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 February 28, 2019 and should be read in conjunction with audited consolidated financial statements for the year ended December 31, 2018. Additional information regarding CWC can be found in the Company's latest Annual Information Form ("AIF"). The audited consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). 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, margins and ratios	Three months ended December 31, 2018	Three months ended December 31, 2017	% Change	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 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.

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.

OPERATING HIGHLIGHTS	Three months ended 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.

OPERATING HIGHLIGHTS	Three months ended 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.

Outlook

The steady rise in crude oil prices throughout 2017 and the first nine months of 2018 ended in Q4 2018. Crude oil, as represented by WTI, averaged US$59.34/bbl in Q4 2018, a decrease of 15% compared to 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. With the backdrop of a decreasing crude oil price and a depressed natural gas price, 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.

Discussion of Financial Results

Revenue, Direct Operating Expenses and Gross Margin

$ thousands	Three months ended December 31, 2018	2017	Change $	Change %	Year ended December 31, 2018	2017	Change $	Change %
Revenue								
Contract Drilling	13,081	10,914	2,167	20%	38,223	35,222	3,001	9%
Production Services	22,397	26,506	(4,109)	(16%)	106,539	76,993	29,546	38%
	35,478	37,420	(1,942)	(5%)	144,762	112,215	32,547	29%
Direct operating expenses								
Contract Drilling	8,600	7,026	1,574	22%	27,691	24,690	3,001	12%
Production Services	17,188	19,594	(2,406)	(12%)	80,293	57,671	22,622	39%
	25,788	26,620	(832)	(3%)	107,984	82,361	25,623	31%
Gross margin (1)								
Contract Drilling	4,481	3,888	593	15%	10,532	10,532	-	0%
Production Services	5,209	6,912	(1,703)	(25%)	26,246	19,322	6,924	36%
	9,690	10,800	(1,110)	(10%)	36,778	29,854	6,924	23%
Gross margin percentage(1)								
Contract Drilling	34%	36%	n/a	(2%)	28%	30%	n/a	(2%)
Production Services	23%	26%	n/a	(3%)	25%	25%	n/a	0%
	27%	29%	n/a	(2%)	25%	27%	n/a	(2%)

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

Q4 2018 revenue of $35.5 million, a decrease of $1.9 million (5%) compared to $37.4 million in Q4 2017. Revenue increased $2.2 million (20%) in the Contract Drilling segment and decreased $4.1 million (16%) in the Production Services segment in Q4 2018 compared to 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.

For the year ended December 31, 2018, revenue of $144.8 million, an increase of $32.5 million (29%) compared to $112.2 million in 2017. Revenue increased $3.0 million (9%) in the Contract Drilling segment and $29.5 million (38%) in the Production Services segment for 2018 compared to 2017.

In 2018, CWC continued to increase its revenue and diversify its customer base, reducing reliance on its top ten customers. Revenue contribution from the Company's top ten customers dropped from 62% in 2017 to 57% in 2018 with CWC's top customer's revenue contribution dropping from 21% in 2017 to 18% in 2018.

In 2018, approximately 78% or revenue (2017: 66%) was from work on crude oil wells while 22% (2017: 34%) was from natural gas wells. Further, approximately 35% of revenue (2017: 38%) was related to drilling and completions work, 53% (2017: 37%) from maintenance and workovers on producing wells and 12% (2017: 25%) 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 34% in Q4 2018 is lower than the 36% in Q4 2017 and the year ended December 31, 2018 gross margin percentage of 28% for 2018 is lower than 30% in 2017 due to increased repair and maintenance costs. Production Services' gross margin of 23% in Q4 2018 is lower than the 26% in Q4 2017, due to reduced activity levels not being able to cover a certain component of fixed costs. For the year ended December 31, 2018, Production Services' gross margin of 25% is consistent with that obtained in 2017.

