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

Management's Discussion and Analysis ("MD&A") is a review of the results of operations and liquidity and capital resources of CWC Energy Services Corp. (unless the context indicates otherwise, a reference in this MD&A to "CWC", the "Company", "we", "us", or "our" means CWC Energy Services Corp.). The following discussion and analysis provided by CWC is dated April 27, 2023, and should be read in conjunction with the condensed interim consolidated financial statements ("Financial Statements") for the three months ended March 31, 2023, the annual consolidated financial statements for the year ended December 31, 2022 ("Annual Financial Statements"), and the annual management's discussion and analysis for the year ended December 31, 2022 ("Annual MD&A"). Additional information regarding CWC can be found in the Company's latest Annual Information Form ("AIF"). The Financial Statements are prepared in accordance with IFRS and IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements. All amounts are expressed in Canadian dollars unless otherwise noted. Additional information relating to CWC is available on SEDAR at www.sedar.com.

Financial Highlights

$ thousands, except shares, per share amounts, and margins	Three months ended March 31, 2023	2022	Change $	Change %
FINANCIAL RESULTS				
Revenue				
Contract Drilling	29,545	16,712	12,833	77%
Production Services	27,993	24,119	3,874	16%
	57,538	40,831	16,707	41%
Adjusted EBITDA[(1)]	10,914	8,426	2,488	30%
Adjusted EBITDA margin (%)[(1)]	19%	21%		
Net income	4,669	3,439	1,230	36%
Net income margin (%)[(2)]	8%	8%		0%
Capital expenditures	10,125	2,791	7,334	263%
Per share information:				
Weighted average number of shares outstanding – basic	518,322,643	509,129,425		
Weighted average number of shares outstanding - diluted	534,732,387	517,832,091		
Adjusted EBITDA[(1)] per share - basic and diluted	$ 0.02	$ 0.02		
Net income per share - basic and diluted	$ 0.01	$ 0.01		

$ thousands, except ratios	March 31, 2023	December 31, 2022
FINANCIAL POSITION AND LIQUIDITY		
Working capital (excluding debt)[(1)]	37,327	35,942
Working capital (excluding debt) ratio[(1)]	3.8:1	3.6:1
Total assets	293,859	287,552
Total long-term debt (including current portion)	43,822	43,004
Shareholders' equity	215,196	210,381

(1) Please refer to the "Non-GAAP and Other Financial Measures" section for further information.
(2) Net income margin is a Non-GAAP Measure which is calculated as net income divided by total revenue.

Working capital (excluding debt) for March 31, 2023, has increased $1.4 million (4%) since December 31, 2022, driven by increases in accounts receivable ($1.8 million (4%)) and decreases in accounts payable ($0.8 million (6%)) offset by decreases in prepaid expenses and deposits ($1.3 million (33%)). Long-term debt (including current portion) of $43.8 million has increased $0.8 million (2%) from December 31, 2022, primarily to fund changes in non-cash working capital.

Highlights for the Three Months Ended March 31, 2023

- Record quarterly revenue of $57.5 million, an increase of $16.7 million (41%) compared to $40.8 million in Q1 2022. Revenue increased $12.8 million (77%) in Q1 2023 for the Contract Drilling segment and $3.9 million (16%) for the Production Services segment compared to Q1 2022.
- Q1 2023 Adjusted EBITDA[1] of $10.9 million, an increase of $2.5 million (30%) compared to $8.4 million in Q1 2022. Q1 2023 Adjusted EBITDA was the third-best Q1 in the Company's 19-year history, just missing the record set in Q1 2013 by $0.4 million.
- Net income of $4.7 million, an increase of $1.2 (36%) million compared to $3.4 million in Q1 2022. Q1 2023 net income was the second-best Q1 in the Company's 19-year history, just missing the record set in Q1 2013 by $0.2 million.
- During Q1 2023, 406,000 common shares (Q1 2022: nil) were purchased under the Normal Course Issuer Bid ("NCIB") of which 285,500 were cancelled and returned to treasury.

