

**CWC ENERGY SERVICES CORP.**

Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2018 and 2017

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**CWC ENERGY SERVICES CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
(unaudited)

| <i>Stated in thousands of Canadian dollars</i> | Note | June 30,<br>2018  | December 31,<br>2017 |
|--|------|-------------------|----------------------|
| <b>ASSETS</b>                                  |      |                   |                      |
| Current  |      |                   |                      |
| Cash   |      | \$ 109            | \$ 95                |
| Accounts receivable                            |      | 18,829            | 30,119               |
| Prepaid expenses and deposits                  |      | 1,464             | 1,531                |
|  |      | <b>20,402</b>     | 31,745               |
| Property and equipment                         | 5    | 229,370           | 232,190              |
| Intangibles                                    |      | 267               | 419                  |
|  |      | <b>\$ 250,039</b> | <b>\$ 264,354</b>    |
| <b>LIABILITIES</b>                             |      |                   |                      |
| Current  |      |                   |                      |
| Accounts payable and accrued liabilities       |      | \$ 13,075         | \$ 12,202            |
| Current portion of long-term debt              | 6    | 841               | 176                  |
|  |      | <b>13,916</b>     | 12,378               |
| Deferred tax liability                         |      | 15,327            | 15,823               |
| Long-term debt                                 | 6    | 35,962            | 49,634               |
|  |      | <b>51,289</b>     | 65,457               |
| <b>SHAREHOLDERS' EQUITY</b>                    |      |                   |                      |
| Share capital                                  | 7    | 265,758           | 266,720              |
| Contributed surplus                            |      | 9,757             | 8,609                |
| Deficit  |      | <b>(90,681)</b>   | <b>(88,810)</b>      |
|  |      | <b>184,834</b>    | 186,519              |
|  |      | <b>\$ 250,039</b> | <b>\$ 264,354</b>    |

Subsequent Events 7  
See accompanying notes to the condensed interim financial statements.

**CWC ENERGY SERVICES CORP.**

**STATEMENTS OF COMPREHENSIVE LOSS**

For the three and six months ended June 30, 2018 and 2017

(unaudited)

| <i>Stated in thousands of Canadian dollars except<br/>per share amounts</i> | Note | Three months ended<br>June 30 |                   | Six months ended<br>June 30 |                   |
|---|------|-------------------------------|-------------------|-----------------------------|-------------------|
|   |      | 2018                          | 2017              | 2018                        | 2017              |
| <b>Revenue</b>  | 10   | \$ 22,245                     | \$ 15,114         | \$ 71,170                   | \$47,622          |
| <b>Expenses</b>   | 11   |                               |                   |                             |                   |
| Direct operating expenses   |      | 17,904                        | 11,764            | 54,250                      | 35,782            |
| Selling and administrative expenses   |      | 4,310                         | 3,122             | 9,411                       | 6,462             |
| Stock based compensation  | 7    | 237                           | 226               | 522                         | 426               |
| Finance costs   | 6    | 593                           | 570               | 1,283                       | 1,115             |
| Depreciation and amortization   |      | 2,905                         | 3,022             | 7,918                       | 7,780             |
| Loss (Gain) on disposal of equipment  |      | 407                           | (6)               | 153                         | 42                |
|   |      | <b>26,356</b>                 | <b>18,698</b>     | <b>73,537</b>               | <b>51,607</b>     |
| <b>Net loss before income taxes</b>   |      | <b>(4,111)</b>                | <b>(3,584)</b>    | <b>(2,367)</b>              | <b>(3,985)</b>    |
| <b>Deferred income tax recovery</b>   |      | <b>(1,044)</b>                | <b>(907)</b>      | <b>(496)</b>                | <b>(940)</b>      |
| <b>Net loss and comprehensive loss</b>                                      |      | <b>\$ (3,067)</b>             | <b>\$ (2,677)</b> | <b>\$ (1,871)</b>           | <b>\$ (3,045)</b> |
| <b>Loss per share</b>   |      |                               |                   |                             |                   |
| Basic and diluted   | 7    | <b>(0.01)</b>                 | <b>(0.01)</b>     | <b>(0.01)</b>               | <b>(0.01)</b>     |

*See accompanying notes to the condensed interim financial statements.*

**CWC ENERGY SERVICES CORP.**  
**STATEMENTS OF CHANGES IN EQUITY**

For the three and six months ended June 30, 2018 and 2017  
(unaudited)

