For Immediate Release: February 28, 2019

# CWC ENERGY SERVICES CORP. ANNOUNCES FOURTH QUARTER AND YEAR END 2018 OPERATIONAL AND FINANCIAL RESULTS AND RECORD 2018 SERVICE RIG OPERATING HOURS

**CALGARY, ALBERTA –** (TSXV: CWC) CWC Energy Services Corp. ("CWC" or the "Company") announces the release of its operational and financial results for the three months and year ended December 31, 2018. The Financial Statements and Management Discussion and Analysis ("MD&A") for the three months and year ended December 31, 2018 are filed on SEDAR at www.sedar.com.

## Financial and Operational Highlights

| $ thousands, except shares, per share amounts, margins and ratios | Three months ended December 31, 2018 | 2017 | % Change | Year ended December 31, 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| **FINANCIAL RESULTS** | | | | | | |
| Revenue | | | | | | |
| Contract Drilling | 13,081 | 10,914 | 20% | 38,223 | 35,222 | 15,903 |
| Production Services | 22,397 | 26,506 | (16%) | 106,539 | 76,993 | 57,219 |
| | 35,478 | 37,420 | (5%) | 144,762 | 112,215 | 73,122 |
| Adjusted EBITDA [1] | 4,978 | 6,630 | (25%) | 18,489 | 16,063 | 8,220 |
| Adjusted EBITDA margin (%) [1] | 14% | 18% | | 13% | 14% | 11% |
| Funds from operations | 4,978 | 5,081 | (2%) | 18,489 | 14,514 | 8,220 |
| Net income (loss) and comprehensive income (loss) | (157) | 8,544 | n/m [2] | (1,702) | 4,861 | (6,746) |
| Net income (loss) and comprehensive income (loss) margin (%) | (0%) | 23% | n/m [2] | (1%) | 4% | (9%) |
| Per share information | | | | | | |
| Weighted average number of shares outstanding – basic | 518,513,776 | 418,913,266 | | 520,576,582 | 399,008,915 | 349,836,144 |
| Weighted average number of shares outstanding – diluted | 518,513,776 | 423,221,202 | | 520,576,582 | 403,359,537 | 349,836,144 |
| Adjusted EBITDA [2] per share – basic and diluted | $0.01 | $0.02 | | $0.04 | $0.04 | $0.02 |
| Net income (loss) per share - basic and diluted | ($0.00) | $0.02 | | ($0.00) | $0.01 | ($0.02) |

| $ thousands, except ratios | December 31, 2018 | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| **FINANCIAL POSITION AND LIQUIDITY** | | | |
| Working capital (excluding debt) [1] | 19,028 | 19,543 | 9,142 |
| Working capital (excluding debt) ratio [1] | 3.4:1 | 2.6:1 | 2.2:1 |
| Total assets | 252,665 | 264,354 | 210,750 |
| Total long-term debt (including current portion) | 44,896 | 49,810 | 33,142 |
| Shareholders' equity | 184,231 | 186,519 | 155,482 |

(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 operating days and hours between CWC's Contract Drilling and Production Services segments. Long-term debt (including current portion) has decreased $4.9 million (10%) 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 December 31, 2018

- Average Q4 2018 crude oil pricing, as measured by WTI, of US$59.34/bbl was 15% lower than Q3 2018 average price of US$69.51/bbl (Q4 2017: US$55.28/bbl) and finished the year on December 31, 2018 at US$45.41/bbl. However, the price differential between Canadian heavy crude oil, as represented by WCS, and WTI widened at times during Q4 2018 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. Natural gas prices, as measured by AECO, increased 29% from an average of $1.19/GJ in Q3 2018 to $1.53/GJ in Q4 2018 (Q4 2017: $1.67/GJ), but continues to remain very low in historically terms.

