CWC ENERGY SERVICES CORP.

Unaudited Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

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

Stated in thousands of Canadian dollars	Note	**June 30, 2019**	December 31, 2018
ASSETS			
Current			
Cash		**$ 173**	$ 508
Accounts receivable		**15,701**	23,579
Prepaid expenses and deposits		**2,722**	2,806
		18,596	26,893
Property, plant and equipment	5	**222,007**	225,658
Intangibles		**-**	114
		$ 240,603	$ 252,665
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 7,840**	$ 7,865
Current portion of long-term debt	6	**1,357**	928
		9,197	8,793
Deferred tax liability		**12,619**	15,673
Long-term debt	6	**35,261**	43,968
		57,077	68,434
SHAREHOLDERS' EQUITY			
Share capital	7	**260,062**	261,353
Contributed surplus		**14,625**	13,390
Accumulated other comprehensive loss		**(37)**	-
Deficit		**(91,124)**	(90,512)
		183,526	184,231
		$ 240,603	$ 252,665

See accompanying notes to the condensed interim consolidated financial statements.

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

		Three months ended June 30		Six months ended June 30	
Stated in thousands of Canadian dollars except per share amounts	Note	**2019**	2018	**2019**	2018
Revenue	11	**$ 18,746**	$ 22,245	**$ 50,004**	$ 71,170
Expenses	10				
Direct operating expenses		**14,923**	17,904	**37,261**	54,250
Selling and administrative expenses		**3,708**	4,310	**7,936**	9,411
Stock based compensation	7	**197**	237	**426**	522
Finance costs	6	**658**	593	**1,390**	1,283
Depreciation and amortization		**3,002**	2,905	**6,735**	7,918
(Gain) loss on disposal of equipment		**(55)**	407	**(78)**	153
		22,433	26,356	**53,670**	73,537
Loss before income taxes		**(3,687)**	(4,111)	**(3,666)**	(2,367)
Deferred income tax recovery		**3,122**	1,044	**3,054**	496
Net loss		**$ (565)**	$ (3,067)	**$ (612)**	$ (1,871)
Other comprehensive income					
Item that may be reclassified subsequently to net income (loss):					
Unrealized loss on translation of foreign operations		**(35)**	-	**(37)**	-
Comprehensive loss		**$ (600)**	$ (3,067)	**$ (649)**	$ (1,871)
Loss per share					
Basic and diluted	7	**(0.01)**	(0.01)	**(0.01)**	(0.01)

See accompanying notes to the condensed interim consolidated financial statements.

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

Stated in thousands of Canadian dollars except share amounts	Note	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive loss	Deficit	Total Equity
Balance – December 31, 2017		521,378,958	$ 266,720	$ 8,609	$ -	$ (88,810)	$ 186,519
Net loss		-	-	-	-	(1,871)	(1,871)
Stock based compensation expense	7	-	-	522	-	-	522
Exercise of stock options	7	1,033,335	230	(82)	-	-	148
Settlement of restricted share units	7	305,667	57	(57)	-	-	-
Cancellation of common shares purchased under normal course issuer bid	7	(2,254,000)	(1,249)	765	-	-	(484)
Balance – June 30, 2018		520,463,960	$ 265,758	$ 9,757	$ -	$ (90,681)	$ 184,834
Balance – December 31, 2018		512,509,291	$ 261,353	$ 13,390	$ -	$ (90,512)	$ 184,231
Net loss		-	-	-	-	(612)	(612)
Stock based compensation expense	7	-	-	426	-	-	426
Settlement of restricted share units	7	377,000	73	(73)	-	-	-
Other comprehensive loss		-	-	-	(37)	-	(37)
Cancellation of common shares purchased under normal course issuer bid	7	(2,536,000)	(1,364)	882	-	-	(482)
Balance – June 30, 2019		510,350,291	$ 260,062	$ 14,625	$ (37)	$ (91,124)	$ 183,526

See accompanying notes to the condensed interim consolidated financial statements.