Selling and Administrative Expenses

$ thousands	Three months ended December 31, 2018	2017	Change $	Change %	Year ended December 31, 2018	2017	Change $	Change %
Selling and administrative expenses	4,713	4,170	543	13%	18,289	13,791	4,498	33%

Selling and administrative expenses of $4.7 million in Q4 2018, an increase of $0.5 million (13%) compared to $4.2 million in Q4 2017.

Selling and administrative expenses of $18.3 million for the year ended December 31, 2018, an increase of $4.5 million (33%) compared to $13.8 million in 2017.

For both the quarter and year ended December 31, 2018, the increased selling and administrative expenses are due to the additional 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 higher year-over-year activity levels across all segments. Severance costs totaling $0.3 million were paid in 2018 (2017: $0.3 million) and a bonus accrual of $1.0 million is included in 2018 (2017: $0.4 million). In addition, CWC experienced a higher bad debt expense in 2018 of $0.7 million (2017: $0.01 million)

Adjusted EBITDA

	Three months ended December 31,				Year ended December 31,			
$ thousands	**2018**	**2017**	**Change $**	**Change %**	**2018**	**2017**	**Change $**	**Change %**
Adjusted EBITDA [1]								
Contract Drilling	4,136	3,624	512	14%	9,232	9,591	(359)	(4%)
Production Services	2,621	4,765	(2,144)	(45%)	15,550	11,073	4,477	40%
Corporate	(1,779)	(1,759)	(20)	(1%)	(6,293)	(4,601)	(1,692)	(37%)
	4,978	6,630	(1,652)	(25%)	18,489	16,063	2,426	15%
Adjusted EBITDA margin (%) [1]	14%	18%	n/a	(4%)	13%	14%	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 NCIB.

Adjusted EBITDA of $5.0 million in Q4 2018, 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.

For the year ended December 31, 2018, Adjusted EBITDA of $18.5 million, an increase of $2.4 million (15%) compared to $16.1 million in 2017. The increase in Adjusted EBITDA is primarily due to the additional service rigs acquired from C&J Canada offset by slightly higher selling, general and administrative expenses in the Contract Drilling segment and higher Corporate expenses due to a larger bonus accrual and higher bad debt expense in 2018 compared to 2017.

Transaction Costs

	Three months ended December 31,				Year ended December 31,			
$ thousands	**2018**	**2017**	**Change $**	**Change %**	**2018**	**2017**	**Change $**	**Change %**
Transaction costs	-	1,549	(1,549)	n/m [1]	-	1,549	(1,549)	n/m [1]

[1] Not meaningful.

Transaction costs of $1.5 million were incurred in 2017 on the acquisition of C&J Canada's service and swabbing rig assets. No similar expense was incurred in 2018.

Stock Based Compensation

	Three months ended December 31,				Year ended December 31,			
$ thousands	**2018**	**2017**	**Change $**	**Change %**	**2018**	**2017**	**Change $**	**Change %**
Stock based compensation	339	278	61	22%	1,102	869	233	27%

Stock based compensation is primarily a function of outstanding stock options and restricted share units ("RSUs") being expensed over their vesting periods.

Stock based compensation of $0.3 million in Q4 2018 is consistent with $0.3 million in Q4 2017.

Stock based compensation of $1.1 million for the year ended December 31, 2018, an increase of $0.2 million (27%) compared to $0.9 million in 2017.

For both the quarter and year ended December 31, 2018, the increase in stock based compensation is primarily due to greater number of stock options and RSUs granted to directors, management and employees for managing a larger pool of assets as a result of the C&J Canada acquisition.

Finance Costs

$ thousands	Three months ended December 31, 2018	2017	Change $	Change %	Year ended December 31, 2018	2017	Change $	Change %
Finance costs	857	606	251	41%	2,756	2,054	702	34%

Finance costs of $0.9 million in Q4 2018, an increase of $0.3 million (41%) compared to $0.6 million in Q4 2017.

