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 November 1, 2019 and should be read in conjunction with unaudited condensed interim consolidated financial statements ("Financial Statements") for the nine months ended September 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

	Three months ended September 30,			Nine months ended September 30,		
$ thousands, except shares, per share amounts and margins	**2019**	**2018**	**Change %**	**2019**	**2018**	**Change %**
FINANCIAL RESULTS						
Revenue						
Contract Drilling	8,284	10,633	(22%)	20,792	25,143	(17%)
Production Services	19,491	27,480	(29%)	56,987	84,140	(32%)
	27,775	38,113	(27%)	77,779	109,283	(29%)
Adjusted EBITDA [(1)]	3,868	6,002	(36%)	8,675	13,511	(36%)
Adjusted EBITDA margin (%) [(1)]	14%	16%		11%	12%	
Net (loss) income	(234)	326	(172%)	(846)	(1,545)	(45%)
Net (loss) income margin (%)	(1%)	1%	(2%)	(1%)	(1%)	0%
Capital expenditures	968	2,696	(64%)	4,164	9,770	(57%)
Per share information:						
Weighted average number of shares outstanding – basic	510,358,460	520,463,960		511,329,933	521,271,741	
Weighted average number of shares outstanding - diluted	510,358,460	524,754,635		511,329,933	521,271,741	
Adjusted EBITDA [(1)] per share - basic and diluted	$ 0.01	$ 0.01		$ 0.02	$ 0.03	
Net (loss) income per share - basic and diluted	$ (0.00)	$ 0.00		$ (0.00)	$ (0.00)	

$ thousands, except ratios	**September 30, 2019**	**December 31, 2018**
FINANCIAL POSITION AND LIQUIDITY		
Working capital (excluding debt) [(1)]	18,036	19,028
Working capital (excluding debt) ratio [(1)]	4.2:1	3.4:1
Total assets	243,647	252,665
Total long-term debt (including current portion)	41,549	44,896
Shareholders' equity	183,621	184,231

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

Working capital (excluding debt) for September 30, 2019 has decreased $1.0 million (5%) since December 31, 2018 driven by decreases in cash ($0.2 million (47%)), accounts receivable ($2.4 million (10%)), and prepaid expenses and deposits ($0.6 million (20%)) offset by a decrease in accounts payable of $2.2 million (28%). Long-term debt (including current portion) has decreased $3.3 million (7%) from December 31, 2018 driven by cash generated from operations which was used to pay down long-term debt. Shareholders' equity has decreased since December 31, 2018 primarily due to the net loss for the nine months ended September 30, 2019 and the purchase and cancellation of common shares under the NCIB program.

Highlights for the Three Months Ended September 30, 2019

- Average Q3 2019 crude oil pricing, as measured by WTI, of US$56.40/bbl was 6% lower than the Q2 2019 average price of US$59.89/bbl (Q3 2018: US$69.61/bbl). The price differential in Q3 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 175,000 bbls/day at the start of Q3 2019 to 125,000 bbls/day by the end of Q3 2019. Additionally, on August 20, 2019 the Government of Alberta announced adjustments to the production curtailment including moving the curtailment end date to December 31, 2020 and effectively reducing the number of Alberta E&P companies affected by the production curtailment by increasing the exemption limit from 10,000 to 20,000 bbls/day starting October 1, 2019. Natural gas prices, as measured by AECO, decreased 8% from an average of $1.06/GJ in Q2 2019 to $0.97/GJ in Q3 2019 (Q3 2018 $1.20/GJ), remaining very low in historical terms.
- CWC's Canadian drilling rig utilization in Q3 2019 of 19% (Q3 2018: 60%) was below the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 23%, as CWC's customers continued to reduce or delay their drilling programs in the quarter. Canadian activity levels in Q3 2019 decreased 74% to 130 drilling rig operating days from seven Canadian drilling rigs (Q3 2018: 500 drilling rig operating days from nine Canadian drilling rigs). U.S. drilling rig activity level in Q3 2019 was 155 drilling rig operating days from two U.S. drilling rigs for a utilization of 84% (Q3 2018: nil). U.S Contract Drilling revenue of $5.6 million represented 68% of CWC's total Contract Drilling revenue for the quarter with the average revenue per operating day from U.S. operations being US$36,097 as CWC realized its first full quarter of U.S. drilling operations. CWC's service rig utilization in Q3 2019 of 52% (Q3 2018: 63%) was driven by 29,528 operating hours being 30% lower than the 42,316 operating hours in Q3 2018, which was a Company record for Q3 activity. The significant drop in Q3 2019 activity level for both the drilling rigs and our production-oriented service rigs was a direct result of 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, Adjusted EBITDA(1) and net loss in Q3 2019 compared to Q3 2018.
- Revenue of $27.8 million, a decrease of $10.3 million (27%) compared to $38.1 million in Q3 2018.
- Adjusted EBITDA(1) of $3.9 million, a decrease of $2.1 million (36%) compared to $6.0 million in Q3 2018. CWC has achieved 25 consecutive quarters of positive Adjusted EBITDA(1) since Q2 2013.
- Net loss of $0.2 million, a decrease of $0.5 million compared to net income of $0.3 million in Q3 2018.
- On September 27, 2019, CWC and its syndicated lenders completed an extension of its credit facilities and certain other amendments to provide financial security and flexibility to July 31, 2022. At the request of the Company, the credit facilities were reduced from $75 million to $60 million to reduce borrowing costs and standby charges. The amendments further provide the Company access to another equity cure under the same terms and conditions and a reduction in the minimum liquidity from $10.0 million to $5.0 million. Additionally, the amendments exclude the Mortgage Loan from the consolidated debt definition used in calculating the quarterly financial covenants. The covenant for Consolidated Debt to EBITDA ratio is as follows:

For the Quarter Ended	Previously	Currently
September 30, 2019	4.00 : 1.00	3.75 : 1.00
December 31, 2019	4.00 : 1.00	3.75 : 1.00
March 31, 2020	4.00 : 1.00	3.75 : 1.00
June 30, 2020	4.00 : 1.00	3.75 : 1.00
September 30, 2020	n/a	3.50 : 1.00
December 31, 2020	n/a	3.50 : 1.00
March 31, 2021	n/a	3.25 : 1.00
June 30, 2021	n/a	3.25 : 1.00
September 30, 2021 and thereafter	n/a	3.00 : 1.00

- During Q3 2019, 405,000 common shares (Q3 2018: 1,175,500) were purchased under the Normal Course Issuer Bid ("NCIB") and 524,500 common shares (Q3 2018: 1,309,000) were cancelled and returned to treasury.

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

Highlights for the Nine Months Ended September 30, 2019

- CWC's Canadian drilling rig utilization in the first nine months of 2019 of 23% (2018: 46%) exceeded the CAODC industry average of 22% (2018: 29%). CWC's U.S. drilling rig utilization in the first nine months of 2019 was 82% (Q3 2018: n/a) as CWC started its U.S. drilling operations in mid-June 2019. CWC's service rig utilization in the first nine months of 2019 was 48% compared to 61% 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 $77.8 million, a decrease of $31.5 million (29%) compared to $109.3 million in the first nine months of 2018.
- Adjusted EBITDA[1] of $8.7 million, a decrease of $4.8 million (36%) compared to $13.5 million in the first nine months of 2018.
- Net loss of $0.8 million, a decrease of $0.7 million (47%) compared to $1.5 million in the first nine months of 2018.
- For the nine months ended September 30, 2019, the Company purchased 3,078,500 common shares (2018: 3,593,000) under its NCIB and 3,060,500 common shares (2018: 3,563,000) 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.

OPERATING HIGHLIGHTS	Three months ended Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
Drilling Rigs – Canada								
Total drilling rigs, end of period	7	7	9	9	9	9	9	9
Revenue per operating day [1]	$20,685	$22,750	$23,895	$26,642	$21,263	$21,227	$23,485	$23,572
Drilling rig operating days	130	72	382	491	500	133	498	463
Drilling rig utilization % [2]	19%	11%	47%	59%	60%	16%	61%	56%
CAODC industry average utilization %	23%	18%	29%	28%	30%	17%	52%	28%
Wells drilled	12	10	39	34	41	11	45	30
Average days per well	10.9	8.0	9.8	14.4	12.2	12.1	11.1	15.0
Meters drilled (thousands)	39.6	26.7	119.8	127.8	155.2	41.0	161.7	128.1
Meters drilled per day	304	373	314	261	310	309	325	277
Average meters per well	3,300	2,966	3,070	3,708	3,786	3,724	3,593	4,270
Drilling Rigs - United States								
Total drilling rigs, end of period	2	2	-	-	-	-	-	-
Revenue per operating day (US$)[1]	$36,097	$54,188 [3]	-	-	-	-	-	-
Drilling rig operating days	155	25	-	-	-	-	-	-
Drilling rig utilization % [2]	84%	69%	-	-	-	-	-	-
Wells drilled	16	1	-	-	-	-	-	-
Average days per well	9.7	16.6	-	-	-	-	-	-
Meters drilled (thousands)	50.7	2.9	-	-	-	-	-	-
Meters drilled per day	327	177	-	-	-	-	-	-
Average meters per well	3,171	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.
[2] Drilling rig utilization is calculated based on operating days (i.e. spud to rig release basis).
[3] Revenue is enhanced by one-time recovery of mobilization costs

