

CWC ENERGY SERVICES CORP.

Unaudited Condensed Interim Consolidated Financial Statements

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

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

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

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

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

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

<i>Stated in thousands of Canadian dollars except per share amounts</i>	Note	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
Revenue and other income					
Revenue	9	\$ 42,681	\$ 16,497	\$ 83,512	\$ 41,166
Other income		-	2,579	-	3,644
		42,681	19,076	83,512	44,810
Expenses					
Direct operating expenses	10	30,262	13,116	57,575	30,664
Selling and administrative expenses	10	4,819	3,471	9,911	6,803
Stock based compensation	7(b)(c)	231	167	462	343
Finance costs	6	605	246	993	505
Depreciation	5	2,982	2,581	5,908	5,277
Loss on disposal of equipment		227	418	564	206
Impairment of assets		-	-	-	1,296
		39,126	19,999	75,413	45,094
Income before income taxes		3,555	(923)	8,099	(284)
Deferred income tax expense (recovery)		891	(164)	1,996	28
Net income (loss)		\$ 2,664	\$ (759)	\$ 6,103	\$ (312)
Other comprehensive income (loss)					
Item that may be reclassified to profit or loss in subsequent periods:					
Unrealized gain (loss) on translation of foreign operations		1,213	(159)	719	(324)
Comprehensive income (loss)		\$ 3,877	\$ (918)	\$ 6,822	\$ (636)
Net income (loss) per share					
Basic and diluted	7	\$ 0.01	\$ (0.00)	\$ 0.01	\$ (0.00)

See accompanying notes to the condensed interim consolidated financial statements.

CWC ENERGY SERVICES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three and six months ended June 30, 2022 and 2021
(Unaudited)

<i>Stated in thousands of Canadian dollars except share amounts</i>		Number of	Share	Contributed	Accumulated	Other	Deficit	Total
	Note	Shares	Capital	Surplus	Comprehensive	Income (Loss)		Equity
Balance - January 1, 2021		505,620,916	\$ 255,478	\$ 19,395	\$ (194)	\$ (116,702)		\$ 157,977
Net loss		-	-	-	-	(312)		(312)
Stock based compensation expense	7(b)(c)	-	-	343	-	-		343
Settlement of restricted share units	7(c)	1,393,381	182	(182)	-	-		-
Cancellation of common shares purchased under normal course issuer bid		(2,249,500)	(1,137)	810	-	-		(327)
Other comprehensive loss		-	-	-	(324)	-		(324)
Balance - June 30, 2021		504,764,797	\$ 254,523	\$ 20,366	\$ (518)	\$ (117,014)		\$ 157,357
Balance - January 1, 2022		509,072,091	\$ 255,066	\$ 20,262	\$ 70	\$ (112,129)		\$ 163,269
Net income		-	-	-	-	6,103		6,103
Stock based compensation expense	7(b)(c)	-	-	462	-	-		462
Settlement of stock options	7(b)	2,157,000	665	(242)	-	-		423
Settlement of restricted share units	7(c)	395,847	53	(53)	-	-		-
Other comprehensive income		-	-	-	719	-		719
Balance - June 30, 2022		511,624,938	\$ 255,784	\$ 20,429	\$ 789	\$ (106,026)		\$ 170,976

See accompanying notes to the condensed interim consolidated financial statements.

CWC ENERGY SERVICES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

See accompanying notes to the consolidated financial statements.

CWC ENERGY SERVICES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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

2. Basis of presentation

(a) Statement of compliance

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars. Each of the Company’s subsidiaries is measured using the functional currency of that subsidiary, which is the currency of the primary economic environment in which that subsidiary operates. All financial information presented in Canadian dollars has been rounded to the nearest thousand except where otherwise noted.

(d) Use of estimates and judgments

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

3. Significant accounting policies

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

CWC ENERGY SERVICES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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

4. Seasonality of operations

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

5. Property, plant and equipment

	Contract Drilling equipment	Production Services property, plant, and equipment	Right-of- use assets	Other equipment	Total
Costs					
Balance, January 1, 2022	\$ 148,692	\$ 243,251	\$ 827	\$ 2,113	\$ 394,883
Additions	13,129	1,906	323	115	15,473
Disposals	(535)	(980)	(126)	-	(1,641)
Effect of foreign currency exchange differences	710	-	-	-	710
Balance, June 30, 2022	161,996	244,177	1,024	2,228	409,425
Accumulated depreciation and impairment losses					
Balance, January 1, 2022	60,845	132,833	457	2,014	196,149
Depreciation	2,629	3,122	112	45	5,908
Disposals	(42)	(618)	(126)	-	(786)
Effect of foreign currency exchange differences	130	-	-	-	130
Balance, June 30, 2022	63,562	135,337	443	2,059	201,401
Net book value					
Balance, June 30, 2022	\$ 98,434	\$ 108,840	\$ 581	\$ 169	\$ 208,024

CWC ENERGY SERVICES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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

6. Loans and borrowings

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

	June 30, 2022	December 31, 2021
Current liabilities		
Current portion of lease liabilities	\$ 153	\$ 182
Current portion of Mortgage Loan	582	582
	\$ 735	\$ 764
Non-current liabilities		
Bank Loan	\$ 39,038	\$ 35,088
Mortgage Loan	9,891	10,182
Lease liabilities	456	215
Financing fees	(347)	(402)
	\$ 49,038	45,083
Total loans and borrowings	\$ 49,773	\$ 45,847