Finance costs were $2.8 million for the year ended December 31, 2018, an increase of $0.7 million (34%) compared to $2.1 million in 2017.

For both the quarter and year ended December 31, 2018, the increase in finance costs was due to increases in interest rates and higher average debt levels due to the acquisition of the C&J Canada assets.

Depreciation and Amortization

$ thousands	Three months ended December 31, 2018	2017	Change $	Change %	Year ended December 31, 2018	2017	Change $	Change %
Depreciation and amortization								
Contract Drilling	1,840	1,973	(133)	(7%)	6,034	6,215	(181)	(3%)
Production Services	1,794	2,801	(1,007)	(36%)	9,523	10,730	(1,207)	(11%)
Corporate	219	37	182	492%	884	158	726	459%
	3,853	4,811	(958)	(20%)	16,441	17,103	(662)	(4%)

Depreciation and amortization for drilling rigs, service rigs and swabbing rigs are based on operating days and hours. Coil tubing units, capitalized recertification's 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 Q4 2018 and the year ended December 31, 2018 predominately reflect changes in utilizations compared to the same periods in 2017.

(Gain) Loss on Disposal of Equipment

$ thousands	Three months ended December 31, 2018	2017	Change $	Change %	Year ended December 31, 2018	2017	Change $	Change %
(Gain) loss on disposal of equipment	(54)	112	(166)	n/m [(1)]	42	40	2	5%

[(1)] Not meaningful.

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

For both the quarter and year ended December 31, 2018, the (gain) loss on disposal of equipment was the result of the sale of equipment with proceeds on sale of $0.1 million (Q4 2017: $0.3 million) and $2.1 million (2017: $0.5 million), respectively. The equipment sold consisted of one inactive coil tubing unit, one picker unit, one inactive service rig and various other vehicles.

Gain on Acquisition

$ thousands	Three months ended December 31, 2018	2017	Change $	Change %	Year ended December 31, 2018	2017	Change $	Change %
Gain on acquisition	-	9,128	(9,128)	n/m [(1)]	-	9,128	(9,128)	n/m [(1)]

(1) Not meaningful.

The gain in 2017 relates to the acquisition of C&J Canada's service and swabbing rig assets. The gain was calculated as the difference between the total acquisition fair value of the identifiable net assets acquired being $49.0 million and the fair value of the consideration transferred being $37.5 million with $2.4 million being deducted for deferred tax liability. No similar gain on acquisition was incurred for both Q4 2018 nor the year ended December 31, 2018.

Deferred Income Taxes Expense (Recovery)

$ thousands	Three months ended December 31, 2018	2017	Year ended December 31, 2018	2017
Net income (loss) before income taxes	(17)	8,402	(1,852)	3,576
Deferred income tax expense (recovery)	140	(142)	(150)	(1,285)
Deferred income tax expense (recovery) as a % of net income (loss) before income taxes	n/m [(1)]	(2%)	(8%)	n/m [(1)]
Expected statutory income tax rate	27%	27%	27%	27%

(1) Not meaningful.

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

The deferred income tax expense in Q4 2018 of $0.1 million (deferred income tax recovery Q4 2017: $0.1 million) and for the year ended December 31, 2018 deferred income tax recovery of $0.2 million (2017: $1.3 million) is a result of the net income (loss) before income taxes being adjusted into a net loss for tax purposes by adjusting for the temporary and permanent differences.

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

Net (Loss) Income and Comprehensive (Loss) Income

$ thousands	Three months ended December 31, 2018	2017	Change $	Change %	Year ended December 31, 2018	2017	Change $	Change %
Net (loss) income and comprehensive (loss) income	(157)	8,544	(8,701)	n/m [(1)]	(1,702)	4,861	(6,563)	n/m [(1)]

(1) Not meaningful.

