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 July 31, 2019 and should be read in conjunction with unaudited condensed interim consolidated financial statements ("Financial Statements") for the six months ended June 30, 2019, the audited annual consolidated financial statements for the year ended December 31, 2018 ("Annual Financial Statements"), and the annual management's discussion and analysis for the year ended December 31, 2018 ("Annual MD&A"). Additional information regarding CWC can be found in the Company's latest Annual Information Form ("AIF"). The condensed interim consolidated financial statements are prepared in accordance with IFRS and IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements. All amounts are expressed in Canadian dollars unless otherwise noted. Additional information relating to CWC, is available on SEDAR at www.sedar.com.

Financial Highlights

$ thousands, except shares, per share amounts, and margins	Three months ended June 30, 2019	2018	Change %	Six months ended June 30, 2019	2018	Change %
FINANCIAL RESULTS						
Revenue						
Contract drilling	3,388	2,824	20%	12,508	14,509	(14%)
Production services	15,358	19,421	(21%)	37,496	56,661	(34%)
	18,746	22,245	(16%)	50,004	71,170	(30%)
Adjusted EBITDA [1]	115	31	n/m[2]	4,807	7,509	(36%)
Adjusted EBITDA margin (%) [1]	1%	0%		10%	11%	
Funds from operations	115	31	n/m[2]	4,807	7,509	(36%)
Net loss and comprehensive loss	(565)	(3,067)	(82%)	(612)	(1,871)	(67%)
Net loss and comprehensive loss margin (%)	(3%)	(14%)	(11%)	(1%)	(3%)	(2%)
Capital Expenditure	1,902	6,109	(69%)	3,196	7,074	(55%)
Per share information:						
Weighted average number of shares outstanding – basic and diluted	510,978,053	521,289,658		511,823,718	521,682,326	
Adjusted EBITDA[1] per share- basic and diluted	$0.00	$0.00		$0.01	$0.01	
Net loss per share – basic and diluted	($0.01)	($0.01)		($0.01)	($0.00)	

$ thousands, except ratios	June 30, 2019	December 31, 2018
FINANCIAL POSITION AND LIQUIDITY		
Working capital (excluding debt) [1]	10,756	19,028
Working capital (excluding debt) ratio [1]	2.4:1	3.4:1
Total assets	240,603	252,665
Total long-term debt (including current portion)	36,618	44,896
Shareholders' equity	183,526	184,231

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

(2) Not meaningful.

Working capital (excluding debt) for June 30, 2019 has decreased $8.3 million (43%) since December 31, 2018 driven by a $0.3 million (66%) decrease in cash, $7.9 million (33%) decrease in accounts receivable, a $0.1 million (3%) decrease in prepaid expenses and deposits, and a $0.03 million (0%) decrease in accounts payable. Due to the seasonality of the oilfield service business in Canada, working capital is typically lowest in Q2 and builds throughout the next three quarters. Long-term debt (including current portion) has decreased $8.3 million (18%) from December 31, 2018 driven by the collection of accounts receivable combined with seasonally lower activity in Q2 2019 compared to Q4 2018. Shareholders' equity has decreased since December 31, 2018 due to the net loss for the six months ended June 30, 2019 and the purchase and cancellation of common shares under the NCIB program, partially offset by issuance of common shares under the Company's restricted share plans.

Highlights for the Three Months Ended June 30, 2019

- Average Q2 2019 crude oil pricing, as measured by WTI, of US$59.89/bbl was 9% higher than the Q1 2019 average price of US$54.87/bbl (Q2 2018: $67.97/bbl). The price differential in Q2 2019 between Canadian heavy crude oil, as represented by WCS, and WTI maintained a differential in the range of US$10.00/bbl to US$15.00/bbl as the Government of Alberta mandated crude oil production curtailment was reduced from 250,000 bbls/day at the start of Q2 2019 to 175,000 bbls/day by the end of Q2 2019. Natural gas prices, as measured by AECO, decreased 57% from an average of $1.84/GJ in Q1 2019 to $0.79/GJ in Q2 2019 (Q2 2018 $1.14/GJ), which is very low in historical terms.

- CWC moved two Contract Drilling rigs into the United States in Q2 2019 with operations beginning in mid-June 2019. U.S. Contract Drilling revenue of $1.7 million and 25 drilling rig operating days for Q2 2019 was achieved. Q2 2019 average revenue per operating day of US $54,188 was largely due to customer recovery of mobilization costs to relocate equipment from Canada to the Eagle Ford basin in Texas and the DJ basin in Wyoming.

- CWC's Canadian drilling rig utilization in Q2 2019 of 11% (Q2 2018: 16%) was below the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 18%, as CWC's customers reduced or delayed their drilling programs in the quarter. Activity levels decreased 46% to 72 drilling rig operating days in Q2 2019 (Q2 2018: 133 drilling rig operating days) as the Company prepared to move two drilling rigs to its U.S. operations. CWC's U.S. drilling rig utilization in Q2 2019 was 69% (Q2 2018: n/a) as CWC started its U.S. drilling operations in mid-June 2019. CWC's service rig utilization in Q2 2019 of 28% (Q2 2018: 30%) was driven by 23,129 operating hours being 20% lower than the 28,831 operating hours in Q2 2018. The significant drop in Q2 2019 activity level for both the drilling rigs and our production-oriented service rigs was a direct result of a prolonged spring breakup and wet weather conditions combined with a lower crude oil price during the quarter, compared to a year ago. In addition, the Government of Alberta mandated production curtailment continued to temporarily slow down the need for newly drilled wells and workover and maintenance work on producing wells. These lower activity levels resulted in lower revenue in Q2 2019 compared to Q2 2018, while Adjusted EBITDA (1) and net loss stayed constant as a result of management's unrelenting focus on reducing costs, as noted below.