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

Stated in thousands of Canadian dollars	Note	Three months ended June 30 **2019**	Three months ended June 30 2018	Six months ended June 30 **2019**	Six months ended June 30 2018
Operating activities:					
Net loss		**$ (565)**	$ (3,067)	**$ (612)**	$ (1,871)
Adjustments for:					
Stock based compensation expense	7	**197**	237	**426**	522
Finance costs		**658**	593	**1,390**	1,283
Depreciation and amortization		**3,002**	2,905	**6,735**	7,918
(Gain) loss on disposal of equipment		**(55)**	407	**(78)**	153
Deferred income tax recovery		**(3,122)**	(1,044)	**(3,054)**	(496)
Funds from operations		**115**	31	**4,807**	7,509
Changes in non-cash working capital balances	8	**9,183**	20,443	**7,937**	12,230
Operating cash flow		**9,298**	20,474	**12,744**	19,739
Investing activities:					
Purchase of equipment		**(1,849)**	(6,063)	**(2,411)**	(6,696)
Proceeds on disposal of equipment		**54**	1,020	**296**	1,974
Investing cash flow		**(1,795)**	(5,043)	**(2,115)**	(4,722)
Financing activities:					
Repayment of long-term debt		**(6,533)**	(14,553)	**(8,773)**	(13,278)
Interest paid		**(549)**	(547)	**(1,203)**	(1,204)
Finance costs paid		**(23)**	(32)	**(23)**	(32)
Finance lease repayments		**(216)**	(79)	**(446)**	(153)
Common shares issued on exercise of options	7	**-**	29	**-**	148
Common shares purchased under NCIB	7	**(111)**	(195)	**(482)**	(484)
Financing cash flow		**(7,432)**	(15,377)	**(10,927)**	(15,003)
Increase (decrease) in cash during the period		**71**	54	**(298)**	14
Effect of exchange rate changes on cash and cash equivalents		**(35)**	-	**(37)**	-
Cash, beginning of period		**137**	55	**508**	95
Cash, end of period		**$ 173**	$ 109	**$ 173**	$ 109

See accompanying notes to condensed interim consolidated financial statements.

1. Reporting entity

CWC Energy Services Corp. ("CWC" or the "Company") is incorporated under the Business Corporations Act (Alberta). The address of the Company's head office is Suite 610, 205 – 5th Avenue SW, Calgary, Alberta, Canada. The Company is an oilfield services company providing drilling and production services to oil and gas exploration and development companies throughout the Western Canadian Sedimentary Basin ("WCSB") and the Bakken, Denver-Julesburg ("DJ"), Eagle Ford and Permian basins located in the United States. These consolidated financial statements reflect only the Company's proportionate interests in such activities and are comprised of the Company and its subsidiaries. The Company's common stock is listed and traded on the TSX Venture Exchange under the symbol CWC. Additional information regarding CWC's business is available in CWC's most recent Annual Information Form available on SEDAR at www.sedar.com, on the Company's website www.cwcenergyservices.com, or by contacting the Company at the address noted above.

2. Basis of presentation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2018.

These condensed interim consolidated financial statements were approved by the Board of Directors on July 31, 2019.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2018 other than as described below.

Property, plant and equipment

Effective April 1, 2019 the Company changed the method for depreciating its drilling and well servicing rigs from unit of production to straight line and 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 deprecation 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. These adjustments were applied prospectively and caused an increase in depreciation for Q2 2019 of $697. The following is a summary of depreciation estimates for the Company's property and equipment as of April 1, 2019.

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

Assets	Method	Rate
Drilling rigs and related equipment	Straight-line with residual values of up to-10%	25 years
Buildings	Straight-line with residual values of up to-20%	25 years
Production equipment – service rigs	Straight-line with residual values of up to-10%	25 years
Production equipment - swabbing rigs and Service Rig Level IV recertifications	Unit of production	24,000 operating hours
Production equipment – coil	Straight-line with residual values of up to-20%	10 years
Support equipment	Straight-line with residual values of up to-15%	2 to 10 years
Miscellaneous equipment	Straight-line with no residual value	3 to 5 years

3. Significant accounting policies

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2018, except for the adoption of IFRS 16 – Leases and Foreign Currency Translation. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2018 as filed on SEDAR.

