CWC
ENERGY SERVICES

2020 Q2 Report


IRONHAND
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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 30, 2020 and should be read in conjunction with unaudited condensed interim consolidated financial statements ("Financial Statements") for the three and six months ended June 30, 2020, the audited annual consolidated financial statements for the year ended December 31, 2019 ("Annual Financial Statements"), and the annual management's discussion and analysis for the year ended December 31, 2019 ("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, 2020	Three months ended June 30, 2019	Change %	Six months ended June 30, 2020	Six months ended June 30, 2019	Change %
FINANCIAL RESULTS						
Revenue						
Contract Drilling	1,318	3,388	(61%)	13,989	12,508	12%
Production Services	2,648	15,358	(83%)	23,517	37,496	(37%)
	3,966	18,746	(79%)	37,506	50,004	(25%)
Other income	1,788	-	n/m[2]	1,788	-	n/m[2]
Adjusted EBITDA[1]	(1,397)	115	n/m[2]	4,111	4,807	(14%)
Adjusted EBITDA margin (%)[1]	(35%)	1%		11%	10%	
Impairment of assets	-	-	n/m[2]	(25,451)	-	n/m[2]
Net loss	(3,734)	(565)	n/m[2]	(22,911)	(612)	n/m[2]
Net loss margin (%)[1]	(94%)	(3%)	(91%)	(61%)	(1%)	(60%)
Capital expenditures	720	1,902	(62%)	3,525	3,196	10%
Per share information:						
Weighted average number of shares outstanding – basic and diluted	507,543,333	510,978,053		509,239,883	511,823,718	
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)	$ (0.00)		$ (0.04)	$ (0.00)	

$ thousands, except ratios	June 30, 2020	December 31, 2019
FINANCIAL POSITION AND LIQUIDITY		
Working capital (excluding debt)[1]	3,264	18,534
Working capital (excluding debt) ratio[1]	1.7:1	3.3:1
Total assets	196,565	243,398
Total long-term debt (including current portion)	25,788	40,552
Shareholders' equity	160,281	182,032

[1] Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.
[2] Not meaningful.

Working capital (excluding debt) for June 30, 2020 has decreased $15.3 million (82%) since December 31, 2019 driven by decreases in accounts receivable ($17.3 million (72%)) and prepaid expenses and deposits ($1.5 million (55%)) offset by a decrease in account payable ($3.4 million (42%)). Due to the seasonality of the oilfield services business in Canada, working capital typically peaks in Q1 and drops in Q2 as accounts receivable are collected. Long-term debt (including current portion) has decreased 36% from December 31, 2019 driven by the collection of accounts receivable combined with lower activity in Q2 2020 compared to Q4 2019. Shareholders' equity has decreased $21.8 million (12%) since December 31, 2019 primarily due to the net loss for the six months ended June 30, 2020 which included a charge for impairment of assets of $25.5 million partially offset by an unrealized gain on translation of foreign operations of $1.5 million.

Highlights for the Three Months Ended June 30, 2020

- Demand for crude oil declined in Q2 2020 amid the global economic downturn as a result of the COVID-19 health pandemic and the measures put in place to slow the spread of the virus. During the quarter, the Company's exploration and production ("E&P") customers cut their capital expenditure programs leading to reduced demand for the Company's services. The duration of the negative impact from the COVID-19 health pandemic on the Company's operations is unknown and will depend on future economic developments, which cannot be predicted with confidence at this time. Therefore, the Company continues to pursue cash saving initiatives to preserve cash resources and maintain balance sheet strength as well as to retain its most valuable asset – its key employees. The Company has also enacted new safety protocols to protect the health and safety of its employees so that the Company can operate with confidence that its employees and customers are taking the necessary precautions.
- During Q2 2020, the Governments of Alberta and Saskatchewan announced the Alberta Site Rehabilitation Program ($1.0 billion) and the Saskatchewan Accelerated Site Closure Program ($400 million) respectively. Both of these programs provide grants to eligible oilfield service contractors to perform well, pipeline, and oil and gas site closure and reclamation work, creating jobs and supporting the environment. CWC's Production Services segment is well positioned to provide closure work on inactive wells and has already received Alberta grant approvals on 217 inactive wells.
- Average Q2 2020 crude oil price, as measured by West Texas Intermediate ("WTI"), of US$27.95/bbl was 39% lower than the Q1 2020 average price of US$45.57/bbl (Q2 2019: US$59.89/bbl) and the price differential between Canadian heavy crude oil, as represented by Western Canadian Select ("WCS"), and WTI maintained a differential in the range of US$5.00/bbl to US$17.00/bbl during the second quarter of 2020. Natural gas prices, as measured by AECO, remained relatively unchanged from an average of $1.93/GJ in Q1 2020 to $1.90/GJ in Q2 2020 (Q2 2019 $1.06/GJ).
- CWC's Canadian drilling rig utilization in Q2 2020 of 11% (Q2 2019: 11%) exceeded the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 4%. Canadian activity levels in Q2 2020 of 68 drilling rig operating days from seven Canadian drilling rigs was consistent with Q2 2019 activity levels of 72 drilling rig operating days. Average revenue per operating day of $19,382 resulted in revenue of $1.3 million (Q2 2019: $1.6 million) from the Canadian drilling operations. As a result of the COVID-19 health pandemic and the travel restrictions implemented between Canada and the U.S., CWC's two U.S. drilling rigs, which operate with Canadian rig crews, did not see any operating days in Q2 2020 (Q2 2019: 25 drilling rig operating days) and, therefore, did not generate any revenue in the quarter (Q2 2019: $1.8 million). Service rig utilization in Q2 2020 of 8% (Q2 2019: 39%) was driven by 4,037 operating hours which were 83% lower than the 23,129 operating hours in Q2 2019; a result of the significant drop off in activity levels due to COVID-19 and the corresponding steep drop in oil prices.
- Revenue of $4.0 million, a decrease of $14.8 million (79%) compared to $18.8 million in Q2 2019.
- Other income of $1.8 million in Q2 2020 consists of Government of Canada grants, which the Company received under the Canada Emergency Wage Subsidy ("CEWS").
- Adjusted EBITDA[(1)] of $(1.4 million), a decrease of $1.5 million compared to $0.1 million in Q2 2019. The COVID-19 health pandemic put an end to CWC's 27 consecutive quarters of positive Adjusted EBITDA[(1)] dating back to Q2 2013.
- Net loss of $3.7 million, an increase of $3.1 million compared to $0.6 million in Q2 2019.
- Total long-term debt (including current portion) of $25.8 million is the lowest long-term debt amount in 13 years of CWC's total 15 years of existence.
- During Q2 2020, 1,708,000 (Q2 2019: 623,000) common shares were purchased under the Normal Course Issuer Bid ("NCIB") and 1,718,000 (Q2 2019: 744,000) common shares 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, 2020

- CWC's Canadian drilling rig utilization for the first six months of 2020 of 32% (2019: 31%) exceeded the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 19%. Canadian activity levels for the first six months of 2020 decreased 9% to 412 drilling rig operating days from seven Canadian drilling rigs (2019: 454 drilling rig operating days). Average revenue per operating day of $22,277 resulted in revenue of $9.2 million from the Canadian drilling operations. U.S. drilling rig activity levels for the first six months of 2020 were 144 drilling rig operating days from two U.S. drilling rigs for a utilization of 40% (2019: 7%). U.S. Contract Drilling revenue of $4.8 million represented 34% of CWC's total Contract Drilling revenue in the first six months of 2020 with the average revenue per operating day of US$25,139 from U.S. operations. CWC's service rig utilization for the first six months of 2020 of 32% (2019: 46%) was driven by 34,479 operating hours which were 36% lower than the 54,004 operating hours in 2019; a result of the significant drop off in activity levels due to COVID-19 and the corresponding steep drop in oil prices.
- Revenue of $37.5 million, a decrease of $12.5 million (25%) compared to $50.0 million in the first six months of 2019.
- Adjusted EBITDA[(1)] of $4.1 million, a decrease of $0.7 million (14%) compared to $4.8 million in the first six months of 2019.
- Net loss of $22.9 million, an increase of $22.3 million compared to $0.6 million in the first six months of 2019. The increase in net loss is primarily due to a charge for impairment of assets of $25.5 million taken in Q1 2020.
- For the six months ended June 30, 2020, the Company purchased 5,382,500 (2019: 2,673,500) common shares under the Normal Course Issuer Bid ("NCIB") and 5,482,000 (2019: 2,536,000) 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, and swabbing rigs. The Company's corporate office is located in Calgary, Alberta, with a U.S. office in Denver, Colorado and operational locations in Nisku, Grande Prairie, Slave Lake, Sylvan Lake, Drayton Valley, Lloydminster, Provost and Brooks, Alberta. The Company's shares trade on the TSX Venture Exchange under the symbol "CWC".