- Revenue of $18.7 million, a decrease of $3.5 million (16%) compared to $22.2 million in Q2 2018.

- Adjusted EBITDA (1) of $0.1 million, an increase of $0.07 million compared to $0.03 million in Q2 2018. CWC has achieved 24 consecutive quarters of positive Adjusted EBITDA since Q2 2013.

- Net loss of $0.6 million, a decrease of $2.5 million compared to net loss of $3.1 million in Q2 2018.

- During Q2 2019, 623,000 (Q2 2018: 1,023,000) common shares were purchased under the Normal Course Issuer Bid ("NCIB") and 744,000 common shares (Q2 2018: 935,500) were cancelled and returned to treasury.

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

Highlights for the Six Months Ended June 30, 2019

- CWC's Canadian drilling rig utilization in the first six months of 2019 of 31% (2018: 39%) exceeded the CAODC industry average of 27%. CWC's U.S. drilling rig utilization in the first six months of 2019 was 69% (Q2 2018: n/a) as CWC started its U.S. drilling operations in mid-June 2019. CWC's service rig utilization in the first six months of 2019 was 28% compared to 43% in the same period in 2018. Activity levels in both the drilling rig and service rig divisions dropped in 2019 as a result of CWC's exploration and production ("E&P") customers reducing or delaying their drilling and well maintenance programs as a result of lower crude oil prices and the Government of Alberta mandated production curtailment temporarily slowing down the need for newly drilled wells and workover and maintenance work on producing wells.

- Revenue of $50.0 million, a decrease of $21.2 million (30%) compared to $71.2 million in the first six months of 2018.
- Adjusted EBITDA(1) of $4.8 million, a decrease of $2.7 million (36%) compared to $7.5 million in the first six months of 2018.
- Net loss of $0.6 million, a decrease of $1.2 million (67%) compared to $1.9 million in the first six months of 2018.
- For the six months ended June 30, 2019, the Company purchased 2,673,500 (2018: 2,417,500) common shares under its NCIB and 2,536,000 (2018: 2,254,000) common shares were cancelled and returned to treasury.

(1) Please refer to the "Reconciliation of Non-IFRS Measures" section for further information

Corporate Overview

CWC Energy Services Corp. is a premier contract drilling and well servicing company operating in Canada and the United States with a complementary suite of oilfield services including drilling rigs, service rigs, swabbing rigs and coil tubing units. The Company's corporate office is located in Calgary, Alberta, with a U.S. office in Houston, Texas 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

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 Western Canadian Sedimentary Basin ("WCSB"), including the Montney, Cardium, Duvernay and other deep basin horizons. The Company has expanded its drilling rig services into select United States basins including the Permian, 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.

	Three months ended							
OPERATING HIGHLIGHTS	**Jun. 30, 2019**	**Mar. 31, 2019**	**Dec. 31, 2018**	**Sep. 30, 2018**	**Jun. 30, 2018**	**Mar. 31, 2018**	**Dec. 31, 2017**	**Sep. 30, 2017**
Drilling Rigs - Canada								
Total drilling rigs, end of period	7	9	9	9	9	9	9	9
Revenue per operating day (1)	$22,750	$23,895	$26,642	$21,263	$21,227	$23,485	$23,572	$19,424
Drilling rig operating days	72	382	491	500	133	498	463	522
Drilling rig utilization % (2)	11%	47%	59%	60%	16%	61%	56%	63%
CAODC industry average utilization %	18%	29%	28%	30%	17%	52%	28%	29%
Wells drilled	10	39	34	41	11	45	30	29
Average days per well	8.0	9.8	14.4	12.2	12.1	11.1	15.0	18.0
Meters drilled (thousands)	26.7	119.8	127.8	155.2	41.0	161.7	161.1	112.2
Meters drilled per day	373	314	261	310	309	325	277	215
Average meters per well	2,966	3,070	3,708	3,786	3,724	3,593	4,270	3,869

(1) 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.
(2) Drilling rig utilization is calculated based on operating days (i.e. spud to rig release basis) in accordance with the methodology prescribed by the CAODC.

OPERATING HIGHLIGHTS	Three months ended Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017
Drilling Rigs - United States								
Total drilling rigs, end of period	2	-	-	-	-	-	-	-
Revenue per operating day(US$) [(1)]	$54,188	-	-	-	-	-	-	-
Drilling rig operating days	25	-	-	-	-	-	-	-
Drilling rig utilization % [(2)]	69%	-	-	-	-	-	-	-
Wells drilled	1	-	-	-	-	-	-	-
Average days per well	16.6	-	-	-	-	-	-	-
Meters drilled (thousands)	2.9	-	-	-	-	-	-	-
Meters drilled per day	177	-	-	-	-	-	-	-
Average meters per well	2,939	-	-	-	-	-	-	-

(1) 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. Revenue is enhanced by one-time recovery of mobilization costs

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

Canadian Contract Drilling revenue of $1.6 million for Q2 2019 (Q2 2018: $2.8 million) was achieved with a utilization rate of 11% (Q2 2018: 16%), compared to the CAODC industry average of 18%, as CWC's customers reduced or delayed their drilling programs in the quarter. CWC completed 72 drilling rig operating days in Q2 2019, a 46% decrease from 133 drilling rig operating days in Q2 2018, as the Company prepared to move two drilling rigs to its U.S. operations. The Q2 2019 average revenue per operating day of $22,750 was an increase of 7% from $21,227 in Q2 2018. The significant reduction in Q2 2019 activity level was a direct result of a prolonged spring breakup and wet weather conditions combined with a lower crude oil price during the quarter, compared to a year ago. In addition, the Government of Alberta mandated production curtailment continued to temporarily slow down the need for newly drilled wells.