| <i>Stated in thousands of Canadian dollars except share amounts</i>    | Note | Number of Shares   | Share Capital     | Contributed Surplus | Deficit            | Total Equity      |
|--|------|--------------------|-------------------|---------------------|--------------------|-------------------|
| <b>Balance - January 1, 2017</b>                                       |      | <b>391,920,676</b> | <b>\$ 242,306</b> | <b>\$ 6,847</b>     | <b>\$ (93,671)</b> | <b>\$ 155,482</b> |
| Net loss and comprehensive loss  |      | -                  | -                 | -                   | (3,045)            | (3,045)           |
| Stock based compensation expense                                       | 7    | -                  | -                 | 426                 | -                  | 426               |
| Exercise of stock options  | 7    | 833,333            | 166               | (58)                | -                  | 108               |
| Settlement of restricted share units                                   | 7    | 525,833            | 124               | (124)               | -                  | -                 |
| Cancellation of common shares purchased under normal course issuer bid | 7    | (1,647,000)        | (1,042)           | 667                 | -                  | (375)             |
| <b>Balance - June 30, 2017</b>   |      | <b>391,632,842</b> | <b>\$ 241,554</b> | <b>\$ 7,758</b>     | <b>\$ (96,716)</b> | <b>\$ 152,596</b> |
| <b>Balance - January 1, 2018</b>                                       |      | <b>521,378,958</b> | <b>\$ 266,720</b> | <b>\$ 8,609</b>     | <b>\$ (88,810)</b> | <b>\$186,519</b>  |
| Net loss and comprehensive loss  |      | -                  | -                 | -                   | (1,871)            | (1,871)           |
| Stock based compensation expense                                       | 7    | -                  | -                 | 522                 | -                  | 522               |
| Exercise of stock options  | 7    | 1,033,335          | 230               | (82)                | -                  | 148               |
| Settlement of restricted share units                                   | 7    | 305,667            | 57                | (57)                | -                  | -                 |
| Cancellation of common shares purchased under normal course issuer bid | 7    | (2,254,000)        | (1,249)           | 765                 | -                  | (484)             |
| <b>Balance - June 30, 2018</b>   |      | <b>520,463,960</b> | <b>\$ 265,758</b> | <b>\$9,757</b>      | <b>\$ (90,681)</b> | <b>\$184,834</b>  |

*See accompanying notes to the condensed interim financial statements.*

**CWC ENERGY SERVICES CORP.**  
**STATEMENTS OF CASH FLOWS**

For the three and six months ended June 30, 2018 and 2017  
(unaudited)

| <i>Stated in thousands of Canadian dollars</i> | Note | Three months ended<br>June 30 |            | Six months ended<br>June 30 |            |
|--|------|-------------------------------|------------|-----------------------------|------------|
|  |      | 2018                          | 2017       | 2018                        | 2017       |
| <b>Operating activities:</b>                   |      |                               |            |                             |            |
| Net loss                                       |      | \$ (3,067)                    | \$ (2,677) | \$ (1,871)                  | \$ (3,045) |
| Adjustments for:                               |      |                               |            |                             |            |
| Stock based compensation expense               | 7    | 237                           | 226        | 522                         | 426        |
| Finance costs                                  |      | 593                           | 570        | 1,283                       | 1,115      |
| Depreciation and amortization                  |      | 2,905                         | 3,022      | 7,918                       | 7,780      |
| Loss (Gain) on disposal of equipment           |      | 407                           | (6)        | 153                         | 42         |
| Deferred income tax recovery                   |      | (1,044)                       | (907)      | (496)                       | (940)      |
| Funds from operations                          |      | 31                            | 228        | 7,509                       | 5,378      |
| Changes in non-cash working capital balances   | 8    | 20,443                        | 13,325     | 12,230                      | 3,588      |
| Operating cash flow                            |      | 20,474                        | 13,553     | 19,739                      | 8,966      |
| <b>Investing activities:</b>                   |      |                               |            |                             |            |
| Purchase of equipment                          |      | (6,063)                       | (2,402)    | (6,696)                     | (3,006)    |
| Proceeds on disposal of equipment              |      | 1,020                         | 6          | 1,974                       | 26         |
| Investing cash flow                            |      | (5,043)                       | (2,396)    | (4,722)                     | (2,980)    |
| <b>Financing activities:</b>                   |      |                               |            |                             |            |
| Repayment of long-term debt                    |      | (14,553)                      | (10,203)   | (13,278)                    | (4,410)    |
| Interest paid                                  |      | (547)                         | (496)      | (1,204)                     | (968)      |
| Finance costs paid                             |      | (32)                          | --         | (32)                        | -          |
| Finance lease repayments                       |      | (79)                          | (58)       | (153)                       | (117)      |
| Common shares issued on exercise of options    | 7    | 29                            | -          | 148                         | 108        |
| Common shares purchased under NCIB             | 7    | (195)                         | (312)      | (484)                       | (376)      |
| Financing cash flow                            |      | (15,377)                      | (11,069)   | (15,003)                    | (5,763)    |
| Increase in cash during the period             |      | 54                            | 88         | 14                          | 223        |
| Cash, beginning of period                      |      | 55                            | 137        | 95                          | 2          |
| Cash, end of period                            |      | \$ 109                        | \$225      | \$ 109                      | \$225      |

*See accompanying notes to the condensed interim financial statements.*

## **CWC ENERGY SERVICES CORP.**

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2018 and 2017

(unaudited)

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

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#### **1. Reporting entity**

CWC Energy Services Corp. (“CWC” or the “Company”) is incorporated under the Business Corporations Act (Alberta). The address of the Company’s head office is Suite 610, 205 – 5th Avenue SW, Calgary, Alberta, Canada. The Company is an oilfield services company providing drilling and production services to oil and gas exploration and development companies throughout the Western Canadian Sedimentary Basin (“WCSB”). The Company’s common stock is listed and traded on the TSX Venture Exchange under the symbol CWC. Additional information regarding CWC’s business is available in CWC’s most recent Annual Information Form available on SEDAR at [www.sedar.com](http://www.sedar.com), on the Company’s website [www.cwcenergyservices.com](http://www.cwcenergyservices.com), or by contacting the Company at the address noted above.

