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 October 31, 2018 and should be read in conjunction with unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018, the audited annual financial statements for the year ended December 31, 2017 ("Annual Financial Statements"), and the annual management's discussion and analysis for the year ended December 31, 2017 ("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 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, including the AIF, is available on SEDAR at www.sedar.com.

Financial and Operational Highlights

$ thousands, except shares, per share amounts, and margins	Three months ended September 30, 2018	2017	Change %	Nine months ended September 30, 2018	2017	Change %
FINANCIAL RESULTS						
Revenue						
Contract drilling	10,633	10,130	5%	25,142	24,308	3%
Production services	27,480	17,043	61%	84,141	50,487	67%
	38,113	27,173	40%	109,283	74,795	46%
Adjusted EBITDA (1)	6,002	4,055	48%	13,511	9,433	43%
Adjusted EBITDA margin (%) (1)	16%	15%		12%	13%	
Funds from operations	6,002	4,055	48%	13,511	9,433	43%
Net income (loss) and comprehensive income (loss)	326	(638)	n/m(2)	(1,545)	(3,683)	58%
Net income (loss) and comprehensive income (loss) margin (%)	1%	(2%)	n/m(2)	(1)%	(5%)	n/m(2)
Per share information:						
Weighted average number of shares outstanding – basic and diluted	520,463,960	392,935,814		521,271,741	392,604,720	
Adjusted EBITDA(1) per share - basic and diluted	$0.01	$0.01		$0.03	$0.02	
Net income (loss) per share – basic and diluted	$0.00	$0.00		$(0.00)	($0.01)	

$ thousands, except ratios	September 30, 2018	December 31, 2017
FINANCIAL POSITION AND LIQUIDITY		
Working capital (excluding debt) (1)	19,469	19,543
Working capital (excluding debt) ratio (1)	2.8:1	2.6:1
Total assets	257,675	264,354
Total long-term debt (including current portion)	46,394	49,810
Shareholders' equity	185,195	186,519

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

Working capital (excluding debt) is similar to December 31, 2017 due to similar operational days and hours between CWC's Contract Drilling and Production Services segments. Long-term debt (including current portion) has decreased 7% from December 31, 2017 as positive funds from operations were used to fund capital expenditures, purchase shares under the Normal Course Issuer Bid ("NCIB") and to repay debt.

Highlights for the Three Months Ended September 30, 2018

- Average Q3 2018 crude oil pricing, as measured by WTI, of US$73.25/bbl was 8% higher than Q2 2018 average price of US$67.97/bbl (Q3 2017: US$48.18/bbl). However, the price differential between Canadian heavy crude oil, as represented by WCS, and WTI widened at times during the quarter from US$19/bbl to US$36/bbl and even higher to US$50/bbl in October 2018 compared to the historical normalized range of US$10/bbl to US$15/bbl causing exploration and production ("E&P") companies to delay and/or shorten their drilling programs. However, such heavy oil differentials has yet to have a similar slowdown effect to activity levels in our service rig division given the Company's focus on production services. Natural gas prices, as measured by AECO, increased 90% from an average of $1.14/GJ in Q2 2018 to $2.17/GJ in Q3 2018 (Q3 2017: $1.36/GJ), but continues to remain very low in historically terms.

- CWC's drilling rig utilization of 60% in Q3 2018 (Q3 2017: 63%) exceeded Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 30%. Activity levels decreased 3% in Q3 2018 compared to Q3 2017 due to significant wet weather conditions in key operating areas (57 days of lost activity compared to 31 days in Q3 2017 out of a possible 828 total days). In addition, significant customer driven improvements and upgrades to Rig #4 were completed during Q3 2018 which delayed the rig from being in active service. On a positive note, average revenue per operating day of $21,263 increased 9% over the comparable year ago quarter of $19,424.

- CWC achieved service rig utilization of 45% in Q3 2018 (Q3 2017: 47%) with 42,316 operating hours (a new Q3 Company record) being 49% higher than the 28,320 operating hours in Q3 2017 as a result of the additional service rigs acquired from C&J Energy Production Services-Canada Ltd ("C&J Canada"). CWC's service rig utilization was also impacted by wet weather conditions during Q3 2018 which resulted in 4,024 hours of lost activity (Q3 2017: 2,616 hours) out of a total 93,950 hours. The average revenue per hour of $628 increased 12% over the comparable year ago quarter of $559. Furthermore, Q3 2018 average revenue per hour excluding its top volume customers of $664 was $36 per hour higher than Q3 2018 average revenue per hour of $628 demonstrating CWC's ability to to pass on higher labour and fuel costs to the majority of its E&P customers.

- Revenue of $38.1 million, an increase of $10.9 million (40%) compared to $27.2 million in Q3 2017. The increase is primarily a result of the addition of the service rig assets of C&J Canada.

- Adjusted EBITDA [(1)] of $6.0 million in Q3 2018, an increase of $2.0 million (46%) compared to $4.1 million in Q3 2017. The increase in Adjusted EBITDA in Q3 2018 is due to higher gross margin from Production Services, on higher operating hours partially offset by lower Contract Drilling rig activity and gross margins when compared to Q3 2017 and higher selling and administrative costs due to the C&J Canada acquisition. CWC has achieved 21 continuous quarters of positive Adjusted EBITDA since Q2 2013.

- Net income of $0.3 million, an increase of $0.9 million compared to a net loss of $0.6 million in Q3 2017. The change in net income is primarily due to the higher Adjusted EBITDA, offset by higher finance, stock based compensation, depreciation and income tax expense.