CWC moved two Contract Drilling rigs into the United States in Q2 2019 with operations beginning in mid-June 2019. U.S. Contract Drilling revenue of $1.7 million and 25 drilling rig operating days for Q2 2019 was achieved. Q2 2019 average revenue per operating day of US $54,188 was largely due to customer recovery of mobilization costs to relocate equipment from Canada to the Eagle Ford basin in Texas and the DJ basin in Wyoming. CWC intends to move two more drilling rigs into the United States by the end of 2019, subject to obtaining contracts with U.S. customers.

Production Services

With a fleet of 148 service rigs, CWC is the largest well servicing company in Canada as measured by operating hours. CWC's service rig fleet consists of 77 single, 57 double, and 14 slant rigs providing services which include completions, maintenance, workovers and abandonments with depth ratings from 1,500 to 5,000 metres. CWC has chosen to park 56 of its service rigs and focus its sales and operational efforts on the remaining 92 active service rigs due to the reduction in the number of service rigs required to service the WCSB, in part as a result of the Government of Alberta's mandated crude oil production curtailments.

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. The Company continues to focus its sales and operational efforts on servicing steam-assisted gravity drainage ("SAGD") wells that are shallower in depth and more appropriate for coil tubing operations.

CWC's fleet of 13 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 casing. The Company has chosen to park five of its swabbing rigs and focus its sales and operational efforts on the remaining eight active swabbing rigs.

OPERATING HIGHLIGHTS	Three months ended Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017
Service Rigs								
Active service rigs, end of period	92	93	92	102	107	108	111	66
Inactive service rigs, end of period	56	55	56	46	41	41	38	8
Total service rigs, end of period	148	148	148	148	148	149	149	74
Operating hours	23,129	30,875	31,232	42,316	28,831	53,979	40,879	28,320
Revenue per hour	$646	$671	$663	$628	$642	$637	$606	$559
Revenue per hour excluding top volume customers	$687	$690	$696	$664	$677	$681	$645	$610
Service rig utilization % (1)	28%	37%	37%	45%	30%	56%	46%	47%
Coil Tubing Units								
Active coil tubing units, end of period	8	8	8	8	8	8	9	9
Inactive coil tubing units, end of period	1	1	1	1	1	1	1	1
Total coil tubing units, end of period	9	9	9	9	9	9	10	10
Operating hours	301	1,730	1,647	898	1,212	3,007	1,978	1,783
Revenue per hour	$830	$555	$625	$731	$762	$724	$725	$688
Coil tubing unit utilization % (2)	4%	24%	22%	12%	17%	39%	24%	22%
Swabbing Rigs								
Active swabbing rigs, end of period	8	8	8	9	8	8	9	-
Inactive swabbing rigs, end of period	5	5	5	4	5	5	4	-
Total swabbing rigs, end of period	13	13	13	13	13	13	13	-
Operating hours	661	1,655	2,313	881	958	2,258	1,063	-
Revenue per hour	$262	$288	$283	$273	$265	$310	$286	-
Swabbing rig utilization % (3)	9%	23%	30%	11%	13%	31%	19%	-

(1) Service and swabbing rig utilization is calculated based on 10 hours a day, 365 days a year. New service and swabbing rigs are added based on the first day of field service. 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.

(2) Coil tubing unit utilization is calculated based on 10 hours a day, 365 days a year. New coil tubing units are added based on the first day of field service. Coil tubing units that have been 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 was $15.4 million in Q2 2019, down $4.0 million (21%) compared to $19.4 million in Q2 2018. The significant drop in Q2 2019 activity level for our production-oriented service rigs was a direct result of a prolonged spring breakup and wet weather conditions combined with a lower crude oil price during the quarter, compared to a year ago. CWC estimates that 4,224 service rig operating hours (Q2 2018: 1,856 operating hours) of lost activity were due to wet weather conditions in Q2 2019 out of a total 83,840 operating hours. In addition, the Government of Alberta mandated production curtailment continued to temporarily slow down the need for workover and maintenance work on producing wells.

CWC's service rig utilization in Q2 2019 of 28% (Q2 2018: 30%) was driven by 23,129 operating hours being 20% lower than the 28,831 operating hours in Q2 2018. However, the Q2 2019 average revenue per hour of $646 increased $4 per hour (1%) over the $642 in Q2 2018. Furthermore, Q2 2019 average revenue per hour excluding the top volume customers of $687 was $10 per hour (1%) higher than Q2 2018 average revenue per hour of $677 suggesting the loss in CWC's service rig operating hours in Q2 2019 were primarily from CWC's top volume customers who were the most affected by the Government of Alberta's mandated production curtailment.

CWC's coil tubing utilization in Q2 2019 of 4% (Q2 2018: 17%) with 301 operating hours was 75% lower than the 1,212 operating hours in Q2 2018. Average revenue per hour for coil tubing services of $830 in Q2 2019 is 9% higher than $762 in Q2 2018. The lower utilization reflects the continuing challenge of low natural gas prices and lower crude oil prices during the quarter, compared to a year ago, as well as the Government of Alberta mandated production curtailments temporarily slowing down the need for work on SAGD wells.