#### **2. Basis of presentation**

##### **(a) Statement of compliance**

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended December 31, 2017.

These condensed interim financial statements were approved by the Board of Directors on August 10, 2018.

##### **(b) Use of estimates and judgments**

The preparation of the condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2017.

#### **3. Significant accounting policies**

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended December 31, 2017, except for the adoption of IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments, which were adopted by the Company on January 1, 2018 and are discussed below. These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto as at and for the year ended December 31, 2017 as filed on SEDAR.

##### **(a) IFRS 15**

The Company adopted IFRS 15, “Revenue from Contracts with Customers” on January 1, 2018. The Company reviewed its revenue streams and major contracts with customers using the IFRS 15 five-step model and there were no material changes to net earnings. Under this method, there was no effect to opening deficit from the application of IFRS 15 to revenue contracts in progress at January 1, 2018.

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## **CWC ENERGY SERVICES CORP.**

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Revenue recognition policy:

#### Contract Drilling

The Company contracts individual drilling rig packages, including crews and support equipment, to its customers. Depending on the customer's drilling program, contracts may be for a single well, multiple wells or fixed term. Revenue from contract drilling services is recognized over time from spud to rig release on a daily basis. Operating days are measured through industry standard tour sheets that document the daily activity of the rig. Revenue is recognized at the applicable day rate for each well, based on rates specified in each contract.

#### Production Services

The Company provides a variety of production services including well servicing, coil tubing and swabbing. In general, service rigs coil tubing and swabbing rigs do not involve long-term contracts or penalties for termination. Revenue is recognized daily upon completion of services. Operating days are measured through daily tour sheets and field tickets. Revenue is recognized at the applicable daily or hourly rate, as stipulated in the contract.

#### Transition

Revenue has been disaggregated into categories based on type of services provided consistent with its reportable operating segments outlined in Note 10.

#### (b) IFRS 9

The Company adopted IFRS 9, "Financial Instruments" on January 1, 2018. The transition to IFRS 9 had no material effect on the Company's financial statements.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IFRS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The new standard also introduces an expected credit loss model for evaluating impairment of financial assets, which results in credit losses being recognized earlier than the previous standard.

Cash and accounts receivable continue to be measured at amortized cost and are now classified as "amortized costs". There was no change to the Company's classification of accounts payable and accrued liabilities. The Company has not designated any financial instruments as FVOCI or FVTPL.

#### (c) Future Accounting Pronouncements

IFRS 16, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Company is currently in the process of identifying leasing contracts to determine the impact that the adoption of IFRS 16 may have on its financial statements.

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## CWC ENERGY SERVICES CORP.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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#### 4. Seasonality of operations

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

#### 5. Property and equipment

|   | <b>Contract<br/>drilling<br/>equipment</b> | <b>Production<br/>services<br/>equipment</b> | <b>Other<br/>equipment</b> | <b>Total</b> |
|---|--|--|----------------------------|--------------|
| <b>Costs</b>  |  |  |                            |              |
| Balance, December 31, 2017                                | \$112,478                                  | \$256,984                                    | \$1,883                    | \$371,345    |
| Additions   | 5,116                                      | 1,930  | 28                         | 7,074        |
| Disposals   | -  | (5,583)                                      | -                          | (5,583)      |
| Balance, June 30, 2018                                    | 117,594                                    | 253,331                                      | 1,911                      | 372,836      |
| <b>Accumulated depreciation and<br/>impairment losses</b> |  |  |                            |              |
| Balance, December 31, 2017                                | 20,618                                     | 116,831                                      | 1,706                      | 139,155      |
| Depreciation  | 2,218                                      | 5,485  | 63                         | 7,766        |
| Disposals   | -  | (3,455)                                      | -                          | (3,455)      |
| Balance, June 30, 2018                                    | 22,836                                     | 118,861                                      | 1,769                      | 143,466      |
| <b>Net book value</b>                                     |  |  |                            |              |
| Balance, June 30, 2018                                    | \$94,758                                   | \$134,470                                    | \$142                      | \$229,370    |

Additions of property and equipment include purchases of assets under finance lease which are recorded at cost totaling \$377.