- On July 27, 2018 the Company entered into an interest rate swap to effectively fix the interest rate at 4.00%, until June 28, 2023, on its Mortgage Loan. As of September 30, 2018 the mark-to-market value of the interest rate swap was nominal.

- During Q3 2018, 1,175,500 (Q3 2017: 1,402,000) common shares were purchased under CWC's Normal Course Issuer Bid ("NCIB") and 1,309,000 common shares were cancelled and returned to treasury.

Highlights for the Nine Months Ended 30, 2018

- CWC's drilling rig utilization in the first nine months of 2018 of 46% (2017: 49%) exceeded the CAODC industry average of 29%. Activity levels in 2018 have decreased 3% compared to 2017 due to significant wet weather conditions in key operating areas in Q3 2018 which resulted in lost activity days. Year-to-date 2018 operating days of 1,131 (2017: 1,209 operating days) is the second most active since the acquisition of Ironhand Drilling Inc. in May 2014.

- For the first nine months of 2018, CWC's service rig utilization was 45% consistent with 45% in the same period in 2017. Activity levels in 2018 continue to set new Company records by increasing 54% to 125,125 operating hours (2017: 81,363 operating hours). The increase resulted from the additional service rigs acquired from C&J Canada.

- Revenue of $109.3 million, an increase of $34.5 million (46%) compared to $74.8 million in the first nine months of 2017. The increase is primarily a result of the addition of the service rig assets of C&J Canada.

- Adjusted EBITDA (1) of $13.5 million, an increase of $4.1 million (43%) compared to $9.4 million in the first nine months of 2017. The increase in Adjusted EBITDA is consistent with increased activity ($6.6 million) from Production Services due to the C&J Canada acquisition, offset by a decrease in Adjusted EBITDA in Contract Drilling ($0.9 million) and corporate expense of ($1.7 million).

- Net loss of $1.5 million, a decrease of $2.1 million (-58%) compared to a net loss of $3.6 million in the first nine months of 2017. The decrease in net loss is due primarily to an increase in Adjusted EBITDA from Production Services as a result of increased activity from the C&J Canada acquisition.

- At the request of the Company, the Bank Loan was reduced from $100 million to $75 million to reduce borrowing costs and standby charges.

- On June 29, 2018 the Company obtained a new five year credit facility (the "Mortgage Loan") in the principal amount of $12.8 million. The Mortgage Loan is secured by, among other things, a collateral mortgage from the Company in favour of the bank over properties located in Sylvan Lake, Brooks and Slave Lake Alberta. These new borrowing arrangements significantly reduce the Company's overall borrowing costs by reducing standby charges on the syndicated credit facilities (the "Bank Loan") and realizing a lower interest rate on the term Bank Loan. The Mortgage Loan has been amortized over 22 years with blended monthly principal and interest payments. On July 27, 2018 the Company entered into an interest rate swap to effectively fix the interest rate at 4.00% until June 28, 2023. As of September 30, 2018 the mark-to-market value of the interest rate swap was nominal.

- For the nine months ended September 30, 2018, the Company purchased 3,593,000 (2017: 3,088,500) common shares under its NCIB and 3,563,000 (2017: 3,088,500) 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 the Western Canadian Sedimentary Basin ("WCSB") with a complementary suite of oilfield services including drilling rigs, service rigs, swabbing rigs and coil tubing units. The Company's corporate office is located in Calgary, Alberta, with 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 WCSB, including the Montney, Cardium, Duvernay and other deep basin horizons. Part of the Company's strategic initiatives is to continue to increase the capabilities of its existing fleet to meet the growing demands of E&P customers for deeper depths at a cost effective price while providing a sufficient internal rate of return for CWC's shareholders.

	Three months ended							
OPERATING HIGHLIGHTS	**Sep. 30, 2018**	**Jun. 30, 2018**	**Mar. 31, 2018**	**Dec. 31, 2017**	**Sep. 30, 2017**	**Jun. 30, 2017**	**Mar 31, 2017**	**Dec. 31, 2016**
Drilling Rigs								
Active drilling rigs, end of period	9	9	9	9	9	9	9	9
Inactive drilling rigs, end of period	-	-	-	-	-	-	-	-
Total drilling rigs, end of period	9	9	9	9	9	9	9	9
Revenue per operating day [(1)]	$21,263	$21,227	$23,485	$23,572	$19,424	$19,575	$20,942	$20,623
Drilling rig operating days	500	133	498	463	522	155	532	257
Drilling rig utilization % [(2)]	60%	16%	61%	56%	63%	19%	66%	31%
CAODC industry average utilization %	30%	17%	52%	28%	29%	17%	40%	24%
Wells drilled	41	11	45	30	29	17	41	21
Average days per well	12.2	12.1	11.1	15.0	18.0	9.1	13.0	12.2
Meters drilled (thousands)	155.2	41.0	161.7	128.1	112.2	45.6	151.8	82.0
Meters drilled per day	310	309	325	277	215	294	285	319
Average meters per well	3,786	3,724	3,593	4,270	3,869	2,684	3,702	3,906

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

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

Contract Drilling revenue of $10.6 million for Q3 2018 (Q3 2017: $10.1 million) was achieved with a utilization rate of 60% (Q3 2017: 63%), compared to the CAODC industry average of 30%. CWC had 500 drilling rig operating days in Q3 2018, a 4% decrease from the 522 drilling rig operating days in Q3 2017, The reduced operating days were due to significant wet weather conditions in key operating areas in Q3 2018 (57 days of lost activity compared to 31 days in Q3 2017 out of a possible 828 total days). However, Q3 2018 average revenue per operating day of $21,263 increased 9% over the $19,424 in Q3 2017. In addition, significant customer driven improvements and upgrades to Drilling Rig #4 were completed during Q3 2018 which delayed the rig from being in active service. This upgrade is expected to increase the drilling rig's capacity resulting in higher expected utilization for future quarters.