CWC swabbing rig utilization in Q2 2019 of 9% (Q2 2018: 13%) with 661 operating hours was 31% lower than the 958 operating hours in Q2 2018. Average revenue per hour for swabbing rigs of $262 in Q2 2019 is 1% lower than $265 in Q2 2018 reflecting the continuing challenge of low natural gas prices.

Outlook

Crude oil, as represented by WTI, averaged US$59.89/bbl in Q2 2019, an increase of 9% compared to Q1 2019 average price of US$54.87/bbl (Q2 2018: US$67.97/bbl) and finished the quarter on June 30, 2019 at US$58.20/bbl. Natural gas prices, as measured by AECO, decreased 57% from an average of $1.84/GJ in Q1 2019 to $0.79/GJ in Q2 2019 (Q2 2018 $1.14/GJ), which remains very low in historical terms. The price differential in Q2 2019 between Canadian heavy crude oil, as represented by WCS, and WTI maintained a differential in the range of US$10.00/bbl to US$15.00/bbl as the Government of Alberta mandated crude oil production curtailment was reduced from 250,000 bbls/day at the start of Q2 2019 to 175,000 bbls/day by the end of Q2 2019. A further approved 25,000 bbls/day reduction in each of August 2019 and September 2019 will reduce the total production curtailment to 125,000 bbls/day. In addition, recent negotiations between certain senior E&P companies and the Government of Alberta to reduce the remaining production curtailment by allowing E&P companies to increase their crude oil production if such incremental capacity is transported by railcars, appears to have both industry and government support. The existing and future reductions in the production curtailment has and will continue to allow CWC's E&P customers to increase their production capacity, which in turn has and will continue to gradually increase CWC's activity levels for both its Contract Drilling and Production Services segment.

CWC has sustainably positioned itself by providing its E&P customers with the highest quality service from the highest quality people at reasonable prices. However, the Canadian federal government's passing of Bill C-69 and Bill C-48 has negatively affected the availability of investment capital and growth for Canada's oil and gas industry. Bill C-69 imposes more requirements for consulting affected Indigenous communities, widens public participation in the review process and requires climate change to be considered when major national resource-exploitation and transportation projects are being evaluated. It applies to a wide range of projects including interprovincial pipelines, highways, mines and power links. Bill C-48 imposes a moratorium on oil tankers north of Vancouver Island. Despite these challenges, there appears to be renewed optimism in Canada's energy industry with Albertans electing a new government on April 16, 2019 whose leader intends to fight for Canada's energy sector, and with the recent approval by the National Energy Board of the expansion of the Trans Mountain Pipeline on June 18, 2019. Combining these recent events with the positive final investment decisions made in Q4 2018 by proponents of a liquefied natural gas processing facility (LNG Canada) and the building of its corresponding pipeline (Coastal GasLink) in northeast British Columbia, there is renewed optimism that investment capital and growth may return to the Canadian Energy sector.

While Canadian oilfield service activity currently remains muted, the United States energy industry continues to experience exponential growth. Over the past year, CWC has been actively identifying opportunities to establish a U.S. presence and is pleased to report that in March 2019 the Company signed its first U.S. contract to deliver contract drilling services to a multinational E&P company in the Eagle Ford basin in Texas. A second U.S. contract was signed in April 2019 to move a second drilling rig for another E&P customer to the DJ basin in Wyoming. Both drilling rigs began operations in the U.S. in mid-June 2019. It is the Company's intent to move an additional two drilling rigs to the U.S. in the second half of 2019 subject to signing customer contracts such that CWC positions up to four of its nine drilling rig fleet (44%) in the U.S. CWC believes these moves will help the Company achieve higher utilization, revenue and Adjusted EBITDA for its Contract Drilling segment over a longer-term period.

While CWC remains focused on its operational and financial performance, it also recognizes the need to pursue opportunities that create long-term shareholder value. With the support of the Board of Directors, management continues to actively pursue business combinations in North America and globally in the drilling and well servicing industry. CWC cautions that there are 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 June 30, 2019	2018	Change $	Change %	Six months ended June 30, 2019	2018	Change $	Change %
Revenue								
Contract drilling	3,388	2,824	564	20%	12,508	14,509	(2,001)	(14%)
Production services	15,358	19,421	(4,063)	(21%)	37,496	56,661	(19,165)	(34%)
	18,746	22,245	(3,499)	(16%)	50,004	71,170	(21,166)	(30%)
Direct operating expenses								
Contract drilling	2,898	2,672	226	8%	9,743	10,775	(1,032)	(10%)
Production services	12,025	15,232	(3,207)	(21%)	27,518	43,475	(15,957)	(37%)
	14,923	17,904	(2,981)	(17%)	37,261	54,250	(16,989)	(31%)
Gross margin (1)								
Contract drilling	490	152	338	222%	2,765	3,734	(969)	(26%)
Production services	3,332	4,189	(857)	(20%)	9,978	13,186	(3,208)	(24%)
	3,822	4,341	(519)	(12%)	12,743	16,920	(4,177)	(25%)
Gross margin percentage (1)								
Contract drilling	14%	5%	n/a	9%	22%	26%	n/a	(4%)
Production services	22%	22%	n/a	0%	27%	23%	n/a	4%
	20%	20%	n/a	0%	25%	24%	n/a	1%

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

Q2 2019 revenue of $18.7 million, a decrease of $3.5 million (16%) compared to $22.2 million in Q2 2018. Revenue increased $0.6 million (20%) in the Contract Drilling segment and decreased $4.1 million (21%) in the Production Services segment in Q2 2019 compared to Q2 2018. The increase in revenue for Contract Drilling is a result of our expansion into the U.S. while the decrease in revenue for Production Services is a result of a prolonged spring breakup and wet weather conditions combined with a lower crude oil price during the quarter, compared to a year ago. In addition, the Government of Alberta mandated production curtailment continued to temporarily slow down the need for newly drilled wells and workover and maintenance work on producing wells.