Net (loss) income and comprehensive (loss) income of $(0.2) million in Q4 2018, a decrease of $8.7 million compared to $8.5 million in Q4 2017. Net (loss) income and comprehensive (loss) income for 2018 was $(1.7) million, a decrease of $6.6 million compared to $4.9 million in 2017. The decrease is primarily due to the $9.1 million gain on acquisition recorded as part of the purchase price allocation on the acquisition of C&J Canada's service and swabbing rig assets in 2017 with no similar gain on acquisition in Q4 2018 nor the year ended December 31, 2018.

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 year ended December 31, 2018, the Company's Funds from Operations of $18.5 million combined with $0.1 million from common share issuances and $2.1 million proceeds on disposal of equipment was used to fund a $5.4 million reduction in long term debt, $11.1 million of capital expenditures, $3.0 million of interest on long-term debt and finance lease payments and $1.8 million in acquisitions of shares under the NCIB.

At December 31, 2018 the Company had working capital (excluding debt) of $19.0 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 December 31, 2018. The Company expects to be able to renew the Bank Loan prior to maturity. Effective December 31, 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 December 31, 2018 the mark-to-market value of the interest rate swap resulted in a net loss of $0.2 million.

Capital Requirements

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

As utilization of the Company's equipment increases, CWC plans to recertify several of its service rigs. As at December 31, 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:

	February 28, 2019	December 31, 2018	December 31, 2017
Common shares	512,786,291	512,509,291	521,378,958
Stock options	24,173,333	24,351,333	27,546,667
Restricted share units	5,651,001	5,910,001	5,135,332

During the year ended December 31, 2018, 1,033,335 stock options were exercised, 2,161,999 were forfeited and none were granted. In addition, 1,517,998 RSU's were exercised, 422,333 were forfeited and 2,715,000 were granted.

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.

For the year ended December 31, 2018, 11,421,000 common shares (2017: 3,493,500 common shares) were purchased, cancelled and returned to treasury under the NCIB. The 11,421,000 common shares purchased under the NCIB represented 47% of the 24,366,081 shares traded on the TSXV in 2018.

Capital Expenditures

$ thousands	Three months ended December 31, 2018	2017	Change $	Change %	Year ended December 31, 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.

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 2019.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts	**2018**				**2017**			
Three months ended	**Dec. 31**	**Sept. 30**	**June 30**	**March 31**	**Dec. 31**	**Sept. 30**	**June 30**	**March 31**
Revenue	35,478	38,113	22,245	48,925	37,420	27,173	15,114	32,580
Adjusted EBITDA	4,978	6,002	31	7,478	6,630	4,055	228	5,150
Net income (loss)	(157)	326	(3,067)	1,196	8,544	(638)	(2,677)	(368)
Net income (loss) per share: basic and diluted	(0.00)	0.01	(0.01)	0.00	0.02	0.00	(0.01)	0.00
Total assets	252,665	257,675	250,039	268,479	264,354	208,355	203,265	218,171
Total long-term debt	44,896	46,394	36,803	51,377	49,810	34,404	28,887	38,828
Shareholders' equity	184,231	185,195	184,834	187,829	186,519	151,833	152,596	155,358

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:

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

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

Critical Accounting Estimates and Judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. 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 consolidated financial statements and related notes for further details on the adoption of these standards.

Management considers the following to be the most significant of the judgments, apart from those involved in making estimates, made in preparation of the financial statements:

Business combinations

The consideration transferred on acquisitions of businesses is allocated to the identifiable assets acquired and liabilities assumed at their estimated fair values on the acquisition date. All available information is used to estimate fair values, and external consultants may be engaged to assist in the fair value determination of property, plant and equipment. The preliminary allocation of consideration transferred may be adjusted, as necessary, up to one year after the acquisition closing date due to additional information affecting asset valuation and liabilities assumed.