Production Services

With a fleet of 148 service rigs, CWC is the largest well servicing company in Canada as measured by operating hours. CWC's service rig fleet consists of 77 single, 57 double, and 14 slant rigs providing services which include completions, maintenance, workovers and abandonments with depth ratings from 1,500 to 5,000 metres. CWC has chosen to park 46 of its service rigs and focus its sales and operational efforts on the remaining 102 active service rigs. Starting in October 2018, CWC has chosen to park another 10 of its active service rigs as a result of the tight labour market for field employees and the inability to crew these service rigs. The reduction of these 10 service rigs results in an active service rig fleet of 92 rigs for Q4 2018, which will still make CWC the largest well servicing company in Canada by operating hours.

CWCs fleet of nine coil tubing units consist of four Class I and five Class II coil tubing units having depth ratings from 1,500 to 3,200 metres. The Company continues to focus its sales and operational efforts on servicing SAGD wells that are shallower in depth and more appropriate for coil tubing operations.

CWC's fleet of 13 swabbing rigs were acquired as part of the C&J Canada acquisition and operate under the trade name CWC Swabtech. The swabbing rigs are used to remove liquids from the wellbore and allow reservoir pressures to push the commodity up the tubing casing. The Company has chosen to park four of its swabbing rigs and focus its sales and operational efforts on the remaining nine active swabbing rigs.

	Three months ended							
OPERATING HIGHLIGHTS	**Sep. 30, 2018**	**Jun. 30, 2018**	**Mar. 31, 2018**	**Dec. 31, 2017**	**Sep. 30, 2017**	**Jun. 30, 2017**	**Mar. 31, 2017**	**Dec. 31, 2016**
Service Rigs								
Active service rigs, end of period	102	107	108	111	66	66	66	67
Inactive service rigs, end of period	46	41	41	38	8	8	8	7
Total service rigs, end of period	148	148	149	149	74	74	74	74
Operating hours	42,316	28,831	53,979	40,879	28,320	20,047	32,997	27,091
Revenue per hour	$628	$642	$637	$606	$559	$551	$584	$536
Revenue per hour excluding top volume customers	$664	$677	$681	$645	$610	$608	$641	$590
Service rig utilization % (1)	45%	30%	56%	46%	47%	33%	56%	45%
Coil Tubing Units								
Active coil tubing units, end of period	8	8	8	9	9	9	9	8
Inactive coil tubing units, end of period	1	1	1	1	1	1	1	2
Total coil tubing units, end of period	9	9	9	10	10	10	10	10
Operating hours	898	1,212	3,007	1,978	1,783	1,557	4,243	2,349
Revenue per hour	$731	$762	$724	$728	$688	$657	$491	$507
Coil tubing units utilization % (2)	12%	17%	39%	24%	22%	19%	52%	32%
Swabbing Rigs								
Active Swabbing rigs, end of period	9	8	8	9				
Inactive swabbing rigs, end of period	4	5	5	4				
Total swabbing rigs, end of period	13	13	13	13				
Operating hours	881	958	2,258	1,063				
Revenue per hour	$273	$265	$310	$286				
Swabbing rig utilization % (1)	11%	13%	31%	19%				

(1) Service and swabbing rig utilization is calculated based on 10 hours a day, 365 days a year. New service and swabbing rigs are added based on the first day of field service. Service and swabbing rigs requiring their 24,000 hour recertification, refurbishment or have been otherwise removed from service for greater than 90 days are excluded from the utilization calculation until their first day back in field service.

(2) Coil tubing unit utilization is calculated based on 10 hours a day, 365 days a year. New coil tubing units are added based on the first day of field service. Coil tubing units that have been removed from service for greater than 90 days are excluded from the utilization calculation until their first day back in field service.

Production Services revenue was $27.5 million in Q3 2018, up $10.5 million (61%) compared to $17.0 million in Q3 2017 as a result of adding an additional 36 active service rigs and 9 active swabbing rigs primarily from the C&J Canada acquisition. CWC achieved service rig utilization of 45% in Q3 2018 (Q3 2017: 47%) with 42,316 operating hours (a new Q3 Company record) being 49% higher than the 28,320 operating hours in Q3 2017 as a result of these additional service rigs from C&J Canada. The Company's service rig utilization was also impacted by wet weather conditions during Q3 2018 which resulted in 4,024 hours of lost activity (Q3 2017: 2,616 hours) out of a total 93,950 hours. The Q3 2018 average revenue per hour of $628 increased 12% over the $559 in Q3 2017. Furthermore, Q3 2018 average revenue per hour excluding the top volume customers of $664 was $36 per hour higher than Q3 2018 average revenue per hour of $628 demonstrating CWC's ability to to pass on higher labour and fuel costs to the majority of its E&P customers.

CWC achieved coil tubing utilization of 12% in Q3 2018 (Q3 2017: 22%) with 898 operating hours being 50% lower than the 1,783 operating hours in Q3 2017. Q3 2018 operating hours were negatively impacted by the continuation of very low natural gas prices and widening heavy oil differentials between WCS and WTI in SAGD operating areas causing delays in allocation and commitment of capital by our E&P customers. Average revenue per hour for coil tubing services of $731 in Q3 2018 is 6% higher than $688 in Q3 2017, which reflects pricing improvements.

CWC achieved swabbing rig utilization of 11% in Q3 2018 (Q3 2017: nil) with 881 operating hours. The low activity level reflects the continuation of very low natural gas prices as CWC's swabbing rigs are used primarily to remove liquids from shallow natural gas wellbores.