For the six months ended June 30, 2019, revenue of $50.0 million, a decrease of $21.2 million (30%) compared to $71.2 million in the first six months of 2018. The decrease in revenue for both Contract Drilling and Production Services is a result of a lower crude oil price during the first six months of 2019, compared to a year ago, a prolonged spring breakup and wet weather conditions and the Government of Alberta mandated production curtailment temporarily slowing down the need for newly drilled wells and workover and maintenance work on producing wells.

Revenue contribution from the Company's top ten customers increased to 63% for the first six months of 2019 from 54% for the same period in 2018 with CWC's top customer's revenue contribution decreasing to 11% in the first six months of 2019 from 21% for the same period in 2018.

For the six months ended June 30, 2019, approximately 84% of revenue (six months ended June 30, 2018: 82%) was from work on crude oil wells while 16% (Q2 2018: 18%) was from natural gas wells. Further, in the six months ended June 30, 2019 approximately 38% of revenue (six months ended June 30, 2018: 28%) was related to drilling and completions work, 50% (six months ended June 30, 2018: 60%) from maintenance and workovers on producing wells and 12% (six months ended June 30, 2018: 12%) from abandonments.

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 14% in Q2 2019 is higher than the 5% in Q2 2018 primarily as a result of reduced activity and increased amounts of scheduled repairs and maintenance conducted in Q2 2018. For the first six months of 2019, Contract Drilling's 22% gross margin is lower than the 26% in Q2 2018 primarily as a result of startup costs to prepare and move two drilling rigs to the U.S. Production Services' gross margin of 22% in Q2 2019 is consistent with 22% in Q2 2018. For the six months of 2019 Production Services' gross margin of 27% is higher than 23% in Q2 2018 primarily as a result of a drop in CWC's top volume customers' activity levels, which were most affected by the Government of Alberta's mandated production curtailment, and corresponding decrease in volume discount and revenue.

Selling and Administrative Expenses

$ thousands	Three months ended June 30, 2019	2018	Change $	Change %	Six months ended June 30, 2019	2018	Change $	Change %
Selling and administrative expenses	3,708	4,310	(602)	(14%)	7,936	9,411	(1,475)	(16%)

Selling and administrative expenses were $3.7 million in Q2 2019, a decrease of $0.6 million (14%) compared to $4.3 million in Q2 2018.

Selling and administrative expenses were $8.0 million for the six months ended June 30, 2019, a decrease of $1.5 million (16%) compared to $9.4 million in the same period in 2018.

Selling and administrative expenses are predominately fixed in nature, but have declined in both the quarter and six months ended June 30, 2019 due to proactive focus on reducing costs and ensuring staffing levels are optimized for the organization based on economic conditions. Severance costs totaling $0.2 million were paid in the first six months of 2019 (2018: $0.1 million).

Adjusted EBITDA

$ thousands	Three months ended June 30, 2019	2018	Change $	Change %	Six months ended June 30, *2019*	*2018*	Change $	Change %
Adjusted EBITDA (1)								
Contract drilling	90	(180)	270	n/m(2)	2,089	3,085	(996)	(32%)
Production services	951	1,549	(598)	(39%)	5,059	7,540	(2,481)	(33%)
Corporate	(926)	(1,338)	412	31%	(2,341)	(3,116)	775	25%
	115	31	84	n/m(2)	4,807	7,509	(2,702)	(36%)
Adjusted EBITDA margin (%) (1)	1%	0%	n/a	0%	10%	11%	n/a	(1%)

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

(2) Not meaningful.

Management uses Adjusted EBITDA as a measure of the cash flow generated by the Company. Positive Adjusted EBITDA 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 was $0.11 million for Q2 2019, an increase of $0.08 million compared to $0.03 million in Q2 2018.

For the six months ended June 30, 2019, Adjusted EBTIDA was $4.8 million, a decrease of $2.7 million (36%) compared to $7.5 million for the same period in 2018. The decrease in Adjusted EBITDA is a result of reduced activity level for both Contract Drilling and Production Services due to a lower crude oil price during the first six months of 2019, compared to a year ago, a prolonged spring breakup and wet weather conditions and the Government of Alberta mandated production curtailment temporarily slowing down the need for newly drilled wells and workover and maintenance work on producing wells.

Stock Based Compensation

$ thousands	Three months ended June 30, 2019	2018	Change $	Change %	Six months ended June 30, 2019	2018	Change $	Change %
Stock based compensation	197	237	(40)	(17%)	426	522	(96)	(18%)

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 $0.2 million in Q2 2019, a decrease of $0.04 million (17%) compared to $0.2 million in Q2 2018.

For the six months ended June 30, 2019 stock based compensation was $0.4 million, a decrease of $0.1 million (18%) compared to $0.5 million for the same period in 2018.

Finance Costs

	Three months ended June 30,				Six months ended June 30,			
$ thousands	**2019**	**2018**	**Change $**	**Change %**	**2019**	**2018**	**Change $**	**Change %**
Finance costs	658	593	65	11%	1,390	1,283	107	8%

Finance costs were $0.7 million in Q2 2019, an increase of $0.1 million (11%) compared to $0.6 million in Q2 2018.