The allocation process for the consideration transferred involves uncertainty as management is required to make assumptions and apply judgment to estimates of the fair value of the acquired assets and liabilities, including highest and best use of assets. Quoted market prices and widely accepted valuation techniques, including discounted cash flows and market multiple analyses are used to estimate the fair market value of the assets and liabilities and depreciated replacement costs are used for the valuation of tangible assets. These estimates include assumptions on inputs within the discounted cash flow calculations related to forecasted revenues, cash flows, contract renewals, asset lives, industry economic factors and business strategies.

Determination of cash generating units

For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units or "CGU's"). The grouping of assets into CGU's requires management exercise significant judgment.

Impairment of tangible and intangible assets

Tangible and intangible assets are reviewed annually with respect to their useful lives, or more frequently, if events or changes in circumstances indicate that the assets might be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to dispose and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. As a result, any impairment losses are a result of management's best estimates of expected revenue, expenses and cash flows at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature impairment tests involve a significant degree of judgment as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Depreciation and amortization

Depreciation of property and equipment and intangible assets is carried out on the basis of the estimated useful lives of the related assets. Assessing the reasonableness of the estimated useful lives of property and equipment and intangibles requires judgment and is based on currently available information, including historical experience by the Company. Additionally, the Company may consult with external equipment builders or manufacturers to assess whether the methodologies and rates utilized are consistent with their expectations. Changes in circumstances, such as technological advances, changes to the Company's business strategy, changes in the Company's capital strategy or changes in regulations may result in the actual useful lives differing from the Company's estimates. A change in the remaining useful life of a group of assets, or their expected residual value, will affect the depreciation rate used to amortize the group of assets and thus affect depreciation expense as reported in the Company's results of operations. These changes are reported prospectively when they occur.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recorded based on temporary differences between the carrying amount of an asset or liability and its tax base. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Company's operations are complex and computation of the provision for income taxes involves tax interpretations, regulations and legislation that are continually changing. Any changes in the estimated amounts are recognized prospectively in the statement of income and comprehensive income.

New Accounting Pronouncements

A number of new standards, amendments to standards and interpretations have been issued by the IASB and are not yet effective for the year ended December 31, 2018. The new standards, amendments to standards and interpretations are not expected to have a significant effect on the annual financial statements, except for:

> On January 13, 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16") replacing International Accounting Standard 17, "Leases" ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.
>
> The new standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The Company has selected to use the modified approach which does not require restatement of prior period financial information as the cumulative effect of applying the standard to prior periods is recorded as an adjustment to opening retained earnings. The company has elected practical expedients permitted under the standard for the initial adoption.
>
> On adoption of IFRS 16, The Company will recognize lease liabilities in relation to leases under the principles of the new standard measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or our incremental borrowing rate as at January 1, 2019. The association right-of-use ("ROU") asset will be measured at the amount equal to the lease liability on January 1, 2019.
>
> Adoption of the new standard will result in the recognition of additional lease liabilities and ROU assets. We have identified ROU assets and leases liabilities primarily related to office and facility space. The impact will result in higher adjusted EBITDA throughout the term of the lease. In addition, cash flow from operating activities and adjusted cash flow from operating activities will increase and cash flow from financing activities will decrease as lease obligations

repayments will be reported as financing activities on the Consolidated Statement of Cash Flows. There will be no net impact on cash flows.

Related Party Transactions

As at December 31, 2018, of the total outstanding shares of the Company, 79.3% are directly or indirectly owned by Brookfield Capital Partners Ltd. and Brookfield Business Partners L.P. (together "Brookfield"). The Company is related to Brookfield by virtue of control, and is therefore also related to Brookfield's affiliates.

During 2018, the Company had revenue totaling $1.6 million (2017: $1.1 million) and accounts receivable as at December 31, 2018 of $0.2 million (December 31, 2017: $0.01 million) in the normal course of business with companies under common control. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-related companies on an arm's length basis.

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 December 31, 2018 annual 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 at the present time may also become important factors which affect the Company. Along with the risks discussed in this MD&A, other business risks faced by the Company may be found under "Risk Factors" in the Company's most recent Annual Information Form which is available under the Company's profile at www.sedar.com.