(a) IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16"), which replaces the existing IFRS guidance on leases: IAS 17 Leases ("IAS 17"). Under IAS 17, lessees were required to determine if the lease is a finance or operating lease, based on specified criteria of whether the lease transferred significantly all the risks and rewards associated with ownership of the underlying asset. Finance leases are recognized on the balance sheet while operating leases are recognized in the Consolidated Statements of Income when the expense is incurred. IFRS 16 introduced a single lease accounting model for lessees which require a Right-of-Use ("ROU") asset and lease liability to be recognized on the balance sheet for contracts that are, or contain, a lease. The Company's leases under IFRS 16 primarily consist of vehicle leases, which were previously classified as finance leases, and office leases, which were previously classified as operating leases.

The Company has adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Company's financial statements are not restated.

For leases that were previously classified as finance leases under IAS 17, the carrying amount of the ROU asset and lease liability remain unchanged upon transition and were determined at the carrying amount immediately before the adoption date.

For leases that were previously classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate on January 1, 2019. ROU assets were measured at an amount equal to the lease liability. The recognition of the present value of minimum lease payments resulted in additional $645 of ROU assets and associated lease liabilities.

The adoption of IFRS 16 included the following elections:

- Elected to not recognize ROU assets and liabilities for leases term of less than 12 months, or for leases of low value.
- Elected to exclude initial direct costs from measuring the ROU asset at the date of initial application.
- Elected to apply a single discount rate to portfolio of leases with similar characteristics.
- Elected to use hindsight in determining lease term.

As a result of this adoption, the Company has revised the description of its accounting policy for leases as follows:

Leases

A contract is, or contains, a lease if the contract conveys the right of control the use of an identified asset for a period of time in exchange for considerations. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation. At the commencement date, a corresponding ROU is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs. Depreciation is recognized on the ROU asset over the lease term.

The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires management to make judgements, estimates, and key assumptions that affect the reported amount of asset, liabilities, income, and expense. Actual results could differ significantly from these estimates. Key areas where management has made judgements, estimates, and assumptions related to the adoption of IFRS 16 include:

- Incremental borrowing rate: The incremental borrowing rates are based on judgements including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the ROU asset, lease obligations, and the resulting interest and depletion and depreciation expense, may differ due to changes in the market conditions and lease term.
- Lease term: Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

(b) Foreign Currency Translation

Functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operate and is normally the currency in which the entity primarily generates and expends cash. The financial statements of the Company's subsidiaries are translated into Canadian dollars, which is the presentation currency of the Company. The assets and liabilities of subsidiaries whose functional currencies are other than Canadian dollars are translated into Canadian dollars at the foreign exchange rate at the balance sheet date, while revenues and expenses of such subsidiaries are translated using average monthly foreign exchange rates, which approximate the foreign exchange rates on the dates of the transactions. Foreign exchange differences arising on translation are included in Other Comprehensive Income ("OCI").

The Company's transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate at the balance sheet date and differences arising on translation are recognized in net earnings. Non-monetary assets that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of the transactions.

4. Seasonality and Weather

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

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

5. Property, plant and equipment

	Contract drilling equipment	Production services property, plant and equipment	Other equipment	Total
Costs				
Balance, December 31 2018	$ 119,532	$ 255,655	$ 1,942	$ 377,129
Right of Use assets	92	553	-	645
Balance, January 1, 2019	119,624	256,208	1,942	377,774
Additions	1,120	1,237	61	2,418
Additions right of use assets	46	87	-	133
Disposals	-	(400)	-	(400)
Balance, June 30, 2019	120,790	257,132	2,003	379,925
Accumulated depreciation and impairment losses				
Balance, December 31, 2018	26,282	123,376	1,813	151,471
Depreciation	3,055	3,532	28	6,615
Disposals	-	(168)	-	(168)
Balance, June 30, 2019	29,337	126,740	1,841	157,918
Net book value				
Balance, June 30, 2019	$ 91,453	$ 130,392	$ 162	$ 222,007

The following table discloses the depreciation relating to ROU assets by class for the six months ended June 30, 2019 as well as their ending net book value at June 30, 2019.