## CWC ENERGY SERVICES CORP.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2018 and 2017

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#### 6. Loans and borrowings

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

|  | June 30,<br>2018 | December 31,<br>2017 |
|--|------------------|----------------------|
| Current liabilities:                         |                  |                      |
| Current portion of finance lease liabilities | \$ 259           | \$ 176               |
| Current portion of Mortgage Loan             | \$ 582           | -                    |
|  | <b>\$ 841</b>    | <b>\$ 176</b>        |
| Non-current liabilities:                     |                  |                      |
| Bank Loan                                    | \$ 23,922        | \$ 50,000            |
| Mortgage Loan                                | 12,218           | -                    |
| Finance lease liabilities                    | 307              | 165                  |
| Financing fees                               | (485)            | (531)                |
|  | <b>\$ 35,962</b> | <b>\$ 49,634</b>     |
| Total loans and borrowings                   | <b>\$ 36,803</b> | <b>\$ 49,810</b>     |

The Company has credit facilities with a syndicate of four Canadian financial institutions (the "Credit Facility"). During the quarter, at the request of the Company, the credit facility was reduced from \$100 million to \$75 million. The Credit Facility provides the Company with a \$75 million extendible revolving term facility (the "Bank Loan") and other credit instruments. Of the Bank Loan, \$65 million is a syndicated facility with the remaining \$10 million being an operating facility. On August 4, 2017, the Bank Loan was extended for a committed term until July 31, 2020 ("Maturity Date"). No principal payments are required under the Bank Loan until the Maturity Date, at which time any amounts outstanding are due and payable. The Company may, on an annual basis, request the Maturity Date be extended for a period not to exceed three years from the date of the request. If a request for an extension is not approved by the banking syndicate, the Maturity Date will remain unchanged.

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company's trailing Consolidated Debt to Consolidated EBITDA <sup>(1)</sup> ratio from a minimum of the bank's prime rate plus 0.75% to a maximum of the bank's prime rate plus 3.75% or from a minimum of the bankers acceptances rate plus a stamping fee of 1.75% to a maximum of the bankers acceptances rate plus a stamping fee of 4.75%. Standby fees under the Bank Loan range between 0.39% and 1.07%. Interest and fees under the Bank Loan are payable monthly. The Company has the option to borrow funds denominated in either Canadian or United States dollars under the Credit Facility. Borrowings under the Bank Loan are limited to an aggregate of 75% of accounts receivable outstanding less than 90 days plus 60% of the net book value of property and equipment less certain priority payables. As at June 30, 2018, of the \$75,000 Bank Loan facility, \$41,009 was available for immediate borrowing and \$33,991 was outstanding (December 31, 2017: \$60,000). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings up to \$125,000, subject to the approval of the lenders. The Bank Loan is secured by a security agreement covering all of the assets of the Company and a first charge Security Interest covering all assets of the Company (other than real estate assets related to the Mortgage Loan). Effective December 31, 2017, the applicable rates under the Bank Loan are: bank prime rate plus 1.00%, banker's acceptances rate plus a stamping fee of 2.00%, and standby fee rate of 0.45%.

## CWC ENERGY SERVICES CORP.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

|  | Covenant limits    | Actual<br>June 30, 2018 |
|--|--------------------|-------------------------|
| Consolidated Debt <sup>(2)</sup> to Consolidated EBITDA <sup>(1,6)</sup>                             | 4:00: 1.00 or less | 1.61:1.00               |
| Consolidated Debt <sup>(2)</sup> to Capitalization <sup>(3)</sup>                                    | 0.50:1.00 or less  | 0.19:1.00               |
| Consolidated Adjusted Cash Flow <sup>(4)</sup> to Consolidated Finance<br>Obligations <sup>(5)</sup> | 1.15:1.00 or more  | 8.93:1.00               |

(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. 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 funds held in the segregated account 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 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.

On December 18, 2017 the Company received gross proceeds of \$26,000 from a rights offering of common shares of which \$10,000 was placed in a segregated bank account. On July 5, 2018 \$5,000 was paid on the bank loan. Consolidated Debt to Consolidated EBITDA at June 30, 2018 includes the impact of a \$5,000 equity cure designated on July 5, 2018.

At June 30, 2018 the \$10,069 has been offset against Bank Loan as the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

Mortgage Loan is a loan maturing in June 2023 that is amortized over 22 years with blended monthly principal and interest payments of \$86,317. At maturity, approximately \$9,890,909 million of principal will become payable assuming only regular monthly payments are made. Subsequent to June 30, 2018 the Company entered into an interest rate swap that effectively fixed the interest rate at 4.00% until June 2023.

Obligations under finance leases are primarily for leased automobiles with an expected term of three years and a one year minimum term. Interest rates on finance leases are specific to each leased asset, are fixed for the lease term and vary between 4.4% and 5.9% 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 \$78 were amortized and included in finance costs during the six months ended June 30, 2018 (year ended December 31, 2017: \$242).

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The following table summarizes the balances of long-term debt:

|               | June 30, 2018 |                |          |
|---------------|---------------|----------------|----------|
|               | Cash          | Long-term debt | Net      |
| Gross amounts | 10,069        | (46,031)       | (35,962) |
| Amount offset | (10,069)      | 10,069         | -        |
| Net amounts   | -             | (35,962)       | (35,962) |

## 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 April 7, 2017, the Company initiated a Normal Course Issuer Bid (NCIB) which expired on April 6, 2018. Under this expired NCIB the Company may purchase, from time to time as it considers advisable, up to 19,653,292 of issued and outstanding common shares through the facilities of the TSX Venture Exchange ("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.