Canadian Contract Drilling revenue of $2.7 million for Q3 2019 (Q3 2018: $10.6 million) was achieved with a utilization rate of 19% (Q3 2018: 60%), compared to the CAODC industry average of 23%, as CWC's customers continued to reduce or delay their drilling programs in the quarter. CWC completed 130 Canadian drilling rig operating days with seven drilling rigs in Q3 2019, a 74% decrease from the 500 Canadian drilling rig operating days with nine drilling rigs in Q3 2018. The Q3 2019 average revenue per operating day of $20,685 was a decrease of 3% from $21,263 in Q3 2018. The significant reduction in Q3 2019 activity level was a direct result of wet weather conditions combined with a lower crude oil price during the quarter, compared to a year ago, and the Government of Alberta mandated production curtailment, which continued to temporarily slow down the need for newly drilled wells. CWC estimates that 53 Canadian drilling rig operating days (Q3 2018: 57 Canadian drilling rig operating days) of lost activity were due to wet weather conditions in Q3 2019 out of a possible total 644 Canadian drilling rig operating days (Q3 2018: 828).

U.S. Contract Drilling revenue of $5.6 million for Q3 2019 (Q3 2018: nil) was achieved with a utilization rate of 84% (Q3 2018: nil) with 155 U.S. drilling rig operating days completed. Q3 2019 average revenue per operating day in the U.S. was US$36,097. CWC intends to move two more drilling rigs into the United States by the end of 2020, 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 active fleet and 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 64 of its service rigs and focus its sales and operational efforts on the remaining 84 active service rigs due to the reduction in the number of service rigs currently 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. While the Company continues to service steam-assisted gravity drainage ("SAGD") wells that are shallower in depth and more appropriate for coil tubing operations, it has recently shifted its sales and operational focus on decommissioning of abandoned wells.

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. The Company has chosen to park eight of its swabbing rigs and focus its sales and operational efforts on the remaining five active swabbing rigs.

	Three months ended							
OPERATING HIGHLIGHTS	**Sep. 30, 2019**	**Jun. 30, 2019**	**Mar. 31, 2019**	**Dec. 31, 2018**	**Sep. 30, 2018**	**Jun. 30, 2018**	**Mar. 31, 2018**	**Dec. 31, 2017**
Service Rigs								
Active service rigs, end of period	84	92	93	92	102	107	108	111
Inactive service rigs, end of period	64	56	55	56	46	41	41	38
Total service rigs, end of period	148	148	148	148	148	148	149	149
Operating hours	29,528	23,129	30,875	31,232	42,316	28,831	53,979	40,879
Revenue per hour	$644	$646	$671	$663	$628	$642	$637	$606
Revenue per hour excluding top volume customers	$660	$687	$690	$696	$664	$677	$681	$645
Service rig utilization % (1)	52%	39%	53%	51%	63%	41%	78%	64%
Coil Tubing Units								
Active coil tubing units, end of period	8	8	8	8	8	8	8	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	9	10
Operating hours	318	301	1,730	1,647	898	1,212	3,007	1,978
Revenue per hour	$730	$830	$555	$625	$731	$762	$724	$725
Coil tubing unit utilization % (1)	6%	6%	34%	31%	17%	23%	54%	33%
Swabbing Rigs								
Active swabbing rigs, end of period	5	8	8	8	9	8	8	9
Inactive swabbing rigs, end of period	8	5	5	5	4	5	5	4
Total swabbing rigs, end of period	13	13	13	13	13	13	13	13
Operating hours	865	661	1,655	2,313	881	958	2,258	1,063
Revenue per hour	$284	$262	$288	$283	$273	$265	$310	$286
Swabbing rig utilization % (1)	19%	13%	32%	41%	15%	18%	44%	27%

(1) Effective September 1, 2019, the CAODC changed its methodology on how it calculates service rig utilization. Service rig, coil tubing unit and swabbing rig utilization is now calculated based on 10 operating hours a day x number of days per quarter x 5 days a week divided by 7 days in a week to reflect maximum utilization available due to hours of service restrictions on rig crews. Utilization percentages have been retroactively updated to reflect this new CAODC methodology. Service and swabbing rigs requiring their 24,000 hour recertification, refurbishment or have been otherwise removed from service for greater than 90 days are excluded from the utilization calculation until their first day back in field service. 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 $19.5 million in Q3 2019, down $8.0 million (29%) compared to $27.5 million in Q3 2018. The significant drop in Q3 2019 activity level for our production-oriented service rigs was a direct result of wet weather conditions combined with a lower crude oil price during the quarter, compared to a year ago. CWC estimates that 6,704 service rig operating hours (Q3 2018: 4,024 operating hours) of lost activity were due to wet weather conditions in Q3 2019 out of a total 56,693 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. During the quarter, CWC chose to park an additional eight service rigs due to the lower industry demand. Should demand improve and rig crews are available, CWC would be able to activate 19 of the 64 inactive service rigs with minimal capital expenditure resulting in a 103 active service rig fleet.

