CWC ENERGY SERVICES CORP.

Unaudited Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

	Note	**June 30, 2023**	December 31, 2022
ASSETS			
Current			
Cash		**$ 91**	$ 104
Accounts receivable		**31,324**	45,946
Prepaid expenses and deposits		**1,686**	3,875
		33,101	49,925
Property and equipment	5,9	**253,591**	237,627
		$ 286,692	$ 287,552
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**12,063**	13,983
Current portion of long-term debt	6	**1,021**	865
		13,084	14,848
Long term			
Deferred tax liability		**21,264**	20,184
Long-term debt	6	**40,043**	42,139
		74,391	77,171
SHAREHOLDERS' EQUITY			
Share capital	7	**256,283**	256,950
Contributed surplus		**21,192**	20,286
Accumulated other comprehensive income		**2,251**	3,614
Deficit		**(67,425)**	(70,469)
		212,301	210,381
		$ 286,692	$ 287,552

See accompanying notes to the condensed interim consolidated financial statements.

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

For the three and six months ended June 30, 2023 and 2022
(Unaudited)

Stated in thousands of Canadian dollars except per share amounts	Note	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue	9	**$ 34,474**	$ 42,681	**$ 92,012**	$ 83,512
Expenses	9				
Direct operating expenses	10	**26,851**	30,262	**66,673**	57,575
Selling and administrative expenses	10	**6,045**	4,819	**12,847**	9,911
Stock based compensation	7(d)	**300**	231	**600**	462
Finance costs	6	**529**	605	**1,486**	993
Depreciation	5	**3,371**	2,982	**6,977**	5,908
(Gain) loss on disposal of equipment		**(576)**	227	**(694)**	564
		36,520	39,126	**87,889**	75,413
(Loss) income before income taxes		**(2,046)**	3,555	**4,123**	8,099
Deferred income tax (recovery) expense		**(421)**	891	**1,079**	1,996
Net (loss) income		**$ (1,625)**	$ 2,664	**$ 3,044**	$ 6,103
Other comprehensive (loss) income					
Item that may be reclassified to profit or loss in subsequent periods:					
Unrealized (loss) gain on translation of foreign operations		**(1,297)**	1,213	**(1,363)**	719
Comprehensive (loss) income		**$ (2,922)**	$ 3,877	**$ 1,681**	$ 6,822
Net (loss) income per share					
Basic and diluted	7	**$ (0.00)**	**$ 0.01**	**$ 0.01**	$ 0.01

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, 2023 and 2022

(Unaudited)

Stated in thousands of Canadian dollars except share amounts	Note	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
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(d)	-	-	462	-	-	462
Settlement of stock options	7(c)	2,157,000	665	(242)	-	-	423
Settlement of restricted share units	7(d)	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
Balance – January 1, 2023		**518,084,727**	**$ 256,950**	**$ 20,286**	**$ 3,614**	**$ (70,469)**	**$ 210,381**
Net income		**-**	**-**	**-**	**-**	**3,044**	**3,044**
Stock based compensation expense	7(d)	**-**	**-**	**600**	**-**	**-**	**600**
Settlement of restricted share units	7(d)	**1,128,167**	**166**	**(166)**	**-**	**-**	**-**
Cancellation of common shares purchased under normal course issuer bid	7(b)	**(1,681,000)**	**(833)**	**472**	**-**	**-**	**(361)**
Other comprehensive loss		**-**	**-**	**-**	**(1,363)**	**-**	**(1,363)**
Balance – June 30, 2023		**517,531,894**	**$ 256,283**	**$ 21,192**	**$ 2,251**	**$ (67,425)**	**$ 212,301**