Operational Overview

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 also operates in select United States basins including the Eagle Ford, Denver-Julesburg ("DJ") and Bakken. One of the Company's strategic initiatives is to continue to increase the capabilities of its existing fleet to meet the growing demands of E&P customers for deeper depths at a cost effective price while providing a sufficient internal rate of return for CWC's shareholders.

OPERATING HIGHLIGHTS	Three months ended Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018
Drilling Rigs – Canada								
Total drilling rigs, end of period	7	7	7	7	7	9	9	9
Revenue per operating day[1]	$19,382	$22,849	$22,161	$20,685	$22,750	$23,895	$26,642	$21,263
Drilling rig operating days	68	344	232	130	72	382	491	500
Drilling rig utilization %[2]	11%	54%	36%	19%	11%	47%	59%	60%
CAODC industry average utilization %	4%	35%	23%	23%	18%	29%	28%	30%
Wells drilled	4	26	18	12	10	39	34	41
Average days per well	17.1	13.2	12.9	10.9	8.0	9.8	14.4	12.2
Meters drilled (thousands)	20.2	99.6	75.6	39.6	26.7	119.8	127.8	155.2
Meters drilled per day	295	290	326	304	373	314	261	310
Average meters per well	5,053	3,831	4,199	3,300	2,966	3,070	3,708	3,786
Drilling Rigs – United States								
Total drilling rigs, end of period	2	2	2	2	2	-	-	-
Revenue per operating day (US$)[1]	-	$25,139	$34,448[3]	$27,159	$54,188[3]	-	-	-
Drilling rig operating days	-	144	56	155	25	-	-	-
Drilling rig utilization %[2]	-	79%	31%	84%	69%	-	-	-
Wells drilled	-	10	5	16	1	-	-	-
Average days per well	-	14.4	11.3	9.7	16.6	-	-	-
Meters drilled (thousands)	-	40.5	14.5	50.7	2.9	-	-	-
Meters drilled per day	-	282	258	327	177	-	-	-
Average meters per well	-	4,053	2,942	978	2,939	-	-	-

(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 $1.3 million for Q2 2020 (Q2 2019: $1.6 million) was achieved with a utilization rate of 11% (Q2 2019: 11%), compared to the CAODC industry average of 4%. CWC completed 68 Canadian drilling rig operating days with seven drilling rigs in Q2 2020, comparable to the 72 Canadian drilling rig operating days in Q2 2019.

As a result of the COVID-19 health pandemic and the travel restrictions implemented between Canada and the U.S., CWC's two U.S. drilling rigs, which operate with Canadian rig crews, did not see any operating days in Q2 2020 (Q2 2019: 25 drilling rig operating days) and, therefore, did not generate any revenue in the quarter (Q2 2019: $1.8 million).

Production Services

With a fleet of 145 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 75 single, 56 double, and 14 slant rigs providing services which include completions, maintenance, workovers and well decommissioning with depth ratings from 1,500 to 5,000 metres. CWC has chosen to park 63 of its service rigs and focus its sales and operational efforts on the remaining 82 active service rigs due to the reduction in the number of service rigs currently required to service the WCSB.

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

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

OPERATING HIGHLIGHTS	Three months ended							
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018
Service Rigs								
Active service rigs, end of period	82	83	84	84	92	93	92	102
Inactive service rigs, end of period	63	62	62	64	56	55	56	46
Total service rigs, end of period	145	145	146	148	148	148	148	148
Operating hours	4,037	30,442	33,656	29,528	23,129	30,875	31,232	42,316
Revenue per hour	$619	$666	$664	$644	$646	$671	$663	$628
Revenue per hour excluding top volume customers	$653	$673	$682	$660	$687	$690	$696	$664
Service rig utilization %[1]	8%	56%	62%	52%	39%	53%	51%	63%
Coil Tubing Units								
Active coil tubing units, end of period	0	0	7	8	8	8	8	8
Inactive coil tubing units, end of period	9	9	2	1	1	1	1	1
Total coil tubing units, end of period	9	9	9	9	9	9	9	9
Operating hours	-	486	448	318	301	1,730	1,647	898
Revenue per hour	-	$545	$646	$730	$830	$555	$625	$731
Coil tubing unit utilization %[1]	-	11%	10%	6%	6%	34%	31%	17%
Swabbing Rigs								
Active swabbing rigs, end of period	5	5	5	5	8	8	8	9
Inactive swabbing rigs, end of period	7	7	8	8	5	5	5	4
Total swabbing rigs, end of period	12	12	13	13	13	13	13	13
Operating hours	513	1,088	1,141	865	661	1,655	2,313	881
Revenue per hour	$288	$300	$282	$284	$262	$288	$283	$273
Swabbing rig utilization %[1]	16%	33%	35%	19%	13%	47%	41%	15%

[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 were removed from service for greater than 90 days were excluded from the utilization calculation until their first day back in field service.

Production Services revenue of $2.7 million in Q2 2020, down $12.7 million (83%) compared to $15.4 million in Q2 2019. The revenue decrease in Q2 2020 was a direct result of the rapid decrease in crude oil prices, which started in March 2020, as the global health solutions to slow the spread of the COVID-19 virus resulted in a significant drop in demand for crude oil.

CWC's service rig utilization in Q2 2020 of 8% (Q2 2019: 39%) was driven by 4,037 operating hours being 83% lower than the 23,129 operating hours in Q2 2019. In addition, the Q2 2020 average revenue per hour of $619 was $27 per hour (4%) lower than the $646 per hour in Q2 2019 as a result of customer discounts during the quarter. Q2 2020 average revenue per hour of $653 excluding the Company's top volume customers was $34 per hour (5%) lower than Q2 2019 average revenue per hour of $687.

As a result of the lower customer demand, the Company discontinued operations of its coil tubing division on March 17, 2020 and wrote down the value of these assets to their estimated disposal value. The Company will look at monetizing the coil tubing assets when market conditions in the oil and gas industry stabilize.

CWC swabbing rig utilization in Q2 2020 of 16% (Q2 2019: 13%) with 513 operating hours was 22% lower than the 661 operating hours in Q2 2019 as CWC had three less swabbing rigs active during the quarter compared to the prior year due to lower customer demand from continued low natural gas prices. Average revenue per hour for swabbing rigs of $288 in Q2 2020 was 10% higher compared to $262 in Q2 2019.

Outlook

In March 2020, the World Health Organization declared a global health pandemic due to COVID-19. In response to the COVID-19 outbreak, governments around the world implemented measures to control the spread of the virus during Q2 2020 including closure of non-essential businesses, restricting travel and encouraging its citizens to stay-at-home. These government actions contributed to a significant deterioration in the global economy including a material decline in the demand for crude oil, which resulted in a significant decrease in oil prices. The decline in oil prices negatively affected current and forecasted drilling and production service activities in Canada and the United States. In response to the decline in oil prices, OPEC+ agreed to cut crude oil production by 9.7 million bbls/day for May and June 2020, reducing to 7.6 million bbls/day from July to December 2020 and then to 5.6 million bbls/day from January 2021 to April 2022. In addition, the U.S., Canada and Brazil have cut crude oil production by 3.7 million bbls/day with other G20 oil producing nations contributing 1.3 million bbls/day. Together OPEC+ and the G20 oil producing nations are expected to reduce crude oil production by 12.6 million bbls/day for the remainder of 2020 for an global average crude oil supply of 87.4 million bbls/day. The International Energy Agency ("IEA") forecasts that global crude oil demand will increase in Q3 2020 averaging 94.3 million bbls/day, thereby reducing the amount of global crude oil currently in storage. As such crude oil prices have rebounded from the low US$20/bbl in April 2020 to the low US$40/bbl in July 2020 as governments around the world have started removing economic restrictions related to COVID-19 and gradually re-opened businesses. As consumer demand and business confidence increases for the remainder of 2020 and 2021, so too will be the demand for crude oil and a return to increased oilfield service activity in Canada and the U.S.

In the meantime, CWC has made significant changes to its cost structure including laying off employees, reducing compensation, eliminating discretionary expenses and reducing capital expenditures, to better match our cost structure to current operating activity levels resulting in $10.7 million in annualized cash savings. The Company has reduced its head count by 49% through departures and layoffs of its employees and contractors and incurred $0.1 million in severance costs related to these layoffs in the first half of 2020. CWC now has 316 employees as at June 30, 2020. In addition, CWC has applied for and received $1.9 million in grants from the Government of Canada CEWS program to date. With the recent Government of Canada announcement that the CEWS program will be extended to December 19, 2020, the Company believes that the CEWS program will further enhance our ability to manage through the current slowdown in oilfield services activity with an estimated additional $2.3 million in grants.

On April 17, 2020, the Government of Canada announced a $1.7 billion funding package to the Government of Alberta, Saskatchewan, British Columbia and the Alberta Orphan Well Association for well decommissioning and reclamation of abandoned and inactive wells. As the largest service rig company in Canada, CWC will be a net beneficiary of this funding as the Company pivots from workover and maintenance work on producing wells to performing a greater percentage of its work on well decommissioning in its Production Services segment. Subsequent to June 30, 2020, CWC received grant approvals for 217 inactive wells under the Alberta Site Rehabilitation Program and has been approved as a vendor under the Saskatchewan Accelerated Site Closure Program.