CWC's service rig utilization in Q3 2019 of 52% (Q3 2018: 63%) was driven by 29,528 operating hours being 30% lower than the 42,316 operating hours in Q3 2018. However, the Q3 2019 average revenue per hour of $644 increased $16 per hour (3%) over the $628 per hour in Q3 2018 suggesting the loss in CWC's service rig operating hours in Q3 2019 compared to Q3 2018 were primarily from CWC's top volume customers who were the most affected by the Government of Alberta's mandated production curtailment. Q3 2019 average revenue per hour excluding the top volume customers of $660 was $4 per hour (1%) lower than Q3 2018 average revenue per hour of $664 suggesting that CWC has been successful in maintaining service rig pricing with its customers despite significantly lower rates being offered by some of CWC's competitors.

CWC's coil tubing utilization in Q3 2019 of 6% (Q3 2018: 17%) with 318 operating hours was 65% lower than the 898 operating hours in Q3 2018. Average revenue per hour for coil tubing services of $730 in Q3 2019 is relatively unchanged from $731 in Q3 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 Q3 2019 of 19% (Q3 2018: 15%) with 865 operating hours was 2% lower than the 881 operating hours in Q3 2018 as CWC parked three more swabbing rigs during the quarter due to lower customer demand as a result of the continuing challenge of low natural gas prices during the quarter compared to a year ago. Average revenue per hour for swabbing rigs of $284 in Q3 2019 is 4% higher than $273 in Q3 2018 as CWC has been successful in maintaining swabbing rig pricing with its customers despite the depressed natural gas price.

Outlook

Crude oil, as represented by WTI, averaged US$56.40/bbl in Q3 2019, a decrease of 6% compared to Q2 2019 average price of US$59.89/bbl (Q3 2018: US$69.61/bbl). Natural gas prices, as measured by AECO, decreased 8% from an average of $1.06/GJ in Q2 2019 to $0.97/GJ in Q3 2019 (Q3 2018 $1.20/GJ), which remains very low in historical terms. The price differential in Q3 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 175,000 bbls/day at the start of Q3 2019 to 125,000 bbls/day by the end of Q3 2019. Additionally, on August 20, 2019 the Government of Alberta announced adjustments to the production curtailment including moving the curtailment end date to December 31, 2020 and effectively reducing the number of Alberta E&P companies affected by the production curtailment by increasing the exemption limit from 10,000 to 20,000 bbls/day starting October 1, 2019. These reductions in the production curtailment will allow CWC's E&P customers to increase their production capacity, which in turn will gradually increase CWC's activity levels for both its Contract Drilling and Production Services segments.

With the recent re-election of the Liberal government in Canada, we now have clarity that the regulatory environment in Canada for the energy industry will likely be similar to before the election. The new Liberal minority government reconfirmed they will continue to move forward with the construction of the Trans Mountain pipeline expansion project. This expansion will help ease the egress problems facing our Canadian E&P customers, providing additional capacity to ship crude oil to tidewater on the west coast. Additional capacity allows the E&Ps to increase their drilling and well servicing activities, which in turn may increase CWC's contract drilling and production services utilization.

As we move into Q4 2019, CWC is seeing utilization of both drilling rigs and service rigs increasing and believe that although we will continue to operate in a challenging environment, the outlook for Q4 2019 through to Q1 2020 spring breakup is better than recent quarters.

While Canadian oilfield service activity currently remains muted and the United States energy industry has slowed down from its exponential growth experienced in recent years, CWC continues to believe that more profitable opportunities for its drilling rig fleet will be in the United States. CWC established a U.S. drilling rig presence in mid-June 2019 when it began operations in the Eagle Ford basin in Texas and DJ basin in Wyoming. Since the completion of the drilling program in October 2019 for a multi-national E&P company in Texas, CWC has now moved this drilling rig to Wyoming to begin another drilling program for another customer. Currently, the two U.S. drilling rigs are in Wyoming and the Bakken basin in North Dakota. It is the Company's intent to move an additional two drilling rigs to the U.S. in 2020 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[1] 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 September 30, 2019	2018	Change $	Change %	Nine months ended September 30, 2019	2018	Change $	Change %
Revenue								
Contract Drilling	8,284	10,633	(2,349)	(22%)	20,792	25,143	(4,351)	(17%)
Production Services	19,491	27,480	(7,989)	(29%)	56,987	84,140	(27,153)	(32%)
	27,775	38,113	(10,338)	(27%)	77,779	109,283	(31,504)	(29%)
Direct operating expenses								
Contract Drilling	5,528	8,312	(2,784)	(33%)	15,271	19,087	(3,816)	(20%)
Production Services	14,017	19,634	(5,617)	(29%)	41,535	63,109	(21,574)	(34%)
	19,545	27,946	(8,401)	(30%)	56,806	82,196	(25,390)	(31%)
Gross margin [(1)]								
Contract Drilling	2,756	2,322	434	19%	5,521	6,056	(535)	(9%)
Production Services	5,474	7,845	(2,371)	(30%)	15,452	21,031	(5,579)	(27%)
	8,230	10,167	(1,937)	(19%)	20,973	27,087	(6,114)	(23%)
Gross margin percentage [(1)]								
Contract Drilling	33%	22%	n/a	11%	27%	24%	n/a	3%
Production Services	28%	29%	n/a	(1%)	27%	25%	n/a	2%
	30%	27%	n/a	3%	27%	25%	n/a	2%