	Depreciation	Net Book Value
Automobiles	$ 168	$ 648
Office space	240	405
Balance, June 30, 2019	$ 408	$ 1,053

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

6. Loans and borrowings

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

	June 30, 2019	December 31, 2018
Current liabilities:		
Current portion of Lease liabilities	**$ 775**	$ 346
Current portion of Mortgage Loan	**582**	582
	$ 1,357	$ 928
Non-current liabilities:		
Bank Loan	**$ 23,604**	$ 32,087
Mortgage Loan	**11,636**	11,927
Lease liabilities	**284**	381
Financing fees	**(263)**	(427)
	$ 35,261	$ 43,968
Total loans and borrowings	**$ 36,618**	$ 44,896

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

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company's trailing Consolidated Debt(2) to Consolidated Adjusted EBITDA(1) ratio from a minimum of the bank's prime rate plus 0.75% to a maximum of the bank's prime rate plus 3.75% or from a minimum of the bankers acceptances rate plus a stamping fee of 1.75% to a maximum of the bankers acceptances rate plus a stamping fee of 4.75%. Standby fees under the Bank Loan range between 0.39% and 1.07%. Interest and fees under the Bank Loan are payable monthly. The Company has the option to borrow funds denominated in either Canadian or United States dollars under the Credit Facility. Borrowings under the Bank Loan are limited to an aggregate of 75% of accounts receivable outstanding less than 90 days plus 60% of the net book value of property and equipment less certain priority payables. As at June 30, 2019, of the $75,000 Bank Loan facility, $51,396 was available for immediate borrowing and $23,604 was outstanding (December 31, 2018: $32,087). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings up to $125,000, subject to the approval of the lenders. The Bank Loan is secured by a security agreement covering all of the assets of the Company and a first charge Security Interest covering all assets of the Company (other than real estate assets related to the Mortgage Loan). Effective December 31, 2018, the applicable rates under the Bank Loan are: bank prime rate plus 1.00%, banker's acceptances rate plus a stamping fee of 2.00%, and standby fee rate of 0.45%.

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

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

	Covenant limits	June 30, 2019
Consolidated Debt(2) to Consolidated Adjusted EBITDA(1)	4.00:1.00 or less	1.44:1.00
Consolidated Debt(2) to Capitalization(3)	0.50:1.00 or less	0.19:1.00
Consolidated Adjusted Cash Flow(4) to Consolidated Finance Obligations(5)	1.15:1.00 or more	4.47:1.00

(1) Consolidated Adjusted EBITDA is calculated as net income plus finance costs, plus current and deferred income taxes, plus depreciation, plus stock based compensation, plus any non-recurring losses or impairment losses, or permitted severance costs, minus any non-recurring gain, plus any expenses related to corporate or business acquisitions with all amounts being for the twelve month period ended the calculation date. Consolidated Adjusted EBITDA is adjusted to reflect the inclusion of material acquisitions or material dispositions on a pro forma basis for the twelve month period ended the calculation date. Consolidated Adjusted EBITDA is increased if debt repayments from the proceeds of equity issuance are used to repay the syndicated facility and designated by the Company as an Equity Cure amount.
(2) Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted to exclude the funds held in the segregated account and to remove any financing fees included.
(3) Capitalization is calculated as Consolidated Debt plus Shareholders' Equity as at the calculation date.
(4) Consolidated Adjusted Cash Flow is calculated as Consolidated Adjusted EBITDA minus amounts paid for transaction costs, dividends or share repurchases in the twelve month period ended the calculation date. The Calculation of Adjusted Cash Flow excludes Consolidated Adjusted EBITDA resulting from an Equity Cure.
(5) Consolidated Finance Obligations is calculated as finance costs plus scheduled principal payments on debt including scheduled principal payments under finance leases minus accretion of finance fees included in finance costs for the twelve month period ended the calculation date.

Mortgage Loan is a loan maturing on June 28, 2023 that is amortized over 22 years with blended monthly principal and interest payments of $86. At maturity, approximately $9,891 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 June 30, 2019 the mark-to-market value of the interest rate swap of $428 is included within accounts payable and accrued liabilities on the Consolidated Statements of Financial position (December 31, 2018: $206). For the three months ended June 30, 2019 the mark-to-mark value of the interest rate swap resulted in a loss of $51 included within finance costs on the Consolidated Statements of Comprehensive Loss.

Lease liabilities consist of automobiles and office space which mature in 1 to 3 years. The incremental borrowing rate applied to the individual leases liabilities vary from 4.0-6.4% per annum. During the quarter interest expense on leased liabilities was $16 and expenses relating to short-term leases was $nil.