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, 2023 and 2022
(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
Stated in thousands of Canadian dollars	Note	**2023**	**2022**	**2023**	**2022**
Operating activities:					
Net (loss) income		**$ (1,625)**	$ 2,664	**$ 3,044**	$ 6,103
Adjustments for:					
Stock based compensation	7(d)	**300**	231	**600**	462
Finance costs	6	**822**	607	**1,619**	1,169
Unrealized gain on interest rate swap agreement	6	**(293)**	(2)	**(133)**	(176)
Depreciation	5	**3,371**	2,982	**6,977**	5,908
(Gain) loss on disposal of equipment	5	**(576)**	227	**(694)**	564
Foreign exchange		**234**	129	**170**	139
Deferred income tax (recovery) expense		**(420)**	891	**1,080**	1,996
Funds from operations		**1,813**	7,729	**12,663**	16,165
Changes in non-cash working capital balances	8	**16,557**	2,268	**15,022**	(4,253)
Operating cash flow		**18,370**	9,997	**27,685**	11,912
Investing activities:					
Purchase of equipment	5,9	**(14,871)**	(12,359)	**(24,996)**	(15,150)
Proceeds on disposal of equipment		**798**	40	**1,685**	291
Investing cash flow		**(14,073)**	(12,319)	**(23,311)**	(14,859)
Financing activities:					
(Repayment of) increase of long-term debt		**(3,175)**	2,510	**(2,285)**	3,659
Interest paid	6	**(763)**	(531)	**(1,504)**	(1,022)
Finance costs paid		**-**	(32)	**(66)**	(92)
Lease payments		**(109)**	(48)	**(171)**	(111)
Cash settlement on exercise of options	7(c)	**-**	423	**-**	423
Common shares purchased under NCIB	7(b)	**(273)**	-	**(361)**	-
Financing cash flow		**(4,320)**	2,322	**(4,387)**	2,857
Decrease in cash during the period		**(23)**	-	**(13)**	(90)
Cash, beginning of period		**114**	-	**104**	90
Cash, end of period		**$ 91**	$ -	**$ 91**	$ -

See accompanying notes to the condensed interim 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 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 condensed interim 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 ("TSXV") 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.sedarplus.ca, 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 condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all 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, 2022.

These condensed interim consolidated financial statements were approved by the Board of Directors on July 27, 2023.

(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, 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 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 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, 2022 with the exception of the amendments adopted below. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto as at and for the year ended December 31, 2022.

(a) IAS 1 - Presentation of Financial Statements

In February 2021, the IASB issued an amendment to IAS 1 Presentation of Financial Statements in which it provides guidance to help entities apply materiality judgements to accounting policy disclosures. When assessing materiality, entities need to consider the size of the transactions along with other events or conditions and the nature of them. Standardized accounting policy information should also be included in circumstances where users may need it to understand material information in the financial statements.

Management has adopted the amendment to IAS 1 on January 1, 2023 in these condensed interim consolidated financial statements and it did not have a material impact on the Company.

(b) IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in which it provides clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Materially the amendment will have little impact to an entity's financial statements however will provide guidance in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

Management has adopted the amendment to IAS 8 on January 1, 2023 in these condensed interim consolidated financial statements and it did not have a material impact on the Company.

(c) IAS 12 - Income Taxes

On May 7, 2021, the IASB issued an amendment to IAS 12 Income taxes to clarify the accounting for deferred tax on transactions such as leases and decommissioning obligations. The scope of the recognition exemption in IAS 12 no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Management has adopted the amendment to IAS 12 on January 1, 2023 in these condensed interim consolidated financial statements and it did not have a material impact on the Company.

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.

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. In addition, 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. The third and fourth quarters would typically be the most active for our U.S. operations as weather-related conditions are less of a barrier to ensuring safe and productive operations for our field employees.

These seasonal trends lead to quarterly fluctuations in operating results and working capital requirements, consequently, quarterly operating results may not be representative of full-year operating results.

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

5. Property and equipment

	Contract Drilling property and equipment	Production Services property and equipment	Right-of-use assets	Other equipment	Total
Costs					
Balance, January 1, 2023	$ 171,989	$ 243,997	$ 1,381	$ 2,132	$ 419,499
Additions	21,815	3,181	473	-	25,469
Disposals	-	(2,514)	(92)	-	(2,606)
Effect of foreign currency exchange differences	(1,695)	-	(4)	-	(1,699)
Balance, June 30, 2023	192,109	244,664	1,758	2,132	440,663
Accumulated depreciation and impairment losses					
Balance, January 1, 2023	42,831	136,445	576	2,020	181,872
Depreciation	3,675	3,046	203	53	6,977
Disposals	-	(1,523)	(92)	-	(1,615)
Effect of foreign currency exchange differences	(162)	-	-	-	(162)
Balance, June 30, 2023	46,344	137,968	687	2,073	187,072
Net book value					
Balance, June 30, 2023	$ 145,765	$ 106,696	$ 1,071	$ 59	$ 253,591

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, 2023	December 31, 2022
Current liabilities		
Current portion of lease liabilities	$ 439	$ 283
Current portion of Mortgage Loan	582	582
	$ 1,021	$ 865
Non-current liabilities		
Bank Loan	$ 30,362	$ 32,356
Mortgage Loan	9,309	9,600
Lease liabilities	730	589
Financing fees	(358)	(406)
	$ 40,043	42,139
Total loans and borrowings	$ 41,064	$ 43,004

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

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 Credit Facility 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 Credit Facility range between 0.56% and 1.31%. Interest and fees under the Credit Facility 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 Credit Facility 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. When translated at June 30, 2023, the total Credit Facility was $80,718 of which $50,356 was available for immediate borrowing and $30,362 was outstanding (December 31, 2022: $32,356). The Credit Facility 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 Credit Facility 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, 2023, the applicable rates under the Credit Facility are bank prime rate plus 1.25%, bankers' acceptances rate plus a stamping fee of 2.25%, and a standby fee rate of 0.56%.