On April 10, 2018, the Company replaced its expired NCIB with a new NCIB which now expires on April 9, 2019. Under the new NCIB the Company may purchase, from time to time as it considers advisable, up to 26,057,889 of issued and outstanding common shares through the facilities of the TSXV or other recognized marketplaces. In addition, CWC renewed its ASPP with Raymond James for the purpose of making purchases under the ASPP.

For the three months ended June 30, 2018, 1,023,000 shares (2017: 1,404,000) for consideration of \$195 including commissions (2017: \$312) were purchased under the NCIB, and for the six months ended June 30, 2018, 2,417,500 shares (2017: 1,686,500) for consideration of \$484 including commissions (2017: 376) were purchased under the NCIB. In the three months ended June 30, 2018, a total of 935,500 shares were cancelled and returned to treasury (2017: 1,478,000), and in the six months ended June 30, 2018, a total of 2,254,000 shares were cancelled and returned to treasury (2017: 1,647,000).

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### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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#### (c) Stock options

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

|                                    | Number of options  | Weighted average exercise price |
|------------------------------------|--------------------|---------------------------------|
| Balance at December 31, 2017       | 27,546,667         | \$ 0.25                         |
| <b>Exercised for common shares</b> | <b>(1,033,335)</b> | <b>0.14</b>                     |
| <b>Expired</b>                     | <b>(1,750,332)</b> | <b>0.34</b>                     |
| <b>Balance at June 30, 2018</b>    | <b>24,763,000</b>  | <b>\$ 0.25</b>                  |

For the three months ended June 30, 2018, stock-based compensation expense relating to stock options totaled \$162 (three months ended June 30, 2017: \$159). For the six months ended June 30, 2018, stock-based compensation expense relating to stock options totaled \$352 (six months ended June 30, 2017: \$300).

#### (d) Restricted share unit plan

The following table summarizes information about RSUs outstanding as at June 30, 2018:

| Issue date fair value | Number of RSUs outstanding | Weighted average remaining life (years) contractual | Weighted average exercise price (\$) | Number of RSUs exercisable |
|-----------------------|----------------------------|---|--------------------------------------|----------------------------|
| <b>\$0.09 -0.23</b>   | <b>4,656,665</b>           | <b>2.54</b>   | <b>n/a</b>                           | <b>655,665</b>             |

For the three months ended June 30, 2018, stock-based compensation expense relating to RSUs totaled \$95 (2017: \$67). For the six months ended June 30, 2018, stock-based compensation expense relating to RSUs totaled \$170 (2017: \$126).

For the six months ended June 30, 2018, 305,667 RSUs were exercised (2017: 525,833), 227,000 RSUs were forfeited (2017: 130,000) and 54,000 RSUs were issued (2017: 75,000).

#### (e) Net Income (loss) per share

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, |             |
|--|-------------------------------------|-------------|-----------------------------------|-------------|
|  | 2018                                | 2017        | 2018                              | 2017        |
| Weighted average common shares outstanding – basic             | <b>521,289,658</b>                  | 392,935,814 | <b>521,682,326</b>                | 392,604,720 |
| Effect of dilutive share-based compensation plans              | -                                   | -           | -                                 | -           |
| Weighted average common shares outstanding – basic and diluted | <b>521,289,658</b>                  | 392,935,814 | <b>521,682,326</b>                | 392,604,720 |

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Outstanding stock options and RSUs are currently the only instruments which could potentially dilute earnings per share. For the six months ended June 30, 2018, 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 be anti-dilutive.

#### 8. Supplemental cash flow information

|  | For the three months ended<br>June 30, |           | For the six months ended<br>June 30, |          |
|--|--|-----------|--------------------------------------|----------|
|  | 2018                                   | 2017      | 2018                                 | 2017     |
| Increase (decrease) in non-cash working capital items: |  |           |                                      |          |
| Accounts receivable                                    | \$ 20,186                              | \$ 14,662 | \$ 11,290                            | \$ 2,885 |
| Prepaid expenses and deposits                          | 84                                     | (200)     | 67                                   | 107      |
| Accounts payable and accrued liabilities               | 173                                    | (1,137)   | 873                                  | 596      |
|  | \$ 20,443                              | \$ 13,325 | \$ 12,230                            | \$ 3,588 |

#### 9. Operating segments

The Company operates in the western Canadian oilfield service industry through its Contract Drilling and Production Services segments. The Contract Drilling segment provides drilling rigs and related ancillary equipment to oil and gas exploration and production companies. The Production Services segment provides well services to oil and gas exploration and production companies through the use of service rigs, swabbing rigs and coil tubing units.

Management uses net income before depreciation and income taxes ("segment profit") in management reports reviewed by key management personnel and the board of directors to measure performance at a segment basis. Segment profit is used to measure performance as management believes this is the most relevant measure in evaluating the results of our segments relative to each other and 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.