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

Industry Overview

Average crude oil and natural gas prices

	Three months ended							
	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021
Crude oil								
West Texas Intermediate (US$/bbl)	76.13	82.65	91.55	108.41	94.29	77.19	70.56	66.12
Western Canadian Select (US$/bbl)	56.36	54.48	70.95	93.05	81.49	60.44	57.64	54.68
Natural gas								
AECO (C$/mcf)	3.25	6.00	5.00	6.92	4.66	4.89	3.75	3.05

Source: GLJ Ltd price forecasts.

As strong as the activity level and pricing was in 2022, the expectation for 2023 is even higher. On November 23, 2022, the CAOEC forecasted 70,495 operating days for Canadian drilling rigs in 2023, an increase of 20% compared to 2022. While inflation, interest rate increases by central banks and a potential global recession continue to be a concern for the price of crude oil and natural gas, North American oilfield services activity and pricing have not shown signs of a significant pullback to date. The discipline among our North American E&P customers to return free cash flow in the form of dividends and share buybacks to their shareholders remains strong and will keep the potential of any oversupply of crude oil or natural gas in check. This should result in a steady stream of North American oilfield services activity throughout 2023 and beyond.

Corporate Overview

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

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

The Production Services division operates under the trade name CWC Well Services. With a fleet of 140 service rigs, CWC is one of Canada's largest well servicing companies as measured by active fleet and operating hours. CWC's service rig fleet consists of 73 single, 54 double and 13 slant rigs providing services which include completions, maintenance, workovers and well decommissioning with depth ratings from 1,500 to 5,000 metres. In 2023, CWC chose to park 77 of its service rigs and focus its sales and operational efforts on the remaining 63 active service rigs due to the reduction in the number of service rigs currently required to service the WCSB and the tight labour market experienced in the industry for service rig crews.

Outlook

2023 started the year with crude oil prices buoyed by higher demand from China following the re-opening of their economy after abandoning its zero COVID-19 policies. However, in March 2023, crude oil prices declined sharply on concerns the financial health of a few U.S. regional banks and a European bank would spread, potentially creating a new global financial crisis. Fortunately, both U.S. and European financial regulators stepped in and acted quickly to contain the crisis of confidence from spreading to other financial institutions. As an added precaution, on April 2, 2023, eight (8) members of OPEC voluntarily announced additional production cuts of 1.16 million bbls/day to help support global crude oil prices. Along with the 500,000 bbls/day crude oil production cut announced by Russia in February 2023 and the original 2.0 million bbls/day production cut announced by OPEC+ in November 2022, the total crude oil production cut by OPEC+ is now projected to be 3.66 million bbls/day. The result of these crude oil production cuts has been a support of global crude oil prices at approximately US$80/bbl. As such, analysts believe North American drilling and oilfield services activity will continue to be strong under this favourable crude oil price environment at a sustainable and measured pace given the capital discipline instilled upon these E&P companies by their debt and equity stakeholders for return of capital through debt reduction, dividends and share buybacks. Such sustained and measured increases in oilfield services activity should bode well for CWC.

Q1 2023 has started off strong for CWC. Activity levels in both Canada and the U.S. in Q1 2023 continue to be elevated compared to the prior year's comparable quarter, while pricing has increased quarter-over-quarter with average revenue per day and hour for drilling rigs and service rigs, respectively, now at record levels in CWC's nineteen (19) year history buoyed by inflation for both labour, fuel and supplies. The biggest challenge for CWC and the industry will be to attract more field labour or rig crews which remains extremely tight. The Company has been successful in recruiting new field employees and crewing both its drilling and service rigs. As at March 31, 2023, CWC employed 630 employees and will be ramping up its field labour or rig crews to accommodate an expected increase in drilling rig activity in Q2 2023.

While CWC expects a continuation of its strong operational and financial results for the remainder of 2023, various global uncertainties may derail the Company's expected positive path. Russia's invasion of Ukraine has elicited a strong global response of sanctions against Russia from many Western countries. Such sanctions may have a negative effect on the global economy through supply chain disruptions and volatile commodity prices. In addition, many global economies are still experiencing high levels of inflation despite central banks having increased interest rates at a rapid pace, which has modestly slowed economic growth and the pace of inflation to date. If interest rates increase too rapidly, or rise to a high enough level whereby economic activity slows significantly resulting in a global recession, CWC may be negatively impacted.