Financing fees consist of commitment fees and legal expenses relating to the Credit Facility and are being amortized using the effective interest rate method over the term of the Credit Facility. For the three months ended of June 30, 2019 financing fees of $146 and for the six months ended June 30, 2019 $187 were amortized and included in finance costs (year ended December 31, 2018: $162).

7. Share capital

(a) Authorized

Unlimited number of Common voting shares without par value.
Unlimited number of Preferred shares without par value.

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

(b) Normal course issuer bid

On April 10, 2018, the Company initiated a Normal Course Issuer Bid ("NCIB") which expired on April 9, 2019. Under this expired NCIB the Company was entitled to purchase, from time to time up to 26,057,889 of issued and outstanding common shares through the facilities of the TSXV or other recognized marketplaces. In addition, CWC entered into an automatic securities purchase plan (the "ASPP") (as defined under applicable securities laws) with Raymond James Ltd. ("Raymond James") for the purpose of making purchases under the ASPP. Such purchases were determined by Raymond James in its sole discretion, without consultation with CWC having regard to the price limitation and aggregate purchase limitation and other terms of the ASPP and the rules of the TSXV. Conducting the NCIB as an ASPP allows common shares to be purchased at times when CWC would otherwise be prohibited from doing so pursuant to securities laws and its internal trading policies.

On April 15, 2019, the Company replaced its expired NCIB with a new NCIB which now expires on April 14, 2020. Under the new NCIB the Company may purchase, from time to time as it considers advisable, up to 25,535,115 of issued and outstanding common shares through the facilities of the TSXV or other recognized marketplaces. In addition, CWC renewed its ASPP with Raymond James for the purpose of making purchases under the ASPP.

For the three months ended June 30, 2019, 623,000 shares (2018: 1,023,000) for consideration of $111 including commissions (2018: $195) were purchased under the NCIB, and for the six months ended June 30, 2019, 2,673,500 shares (2018: 2,417,500) for consideration of $482 including commissions (2018: 484) were purchased under the NCIB. In the three months ended June 30, 2019, a total of 744,000 shares were cancelled and returned to treasury (2018: 935,500), and in the six months ended June 30, 2019, a total of 2,536,000 shares were cancelled and returned to treasury (2018: 2,254,000).

(c) Stock options

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

	Number of options	**Weighted average exercise price**
Balance at December 31, 2018	**24,351,333**	**0.25**
Expired	**(1,700,000)**	**1.04**
Forfeited	**(423,000)**	**0.19**
Balance at June 30, 2019	**22,228,333**	**0.19**

For the three months ended June 30, 2019, stock-based compensation expense relating to stock options totaled $109 (three months ended June 30, 2018: $162). For the six months ended June 30, 2019, stock-based compensation expense relating to stock options totaled $252 (six months ended June 30, 2018: $352).

(d) Restricted share unit plan

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

Issue date fair value	Number of RSUs outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price ($)	Number of RSUs exercisable
$0.14 – $0.23	**5,551,001**	**2.54**	**n/a**	**707,997**

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

For the three months ended June 30, 2019, stock-based compensation expense relating to RSUs totaled $88 (2018: $95). For the six months ended June 30, 2019, stock-based compensation expense relating to RSUs totaled $174 (2018: $170).

For the six months ended June 30, 2019, 377,000 RSUs were exercised (2018: 305,667), 36,000 RSUs were forfeited (2018: 227,000) and 54,000 RSUs were issued (2018: 54,000).

(e) Weighted average common shares outstanding

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

	For the three months ended June 30,		**For the six months ended June 30,**	
	2019	2018	**2019**	2018
Weighted average common shares outstanding – basic	**510,978,053**	521,289,658	**511,823,718**	521,682,326
Effect of dilutive share-based compensation plans	**-**	-	**-**	-
Weighted average common shares outstanding – basic and diluted	**510,978,053**	521,289,658	**511,823,718**	521,682,326

Outstanding stock options and RSUs are currently the only instruments which could potentially dilute earnings per share.

