



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

Management's Discussion and Analysis ("MD&A") is a review of the results of operations and liquidity and capital resources of CWC Energy Services Corp. (unless the context indicates otherwise, a reference in this MD&A to "CWC", the "Company", "we", "us", or "our" means CWC Energy Services Corp.). The following discussion and analysis provided by CWC is dated March 4, 2021 and should be read in conjunction with audited consolidated financial statements for the year ended December 31, 2020. Additional information regarding CWC can be found in the Company's latest Annual Information Form ("AIF"). The consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements. All amounts are expressed in Canadian dollars unless otherwise noted. Additional information relating to CWC, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Financial Highlights

\$ thousands, except shares, per share amounts, and margins	Three months ended December 31,			Year ended December 31,		
	2020	2019	Change %	2020	2019	2018
<b>FINANCIAL RESULTS</b>						
Revenue						
Contract Drilling	5,327	7,705	(31%)	19,859	28,497	38,223
Production Services	14,738	22,962	(36%)	48,034	79,949	106,539
	20,065	30,667	(35%)	67,893	108,446	144,762
Other income	2,363	-	n/m <sup>(3)</sup>	6,786	-	-
Adjusted EBITDA <sup>(1)</sup>	5,034	3,491	44%	11,098	12,166	18,489
Adjusted EBITDA margin (%) <sup>(1)</sup>	25%	11%		16%	11%	13%
Impairment of assets	-	-	n/m <sup>(3)</sup>	(25,451)	-	-
Net loss	(769)	(854)	(10%)	(24,490)	(1,700)	(1,702)
Net loss margin (%) <sup>(2)</sup>	(4%)	(3%)	(1%)	(36%)	(2%)	(1%)
Capital expenditures	591	1,185	(50%)	5,138	5,349	11,753
<b>Per share information:</b>						
Weighted average number of shares outstanding - basic and diluted	504,081,811	510,443,613		507,104,004	511,106,531	520,576,582
Adjusted EBITDA <sup>(1)</sup> per share - basic and diluted	\$ 0.01	\$ 0.01		\$ 0.02	\$ 0.02	\$ 0.04
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.00)		\$ (0.05)	\$ (0.00)	\$ (0.00)

\$ thousands, except ratios	As at December 31,		
	2020	2019	2018
<b>FINANCIAL POSITION AND LIQUIDITY</b>			
Working capital (excluding debt) <sup>(1)</sup>	12,069	18,534	19,028
Working capital (excluding debt) ratio <sup>(1)</sup>	2.9:1	3.3:1	3.4:1
Total assets	202,223	243,398	252,665
Total long-term debt (including current portion)	30,231	40,552	44,896
Shareholders' equity	157,977	182,032	184,231

<sup>(1)</sup> Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.

<sup>(2)</sup> Net loss margin is a Non-IFRS Measure which is calculated as net loss divided by total revenue.

<sup>(3)</sup> Not meaningful.

Working capital (excluding debt) for December 31, 2020 has decreased \$6.5 million (35%) since December 31, 2019 driven by decreases in accounts receivable (\$7.6 million (32%)), and prepaid expenses and deposits (\$0.8 million (29%)), partially offset by a decrease in account payable (\$1.9 million (23%)). Long-term debt (including current portion) has decreased \$10.3 million (25%) from December 31, 2019 driven primarily by the collection of accounts receivable. Both working capital and long-term debt are lower in Q4 2020 compared to Q4 2019 due to the significantly reduced operating activity as a result of the COVID-19 global health pandemic. Shareholders' equity has decreased \$24.1 million (13%) since December 31, 2019 primarily due to the net loss for the year ended December 31, 2020 which included a charge for impairment of assets of \$25.5 million partially offset by an unrealized gain on translation of foreign operations of \$0.6 million.

## **Highlights for the Three Months Ended December 31, 2020**

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- Average Q4 2020 crude oil price, as measured by West Texas Intermediate ("WTI"), of US\$42.63/bbl was 4% higher than the Q3 2020 average price of US\$40.90/bbl (Q4 2019: US\$56.85/bbl) and the price differential between Canadian heavy crude oil, as represented by Western Canadian Select ("WCS"), and WTI maintained a differential in the range of US\$8.35/bbl to US\$9.71/bbl during the fourth quarter of 2020. Natural gas prices, as measured by AECO, increased 18% from an average of \$2.14/GJ in Q3 2020 to \$2.52/GJ in Q4 2020 (Q4 2019 \$2.34/GJ).
- CWC's Canadian drilling rig utilization in Q4 2020 of 39% (Q4 2019: 36%) continued to outperform the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 16%. The Canadian drilling industry experienced the lowest activity levels in over five decades, yet CWC's Canadian drilling rigs achieved 248 drilling rig operating days in Q4 2020; an increase of 16 days over Q4 2019's 232 drilling rig operating days, highlighting that CWC operates some of the most relevant and sought-after drilling rigs in the Western Canadian Sedimentary Basin ("WCSB"). Average revenue per operating day of \$21,452 resulted in revenue of \$5.3 million (Q4 2019: \$5.1 million) from the Canadian drilling operations. As a result of the COVID-19 health pandemic and the travel restrictions implemented between Canada and the U.S., CWC's two U.S. drilling rigs, which operate with Canadian rig crews, did not see any operating days in Q4 2020 (Q4 2019: 56 drilling rig operating days) and, therefore, did not generate any revenue in the quarter (Q4 2019: \$2.6 million). Service rig utilization in Q4 2020 of 42% (Q4 2019: 62%) was driven by 22,273 operating hours which were 34% lower than the 33,656 operating hours in Q4 2019; a result of the significant drop off in activity levels due to COVID-19 and the corresponding drop in oil prices compared to a year ago.
- Revenue of \$20.1 million, a decrease of \$10.6 million (35%) compared to \$30.7 million in Q4 2019. During Q4 2020, the Company earned \$2.0 million in revenue on 391 oil and gas sites requiring well decommissioning under the Alberta Site Rehabilitation Program ("SRP"). The \$1.0 billion Alberta SRP, the \$400 million Saskatchewan Accelerated Site Closure Program ("ASCP") and the \$100 million B.C. Dormant Sites Reclamation Program ("DSRP") provides grants to eligible oilfield service contractors to perform well, pipeline, and oil and gas site closure and reclamation work, creating jobs and supporting the environment. CWC's Production Services segment is well positioned to provide well decommissioning work on these inactive wells.
- Other income of \$2.4 million in Q4 2020 consists of Government of Canada grants, which the Company received under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs.
- Adjusted EBITDA<sup>(1)</sup> of \$5.0 million, an increase of \$1.5 million compared to \$3.5 million in Q4 2019.
- Net loss of \$0.8 million, a decrease of \$0.1 million compared to a net loss of \$0.9 million in Q4 2019.
- During Q4 2020, 1,196,500 (Q4 2019: 1,453,500) common shares were purchased under the Normal Course Issuer Bid ("NCIB") and 1,282,500 (Q4 2019: 1,342,000) common shares were cancelled and returned to treasury.

<sup>(1)</sup> Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.

## **Highlights for the Year Ended December 31, 2020**

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- The oil and gas sector was hit particularly hard amid the global economic downturn as a result of the COVID-19 health pandemic and the measures put in place to slow the spread of the virus. Demand for crude oil collapsed at a time when global supply was ramping up, fueled by rising shale oil output in the U.S. As a result, global oil prices collapsed. The Company's exploration and production ("E&P") customers, struggling with declining demand and business stability, cut their capital expenditure programs leading to reduced demand for the Company's services. The duration of the negative impact from the COVID-19 health pandemic on the Company's operations is unknown and will depend on future economic developments, which cannot be predicted with confidence at this time. Therefore, the Company continues to pursue cash saving initiatives to preserve cash resources and maintain balance sheet strength as well as to retain its most valuable asset – its key employees. The Company has also enacted enhanced safety protocols to protect the health and

safety of its employees so that we can operate with confidence that its employees and customers are taking the necessary precautions.

- CWC's Canadian drilling rig utilization in 2020 of 27% (2019: 30%) exceeded the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 16% (2019: 22%). Canadian activity levels in 2020 decreased 16% to 689 drilling rig operating days (2019: 816 drilling rig operating days). Average revenue per operating day of \$21,840 resulted in revenue of \$15.0 million from the Canadian drilling operations. U.S. drilling rig activity levels in 2020 were 144 drilling rig operating days which occurred in the first quarter of the year (2019: 236 drilling rig operating days) from two U.S. drilling rigs for a utilization of 20% (2019: 60%). U.S. Contract Drilling revenue of \$4.8 million represented 24% of CWC's total Contract Drilling revenue in 2020 with the average revenue per operating day of US\$25,139 from U.S. operations. CWC's service rig utilization in 2020 of 34% (2019: 51%) was driven by 72,610 operating hours which were 38% lower than the 117,187 operating hours in 2019; a result of the significant drop off in activity levels due to COVID-19 and the corresponding steep drop in oil prices.
- Revenue of \$67.9 million, a decrease of \$40.5 million (37%) compared to \$108.4 million in 2019.
- Other income of \$6.8 million in 2020 (2019: \$nil) consists of Government of Canada grants, which the Company received under the CEWS and CERS programs.
- Adjusted EBITDA<sup>(1)</sup> of \$11.1 million, a decrease of \$1.1 million (9%) compared to \$12.2 million in 2019.
- Net loss of \$24.5 million, an increase of \$22.8 million compared to \$1.7 million in 2019. The increase in net loss is primarily due to a charge for impairment of assets of \$25.5 million taken in Q1 2020.
- Total long-term debt (including current portion) of \$30.2 million is the lowest long-term debt amount in 10 years of CWC's 15 years of existence.
- On March 17, 2020, the Company discontinued operations of its coil tubing division and wrote down the value of the assets to their estimated disposal value. The Company will look at monetizing the coil tubing assets when market conditions in the oil and gas industry stabilize.
- On April 15, 2020, the Company renewed its NCIB with an Automatic Securities Purchase Plan ("ASPP") with Raymond James Ltd., which expires on April 14, 2021. For the year ended December 31, 2020, the Company purchased 8,984,000 (2019: 4,532,000) common shares under the NCIB and 9,113,500 (2019: 3,060,500) common shares were cancelled and returned to treasury. The 8,984,000 common shares purchased under the NCIB represented 59% of the 15,174,100 shares traded on the TSX Venture Exchange ("TSXV") in 2020 (2019: 38%).