Results of Operations

$ thousands, except per share amounts	**Three months ended March 31, 2023**	**2022**	**Change $**	**Change %**
Revenue	57,538	40,831	16,707	41%
Direct operating expenses	39,822	27,313	12,509	46%
Gross margin (1)	17,716	13,518	4,198	31%
Selling and administrative expenses	6,802	5,092	1,710	34%
Adjusted EBITDA(1)	10,914	8,426	2,488	30%
Stock based compensation	300	231	69	30%
Finance costs	957	388	569	147%
Depreciation	3,606	2,926	680	23%
(Gain) loss on disposal of equipment	(118)	337	(455)	(135%)
Income before income taxes	6,169	4,544	1,625	36%
Deferred income tax expense	1,500	1,105	395	36%
Net income	4,669	3,439	1,230	36%
Net income per share				
Basic and diluted	$ 0.01	$ 0.01	$ -	0%

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

Contract Drilling – Canada and United States

$ thousands, except margins, number of rigs, revenue per operating day, and utilization	Three months ended March 31, 2023	2022	Change $	Change %
Revenue				
Canada	17,137	12,789	4,348	34%
United States	12,408	3,923	8,485	216%
	29,545	16,712	12,833	77%
Direct operating expenses				
Canada	11,258	8,984	2,274	25%
United States	10,069	2,760	7,309	265%
	21,327	11,744	9,583	82%
Gross margin (1)				
Canada	5,879	3,805	2,074	55%
United States	2,339	1,163	1,176	101%
	8,218	4,968	3,250	65%
Gross margin percentage (1)				
Canada	34%	30%	n/a	4%
United States	19%	30%	n/a	(11%)
	28%	30%	n/a	(2%)
Total drilling rigs, end of period				
Canada	7	7	-	0%
United States	15	12	3	25%
	22	19	3	16%
Revenue per operating day(2)				
Canada	$35,480	$28,823	$6,657	23%
United States (US$)	US$30,029	US$27,517	US$2,512	9%
Drilling rig operating days				
Canada	483	444	39	9%
United States	306	113	193	171%
	789	557	232	42%
Drilling rig utilization %(3)				
Canada	77%	70%	n/a	7%
United States	28%	10%	n/a	18%
	45%	33%	n/a	12%

(1) Please refer to the "Non-GAAP and Other Financial Measures" section for further information.
(2) Revenue per operating day is calculated based on operating days (i.e. spud to rig release basis). New or inactive drilling rigs are added based on the first day of field service.
(3) Drilling rig utilization is calculated based on operating days (i.e. spud to rig release basis). Drilling rigs requiring their Level IV recertification, refurbishment or have been otherwise removed from service for greater than 90 days are excluded from the utilization calculation until their first day back in field service.

Canadian Contract Drilling revenue of $17.1 million in Q1 2023, an increase of $4.3 million (34%) compared to $12.8 million in Q1 2022, was achieved with a utilization rate of 77% (Q1 2022: 70%), compared to the CAOEC industry average of 45%. CWC completed 483 Canadian drilling rig operating days in Q1 2023, an increase of 39 operating days (9%) compared to 444 Canadian drilling rig operating days in Q1 2022 as all seven (7) Canadian drilling rigs were working during the quarter.

Gross margin in the Canadian Contract Drilling segment was $5.9 million, an increase of $2.1 million from $3.8 million in Q1 2022. The gross margin increase is a result of a 23% increase in average revenue per operating day while the increase in direct operating expenses, primarily related to inflationary increases in field labour, fuel and supplies cost, was successfully recovered from customers.