The Company continues to be in regular contact with its four member banking syndicate and has received positive indications that they will continue to support CWC through these turbulent times.

Looking out to a medium and longer term, CWC is optimistic about the future of the oil and gas industry in Canada. On March 31, 2020, the Government of Alberta announced they will be investing $1.5 billion into the Keystone XL pipeline and provide a $6.0 billion loan guarantee to TC Energy to start construction of the pipeline immediately, which is expected to be operational by 2023. This pipeline will carry 830,000 bbls/day of crude oil to Gulf Coast refineries. Along with the anticipated completion of Enbridge's Line 3 pipeline in late 2020, which will carry 760,000 bbls/day to Minnesota and eastern refineries and the Trans Mountain expansion project carrying 890,000 bbls/day by late 2022 to the west coast for oversea markets, Canada should have sufficient capacity to resume growth in crude oil production. With the current reduction in Canadian crude oil production of approximately 1.0 million bbls/day as a result of lower global demand from the COVID-19 economic restrictions, Canada may have inadvertently solved its issues of insufficient capacity on its existing pipeline infrastructure until the three additional pipelines are completed and operational. As such, CWC will remain focused on its operational and financial performance in the short-term, but recognize the need to pursue opportunities that have inevitably been created in this heavily discounted market to create medium and longer-term value for CWC's shareholders. With the support of the Board of Directors, management continues to actively pursue consolidation opportunities in North America. CWC cautions that there can be no guarantees that strategic opportunities will result in a transaction, or if a transaction is undertaken, as to its terms or timing.

Discussion of Financial Results

Revenue, Direct Operating Expenses and Gross Margin

$ thousands	Three months ended June 30, 2020	2019	Change $	Change %	Six months ended June 30, 2020	2019	Change $	Change %
Revenue								
Contract Drilling	1,318	3,388	(2,070)	(61%)	13,989	12,508	1,481	12%
Production Services	2,648	15,358	(12,710)	(83%)	23,517	37,496	(13,979)	(37%)
	3,966	18,746	(14,780)	(79%)	37,506	50,004	(12,498)	(25%)
Direct operating expenses								
Contract Drilling	1,076	2,898	(1,822)	(63%)	9,226	9,743	(517)	(5%)
Production Services	2,923	12,025	(9,102)	(76%)	18,388	27,518	(9,130)	(33%)
	3,999	14,923	(10,924)	(73%)	27,614	37,261	(9,647)	(26%)
Gross margin[1]								
Contract Drilling	242	490	(248)	(51%)	4,763	2,765	1,998	72%
Production Services	(275)	3,333	(3,608)	(108%)	5,129	9,978	(4,849)	(49%)
	(33)	3,823	(3,856)	(101%)	9,892	12,743	(2,851)	(22%)
Gross margin percentage[1]								
Contract Drilling	18%	14%	n/a	4%	34%	22%	n/a	12%
Production Services	(10%)	22%	n/a	(32%)	22%	27%	n/a	(5%)
	(1%)	20%	n/a	(21%)	26%	25%	n/a	1%

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

Q2 2020 revenue of $4.0 million, a decrease of $14.8 million (79%) compared to $18.8 million in Q2 2019. Revenue decreased $2.1 million (61%) in the Contract Drilling segment and $12.7 million (83%) in the Production Services segment in Q2 2020 compared to Q2 2019. The decreases in revenue were a direct result of the rapid decrease in crude oil prices as the global health solutions to slow the spread of the COVID-19 virus resulted in a significant drop in demand for crude oil, which negatively affected the demand from our E&P customers.

For the six months ended June 30, 2020, revenue of $37.5 million, a decrease of $12.5 million (25%) compared to $50.0 million in the first six months of 2019. Revenue increased $1.5 million (12%) in the Contract Drilling segment and decreased $14.0 million (37%) in the Production Services segment for the first six months of 2020 compared to the same period in 2019.

Revenue contribution from the Company's top ten customers increased from 63% for the first six months of 2019 to 68% in the first six months of 2020. CWC's top customer's revenue contribution increased from 11% in the first six months of 2019 to 23% in 2020.

For the six months ended June 30, 2020, approximately 80% of revenue (2019: 84%) was from work on crude oil wells while 20% (2019: 16%) was from natural gas wells. Further, approximately 44% of revenue (2019: 38%) was related to drilling and completions work, 41% of revenue (2019: 50%) from maintenance and workovers on producing wells and 15% of revenue (2019: 12%) from well decommissioning.

Many direct operating expenses, including labour costs related to field operating employees, are variable in nature and increase or decrease with activity levels such that changes in operating costs generally correspond to changes in revenue or activity levels. Contract Drilling's gross margin percentage of 18% in Q2 2020 is higher than the 14% in Q2 2019. For the first six months of 2020, Contract Drilling's gross margin percentage of 34% is higher than the 22% for the first six months of 2019 as discretionary repairs and maintenance plans were put on hold until activity levels increase. For Production Services, negative gross margin of (10%) in Q2 2020 is lower than the 22% in Q2 2019. For the first six months of 2020, Production Services' gross margin of 22% is lower than the 27% in the first six months of 2019 due to significantly lower activity levels and utilization rates.

Other Income

$ thousands	Three months ended June 30, 2020	2019	Change $	Change %	Six months ended June 30, 2020	2019	Change $	Change %
Other income	1,788	-	1,788	n/m[1]	1,788	-	1,788	n/m[1]

[1] Not meaningful.

Other income in Q2 2020 and for the six months ended June 30, 2020 of $1.8 million (2019: $nil) consists of Government of Canada grants, received under the CEWS program. CEWS is a program to assist employers facing financial hardship, as measured by certain monthly revenue declines compared to the prior year, as a result of the COVID-19 health pandemic and the provincial governments' closure of businesses. CEWS currently provides a reimbursement of compensation expense of 75% of the amount of remuneration paid up to a maximum benefit of $847 per week, per employee.

Selling and Administrative Expenses

$ thousands	Three months ended June 30, 2020	2019	Change $	Change %	Six months ended June 30, 2020	2019	Change $	Change %
Selling and administrative expenses	3,152	3,708	(556)	(15%)	7,569	7,936	(367)	(5%)

Selling and administrative expenses were $3.2 million in Q2 2020, a decrease of $0.6 million (15%) compared to $3.7 million in Q2 2019. The decrease is a result of the cash saving initiatives undertaken in the first quarter of 2020, including reduced head counts through departures and layoffs; compensation reductions to Board of Directors, management, administrative and field employees; discontinuing operations of the Coil Tubing division; reductions and deferrals of rent and property taxes offset by one-time severance costs of $0.1 million for salaried and field staff reductions and $0.2 million in increased bad debt expense.

Adjusted EBITDA[1]

$ thousands	Three months ended June 30, 2020	2019	Change $	Change %	Six months ended June 30, 2020	2019	Change $	Change %
Adjusted EBITDA[1]								
Contract Drilling	220	90	130	144%	4,161	2,089	2,072	99%
Production Services	(640)	951	(1,591)	(167%)	2,310	5,059	(2,749)	(54%)
Corporate	(977)	(926)	(51)	6%	(2,360)	(2,341)	(19)	1%
	(1,397)	115	(1,512)	n/m[2]	4,111	4,807	(696)	(14%)
Adjusted EBITDA margin (%)[1]	(35%)	1%	n/a	(36%)	11%	10%	n/a	1%

[1] Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.
[2] Not meaningful.

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 $(1.4 million) for Q2 2020, a decrease of $1.5 million compared to $0.1 million in Q2 2019.

For the six months ended June 30, 2020, Adjusted EBITDA[1] was $4.1 million, a decrease of $0.7 million (14%) compared to $4.8 million for the first six months of 2019. The decrease in Adjusted EBITDA[1] is a result of the global economic downturn due to the COVID-19 health pandemic.

Stock Based Compensation

$ thousands	Three months ended June 30, 2020	2019	Change $	Change %	Six months ended June 30, 2020	2019	Change $	Change %
Stock based compensation	139	197	(58)	(29%)	272	426	(154)	(36%)

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 $0.1 million in Q2 2020, a decrease of $0.1 million (29%) compared to $0.2 million in Q2 2019.

For the six months ended June 30, 2020, stock based compensation was $0.3 million, a decrease of $0.1 million (36%) compared to $0.4 million for the same period in 2019.

Finance Costs

$ thousands	Three months ended June 30, 2020	2019	Change $	Change %	Six months ended June 30, 2020	2019	Change $	Change %
Finance costs	780	658	122	19%	1,464	1,390	74	5%

Finance costs were $0.8 million in Q2 2020, an increase of $0.1 million (19%) compared to $0.7 million in Q2 2019 due to the increased mark-to-market value of the interest rate swap agreement.