<sup>(1)</sup> Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.

## Corporate Overview

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

## Operational Overview

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### Contract Drilling

CWC Ironhand Drilling, the Company's Contract Drilling segment, has a fleet of nine telescopic double drilling rigs with depth ratings from 3,200 to 5,000 metres. Eight of nine rigs have top drives and three have pad rig walking systems. All of the drilling rigs are well suited for the most active depths for horizontal drilling in the WCSB, including the Montney, Cardium, Duvernay and other deep basin horizons. The Company also operates in select United States basins including the Eagle Ford, Denver-Julesburg ("DJ") and Bakken. One of the Company's strategic initiatives is to continue to increase the capabilities of its existing fleet to meet the growing demands of E&P customers for deeper depths at a cost effective price while providing a sufficient internal rate of return for CWC's shareholders.

OPERATING HIGHLIGHTS	Three months ended							
	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019
<b>Drilling Rigs – Canada</b>								
Total drilling rigs, end of period	7	7	7	7	7	7	7	9
Revenue per operating day <sup>(1)</sup>	\$21,452	\$19,214	\$19,382	\$22,849	\$22,161	\$20,685	\$22,750	\$23,895
Drilling rig operating days	248	28	68	344	232	130	72	382
Drilling rig utilization % <sup>(2)</sup>	39%	4%	11%	54%	36%	19%	11%	47%
CAODC industry average utilization %	16%	9%	4%	35%	23%	23%	18%	29%
Wells drilled	23	4	4	26	18	12	10	39
Average days per well	10.8	7.1	17.1	13.2	12.9	10.9	8.0	9.8
Meters drilled (thousands)	88.5	13.7	20.2	99.6	75.6	39.6	26.7	119.8
Meters drilled per day	356	483	295	290	326	304	373	314
Average meters per well	3,848	3,412	5,053	3,831	4,199	3,300	2,966	3,070
<b>Drilling Rigs – United States</b>								
Total drilling rigs, end of period	2	2	2	2	2	2	2	-
Revenue per operating day (US\$) <sup>(1)</sup>	-	-	-	\$25,139	\$34,448 <sup>(3)</sup>	\$27,159	\$54,188 <sup>(3)</sup>	-
Drilling rig operating days	-	-	-	144	56	155	25	-
Drilling rig utilization % <sup>(2)</sup>	-	-	-	79%	31%	84%	69%	-
Wells drilled	-	-	-	10	5	16	1	-
Average days per well	-	-	-	14.4	11.3	9.7	16.6	-
Meters drilled (thousands)	-	-	-	40.5	14.5	50.7	2.9	-
Meters drilled per day	-	-	-	282	258	327	177	-
Average meters per well	-	-	-	4,053	2,942	978	2,939	-

<sup>(1)</sup> Revenue per operating day is calculated based on operating days (i.e. spud to rig release basis). New or inactive drilling rigs are added based on the first day of field service.

<sup>(2)</sup> Drilling rig utilization is calculated based on operating days (i.e. spud to rig release basis).

<sup>(3)</sup> Revenue is enhanced by one-time recovery of mobilization costs.

Canadian Contract Drilling revenue of \$5.3 million for Q4 2020 (Q4 2019: \$5.1 million) was achieved with a utilization rate of 39% (Q4 2019: 36%), compared to the CAODC industry average of 16%. CWC completed 248 Canadian drilling rig operating days in Q4 2020, 7% higher than 232 Canadian drilling rig operating days in Q4 2019.

As a result of the COVID-19 health pandemic and the travel restrictions implemented between Canada and the U.S., CWC's two U.S. drilling rigs, which operate with Canadian rig crews, did not see any operating days in Q4 2020 (Q4 2019: 56 drilling rig operating days) and, therefore, did not generate any revenue in the quarter (Q4 2019: \$2.6 million).

### Production Services

With a fleet of 145 service rigs, CWC is one of the largest well servicing companies in Canada as measured by active fleet and operating hours. CWC's service rig fleet consists of 75 single, 56 double, and 14 slant rigs providing services which include completions, maintenance, workovers and well decommissioning with depth ratings from 1,500 to 5,000 metres. In 2020, CWC chose to park 64 of its service rigs and focus its sales and operational efforts on the remaining 81 active service rigs due to the reduction in the number of service rigs required to service the WCSB.

CWC's fleet of 12 swabbing rigs operate under the trade name CWC Swabtech. The swabbing rigs are used to remove liquids from the wellbore and allow reservoir pressures to push the commodity up the tubing. The Company has chosen to park seven of its swabbing rigs and focus its sales and operational efforts on the remaining five active swabbing rigs.

CWC's fleet of nine coil tubing units consist of six Class I and three Class II coil tubing units having depth ratings from 1,500 to 3,200 metres. On March 17, 2020, the Company discontinued operations of its coil tubing division and wrote down the value of the assets to their estimated disposal value. The Company will look at monetizing the coil tubing assets when market conditions in the oil and gas industry stabilize.

OPERATING HIGHLIGHTS	Three months ended							
	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019
<b>Service Rigs</b>								
Active service rigs, end of period	81	82	82	83	84	84	92	93
Inactive service rigs, end of period	64	63	63	62	62	64	56	55
Total service rigs, end of period	145	145	145	145	146	148	148	148
Operating hours	22,273	15,859	4,037	30,442	33,656	29,528	23,129	30,875
Revenue per hour	\$645	\$605	\$619	\$666	\$664	\$644	\$646	\$671
Revenue per hour excluding top volume customers	\$659	\$623	\$653	\$673	\$682	\$660	\$687	\$690
Service rig utilization % <sup>(1)</sup>	42%	29%	8%	56%	62%	52%	39%	53%
<b>Swabbing Rigs</b>								
Active swabbing rigs, end of period	5	5	5	5	5	5	8	8
Inactive swabbing rigs, end of period	7	7	7	7	8	8	5	5
Total swabbing rigs, end of period	12	12	12	12	13	13	13	13
Operating hours	1,339	686	513	1,088	1,141	865	661	1,655
Revenue per hour	\$280	\$271	\$288	\$300	\$282	\$284	\$262	\$288
Swabbing rig utilization % <sup>(1)</sup>	41%	21%	16%	33%	35%	19%	13%	32%

<sup>(1)</sup> Effective September 1, 2019, the CAODC changed its methodology on how it calculates service rig utilization. Service rig and swabbing rig utilization is now calculated based on 10 operating hours a day x number of days per quarter x 5 days a week divided by 7 days in a week to reflect maximum utilization available due to hours of service restrictions on rig crews. Utilization percentages have been retroactively updated to reflect this new CAODC methodology. Service and swabbing rigs requiring their 24,000 hour recertification, refurbishment or have been otherwise removed from service for greater than 90 days are excluded from the utilization calculation until their first day back in field service.

Production Services revenue of \$14.8 million in Q4 2020, down \$8.2 million (36%) compared to \$23.0 million in Q4 2019. The revenue decrease in Q4 2020 was a continued direct result of the decrease in crude oil prices, which started in March 2020, as the global health solutions to slow the spread of the COVID-19 virus resulted in a significant drop in demand for crude oil.

CWC's service rig utilization in Q4 2020 of 42% (Q4 2019: 62%) was driven by 22,273 operating hours being 34% lower than the 33,656 operating hours in Q4 2019. In addition, the Q4 2020 average revenue per hour of \$645 was \$19 per hour (3%) lower than the \$664 per hour in Q4 2019 as a result of customer requested discounts during the quarter. Q4 2020 average revenue per hour of \$659 excluding the Company's top volume customers was \$23 per hour (3%) lower than Q4 2019 average revenue per hour of \$682.

CWC swabbing rig utilization in Q4 2020 of 41% (Q4 2019: 35%) with 1,339 operating hours was 17% higher than the 1,141 operating hours in Q4 2019. Average revenue per hour for swabbing rigs of \$280 in Q4 2020 was 1% lower compared to \$282 in Q4 2019.

As a result of lower customer demand, the Company discontinued operations of its coil tubing division on March 17, 2020 and wrote down the value of these assets to their estimated disposal value. The coil tubing division contributed 2020 revenue of \$0.3 million and negative Adjusted EBITDA of (\$0.1 million). The Company will look at monetizing the coil tubing assets when market conditions in the oil and gas industry stabilize.

## Outlook

In March 2020, the World Health Organization declared a global health pandemic due to COVID-19. In response to the COVID-19 outbreak, governments around the world implemented measures to control the spread of the virus from Q2 2020 through Q1 2021 including closure of non-essential businesses, restricting travel and encouraging its citizens to stay-at-home. These government actions contributed to a significant deterioration in the global economy including a material decline in the demand for crude oil, which resulted in a significant decrease in oil prices. The decline in oil prices negatively affected current and forecasted drilling and production service activities in Canada and the United States. In response to the decline in oil prices, OPEC+ and G20 oil producing nations cut crude oil production resulting in a rebound in crude oil prices from the low US\$20/bbl in April 2020 to the highs of over \$60/bbl in February 2021. In addition, Saudi Arabia continues to support the price of crude oil by announcing on January 5, 2021 a further 1.0 million bbl/day cut in production for February and March 2021. While governments around the world have, at various times, loosened their economic restrictions related to COVID-19 and gradually re-opened businesses, caution remains as the number of active COVID-19 cases globally have increased and

new more infectious variants of the virus have emerged, along with delays in a more expeditious vaccine rollout. The International Energy Agency (“IEA”) reports that global average crude oil supply was 92.8 million bbls/day in December 2020 and forecasts oil demand to rise to 96.6 million bbls/day by the end of 2021. In addition on January 28, 2021, the Petroleum Services Association of Canada (“PSAC”) announced a 29% increase in their original forecast of the number of Canadian wells to be drilled in 2021 to 3,350 wells. As consumer demand and business confidence increases for 2021, so too will be the demand for crude oil and a return to increased oilfield service activity in Canada and the U.S. The Company currently has over 40 service rigs and six drilling rigs working in Q1 2021 and expects to see the rig count increase in the second half of 2021.