U.S. Contract Drilling revenue of $12.4 million in Q1 2023, an increase of $8.5 million (216%) compared to $3.9 million in Q1 2022, was achieved with 306 U.S. drilling rig operating days (Q1 2022: 113 U.S. drilling rig operating days). During Q1 2023, CWC had six (6) of twelve (12) marketable drilling rigs working in the U.S. as Q1 is typically a less active quarter for our E&P customers due to operational challenges related to adverse winter weather conditions in our U.S. operating regions.

Gross margin in the U.S. Contract Drilling segment was $2.3 million, an increase of $1.2 million (101%) compared to $1.2 million in Q1 2022. The gross margin increase is a result of a 171% increase in U.S. drilling rig operating days as well as a 9% increase in average revenue per operating day, partially offset by direct operating cost increases.

Production Services – Canada

$ thousands, except margins, number of rigs, revenue per operating hour, and utilization	Three months ended March 31, 2023	2022	Change $	Change %
Revenue	27,993	24,119	3,874	16%
Direct operating expenses	18,495	15,569	2,926	19%
Gross margin (1)	9,498	8,550	948	11%
Gross margin percentage (1)	34%	35%	n/a	(1%)
Service rigs, end of period				
Active service rigs	63	65	(2)	(3%)
Inactive service rigs	77	78	(1)	(1%)
Total service rigs	140	143	(3)	(2%)
Revenue per hour	$981	$787	$194	25%
Service rig operating hours	28,539	30,637	(2,098)	(7%)
Service rig utilization %(2)	69%	73%	n/a	(4%)

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

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

Production Services revenue of $28.0 million in Q1 2023, an increase of $3.9 million (16%) compared to $24.1 million in Q1 2022 as the Company was successful in implementing pricing adjustments to partially offset higher inflationary field labour, fuel and supply costs as evident from the average revenue per hour of $981 in Q1 2023 increasing $194 per hour (25%) compared to the $787 per hour in Q1 2022. CWC's service rig utilization in Q1 2023 of 69% (Q1 2022: 73%) with 28,539 operating hours was 7% lower than the 30,637 operating hours in Q1 2022 as spring break-up slowed activity levels in March 2023 earlier than in March 2022.

During Q1 2023, the Company earned $0.8 million (Q1 2022: $1.1 million) in revenue on 10 oil and gas sites (Q1 2022: 53) requiring well decommissioning under the Alberta Site Rehabilitation Program ("SRP") and 42 oil and gas sites (Q1 2022: 11) under the Saskatchewan Accelerated Site Closure Program ("ASCP"). The $1.0 billion Alberta SRP, the $400 million Saskatchewan ASCP and the $100 million B.C. Dormant Sites Reclamation Program ("DSRP") ended on February 14, 2023.

Selling and Administrative Expenses

$ thousands	Three months ended March 31, 2023	2022	Change $	Change %
Selling and administrative expenses	6,802	5,092	1,710	34%

Selling and administrative expenses of $6.8 million in Q1 2023, an increase of $1.7 million (34%) compared to $5.1 million in Q1 2022. The increase in selling and administrative expenses for the quarter ended March 31, 2023 compared to 2022 was primarily due to an increase in the number of employees and compensation commiserate with higher activity levels.

Adjusted EBITDA[1]

$ thousands	Three months ended March 31, 2023	2022	Change $	Change %
Adjusted EBITDA[1]				
Contract Drilling	6,040	3,744	2,296	61%
Production Services	6,768	6,321	447	7%
Corporate	(1,894)	(1,639)	(255)	(16%)
	10,914	8,426	2,488	30%
Adjusted EBITDA margin (%) [1]	19%	21%	n/a	(2%)

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

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

Adjusted EBITDA[1] was $10.9 million in Q1 2023, an increase of $2.5 million (30%) compared to $8.4 million in Q1 2022. The increase in Adjusted EBITDA[1] is primarily due to the expansion of our U.S. operations with the addition of thirteen (13) triple drilling rigs, the bulk of which did not begin working until Q2 2022.

Stock Based Compensation

$ thousands	Three months ended March 31, 2023	2022	Change $	Change %
Stock based compensation	300	231	69	30%

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

Stock based compensation of $0.3 million in Q1 2023, an increase of $0.1 million (30%) compared to $0.2 million in Q1 2022.