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

	Covenant limits	**June 30, 2023**
Consolidated Debt(2) to Consolidated EBITDA(1)	3.50:1.00 or less	**0.75:1.00**
Consolidated Debt(2) to Capitalization(3)	0.50:1.00 or less	**0.13:1.00**
Consolidated Adjusted Cash Flow(4) to Consolidated Adjusted Finance Obligations(5)	1.15:1.00 or more	**13.27:1.00**

(1) Consolidated EBITDA is calculated as net income plus finance costs, plus current and deferred income taxes, plus depreciation, plus stock-based compensation, plus any non-recurring losses or impairment losses, or permitted severance costs, minus any non-recurring gain, plus any expenses related to corporate or business acquisitions with all amounts being for the twelve-month period ended the calculation date, 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.

(2) Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted to exclude: the Mortgage Loan 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'

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

Acceptance-Canadian Dollar Offered Rate components of its interest payment on the outstanding Mortgage Loan.

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 and are classified as Level 2 on the fair value hierarchy. As at June 30, 2023, the mark-to-market value of the interest rate swap of $284 is included within accounts receivable on the consolidated statements of financial position (December 31, 2022: $152).

Lease liabilities consist of office space and motor vehicles which mature in 1 to 5 years. The incremental borrowing rates applied to the individual lease liabilities vary from 5.0% to 8.5% 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.

The following table provides information with respect to amounts included in finance costs on the Consolidated Statements of Comprehensive (Loss) Income:

	Three months ended June 30,		**Six months ended June 30,**	
	2023	2022	**2023**	2022
Interest on Credit Facility	**$ 626**	$ 408	**$ 1,238**	$ 760
Interest on lease liabilities	**20**	7	**35**	12
Interest on Mortgage Loan	**117**	118	**231**	224
Interest and penalties	**-**	-	**-**	26
Total interest expense	**$ 763**	$ 533	**$ 1,504**	$ 1,022
Amortization of finance fees	**59**	74	**115**	147
Mark-to-market gain on interest rate swap	**(293)**	(2)	**(133)**	(176)
Total finance costs	**$ 529**	$ 605	**$ 1,486**	$ 993

7. 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 November 16, 2022, the Company commenced a normal course issuer bid (“NCIB”) which will expire on November 15, 2023 or such earlier date as the NCIB is completed. Under this NCIB the Company is entitled to 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.

CWC makes its NCIB purchases through an automatic securities purchase plan (the “ASPP”) (as defined under applicable securities laws) with Raymond James Ltd. ("Raymond James"). Such purchases are 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. The plan can be terminated, modified or suspended by the Company at its discretion while not in possession of material undisclosed information or is not in a blackout period.

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

For the three months ended June 30, 2023, 1,275,000 common shares for consideration of $273, including commissions were purchased under the NCIB, and for the six months ended June 30, 2023 1,681,000 common shares for consideration of $361, including commissions, were purchased under the NCIB. In the three months ended June 30, 2023, a total of 1,395,500 common shares were cancelled and returned to treasury, and in the six months ended June 30, 2023, a total of 1,681,000 common shares were cancelled and returned to treasury.

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 Company 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 information about stock options outstanding as at March 31, 2023:

Exercise price	Number of options outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price	Number of options exercisable
$ 0.10	89,000	1.43	$ 0.10	89,000

For the three and six months ended June 30, 2023, stock based compensation expense relating to stock options was $nil (for the three and six months ended June 30, 2022: $1 and $2, respectively).

d. Restricted share unit ("RSU") 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 Company 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, 2022	**17,448,911**	**0.18**
Redeemed for common shares	**(1,128,167)**	**0.15**
Balance at June 30, 2023	**16,320,744**	**0.19**

The following table summarizes information about RSUs outstanding as at June 30, 2023:

Issue date fair value	Number of RSUs outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price ($)	Number of RSUs exercisable
$ 0.14 - $ 0.25	**16,320,744**	**1.55**	**n/a**	**2,777,746**

For the three months ended June 30, 2023, stock-based compensation expense relating to RSUs totaled $300 (three months ended June 30, 2022: $230). For the six months ended June 30, 2023, stock-based compensation expense relating to RSUs totaled $600 (six months ended June 30, 2022: $460).