Outlook

The steady rise in crude oil prices throughout 2017 has continued through the first nine months of 2018. Crude oil, as represented by WTI, averaged US$73.25/bbl in Q3 2018, an increase of 8% over Q2 2018 average price of US$67.97/bbl and 52% higher than US$48.18/bbl in Q3 2017. However, the price differential between Canadian heavy crude oil, as represented by WCS, and WTI widened further during the third quarter of 2018 to a range of US$19/bbl to US$36/bbl and even higher to US$50/bbl in October 2018 compared to the historical normalized range of US$10/bbl to US$15/bbl causing E&P companies to delay and/or shorten their drilling programs. However, such heavy oil differentials has yet to have a similar slowdown effect to activity levels in our service rig division given the Company's focus on production services. Natural gas prices, as represented by AECO, averaged $2.17/GJ, a 90% increase from Q2 2018 average of $1.14/GJ, and 60% higher than $1.36/GJ in Q3 2017, yet remains very low in historical terms. With the backdrop of an improving crude oil price and a depressed natural gas price, the Petroleum Services Association of Canada ("PSAC") on July 31, 2018 updated its 2018 forecast of number of wells drilled to 6,900 wells; a decrease of 500 wells or 6% compared to their January 31, 2018 forecast, and less than the 7,550 wells drilled in 2017. These Canadian heavy oil price differentials and low natural gas prices has resulted in the industry lowering its expectations for activity levels for the remainder of 2018 and into early 2019.

Despite the Canadian heavy oil price differential and low natural gas prices, CWC has positioned its Contract Drilling and Production Services segments appropriately to minimize the impact of these commodity price differentials. The Company has positioned all nine of its drilling rigs in the WCSB on light oil and natural gas liquid plays, which have not experienced the same amount of pricing pressure as heavy oil. CWC currently has eight of its nine (89%) drilling rigs working and expects to have all nine (100%) drilling rigs working in Q4 2018 and continuing through to Q1 2019 spring breakup. In the Production Services segment, CWC has reduced the number of active service rigs from 102 rigs to 92 rigs in October 2018 as a result of a very tight labour market for field employees and the inability to crew these rigs. In addition, CWC has repositioned some of the service rigs working in heavy oil plays to new E&P customers in anticipation of a slowdown in heavy oil activity. Given the tight labour market for field employees and the resultant increase in wages needed to attract new field employees, CWC believes modest pricing increases with its E&P customers will continue in Q4 2018, but will be constrained by market pricing from our competitors limiting how far the Company will be able to increase day and hourly rates.

CWC has sustainably positioned itself by providing its E&P customers with the highest quality service from the highest quality people at reasonable prices. However, uncertainties around the proposed Government of Canada's Bill C-69 legislation on the creation of the Canadian Energy Regulator and the Impact Assessment Act, which may impact the ability to develop new pipelines, will continue to negatively affect investment capital and growth in Canada's oil and gas industry in the near term. However, investment capital and growth are showing signs of returning as evident by the positive final investment decisions made on October 1, 2018 by proponents of a liquefied natural gas process facility (LNG Canada) in northeast British Columbia. CWC believes it would be very well positioned to benefit in the long-term once the liquefied natural gas processing facility comes online.

While CWC remains focused on its operational and financial performance, it also recognizes the need to pursue opportunities that create long-term shareholder value. With the support of the Board of Directors, management continues to actively pursue opportunities to achieve higher utilization and EBITDA margins on its existing fleet while evaluating opportunities to consolidate the North American drilling and well servicing industry. CWC cautions that there are no guarantees that strategic opportunities will result in a transaction, or if a transaction is undertaken, as to its terms or timing.

Discussion of Financial Results

Revenue, Direct Operating Expenses and Gross Margin

$ thousands	Three months ended September 30, 2018	2017	Change $	Change %	Nine months ended September 30, 2018	2017	Change $	Change %
Revenue								
Contract drilling	10,634	10,130	504	5%	25,143	24,308	835	3%
Production services	27,479	17,043	10,436	61%	84,140	50,487	33,653	67%
	38,113	27,173	10,940	40%	109,283	74,795	34,488	46%
Direct operating expenses								
Contract drilling	8,311	7,233	1,078	15%	19,087	17,664	1,423	8%
Production services	19,635	12,726	6,909	54%	63,109	38,077	25,032	66%
	27,946	19,959	7,987	40%	82,196	55,741	26,455	47%
Gross margin (1)								
Contract drilling	2,322	2,897	(575)	(20)%	6,056	6,644	(588)	(9)%
Production services	7,845	4,317	3,528	82%	21,031	12,410	8,621	70%
	10,167	7,214	2,953	41%	27,087	19,054	8,033	42%
Gross margin percentage (1)								
Contract drilling	22%	29%	n/a	(7)%	24%	27%	n/a	(3%)
Production services	29%	25%	n/a	4%	25%	25%	n/a	-%
	27%	27%	n/a	-%	25%	25%	n/a	-%

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

Q3 2018 revenue of $38.1 million, an increase of $10.9 million (40%) compared to $27.2 million in Q3 2017. Revenue increased $0.5 million (5%) in the Contract Drilling segment and increased $10.4 million (61%) in the Production Services segment in Q3 2018 compared to Q3 2017.

For the nine months ended September 30, 2018, revenue of $109.3 million, an increase of $34.5 million (46%) compared to $74.8 million in the first nine months of 2017. Revenue increased $0.8 million (3%) in the Contract Drilling segment and $33.7 million (67%) in the Production Services segment for the first nine months of 2018 compared to the same period in 2017.