8. Supplemental cash flow information

	For the three months ended June 30,		**For the six months ended June 30,**	
	2019	2018	**2019**	2018
Increase (decrease) in non-cash working capital items:				
Accounts receivable	**$ 9,036**	$ 20,186	**$ 7,878**	$ 11,290
Prepaid expenses and deposits	**(349)**	84	**84**	67
Accounts payable and accrued liabilities	**496**	173	**(25)**	873
	$ 9,183	$ 20,443	**$ 7,937**	$ 12,230

9. Operating segments

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

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

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

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

The amounts related to each industry segment are as follows:

For the three months ended June 30, 2019	**Contract Drilling**	**Production Services**	**Corporate**	**Total**
Revenue	**$ 3,388**	**$ 15,358**	**$ -**	**$ 18,746**
Direct operating expenses	**2,898**	**12,025**	**-**	**14,923**
Selling and administrative expenses	**400**	**2,382**	**926**	**3,708**
Stock based compensation	**-**	**-**	**197**	**197**
Finance costs	**-**	**-**	**658**	**658**
Gain on disposal of equipment	**-**	**(55)**	**-**	**(55)**
Depreciation	**924**	**1,818**	**260**	**3,002**
Loss before tax	**(834)**	**(812)**	**(2,041)**	**(3,687)**
Deferred income tax recovery	**-**	**-**	**(3,122)**	**(3,122)**
Net loss	**$ (834)**	**$ (812)**	**$ 1,081**	**$ (565)**
Capital expenditures	**$ 1,164**	**$ 692**	**$46**	**$ 1,902**
As at June 30, 2019				
Property, plant and equipment	**$ 91,453**	**$ 130,392**	**$ 162**	**$ 222,007**
Intangibles	**$ -**	**$ -**	**$ -**	**$ -**

For the three months ended June 30, 2018	**Contract Drilling**	**Production Services**	**Corporate**	**Total**
Revenue	$ 2,824	$ 19,421	$ -	$ 22,245
Direct operating expenses	2,672	15,232	-	17,904
Selling and administrative expenses	331	2,640	1,339	4,310
Stock based compensation	-	-	237	237
Finance costs	-	-	593	593
Loss on disposal of equipment	-	407	-	407
Depreciation	632	2,048	225	2,905
Loss before tax	(811)	(906)	(2,394)	(4,111)
Deferred income tax recovery	-	-	(1,044)	(1,044)
Net loss	$ (811)	$ (906)	$ (1,350)	$ (3,067)
Capital expenditures	$ 4,986	$ 1,123	$ -	$ 6,109
As at June 30, 2018				
Property, plant and equipment	$ 94,758	$ 134,470	$ 142	$ 229,370
Intangibles	$ 267	$ -	$ -	$ 267

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

For the six months ended June 30, 2019	**Contract Drilling**	**Production Services**	**Corporate**	**Total**
Revenue	**$ 12,508**	**$ 37,496**	**$ -**	**$ 50,004**
Direct operating expenses	**9,743**	**27,518**	**-**	**37,261**
Selling and administrative expenses	**676**	**4,919**	**2,341**	**7,936**
Stock based compensation	**-**	**-**	**426**	**426**
Finance costs	**-**	**-**	**1,390**	**1,390**
Gain on disposal of equipment	**-**	**(78)**	**-**	**(78)**
Depreciation	**2,347**	**3,870**	**518**	**6,735**
Income (loss) before tax	**(258)**	**1,267**	**(4,675)**	**(3,666)**
Deferred income tax recovery	**-**	**-**	**(3,054)**	**(3,054)**
Net income (loss)	**$ (258)**	**$ 1,267**	**$ (1,621)**	**$ (612)**
Capital expenditures	**$ 1,258**	**$ 1,877**	**$ 61**	**$ 3,196**