Looking out to the medium and longer term, CWC is optimistic about the future of the oil and gas industry in Canada. Although the recent cancellation of the Keystone XL permits by the United States Government effectively puts a halt on building this pipeline today, the Canadian oil and gas industry will continue to grow with the anticipated completion of Enbridge’s Line 3 pipeline in late 2021, which will carry 760,000 bbls/day to Minnesota and eastern refineries and the Trans Mountain expansion project carrying 890,000 bbls/day by late 2022 to the west coast for overseas markets.

CWC will remain focused on its operational and financial performance in the short-term, but recognizes the need to pursue opportunities that have inevitably been created in this market to create medium and longer-term value for CWC’s shareholders. With the support of the Board of Directors, management continues to actively pursue consolidation opportunities in North America. CWC cautions that there can be no guarantees that strategic opportunities will result in a transaction, or if a transaction is undertaken, as to its terms or timing.

## Discussion of Financial Results

### Revenue, Direct Operating Expenses and Gross Margin

\$ thousands	Three months ended				Year ended			
	December 31,		Change \$	Change %	December 31,		Change \$	Change %
2020	2019	2020			2019			
<b>Revenue</b>								
Contract Drilling	5,327	7,705	(2,378)	(31%)	19,859	28,497	(8,638)	(30%)
Production Services	14,738	22,962	(8,224)	(36%)	48,034	79,949	(31,915)	(40%)
	20,065	30,667	(10,602)	(35%)	67,893	108,446	(40,553)	(37%)
<b>Direct operating expenses</b>								
Contract Drilling	3,977	6,213	(2,236)	(36%)	13,713	21,484	(7,771)	(36%)
Production Services	10,101	16,590	(6,489)	(39%)	35,436	58,125	(22,689)	(39%)
	14,078	22,803	(8,725)	(38%)	49,149	79,609	(30,460)	(38%)
<b>Gross margin <sup>(1)</sup></b>								
Contract Drilling	1,350	1,492	(142)	(10%)	6,146	7,013	(867)	(12%)
Production Services	4,637	6,372	(1,735)	(27%)	12,598	21,824	(9,226)	(42%)
	5,987	7,864	(1,877)	(24%)	18,744	28,837	(10,093)	(35%)
<b>Gross margin percentage <sup>(1)</sup></b>								
Contract Drilling	25%	19%	n/a	6%	31%	25%	n/a	6%
Production Services	31%	28%	n/a	3%	26%	27%	n/a	(1%)
	30%	26%	n/a	4%	28%	27%	n/a	1%

<sup>(1)</sup> Please refer to the “Reconciliation of Non-IFRS Measures” section for further information.

Q4 2020 revenue of \$20.1 million, a decrease of \$10.6 million (35%) compared to \$30.7 million in Q4 2019. Revenue decreased \$2.4 million (31%) in the Contract Drilling segment and \$8.2 million (36%) in the Production Services segment in Q4 2020 compared to Q4 2019. The decreases in revenue were a direct result of the decrease in crude oil prices as the global health solutions to slow the spread of the COVID-19 virus resulted in a significant drop in demand for crude oil, which negatively affected the demand from our E&P customers.

For the year ended December 31, 2020, revenue of \$67.9 million, a decrease of \$40.6 million (37%) compared to \$108.5 million in 2019. Revenue decreased \$8.6 million (30%) in the Contract Drilling segment and \$31.9 million (40%) in the Production Services segment in 2020 compared to 2019.

Revenue contribution from the Company’s top ten customers increased from 56% in 2019 to 63% in 2020. CWC’s top customer’s revenue contribution increased from 12% in 2019 to 14% in 2020.

For the year ended December 31, 2020, approximately 75% of revenue (2019: 86%) was from work on crude oil wells while 25% (2019: 13%) was from natural gas wells. Further, approximately 34% of revenue (2019: 36%) was related to drilling

and completions work, 51% of revenue (2019: 51%) from maintenance and workovers on producing wells and 15% of revenue (2019: 13%) from well decommissioning.

Many direct operating expenses, including labour costs related to field operating employees, are variable in nature and increase or decrease with activity levels such that changes in operating costs generally correspond to changes in revenue or activity levels. Contract Drilling's gross margin percentage of 25% in Q4 2020 is higher when compared to the 19% gross margin percentage in Q4 2019 which was lower due to the completion of maintenance and repairs on the rigs in anticipation of increased activity levels in 2020. For the year ended December 31, 2020, Contract Drilling's gross margin percentage of 31% is higher than the 25% in 2019 as discretionary repairs and maintenance plans were put on hold until activity levels increase. For Production Services, gross margin percentage of 31% in Q4 2020 is higher than the 28% in Q4 2019 as a result of cost reduction measures implemented in April 2020. For the year ended December 31, 2020, Production Services' gross margin of 26% is slightly lower than the 27% gross margin in 2019 due to lower activity levels and utilization rates.

### Other Income

\$ thousands	Three months ended				Year ended			
	December 31,		Change	Change	December 31,		Change	Change
	2020	2019	\$	%	2020	2019	\$	%
Other income	2,363	-	2,363	n/m <sup>(1)</sup>	6,786	-	6,786	n/m <sup>(1)</sup>

<sup>(1)</sup> Not meaningful.

Other income in Q4 2020 of \$2.4 million (Q4 2019: \$nil) consists of Government of Canada grants received under the CEWS and CERS programs. CEWS is a program to assist employers facing financial hardship, as measured by certain monthly revenue declines compared to the prior year as a result of the COVID-19 health pandemic. CERS is a program to assist businesses who have seen a drop in revenue due to the COVID-19 health pandemic to cover part of their commercial rent, mortgage interest and property expenses.

For the year ended December 31, 2020 other income was \$6.8 million (2019: \$nil) which related to CEWS and CERS.

### Selling and Administrative Expenses

\$ thousands	Three months ended				Year ended			
	December 31,		Change	Change	December 31,		Change	Change
	2020	2019	\$	%	2020	2019	\$	%
Selling and administrative expenses	3,316	4,373	(1,057)	(24%)	14,432	16,671	(2,239)	(13%)

Selling and administrative expenses were \$3.3 million in Q4 2020, a decrease of \$1.1 million (24%) compared to \$4.4 million in Q4 2019.

Selling and administrative expenses were \$14.4 million for the year ended December 31, 2020, a decrease of \$2.2 million (13%) compared to \$16.7 million in 2019. The decrease is a result of the cash saving initiatives undertaken in the first and second quarters of 2020, including reduced head counts through departures and layoffs; compensation reductions to Board of Directors, management, administrative and field employees; discontinuing operations of the Coil Tubing division; reductions and deferrals of rent and property taxes partially offset by \$0.9 million in increased bad debt expense (2019: \$0.2 million).

### Adjusted EBITDA<sup>(1)</sup>

\$ thousands	Three months ended				Year ended			
	December 31,		Change	Change	December 31,		Change	Change
	2020	2019	\$	%	2020	2019	\$	%
<b>Adjusted EBITDA<sup>(1)</sup></b>								
Contract Drilling	1,451	1,074	377	35%	5,442	5,454	(12)	(0%)
Production Services	4,730	3,892	838	22%	10,395	11,962	(1,567)	(13%)
Corporate	(1,147)	(1,475)	328	22%	(4,739)	(5,250)	511	10%
	5,034	3,491	1,543	44%	11,098	12,166	(1,068)	(9%)
Adjusted EBITDA margin (%) <sup>(1)</sup>	25%	11%	n/a	14%	16%	11%	n/a	5%

<sup>(1)</sup> Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.

Management uses Adjusted EBITDA<sup>(1)</sup> as a measure of the cash flow generated by the Company. Positive Adjusted EBITDA<sup>(1)</sup> provides the cash flow needed to grow the business through purchase of equipment or business acquisitions, fund working capital, service and reduce outstanding long-term debt, pay a dividend or repurchase outstanding common shares under the NCIB.

Adjusted EBITDA<sup>(1)</sup> was \$5.0 million for Q4 2020, an increase of \$1.5 million compared to \$3.5 million in Q4 2019.

For the year ended December 31, 2020, Adjusted EBITDA<sup>(1)</sup> was \$11.1 million, a decrease of \$1.1 million (9%) compared to \$12.2 million for the first year of 2019. The decrease in Adjusted EBITDA<sup>(1)</sup> is a result of the global economic downturn due to the COVID-19 health pandemic partially offset by the impact of the assistance of the CEWS and CERS programs.

### Stock Based Compensation

\$ thousands	Three months ended				Year ended			
	December 31,		Change	Change	December 31,		Change	Change
2020	2019	\$			%	2020		
Stock based compensation	685	329	356	108%	1,094	921	173	19%

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

Stock based compensation was \$0.7 million in Q4 2020, an increase of \$0.4 million (108%) compared to \$0.3 million in Q4 2019.

For the year ended December 31, 2020, stock based compensation was \$1.1 million, an increase of \$0.2 million (19%) compared to \$0.9 million in 2019.