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

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 three months ended June 30,		For the six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Weighted average common shares outstanding – basic	**518,754,823**	509,786,609	**518,539,926**	509,459,831
Effect of dilutive share-based compensation plans	**-**	13,337,053	**16,409,744**	11,308,630
Weighted average common shares outstanding – diluted	**518,754,823**	523,123,662	**534,949,670**	520,768,461

Outstanding stock options and RSUs are currently the only instruments which could potentially dilute earnings per share. For the three months ended June 30, 2023, 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.

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 the issue of shares without par value not allocated to share capital, gain on forfeited shares, premium/discount on shares purchased under the NCIB, 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.

8. Supplemental cash flow information

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Source (use) of cash related to working capital items:				
Accounts receivable	**$ 16,468**	$ (414)	**$ 14,622**	$ (6,402)
Prepaid expenses and deposits	**892**	338	**2,189**	420
Accounts payable and accrued liabilities	**(803)**	2,344	**(1,789)**	1,729
	$ 16,557	$ 2,268	**$ 15,022**	$ (4,253)

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

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

Corporate segment is interest expense for debt servicing, income tax expense and other amounts not directly related to the two primary segments.

The amounts related to each industry segment are as follows:

For the three months ended June 30, 2023	Contract Drilling	Production Services	Corporate	Total
Revenue				
Canada	$ 4,731	$ 14,507	$ -	$ 19,238
United States	15,236	-	-	15,236
Total revenue	19,967	14,507	-	34,474
Direct operating expenses				
Canada	$ 3,967	$ 10,847	$ -	$ 14,814
United States	12,037	-	-	12,037
Total direct operating expenses	16,004	10,847	-	26,851
Selling and administrative expenses	2,067	2,461	1,517	6,045
Stock based compensation	-	-	300	300
Finance costs	-	-	529	529
Depreciation	1,802	1,459	110	3,371
Gain on disposal of equipment	-	(576)	-	(576)
Income (loss) before tax	94	316	(2,456)	(2,046)
Deferred income tax recovery	-	-	(421)	(421)
Net income (loss)	$ 94	$ 316	$ (2,035)	$ (1,625)
Capital expenditures	$ 12,992	$ 2,352	$ -	$ 15,344
As at June 30, 2023				
Property, plant and equipment				
Canada	$ 73,173	$ 106,696	$ 59	$ 179,928
United States	72,592	-	-	72,592
	145,765	106,696	59	252,520
Right-of-use assets	273	585	213	1,071
Total property, plant and equipment	$ 146,038	$ 107,281	$ 272	$ 253,591

Included in accounts receivable at June 30, 2023 was $3,546 (December 31, 2022: $5,819) 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.

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

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

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

For the six months ended June 30, 2023	Contract Drilling	Production Services	Corporate	Total
Revenue				
Canada	$ 21,868	$ 42,500	$ -	$ 64,368
United States	27,644	-	-	27,644
Total revenue	49,512	42,500	-	92,012
Direct operating expenses				
Canada	$ 15,225	$ 29,342	$ -	$ 44,567
United States	22,106	-	-	22,106
Total direct operating expenses	37,331	29,342	-	66,673
Selling and administrative expenses	4,245	5,191	3,411	12,847
Stock based compensation	-	-	600	600
Finance costs	-	-	1,486	1,486
Depreciation	3,729	3,072	176	6,977
Gain on disposal of equipment	-	(694)	-	(694)
Income (loss) before tax	4,207	5,589	(5,673)	4,123
Deferred income tax expense	-	-	1,079	1,079
Net income (loss)	$ 4,207	$ 5,589	$ (6,752)	$ 3,044
Capital expenditures	$ 21,815	$ 3,654	$ -	$ 25,469

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

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, 2023	Direct operating expenses	Selling and administrative expenses	Total
Personnel expenses	$ 16,630	$ 3,094	$ 19,724
Third party charges	471	-	471
Repairs and maintenance	9,750	-	9,750
Other selling and administrative expenses	-	2,335	2,335
Bad debt expense	-	182	182
Facility expenses	-	434	434
Total	$ 26,851	$ 6,045	$ 32,896

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 six months ended June 30, 2023	Direct operating expenses	Selling and administrative expenses	Total
Personnel expenses	$ 43,504	$ 7,129	$ 50,633
Third party charges	1,352	-	1,352
Repairs and maintenance	21,817	-	21,817
Other selling and administrative expenses	-	4,586	4,586
Bad debt expense	-	175	175
Facility expenses	-	957	957
Total	$ 66,673	$ 12,847	$ 79,520

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**