CWC's business is generally tied in large part to the oil and gas exploration and production industry in Western Canada. CWC's business is sensitive to and will be affected by changing industry conditions in the oil and gas industry including changes in the level of demand, changes in pricing levels, changes in legislation or in regulation relating to exploration, development, production, refining, transportation, or marketing in the oil and gas industry. The following is a summary of certain risk factors relevant to CWC's business. All of these risk factors could negatively impact CWC's revenue, margins and cash flow.

Price Competition and Cyclical Nature of the Oilfield Services Business

The drilling rig, service rig, swabbing rig and coil tubing businesses are highly competitive with numerous industry participants. Management believes pricing and rig availability are the primary factors considered by CWC's potential customers in determining which drilling rig, service rig, swabbing rig or coil tubing contractor to select. Management believes other factors are also important, including:

- the capabilities and condition of drilling rigs, service rigs, swabbing rigs or coil tubing units;
- the quality of service and experience of crews;
- the safety record of the contractor and the particular drilling rig, service rig, swabbing rig or coil tubing unit;
- the offering of ancillary services;
- the ability to provide equipment adaptable to, and personnel familiar with, new technologies;

- the mobility and efficiency of the drilling rigs, service rigs, swabbing rigs or coil tubing units; and
- marketing relationships.

The drilling rig, service rig, swabbing rig and coil tubing industry historically has been cyclical and has experienced periods of low demand, excess rig supply, and low day or hourly rates, followed by periods of high demand, short rig supply and increasing day or hourly rates. Periods of excess rig supply intensify the competition in the industry and result in rigs being idle. There are numerous drilling rig, service rig, swabbing rig and coil tubing unit suppliers in each of the markets in which CWC operates. In all of those markets, an oversupply of equipment can cause greater price competition. Oilfield services companies compete primarily on a regional basis, and the intensity of competition may vary significantly from region to region at any particular time.

CWC provides services primarily to the field operation locations of oil and natural gas exploration and production companies located in western Canada. The oil and natural gas services business in which CWC operates is highly competitive. To be successful, CWC must provide services that meet the specific needs of its clients at competitive prices. CWC will compete with several regional competitors that are both smaller and larger than it is. These competitors offer similar services in all geographic regions in which CWC operates. As a result of competition, CWC may be unable to continue to provide its present services or to acquire additional business opportunities, which could have a material adverse effect on CWC's business, financial condition, results of operations and cash flows.

Oversupply of Oilfield Services Equipment in the Drilling Rig and Service Rig Industry

Because of the long life nature of drilling rigs, service rigs, swabbing rigs and coil tubing units and the lag between the moment a decision to build a rig or unit is made and the moment the rig or unit is placed into service, the number of rigs or units in the industry does not always correlate to the level of demand for those rigs or units. Periods of high demand often spur increased capital expenditures on rigs or units, and those capital expenditures may exceed actual demand. An oversupply of oilfield services equipment could cause CWC's competitors to lower their rates and could lead to a decrease in rates in the oilfield services industry generally, which would have a material adverse effect on the revenue, cash flows and earnings of CWC.

Operational Risks

Demand and prices for CWC's products and services depend upon the level of activity in the Canadian oil and gas exploration and production industry which in turn depends on the level of oil and gas prices, expectations about future oil and gas prices, the cost of exploring for, producing and delivering oil and gas, the discovery rate of new oil and gas reserves, available pipeline and other oil and gas transportation capacity, worldwide weather conditions, political, military, regulatory and economic conditions and the ability of oil and gas companies to raise capital. The level of activity in the Canadian oil and gas exploration and production industry is volatile. The marketability of any oil and natural gas acquired or discovered by CWC's customers will be affected by numerous factors beyond the control of such customers. These factors include market fluctuations, the price of crude oil, the price of natural gas, the supply and demand for oil and natural gas, the proximity and capacity of oil and natural gas pipelines and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, allowable production, the import and export of oil and natural gas, and environmental protection. The effect of these factors cannot be accurately predicted. No assurances can be given that current levels of oil and gas exploration and production activities will improve, deteriorate further, or continue or that demand for the Company's services will continue to reflect the level of activity in the industry generally. Industry conditions will continue to be influenced by numerous factors over which the Company will have no control. Prices for oil and gas are expected to continue to be volatile and to affect the demand for and pricing of the Company's products and services.