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The amounts related to each industry segment are as follows:

| <b>For the three months ended June 30, 2018</b>            | <b>Contract<br/>Drilling</b> | <b>Production<br/>Services</b> | <b>Corporate</b> | <b>Total</b>   |
|--|------------------------------|--------------------------------|------------------|----------------|
| Revenue  | \$ 2,824                     | \$ 19,421                      | \$ -             | \$ 22,245      |
| Direct operating expenses                                  | 2,672                        | 15,232                         | -                | 17,904         |
| Selling and administrative expenses                        | 331                          | 2,640                          | 1,339            | 4,310          |
| Stock based compensation                                   | -                            | -                              | 237              | 237            |
| Finance costs  | -                            | -                              | 593              | 593            |
| Loss on disposal of equipment                              | -                            | 407                            | -                | 407            |
| <b>Net (loss) income before depreciation<br/>and taxes</b> | <b>(179)</b>                 | <b>1,142</b>                   | <b>(2,169)</b>   | <b>(1,206)</b> |
| Depreciation and amortization                              | 632                          | 2,048                          | 225              | 2,905          |
| <b>Net loss before tax</b>                                 | <b>(811)</b>                 | <b>(906)</b>                   | <b>(2,394)</b>   | <b>(4,111)</b> |
| Deferred income tax recovery                               | -                            | -                              | (1,044)          | (1,044)        |
| <b>Net loss</b>  | <b>(811)</b>                 | <b>(906)</b>                   | <b>(1,350)</b>   | <b>(3,067)</b> |
| Capital expenditures                                       | 5,116                        | 1,930                          | 28               | 7,074          |
| <b>As at June 30, 2018</b>                                 |                              |                                |                  |                |
| Property and equipment                                     | 94,758                       | 134,470                        | 142              | 229,370        |
| Intangibles  | 267                          | -                              | -                | 267            |

| <b>For the three months ended June 30, 2017</b>            | <b>Contract<br/>Drilling</b> | <b>Production<br/>Services</b> | <b>Corporate</b> | <b>Total</b>   |
|--|------------------------------|--------------------------------|------------------|----------------|
| Revenue  | \$ 3,042                     | \$ 12,072                      | \$ -             | \$ 15,114      |
| Direct operating expenses                                  | 2,228                        | 9,536                          | -                | 11,764         |
| Selling and administrative expenses                        | 191                          | 2,031                          | 900              | 3,122          |
| Stock based compensation                                   | -                            | -                              | 226              | 226            |
| Finance costs  | -                            | -                              | 570              | 570            |
| Gain on disposal of equipment                              | -                            | (6)                            | -                | (6)            |
| <b>Net income (loss) before depreciation<br/>and taxes</b> | <b>623</b>                   | <b>511</b>                     | <b>(1,696)</b>   | <b>(562)</b>   |
| Depreciation and amortization                              | 635                          | 2,346                          | 41               | 3,022          |
| <b>Net (loss) before tax</b>                               | <b>(12)</b>                  | <b>(1,835)</b>                 | <b>(1,737)</b>   | <b>(3,584)</b> |
| Deferred income tax recovery                               | -                            | -                              | (907)            | (907)          |
| <b>Net loss</b>  | <b>(12)</b>                  | <b>(1,835)</b>                 | <b>(830)</b>     | <b>(2,677)</b> |
| Capital expenditures                                       | 1,138                        | 1,277                          | 9                | 2,424          |
| <b>As at June 30, 2017</b>                                 |                              |                                |                  |                |
| Property and equipment                                     | 92,830                       | 93,638                         | 253              | 186,721        |
| Intangibles  | 571                          | -                              | -                | 571            |

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| <b>For the six months ended June 30, 2018</b>              | <b>Contract<br/>Drilling</b> | <b>Production<br/>Services</b> | <b>Corporate</b> | <b>Total</b>   |
|--|------------------------------|--------------------------------|------------------|----------------|
| Revenue  | \$ 14,509                    | \$ 56,661                      | \$ -             | \$ 71,170      |
| Direct operating expenses                                  | 10,775                       | 43,475                         | -                | 54,250         |
| Selling and administrative expenses                        | 649                          | 5,646                          | 3,116            | 9,411          |
| Stock based compensation                                   | -                            | -                              | 522              | 522            |
| Finance costs  | -                            | -                              | 1,283            | 1,283          |
| Loss on disposal of equipment                              | -                            | 153                            | -                | 153            |
| <b>Net income (loss) before depreciation<br/>and taxes</b> | <b>3,085</b>                 | <b>7,387</b>                   | <b>(4,921)</b>   | <b>5,551</b>   |
| Depreciation and amortization                              | 2,376                        | 5,093                          | 449              | 7,918          |
| <b>Net income (loss) before tax</b>                        | <b>709</b>                   | <b>2,294</b>                   | <b>(5,370)</b>   | <b>(2,367)</b> |
| Deferred income tax recovery                               | -                            | -                              | (496)            | (496)          |
| <b>Net income (loss)</b>                                   | <b>709</b>                   | <b>2,294</b>                   | <b>(4,874)</b>   | <b>(1,871)</b> |
| Capital expenditures                                       | 5,116                        | 1,930                          | 28               | 7,074          |