- CWC's drilling rig utilization in Q4 2018 of 59% (Q4 2017: 56%) exceeded Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 28%. Activity levels increased 6% to 491 drilling rig operating days in Q4 2018 compared to 463 drilling rig operating days in Q4 2017, further demonstrating the desirability and demand by exploration and production ("E&P") customers for CWC's telescopic double drilling rigs. CWC's service rig utilization in Q4 2018 of 37% (Q4 2017: 46%) was driven by 31,232 operating hours being 24% lower than the 40,879 operating hours in Q4 2017. The significant drop in Q4 2018 activity level for our production-oriented service rigs was a direct result of the significant WTI-WCS differentials reaching over US$50/bbl and the uncertainties our E&P customers faced regarding the Government of Alberta production curtailments thereby causing them to shorten or delay their workover and maintenance work on producing wells.

- Revenue of $35.5 million, a decrease of $1.9 million (5%) compared to $37.4 million in Q4 2017. The decrease in Q4 2018 is a direct result of the significant WTI-WCS differential and the uncertainties our E&P customers faced regarding Alberta's production curtailments resulting in reduced activity levels in November and December 2018 for our Production Services segment partially offset by an increase in activity level in our Contract Drilling segment.

- Adjusted EBITDA [(1)] of $5.0 million, a decrease of $1.7 million (25%) compared to $6.6 million in Q4 2017. The decrease in Q4 2018 is a direct result of the significant WTI-WCS differential and the uncertainties our E&P customers faced regarding Alberta's production curtailments resulting in reduced activity levels in November and December 2018 for our Production Services segment partially offset by an increase in activity level in our Contract Drilling segment.

- Net loss of $0.2 million, a decrease of $8.7 million compared to a net income of $8.5 million in Q4 2017. The decrease in net income in Q4 2018 is primarily due to a gain on acquisition of $9.1 million, related to the C&J Energy Production Services-Canada Ltd. ("C&J Canada") acquisition in Q4 2017.

- During Q4 2018, 7,828,000 (Q4 2017: 405,000) common shares were purchased, cancelled and returned to treasury under CWC's Normal Course Issuer Bid ("NCIB").

## Highlights for the Year Ended December 31, 2018

- CWC's drilling rig utilization in 2018 of 49% (2017: 51%) 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. For the year ended December 31, 2018 operating days of 1,622 (2017: 1,672 operating days) is the second most active since the acquisition of Ironhand Drilling Inc. in May 2014. CWC's service rig utilization in 2018 of 42% (2017: 45%). Activity levels in 2018 set new Company records by increasing 28% to 156,358 operating hours (2017: 122,243). The increase resulted from the additional service rigs acquired from C&J Canada in November 2017.

- Revenue of $144.8 million, an increase of $32.5 million (29%) compared to $112.2 million in 2017. The increase is primarily a result of the addition of the service rig assets of C&J Canada.

- Adjusted EBITDA [(1)] of $18.5 million, an increase of $2.4 million (15%) compared to $16.1 million in 2017. The increase in Adjusted EBITDA is consistent with the increased activity ($4.5 million) from Production services due to the C&J Canada

acquisition, offset by a decrease in Adjusted EBITDA in Contract drilling ($0.4 million) and corporate expense of ($1.7 million).

- Net loss of $1.7 million, a decrease of $6.5 million compared to a net income of $4.9 million in 2017. The decrease in net income in 2018 is primarily due to a gain on acquisition of $9.1 million, related to the C&J Canada acquisition in 2017.

- 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 December 31, 2018, the mark-to-market value of the interest rate swap resulted in a net loss of $0.2 million.

- On April 10, 2018, the Company renewed its NCIB with an Automatic Securities Purchase Plan ("ASPP") with Raymond James Ltd., which expires on April 9, 2019. During 2018, the Company purchased 11,421,000 (2017: 3,493,500) common shares under its NCIB which were cancelled and returned to treasury. The 11,421,000 common shares purchased under the NCIB represented 47% of the 24,366,081 shares traded on the TSX Venture Exchange ("TSXV") in 2018.