For the six months ended June 30, 2020, finance costs were $1.5 million, an increase of $0.1 million (5%) from $1.4 million for the same period in 2019.

Depreciation and Amortization

$ thousands	Three months ended June 30, 2020	2019	Change $	Change %	Six months ended June 30, 2020	2019	Change $	Change %
Depreciation and amortization								
Contract Drilling	796	924	(128)	(14%)	1,915	2,347	(432)	(18%)
Production Services	1,617	1,818	(201)	(11%)	3,398	3,870	(472)	(12%)
Corporate	182	260	(78)	(30%)	454	518	(64)	(12%)
	2,595	3,002	(407)	(14%)	5,767	6,735	(968)	(14%)

Depreciation and amortization was $5.8 million in the first six months of 2020, a decrease of $1.0 million (14%) compared to $6.7 milllion in 2019. The decrease in depreciation and amortization expense for the first six months of 2020 compared to 2019 was as a result of the change in accounting estimate to straight line depreciation compared to the previously used unit of production method, which varied depending upon activity levels as well as the lower depreciable asset base as a result of the charge taken for impairment of assets in Q1 2020.

Impairment of Assets

$ thousands	Three months ended June 30, 2020	2019	Change $	Change %	Six months ended June 30, 2020	2019	Change $	Change %
Impairment of assets								
Contract Drilling	-	-	-	n/m[1]	24,000	-	24,000	n/m[1]
Production Services	-	-	-	n/m[1]	1,451	-	1,451	n/m[1]
Corporate	-	-	-	-	-	-	-	-
	-	-	-	n/m[1]	25,451	-	25,451	n/m[1]

[1] Not meaningful.

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

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

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

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

The Company's review of the carrying amounts of its assets at June 30, 2020 determined there were no further indicators of impairment.

(Gain) Loss on Disposal of Equipment

$ thousands	Three months ended June 30, 2020	2019	Change $	Change %	Six months ended June 30, 2020	2019	Change $	Change %
(Gain) loss on disposal of equipment	(77)	(55)	(22)	n/m[1]	974	(78)	1,052	n/m[1]

[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 six months ended June 30, 2020, the loss on disposal of equipment was primarily the result of the disposal of one inactive service rig and one inactive swabbing rig as well as disposals of ancillary equipment and vehicles with proceeds on sale of $0.6 million (2019: $0.3 million).

Deferred Income Tax (Recovery) Expense

$ thousands	Three months ended June 30, 2020	2019	Six months ended June 30, 2020	2019
Net loss before income taxes	(4,834)	(3,687)	(29,817)	(3,666)
Deferred income tax (recovery) expense	(1,100)	(3,122)	(6,906)	(3,054)
Deferred income tax (recovery) expense as a % of net loss before income taxes	23%	n/m[1]	23%	n/m[1]
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 Q2 2020 and the first six months of 2020 of $1.1 million (Q2 2019: $3.1 million) and $6.9 million (2019: $3.1 million) respectively, is a result of the net loss before income taxes in each period.

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

Net Loss and Comprehensive Loss

$ thousands	Three months ended June 30, 2020	2019	Change $	Change %	Six months ended June 30, 2020	2019	Change $	Change %
Net loss	(3,734)	(565)	3,169	n/m[1]	(22,911)	(612)	22,299	n/m[1]
Unrealized (loss) gain on translation of foreign operations	(714)	(35)	679	n/m[1]	1,520	(37)	(1,557)	n/m[1]
Comprehensive loss	(4,448)	(600)	3,848	n/m[1]	(21,391)	(649)	20,742	n/m[1]

[1] Not meaningful.

Net loss of $3.7 million in Q2 2020, an increase of $3.1 million compared to a net loss of $0.6 milliion in Q2 2019. Comprehensive loss of $4.4 million in Q2 2020, an increase of $3.8 million compared to comprehensive loss of $0.6 million in Q2 2019.

For the first six months ended June 30, 2020, net loss of $22.9 million, an increase of $22.3 million compared to $0.6 million for the same period in 2019. Comprehensive loss of $21.4 million in the first six months of 2020, an increase of $20.8 million compared to comprehensive loss of $0.6 million for the same period in 2019. The increase in comprehensive loss was due to the impairment of assets partially offset by an unrealized gain on translation of foreign currency from the Company's U.S. operations.

Liquidity and Capital Resources

Source of Funds

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

During the first six months of 2020, the Company's operating cash flow of $19.5 million and proceeds on disposal of equipment of $0.6 million were used to fund a $14.5 million reduction in long-term debt, $3.5 million of capital expenditures, $1.8 million of interest on long-term debt, finance costs and finance lease payments, and $0.6 million in acquisitions of shares under the NCIB.

At June 30, 2020 the Company had working capital (excluding debt) of $3.3 million, a decrease of $15.3 million (82%) from $18.5 million at December 31, 2019. (Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.) The decrease in working capital (excluding debt) is due to lower accounts receivable from lower revenue in Q2 2020 versus Q4 2019 offset by a decrease in accounts payable. Typically, as activity levels increase or decrease working capital will also increase or decrease.

The Company's $60.3 million credit facilities (the "Bank Loan") provides financial security and flexibility to July 31, 2022. The Bank Loan is secured by a general security agreement and a first charge security interest covering all of the assets of the Company (other than real estate assets related to the Mortgage Loan). Under the terms of the Bank Loan, the Company is required to comply with certain financial covenants. The Company is in compliance with each of the financial covenants at June 30, 2020. As of June 30, 2020, the applicable rates under the Bank Loan are: bank prime rate plus 0.875%, bankers' acceptances rate plus a stamping fee of 1.875%, and standby fee rate of 0.42%.

The Company's Mortgage Loan is a loan maturing on June 28, 2023 that is amortized over 22 years with blended monthly principal and interest payments of $86. At maturity, approximately $9,891 of principal will become payable assuming only regular monthly payments are made. On July 27, 2018 the Company entered into an interest rate swap to exchange the floating rate interest payments for fixed rate interest payments, which fix the Bankers' Acceptance-Canadian Dollar Offered Rate components of its interest payment on the outstanding term debt. Under the interest rate swap agreement, the Company pays a fixed rate of 2.65% per annum plus the applicable credit spread of 1.35%, for an effective fixed rate of 4.0%. The fair value of the interest rate swap arrangement is the difference between the forward interest rates and the discounted contract rate. As of June 30, 2020, the mark-to-market value of the interest rate swap of $671 is included within accounts payable and accrued liabilities on the Consolidated Statements of Financial Position (December 31, 2019: $246).

Capital Requirements

On December 12, 2019, the Company announced its capital expenditure budget for 2020 of $6.7 million, an increase of $1.4 million compared to the 2019 capital expenditure of $5.3 million. Given the current economic environment as a result of the COVID-19 health pandemic, the Company has reduced its 2020 capital expenditure budget by $1.9 million (28%) to $4.9 million. As $3.5 million of the 2020 capital expenditure budget has been incurred in the first six months of 2020, the Company is effectively suspending any further capital expenditures, other than those in progress, for the remainder of 2020.

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

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

Common Shares and Dividends

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

	July 30, 2020	June 30, 2020	December 31, 2019
Common shares	505,870,849	505,870,849	510,702,349
Stock options	20,354,667	20,354,667	20,666,667
Restricted share units	6,673,154	6,673,154	7,224,154

During the six months ended June 30, 2020, 286,000 stock options were expired and 26,000 stock options were forfeited. In addition, 551,000 RSUs were exercised.

On April 15, 2020, the Company replaced its expired NCIB with a new NCIB which now expires on April 14, 2021. Under the new NCIB the Company may purchase, from time to time as it considers advisable, up to 25,340,742 of issued and outstanding common shares through the facilities of the TSXV or other recognized marketplaces. In addition, CWC renewed its ASPP with Raymond James for the purpose of making purchases under the ASPP.

For the six months ended June 30, 2020, 5,382,500 common shares were purchased under the NCIB and 5,482,000 common shares were cancelled and returned to treasury.

Capital Expenditures

	Three months ended June 30,				Six months ended June 30,			
$ thousands	**2020**	**2019**	**Change $**	**Change %**	**2020**	**2019**	**Change $**	**Change %**
Capital expenditures								
Contract drilling	308	1,164	(856)	(74%)	1,094	1,258	(164)	(13%)
Production services	412	692	(280)	(40%)	2,405	1,877	528	28%
Other equipment	-	46	(46)	(100%)	26	61	(35)	(57%)
	720	1,902	(1,182)	(62%)	3,525	3,196	329	10%
Growth capital	232	-	232	n/m[1]	1,017	-	1,017	n/m[1]
Maintenance and infrastructure capital	488	1,902	(1,414)	(74%)	2,508	3,196	(688)	(22%)
Total capital expenditures	720	1,902	(1,182)	(62%)	3,525	3,196	329	10%

[1] Not meaningful.

