) available to fund the cash outflows related to its financial liabilities.

The Company anticipates that its existing capital resources including its Credit Facility and cash flows from operations will be adequate to satisfy its liquidity requirements through fiscal 2021. This expectation could be adversely affected by a material negative change in the oilfield service industry, which in turn could lead to covenant breaches on the Company's Credit Facility, which, if not amended or waived, could limit the Company's access to the Credit Facility. If available liquidity is not sufficient to meet CWC's operating and debt servicing obligations as they come due, management's plans include further expenditure reductions, pursuing alternative financing arrangements, asset dispositions, or pursuing other corporate strategic alternatives.

The following table summarizes contractual maturities for non-derivative financial instruments:

Year ended December 31, 2020	**2021**	**2022**	**2023**	**2024**	**2025 and beyond**
Accounts payable and accrued liabilities	**$ 6,254**	**$ -**	**$ -**	**$ -**	**$ -**
Long-term debt	**750**	**19,604**	**10,181**	**-**	**-**
	$ 7,004	**$ 19,604**	**$ 10,181**	**$ -**	**$ -**

As at December 31, 2019	2020	2021	2022	2023	2024 and beyond
Accounts payable and accrued liabilities	$ 8,108	$ -	$ -	$ -	$ -
Long-term debt	1,141	801	28,942	10,181	-
	$ 9,249	$ 801	$ 28,942	$ 10,181	$ -

(c) Market risk

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

Foreign currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign currency fluctuations on its operations in the United States. At December 31, 2020, portions of the Company's accounts payable and accrued liabilities were denominated in United States dollars and subject to foreign currency exchange fluctuations which are recorded in net income. In addition, the Company's United States subsidiary is subject to foreign currency translation adjustments upon consolidation, which is recorded separately within other comprehensive income.

Interest rate risk

Interest rate risk is the risk that future cash flow will fluctuate as a result of change in market interest rates. The Company is exposed to interest rate fluctuations on its long-term debt which bears interest at floating market rates. For the year ended December 31, 2020, if the prime interest rate increased by 1.0%, with all other variables held constant, net loss would have been $330 higher (2019: $406).

Commodity price risk

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

15. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company strives to maintain a balance between debt and equity to ensure the continued access to capital markets to fund growth and ensure long-term viability. The Company continually assesses the cash flow from operations to make decisions regarding required capital maintenance, growth capital and dividends to shareholders. When those cash flows are not anticipated to be sufficient, the Company then assesses the impact on its capital structure of funding through additional debt.

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, but is not limited to, issue new shares, issue new debt, issue new debt replacing existing debt with different characteristics, pay a dividend to shareholders, or purchase shares for cancellation pursuant to normal course issuer bids.

The Company monitors capital using a financial metric of Consolidated Debt to Consolidated EBITDA ratio as defined in the Credit Facility (see Note 6). Consolidated Debt to Consolidated EBITDA is not a recognized measure under IFRS and, therefore, is unlikely to be comparable to similar measures of other companies.

During the year ended December 31, 2020, the actual and forecasted Consolidated Debt to Consolidated EBITDA of the Company has declined, primarily due to reduced working capital requirements in the fourth quarter of 2020. The Consolidated Debt to Consolidated EBITDA ratio at December 31, 2020 was 1.91:1.00 (at December 31, 2019: 2.51:1.00). The Company was in compliance with all externally imposed capital requirements as at December 31, 2020 and 2019.

16. Revenue

Revenue consists of amounts earned from sale of Contract Drilling and Production Services. Production Services includes revenue from service rigs, swabbing rigs and coil tubing units.

The following table presents the Company's revenue disaggregated by type:

For the year ended December 31, 2020	Contract Drilling	Production Services			
	Drilling Rigs	Service Rigs	Swabbing Rigs	Coil Tubing	Total
Canada	$ 15,048	$ 46,734	$ 1,035	$ 265	$ 63,082
United States	4,811	-	-	-	4,811
Revenue	$ 19,859	$ 46,734	$ 1,035	$ 265	$ 67,893

For the year ended December 31, 2019	Contract Drilling	Production Services			
	Drilling Rigs	Service Rigs	Swabbing Rigs	Coil Tubing	Total
Canada	$ 18,587	$ 77,001	$ 1,218	$ 1,730	$ 98,536
United States	9,910	-	-	-	9,910
Revenue	$ 28,497	$ 77,001	$ 1,218	$ 1,730	$ 108,446

Included in accounts receivable at December 31, 2020 was $1,366 (December 31, 2019: $2,669) 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 December 31, 2020, the Company did not have any sales contracts beyond one year in term.

17. Other income

Other income for the year ended December 31, 2020 consists of Government of Canada grants received under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs. CEWS is a program to assist employers facing financial hardship, as measured by certain monthly revenue declines compared to the prior year as a result of the COVID-19 health pandemic. CERS is a program to assist businesses who have seen a drop in revenue due to the COVID-19 health pandemic to cover part of their commercial rent and mortgage and property expenses.

Included in accounts receivable at December 31, 2020 was $1,124 of accrued other income related to the CEWS and CERS programs for the period from October 25, 2020 to December 31, 2020.

18. Subsequent event

On March 4, 2021, CWC and its syndicated lenders completed an extension of its credit facilities and certain other amendments to provide financial security and flexibility to July 31, 2024. At the request of the Company, the credit facilities were reduced from $60 million to $50 million to reduce borrowing costs and standby charges. The covenant for Consolidated Debt to EBITDA ratio is as follows:

For the Quarter Ended	Previously	Currently
March 31, 2021	3.25 : 1.00	3.50 : 1.00
June 30, 2021	3.25 : 1.00	3.50 : 1.00
September 30, 2021	3.00 : 1.00	3.50 : 1.00
December 31, 2021	3.00 : 1.00	3.50 : 1.00
March 31, 2022	3.00 : 1.00	3.50 : 1.00
June 30, 2022	3.00 : 1.00	3.50 : 1.00
September 30, 2022 and thereafter	n/a	3.50 : 1.00

The amendments further provide the Company access to a Covenant Amendment Option. This option was negotiated to provide CWC with covenant flexibility should a significant industry slowdown occur. Upon being exercised the covenant for Consolidated Debt to EBITDA ratio is as follows:

For the Quarter Ended	Currently	Upon Exercise of Covenant Amendment Option
March 31, 2021	3.50 : 1.00	3.50 : 1.00
June 30, 2021	3.50 : 1.00	3.50 : 1.00
September 30, 2021	3.50 : 1.00	4.00 : 1.00
December 31, 2021	3.50 : 1.00	4.25 : 1.00
March 31, 2022	3.50 : 1.00	4.25 : 1.00
June 30, 2022	3.50 : 1.00	4.00 : 1.00
September 30, 2022 and thereafter	3.50 : 1.00	3.50 : 1.00