CWC increased its revenue and diversified its customer base, reducing reliance on its top ten customers. Revenue contribution from the Company's top ten customers dropped to 56% for the first nine months of 2018 from 67% for the same period in 2017 with CWC's top customer's revenue contribution remaining the same at 20% in the first nine months of 2018 and 2017.

Approximately 81% of revenue in the first nine months of 2018 was from work on crude oil wells, while 19% was from natural gas wells. Further, approximately 32% of revenue was related to drilling and completions work, 56% from maintenance and workovers on producing wells and 12% from abandonments.

Many direct operating expenses, including labour costs related to field operating employees, are variable in nature and increase or decrease with activity levels such that changes in operating costs generally correspond to changes in revenue or activity levels. Contract Drilling's gross margin percentage of 22% in Q3 2018 is lower than the 29% in Q3 2017 due to reduced activity, lost days to wet weather conditions and increased scheduled repairs and maintenance. For the nine months ended September 30, 2018, Contract Drilling's gross margin of 24%, decreased 3% compared to 27% in the first nine months of 2017. Production Services gross margin of 29% in Q3 2018 is higher than 25% in Q3 2017 due to CWC ability to pass on higher labour and fuel costs to the majority of its E&P customers. For the nine months ended September 30, 2018, gross margin of 25% is consistent with that obtained in the first nine month of 2017.

Selling and Administrative Expenses

$ thousands	Three months ended September 30, 2018	2017	Change $	Change %	Nine months ended September 30, 2018	2017	Change $	Change %
Selling and administrative expenses	4,165	3,159	1,006	32%	13,576	9,621	3,955	41%

Selling and administrative expenses of $4.2 million in Q3 2018, an increase of $1.0 million (32%) compared to $3.2 million in Q3 2017.

Selling and administrative expenses of $13.6 million for the six months ended September 30, 2018, an increase of $4.0 million (41%) compared to $9.6 million in 2017.

For both the quarter and nine months ended September 30, 2018, the increased selling and administrative expenses are due to the 23 salaried employees that joined the Company primarily from the C&J Canada acquisition, additional costs to recruit field employees combined with other costs incurred due to significant higher year-over-year activity levels across all segments.

Adjusted EBITDA (1)

$ thousands	Three months ended September 30, 2018	2017	Change $	Change %	Nine months ended September 30, 2018	2017	Change $	Change %
Adjusted EBITDA (1)								
Contract drilling	2,011	2,654	(643)	(24%)	5,096	5,967	(871)	(15%)
Production services	5,389	2,373	3,016	127%	12,929	6,308	6,621	105%
Corporate	(1,398)	(972)	(426)	44%	(4,514)	(2,842)	(1,672)	59%
	6,002	4,055	1,947	48%	13,511	9,433	4,078	43%
Adjusted EBITDA margin (%) (1)	16%	15%	n/a	1%	12%	13%	n/a	(1%)

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

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

Adjusted EBITDA of $6.0 million in Q3 2018, an increase of $1.9 million (48%) compared to $4.1 million in Q3 2017. The increase in Adjusted EBITDA in Q3 2018 is primarily due to the additional service rigs acquired from C&J Canada offset by reduced Contract Drilling activity due to wet weather conditions and increased Corporate expenses.

For the nine months ended September 30, 2018, Adjusted EBITDA of $13.5 million, an increase of $4.1 million (43%) compared to $9.4 million for the same period in 2017. The increase in Adjusted EBITDA is primarily due to the additional service rigs acquired from C&J Canada offset by reduced Contract Drilling activity due to wet weather conditions in Q3 2018 and an increase in Corporate expenses.

Stock Based Compensation

$ thousands	Three months ended September 30, 2018	2017	Change $	Change %	Nine months ended September 30, 2018	2017	Change $	Change %
Stock based compensation	241	165	76	46%	763	591	172	29%

Stock based compensation is primarily a function of outstanding stock options and restricted share units (“RSU's”) being expensed over their vesting term.

Stock based compensation of $0.2 million in Q3 2018 is consistent with $0.2 million in Q3 2017.

Stock based compensation of $0.8 million for the nine months ended September 30, 2018, an increase of $0.2 million (29%) compared to $0.6 million in 2017.

For both the quarter and nine months ended September 30, 2018, the increase in 2018 stock based compensation is primarily due to a greater number of stock options and RSU's granted to directors, management and employees for managing a larger pool of assets as a result of the C&J Canada acquisition.

Finance Costs

	Three months ended September 30,				Nine months ended September 30,			
$ thousands	**2018**	**2017**	**Change $**	**Change %**	**2018**	**2017**	**Change $**	**Change %**
Finance costs	616	333	283	85%	1,899	1,448	451	31%

Finance costs of $0.6 million in Q3 2018, an increase of $0.3 million (85%) compared to $0.3 million in Q3 2017.

Finance costs of $1.9 million for the nine months ended September 30, 2018, an increase of 0.5 million (31%) compared to $1.4 million in 2017.

For both the quarter and nine months ended September 30, 2018, the increase in finance costs was due to higher debt levels due to the acquisition and new Mortgage Loan on C&J Canada assets.

Depreciation and Amortization

	Three months ended September 30,				Nine months ended September 30,			
$ thousands	**2018**	**2017**	**Change $**	**Change %**	**2018**	**2017**	**Change $**	**Change %**
Depreciation and amortization								
Contract drilling	1,818	1,830	(12)	(1%)	4,194	4,242	(48)	(1%)
Production services	2,636	2,643	(7)	-%	7,729	7,929	(200)	(3%)
Corporate	216	39	177	454%	665	121	544	450%
	4,670	4,512	158	4%	12,588	12,292	296	2%

Depreciation and amortization for drilling rigs, service rigs and swabbing rigs are based on operating days and hours. Coil tubing units, capitalized recertifications and other production equipment are depreciated on a straight line basis resulting in consistent depreciation and amortization expense regardless of activity. Amortization of Intangibles is based on estimated remaining life. As such, the change in depreciation for Q3 2018 and the nine months ended September 30, 2018 predominately reflect changes in utilizations compared to the same periods in 2017.