### Finance Costs

\$ thousands	Three months ended				Year ended			
	December 31,		Change	Change	December 31,		Change	Change
2020	2019	\$			%	2020		
Finance costs	309	516	(207)	(40%)	2,135	2,431	(296)	(12%)

Finance costs were \$0.3 million in Q4 2020, a decrease of \$0.2 million (40%) compared to \$0.5 million in Q4 2019.

For the year ended December 31, 2020, finance costs were \$2.1 million, a decrease of \$0.3 million (12%) from \$2.4 million in 2019 due to lower long-term debt levels compared to 2019.

### Depreciation and Amortization

\$ thousands	Three months ended				Year ended			
	December 31,		Change	Change	December 31,		Change	Change
2020	2019	\$			%	2020		
<b>Depreciation and amortization</b>								
Contract Drilling	812	1,104	(292)	(26%)	3,489	4,566	(1,077)	(24%)
Production Services	1,710	1,806	(96)	(5%)	6,794	7,545	(751)	(10%)
Corporate	130	273	(143)	(52%)	718	1,057	(339)	(32%)
	2,652	3,183	(531)	(17%)	11,001	13,168	(2,167)	(16%)

Depreciation and amortization were \$2.7 million in Q4 2020, a decrease of \$0.5 million (17%) compared to \$3.2 million in Q4 2019.

For the year ended December 31, 2020, depreciation and amortization was \$11.0 million, a decrease of \$2.2 million (16%) compared to \$13.2 million in 2019. The decrease in depreciation and amortization expense was primarily due to the lower depreciable asset base as a result of the \$25.5 million charge taken for impairment of assets in Q1 2020.

### Impairment of Assets

\$ thousands	Three months ended				Year ended			
	December 31,		Change	Change	December 31,		Change	Change
2020	2019	\$			%	2020		
<b>Impairment of assets</b>								
Contract Drilling	-	-	-	n/m <sup>(1)</sup>	24,000	-	24,000	n/m <sup>(1)</sup>
Production Services	-	-	-	n/m <sup>(1)</sup>	1,451	-	1,451	n/m <sup>(1)</sup>
Corporate	-	-	-	-	-	-	-	-
	-	-	-	n/m <sup>(1)</sup>	25,451	-	25,451	n/m <sup>(1)</sup>

<sup>(1)</sup> Not meaningful.

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

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

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

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

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

### (Gain) Loss on Disposal of Equipment

\$ thousands	Three months ended				Year ended			
	December 31,		Change	Change	December 31,		Change	Change
	2020	2019	\$	%	2020	2019	\$	%
(Gain) loss on disposal of equipment	(16)	368	(384)	n/m <sup>(1)</sup>	844	290	554	n/m <sup>(1)</sup>

<sup>(1)</sup> Not meaningful.

Management continually monitors the asset mix and equipment needs of the Company and divests assets as needed to optimize operations. For the year ended December 31, 2020, the loss on disposal of equipment was primarily the result of the disposal of one inactive service rig and one inactive swabbing rig as well as disposals of ancillary equipment and vehicles with proceeds on sale of \$0.9 million (2019: \$0.3 million).

### Deferred Income Tax (Recovery) Expense

\$ thousands	Three months ended		Year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Net income (loss) before income taxes	1,404	(905)	(29,427)	(4,644)
Current income tax	8	23	8	23
Deferred income tax (recovery) expense	2,165	(74)	(4,945)	(2,967)
Deferred income tax (recovery) expense as a % of net loss before income taxes	n/m <sup>(1)</sup>	8%	17%	64%
Expected statutory income tax rate	23.7%	26.5%	23.7%	26.5%

<sup>(1)</sup> Not meaningful.

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

The deferred income tax recovery in 2020 of \$4.9 million (2019: \$3.0 million) is a result of the loss before income taxes in each period.

The Company has substantial tax pools and non-capital losses available to reduce future taxable income in Canada such that the Company does not expect to pay any Canadian cash taxes for the next several years.

## Net Loss and Comprehensive Loss

\$ thousands	Three months ended				Year ended			
	December 31,		Change	Change	December 31,		Change	Change
	2020	2019	\$	%	2020	2019	\$	%
Net loss	(769)	(854)	(85)	10%	(24,490)	(1,700)	22,790	n/m <sup>(1)</sup>
Unrealized (loss) gain on translation of foreign operations	(665)	(915)	(250)	27%	536	(730)	(1,266)	173%
Comprehensive loss	(1,434)	(1,769)	(335)	19%	(23,954)	(2,430)	21,524	(886%)

<sup>(1)</sup> Not meaningful.

Net loss of \$0.8 million in Q4 2020, a decrease of \$0.1 million compared to a net loss of \$0.9 million in Q4 2019. Comprehensive loss of \$1.4 million in Q4 2020, a decrease of \$0.4 million compared to comprehensive loss of \$1.8 million in Q4 2019.

For the year ended December 31, 2020, net loss of \$24.5 million, an increase of \$22.8 million compared to \$1.7 million in 2019. Comprehensive loss of \$24.0 million in 2020, an increase of \$21.6 million compared to comprehensive loss of \$2.4 million in 2019. The increases in net loss and comprehensive loss were due to the impairment of assets partially offset by an unrealized gain on translation of foreign currency from the Company's U.S. operations.

## Liquidity and Capital Resources

### Source of Funds

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

During the year ended December 31, 2020, the Company's operating cash flow of \$17.6 million and proceeds on disposal of equipment of \$0.9 million were used to fund a \$9.9 million reduction in long-term debt, \$5.1 million of capital expenditures, \$2.6 million of interest on long-term debt, finance costs and lease payments, and \$1.2 million in acquisitions of common shares under the NCIB and cash settlement on exercise of stock options.

At December 31, 2020 the Company had working capital (excluding debt) of \$12.1 million, a decrease of \$6.4 million (35%) from \$18.5 million at December 31, 2019. (Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.) The decrease in working capital (excluding debt) is due to lower accounts receivable from lower revenue in Q4 2020 versus Q4 2019 and a decrease in prepaid expenses partially offset by a decrease in accounts payable. Typically, as activity levels increase or decrease working capital will also increase or decrease.

The Company's \$59.8 million credit facilities (the "Bank Loan") provides financial security and flexibility to July 31, 2022. The Bank Loan is secured by a general security agreement and a first charge security interest covering all of the assets of the Company (other than real estate assets related to the Mortgage Loan). Under the terms of the Bank Loan, the Company is required to comply with certain financial covenants. The Company is in compliance with each of the financial covenants at December 31, 2020. As of December 31, 2020, the applicable rates under the Bank Loan are: bank prime rate plus 1%, bankers' acceptances rate plus a stamping fee of 2%, and standby fee rate of 0.45%.

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

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

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

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

The Company's Mortgage Loan is a loan maturing on September 28, 2023 that is amortized over 22 years with blended monthly principal and interest payments of \$86 thousand. At maturity, approximately \$9.9 million of principal will become payable assuming only regular monthly payments are made. On July 27, 2018 the Company entered into an interest rate swap to exchange the floating rate interest payments for fixed rate interest payments, which fix the Bankers' Acceptance-Canadian Dollar Offered Rate components of its interest payment on the outstanding term debt. Under the interest rate swap agreement, the Company pays a fixed rate of 2.65% per annum plus the applicable credit spread of 1.35%, for an effective fixed rate of 4.0%. The fair value of the interest rate swap arrangement is the difference between the forward interest rates and the discounted contract rate. As of December 31, 2020, the mark-to-market value of the interest rate swap of \$0.6 million is included within accounts payable and accrued liabilities on the Consolidated Statements of Financial Position (December 31, 2019: \$0.2 million).

### **Capital Requirements**

On December 3, 2020, the Company announced its capital expenditure budget for 2021 of \$3.9 million, \$2.7 million of which is maintenance and infrastructure capital related to re-certifications, additions and upgrades to field equipment for the drilling rig and service rig divisions as well as information technology infrastructure, with the remaining \$1.2 million being growth capital to upgrade two of the drilling rigs. The decrease of \$1.2 million compared to the 2020 capital expenditure of \$5.1 million is a result of the Company's more cautious view of the 2021 economy and operating environment in response to the COVID-19 global health pandemic. CWC intends to continue to finance its 2021 capital expenditure budget from operating cash flows.

In 2020, the Company's capital expenditure is detailed in the section below titled "Capital Expenditure". In the future, additional discretionary capital expenditures will be required in order to continue to grow the Company's assets and revenue. It is anticipated future cash requirements for capital expenditures will be met through a combination of funds from operations and borrowing against existing credit facilities as required. However, additional funds may be raised by new debt instruments, equity issuances and proceeds from the sale of assets.

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

### **Common Shares and Dividends**

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

	<b>March 4, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Common shares	506,171,683	505,620,916	510,702,349
Stock options	15,882,000	16,038,000	20,666,667
Restricted share units	14,403,795	14,954,562	7,224,154

During the year ended December 31, 2020, 4,316,667 stock options were exercised, 286,000 expired and 26,000 were forfeited. In addition, 3,902,567 Restricted Share Units were exercised and 135,000 expired.

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

common shares through the facilities of the TSXV or other recognized marketplaces. In addition, CWC renewed its ASPP with Raymond James for the purpose of making purchases under the ASPP.

For the year ended December 31, 2020, 8,984,000 shares were purchased under the NCIB and a total of 9,113,500 shares were cancelled and returned to treasury.

## Capital Expenditures

\$ thousands	Three months ended				Year ended			
	December 31,		Change \$	Change %	December 31,		Change \$	Change %
2020	2019	2020			2019			
<b>Capital expenditures</b>								
Contract drilling	309	24	285	1,188%	2,023	1,477	546	37%
Production services	282	1,156	(874)	(76%)	3,089	3,616	(527)	(15%)
Other equipment	-	5	(5)	n/m <sup>(1)</sup>	26	256	(230)	(90%)
	591	1,185	(594)	(50%)	5,138	5,349	(211)	(4%)
Growth capital	252	-	252	n/m <sup>(1)</sup>	1,741	386	1,741	n/m <sup>(1)</sup>
Maintenance and infrastructure capital	339	1,185	(846)	(71%)	3,397	4,963	(1,952)	(36%)
Total capital expenditures	591	1,185	(594)	(50%)	5,138	5,349	(211)	(4%)

<sup>(1)</sup> Not meaningful.