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

# 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** | **Dec. 31, 2018** | **Sep. 30, 2018** | **Jun. 30, 2018** | **Mar. 31, 2018** | **Dec. 31, 2017** | **Sep. 30, 2017** | **Jun. 30, 2017** | **Mar. 31, 2017** |
| **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) | $26,642 | $21,263 | $21,227 | $23,485 | $23,572 | $19,424 | $19,575 | $20,942 |
| Drilling rig operating days | 491 | 500 | 133 | 498 | 463 | 522 | 155 | 532 |
| Drilling rig utilization % (2) | 59% | 60% | 16% | 61% | 56% | 63% | 19% | 66% |
| CAODC industry average utilization % | 28% | 30% | 17% | 52% | 28% | 29% | 17% | 40% |
| | | | | | | | | |
| Wells drilled | 34 | 41 | 11 | 45 | 30 | 29 | 17 | 41 |
| Average days per well | 14.4 | 12.2 | 12.1 | 11.1 | 15.0 | 18.0 | 9.1 | 13.0 |
| Meters drilled (thousands) | 127.8 | 155.2 | 41.0 | 161.7 | 128.1 | 112.2 | 45.6 | 151.8 |
| Meters drilled per day | 261 | 310 | 309 | 325 | 277 | 215 | 294 | 285 |
| Average meters per well | 3,708 | 3,786 | 3,724 | 3,593 | 4,270 | 3,869 | 2,684 | 3,702 |

(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 $13.1 million for Q4 2018 (Q4 2017: $10.9 million) was achieved with a utilization rate of 59% (Q4 2017: 56%), compared to the CAODC industry average of 28%. CWC achieved 491 drilling rig operating days in Q4 2018, a 6% increase from 463 drilling rig operating days in Q4 2017. The Q4 2018 average revenue per operating day of $26,642 was an increase from $23,572 in Q4 2017 and included a one-time contract payout amount of $0.7 million.

For the year ended December 31, 2018, Contract Drilling revenue of $38.2 million was 9% higher than the $35.2 million achieved in 2017. CWC's utilization rate in 2018 of 49% continues to significantly exceed the CAODC industry average of 29% and is slightly lower than the 51% for the year ended December 31, 2017. CWC had 1,622 drilling rig operating days in 2018, a 3% decrease from the 1,672 drilling operating days in 2017. The reduction in 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).

**Production Services**

With a fleet of 148 service rigs, CWC is the largest well servicing company in Canada as measured by operating hours. CWC's service rig fleet consists of 77 single, 57 double, and 14 slant rigs providing services which include completions, maintenance, workovers and abandonments with depth ratings from 1,500 to 5,000 metres. CWC has chosen to park 56 of its service rigs and focus its sales and operational efforts on the remaining 92 active service rigs due to the tight labour market for field employees and the inability to crew these service rigs.

CWC's fleet of nine coil tubing units consist of six Class I and three Class II coil tubing units having depth ratings from 1,500 to 3,200 metres. The Company continues to focus its sales and operational efforts on servicing Steam-assisted gravity drainage ("SAGD") wells that are shallower in depth and more appropriate for coil tubing operations.

CWC's fleet of 13 swabbing rigs 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 five of its swabbing rigs and focus its sales and operational efforts on the remaining eight active swabbing rigs.

| | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **OPERATING HIGHLIGHTS** | **Dec. 31, 2018** | **Sep. 30, 2018** | **Jun. 30, 2018** | **Mar. 31, 2018** | **Dec. 31, 2017** | **Sep. 30, 2017** | **Jun. 30, 2017** | **Mar. 31, 2017** |
| **Service Rigs** | | | | | | | | |
| Active service rigs, end of period | 92 | 102 | 107 | 108 | 111 | 66 | 66 | 66 |
| Inactive service rigs, end of period | 56 | 46 | 41 | 41 | 38 | 8 | 8 | 8 |
| Total service rigs, end of period | 148 | 148 | 148 | 149 | 149 | 74 | 74 | 74 |
| Operating hours | 31,232 | 42,316 | 28,831 | 53,979 | 40,879 | 28,320 | 20,047 | 32,997 |
| Revenue per hour | $663 | $628 | $642 | $637 | $606 | $559 | $551 | $584 |
| Revenue per hour excluding top volume customers | $696 | $664 | $677 | $681 | $645 | $610 | $608 | $641 |
| Service rig utilization % (1) | 37% | 45% | 60% | 56% | 46% | 47% | 33% | 56% |
| **Coil Tubing Units** | | | | | | | | |
| Active coil tubing units, end of period | 8 | 8 | 8 | 8 | 9 | 9 | 9 | 9 |
| Inactive coil tubing units, end of period | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total coil tubing units, end of period | 9 | 9 | 9 | 9 | 10 | 10 | 10 | 10 |
| Operating hours | 1,647 | 898 | 1,212 | 3,007 | 1,978 | 1,783 | 1,557 | 4,243 |
| Revenue per hour | $625 | $731 | $762 | $724 | $725 | $688 | $657 | $491 |
| Coil tubing unit utilization % (2) | 22% | 12% | 17% | 39% | 24% | 22% | 19% | 52% |
| **Swabbing Rigs** | | | | | | | | |
| Active swabbing rigs, end of period | 8 | 9 | 8 | 8 | 9 | - | - | - |
| Inactive swabbing rigs, end of period | 5 | 4 | 5 | 5 | 4 | - | - | - |
| Total swabbing rigs, end of period | 13 | 13 | 13 | 13 | 13 | - | - | - |
| Operating hours | 2,313 | 881 | 958 | 2,258 | 1,063 | - | - | - |
| Revenue per hour | $283 | $273 | $265 | $310 | $286 | - | - | - |
| Swabbing rig utilization % (1) | 30% | 11% | 13% | 31% | 19% | - | - | - |

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

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

Production Services revenue was $22.4 million in Q4 2018, down $4.1 million (16%) compared to $26.5 million in Q4 2017. The decrease in Q4 2018 is a direct result of the significant WTI-WCS differential reaching over US$50/bbl and the uncertainties our E&P customers faced regarding the Government of Alberta's production curtailments resulting in reduced activity levels in November and December 2018.

CWC's service rig utilization in Q4 2018 of 37% (Q4 2017: 46%) was driven by 31,232 operating hours being 24% lower than the 40,879 operating hours in Q4 2017. The Q4 2018 average revenue per hour of $663 increased $57 per hour (9%) over the $606 in Q4 2017. Furthermore, Q4 2018 average revenue per hour excluding the top volume customers of $696 was $51 per hour (8%) higher than Q4 2017 average revenue per hour of $645 demonstrating CWC's ability to pass on higher labour and fuel costs to all of its E&P customers.

CWC's coil tubing utilization in Q4 2018 of 22% (Q4 2017: 24%) with 1,647 operating hours was 17% lower than the 1,978 operating hours in Q4 2017. Average revenue per hour for coil tubing services of $625 in Q4 2018 is 14% lower than $725 in Q4 2017. Both lower utilization and pricing reflects the continuing challenge of low natural gas prices and unprecedented widening of the WTI-WCS differential in SAGD operating areas causing delays in allocation and commitment of capital by our E&P customers in Q4 2018.

CWC swabbing rig utilization in Q4 2018 of 30% (Q4 2017: 19%) with 2,313 operating hours was 118% higher than the 1,063 operating hours in Q4 2017. Average revenue per hour for swabbing rigs of $283 in Q4 2018 is 1% lower than $286 in Q4 2017. The higher activity level is a result of having a full three months with the swabbing assets in Q4 2018 compared to only two months in Q4 2017 as a result of the C&J Canada acquisition in November 2017.