(Gain) Loss on Disposal of Equipment

	Three months ended September 30,				Nine months ended September 30,			
$ thousands	**2018**	**2017**	**Change $**	**Change %**	**2018**	**2017**	**Change $**	**Change %**
(Gain) Loss on disposal of equipment	(57)	(114)	57	n/m[1]	96	(72)	168	n/m[1]

[1] Not meaningful.

Management continually monitors the asset mix and equipment needs and invests and divests assets as needed to optimize operations.

During Q3 2018 and the first nine months of 2018, the (gain) loss on disposal of equipment was the result of the sale of equipment with proceeds on sale of $0.7 million (Q3 2017: $0.1 million) and $2.0 million (2017: $0.2 million) respectively. The equipment sold consisted primarily of one inactive coil tubing unit, one picker unit, one inactive service rig and various other vehicles.

Deferred Income Taxes

$ thousands	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Net income (loss) before income taxes	532	(841)	(1,835)	(4,826)
Deferred income tax expense (recovery)	206	(203)	(290)	(1,143)
Deferred income tax expense (recovery) as a % of net income (loss) before income taxes	39%	(24%)	(16%)	(24%)
Expected statutory income tax rate	27%	27%	27%	27%

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

The deferred income tax expense in Q3 2018 and the deferred income tax recovery for the first nine months of 2018 of $0.2 million (Q3 2017: ($0.2) million) and ($0.3) million (2017: ($1.1) million) respectively, is a result of the net income (loss) before income taxes in each period.

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

Net Income (Loss) and Comprehensive Income (Loss)

$ thousands	Three months ended September 30, 2018	2017	Change $	Change %	Nine months ended September 30, 2018	2017	Change $	Change %
Net Income (loss) and comprehensive income (loss)	326	(638)	964	n/m[1]	(1,545)	(3,683)	2,138	58%

[1] Not meaningful.

Net income (loss) and comprehensive income (loss) has increased $1.0 million year-over-year for the quarter and decreased $2.1 million for the nine months ended September 30, 2018. In Q3 2018, the increase in Adjusted EBITDA from the Contract Drilling and Production Services more than offset the higher corporate costs and Company depreciation, stock based compensation and finance costs. For the nine months ended September 30, 2018, the increase in Adjusted EBITDA from Production Services exceeded lower Adjusted EBITDA from Contract Drilling and increased Corporate expenses, depreciation and amortization.

Liquidity and Capital Resources

Source of Funds

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

During the first nine months of 2018, the Company’s Funds from Operations of $13.5 million combined with a $0.1 million from common share issuances and $2.0 million proceeds on disposal of equipment was used to fund a $3.8 million reduction in long term debt, $9.2 million of capital expenditures, $1.8 million of interest on long-term debt and finance lease payments and $0.7 million in acquisitions of shares under the NCIB.

At September 30, 2018 the Company had working capital (excluding debt) of $19.5 million compared to $19.5 million at December 31, 2017. (Please refer to the "Reconciliation of Non-IFRS Measures" section for further information). Typically, as activity levels increase or decrease working capital will also increase or decrease.

During Q2 2018 at the request of the Company the syndicated credit facility (“Bank Loan”) was reduced from $100 million to $75 million to reduce borrowing costs and standby charges. The $75 million Bank Loan provides financial security and flexibility to July 31, 2020 and a quarterly financial covenant for Consolidated Debt to Consolidated EBITDA ratio of 4.00 to 1. The Bank Loan is secured by a general security agreement and a first charge security interest covering all of the assets of the Company. Under the terms of the Bank Loan, the Company is required to comply with certain financial covenants. The Company is in compliance with each of the financial covenants at September 30, 2018. The Company expects to be able to renew the Bank Loan prior to maturity. Effective September 30, 2018, the applicable rates under the Bank Loan are: bank prime rate plus 1.00%, banker's acceptances rate plus a stamping fee of 2.00%, and standby fee rate of 0.45%.

On June 29, 2018 the Company obtained a new five year credit facility (the "Mortgage Loan") in the principal amount of $12.8 million. The Mortgage Loan is secured by, among other things, a collateral mortgage from the Company in favour of the bank over properties located in Sylvan Lake, Brooks and Slave Lake Alberta. These new borrowing arrangements significantly reduce the Company's overall borrowing costs by reducing standby charges on the syndicated Bank Loan and realizing a lower interest rate on the term Bank Loan. The Mortgage Loan has been amortized over 22 years with blended monthly principal and interest payments. 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 September 30, 2018 the mark-to-market value of the interest rate swap was nominal.

Capital Requirements

On December 13, 2017 the Company announced its capital expenditure budget for 2018 of $12.7 million, $7.2 million of which is growth capital to improve certain drilling and coil tubing equipment while the remaining $5.5 million is maintenance and infrastructure capital related to recertification's, additions and upgrades to field equipment for the drilling rigs, service rigs, swabbing rigs and coil tubing divisions as well as information technology infrastructure. The increase to the 2018 capital expenditure budget compared to the 2017 capital expenditure of $6.8 million is consistent with CWC's commitment to safety and operational efficiency with high quality and well maintained equipment. CWC intends to finance its 2018 capital expenditure budget from operating cash flows.