For the six months ended June 30, 2019 finance costs were $1.4 million, an increase of $0.1 million compared to $1.3 million for the same period in 2018.

For both Q2 2019 and the six months ended June 30, 2019, finance costs increased slightly due to an increase in interest rates despite lower long-term debt levels in 2019 compared to 2018.

Depreciation and Amortization

	Three months ended June 30,				Six months ended June 30,			
$ thousands	**2019**	**2018**	**Change $**	**Change %**	**2019**	**2018**	**Change $**	**Change %**
Depreciation and amortization								
Contract drilling	924	633	291	46%	2,347	2,376	(29)	(1%)
Production services	1,818	2,048	(230)	(11%)	3,870	5,093	(1,223)	(24%)
Corporate	260	224	36	16%	518	449	69	15%
	3,002	2,905	97	3%	6,735	7,918	(1,183)	(15%)

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. Coil tubing units, capitalized recertification's and other production equipment have been and will continue to be depreciated on a straight line basis. Amortization of Intangibles is based on estimated remaining life.

The increase in Contract Drilling depreciation for Q2 2019 compared to Q2 2018 is a result of the straight-line depreciation compared with lower activity levels seen in Q2 2018.

(Gain) Loss on Disposal of Equipment

	Three months ended June 30,				Six months ended June 30,			
$ thousands	**2019**	**2018**	**Change $**	**Change %**	**2019**	**2018**	**Change $**	**Change %**
(Gain) Loss on disposal of equipment	(55)	407	(462)	n/m(1)	(78)	153	(231)	n/m(1)

(1) Not meaningful.

Management continually monitors the asset mix and equipment needs and invests and divests assets as needed to optimize operations. During Q2 2019 the gain on disposal of equipment was primarily the result of the sale of ancillary equipment and one vehicle.

Deferred Income Taxes Expense (Recovery)

$ thousands	Three months ended June 30, 2019	2018	Six months ended June 30, 2019	2018
Net loss before income taxes	(3,687)	(4,111)	(3,666)	(2,367)
Deferred income tax recovery	(3,122)	(1,044)	(3,054)	(496)
Deferred income tax recovery as a % of net loss before income taxes	n/m[1]	25%	n/m[1]	21%
Expected statutory income tax rate	26.5%	27%	26.5%	27%

[1] Not meaningful.

Income taxes are a function of taxable income and are calculated differently than accounting net income. Differences between accounting net 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, goodwill impairment, and other differences.

The deferred income tax recovery in Q2 2019 and the first six months of 2019 of $3.1 million (Q2 2018: $1.0 million) and $3.0 million (2018: $0.5 million) respectively, is a result of the May 28, 2019 Government of Alberta substantively enacted reduction in the provincial corporate tax rates from12% to 8% by the year 2022.

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

Net Loss

$ thousands	Three months ended June 30, 2019	2018	Change $	Change %	Six months ended June 30, 2019	2018	Change $	Change %
Net loss and comprehensive loss	(565)	(3,067)	2,502	82%	(612)	(1,871)	1,259	67%

Net loss and comprehensive loss was $0.6 million in Q2 2019, a decrease of $2.5 million (82%) compared to $3.1 million in Q2 2018.

For the first six months ended June 30, 2019 net loss of $0.6 million, a decrease of $1.2 million (67%) compared to $1.9 million for the same period in 2018.

The decrease in net loss is a result of the May 28, 2019 Government of Alberta substantively enacted reduction in the provincial corporate tax rates from12% to 8% by the year 2022 and a prolonged spring breakup and wet weather conditions and the Government of Alberta mandated production curtailment temporarily slowing down the need for newly drilled wells and workover and maintenance work on producing wells.

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 first six months of 2019, the Company's funds from operations of $4.7 million combined with a $8.0 million decrease in non-cash working capital and $0.3 million proceeds on disposal of equipment were used to fund a $8.9 million reduction in long term debt, $2.6 million of capital expenditures, $1.7 million of interest on long-term debt and finance lease payments and $0.5 million in acquisitions of shares under the NCIB.

At June 30, 2019 the Company had working capital (excluding debt) of $10.7 million compared to $19.0 million at December 31, 2018. (Please refer to the "Reconciliation of Non-IFRS Measures" section for further information). The decrease in working capital (excluding debt) from December 31, 2018 is due to lower accounts receivable from lower revenue in Q2 2019 versus Q4

2018 partially offset by a small decrease in accounts payable. Typically, as activity levels increase or decrease working capital will also increase or decrease.

The Company's $75 million credit facilities ("Bank Loan") provides financial security and flexibility to July 31, 2020 and a quarterly financial covenant for Consolidated Debt to Consolidated EBITDA ratio of 4.00 to 1. The Bank Loan is secured by a general security agreement and a first charge security interest covering all of the assets of the Company. 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 June 30, 2019. The Company expects to be able to renew the Bank Loan prior to maturity. As of June 30, 2019, 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%. In April 2019 the Company amended the Bank Loan to allow the movement of equipment into the United States.

The Company also has a five year credit facility (the "Mortgage Loan") originally in the principal amount of $12.8 million. The Mortgage Loan is secured by, among other things, a collateral mortgage from the Company in favour of the bank over properties located in Sylvan Lake, Brooks and Slave Lake Alberta. These borrowing arrangements significantly reduce the Company's overall borrowing costs by reducing standby charges on the syndicated Bank Loan and realizing a lower interest rate on the term Bank Loan. The Mortgage Loan has been amortized over 22 years with blended monthly principal and interest payments. 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 resulted in a net loss of $0.4 million.