For the year ended December 31, 2018, Production Services revenue of $106.5 million was 38% higher than the $77.0 million achieved in 2017 primarily as a result of a 28% increase in service rig operating hours from 122,243 in 2017 to a new Company record of 156,358 operating hours in 2018 driven by the additional service rigs from the C&J Canada acquisition, as well as an increase in average service rig revenue per hour of 10% in 2018 compared to 2017. Service rig utilization decreased to 42% in 2018 compared to 45% in 2017. The increase in Production Services revenue was partially offset by coil tubing operating hours decreasing 29% in 2018 to 6,764 operating hours (2017: 9,561 operating hours) resulting in coil tubing utilization in 2018 of 23% (2017: 29%). The decrease in coil tubing activity level in 2018 is a result of low natural gas prices and unprecedented widening of WTI-WCS differentials in SAGD operating areas causing delays in allocation and commitment of capital by our E&P customers. These lower activity levels were partially offset by an increase in average coil tubing revenue per hour of 17% in 2018.

## Capital Expenditures

| | Three months ended December 31, | | | | Year ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| **$ thousands** | **2018** | **2017** | **Change $** | **Change %** | **2018** | **2017** | **Change $** | **Change %** |
| Contract drilling | 414 | 1,176 | (762) | (65%) | 7,116 | 3,964 | 3,152 | 80% |
| Production services | 1,569 | 37,730 | (36,161) | (96%) | 4,609 | 40,559 | (35,950) | (89%) |
| Corporate | - | - | - | -% | 28 | 9 | 19 | 211% |
| Total capital expenditures | 1,983 | 38,906 | (36,923) | (95%) | 11,753 | 44,532 | (32,779) | (74%) |
| Growth capital | - | 37,605 | (37,605) | (100%) | 5,859 | 39,340 | (33,481) | (85%) |
| Maintenance and infrastructure capital | 1,983 | 1,301 | 682 | 52% | 5,894 | 5,192 | 702 | 14% |
| Total capital expenditures | 1,983 | 38,906 | (36,923) | (95%) | 11,753 | 44,532 | (32,779) | (74%) |

Capital expenditures of $2.0 million in Q4 2018, a decrease of $36.9 million (95%) compared to $38.9 million in Q4 2017.

Capital expenditures were $11.8 million for the year ended December 31, 2018, a decrease of $32.8 million (74%) compared to $44.5 million in 2017.

For both the quarter and year ended December 31, 2018, the decrease in capital expenditures was due to the purchase of the C&J Canada service and swabbing rig assets in 2017 with no similar purchases in 2018. For the year ended December 31, 2018, growth capital of $5.9 million consists primarily of customer driven upgrades to Drilling Rig #4 ($4.3 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. Drilling Rig #2 ($1.0 million) upgrades 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 in future quarters. Drilling Rig #2 and #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. Maintenance and infrastructure capital of $5.9 million consists primarily of recertification costs, building upgrades and leased vehicles.

The 2019 capital expenditure budget of $5.4 million was approved by the Board of Directors on January 16, 2019 comprised entirely of 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.

## Outlook

The aforementioned widening of WTI-WCS differential resulted in production curtailment being imposed upon industry along with continued low AECO pricing, has created the backdrop of a decreasing crude oil price and a depressed natural gas price. As a result, the Petroleum Services Association of Canada ("PSAC") on January 29, 2019 updated its 2019 forecast of number of wells drilled to 5,600 wells; a decrease of 1,000 wells or 15% from their original 2019 forecast. Recognizing the oversupply of crude oil on the market, on December 7, 2018 OPEC agreed to a cut global oil production by 1.2 million barrels, which has helped the price of WTI recover and stabilize to approximately US$55/bbl in February 2019.

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, as well as Bill C-48 banning tanker traffic for crude oil on British Columbia's north coast, 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 in October 2018 by proponents of a liquefied natural gas process facility (LNG Canada) in northeast British Columbia and final investment decisions to be made in 2019 on the Goldboro LNG in Nova Scotia. In addition, the Government of Alberta announced a decrease in their production curtailment by 75,000 bbls/day in February 2019, which has resulted in CWC's E&P customers being allowed to increase their production and in turn gradually increasing CWC's activity levels for its Production Services segment back to more normalized levels.