Capital expenditures of \$0.6 million in Q4 2020, a decrease of \$0.6 million compared to \$1.2 million in Q4 2019.

Capital expenditures of \$5.1 million for the year ended December 31, 2020, a decrease of \$0.2 million (4%) compared to \$5.3 million in 2019.

## Commitments and Contractual Obligations

Under the terms of the Company's amended Bank Loan, the borrowings under the Bank Loan are due in full on July 31, 2022. The Company is committed to monthly payments of interest and bank charges until July 31, 2022. The Company's Mortgage Loan is being amortized over 22 years with blended monthly principal and interest payments and matures on September 28, 2023. Management believes that there will be sufficient cash flows generated from operations to service the interest on the debt and finance the required maintenance capital of the Company in 2021.

## Summary and Analysis of Quarterly Data

\$ thousands, except per share amounts	2020				2019			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenue	20,065	10,322	3,966	33,540	30,667	27,775	18,745	31,259
Adjusted EBITDA <sup>(1)</sup>	5,034	1,953	(1,397)	5,508	3,491	3,868	113	4,694
Net loss	(769)	(810)	(3,734)	(19,177)	(854)	(234)	(565)	(47)
Net loss per share: basic and diluted	(0.01)	(0.00)	(0.00)	(0.04)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	202,223	199,421	196,565	221,110	243,398	243,647	240,603	250,358
Total long-term debt	30,231	27,960	25,788	43,337	40,552	41,549	36,618	43,296
Shareholders' equity	157,977	158,959	160,281	164,802	182,032	183,621	183,526	184,041

<sup>(1)</sup> Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.

The table above summarizes CWC's quarterly results for the previous eight financial quarters. CWC's operations are carried out in western Canada and the United States. The second quarter is typically expected to be the weakest financial and operating quarter for the Company due to ground conditions being impacted by spring breakup in Canada. The ability to move heavy equipment in the Canadian crude oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting

the weight of heavy equipment until they have thoroughly dried out. The duration of this spring breakup has a direct impact on the Company's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen enough to support equipment. As a result, late March through May is traditionally the Company's slowest time, and as such the revenue, operating costs, and financial results of the Company will vary on a quarterly basis.

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

Other significant impacts have been a result of:

- Q4 2020 saw a modest recovery in oilfield service activity compared to Q3 2020 as the lower demand for crude oil amid the global economic downturn as a result of the COVID-19 health pandemic and the measures put in place to slow the spread of the virus continued. Crude oil prices continued to modestly increase in Q4 2020 to an average of US\$42.63/bbl as the introduction of vaccines to combat the virus were distributed globally toward the end of the quarter, thereby increasing E&P customers' confidence to increase drilling and production activities. During Q4 2020, 1,196,500 common shares were purchased under the NCIB and 1,282,500 common shares were cancelled and returned to treasury.
- Q3 2020 saw a continuation of low economic activity in the oilfield services sector as a result of lower demand for crude oil amid the global economic downturn as a result of the COVID-19 health pandemic and the measures put in place to slow the spread of the virus. However, oil prices recovered in Q3 2020 from the lows experienced in Q2 2020 to an average of US\$40.90/bbl. This oil price recovery caused a gradual increase in the utilization of service rigs, but was not enough to increase drilling rig activity from its historical lows. During Q3 2020, 2,405,000 common shares were purchased under the NCIB and 2,349,000 common shares were cancelled and returned to treasury.
- Q2 2020 demand for crude oil declined amid the global economic downturn as a result of the COVID-19 health pandemic and the measures put in place to slow the spread of the virus. The impact this had on the Company resulted in a 79% decline in revenue compared to Q2 2019 and the Company posting its first negative Adjusted EBITDA<sup>(1)</sup> in 27 quarters. During Q2 2020, 1,708,000 common shares were purchased under the NCIB and 1,718,000 common shares were cancelled and returned to treasury.
- Q1 2020 saw the combined effects of the reduction in global demand for crude oil due to the COVID-19 health pandemic and the increase in global supply of crude oil resulting in a rapid and uneconomic decline in oil prices. This negatively affected current and future drilling and production levels in Canada and the U.S. resulting in decreased demand for drilling and production services by our E&P customers in mid-March 2020. The Company acted quickly to implement cash saving initiatives to preserve cash resources and maintain balance sheet strength as well as retaining our most valuable asset – our key employees. The Company reduced its head count by 43% through departures and layoffs of its employees and contractors and incurred \$0.1 million in severance costs related to these layoffs in Q1 2020. During Q1 2020, 3,674,500 common shares were purchased under the NCIB and 3,764,000 common shares were cancelled and returned to treasury;
- Q4 2019 saw the WTI-WCS differential widen to over US\$20.00/bbl, compared to a historical normal range of US\$10-\$15/bbl. Despite this widening differential, CWC saw increased activity in its service rig division with 33,656 hours compared to the 29,528 hours in Q3 2019. Drilling rig operating days were impacted by the movement of one drilling rig from Texas to Wyoming which resulted in approximately 21 days of lost revenue. During Q4 2019, 1,453,500 common shares were purchased under the NCIB and 1,342,000 common shares were cancelled and returned to treasury;
- Q3 2019 saw the first full quarter of drilling operations in the United States. In addition, the Company extended its credit facilities to July 31, 2022 and reduced the credit facilities from \$75 million to \$60 million, which now includes a separate U.S. operating facility. During Q3 2019, 405,000 common shares were purchased under the NCIB and 524,500 common shares were cancelled and returned to treasury;
- Q2 2019 saw CWC move two drilling rigs from Canada into the United States which commenced operations in mid-September 2019. Wet weather conditions during the quarter significantly impacted activity levels in both the Canadian Contract Drilling and Production Services segments. During Q2 2019, 623,000 common shares were purchased under the NCIB and a total of 744,000 common shares were cancelled and returned to treasury;
- Q1 2019 saw a continuation of reduced activity levels for both the drilling rigs and CWC's production-oriented service rigs as a direct result of lower WTI prices during the quarter and the Government of Alberta mandated 325,000 bbls/day production curtailments taking effect in January 2019. During Q1 2019, 2,050,500 common shares were purchased under the NCIB and a total of 1,792,000 common shares were cancelled and returned to treasury.

## Critical Accounting Estimates and Judgments

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

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

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

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

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

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

### **Determination of cash generating units**

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

### **Impairment of tangible assets**

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

### **Depreciation and amortization**

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

value, will affect the depreciation rate used to amortize the group of assets and thus affect depreciation expense as reported in the Company's results of operations. These changes are reported prospectively when they occur.

### **Income taxes**

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

## **Related Party Transactions**

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

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

## **CEO and CFO Certifications**

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The CEO and CFO of TSX Venture Exchange listed companies, such as CWC, are not required to certify they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Instead, an optional form of certification has been made available to TSX Venture Exchange listed companies and has been used by CWC's certifying officers for the December 31, 2020 annual filings. The certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations.

This certification requires that the certifying officer's state:

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

## **Risks and Uncertainties**

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Certain activities of the Company are affected by factors that are beyond its control or influence. Additional risks and uncertainties that management may be unaware of at the present time may also become important factors which affect the Company. Along with the risks discussed in this MD&A, other business risks faced by the Company may be found under "Risk Factors" in the Company's most recent Annual Information Form which is available under the Company's profile at [www.sedar.com](http://www.sedar.com).

CWC's business is generally tied in large part to the oil and gas exploration and production industry in Western Canada and the United States. CWC's business is sensitive to and will be affected by changing industry conditions in the oil and gas industry including changes in the level of demand, changes in pricing levels, changes in legislation or in regulation relating to exploration, development, production, refining, transportation, or marketing in the oil and gas industry. The following is a summary of certain risk factors relevant to CWC's business. All of these risk factors could negatively impact CWC's revenue, margins and cash flow.

## **COVID-19 and Related Impacts**

The outbreak of COVID-19 has resulted in material economic and social disruption, volatility in financial markets and disruptions to global supply chains. In addition, COVID-19 may negatively impact CWC's ability to staff the Company's day to day operations. The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and ability to generate income and cash flows in the future. The current volatility in commodity prices and uncertainty regarding the timing for recovery creates inherent challenges with the preparation of financial forecasts.

## **Price Competition and Cyclical Nature of the Oilfield Services Business**

The drilling rig, service rig, and swabbing rig businesses are highly competitive with numerous industry participants. Management believes pricing and rig availability are the primary factors considered by CWC's potential customers in determining which drilling rig, service rig, or swabbing rig contractor to select. Management believes other factors are also important, including:

- the capabilities and condition of drilling rigs, service rigs, or swabbing rigs;
- the quality of service and experience of crews;
- the safety record of the contractor and the particular drilling rig, service rig, or swabbing rig;
- the offering of ancillary services;
- the ability to provide equipment adaptable to, and personnel familiar with, new technologies;
- the mobility and efficiency of the drilling rigs, service rigs, or swabbing rigs; and
- marketing relationships.

The drilling rig, service rig, and swabbing industry historically has been cyclical and has experienced periods of low demand, excess rig supply, and low day or hourly rates, followed by periods of high demand, short rig supply and increasing day or hourly rates. Periods of excess rig supply intensify the competition in the industry and result in rigs being idle. There are numerous drilling rig, service rig, and swabbing rig suppliers in each of the markets in which CWC operates. In all of those markets, an oversupply of equipment can cause greater price competition. Oilfield services companies compete primarily on a regional basis, and the intensity of competition may vary significantly from region to region at any particular time.