Capital Requirements

On January 16, 2019 the Company announced its capital expenditure budget for 2019 of $5.4 million all of which is maintenance and infrastructure capital related to recertifications, additions and upgrades to field equipment for the drilling rigs, service rigs and coil tubing divisions as well as information technology infrastructure. The decrease of $6.4 million to the 2019 capital budget compared to the 2018 capital expenditure of $11.8 million is a result of the Company taking a more cautious view of the 2019 economic and operating environment than in the prior year. CWC intends to finance its 2019 capital expenditure budget from operating cash flows.

As utilization of the Company's equipment increases, CWC plans to recertify several of its service rigs. As of June 30, 2019, the Company has capital spending plans as noted in the section titled "Capital Expenditures". Additional discretionary capital expenditures will be required in order to continue to grow the Company's assets and revenue in the future. 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:

	July 31, 2019	June 30, 2019	December 31, 2018
Common shares	510,350,291	510,350,291	512,509,291
Stock options	22,089,000	22,228,333	24,351,333
Restricted share units	5,551,001	5,551,001	5,910,001

During the six months ended June 30, 2019, no stock options were exercised or granted, 1,700,000 stock options expired and 423,000 stock options were forfeited. In addition, 377,000 RSU's were exercised, 36,000 RSU's were forfeited and 54,000 were granted.

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 entered into an automatic securities purchase plan (the “ASPP”) (as defined under applicable securities laws) with Raymond James Ltd. ("Raymond James") for the purpose of making purchases under the ASPP. Such purchases will be determined by Raymond James in its sole discretion, without consultation with CWC having regard to the price limitation and aggregate purchase limitation and other terms of the ASPP and the rules of the TSXV. Conducting the NCIB as an ASPP allows common shares to be purchased at times when CWC would otherwise be prohibited from doing so pursuant to securities laws and its internal trading policies.

During the six months ended June 30, 2019, 2,673,500 common shares were purchased under the NCIB and 2,536,000 common shares were cancelled and returned to treasury.

Capital Expenditures

$ thousands	Three months ended June 30, 2019	Three months ended June 30, 2018	Change $	Change %	Six months ended June 30, 2019	Six months ended June 30, 2018	Change $	Change %
Contract drilling	1,164	4,986	(3,822)	(77%)	1,258	5,116	(3,858)	(75%)
Production services	692	1,123	(431)	(38%)	1,877	1,930	(53)	(3%)
Corporate	46	-	46	n/m(1)	61	28	33	118%
Total capital expenditures	1,902	6,109	(4,207)	(69%)	3,196	7,074	(3,878)	(55%)
Growth capital	-	4,278	(4,278)	(100%)	-	4,278	(4,278)	(100%)
Maintenance and infrastructure capital	1,902	1,831	71	4%	3,196	2,796	400	14%
Total capital expenditures	1,902	6,109	(4,207)	(69%)	3,196	7,074	(3,878)	(55%)

(1) Not meaningful.

Capital expenditures of $1.9 million in Q2 2019, a decrease of $4.2 million (69%) compared to $6.1 million in Q2 2018.

Capital expenditures of $3.2 million for the six months ended June 30, 2019, a decrease of $3.9 million (55%) compared to $7.1 million in the same period in 2018.

The 2019 capital expenditure budget of $5.4 million was approved by the Board of Directors on January 16, 2019 and comprises entirely of maintenance and infrastructure capital related to recertifications, additions and upgrades to field equipment for the drilling rigs, service rigs and coil tubing divisions as well as information technology infrastructure.

Commitments and Contractual Obligations

Under the terms of the Company’s amended Bank Loan, the borrowing under the Bank Loan are due in full on July 31, 2020. The Company is committed to monthly payments of interest and bank charges until July 31, 2020. The Company’s Mortgage Loan is being amortized over 22 years with blended monthly principal and interest payments and matures on June 28, 2023. There have been no significant changes in other commitments or contractual obligations since December 31, 2018. 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 2019.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts	2019		2018				2017	
Three months ended	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30
Revenue	18,746	31,259	35,478	38,113	22,245	48,925	37,420	27,173
Adjusted EBITDA	115	4,694	4,978	6,002	31	7,478	6,630	4,055
Net income (loss)	(565)	(47)	(157)	326	(3,067)	1,196	8,544	(638)
Net income (loss) per share: basic and diluted	(0.01)	(0.00)	(0.00)	0.01	(0.01)	0.00	0.02	0.00
Total assets	240,603	250,358	252,665	257,675	250,038	268,479	264,354	208,355
Total long-term debt	36,618	43,296	44,896	46,394	36,803	51,377	49,810	34,404
Shareholders' equity	183,526	184,041	184,231	185,195	184,834	187,829	186,519	151,833

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. 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 hours 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:

- Q2 2019 saw CWC move two drilling rigs from Canada into the United States which commenced operations in mid-June 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 our 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.
- Q4 2018 saw the price differential between Canadian heavy crude oil, as represented by WCS, and WTI widened at times to unprecedented levels of over US$50/bbl compared to the historical normalized range of US$10/bbl to US$15/bbl. These significant WTI-WCS differential resulted in the Government of Alberta announcement on December 2, 2018 mandating a 325,000 bbls/day crude oil production curtailment on Alberta oil companies producing more than 10,000 bbls/day causing E&P customers to shorten or delay their workover and maintenance work on producing wells. During Q4 2018, 7,858,000 common shares were purchased, cancelled and returned to treasury under the NCIB;
- Q3 2018 saw the completion of significant customer driven capital expenditure upgrades on Drilling Rig #4 to meet customer demands for deeper depths at cost effective prices. Wet weather conditions during the quarter significantly impacted activity levels in both the Contract Drilling and Production Services segments resulting in 7% and 4% of lost operating days and hours respectively. During Q3 2018, 1,175,500 common shares were purchased under the NCIB and a total of 1,309,000 common shares were cancelled and returned to treasury;
- Q2 2018 saw significant customer driven capital expenditure upgrades to two drilling rigs to meet customer demands for deeper depths at cost effective prices. During Q2 2018, 1,023,000 common shares were purchased under the NCIB and a total of 935,500 common shares were cancelled and returned to treasury;