| <b>For the six months ended June 30, 2017</b>              | <b>Contract<br/>Drilling</b> | <b>Production<br/>Services</b> | <b>Corporate</b> | <b>Total</b>   |
|--|------------------------------|--------------------------------|------------------|----------------|
| Revenue  | \$ 14,178                    | \$ 33,444                      | \$ -             | \$ 47,622      |
| Direct operating expenses                                  | 10,431                       | 25,351                         | -                | 35,782         |
| Selling and administrative expenses                        | 434                          | 4,158                          | 1,870            | 6,462          |
| Stock based compensation                                   | -                            | -                              | 426              | 426            |
| Finance costs  | -                            | -                              | 1,115            | 1,115          |
| Loss (Gain) on disposal of equipment                       | 48                           | (6)                            | -                | 42             |
| <b>Net income (loss) before depreciation<br/>and taxes</b> | <b>3,265</b>                 | <b>3,941</b>                   | <b>(3,411)</b>   | <b>3,795</b>   |
| Depreciation and amortization                              | 2,412                        | 5,286                          | 82               | 7,780          |
| <b>Net income (loss) before tax</b>                        | <b>853</b>                   | <b>(1,345)</b>                 | <b>(3,493)</b>   | <b>(3,985)</b> |
| Deferred income tax recovery                               | -                            | -                              | (940)            | (940)          |
| <b>Net income (loss)</b>                                   | <b>853</b>                   | <b>(1,345)</b>                 | <b>(2,553)</b>   | <b>(3,045)</b> |
| Capital expenditures                                       | 1,284                        | 1,789                          | 9                | 3,082          |

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#### 10. Revenue

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

The transaction terms for Drilling Services is based on standard Canadian Association of Oil Well Drilling Contractors ("CAODC") contracts. Whereas transaction terms for Production Services are agreed to on a contract by contract basis between both the Company and customers.

For both Contract Drilling and Production Services, the customer receives benefit from each day of active service and as such the performance obligation. Contract Drilling revenue includes day work revenue, standby revenue, moving revenue and third party revenue. Production Services include hourly work revenue and moving revenue. For both Contract Drilling and Production Services, the customer receives benefit from each day of active services and as such the performance obligation requested to recognize revenue occurs daily based on contract pricing.

The Company's revenue is primarily generated in Western Canada. The customers are oil and natural gas producers and are subject to normal credit risks. The Company routinely assesses the financial strength of its counter parties.

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

|                           | For the three months ended<br>June 30, |           | For the six months ended<br>June 30, |           |
|---------------------------|--|-----------|--------------------------------------|-----------|
|                           | 2018                                   | 2017      | 2018                                 | 2017      |
| Contract Drilling         | \$ 2,824                               | \$ 3,042  | \$ 14,509                            | \$ 14,178 |
| Production Services       |  |           |                                      |           |
| Service and Swabbing Rigs | 18,497                                 | 11,050    | 53,560                               | 30,338    |
| Coil Tubing               | 924                                    | 1,022     | 3,101                                | 3,106     |
|                           | \$ 22,245                              | \$ 15,114 | \$ 71,170                            | \$ 47,622 |

Included in accounts receivable at June 30, 2018 was \$3.1 million (December 31, 2017: \$2.3 million) of accrued revenue for services the month then ended. There has been no significant adjustments for the prior period accrued revenue in the current period.

As of June 30, 2018, the Company did not have any sales contracts beyond one year in term.

For the quarter ended June 30, 2018, ten customers comprised 54% of revenue (Year ended December 31, 2017 - 62%) and one customer comprised 21% of revenue (Year ended December 31, 2017 - 21%).



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| For the three months ended June 30, 2018  | Direct operating expenses | Selling and administrative expenses | Stock based compensation | Finance costs | Depreciation expense | Loss on disposal of equipment | Total            |
|---|---------------------------|-------------------------------------|--------------------------|---------------|----------------------|-------------------------------|------------------|
| Personnel expenses                        | \$ 11,455                 | \$ 2,437                            | \$ 237                   | \$ -          | \$ -                 | \$ -                          | \$ 14,129        |
| Third party charges                       | 3,349                     | -                                   | -                        | -             | -                    | -                             | 3,349            |
| Repairs and maintenance                   | 3,100                     | -                                   | -                        | -             | -                    | -                             | 3,100            |
| Other selling and administrative expenses | -                         | 1,041                               | -                        | -             | -                    | -                             | 1,041            |
| Bad debt expense                          | -                         | 270                                 | -                        | -             | -                    | -                             | 270              |
| Facility expenses                         | -                         | 562                                 | -                        | -             | -                    | -                             | 562              |
| Depreciation expense                      | -                         | -                                   | -                        | -             | 2,905                | -                             | 2,905            |
| Finance costs                             | -                         | -                                   | -                        | 593           | -                    | -                             | 593              |
| Loss on disposal of equipment             | -                         | -                                   | -                        | -             | -                    | 407                           | 407              |
| <b>Total</b>                              | <b>\$ 17,904</b>          | <b>\$ 4,310</b>                     | <b>\$ 237</b>            | <b>\$ 593</b> | <b>\$ 2,905</b>      | <b>\$ 407</b>                 | <b>\$ 26,356</b> |