Capital expenditures of $0.7 million in Q2 2020, a decrease of $1.2 million (62%) compared to $1.9 million in Q2 2019.

Capital expenditures of $3.5 million for the six months ended June 30, 2020, an increase of $0.3 million (10%) compared to $3.2 million in the same period of 2019.

The 2020 capital expenditure budget of $6.7 million was approved by the Board of Directors on December 12, 2019 comprised of maintenance and infrastructure capital related to recertifications, additions and upgrades to field equipment for the drilling rig and service rig divisions as well as information technology infrastructure and growth capital to upgrade one of the drilling rigs. Given the current economic environment as a result of the COVID-19 health pandemic, the Company has reduced its 2020 capital expenditure budget by $1.9 million (28%) to $4.9 million. As $3.5 million of the 2020 capital expenditure budget has been incurred in the first six months of 2020, the Company is effectively suspending any further capital expenditures, other than those in progress, for the remainder of 2020.

Commitments and Contractual Obligations

Under the terms of the Company's amended Bank Loan, the borrowings under the Bank Loan are due in full on July 31, 2022. The Company is committed to monthly payments of interest and bank charges until July 31, 2022. The Company's Mortgage Loan is being amortized over 22 years with blended monthly principal and interest payments and matures on June 28, 2023. There have been no significant changes in other commitments or contractual obligations since December 31, 2019.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts	2020		2019				2018	
Three months ended	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Revenue	3,966	33,540	30,667	27,775	18,745	31,259	35,478	38,113
Adjusted EBITDA[1]	(1,397)	5,508	3,491	3,868	113	4,694	4,978	6,002
Net (loss) income	(3,734)	(19,177)	(854)	(234)	(565)	(47)	(157)	326
Net (loss) income per share: basic and diluted	(0.00)	(0.04)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.01
Total assets	196,565	221,110	243,398	243,647	240,603	250,358	252,665	257,675
Total long-term debt	25,788	43,337	40,552	41,549	36,618	43,296	44,896	46,394
Shareholders' equity	160,281	164,802	182,032	183,621	183,526	184,041	184,231	185,195

[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 hourly billing rate, and the increase in the number of drilling rigs, service rigs, swabbing rigs and coil tubing units over the period as detailed in the section titled "Operational Overview".

Other significant impacts have been a result of:

- Q2 2020 demand for crude oil declined amid the global economic downturn as a result of the COVID-19 health pandemic and the measures put in place to slow the spread of the virus. The impact this had on the Company resulted in a 79% decline in revenue compared to Q2 2019 and the Company posting its first negative Adjusted EBITDA[1] in 27 quarters. During Q2 2020, 1,708,000 common shares were purchased under the NCIB and 1,718,000 common shares were cancelled and returned to treasury.
- Q1 2020 saw the combined effects of the reduction in global demand for crude oil due to the COVID-19 health pandemic and the increase in global supply of crude oil resulting in a rapid and uneconomic decline in oil prices. This negatively affected current and future drilling and production levels in Canada and the U.S. resulting in decreased demand for drilling and production services by our E&P customers in mid-March 2020. The Company acted quickly to implement cash saving initiatives to preserve cash resources and maintain balance sheet strength as well as retaining our most valuable asset – our key employees. The Company reduced its head count by 43% through departures and layoffs of its employees and contractors and incurred $0.1 million in severance costs related to these layoffs in Q1 2020. During Q1 2020, 3,674,500 common shares were purchased under the NCIB and 3,764,000 common shares were cancelled and returned to treasury;
- Q4 2019 saw the WTI-WCS differential widen to over US$20.00/bbl, compared to a historical normal range of US$10-$15/bbl. Despite this widening differential, CWC saw increased activity in its service rig division with 33,656 hours compared to the 29,528 hours in Q3 2019. Drilling rig operating days were impacted by the movement of one drilling rig from Texas to Wyoming which resulted in approximately 21 days of lost revenue. During Q4 2019, 1,453,500 common shares were purchased under the NCIB and 1,342,000 common shares were cancelled and returned to treasury;

- Q3 2019 saw the first full quarter of drilling operations in the United States. In addition, the Company extended its credit facilities to July 31, 2022 and reduced the credit facilities from $75 million to $60 million, which now includes a separate U.S. operating facility. During Q3 2019, 405,000 common shares were purchased under the NCIB and 524,500 common shares were cancelled and returned to treasury;
- Q2 2019 saw CWC move two drilling rigs from Canada into the United States which commenced operations in mid-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 CWC's production-oriented service rigs as a direct result of lower WTI prices during the quarter and the Government of Alberta mandated 325,000 bbls/day production curtailments taking effect in January 2019. During Q1 2019, 2,050,500 common shares were purchased under the NCIB and a total of 1,792,000 common shares were cancelled and returned to treasury;
- Q4 2018 saw the price differential between Canadian heavy crude oil, as represented by WCS, and WTI widen 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.

Critical Accounting Estimates and Judgments

This MD&A of the Company's financial condition and results of operations is based on the condensed interim consolidated financial statements which are prepared in accordance with IFRS. The preparation of the condensed interim 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 condensed interim consolidated financial statements may change as future events unfold, additional experience is acquired or the Company's operating environment changes. In many cases the use of judgment is required to make estimates.

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

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

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, 2020 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 December 31, 2019 Management's Discussion and Analysis which is available under the Company's profile at www.sedar.com.

COVID-19 and Related Impacts

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

Forward-Looking Information

This MD&A contains certain forward-looking information and statements within the meaning of applicable Canadian securities legislation. Certain statements contained in this MD&A, including most of those contained in the section titled "Outlook" and including statements which may contain such words as "anticipate", "could", "continue", "should", "seek", "may", "intend", "likely", "plan", "estimate", "believe", "expect", "will", "objective", "ongoing", "project" and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements including management's assessment of future plans and operations, planned levels of capital expenditures, expectations as to activity levels, expectations on the sustainability of future cash flow and earnings, expectations with respect to crude oil and natural gas prices, activity levels in various areas, expectations regarding the level and type of drilling and production and related drilling and well services activity in the WCSB and U.S. basins, expectations regarding entering into long term drilling contracts and expanding its customer base, and expectations regarding the business, operations, revenue and debt levels of the Company in addition to general economic conditions. Although the Company believes that the expectations and assumptions on which such forward-looking information and statements are based are reasonable, undue reliance should not be placed on the forward-looking information and statements because the Company can give no assurances that they will prove to be correct. Since forward-looking information and statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks including the implications of the COVID-19 health pandemic on the Company's business, operations and personnel. These factors and risks include, but are not limited to, the risks associated with the COVID-19 health pandemic and their implications on the demand and supply in the drilling and oilfield services sector (i.e. demand, pricing and terms for oilfield drilling and services; current and expected oil and gas prices; exploration and development costs and delays; reserves discovery and decline rates; pipeline and transportation capacity; weather, health, safety and environmental risks), significant expansion measures to

stop the spread of COVID-19 further restricting or prohibiting the operations of the Company's facilities and operations, actions to ensure social distancing due to COVID-19, the Company's cash saving initiatives, integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties and environmental regulations, stock market volatility and the inability to access sufficient capital from external and internal sources. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through SEDAR at www.sedar.com. 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 June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
NON-IFRS MEASURES				
Adjusted EBITDA[1]:				
Net loss	(3,734)	(565)	(22,911)	(612)
Add:				
Stock based compensation	139	197	272	426
Finance costs	780	658	1,464	1,390
Depreciation and amortization	2,595	3,002	5,767	6,735
Impairment of assets	-	-	25,451	-
Loss (gain) on sale of equipment	(77)	(55)	974	(78)
Income tax expense	(1,100)	(3,122)	(6,906)	(3,054)
Adjusted EBITDA[1]	(1,397)	115	4,111	4,807
Adjusted EBITDA per share – basic and diluted[1]	$ 0.00	$ 0.00	$ 0.01	$ 0.01
Adjusted EBITDA margin (Adjusted EBITDA/Revenue)[1]	(35%)	1%	11%	10%
Weighted average number of shares outstanding - basic and diluted	507,543,333	510,978,053	509,239,883	511,823,718
Gross margin:				
Revenue	3,966	18,746	37,506	50,004
Less: Direct operating expenses	3,999	14,923	27,614	37,261
Gross margin[2]	(33)	3,823	9,892	12,743
Gross margin percentage[2]	(1%)	20%	26%	25%

$ thousands	June 30, 2020	December 31, 2019
Working capital (excluding debt):		
Current assets	7,452	26,642
Less: Current liabilities	(5,070)	(9,249)
Add: Current portion of long-term debt	882	1,141
Working capital (excluding debt)[3]	3,264	18,534
Net debt:		
Long-term debt	24,906	39,411
Less: Current assets	(7,452)	(26,642)
Add: Current liabilities	5,070	9,249
Net debt[4]	22,524	22,018

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

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

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

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CWC ENERGY SERVICES CORP.