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

Q3 2019 revenue of $27.8 million, a decrease of $10.3 million (27%) compared to $38.1 million in Q3 2018. Revenue decreased $2.4 million (22%) in the Contract Drilling segment and decreased $8.0 million (29%) in the Production Services segment in Q3 2019 compared to Q3 2018. The decrease in revenue for both Contract Drilling and Production Services is a result of decreased activity levels in Canada caused by wet weather conditions, lower crude oil prices and the Government of Alberta mandated production curtailment continuing to temporarily slow down the need for newly drilled wells and workover and maintenance work on producing wells offset by our expansion into the U.S. where the Contract Drilling operations achieved high utilization and day rates.

For the nine months ended September 30, 2019, revenue of $77.8 million, a decrease of $31.5 million (29%) compared to $109.3 million in the first nine 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 nine months of 2019, compared to a year ago, 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 58% for the first nine months of 2019 from 56% for the same period in 2018 with CWC's top customer's revenue contribution decreasing to 12% in the first nine months of 2019 from 20% for the same period in 2018, suggesting the loss in CWC's service rig operating hours in Q3 2019 were primarily from CWC's top volume customer who were the most affected by the Government of Alberta's mandated production curtailment.

For the nine months ended September 30, 2019, approximately 88% of revenue (nine months ended September 30, 2018: 81%) was from work on crude oil wells while 12% (Q3 2018: 19%) was from natural gas wells. Further, in the nine months ended September 30, 2019 approximately 38% of revenue (nine months ended September 30, 2018: 32%) was related to drilling and completions work, 50% of revenue (nine months ended September 30, 2018: 56%) from maintenance and workovers on producing wells and 12% of revenue (nine months ended September 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 33% in Q3 2019 is higher than the 22% in Q3 2018 and for the first nine months of 2019 of 27% is higher than the 24% in the first nine months of 2018 primarily as a result of U.S. operations with revenue in U.S dollars, but field labour costs in Canadian dollars. Production Services' gross margin of 28% in Q3 2019 is consistent with 29% in Q3 2018. For the first nine months of 2019, Production Services' gross margin of 27% is higher than 25% for the same period in 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 September 30, 2019	2018	Change $	Change %	Nine months ended September 30, 2019	2018	Change $	Change %
Selling and administrative expenses	4,362	4,165	197	5%	12,298	13,576	(1,278)	(9%)

Selling and administrative expenses were $4.4 million in Q3 2019, an increase of $0.2 million (5%) compared to $4.2 million in Q3 2018. Selling and administrative expenses are predominately fixed in nature, but have increased slightly for the quarter due to the Company's expansion into the United States partially offset by a reduction in personnel expenses.

Selling and administrative expenses were $12.3 million for the nine months ended September 30, 2019, a decrease of $1.3 million (9%) compared to $13.6 million in the same period in 2018. The decrease in selling and administrative expenses for the nine months ended September 30, 2019 compared to the same period in 2018 is primarily due to a proactive focus on reducing personnel and facility expenses while ensuring staffing levels are optimized for the Company based on current economic conditions. Severance costs totaling $0.3 million were paid in the first nine months of 2019 (2018: $0.1 million).

Adjusted EBITDA(1)

$ thousands	Three months ended September 30, 2019	2018	Change $	Change %	Nine months ended September 30, 2019	2018	Change $	Change %
Adjusted EBITDA(1)								
Contract drilling	2,291	2,011	280	14%	4,380	5,096	(716)	(14%)
Production services	3,011	5,389	(2,378)	(44%)	8,070	12,929	(4,859)	(38%)
Corporate	(1,434)	(1,398)	(36)	3%	(3,775)	(4,514)	739	(16%)
	3,868	6,002	(2,134)	(36%)	8,675	13,511	(4,836)	(36%)
Adjusted EBITDA margin (%) (1)	14%	16%	n/a	(2%)	11%	12%	n/a	(1%)

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

Management uses Adjusted EBITDA(1) as a measure of the cash flow generated by the Company. Positive Adjusted EBITDA(1) 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(1) was $3.9 million for Q3 2019, a decrease of $2.1 million (36%) compared to $6.0 million in Q3 2018.