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, including working for new customers in the United States, while also 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.

## About CWC Energy Services Corp.

CWC Energy Services Corp. is a premier contract drilling and well servicing company operating in the WCSB with a complementary suite of oilfield services including drilling rigs, service rigs and coil tubing units. The Company's corporate office is located in Calgary, Alberta, with operational locations in Nisku, Grande Prairie, Slave Lake, Drayton Valley, Lloydminster, Provost and Brooks, Alberta. The Company's shares trade on the TSX Venture Exchange under the symbol "CWC".

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**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 December 31, 2018 | 2017 | Year ended December 31, 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **NON-IFRS MEASURES** | | | | | |
| Adjusted EBITDA: | | | | | |
| Net income (loss) and comprehensive income (loss) | (157) | 8,544 | (1,702) | 4,861 | (7,468) |
| Add: | | | | | |
| Depreciation | 3,853 | 4,811 | 16,441 | 17,103 | 14,248 |
| Finance costs | 857 | 606 | 2,756 | 2,054 | 2,515 |
| Transaction costs | - | 1,549 | - | 1,549 | - |
| Deferred income tax expense (recovery) | 140 | (142) | (150) | (1,285) | (2,414) |
| Stock based compensation | 339 | 278 | 1,102 | 869 | 945 |
| Gain on acquisition | - | (9,128) | - | (9,128) | - |
| (Gain) Loss on sale of equipment | (54) | 112 | 42 | 40 | 394 |
| **Adjusted EBITDA** (1) | 4,978 | 6,630 | 18,489 | 16,063 | 8,220 |
| **Adjusted EBITDA per share – basic and diluted**(1) | $0.01 | $0.02 | $0.04 | $0.04 | $0.02 |
| **Adjusted EBITDA margin (Adjusted EBITDA/Revenue)** (1) | 14% | 18% | 13% | 14% | 11% |
| Weighted average number of shares outstanding – basic | 518,513,776 | 418,913,266 | 520,576,582 | 399,008,915 | 349,836,144 |
| Weighted average number of shares outstanding - diluted | 518,513,776 | 423,221,202 | 520,576,582 | 403,359,537 | 349,836,144 |
| Funds from operations: | | | | | |
| Cash flows from operating activities | 5,773 | (2,116) | 19,417 | 4,260 | 8,788 |
| Add (deduct): Change in non-cash working capital | (795) | 7,197 | (928) | 10,254 | (568) |
| **Funds from operations** | 4,978 | 5,081 | 18,849 | 14,514 | 8,220 |
| Gross margin: | | | | | |
| Revenue | 35,479 | 37,420 | 144,762 | 112,215 | 73,122 |
| Less: Direct operating expenses | 25,788 | 26,620 | 107,984 | 82,361 | 53,209 |
| **Gross margin** (2) | 9,691 | 10,800 | 36,778 | 29,854 | 19,913 |
| **Gross margin percentage** (2) | 27% | 29% | 25% | 27% | 27% |

| $ thousands | December 31, 2018 | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| Working capital (excluding debt): | | | |
| Current assets | 26,893 | 31,745 | 16,501 |
| Less: Current liabilities | (8,793) | (12,378) | (7,535) |
| Add: Current portion of long-term debt | 928 | 176 | 176 |
| **Working capital (excluding debt)** (3) | 19,028 | 19,543 | 9,142 |
| **Working capital (excluding debt) ratio** (3) | 3.4:1 | 2.6:1 | 2.2:1 |
| Net debt: | | | |
| Long-term debt | 43,968 | 49,634 | 32,966 |
| Less: Current assets | (26,893) | (31,745) | (16,501) |
| Add: Current liabilities | 8,793 | 12,378 | 7,535 |
| **Net debt** (4) | 25,868 | 30,267 | 24,000 |

(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.