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

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company's trailing Consolidated Debt⁽²⁾ to Consolidated EBITDA⁽¹⁾ ratio from a minimum of the bank's prime rate plus 1.25% to a maximum of the bank's prime rate plus 4.25% or from a minimum of the bankers' acceptances rate plus a stamping fee of 2.25% to a maximum of the bankers' acceptances rate plus a stamping fee of 5.25%. Standby fees under the Bank Loan range between 0.56% and 1.31%. Interest and fees under the Bank Loan are payable monthly. The Company has the option to borrow funds denominated in either Canadian or United States dollars under the Credit Facility. Borrowings under the Bank Loan are limited to an aggregate of 75% of accounts receivable outstanding less than 90 days plus 60% of the net book value of property and equipment less certain priority payables. As at June 30, 2022, of the \$70,159 Bank Loan facility, \$31,057 was available for immediate borrowing and \$39,038 was outstanding (December 31, 2021: \$35,088). The Bank Loan has an accordion feature which provides the Company with the ability to increase the maximum borrowings up to \$125,000, subject to the approval of the lenders. The Bank Loan is secured by a security agreement covering all the assets of the Company and a first charge Security Interest covering all assets of the Company (other than real estate assets related to the Mortgage Loan). Effective June 30, 2022, the applicable rates under the Bank Loan are bank prime rate plus 1.375%, bankers' acceptances rate plus a stamping fee of 2.375%, and standby fee rate of 0.594%.

CWC ENERGY SERVICES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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

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

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

(1) Consolidated EBITDA is calculated as net income plus finance costs, plus current and deferred income taxes, plus depreciation, plus stock-based compensation, plus any non-recurring losses or impairment losses, or permitted severance costs, minus any non-recurring gain, plus any expenses related to corporate or business acquisitions with all amounts being for the twelve-month period ended the calculation date, minus all principal paid or payable in connection with the Mortgage Loan. Consolidated EBITDA is adjusted to reflect the inclusion of material acquisitions or material dispositions on a pro forma basis for the twelve-month period ended the calculation date. Consolidated EBITDA is increased if debt repayments from the proceeds of equity issuance are used to repay the syndicated facility and designated by the Company as an Equity Cure amount.

(2) Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted to exclude: the Mortgage Loan, the funds held in any segregated accounts and to remove any financing fees included.

(3) Capitalization is calculated as Consolidated Debt plus Shareholders' Equity as at the calculation date.

(4) Consolidated Adjusted Cash Flow is calculated as Consolidated EBITDA minus amounts paid for transaction costs, dividends or share repurchases in the twelve-month period ended the calculation date. The Calculation of Adjusted Cash Flow excludes Consolidated EBITDA resulting from an Equity Cure.

(5) Consolidated Adjusted Finance Obligations is calculated as finance costs plus scheduled principal payments on debt including scheduled principal payments under finance leases minus accretion of finance fees included in finance costs for the twelve-month period ended the calculation date (excluding scheduled principal payments attributed to the Mortgage Loan).

Mortgage Loan is a loan maturing on June 30, 2028 that is amortized over 22 years with blended monthly principal and interest payments of \$86. At maturity, approximately \$7,030 of principal will become payable assuming only regular monthly payments are made. On May 2, 2022, the Company entered into an interest rate swap to exchange the floating rate interest payments for fixed rate interest payments, which fix the Bankers' Acceptance-Canadian Dollar Offered Rate components of its interest payment on the outstanding term debt.

Under the interest rate swap agreement, the Company pays a fixed rate of 3.38% per annum plus the applicable credit spread of 1.35%, for an effective fixed rate of 4.73%. The fair value of the interest rate swap arrangement is the difference between the forward interest rates and the discounted contract rate. At June 30, 2022, the mark-to-market value of the interest rate swap of \$35 is included within accounts payable and accrued liabilities on the Consolidated Statements of Financial Position (December 31, 2021: \$210).

Lease liabilities consist of vehicles and office space which mature in 1 to 3 years. The incremental borrowing rates applied to the individual lease liabilities vary from 5.0% to 7.5% per annum.

Financing fees consist of commitment fees and legal expenses relating to the Credit Facility and are being amortized using the effective interest rate method over the term of the Credit Facility. Financing fees of \$74 for the three months ended June 30, 2022 (three months ended June 30, 2021: \$62) and \$147 for the six months ended June 30, 2022 (six months ended June 30, 2021: \$111) were amortized and included in finance costs.

CWC ENERGY SERVICES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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

7. Share capital

a. Authorized

Unlimited number of Common voting shares without par value.

Unlimited number of Preferred shares without par value.

b. Stock options

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

	Number of options	Weighted average exercise price
Balance at December 31, 2021	7,323,000	0.20
Exercised	(2,157,000)	0.20
Balance at June 30, 2022	5,166,000	0.20

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

c. Restricted share unit plan

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

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

	Number of RSUs	Weighted average fair value at issue date
Balance at December 31, 2021	16,085,887	0.14
Redeemed for common shares	(395,847)	0.14
Balance at June 30, 2022	15,690,040	0.14

The following table summarizes information about RSUs outstanding as at June 30, 2022:

Issue date fair value	Number of RSUs outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price (\$)	Number of RSUs exercisable
\$ 0.09 - \$ 0.17	15,690,040	2.24	n/a	2,322,388

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

CWC ENERGY SERVICES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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

d. Weighted average common shares outstanding

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

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

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

8. Supplemental cash flow information

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

9. Segmented information

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

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

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

CWC ENERGY SERVICES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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

The amounts related to each industry segment are as follows:

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

Included in accounts receivable at June 30, 2022 was \$7,520 (December 31, 2021: \$3,619) of accrued revenue for services provided in the month then ended. There have been no significant adjustments for prior period accrued revenue in the current period.

As of June 30, 2022, the Company did not have any sales contracts beyond one year in term.

CWC ENERGY SERVICES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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

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

CWC ENERGY SERVICES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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

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

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

CWC ENERGY SERVICES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

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

10. Expenses by nature

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

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

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

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

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

11. Subsequent event

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