CWC provides services primarily to the field operation locations of oil and natural gas exploration and production companies located in Western Canada and the United States. The oil and natural gas services business in which CWC operates is highly competitive. To be successful, CWC must provide services that meet the specific needs of its clients at competitive prices. CWC will compete with several regional competitors that are both smaller and larger than it is. These competitors offer similar services in all geographic regions in which CWC operates. As a result of competition, CWC may be unable to continue to provide its present services or to acquire additional business opportunities, which could have a material adverse effect on CWC's business, financial condition, results of operations and cash flows.

## **Oversupply of Oilfield Services Equipment in the Drilling Rig and Service Rig Industry**

Because of the long-life nature of drilling rigs, service rigs, and swabbing rigs and the lag between the moment a decision to build a rig is made and the moment the rig is placed into service, the number of rigs in the industry does not always correlate to the level of demand for those rigs. Periods of high demand often spur increased capital expenditures on rigs, and those capital expenditures may exceed actual demand. An oversupply of oilfield services equipment could cause CWC's competitors to lower their rates and could lead to a decrease in rates in the oilfield services industry generally, which would have a material adverse effect on the revenue, cash flows and earnings of CWC.

## **Operational Risks**

Demand and prices for CWC's products and services depend upon the level of activity in the oil and gas exploration and production industry in Canada and the United States which in turn depends on the level of oil and gas prices, expectations about future oil and gas prices, the cost of exploring for, producing and delivering oil and gas, the discovery rate of new oil and gas reserves, available pipeline and other oil and gas transportation capacity, worldwide weather conditions, political, military, regulatory and economic conditions and the ability of oil and gas companies to raise capital. The level of activity in the oil and gas exploration and production industry in Canada and the United States is volatile. The marketability of any oil and natural gas acquired or discovered by CWC's customers will be affected by numerous factors beyond the control of such customers. These factors include market fluctuations, the price of crude oil, the price of natural gas, the supply and demand for oil and natural gas, the proximity and capacity of oil and natural gas pipelines and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, allowable production, the import and export

of oil and natural gas, and environmental protection. The effect of these factors cannot be accurately predicted. No assurances can be given that current levels of oil and gas exploration and production activities will improve, deteriorate further, or continue or that demand for the Company's services will continue to reflect the level of activity in the industry generally. Industry conditions will continue to be influenced by numerous factors over which the Company will have no control. Prices for oil and gas are expected to continue to be volatile and to affect the demand for and pricing of the Company's products and services.

### **Merger and Acquisition Activity**

Merger and acquisition activity in the oil and gas exploration and production sector may impact demand for CWC's services as customers focus on reorganizing their business prior to committing funds to exploration and development projects. Further, in any merger or acquisition transaction the resulting or acquired company may have preferred supplier relationships with oilfield service providers other than CWC.

### **Oilfield Services Industry Risks**

There are many risks inherent in the oilfield services industry, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company's operations are subject to hazards inherent in the oilfield service industry, such as explosions, fires and spills that can cause personal injury or loss of life, damage to or destruction of property, equipment and the environment and suspension of operations. In addition, claims for loss of oil and gas production, damage to formations, damage to facilities and business interruptions can occur. While the Company maintains insurance coverage that it believes to be adequate and customary in the industry, there can be no assurances that insurance proceeds will be available or sufficient or that CWC will be able to maintain adequate insurance in the future at rates considered reasonable. The single occurrence of a significant uninsured claim or a claim in excess of the insurance coverage limits maintained by the Company could have a material adverse effect on the Company's business, results of operation and prospects.

Hazards such as unusual or unexpected geological formations, pressures, blow-outs, fires or other conditions may be encountered in drilling or servicing wells. CWC will have the benefit of insurance maintained by it; however, CWC may become liable for damages arising from pollution, blowouts or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons.

### **Reputational Risk Associated with the Company's Operations**

The Company's business, operations or financial condition may be negatively impacted as a result of any negative public opinion towards the Company or as a result of any negative sentiment toward, or in respect of, the Company's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Company operates as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses and increased costs and/or cost overruns. The Company's reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other oilfield service providers, over which the Company has no control. Similarly, the Company's reputation could be impacted by negative publicity related to loss of life, injury or damage to property and environmental damage caused by the Company's operations. In addition, if the Company develops a reputation of having an unsafe work site, it may impact the ability of the Company to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate related litigation against governments and fossil fuel companies may impact the Company's reputation. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Company's reputation. Damage to the Company's reputation could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Company's securities.

### **Changing Investor Sentiment**

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during transportation and indigenous rights, have affected certain investors' sentiments towards investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and natural gas properties or companies, or are reducing the amount thereof over time. In

addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, management and employees of the Company. Failing to implement the policies and practices, as requested by institutional investors, may result in such investors reducing their investment in the Company, or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Company's securities even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of the Company's assets which may result in an impairment change.

### **Leverage and Restrictive Covenants**

The ability of CWC to make payments or advances will be subject to applicable laws and contractual restrictions in the instruments governing any indebtedness of those entities including the Credit Facilities. The degree to which CWC is leveraged could have important consequences for investors including: (i) CWC's ability to obtain additional financing for working capital, capital expenditures or future acquisitions; (ii) all or part of CWC's cash flow from operations may be dedicated to the payment of the principal of and interest on CWC's indebtedness, thereby reducing funds available for future operations and to pay dividends; (iii) certain of CWC's borrowings may be at variable rates of interest, which exposes CWC to the risk of increased interest rates; and (iv) CWC may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors could have a material adverse effect on CWC's business, financial condition, results of operations and cash flows.

The Credit Facilities contain numerous covenants that limit the discretion of management with respect to certain business matters. These covenants will place restrictions on, among other things, the ability of CWC to create liens or other encumbrances; to pay dividends or make other distributions, or make certain other investments, loans and guarantees; to sell or otherwise dispose of assets or repurchase stock, merge, amalgamate or consolidate with another entity. In addition, the credit facilities, contain a number of financial covenants that require CWC to meet certain financial ratios and financial condition tests. CWC's ability to meet such tests could be affected by events beyond its control, and it may not be able to meet such tests.

A failure to comply with the obligations in the credit facilities, including financial ratios and financial condition tests, could result in a default which, if not cured or waived, would permit acceleration of the repayment of the relevant indebtedness as the lenders could elect to declare all amounts outstanding under the credit facilities to be immediately due and payable and terminate all commitments to extend further credit. If the lenders were to accelerate the repayment of borrowings, CWC may not have sufficient assets to repay balances owing on the credit facilities as well as its unsecured indebtedness as the acceleration of CWC's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. If CWC's indebtedness is accelerated and the Company was not able to repay its indebtedness or borrow sufficient funds to refinance it, the lenders under the credit facilities could proceed to realize upon the collateral granted to them to secure that indebtedness which could have a material adverse effect on CWC and its cash flows. Even if CWC is able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to CWC and may impose financial restrictions and other covenants on it that may be more restrictive than the credit facilities.

Notwithstanding an event of default, there is also no assurance that CWC will be able to refinance any or all of the credit facilities at their maturity dates on acceptable terms, or on any basis.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's liquidity could be adversely affected by a material negative change in the oilfield services industry, which in turn could lead to covenant breaches of the credit facilities, which, if not amended or waived, could limit the Company's access to the credit facilities. If available liquidity is not sufficient to meet CWC's operating and debt obligations as they come due, CWC will need to significantly reduce expenditure, pursue alternative financing arrangements, dispose of significant assets, or pursue other corporate strategic alternatives, the ability of which to do so is uncertain.

### **Government Regulation**

CWC operations are subject to a variety of federal, provincial and local laws, regulations and guidelines, including laws and regulations related to health and safety, transportation, the conduct of operations, the manufacture, management,

transportation and disposal of certain materials used in the Company's operations. Changes in any such laws, regulations or guidelines could have a material adverse effect on CWC's operations.

In addition, the oil and gas industry in general is subject to extensive government policies and regulations, which result in additional cost and risk for industry participants or parties, such as CWC, that service the industry. Royalty rates, carbon taxes, transportation regulations, other laws or government incentive programs relating to the oil and gas industry generally may in the future be changed or interpreted in a manner that adversely affects the Company and its shareholders.

### **Seasonal Nature of CWC's Business**

The Company's operations are carried on generally in Western Canada and the United States. The ability to move heavy equipment in the Western Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Company's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen enough to support equipment. The timing of freeze-up and spring breakup affects the ability to move equipment in and out of these areas. As a result, mid-March through June is traditionally the Company's slowest time, and as such, the operating results of the Company will vary on a quarterly basis.

### **Dependence on Key Personnel**

CWC's future performance and development will depend, to a significant extent, on the efforts and abilities of its executive officers and key management personnel, and on the ability to attract and retain qualified field staff. The loss of the services of one or more of its management team could harm the Company. Also CWC's success largely depends on the Company's continuing ability to attract, develop and retain skilled employees in all areas of its business. The ability of the Company to expand its services is dependent upon its ability to attract additional qualified employees. The ability to secure the services of additional personnel is constrained in times of strong industry activity.

### **Climate Change**

Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the United Nations Framework Convention on Climate Change and a signatory to the Paris Agreement, which was ratified in Canada on October 3, 2016. The federal parliament passed the *Greenhouse Gas Pollution Pricing Act* (the "Act") into law on June 21, 2018 with a view to curbing national greenhouse gas ("GHG") emissions by 30 per cent from 2005 levels by 2030. One of the pertinent policies announced to date by the Government of Canada to reduce GHG emission is the implementation of a nation-wide price on carbon emissions. The federal carbon levy went into effect on April 1, 2019 and affects provinces which have not implemented their own carbon taxes, cap-and-trade systems or other plans for carbon pricing. The federal carbon levy is currently \$30 per tonne and will rise \$10 a year on April 1 of each year until it hits \$50 a tonne in 2022. Several provinces have challenged the authority of the Act and decisions rendered by the courts in those provinces are now under appeal to the Supreme Court of Canada. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on CWC's business, financial condition, results of operations and prospects. Additional changes to provincial climate change legislation may adversely affect the Company's business, financial condition, results of operations and cash flows which cannot be reliably or accurately estimated at this time.

Concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Historically, political and legal opposition to the fossil fuel industry focused on public opinion and the regulatory process. More recently, however, there has been a movement to more directly hold governments and oil and natural gas companies responsible for climate change through climate litigation. Two houses of the Wet'suwet'en indigenous group filed a legal challenge on February 10, 2020 alleging that the Canadian government's approach to climate change has violated their constitutional and human rights. On May 11, 2020, on behalf of Ecology Action Centre, Sierra Club Canada Foundation and WWF-Canada, Ecojustice took legal action against the Canadian government, alleging a failure to properly assess the risks of exploratory drilling for oil and gas off the coast of Newfoundland and Labrador. On October 27, 2020, a Federal Court judge dismissed the lawsuit by Canadian youth against the Canadian government alleging that Canada violated their rights under the Canadian Charter of Rights and Freedom by failing to take sufficient action on climate change, and sought an order requiring the government to implement a Climate Recovery Plan. The plaintiffs appealed the case to the Federal Court of Appeal on November 24, 2020.

Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the affect of increasing the CWC's operating expenses

and in the long-term reducing the demand for its services related to oil, resulting in a decrease in the Company's profitability and a reduction in the value of its assets or asset write-offs.

In addition, there has been public discussion that climate change may be associated with extreme weather conditions and increased volatility in seasonal temperatures. Extreme weather could interfere with CWC's operations. At this time, CWC is unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting its operations.

### **Carbon Pricing Risk**

The majority of countries across the globe have agreed to reduce their carbon emissions. In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The taxes placed on carbon emissions may have the effect of decreasing the demand for oil and natural gas products and at the same time, increasing CWC's operating expenses, each of which may have a material adverse effect on the CWC's profitability and financial condition. Further, the imposition of carbon taxes puts CWC at a disadvantage with its counterparts who operate in jurisdictions where there are less costly carbon regulations.

### **Geopolitical Risks**

Political changes in North America and political instability in the Middle East and elsewhere may cause disruptions in the supply of oil that affects the oil and gas industry. Conflicts, or conversely peaceful developments, arising outside of Canada, including changes in political regimes or parties in power, may have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and result in a reduction of the Company's profitability.

### **Non-Governmental Organizations and Eco-Terrorism Risks**

The business activities conducted by the Company may, at times, be subject to public opposition. Such public opposition could expose the Company to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Aboriginal groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of the federal, provincial or municipal governments, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses, and direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that the Company will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require the Company to incur significant and unanticipated capital and operating expenditures.

In addition, the Company's oilfield services equipment could be the subject of a terrorist attack. If any of the Company's equipment are the subject of a terrorist attack it may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The Company does not have insurance to protect against the risk from terrorism.

### **Equipment and Technology Risks**

Complex drilling programs for the exploration and development of remaining conventional and unconventional oil and natural gas reserves in North America places high demands on drilling rigs, service rigs, swabbing rigs, and related equipment. CWC's ability to deliver equipment and services that are more efficient than equipment and services offered by its competitors is critical to continued success. There is no assurance that competitors will not achieve technological improvements that are more advantageous, timely or cost effective than improvements developed by CWC.

The ability of CWC to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment and there can be no assurance that CWC will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by CWC to do so could have a material adverse effect on CWC's business, financial condition, results of operations and cash flows. No assurances can be given that competitors will not achieve technological advantages over CWC.

In the future, the Company may seek patents or other similar protections in respect of particular tools, equipment and technology; however, the Company may not be successful in such efforts. Competitors may also develop similar tools, equipment and technology to those of the Company thereby adversely affecting the Company's competitive advantage in one or more of its businesses. Additionally, there can be no assurance that certain tools, equipment or technology developed by the Company may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on the business, results of operations and financial condition of the Company.

## **Significant Shareholder**

Brookfield Capital Partners Ltd. and its affiliates (collectively, "Brookfield"), through its ownership of 80.4% of CWC's outstanding voting shares is a significant shareholder. As such, Brookfield will have, subject to applicable law, the ability to determine the outcome of certain matters submitted to shareholders for approval in the future, including the election and removal of directors, amendments to the CWC's corporate governance documents and certain business combinations. CWC's interests and those of its controlling shareholder may at times conflict, and this conflict might be resolved against CWC's interests. The concentration of control in the hands of a significant shareholder may impact the potential for the initiation, or the success, of an unsolicited bid for CWC's securities.

## **Drilling Rig, Service Rig, and Swabbing Rig Unit Construction Risks**

When CWC contracts for the construction of a drilling rig, service rig, or swabbing rig, the cost of construction of the rig and the timeline for completing the construction, are estimated at that time. Actual costs of construction may, however, vary significantly from those estimated as a result of numerous factors, including, without limitation, changes in input costs such as the price of steel; variations in labour rates; and, to the extent that component parts must be sourced from other countries, fluctuations in exchange rates. In addition, several factors could cause delays in the construction of a drilling rig, service rig, or swabbing rig, including, and without limitation, shortages in skilled labour and delays or shortages in the supply of component parts. Construction delays may lead to postponements of the anticipated date for deployment of the newly constructed rig into operation and any such postponement could have a negative effect on cash flows generated from operations, of which the effect may be material.

## **Equipment and Parts Availability**

The Company's ability to expand its operations and provide reliable service is dependent upon timely delivery of new equipment and replacement parts from fabricators and suppliers. A lack of skilled labour to build equipment combined with new competitors entering the oilfield service sector has resulted in increased order times on new equipment and increased uncertainty surrounding final delivery dates. Significant delays in the arrival of new equipment from expected dates may impact future growth and the financial performance of the Company. CWC attempts to mitigate this risk by maintaining strong relations with key fabricators and suppliers.

## **Dependence on Suppliers**

The ability of the Company to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to equipment, parts, components and consumables. Failure of suppliers to deliver such equipment, parts, components and consumables at a reasonable cost and in a timely manner would be detrimental to the Company's ability to maintain existing customers and expand its customer list. No assurances can be given that the Company will be successful in maintaining its required supply of equipment, parts, components and consumables.

The Company's ability to provide services to its customers is also dependent upon the availability at reasonable prices of raw materials which the Company purchases from various suppliers, most of whom are located in Canada or the United States. Alternate suppliers exist for all raw materials. In periods of high industry activity periodic industry shortages of certain materials have been experienced and costs may be affected. In contrast, periods of low industry activity levels may cause financial distress on a supplier, thus limiting their ability to continue to operate and provide the Company with necessary services and supplies.

Management maintains relationships with a number of suppliers in an attempt to mitigate this risk. However, if the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to the Company's customers could have a material adverse effect on CWC's business, financial condition, results of operations and cash flows.

## **Risks of Interruption and Casualty Losses**

CWC's operations are, or will be, subject to many hazards inherent in the well drilling, workover and completion industry, including blowouts, cratering, explosions, fires, loss of well control, loss of hole, damaged or lost drilling equipment and damage or loss from inclement weather or natural disasters and reservoir damage. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage, damage to the property of others and damage to producing or potentially productive oil and natural gas formations. Generally, drilling rig, service rig, and swabbing rig contracts provide for the division of responsibilities between a drilling rig, service rig, or swabbing rig provider and its customer, and CWC will seek to obtain indemnification from its customers by contract for certain of these risks. CWC will also seek protection through insurance. However, CWC cannot ensure that such insurance or indemnification agreements will adequately protect it against liability from all of the consequences of the

hazards described above. The occurrence of an event not fully insured or indemnified against, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, insurance may not be available to cover any or all of these risks, or, even if available, may not be adequate. Insurance premiums or other costs may rise significantly in the future, so as to make such insurance prohibitively expensive or uneconomic.

### **Future Capital Requirements and Future Sales of Common Shares by CWC**

CWC may require additional financing in the future to implement its strategies and business objectives. It is possible that such financing will not be available, or if available, will not be available on favorable terms. CWC may issue additional common shares in the future, which may dilute a shareholder's holdings in CWC or negatively affect the market price of common shares. CWC's articles permit the issuance of an unlimited number of common shares. The directors of CWC have the discretion to determine the price and the terms of issue of further issuances of common shares, subject to applicable law. Also, additional common shares will be issued by CWC on the exercise of stock options granted pursuant to CWC's stock option plan, or pursuant to its restricted share unit plan.

### **Capital and Financial Markets**

As future capital expenditures and potential acquisitions will need to be financed out of cash generated from operations, through debt or, if available, equity offerings, the Company's ability to access new capital is dependent on, among other factors, the overall state of capital markets generally, and the appetite for investments in the energy industry and the Company's securities specifically. All of these factors could have a negative effect on CWC's ability to obtain new capital on acceptable terms, or at all, and this could have a material adverse effect on operations and share price.

### **Environmental Protection**

CWC, is subject to various environmental laws and regulations enacted in most jurisdictions in which the Company operates, which primarily govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Company's operations. CWC believes that all CWC's business lines are currently in compliance with such laws and regulations. CWC's customers are subject to similar laws and regulations, as well as limits on emissions into the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, CWC cannot predict the nature of the restrictions that may be imposed. CWC may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Historically, environmental protection requirements have not had a significant financial operational effect on capital expenditures, earnings or competitive position of the Company. Environmental protection requirements are not presently anticipated to have a significant effect on such matters in the future.

The services provided by CWC, in some cases, involve flammable products being pumped under high pressure. To address these risks, CWC has developed and implemented safety and training programs. In addition, a comprehensive insurance and risk management program has been established to protect CWC's assets and operations. CWC also complies with current environmental requirements and maintains an ongoing participation in various industry-related committees and programs.