For the nine months ended September 30, 2019, Adjusted EBITDA(1) was $8.7 million, a decrease of $4.8 million (36%) compared to $13.5 million for the same period in 2018. The decrease in Adjusted EBITDA for both the quarter and the first nine months of 2019 is a result of reduced activity levels for both Contract Drilling and Production Services due to a lower crude oil price during the first nine months of 2019, compared to the same period in 2018, 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 September 30, 2019	2018	Change $	Change %	Nine months ended September 30, 2019	2018	Change $	Change %
Stock based compensation	166	241	(75)	(31%)	592	763	(171)	(22%)

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 Q3 2019, a decrease of $0.08 million (31%) compared to $0.2 million in Q3 2018.

For the nine months ended September 30, 2019 stock based compensation was $0.6 million, a decrease of $0.2 million (22%) compared to $0.8 million for the same period in 2018.

Finance Costs

$ thousands	Three months ended September 30, 2019	2018	Change $	Change %	Nine months ended September 30, 2019	2018	Change $	Change %
Finance costs	525	616	(91)	(15%)	1,915	1,899	16	1%

Finance costs were $0.5 million in Q3 2019, a decrease of $0.1 million (15%) compared to $0.6 million in Q3 2018. Finance costs decreased in Q3 2019 due to lower long-term debt levels compared to Q3 2018.

For the nine months ended September 30, 2019, finance costs were $1.9 million, an increase of $0.02 million compared to $1.9 million for the same period in 2018. Finance costs increased slightly for the first nine months of 2019 due to an increase in interest rates despite lower long-term debt levels.

Depreciation and Amortization

$ thousands	Three months ended September 30, 2019	2018	Change $	Change %	Nine months ended September 30, 2019	2018	Change $	Change %
Depreciation								
Contract drilling	1,115	1,818	(703)	(39%)	3,462	4,194	(732)	(17%)
Production services	1,869	2,636	(767)	(29%)	5,739	7,729	(1,990)	(26%)
Corporate	266	216	50	23%	784	665	119	18%
	3,250	4,670	(1,420)	(30%)	9,985	12,588	(2,603)	(21%)

Effective April 1, 2019, the Company changed the method for depreciating its drilling and service rigs from a unit of production to a straight line method. In addition, the Company changed certain estimates relating to useful lives and salvage values. The change in depreciation methodology reflects the current and future economic environment within the industry and the Company believes that straight line 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. Coil tubing units, capitalized recertifications, and other production equipment have been and will continue to be depreciated on a straight line basis.

The decrease in Contract Drilling and Production Services depreciation for Q3 2019 compared to Q3 2018 is a result of the switch to straight line depreciation compared to the previously used unit of production method which varied greatly with activity levels.

(Gain) Loss on Disposal of Equipment

$ thousands	Three months ended September 30, 2019	2018	Change $	Change %	Nine months ended September 30, 2019	2018	Change $	Change %
(Gain) loss on disposal of equipment	-	(57)	57	n/m[1]	(78)	96	(174)	n/m

[1] Not meaningful.

Management continually monitors the asset mix and equipment needs of the Company and divests assets as needed to optimize operations. For the first nine months of 2019, the gain on disposal of equipment was primarily the result of the sale of various ancillary equipment and vehicles with proceeds on sale of $0.3 million (2018: $2.0 million).

Deferred Income Taxes Expense (Recovery)

$ thousands	Three months ended September 30, 2019	2018	Nine months ended September 30, 2019	2018
Net (loss) income before income taxes	(73)	532	(3,739)	(1,835)
Deferred income tax expense (recovery)	161	206	(2,893)	(290)
Deferred income tax expense (recovery) as a % of net (loss) income before income taxes	n/m[1]	39%	77%	16%
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, and other differences.

The deferred income tax recovery in the first nine months of 2019 of $2.9 million (2018: $0.3 million) is a result of the reduction in the Alberta provincial corporate tax rates from 12% to 8% by 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) Income and Comprehensive (Loss) Income

$ thousands	Three months ended September 30, 2019	2018	Change $	Change %	Nine months ended September 30, 2019	2018	Change $	Change %
Net (loss) income	(234)	326	(560)	(172%)	(846)	(1,545)	699	(45%)
Unrealized gain on translation of foreign operations	222	-	222	n/m[1]	185	-	185	n/m[1]
Comprehensive (loss) income	(12)	326	(338)	(104%)	(661)	(1,545)	884	(57%)

[1] Not meaningful.