| For the three months ended June 30, 2017  | Direct operating expenses | Selling and administrative expenses | Stock based compensation | Finance costs | Depreciation expense | Gain on disposal of equipment | Total            |
|---|---------------------------|-------------------------------------|--------------------------|---------------|----------------------|-------------------------------|------------------|
| Personnel expenses                        | \$ 7,963                  | \$ 1,908                            | \$ 226                   | \$ -          | \$ -                 | \$ -                          | \$ 10,097        |
| Third party charges                       | 2,712                     | -                                   | -                        | -             | -                    | -                             | 2,712            |
| Repairs and maintenance                   | 1,089                     | -                                   | -                        | -             | -                    | -                             | 1,089            |
| Other selling and administrative expenses | -                         | 782                                 | -                        | -             | -                    | -                             | 782              |
| Bad debt recovery                         | -                         | -                                   | -                        | -             | -                    | -                             | -                |
| Facility expenses                         | -                         | 432                                 | -                        | -             | -                    | -                             | 432              |
| Depreciation expense                      | -                         | -                                   | -                        | -             | 3,022                | -                             | 3,022            |
| Finance costs                             | -                         | -                                   | -                        | 570           | -                    | -                             | 570              |
| Gain on disposal of equipment             | -                         | -                                   | -                        | -             | -                    | (6)                           | (6)              |
| <b>Total</b>                              | <b>\$ 11,764</b>          | <b>\$ 3,122</b>                     | <b>\$ 226</b>            | <b>\$ 570</b> | <b>\$ 3,022</b>      | <b>\$ (6)</b>                 | <b>\$ 18,698</b> |

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| For the six months ended<br>June 30, 2018    | Direct<br>operating<br>expenses | Selling and<br>administrative<br>expenses | Stock based<br>compensation | Finance<br>costs | Depreciation<br>expense | Loss on<br>disposal of<br>equipment | Total            |
|--|---------------------------------|---|-----------------------------|------------------|-------------------------|-------------------------------------|------------------|
| Personnel expenses                           | \$ 36,126                       | \$ 5,548                                  | \$ 522                      | \$ -             | \$ -                    | \$ -                                | \$ 42,196        |
| Third party charges                          | 8,974                           | -   | -                           | -                | -                       | -                                   | 8,974            |
| Repairs and maintenance                      | 9,150                           | -   | -                           | -                | -                       | -                                   | 9,150            |
| Other selling and<br>administrative expenses | -                               | 2,283                                     | -                           | -                | -                       | -                                   | 2,283            |
| Bad debt expense                             | -                               | 315                                       | -                           | -                | -                       | -                                   | 315              |
| Facility expenses                            | -                               | 1,265                                     | -                           | -                | -                       | -                                   | 1,265            |
| Depreciation expense                         | -                               | -   | -                           | -                | 7,918                   | -                                   | 7,918            |
| Finance costs                                | -                               | -   | -                           | 1,283            | -                       | -                                   | 1,283            |
| Loss on disposal of<br>equipment             | -                               | -   | -                           | -                | -                       | 153                                 | 153              |
| <b>Total</b>                                 | <b>\$ 54,250</b>                | <b>\$ 9,411</b>                           | <b>\$ 522</b>               | <b>\$ 1,283</b>  | <b>\$ 7,918</b>         | <b>\$ 153</b>                       | <b>\$ 73,537</b> |

| For the six months ended<br>June 30, 2017    | Direct<br>operating<br>expenses | Selling and<br>administrative<br>expenses | Stock based<br>compensation | Finance<br>costs | Depreciation<br>expense | Loss on<br>disposal of<br>equipment | Total            |
|--|---------------------------------|---|-----------------------------|------------------|-------------------------|-------------------------------------|------------------|
| Personnel expenses                           | \$ 24,270                       | \$ 3,816                                  | \$ 426                      | \$ -             | \$ -                    | \$ -                                | \$ 28,512        |
| Third party charges                          | 7,877                           | -   | -                           | -                | -                       | -                                   | 7,877            |
| Repairs and maintenance                      | 3,635                           | -   | -                           | -                | -                       | -                                   | 3,635            |
| Other selling and<br>administrative expenses | -                               | 1,681                                     | -                           | -                | -                       | -                                   | 1,681            |
| Bad debt recovery                            | -                               | (2)                                       | -                           | -                | -                       | -                                   | (2)              |
| Facility expenses                            | -                               | 967                                       | -                           | -                | -                       | -                                   | 967              |
| Depreciation expense                         | -                               | -   | -                           | -                | 7,780                   | -                                   | 7,780            |
| Finance costs                                | -                               | -   | -                           | 1,115            | -                       | -                                   | 1,115            |
| Loss on disposal of<br>equipment             | -                               | -   | -                           | -                | -                       | 42                                  | 42               |
| <b>Total</b>                                 | <b>\$ 35,782</b>                | <b>\$ 6,462</b>                           | <b>\$ 426</b>               | <b>\$ 1,115</b>  | <b>\$ 7,780</b>         | <b>\$ 42</b>                        | <b>\$ 51,607</b> |

**12. Comparative figures**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.