Finance Costs

$ thousands	Three months ended March 31, 2023	2022	Change $	Change %
Finance costs	957	388	569	147%

Finance costs of $1.0 million in Q1 2023, an increase of $0.6 million (147%) compared to $0.4 million in Q1 2022 is primarily due to an increase in the interest rates in Q1 2023 compared to Q1 2022.

Depreciation

$ thousands	Three months ended March 31, 2023	2022	Change $	Change %
Depreciation	3,606	2,926	680	23%

Depreciation of $3.6 million in Q1 2023, an increase of $0.7 million (23%) compared to $2.9 million in Q1 2022 is primarily due to the higher depreciable asset base in Q1 2023 compared to the same period in 2022.

(Gain) Loss on Disposal of Equipment

$ thousands	Three months ended March 31, 2023	2022	Change $	Change %
(Gain) loss on disposal of equipment	(118)	337	(455)	(135%)

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

For the quarter ended March 31, 2023, the gain on disposal of equipment was $0.1 million, compared to a loss on disposal of equipment of $0.3 million in Q1 2022. The gain in Q1 2023 was primarily related to the disposal of an inactive service rig and related equipment.

Deferred Income Tax Expense

$ thousands	Three months ended March 31, 2023	2022	Change $	Change %
Net income before income taxes	6,169	4,544	1,625	36%
Deferred income tax expense	1,500	1,105	395	36%
Deferred income tax expense as a % of net income before income taxes	24%	24%		
Expected statutory income tax rate	23.1%	23.2%		

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

The deferred income tax expense in Q1 2023 of $1.5 million (Q1 2022: $1.1 million) is a result of changes between the accounting and tax bases due to current quarter results.

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

Net Income and Comprehensive Income

$ thousands	Three months ended March 31, 2023	2022	Change $	Change %
Net income	4,669	3,439	1,230	36%
Unrealized gain (loss) on translation of foreign operations	(66)	(494)	428	87%
Comprehensive income	4,603	2,945	1,658	56%

(1) Not meaningful

Net income of $4.7 million in Q1 2023, an increase of $1.2 million compared to $3.4 million in Q1 2022. Comprehensive income of $4.6 million in Q1 2023, an increase of $1.7 million compared to $2.9 million in Q1 2022. The increases in net income and comprehensive income in Q1 2023 were primarily due to the expansion of our U.S. operations with the addition of thirteen (13) triple drilling rigs, the bulk of which did not begin working until Q2 2022.

Liquidity and Capital Resources

Source of Funds

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

During Q1, 2023, the Company's operating cash flow of $9.3 million, proceeds on disposal of equipment of $0.9 million, and $0.9 increase in long-term debt were used to fund capital expenditures of $10.1 million, payments of interest on long-term debt, finance costs and leases of $0.9 million and acquisition of common shares under the NCIB of $0.1 million.

As at March 31, 2023, the Company had working capital (excluding debt) of $37.3 million, an increase of $1.4 million (4%) from $35.9 million at December 31, 2022 (please refer to the "Non-GAAP and Other Financial Measures" section for further information). The increase in working capital (excluding debt) is primarily due to higher accounts receivable related to increased activity levels partially offset by lower accounts payable in Q1 2023 versus Q4 2022. Typically as activity levels increase or decrease, working capital will also increase or decrease.

The Company has credit facilities with a syndicate of four Canadian financial institutions (the "Credit Facility"). On July 29, 2022, the Company exercised the accordion feature to expand the Credit Facility comprised of a $50,710 Canadian syndicated facility, a US$12,000 U.S. syndicated facility, a $7,500 Canadian operating facility and a US$5,000 U.S. operating facility. The Company further amended the Credit Facility to extend the maturity to July 31, 2025 ("Maturity Date"). No principal payments are required under the Credit Facility 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 Company is in compliance with each of the financial covenants at March 31, 2023. Effective March 31, 2023, the applicable rates under the Bank Loan are bank prime rate plus 1.25%, bankers' acceptances rate plus a stamping fee of 2.25%, and standby fee rate of 0.563%.