Unaudited Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

Stated in thousands of Canadian dollars	Note	**June 30, 2020**	December 31, 2019
ASSETS			
Current			
Cash		**$ 186**	$ 117
Accounts receivable		**6,547**	23,800
Prepaid expenses and deposits		**1,226**	2,725
		7,959	26,642
Property, plant and equipment	5	**188,606**	216,756
		$ 196,565	$ 243,398
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**4,695**	8,108
Current portion of long-term debt	6	**882**	1,141
		5,577	9,249
Long term			
Deferred tax liability		**5,801**	12,706
Long-term debt	6	**24,906**	39,411
		36,284	61,366
SHAREHOLDERS' EQUITY			
Share capital	7	**256,846**	259,515
Contributed surplus		**17,768**	15,459
Accumulated other comprehensive income (loss)		**790**	(730)
Deficit		**(115,123)**	(92,212)
		160,281	182,032
		$ 196,565	$ 243,398

See accompanying notes to the condensed interim consolidated financial statements.

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three and six months ended June 30, 2020 and 2019

(Unaudited)

Stated in thousands of Canadian dollars except per share amounts	Note	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Revenue and other income					
Revenue	11	**$ 3,966**	$ 18,746	**$ 37,506**	$ 50,004
Other income	12	**1,788**	-	**1,788**	-
		5,754	18,746	**39,294**	50,004
Expenses	10				
Direct operating expenses		**3,999**	14,923	**27,614**	37,261
Selling and administrative expenses		**3,152**	3,708	**7,569**	7,936
Stock based compensation	7	**139**	197	**272**	426
Finance costs		**780**	658	**1,464**	1,390
Depreciation and amortization	5	**2,595**	3,002	**5,767**	6,735
(Gain) loss on disposal of equipment	5	**(77)**	(55)	**974**	(78)
Impairment of assets	5	**-**	-	**25,451**	-
		10,588	22,433	**69,111**	53,670
Loss before income taxes		**(4,834)**	(3,687)	**(29,817)**	(3,666)
Deferred income tax recovery		**(1,100)**	(3,122)	**(6,906)**	(3,054)
Net loss		**$ (3,734)**	$ (565)	**$ (22,911)**	$ (612)
Other comprehensive (loss) income					
Item that may be reclassified to profit or loss in subsequent periods:					
Unrealized (loss) gain on translation of foreign operations		**(714)**	(35)	**1,520**	(37)
Comprehensive loss		**$ (4,448)**	$ (600)	**$ (21,391)**	$ (649)
Net loss per share					
Basic and diluted	7	**$ (0.01)**	$ (0.00)	**$ (0.04)**	$ (0.00)

See accompanying notes to the condensed interim consolidated financial statements.

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three and six months ended June 30, 2020 and 2019

(Unaudited)

Stated in thousands of Canadian dollars except share amounts	Note	**Number of Shares**	**Share Capital**	**Contributed Surplus**	**Accumulated Other Comprehensive Income (Loss)**	**Deficit**	**Total Equity**
Balance – January 1, 2019		512,509,291	$ 261,353	$ 13,390	$ -	$ (90,512)	$ 184,231
Net loss		-	-	-	-	(612)	(612)
Stock based compensation expense	7(c)(d)	-	-	426	-	-	426
Settlement of restricted share units	7(d)	377,000	73	(73)	-	-	-
Cancellation of common shares purchased under normal course issuer bid	7(b)	(2,673,500)	(1,364)	882	-	-	(482)
Other comprehensive loss		-	-	-	(37)	-	(37)
Balance – June 30, 2019		510,212,791	$ 260,062	$ 14,625	$ (37)	$ (91,124)	$ 183,526
Balance – January 1, 2020		**510,702,349**	**$ 259,515**	**$ 15,459**	**$ (730)**	**$ (92,212)**	**$ 182,032**
Net loss		**-**	**-**	**-**	**-**	**(22,911)**	**(22,911)**
Stock based compensation expense	7(c)(d)	**-**	**-**	**272**	**-**	**-**	**272**
Settlement of restricted share units	7(d)	**551,000**	**72**	**(72)**	**-**	**-**	**-**
Cancellation of common shares purchased under normal course issuer bid	7(b)	**(5,382,500)**	**(2,741)**	**2,109**	**-**	**-**	**(632)**
Other comprehensive income		**-**	**-**	**-**	**1,520**	**-**	**1,520**
Balance – June 30, 2020		**505,870,849**	**$ 256,846**	**$ 17,768**	**$ 790**	**$ (115,123)**	**$ 160,281**

See accompanying notes to the condensed interim consolidated financial statements.

CWC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2020 and 2019

(Unaudited)

Stated in thousands of Canadian dollars except per share amounts	Note	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Operating activities:					
Net loss		**$ (3,734)**	$ (565)	**$ (22,911)**	$ (612)
Adjustments for:					
Stock based compensation	7	**139**	197	**272**	426
Finance costs		**780**	658	**1,464**	1,390
Depreciation and amortization	5	**2,595**	3,002	**5,767**	6,735
Impairment of assets	5	**-**	-	**25,451**	-
Loss (gain) on disposal of equipment	5	**(77)**	(55)	**974**	(78)
Deferred income tax recovery		**(1,100)**	(3,122)	**(6,906)**	(3,054)
Funds (used in) from operations		**(1,397)**	115	**4,111**	4,807
Changes in non-cash working capital balances	8	**20,628**	9,183	**15,339**	7,937
Operating cash flow		**19,231**	9,298	**19,450**	12,744
Investing activities:					
Purchase of equipment	5	**(720)**	(1,849)	**(3,525)**	(2,411)
Proceeds on disposal of equipment		**151**	54	**614**	296
Investing cash flow		**(569)**	(1,795)	**(2,911)**	(2,115)
Financing activities:					
Repayment of long-term debt		**(17,422)**	(6,533)	**(14,471)**	(8,773)
Interest paid		**(719)**	(549)	**(1,341)**	(1,203)
Finance costs paid		**-**	(23)	**(6)**	(23)
Lease repayments		**(189)**	(216)	**(411)**	(446)
Common shares purchased under NCIB	7	**(212)**	(111)	**(632)**	(482)
Financing cash flow		**(18,542)**	(7,432)	**(16,861)**	(10,927)
Decrease in cash during the period		**120**	71	**(322)**	(298)
Effect of exchange rate changes on cash and cash equivalents		**(131)**	(35)	**391**	(37)
Cash, beginning of period		**197**	137	**117**	508
Cash, end of period		**$ 186**	$ 173	**$ 186**	$ 173

See accompanying notes to the condensed interim consolidated financial statements.

1. Reporting entity

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

2. Basis of presentation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2019.

These condensed interim consolidated financial statements were approved by the Board of Directors on July 30, 2020.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

3. Significant accounting policies

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2019 other than those discussed below. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2019.

(a) Government grants

A government grant is recognized where there is reasonable assurance that the grant will be received and that the Company will comply with any conditions attached to the grant. When the grant relates to an expense item, it is recognized as other income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset and is recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge.

(b) COVID-19-Related Rent Concessions (Amendments to IFRS 16)

In May 2020, the IASB published COVID-19-Related Rent Concessions, which amends IFRS 16, Leases, to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The amendment becomes effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The Company adopted the amendment effective for the current year ending December 31, 2020 and has elected to apply the provided practical expedient. The Company will account for any change in lease payments resulting from a COVID-19-related rent concession the same way it would account for the change if the change were not a lease modification.

4. Seasonality of operations

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

5. Property, plant and equipment

	Contract Drilling equipment	Production Services property, plant, and equipment	Right-of-use assets	Other equipment	Total
Costs					
Balance, January 1, 2020	$ 120,058	$ 255,878	$ 1,905	$ 2,072	$ 379,913
Additions	1,094	2,405	-	26	3,525
Disposals	(146)	(2,063)	(741)	-	(2,950)
Effect of foreign currency exchange differences	936	-	5	-	941
Balance, June 30, 2020	121,942	256,220	1,169	2,098	381,429
Accumulated depreciation and impairment losses					
Balance, January 1, 2020	30,583	129,598	1,084	1,892	163,157
Depreciation	1,841	3,528	361	37	5,767
Disposals	(4)	(693)	(665)	-	(1,362)
Impairments	24,000	1,451	-	-	25,451
Effect of foreign currency exchange differences	(190)	-	-	-	(190)
Balance, June 30, 2020	56,230	133,884	780	1,929	192,823
Net book value					
Balance, June 30, 2020	$ 65,712	$ 122,336	$ 389	$ 169	$ 188,606

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

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

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

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

The Company's review of the carrying amounts of its assets at June 30, 2020 determined there were no further indicators of impairment.