Net loss was $0.2 million in Q3 2019, a decrease of $0.5 million compared to a net income of $0.3 million in Q3 2018. Comprehensive loss was $0.01 million in Q3 2019, a decrease of $0.3 million compared to comprehensive income of $0.3 million in Q3 2018.

For the nine months ended September 30, 2019 net loss of $0.8 million, a decrease of $0.7 million (46%) compared to $1.5 million for the same period in 2018. Comprehensive loss for the first nine months of 2019 was $0.7 million, a decrease of $0.9 million (57%) compared to $1.5 million for the same period in 2018. The decrease in net loss and comprehensive loss for the first nine months of 2019 compared to the same period in 2018 is primarily the result of the reduction in the Alberta provincial corporate tax rates from 12% to 8% by 2022.

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 nine months of 2019, the Company's funds from operations of $8.7 million combined with $0.8 million increase in non-cash working capital and $0.3 million proceeds on disposal of equipment were used to fund a $3.7 million reduction in long-term debt, $3.2 million of capital expenditures, $2.6 million of interest on long-term debt and finance lease payments and $0.5 million in acquisitions of shares under the NCIB.

At September 30, 2019 the Company had working capital (excluding debt) of $18.0 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 Q3 2019 versus Q4 2018 offset by a decrease in accounts payable. Typically, as activity levels increase or decrease working capital will also increase or decrease.

On September 27, 2019, CWC and its syndicated lenders completed an extension of its credit facilities (the "Bank Loan") and certain other amendments to provide financial security and flexibility to July 31, 2022. At the request of the Company, the credit facilities were reduced from $75 million to $60 million to reduce borrowing costs and standby charges. Additionally, the amendments exclude the Mortgage Loan from the consolidated debt definition used in calculating the quarterly financial covenants. The covenant for Consolidated Debt to EBITDA ratio is as follows:

For the Quarter Ended	Previously	Currently
September 30, 2019	4.00 : 1.00	3.75 : 1.00
December 31, 2019	4.00 : 1.00	3.75 : 1.00
March 31, 2020	4.00 : 1.00	3.75 : 1.00
June 30, 2020	4.00 : 1.00	3.75 : 1.00
September 30, 2020	n/a	3.50 : 1.00
December 31, 2020	n/a	3.50 : 1.00
March 31, 2021	n/a	3.25 : 1.00
June 30, 2021	n/a	3.25 : 1.00
September 30, 2021 and thereafter	n/a	3.00 : 1.00

The Bank Loan is secured by a general security agreement and a first charge security interest covering all of the assets of the Company (other than real estate assets related to the Mortgage Loan). Under the terms of the Bank Loan, the Company is required to comply with certain financial covenants. The Company is in compliance with each of the financial covenants at September 30, 2019. As of September 30, 2019, the applicable rates under the Bank Loan are: bank prime rate plus 1.50%, banker's acceptances rate plus a stamping fee of 2.50%, and standby fee rate of 0.57%.

On June 28, 2018, the Company entered into a five year credit facility (the "Mortgage Loan") originally in the principal amount of $12.8 million. (September 30, 2019: $12.1 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 September 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 compared to the 2018 capital expenditure of $11.8 million is a result of the Company taking a more cautious view of the 2019 economy and operating environment than in the prior year. CWC intends to continue 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 September 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:

	November 1, 2019	September 30, 2019	December 31, 2018
Common shares	509,979,124	509,900,791	512,509,291
Stock options	21,751,666	21,911,000	24,351,333
Restricted share units	5,179,334	5,361,001	5,910,001

During the nine months ended September 30, 2019, no stock options were exercised or granted, 1,700,000 stock options expired and 740,333 stock options were forfeited. In addition, 452,000 RSUs were exercised, 151,000 RSUs 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 nine months ended September 30, 2019, 3,078,500 common shares were purchased under the NCIB and 3,060,500 common shares were cancelled and returned to treasury.

Capital Expenditures

	Three months ended September 30,		Change	Change	Nine months ended September 30,		Change	Change
$ thousands	2019	2018	$	%	2019	2018	$	%
Capital expenditures								
Contract drilling	195	1,586	(1,391)	(88%)	1,453	6,702	(5,249)	(78%)
Production services	583	1,110	(527)	(47%)	2,460	3,040	(580)	(19%)
Other equipment	190	-	190	n/m[1]	251	28	223	796%
	968	2,696	(1,728)	(64%)	4,164	9,770	(5,606)	(57%)
Growth capital	386	1,581	(1,195)	(76%)	386	5,859	(5,473)	(93%)
Maintenance and infrastructure capital	582	1,115	(533)	(48%)	3,778	3,911	(133)	(3%)
Total capital expenditures	968	2,696	(1,728)	(64%)	4,164	9,770	(5,606)	(57%)

(1) Not meaningful.