The Company's 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 thousand. At maturity, approximately $7.0 million of principal will become payable assuming only regular monthly payments are made. On May 2, 2022 the Company entered into an interest rate swap to exchange the floating rate interest payments for fixed rate interest payments, which fix the Bankers' Acceptance-Canadian Dollar Offered Rate components of its interest payment on the outstanding term debt.

Under the interest rate swap agreement, the Company pays a fixed rate of 3.38% per annum plus the applicable credit spread of 1.35%, for an effective fixed rate of 4.73%. The fair value of the interest rate swap arrangement is the difference between the forward interest rates and the discounted contract rate. As at March 31, 2023, the mark-to-market value of the interest rate swap of $8 is included within accounts payable and accrued liabilities on the consolidated statements of financial position (December 31, 2022: $152 included within accounts receivable).

Capital Requirements

On December 5, 2022, the Company announced its capital expenditure budget for 2023 of $26.3 million including $4.0 million of 2022 capital expenditure being carried forward into 2023 for the upgrades and Level IV re-certifications of the three (3) triple drilling rigs acquired in June 2022. $6.7 million of the 2023 capital expenditure is for maintenance and infrastructure capital related to re-certifications, additions and upgrades to field equipment for the drilling rig and service rig divisions as well as information technology infrastructure, with the remaining $15.6 million being for growth capital to complete upgrades to four (4) of the drilling rigs and to purchase additional strings of specialty drill pipe. On March 1, 2023, the Company announced a further increase to its 2023 capital expenditure budget of $4.0 million; $0.3 million of which is maintenance capital and $3.7 million for growth capital the bulk of which will be used to purchase real estate in the United States. The total 2023 capital expenditures budget of $30.3 million is consistent with CWC's commitment to safety and operational efficiency with high-quality and well-maintained equipment. CWC intends to finance its 2023 capital expenditures budget from operating cash flows.

The Company's 2023 capital expenditures are detailed in the section below titled "Capital Expenditures". In the future, additional discretionary capital expenditures will be required in order to continue to grow the Company's assets and revenue. It is anticipated future cash requirements for capital expenditures will be met through a combination of funds from operations and borrowing against existing credit facilities as required. However, additional funds may be raised by new debt instruments, equity issuances and proceeds from the sale of assets.

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

Common Shares and Dividends

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

	April 27, 2023	March 31, 2023	December 31, 2022
Common shares	518,806,894	518,927,394	518,084,727
Stock options	89,000	89,000	89,000
Restricted share units	16,320,744	16,320,744	17,448,911

For the quarter ended March 31, 2023, 1,128,167 Restricted Share Units ("RSUs") were exercised (Q1 2022: 274,000 exercised).

On November 16, 2022, the Company reinstated its NCIB which expires on November 15, 2023. Under this NCIB the Company may purchase, from time to time as it considers advisable, up to 25,620,671 issued and outstanding common shares through the facilities of the TSXV or other recognized marketplaces. In addition, CWC entered into an 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 will be 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 quarter ended March 31, 2023, the Company purchased 406,000 common shares (Q1 2022: nil) under the NCIB of which 285,500 common shares were cancelled and returned to treasury.

Capital Expenditures

$ thousands	Three months ended March 31, 2023	2022	Change $	Change %
Capital expenditures				
Contract drilling	8,823	1,902	6,921	364%
Production services	1,302	774	528	68%
Other equipment	-	115	(115)	(100%)
	10,125	2,791	7,334	263%
Growth capital	8,359	1,536	6,823	444%
Maintenance and infrastructure capital	1,766	1,255	511	41%
Total capital expenditures	10,125	2,791	7,334	263%

Capital expenditures of $10.1 million in Q1 2023 an increase of $7.3 million compared to $2.8 million in Q1 2022. The increase in capital expenditures in Q1 2023 is primarily due to Level IV re-certification and upgrades to the three (3) U.S. triple drilling rigs and related ancillary equipment purchased in June 2022.