6. Loans and borrowings

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

	June 30, 2020	December 31, 2019
Current liabilities		
Current portion of lease liabilities	**$ 300**	$ 559
Current portion of Mortgage Loan	**582**	582
	$ 882	$ 1,141
Non-current liabilities		
Bank Loan	**$ 14,124**	$ 28,304
Mortgage Loan	**11,055**	11,345
Lease liabilities	**125**	276
Financing fees	**(398)**	(514)
	$ 24,906	39,411
Total loans and borrowings	**$ 25,788**	$ 40,552

The Company has credit facilities with a syndicate of four Canadian financial institutions (the "Credit Facility"). The Credit Facility provides the Company with a $60.3 million extendible revolving term facility (the "Bank Loan") and other credit instruments. Of the Bank Loan, $42.5 million is a syndicated facility and $10.0 million is a Canadian operating facility with the remaining $7.8 million (US$5.75 million) being a U.S. operating facility. On September 27, 2019, the Bank Loan was extended for a committed term until July 31, 2022 ("Maturity Date"). No principal payments are required under the Bank Loan until the Maturity Date, at which time any amounts outstanding are due and payable. The Company may, on an annual basis, request the Maturity Date be extended for a period not to exceed three years from the date of the request. If a request for an extension is not approved by the banking syndicate, the Maturity Date will remain unchanged.

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company's trailing Consolidated Debt[(2)] to Consolidated EBITDA[(1)] ratio from a minimum of the bank's prime rate plus 0.75% to a maximum of the bank's prime rate plus 3.75% or from a minimum of the bankers' acceptances rate plus a stamping fee of 1.75% to a maximum of the bankers' acceptances rate plus a stamping fee of 4.75%. Standby fees under the Bank Loan range between 0.39% and 1.07%. Interest and fees under the Bank Loan are payable monthly. The Company has the option to borrow funds denominated in either Canadian or United States dollars under the Credit Facility. Borrowings under the Bank Loan are limited to an aggregate of 75% of accounts receivable outstanding less than 90 days plus 60% of the net book value of property and equipment less certain priority payables. As at June 30, 2020, of the $60,336 Bank Loan facility, $46,212 was available for immediate borrowing and $14,124 was outstanding (December 31, 2019: $28,304). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings up to $125,000, subject to the approval of the lenders. The Bank Loan is secured by a security agreement covering all of the assets of the Company and a first charge Security Interest covering all assets of the Company (other than real estate assets related to the Mortgage Loan). Effective June 30, 2020, the applicable rates under the Bank Loan are: bank prime rate plus 0.875%, bankers' acceptances rate plus a stamping fee of 1.875%, and standby fee rate of 0.42%.

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

	Covenant limits	**June 30, 2020**
Consolidated Debt(2) to Consolidated EBITDA(1)	3.75:1.00 or less	**1.37:1.00**
Consolidated Debt(2) to Capitalization(3)	0.50:1.00 or less	**0.08:1.00**
Consolidated Adjusted Cash Flow(4) to Consolidated Adjusted Finance Obligations(5)	1.15:1.00 or more	**3.41:1.00**

(1) Consolidated EBITDA is calculated as net income plus finance costs, plus current and deferred income taxes, plus depreciation, plus stock based compensation, plus any non-recurring losses or impairment losses, or permitted severance costs, minus any non-recurring gain, plus any expenses related to corporate or business acquisitions with all amounts being for the twelve month period ended the calculation date, minus all principal paid or payable in connection with the Mortgage Loan. Consolidated EBITDA is adjusted to reflect the inclusion of material acquisitions or material dispositions on a pro forma basis for the twelve month period ended the calculation date. Consolidated EBITDA is increased if debt repayments from the proceeds of equity issuance are used to repay the syndicated facility and designated by the Company as an Equity Cure amount. The Consolidated Debt to Consolidated EBITDA covenant limit reduces to 3.50:1.00 at September 30, 2020, to 3.25:1.00 at March 31, 2021 and to 3.00:1.00 at September 30, 2021 and thereafter.

(2) Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted to exclude: the Mortgage Loan, the funds held in any segregated accounts and to remove any financing fees included.

(3) Capitalization is calculated as Consolidated Debt plus Shareholders' Equity as at the calculation date.

(4) Consolidated Adjusted Cash Flow is calculated as Consolidated EBITDA minus amounts paid for transaction costs, dividends or share repurchases in the twelve month period ended the calculation date. The Calculation of Adjusted Cash Flow excludes Consolidated EBITDA resulting from an Equity Cure.

(5) Consolidated Adjusted Finance Obligations is calculated as finance costs plus scheduled principal payments on debt including scheduled principal payments under finance leases minus accretion of finance fees included in finance costs for the twelve month period ended the calculation date (excluding scheduled principal payments attributed to the Mortgage Loan).

Mortgage Loan is a loan maturing on June 28, 2023 that is amortized over 22 years with blended monthly principal and interest payments of $86. At maturity, approximately $9,891 of principal will become payable assuming only regular monthly payments are made. On July 27, 2018 the Company entered into an interest rate swap to exchange the floating rate interest payments for fixed rate interest payments, which fix the Bankers' Acceptance-Canadian Dollar Offered Rate components of its interest payment on the outstanding term debt.

Under the interest rate swap agreement, the Company pays a fixed rate of 2.65% per annum plus the applicable credit spread of 1.35%, for an effective fixed rate of 4.0%. The fair value of the interest rate swap arrangement is the difference between the forward interest rates and the discounted contract rate. As of June 30, 2020, the mark-to-market value of the interest rate swap of $671 is included within accounts payable and accrued liabilities on the Consolidated Statements of Financial Position (December 31, 2019: $246).

Lease liabilities consist of vehicles and office space which mature in 1 to 3 years. The incremental borrowing rate applied to the individual leases liabilities varies from 4.8% to 6.4% per annum.

Financing fees consist of commitment fees and legal expenses relating to the Credit Facility and are being amortized using the effective interest rate method over the term of the Credit Facility. Financing fees of $61 for the three months ended June 30, 2020 (three months ended June 30, 2019 : $146) and $122 for the six months ended June 30, 2020 (six months ended June 30, 2019 : $187) were amortized and included in finance costs.

7. Share capital

(a) Authorized

Unlimited number of Common voting shares without par value.

Unlimited number of Preferred shares without par value.

(b) Normal course issuer bid

On April 15, 2019, the Company initiated a Normal Course Issuer Bid (" NCIB") which expired on April 14, 2020. Under this expired NCIB the Company could purchase, from time to time as it considered 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 were determined by Raymond James in its sole discretion, without consultation with CWC having regard to the price limitation and aggregate purchase limitation and other terms of the ASPP and the rules of the TSXV. Conducting the NCIB as an ASPP allows common shares to be purchased at times when CWC would otherwise be prohibited from doing so pursuant to securities laws and its internal trading policies.

On April 15, 2020, the Company replaced its expired NCIB with a new NCIB which now expires on April 14, 2021. Under the new NCIB the Company may purchase, from time to time as it considers advisable, up to 25,340,742 of issued and outstanding common shares through the facilities of the TSXV or other recognized marketplaces. In addition, CWC renewed its ASPP with Raymond James for the purpose of making purchases under the ASPP.

For the three months ended June 30, 2020, 1,708,000 common shares (three months ended June 30, 2019: 623,000) for consideration of $212, including commissions (three months ended June 30, 2019: $111) were purchased under the NCIB, and for the six months ended June 30, 2020, 5,382,500 common shares (six months ended June 30, 2019: 2,673,500) for consideration of $632 including commissions (six months ended June 30, 2019 : $482) were purchased under the NCIB. In the three months ended June 30, 2020, a total of 1,718,000 common shares were cancelled and returned to treasury (three months ended June 30, 2019: 744,000), and in the six months ended June 30, 2020, a total of 5,482,000 common shares were cancelled and returned to treasury (six months ended June 30, 2019: 2,536,000).

(c) Stock options

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

	Number of options	Weighted average exercise price
Balance at December 31, 2019	**20,666,667**	**0.17**
Expired	**(286,000)**	**0.19**
Forfeited	**(26,000)**	**0.20**
Balance at June 30, 2020	**20,354,667**	**0.17**

For the three months ended June 30, 2020, stock-based compensation expense relating to stock options totaled $61 (three months ended June 30, 2019: $109). For the six months ended June 30, 2020, stock-based compensation expense relating to stock options totaled $122 (six months ended June 30, 2019: $252).

(d) Restricted share unit plan

The following table summarizes information about RSUs outstanding:

Issue date fair value	Number of RSUs outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price ($)	Number of RSUs exercisable
$ 0.09 - $ 0.19	**6,673,154**	**1.92**	**n/a**	**727,154**

For the three months ended June 30, 2020, stock-based compensation expense relating to RSUs totaled $78 (for the three months ended June 30, 2019: $88). For the six months ended June 30, 2020, stock-based compensation expense relating to RSUs totaled $150 (six months ended June 30, 2019: $174).

For the six months ended June 30, 2020 551,000 RSUs were exercised (six months ended June 30, 2019: 377,000 RSUs were exercised, 36,000 RSUs were forfeited, and 54,000 RSUs were issued).