- Q1 2018 service rig fleet set a new Company record of 53,979 operating hours as a result of the increase in the number of service rigs from the acquisition of the C&J Canada assets. During Q1 2018, 1,394,000 common shares were purchased under the NCIB and a total of 1,318,500 common shares were cancelled and returned to treasury;
- Q4 2017 saw the acquisition of C&J Canada's service and swabbing rig assets for $37.5 million. Higher operating activity and pricing in the Contract Drilling and Production Services' segments also contributed to the improved financial results compared to the previous seven quarters. CWC closed a rights offering for aggregate gross proceeds of $26.0 million ($25.9 million after deductions of share issue costs) to partially finance the acquisition of the C&J Canada assets. Under the fully subscribed offering, 130,148,781 common shares were issued to shareholders who exercised their rights. During Q4 2017, 405,000 common shares were purchased, cancelled and returned to treasury under the NCIB;
- During Q3 2017, 1,402,000 common shares were purchased under the NCIB and a total of 1,441,500 common shares were cancelled and returned to treasury.

Critical Accounting Estimates and Judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Other than the adoption of IFRS 16 and the prospective change for depreciating drilling and well servicing rigs and certain estimates relating to their useful lives and salvage values there have been no significant or material changes in the nature of critical accounting estimates and judgements since December 31, 2018.

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.

On adoption, 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. For leases previously classified as operating leases, the Company applied the exemption not to recognize ROU assets and liabilities for leases with a lease term of less than 12 months, excluded initial direct costs from measuring the ROU asset at the date of initial application, and applied a single discount rate to a portfolio of leases with similar characteristics. 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.

The recognition of the present value of minimum lease payments resulted in an additional $645 of ROU assets and associated lease liabilities. The Company has recognized lease liabilities in relation to lease arrangements previously disclosed as operating lease commitments under IAS 17 that meet the criteria of a lease under IFRS 16. Upon recognition, the Company's weighted average incremental borrowing rate used in measuring lease liabilities was 6%.

The nature of the Company's leasing actives includes automobiles and office space.

CEO and CFO Certifications

The CEO and CFO of TSX Venture Exchange listed companies, such as CWC, are not required to certify they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Instead, an optional form of certification has been made available to TSX Venture Exchange listed companies and has been used by CWC's certifying officers for the June 30, 2019 interim filings. The certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires that the certifying officer's state:

- They have reviewed the interim financial report and MD&A;

- That, based on their knowledge, they have determined there is no untrue statement of a material fact, or any omission of material fact required to be stated which would make any statement not misleading in light of the circumstances under which it was made within the 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 interim filings.

Risks and Uncertainties

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

Forward-Looking Information

This MD&A contains certain forward-looking information and statements 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 the United States, 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. These include, but are not limited to, the risks associated with the drilling and oilfield services sector (ie. 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), 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. 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.

Reconciliation of Non-IFRS Measures

$ thousands except share and per share amounts	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
NON-IFRS MEASURES				
Adjusted EBITDA:				
Net loss and comprehensive loss	(565)	(3,067)	(612)	(1,871)
Add:				
Depreciation	3,002	2,905	6,735	7,918
Finance costs	658	593	1,390	1,283
Deferred income tax recovery	(3,022)	(1,044)	(3,054)	(496)
Stock based compensation	197	237	426	522
Loss (gain) on sale of equipment	(55)	407	(78)	153
Adjusted EBITDA (1)	115	31	4,807	7,509
Adjusted EBITDA per share – basic and diluted (1)	$0.00	$0.00	$0.01	$0.01
Adjusted EBITDA margin (Adjusted EBITDA/Revenue) (1)	1%	0%	10%	11%
Weighted average number shares outstanding – basic and diluted	510,978,053	521,289,658	511,823,718	521,682,326
Gross margin:				
Revenue	18,746	22,245	50,004	71,170
Less: Direct operating expenses	14,923	17,904	37,261	54,250
Gross margin (2)	3,823	4,341	12,743	16,920
Gross margin percentage (2)	20%	20%	25%	24%

$ thousands	June 30, 2019	December 31, 2018
Working capital (excluding debt):		
Current assets	18,596	26,893
Less: Current liabilities	(9,197)	(8,793)
Add: Current portion of long term debt	1,357	928
Working capital (excluding debt) (3)	10,756	19,028
Working capital (excluding debt) ratio (3)	2.4:1	3.4:1
Net debt:		
Long term debt	35,261	43,968
Less: Current assets	(18,596)	(26,893)
Add: Current liabilities	9,197	8,793
Net debt (4)	25,862	25,868

(1) Adjusted EBITDA (Earnings before interest and finance costs, income tax expense, depreciation, amortization, gain or loss on disposal of asset, goodwill impairment, stock based compensation and other one-time 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, pay dividends, 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.

(2) Gross margin is calculated from the statement of comprehensive 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.

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

(4) Net debt is 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.