Commitments and Contractual Obligations

Under the terms of the Company's amended Credit Facility, the borrowings under the Credit Facility are due in full on July 31, 2025. The Company is committed to monthly payments of interest and bank charges until July 31, 2025. The Company's Mortgage Loan is being amortized over 22 years with blended monthly principal and interest payments and matures on June 30, 2028. Management believes that there will be sufficient cash flows generated from operations to service the interest on the debt and finance the required capital expenditures of the Company through 2023.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts	Three months ended Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021
Revenue	57,538	60,039	61,781	42,681	40,831	33,693	27,776	16,497
Adjusted EBITDA[(1)]	10,914	13,736	16,169	7,600	8,426	6,135	5,394	2,489
Net income (loss)	4,669	26,040	9,517	2,664	3,439	2,866	2,019	(759)
Net income (loss) per share: basic and diluted	0.01	0.05	0.02	0.01	0.01	0.01	0.00	0.00
Total assets	293,859	287,552	265,050	241,827	231,410	226,645	200,777	193,127
Total long-term debt	43,822	43,004	52,087	49,773	46,946	45,847	24,688	21,187
Shareholders' equity	215,196	210,381	184,499	170,976	166,445	163,269	159,953	157,242

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

The table above summarizes CWC's quarterly results for the previous eight financial quarters. CWC's operations are carried out in western Canada and the United States. The first and second quarters are typically expected to be the weakest financial and operating quarters for the Company due to ground conditions being impacted by spring breakup in Canada. The ability to move heavy equipment in the Canadian crude oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this spring breakup has a direct impact on the Company's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen enough to support equipment. As a result, mid-March through June in Canada is traditionally the Company's slowest time. In addition, certain of the Company's U.S. operating regions are also affected by adverse winter weather conditions in the first quarter as extreme cold weather conditions including high winds and heavy snowfall could hinder access to drilling sites and cause hazardous travel and working conditions for our field employees. These cold weather conditions could cause our drilling equipment to malfunction resulting in increased downtime and delays in the drilling operations, thereby reducing productivity. As such, some of the Company's customers prefer to delay drilling operations in the first quarter until such winter weather conditions subside in the second quarter. As such, the revenue, operating costs, and financial results of the Company will vary on a quarterly basis.

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

Other significant impacts have been a result of:

- Q1 2023 saw the Company achieve record Q1 revenue primarily due to the expansion of our U.S. operations with the addition of thirteen (13) triple drilling rigs. During Q1 2023, 406,000 common shares were purchased under the NCIB of which 285,500 common shares were cancelled and returned to treasury.
- Q4 2022 saw the Company achieve record Q4 revenue, Adjusted EBITDA(1) and net income in its eighteen (18) year history primarily due to the expansion of our U.S. operations with the addition of ten (10) triple drilling rigs and the overall increase in industry activity and pricing as inflationary costs from field labour, fuel and supplies continue to be recovered from our E&P customers. During Q4 2022, 210,000 common shares were purchased, cancelled, and returned to treasury under the NCIB.
- Q3 2022 saw the Company achieve record quarterly revenue, Adjusted EBITDA(1) and net income in its eighteen (18) year history primarily due to the expansion of our U.S. operations with the addition of ten (10) triple drilling rigs and the overall increase in industry activity and pricing as inflationary costs from field labour, fuel and supplies were successfully recovered from our E&P customers.
- Q2 2022 saw the Company achieve record Q2 revenue, Adjusted EBITDA(1) and net income in its eighteen (18) year history with the continuation of higher activity levels as crude oil, as measured by WTI, rose to an average of US$108/bbl with natural gas, as measured by AECO, averaging over $6.90/mcf which resulted in both increases in activity levels and pricing. Additionally in the quarter, the Company acquired three (3) high-spec AC triple drilling rigs for US$7.4 million (CAD$9.6 million) further expanding the Company's presence in the U.S.
- Q1 2022 saw crude oil prices continue to rise above US$105/bbl as activity levels rose to pre-COVID-19 health pandemic levels. Inflation rose in field labour, fuel and supply costs, which resulted in pricing increases for the Company's customers, which more than offset the higher inflation resulting in higher Adjusted EBITDA and margins in over seven (7) years.
- Q4 2021 saw the Company acquire ten (10) triple drilling rigs and related ancillary equipment based in Casper, Wyoming for total cash consideration including transaction costs of US$18.5 million (approximately C$23.5 million). The purchase further expanded the Company's presence in the U.S. and more than doubled the size of the Company's active drilling fleet to nineteen (19) drilling rigs comprised of seven (7) conventional heavy double drilling rigs in Canada and five (5) AC triple, five (5) DC triple and two (2) conventional heavy double drilling rigs in the U.S. The Company believes the purchase of these ten (10) triple drilling rigs will have a significant positive impact on future quarterly operational and financial results.
- Q3 2021 saw the continuation of higher activity levels as crude oil prices continued to rise towards US$80/bbl. A continuation of a shortage of field labour or rig crews in the industry during the quarter resulted in a further increase in wages, which led to higher pricing for the Company's well servicing work.
- Q2 2021 saw the continuation of higher activity levels adjusted for seasonality as crude oil prices continued to rise to over US$70/bbl. Shortage of available field labour or rig crews in the industry during the quarter became a constraint to higher growth, which is expected to lead to higher pricing for the Company's drilling and well servicing work in future quarters.