Merger and Acquisition Activity

Merger and acquisition activity in the oil and gas exploration and production sector may impact demand for CWC's services as customers focus on reorganizing their business prior to committing funds to exploration and development projects. Further, in any merger or acquisition transaction the resulting or acquired company may have preferred supplier relationships with oilfield service providers other than CWC.

Oilfield Services Industry Risks

There are many risks inherent in the oilfield services industry, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company's operations are subject to hazards inherent in the oilfield service industry, such as explosions, fires and spills that can cause personal injury or loss of life, damage to or destruction of property, equipment and the environment and suspension of operations. In addition, claims for loss of oil and gas production, damage to formations, damage to facilities and business interruptions can occur. While the Company maintains insurance coverage that it believes to be adequate and customary in the industry, there can be no assurances that insurance proceeds will be available or sufficient or that CWC will be able to maintain adequate insurance in the future at rates considered reasonable. The single occurrence of a significant uninsured claim or a claim in excess of the insurance coverage limits maintained by the Company could have a material adverse effect on the Company's business, results of operation and prospects.

Hazards such as unusual or unexpected geological formations, pressures, blow-outs, fires or other conditions may be encountered in drilling or servicing wells. CWC will have the benefit of insurance maintained by it, however, CWC may become liable for damages arising from pollution, blowouts or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons.

Reputational Risk Associated with the Corporation's Operations

The Corporation's business, operations or financial condition may be negatively impacted as a result of any negative public opinion towards the Corporation or as a result of any negative sentiment toward, or in respect of, the Corporation's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Corporation operates as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses and increased costs and/or cost overruns. The Corporation's reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other oilfield service providers, over which the Corporation has no control. Similarly, the Corporation's reputation could be impacted by negative publicity related to loss of life, injury or damage to property and environmental damage caused by the Corporation's operations. In addition, if the Corporation develops a reputation of having an unsafe work site, it may impact the ability of the Corporation to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate related litigation against governments and fossil fuel companies may impact the Corporation's reputation. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Corporation's reputation. Damage to the Corporation's reputation could result in negative investor sentiment towards the Corporation, which may result in limiting the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities.

Changing Investor Sentiment

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during transportation and indigenous rights, have affected certain investors' sentiments towards investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and natural gas properties or companies, or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, management and employees of the Corporation. Failing to implement the policies and practices, as requested by institutional investors, may result in such investors reducing their investment in the Corporation, or not investing in the Corporation at all. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry and more specifically, the Corporation, may result in limiting the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities even if the Corporation's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of the Corporation's assets which may result in an impairment change.

Leverage and Restrictive Covenants

The ability of CWC to make payments or advances will be subject to applicable laws and contractual restrictions in the instruments governing any indebtedness of those entities including the Credit Facilities. The degree to which CWC is leveraged could have important consequences for investors including: (i) CWC's ability to obtain additional financing for working capital, capital expenditures or future acquisitions; (ii) all or part of CWC's cash flow from operations may be dedicated to the payment of the principal of and interest on CWC's indebtedness, thereby reducing funds available for future operations and to pay dividends; (iii) certain of CWC's borrowings may be at variable rates of interest, which exposes CWC to the risk of increased interest rates; and (iv) CWC may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors could have a material adverse effect on CWC's business, financial condition, results of operations and cash flows.