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

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

10. Expenses by nature

For the three months ended June 30, 2019	**Direct operating expenses**	**Selling and administrative expenses**	**Stock based compensation**	**Finance costs**	**Depreciation expense**	**Gain on disposal of equipment**	**Total**
Personnel expenses	**$ 10,335**	**$ 2,364**	**$ 197**	**$ -**	**$ -**	**$ -**	**$ 12,896**
Third party charges	**2,228**	**-**	**-**	**-**	**-**	**-**	**2,228**
Repairs and maintenance	**2,360**	**-**	**-**	**-**	**-**	**-**	**2,360**
Other selling and administrative expenses	**-**	**1,067**	**-**	**-**	**-**	**-**	**1,067**
Bad debt recovery	**-**	**(60)**	**-**	**-**	**-**	**-**	**(60)**
Facility expenses	**-**	**337**	**-**	**-**	**-**	**-**	**337**
Depreciation expense	**-**	**-**	**-**	**-**	**3,002**	**-**	**3,002**
Finance costs	**-**	**-**	**-**	**658**	**-**	**-**	**658**
Gain on disposal of equipment	**-**	**-**	**-**	**-**	**-**	**(55)**	**(55)**
Total	**$ 14,923**	**$ 3,708**	**$ 197**	**$ 658**	**$ 3,002**	**$ (55)**	**$ 22,433**

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

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

For the six months ended June 30, 2019	**Direct operating expenses**	**Selling and administrative expenses**	**Stock based compensation**	**Finance costs**	**Depreciation expense**	**Gain on disposal of equipment**	**Total**
Personnel expenses	**$ 26,021**	**$ 5,283**	**$ 426**	**$ -**	**$ -**	**$ -**	**$ 31,730**
Third party charges	**4,480**	**-**	**-**	**-**	**-**	**-**	**4,480**
Repairs and maintenance	**6,760**	**-**	**-**	**-**	**-**	**-**	**6,760**
Other selling and administrative expenses	**-**	**1,965**	**-**	**-**	**-**	**-**	**1,965**
Bad debt recovery	**-**	**(28)**	**-**	**-**	**-**	**-**	**(28)**
Facility expenses	**-**	**716**	**-**	**-**	**-**	**-**	**716**
Depreciation expense	**-**	**-**	**-**	**-**	**6,735**	**-**	**6,735**
Finance costs	**-**	**-**	**-**	**1,390**	**-**	**-**	**1,390**
Gain on disposal of equipment	**-**	**-**	**-**	**-**	**-**	**(78)**	**(78)**
Total	**$ 37,261**	**$ 7,936**	**$ 426**	**$ 1,390**	**$ 6,735**	**$ (78)**	**$ 53,670**

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

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

11. Revenue

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

The following table presents the Company's revenue disaggregated by type. Revenue has been disaggregated by primary geographical market and type of service provided.

For the three months ended June 30, 2019	**Contract Drilling**	**Production Services**			**Total**
	Drilling Rigs	**Service Rigs**	**Swabbing Rigs**	**Coil Tubing**	
Canada	**$ 1,638**	**$ 14,936**	**$ 173**	**$ 249**	**$ 16,996**
United States	**1,750**	**-**	**-**	**-**	**1,750**
Revenue	**$ 3,388**	**$ 14,936**	**$ 173**	**$ 249**	**$ 18,746**

For the three months ended June 30, 2018	Contract Drilling	Production Services			Total
	Drilling Rigs	Service Rigs	Swabbing Rigs	Coil Tubing	
Canada	$ 2,824	$ 18,243	$ 254	$ 924	$ 22,245
United States	-	-	-	-	-
Revenue	$ 2,824	$ 18,243	$ 254	$ 924	$ 22,245

For the six months ended June 30, 2019	**Contract Drilling**	**Production Services**			**Total**
	Drilling Rigs	**Service Rigs**	**Swabbing Rigs**	**Coil Tubing**	
Canada	**$ 10,758**	**$ 35,637**	**$ 650**	**$ 1,209**	**$ 48,254**
United States	**1,750**	**-**	**-**	**-**	**1,750**
Revenue	**$ 12,508**	**$ 35,637**	**$ 650**	**$ 1,209**	**$ 50,004**

For the six months ended June 30, 2018	Contract Drilling	Production Services			Total
	Drilling Rigs	Service Rigs	Swabbing Rigs	Coil Tubing	
Canada	$ 14,509	$ 52,607	$ 953	$ 3,101	$ 71,170
United States	-	-	-	-	-
Revenue	$ 14,509	$ 52,607	$ 953	$ 3,101	$ 71,170

Included in accounts receivable at June 30, 2019 was $3,096 (December 31, 2018: $1,789) of accrued revenue for services provided in the month then ended. There have been no significant adjustments for prior period accrued revenue in the current period.

As of June 30, 2019, the Company did not have any sales contracts beyond one year in term.