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

Critical Accounting Estimates and Judgments

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

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

CEO and CFO Certifications

The CEO and CFO of TSX Venture Exchange listed companies, such as CWC, are not required to certify they have designed internal control over financial reporting or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Instead, an optional form of certification has been made available to TSX Venture Exchange listed companies and has been used by CWC's certifying officers for the March 31, 2023, interim filings. The certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations.

This certification requires that the certifying officers state:

- They have reviewed the interim financial report and MD&A;
- That, based on their knowledge, they have determined there is no untrue statement of a material fact or any omission of material fact required to be stated which would make any statement not misleading in light of the circumstances under which it was made within the interim filings; and
- That based upon their knowledge, the annual filings, together with the other financial information included in the annual filings, fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date and for the periods presented in the interim filings.

Risks and Uncertainties

Certain activities of the Company are affected by factors that are beyond its control or influence. Additional risks and uncertainties that management may be unaware of at the present time may also become important factors which affect the Company. Along with the risks discussed in this MD&A, other business risks faced by the Company may be found under "Risk Factors" in the Company's December 31, 2022 Management's Discussion and Analysis which is available under the Company's profile at www.sedar.com.

Forward-Looking Information

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

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

Non-GAAP and Other Financial Measures

$ thousands, except shares, per share amounts and margins	Three months ended March 31, 2023	Three months ended March 31, 2022
NON-GAAP MEASURES		
Adjusted EBITDA:		
Net income	4,669	3,439
Add:		
Stock based compensation	300	231
Finance costs	957	388
Depreciation	3,606	2,926
(Gain) loss on disposal of equipment	(118)	337
Income tax expense	1,500	1,105
Adjusted EBITDA(1)	10,914	8,426
Adjusted EBITDA per share – basic and diluted(1)	$ 0.02	$ 0.02
Adjusted EBITDA margin (Adjusted EBITDA/Revenue)(1)	19%	21%
Weighted average number of shares outstanding - basic	518,322,643	509,129,425
Weighted average number of shares outstanding - diluted	534,732,387	517,832,091
Gross margin:		
Revenue	57,538	40,831
Less: Direct operating expenses	39,822	27,313
Gross margin(2)	17,716	13,518
Gross margin percentage(2)	31%	33%

$ thousands	March 31, 2022	December 31, 2022
Working capital (excluding debt):		
Current assets	50,484	49,925
Less: Current liabilities	(14,040)	(14,848)
Add: Current portion of long-term debt	883	865
Working capital (excluding debt) (3)	37,327	35,942
Working capital (excluding debt) ratio(3)	3.8:1	3.6:1
Net debt:		
Long-term debt	42,939	42,139
Less: Current assets	(50,484)	(49,925)
Add: Current liabilities	14,040	14,848
Net debt (4)	6,495	7,062

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

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

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

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