(e) Weighted average common shares outstanding

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	**2020**	2019
Weighted average common shares outstanding – basic	**507,543,333**	510,978,053	**509,239,883**	511,823,718
Effect of dilutive share-based compensation plans	**-**	-	**-**	-
Weighted average common shares outstanding – diluted	**507,543,333**	510,978,053	**509,239,883**	511,823,718

Outstanding stock options and RSUs are currently the only instruments which could potentially dilute earnings per share. For the six months ended June 30, 2020, 20,354,667 stock options (six months ended June 30, 2019: 22,228,333) and 6,673,154 RSUs (six months ended June 30, 2019: 5,551,001) were not included in the computation of net loss per common share because to do so would be anti-dilutive.

8. Supplemental cash flow information

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019**	**2020**	**2019**
Increase (decrease) in non-cash working capital items:				
Accounts receivable	**$ 21,287**	$ 9,036	**$ 17,253**	$ 7,878
Prepaid expenses and deposits	**717**	(349)	**1,499**	84
Accounts payable and accrued liabilities	**(1,376)**	496	**(3,413)**	(25)
	$ 20,628	$ 9,183	**$ 15,339**	$ 7,937

9. Operating segments

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

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

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

The amounts related to each industry segment are as follows:

For the three months ended June 30, 2020	Contract Drilling	Production Services	Corporate	Total
Revenue	$ 1,318	$ 2,648	$ -	$ 3,966
Other income	323	1,291	174	1,788
Direct operating expenses	1,076	2,923	-	3,999
Selling and administrative expenses	345	1,656	1,151	3,152
Stock based compensation	-	-	139	139
Finance costs	-	-	780	780
Depreciation	796	1,617	182	2,595
Gain on disposal of equipment	(9)	(68)	-	(77)
Loss before tax	(567)	(2,189)	(2,078)	(4,834)
Deferred income tax recovery	-	-	(1,100)	(1,100)
Net loss	$ (567)	$ (2,189)	$ (978)	$ (3,734)
Capital expenditures	$ 308	$ 412	$ -	$ 720
As at June 30, 2020				
Property, plant and equipment	$ 65,712	$ 122,336	$ 169	$ 188,217
Right-of-use assets	$ 125	$ 171	$ 93	$ 389

For the three months ended June 30, 2019		**Contract Drilling**		**Production Services**		**Corporate**		**Total**
Revenue	$	3,388	$	15,358	$	-	$	18,746
Direct operating expenses		2,898		12,025		-		14,923
Selling and administrative expenses		400		2,382		926		3,708
Stock based compensation		-		-		197		197
Finance costs		-		-		658		658
Depreciation		924		1,818		260		3,002
Gain on disposal of equipment		-		(55)		-		(55)
Loss before tax		(834)		(812)		(2,041)		(3,687)
Deferred income tax recovery		-		-		(3,122)		(3,122)
Net (loss) income	$	(834)	$	(812)	$	1,081	$	(565)
Capital expenditures	$	1,164	$	692	$	46	$	1,902
As at June 30, 2019								
Property, plant and equipment	$	91,208	$	129,584	$	162	$	220,954
Right-of-use assets	$	245	$	808	$	-	$	1,053

For the six months ended June 30, 2020		**Contract Drilling**		**Production Services**		**Corporate**		**Total**
Revenue	**$**	**13,989**	**$**	**23,517**	**$**	**-**	**$**	**37,506**
Other income		**323**		**1,291**		**174**		**1,788**
Direct operating expenses		**9,226**		**18,388**		**-**		**27,614**
Selling and administrative expenses		**925**		**4,110**		**2,534**		**7,569**
Stock based compensation		**-**		**-**		**272**		**272**
Finance costs		**-**		**-**		**1,464**		**1,464**
Depreciation		**1,915**		**3,398**		**454**		**5,767**
Loss on disposal of equipment		**133**		**841**		**-**		**974**
Impairment of assets		**24,000**		**1,451**		**-**		**25,451**
Loss before tax		**(21,887)**		**(3,380)**		**(4,550)**		**(29,817)**
Deferred income tax recovery		**-**		**-**		**(6,906)**		**(6,906)**
Net (loss) income	**$**	**(21,887)**	**$**	**(3,380)**	**$**	**2,356**	**$**	**(22,911)**
Capital expenditures	**$**	**1,094**	**$**	**2,405**	**$**	**26**	**$**	**3,525**

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

10. Expenses by nature

For the three months ended June 30, 2020	Direct operating expenses	Selling and administrative expenses	Stock based compensation	Finance costs	Depreciation expense	Gain on disposal of equipment	Total
Personnel expenses	$ 2,592	$ 2,139	$ 139	$ -	$ -	$ -	$ 4,870
Third party charges	704	-	-	-	-	-	704
Repairs and maintenance	703	-	-	-	-	-	703
Other selling and administrative expenses	-	681	-	-	-	-	681
Bad debt recovery	-	(13)	-	-	-	-	(13)
Facility expenses	-	345	-	-	-	-	345
Finance costs	-	-	-	780	-	-	780
Depreciation expense	-	-	-	-	2,595	-	2,595
Gain on disposal of equipment	-	-	-	-	-	(77)	(77)
Total	**$ 3,999**	**$ 3,152**	**$ 139**	**$ 780**	**$ 2,595**	**$ (77)**	**$ 10,588**

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

For the six months ended June 30, 2020	Direct operating expenses	Selling and administrative expenses	Stock based compensation	Finance costs	Depreciation expense	Loss on disposal of equipment	Impairment of assets	Total
Personnel expenses	$ 18,534	$ 4,597	$ 272	$ -	$ -	$ -	$ -	$ 23,403
Third party charges	4,090	-	-	-	-	-	-	4,090
Repairs and maintenance	4,990	-	-	-	-	-	-	4,990
Other selling and administrative expenses	-	2,054	-	-	-	-	-	2,054
Bad debt expense	-	239	-	-	-	-	-	239
Facility expenses	-	679	-	-	-	-	-	679
Finance costs	-	-	-	1,464	-	-	-	1,464
Depreciation expense	-	-	-	-	5,767	-	-	5,767
Loss on disposal of equipment	-	-	-	-	-	974	-	974
Impairment of assets	-	-	-	-	-	-	25,451	25,451
Total	$ 27,614	$ 7,569	$ 272	$ 1,464	$ 5,767	$ 974	$ 25,451	$ 69,111

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

11. Revenue

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

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

For the three months ended June 30, 2020	Contract Drilling	Production Services			
	Drilling Rigs	Service Rigs	Swabbing Rigs	Coil Tubing	Total
Canada	$ 1,318	$ 2,500	$ 148	$ -	$ 3,966
United States	-	-	-	-	-
Revenue	$ 1,318	$ 2,500	$ 148	$ -	$ 3,966

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

For the six months ended June 30, 2020	Contract Drilling	Production Services			
	Drilling Rigs	Service Rigs	Swabbing Rigs	Coil Tubing	Total
Canada	$ 9,178	$ 22,778	$ 474	$ 265	$ 32,695
United States	4,811	-	-	-	4,811
Revenue	$ 13,989	$ 22,778	$ 474	$ 265	$ 37,506

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

Included in accounts receivable at June 30, 2020 was $927 (December 31, 2019: $2,669) of accrued revenue for services provided in the month then ended. There have been no significant adjustments for prior period accrued revenue in the current period.

As of June 30, 2020, the Company did not have any sales contracts beyond one year in term.

12. Other income

Other income for the three and six months ended June 30, 2020 consists of Government of Canada grants received under the Canada Emergency Wage Subsidy ("CEWS") program. CEWS is a program to assist employers facing financial hardship, as measured by certain monthly revenue declines compared to the prior year, as a result of the COVID-19 health pandemic. CEWS currently provides a reimbursement of compensation expense of 75% of the amount of remuneration paid up to a maximum benefit of $847 per week, per employee.

Included in accounts receivable at June 30, 2020 was $521 of accrued other income related to the CEWS for the period from June 7 to June 30, 2020.

Corporate Information

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Duncan T. Au[1]
Daryl Austin
Gary L. Bentham[1, 2]
Wade McGowan[1, 2, 3]
Dean Schultz[2, 3]

1. *Audit Committee*
2. *Compensation and Corporate Governance Committee*
3. *Quality, Health, Safety and Environment Committee*

Officers
Duncan T. Au, FCPA, FCA, CFA
President & Chief Executive Officer

Stuart King, CPA, CA
Chief Financial Officer

Paul Donohue
Vice President Operations (Drilling)

Darwin McIntyre
Vice President Operations (Well Services)

Bob Apps
Vice President, Sales and Marketing (Drilling)

Mike Dubois
Vice President, Sales and Marketing (Well Services)

Corporate Secretary
James L. Kidd
Burnet, Duckworth & Palmer LLP

Auditors
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