The Company has established procedures to address compliance with current environmental laws and regulations and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Company may have the benefit of insurance maintained by it or the operator; however the Company may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

### **Third Party Credit Risk**

CWC is exposed to third party credit risk through its contractual arrangements with other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company.

### **Failure to Realize Anticipated Benefits of Acquisitions**

The Company makes acquisitions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions, retaining key employees and customer relationships and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources, may divert management's focus from other strategic opportunities and operational matters and ultimately the Company may fail to realize anticipated benefits of acquisitions.

## **CWC May Make Dispositions of Businesses and Assets in the Ordinary Course of Business**

Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that CWC can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of CWC, if disposed of, could be expected to realize less than their carrying value on the financial statements of CWC.

### **Tax Matters**

The taxation of companies is complex. In the ordinary course of business, CWC is subject to ongoing audits by tax authorities. While CWC believes that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the tax authorities. In addition, the tax filing positions of businesses acquired by CWC may be reviewed and challenged by the tax authorities. If such challenge were to succeed, it could have a material adverse effect on CWC's tax position. Further, the interpretation of, and changes in, tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect CWC's tax position. As a consequence, CWC is unable to predict with certainty the effect of the foregoing on CWC's effective tax rate and earnings.

CWC regularly reviews the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes materially differ from the provisions, CWC's effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved. CWC intends to mitigate this risk through ensuring staff is well trained and supervised and that tax filing positions are carefully scrutinized by management and external consultants, as appropriate.

There can be no assurance that income tax laws or the interpretation thereof in any of the jurisdictions in which CWC operates will not be changed or interpreted or administered in a manner which adversely affects CWC and its shareholders. In addition, there is no assurance that the Canada Revenue Agency, or a provincial or foreign tax agency (collectively the "Tax Agencies") will agree with the manner in which CWC or its subsidiaries calculate their income or taxable income for tax purposes or that any of the Tax Agencies will not change their administrative practices to the detriment of CWC or its shareholders (or both).

### **Vulnerability to Market Changes**

Fixed costs, including costs associated with leases, labour and depreciation will account for a significant portion of the Company's costs and expenses. As a result, reduced utilization of equipment and other fixed assets resulting from reduced demand, equipment failure, weather or other factors could significantly affect financial results.

### **Alternatives to and Changing Demand for Petroleum Products**

Regulation, fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

### **Interest Rate Risk**

The Company is exposed to interest rate price risk as its bank loan has floating interest rate terms. However, the floating interest rate terms do give rise to interest rate cash flow risk as interest payments are recalculated as the market rates change. Management currently does not see this risk as significant due to Canada's history of reasonably stable interest rates and their expectations of future interest rates.

### **Conflicts of Interest**

Certain of the directors and officers of the Company are also directors and officers of other oil and natural gas exploration and/or production entities and oil and natural gas services companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply, under the ABCA.

### **Legal and Regulatory Proceedings**

The Company is involved in legal and regulatory proceedings from time to time in the ordinary course of business. No assurance can be given as to the final outcome of any legal or regulatory proceedings or that the ultimate resolution of any legal proceedings will not have a material adverse effect on the Company.

## **Intellectual Property Litigation**

Due to the rapid development of oil and natural gas technology, in the normal course of the Company's operations, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings in which it is alleged that the Company has infringed the intellectual property rights of others or which the Company initiates against others it believes are infringing upon its intellectual property rights. The Company's involvement in intellectual property litigation could result in significant expense, adversely affecting the development of its assets or intellectual property or diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Company's favour. In the event of an adverse outcome as a defendant in any such litigation, the Company may, among other things, be required to: (a) pay substantial damages and/or cease the development, use, sale or importation of processes that infringe upon other patented intellectual property; (b) expend significant resources to develop or acquire non-infringing intellectual property; (c) discontinue processes incorporating infringing technology; or (d) obtain licences to the infringing intellectual property. However, the Company may not be successful in such development or acquisition, or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on the Company's business and financial results.

## **Breach of Confidentiality**

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

## **Cyber-Security Threats and Reliance on Information Technology**

CWC's operations are dependent on the functioning of several information technology systems. Exposure of CWC's information technology systems to external threats poses a risk to the security of these systems. Such cyber-security threats include unauthorized access to information technology systems due to hacking, viruses and other causes that can result in service disruptions, system failures and the disclosure, deliberate or inadvertent, of confidential business information. Significant interruption or failure of any or all of these systems could result in operational outages, delays, lost profits, lost data, increased costs, and other adverse outcomes. These factors could include a loss of communication links or reliable information, security breaches by computer hackers and cyber terrorists, and the inability to automatically process commercial transactions or engage in similar automated or computerized business activities.

Further, the Company is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Company becomes a victim to a cyber phishing attack it could result in a loss or theft of the Company's financial resources or critical data and information or could result in a loss of control of the Company's technological infrastructure or financial resources. The Company applies technical and process controls in line with industry-accepted standards to protect our information assets and systems; however, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on our performance and earnings, as well as on our reputation. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

## **Social Media**

Increasingly, social media is used as a vehicle to carry out cyber phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to gain entry into the Company's systems and obtain confidential information. The Company restricts the social media access of its employees and periodically reviews, supervises, retains and maintains the ability to retrieve social media content. Despite these efforts, as social media continues to grow in influence

and access to social media platforms becomes increasingly prevalent, there are significant risks that the Company may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

### **Forward-Looking Information may Prove Inaccurate**

Shareholders and prospective investors are cautioned not to place undue reliance on the company's forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

## **Forward-Looking Information**

*This MD&A contains certain forward-looking information and statements within the meaning of applicable Canadian securities legislation. Certain statements contained in this MD&A, including most of those contained in the section titled "Outlook" and including statements which may contain such words as "anticipate", "could", "continue", "should", "seek", "may", "intend", "likely", "plan", "estimate", "believe", "expect", "will", "objective", "ongoing", "project" and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements including management's assessment of future plans and operations, planned levels of capital expenditures, expectations as to activity levels, expectations on the sustainability of future cash flow and earnings, expectations with respect to crude oil and natural gas prices, activity levels in various areas, expectations regarding the level and type of drilling and production and related drilling and well services activity in the WCSB and U.S. basins, expectations regarding entering into long term drilling contracts and expanding its customer base, and expectations regarding the business, operations, revenue and debt levels of the Company in addition to general economic conditions. Although the Company believes that the expectations and assumptions on which such forward-looking information and statements are based are reasonable, undue reliance should not be placed on the forward-looking information and statements because the Company can give no assurances that they will prove to be correct. Since forward-looking information and statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks including the implications of the COVID-19 health pandemic on the Company's business, operations and personnel. These factors and risks include, but are not limited to, the risks associated with the COVID-19 health pandemic and their implications on the demand and supply in the drilling and oilfield services sector (i.e. demand, pricing and terms for oilfield drilling and services; current and expected oil and gas prices; exploration and development costs and delays; reserves discovery and decline rates; pipeline and transportation capacity; weather, health, safety and environmental risks), significant expansion measures to stop the spread of COVID-19 further restricting or prohibiting the operations of the Company's facilities and operations, actions to ensure social distancing due to COVID-19, the Company's cash saving initiatives, integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties and environmental regulations, stock market volatility and the inability to access sufficient capital from external and internal sources. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through SEDAR at [www.sedar.com](http://www.sedar.com). The forward-looking information and statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. Any forward-looking statements made previously may be inaccurate now.*

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## Reconciliation of Non-IFRS Measures

\$ thousands, except shares, per share amounts and margins	Three months ended		Year ended		
	December 31,		December 31,		
	2020	2019	2020	2019	2018
<b>NON-IFRS MEASURES</b>					
<u>Adjusted EBITDA:</u>					
Net loss	(769)	(854)	(24,490)	(1,700)	(1,702)
Add:					
Stock based compensation	685	329	1,094	921	1,102
Finance costs	308	516	2,134	2,431	2,756
Depreciation and amortization	2,652	3,183	11,001	13,168	16,441
Impairment of assets	-	-	25,451	-	-
Loss (gain) on sale of equipment	(16)	368	844	290	42
Income tax expense (recovery)	2,173	(51)	(4,937)	(2,944)	(150)
<b>Adjusted EBITDA</b> <sup>(1)</sup>	5,034	3,491	11,098	12,166	18,489
<b>Adjusted EBITDA per share – basic and diluted</b> <sup>(1)</sup>	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.04
<b>Adjusted EBITDA margin (Adjusted EBITDA/Revenue)</b> <sup>(1)</sup>	25%	11%	16%	11%	13%
Weighted average number of shares outstanding – basic and diluted	504,081,811	510,443,613	507,104,004	511,106,531	520,576,582
<u>Gross margin:</u>					
Revenue	20,065	30,667	67,893	108,446	144,762
Less: Direct operating expenses	14,078	22,803	49,149	79,609	107,984
<b>Gross margin</b> <sup>(2)</sup>	5,987	7,864	18,744	28,837	36,778
<b>Gross margin percentage</b> <sup>(2)</sup>	30%	26%	28%	27%	25%

\$ thousands	December 31, 2020	December 31, 2019	December 31, 2018
<u>Working capital (excluding debt):</u>			
Current assets	18,323	26,642	26,893
Less: Current liabilities	(7,004)	(9,249)	(8,793)
Add: Current portion of long-term debt	750	1,141	928
<b>Working capital (excluding debt)</b> <sup>(3)</sup>	12,069	18,534	19,028
<u>Net debt:</u>			
Long-term debt	29,481	39,411	43,968
Less: Current assets	(18,323)	(26,642)	(26,893)
Add: Current liabilities	7,004	9,249	8,793
<b>Net debt</b> <sup>(4)</sup>	18,162	22,018	25,868

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

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

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

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