Capital expenditures of $1.0 million in Q3 2019, a decrease of $1.7 million (64%) compared to $2.7 million in Q3 2018.

Capital expenditures of $4.2 million for the nine months ended September 30, 2019, a decrease of $5.6 million (57%) compared to $9.8 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 is comprised 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, 2022. The Company is committed to monthly payments of interest and bank charges until July 31, 2022. The Company's Mortgage Loan is being amortized over 22 years with blended monthly principal and interest payments and matures on 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	**Sept. 30**	**June 30**	**March 31**	**Dec. 31**	**Sept. 30**	**June 30**	**March 31**	**Dec. 31**
Revenue	27,775	18,745	31,259	35,478	38,113	22,245	48,925	37,420
Adjusted EBITDA[1]	3,868	113	4,694	4,978	6,002	31	7,478	6,630
Net (loss) income	(234)	(565)	(47)	(157)	326	(3,067)	1,196	8,544
Net (loss) income per share: basic and diluted	(0.00)	(0.01)	(0.00)	(0.00)	0.01	(0.01)	0.00	0.02
Total assets	243,647	240,603	250,358	252,665	257,675	250,038	268,479	264,354
Total long-term debt	41,549	36,618	43,296	44,896	46,394	36,803	51,377	49,810
Shareholders' equity	183,621	183,526	184,041	184,231	185,195	184,834	187,829	186,519

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

The table above summarizes CWC's quarterly results for the previous eight financial quarters. CWC's operations are carried out in western Canada and the United States. The second quarter is typically expected to be the weakest financial and operating quarter for the Company due to ground conditions being impacted by spring breakup in Canada. The ability to move heavy equipment in the Canadian crude oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this spring breakup has a direct impact on the Company's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen enough to support equipment. As a result, late March through May is traditionally the Company's slowest time, and as such the revenue, operating costs, and financial results of the Company will vary on a quarterly basis.

Through the eight quarters presented, the amount of revenue and net income (loss), adjusted for the effects of seasonality, have fluctuated primarily due to changes in the utilization of equipment, changes in the day and 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:

- Q3 2019 saw the first full quarter of drilling operations in the United States. In addition, the Company extended its credit facilities to July 31, 2022 and reduced the credit facilities from $75 million to $60 million, which now includes a separate U.S. operating facility. During Q3 2019, 405,000 common shares were purchased under the NCIB and 524,500 common shares were cancelled and returned to treasury.
- Q2 2019 saw CWC move two drilling rigs from Canada into the United States which commenced operations in mid-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.

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 prospective change for depreciating drilling and service 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.

Accounting Policies Adopted in 2019

IFRS 16

The Company 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 vehicles and office space.

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.

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 September 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 shares, per share amounts and margins	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
NON-IFRS MEASURES				
Adjusted EBITDA:				
Net (loss) income	(234)	326	(846)	(1,545)
Add:				
Depreciation	3,250	4,670	9,985	12,588
Finance costs	525	616	1,915	1,899
Income tax expense	161	206	(2,893)	(290)
Stock based compensation	166	241	592	763
Loss (gain) on sale of equipment	-	(57)	(78)	96
Adjusted EBITDA(1)	3,868	6,002	8,675	13,511
Adjusted EBITDA per share – basic and diluted (1)	$ 0.01	$ 0.01	$ 0.02	$ 0.03
Adjusted EBITDA margin (Adjusted EBITDA / Revenue) (1)	14%	16%	11%	12%
Weighted average number of shares outstanding - basic	510,358,460	520,463,960	511,329,933	521,271,741
Weighted average number of shares outstanding - diluted	510,358,460	524,754,635	511,329,933	521,271,741
Gross margin:				
Revenue	27,775	38,113	77,779	109,283
Less: Direct operating expenses	19,545	27,946	56,806	82,196
Gross margin (2)	8,230	10,167	20,973	27,087
Gross margin percentage (2)	30%	27%	27%	25%

$ thousands	September 30, 2019	December 31, 2018
Working capital (excluding debt):		
Current Assets	23,733	26,893
Less: Current Liabilities	(6,963)	(8,793)
Add: Current portion of long term debt	1,266	928
Working capital (excluding debt) (3)	18,036	19,028
Working capital (excluding debt) ratio(3)	4.2:1	3.4:1
Net debt:		
Long term debt	40,283	43,968
Less: Current assets	(23,733)	(26,893)
Add: Current liabilities	6,963	8,793
Net debt (4)	23,513	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.