As utilization of the Company's equipment increases, CWC plans to recertify several of its service rigs. As at September 30, 2018, the Company has capital spending plans as noted in the section titled "Capital Expenditures". Additional discretionary capital expenditures will be required in order to continue to grow the Company's assets and revenue in the future. It is anticipated future cash requirements for capital expenditures will be met through a combination of funds from operations and borrowing against existing credit facilities as required. However, additional funds may be raised by new debt instruments, equity issuances and proceeds from the sale of assets.

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

Common Shares and Dividends

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

	October 31, 2018	September 30, 2018	December 31, 2017
Common shares	519,154,960	519,154,960	521,378,958
Stock options	24,351,333	24,351,333	27,546,667
Restricted share units	4,579,332	4,579,332	5,135,332

During the nine months ended September 30, 2018, 1,033,335 stock options were exercised and 2,161,999 were forfeited. In addition, 305,667 RSU's were exercised, 54,000 were granted and 304,333 were forfeited.

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

During the nine months ended September 30, 2018, 3,593,000 common shares were purchased under the NCIB and 3,563,000 common shares were cancelled and returned to treasury.

Capital Expenditures

$ thousands	Three months ended September 30, 2018	2017	Change $	Change %	Nine months ended September 30, 2018	2017	Change $	Change %
Contract drilling	1,586	1,504	82	5%	6,702	2,788	3,914	140%
Production services	1,110	1,040	70	7%	3,040	2,829	211	7%
Corporate	-	-	-	-%	28	9	19	211%
Total capital expenditures	2,696	2,544	152	6%	9,770	5,626	4,144	74%
Growth capital	1,581	1,363	218	16%	5,859	1,735	4,124	238%
Maintenance and infrastructure capital	1,115	1,181	(66)	(6)%	3,911	3,891	20	1%
Total capital expenditures	2,696	2,544	152	6%	9,770	5,626	4,144	74%

Capital expenditures for the first nine months of 2018 of $9.8 million are $4.1 million higher than $5.6 million in 2017 and primarily consist of drilling rig upgrades, recertification costs, replacement components and leased vehicles. Growth capital of $1.6 million in Q3 2018 consists primarily of customer driven upgrades to Drilling Rig #4 (Q2 2018: $2.7 million) that included a pad rig walking system, increase drilling capacity, torque, pump pressure and dual fuel engine capabilities while operating on a smaller footprint. In Q2, 2018 Drilling Rig #2 upgrades of $1.0 million included a new mast, rising cylinders, catwalk and top drive integration. These upgrades are expected to increase these two drilling rigs' capacity resulting in higher expected utilization for future quarters. Rig #2 and Rig #4's upgrades align with our strategic initiatives and meet our E&P customers' demands for deeper depths at cost effective prices while providing a sufficient internal rate of return for CWC's shareholders.

The 2018 capital expenditure budget of $12.7 million was approved by the Board of Directors on December 13, 2017 comprised of $7.2 million of growth capital to improve certain drilling and coil tubing equipment while the remaining $5.5 million is maintenance and infrastructure capital related to recertification's, additions and upgrades to field equipment for the drilling rigs, service rigs, swabbing rigs and coil tubing divisions as well as information technology infrastructure. CWC anticipates total 2018 capital expenditures to be approximately $11.1 million, $1.6 million lower than originally budgeted.

Commitments and Contractual Obligations

Under the terms of the Company's amended Bank Loan, the borrowing under the Bank Loan are due in full on July 31, 2020. The Company is committed to monthly payments of interest and bank charges until July 31, 2020. The Company's Mortgage Loan is being amortized over 22 years with blended monthly principal and interest payments and matures on June 28, 2023. There have been no significant changes in other commitments or contractual obligations since December 31, 2017. Management believes that there will be sufficient cash flows generated from operations to service the interest on the debt and finance the required maintenance and growth capital of the Company in 2018.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts Three months ended	2018 Sept. 30	 June 30	 March 31	2017 Dec. 31	 Sept. 30	 June 30	 March 31	2016 Dec. 31
Revenue	38,113	22,245	48,925	37,420	27,173	15,114	32,580	20,922
Adjusted EBITDA	6,002	31	7,478	6,630	4,055	288	5,150	2,923
Net income (loss)	326	(3,067)	1,196	8,544	(638)	(2,677)	(368)	(1,717)
Net income (loss) per share: basic and diluted	0.01	(0.01)	0.00	0.02	0.00	(0.01)	0.00	0.00
Total assets	257,675	250,039	268,479	264,354	208,355	203,265	218,171	210,750
Total long-term debt	46,394	36,803	51,377	49,810	34,404	28,887	38,828	33,142
Shareholders' equity	185,195	184,834	187,829	186,519	151,833	152,596	155,358	155,482

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

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

Other significant impacts have been a result of:

- Q3 2018 saw the completion of significant customer driven capital expenditure upgrades on Drilling Rig #4 to meet customer demands for deeper depths at cost effective prices. Wet weather conditions during the quarter significantly impacted activity levels in both the Contract Drilling and Production Services segments resulting in 7% and 4% of lost operating days and hours respectively. During Q3 2018, 1,175,500 common shares were purchased under the NCIB and a total of 1,309,000 common shares were cancelled and returned to treasury.
- Q2 2018 saw significant customer driven capital expenditure upgrades to two drilling rigs to meet customer demands for deeper depths at cost effective prices. During Q2 2018, 1,023,000 common shares were purchased under the NCIB and a total of 935,500 common shares were cancelled and returned to treasury.
- Q1 2018 service rig fleet set a new Company record of 53,979 operating hours as a result of the increase in the number of service rigs from the acquisition of the C&J Canada assets. During Q1 2018, 1,394,000 common shares were purchased under the NCIB and a total of 1,318,500 common shares were cancelled and returned to treasury.
- Q4 2017 saw the acquisition of C&J Canada's service and swabbing rig assets for $37.5 million. Higher operating activity and pricing in the Contract Drilling and Production Services' segments also contributed to the improved financial results compared to the previous quarters. CWC closed a rights offering for aggregate gross proceeds of $26.0 million ($25.9 million after deductions of shares issue costs) to partially finance the acquisition of the C&J Canada assets. Under the fully subscribed offering, 130,148,781 common shares were issued to shareholders who exercised their rights. During Q4 2017, 405,000 common shares were purchased under the NCIB and a total of 1,441,500 common shares were cancelled and returned to treasury.
- Q3 2017, 1,402,000 common shares were purchased under the NCIB and a total of 1,478,000 common shares were cancelled and returned to treasury.
- Q2 2017 saw the initiation of a process to review strategic alternatives. During Q2 2017, 1,404,000 common shares were purchased under the NCIB and a total of 1,478,000 common shares were cancelled and returned to treasury.
- Q1 2017 saw significantly higher operating activity in the Company's Contract Drilling and Production Services segments than what had been experienced in the last eight to twelve quarters.

- Q4 2016 saw improved utilizations in both drilling and service rig activity as a result of increased global crude oil and natural gas prices after OPEC's agreement on crude oil production cuts.

Critical Accounting Estimates and Judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Further details of the nature of these estimates and assumptions may be found in the relevant notes to the Annual Financial Statements and the section titled "Critical Accounting Estimates and Judgments" in the Annual MD&A. There have been no significant or material changes in the nature of critical accounting estimates and judgements since December 31, 2017.

The Company adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" on January 1, 2018. The transitions had no material effect on the Company's Financial Statements. Please refer to the financial statements and related notes for further details on the adoption of these standards.

CEO and CFO Certifications

The CEO and CFO of TSX Venture Exchange listed companies, such as CWC, are not required to certify they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Instead, an optional form of certification has been made available to TSX Venture Exchange listed companies and has been used by CWC's certifying officers for the September 30, 2018 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 annual financial report and MD&A;
- That, based on their knowledge, they have determined there is no untrue statement of a material fact, or any omission of material fact required to be stated which would make any statement not misleading in light of the circumstances under which it was made within the annual filings; and
- That based upon their knowledge, the annual filings, together with the other financial information included in the annual filings, fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date and for the periods presented in the annual filings.

Risks and Uncertainties

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, or that they determine to be immaterial, may also become important factors which affect the Company. Along with the risks discussed in this MD&A, other business risks faced by the Company may be found under "Risk Factors" in the Company's most recent Annual Information Form which is available under the Company's profile at www.sedar.com or by contacting the Company.

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 and the ability to pay dividends, 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, expectations regarding entering into long term drilling contracts and expanding its customer base, and expectations regarding the business, operations, revenue and debt levels of the Company in addition to general economic conditions. Although the Company believes that the expectations and assumptions on which such forward-looking information and statements are based are reasonable, undue reliance should not be placed on the forward-looking information and statements because the Company can give no assurances that they will prove to be correct. Since forward-looking information and statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the drilling and oilfield services sector (ie. demand, pricing and terms for oilfield drilling and services; current and expected oil and gas prices; exploration and development costs and delays; reserves discovery and decline rates; pipeline and transportation capacity; weather, health, safety and environmental risks), integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties and environmental regulations, stock market volatility and the inability to access sufficient capital from external and internal sources and the inability to pay dividends. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through SEDAR at www.sedar.com. The forward-looking information and statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. Any forward-looking statements made previously may be inaccurate now.*

Reconciliation of Non-IFRS Measures

$ thousands except share and per share amounts	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
NON-IFRS MEASURES				
Adjusted EBITDA:				
Net income (loss) and comprehensive income (loss)	326	(638)	(1,545)	(3,683)
Add:				
Depreciation	4,670	4,512	12,588	12,292
Finance costs	616	333	1,899	1,448
Deferred income tax expense (recovery)	206	(203)	(290)	(1,143)
Stock based compensation	241	165	763	591
(Gain) Loss on sale of equipment	(57)	(114)	96	(72)
Adjusted EBITDA (1)	6,002	4,055	13,511	9,433
Adjusted EBITDA per share – basic and diluted (1)	$0.01	$0.01	$0.03	$0.02
Adjusted EBITDA margin (Adjusted EBITDA/Revenue) (1)	16%	15%	12%	13%
Weighted average number shares outstanding – basic and diluted	520,463,960	391,704,130	521,271,741	392,301,324
Gross margin:				
Revenue	38,113	27,173	109,283	74,795
Less: Direct operating expenses	27,946	19,959	82,196	55,741
Gross margin (2)	10,167	7,214	27,087	19,054
Gross margin percentage (2)	27%	27%	25%	25%

$ thousands	September 30, 2018	December 31, 2017
Working capital (excluding debt):		
Current assets	30,022	31,745
Less: Current liabilities	(11,438)	(12,378)
Add: Current portion of long term debt	885	176
Working capital (excluding debt) (3)	19,469	19,543
Working capital (excluding debt) ratio (3)	2.8:1	2.6:1
Net debt:		
Long term debt	45,509	49,634
Less: Current assets	(30,022)	(31,745)
Add: Current liabilities	11,438	12,378
Net debt (4)	26,925	30,267

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

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

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

(4) Net debt is not a recognized measure under IFRS and does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures provided by other companies. Management believes net debt is a useful indicator of a company's debt position.