The Credit Facilities contain numerous covenants that limit the discretion of management with respect to certain business matters. These covenants will place restrictions on, among other things, the ability of CWC to create liens or other encumbrances; to pay dividends or make other distributions, or make certain other investments, loans and guarantees; to sell or otherwise dispose of assets or repurchase stock, merge, amalgamate or consolidate with another entity. In addition, the credit facilities, contain a number of financial covenants that require CWC to meet certain financial ratios and financial condition tests. CWC's ability to meet such tests could be affected by events beyond its control, and it may not be able to meet such tests.

A failure to comply with the obligations in the credit facilities, including financial ratios and financial condition tests, could result in a default which, if not cured or waived, would permit acceleration of the repayment of the relevant indebtedness as the lenders could elect to declare all amounts outstanding under the credit facilities to be immediately due and payable and terminate all commitments to extend further credit. If the lenders were to accelerate the repayment of borrowings, CWC may not have sufficient assets to repay balances owing on the credit facilities as well as its unsecured indebtedness as the acceleration of CWC's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. If CWC's indebtedness is accelerated and the Corporation was not able to repay its indebtedness or borrow sufficient funds to refinance it, the lenders under the credit facilities could proceed to realize upon the collateral granted to them to secure that indebtedness which could have a material adverse effect on CWC and its cash flows. Even if CWC is able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to CWC and may impose financial restrictions and other covenants on it that may be more restrictive than the credit facilities.

Notwithstanding an event of default, there is also no assurance that CWC will be able to refinance any or all of the credit facilities at their maturity dates on acceptable terms, or on any basis.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's liquidity could be adversely affected by a material negative change in the oilfield services industry, which in turn could lead to covenant breaches of the credit facilities, which, if not amended or waived, could limit the Company's access to the credit facilities. If available liquidity is not sufficient to meet CWC's operating and debt obligations as they come due, CWC will need to significantly reduce expenditure, pursue alternative financing arrangements, dispose of significant assets, or pursue other corporate strategic alternatives, the ability of which to do so is uncertain.

Government Regulation

CWC operations are subject to a variety of federal, provincial and local laws, regulations and guidelines, including laws and regulations related to health and safety, transportation, the conduct of operations, the manufacture, management, transportation and disposal of certain materials used in the Company's operations. Changes in any such laws, regulations or guidelines could have a material adverse effect on CWC’s operations.

In addition, the oil and gas industry in general is subject to extensive government policies and regulations, which result in additional cost and risk for industry participants or parties, such as CWC, that service the industry. Royalty rates, carbon taxes, transportation regulations, other laws or government incentive programs relating to the oil and gas industry generally may in the future be changed or interpreted in a manner that adversely affects the Company and its shareholders.

Seasonal Nature of CWC's Business

The Company's operations are carried on generally in Western Canada. The ability to move heavy equipment in the Western Canadian 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. The timing of freeze-up and spring breakup affects the ability to move equipment in and out of these areas. As a result, mid-March through June is traditionally the Company's slowest time, and as such, the operating results of the Company will vary on a quarterly basis.

Dependence on Key Personnel

CWC's future performance and development will depend, to a significant extent, on the efforts and abilities of its executive officers and key management personnel, and on the ability to attract and retain qualified field staff. The loss of the services of one or more of its management team could harm the Company. Also CWC's success largely depends on the Company's continuing ability to attract, develop and retain skilled employees in all areas of its business. The ability of the Company to expand its services is dependent upon its ability to attract additional qualified employees. The ability to secure the services of additional personnel is constrained in times of strong industry activity.

Climate Change

Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the *United Nations Framework Convention on Climate Change* and a signatory to the Paris Agreement, which was ratified in Canada on October 3, 2016, the Government of Canada pledged to cut its greenhouse gases ("GHG") emissions by 30 per cent from 2005 levels by 2030. One of the pertinent policies announced to date by the Government of Canada to reduce GHG emission is the planned implementation of a nation-wide price on carbon emissions. The federal carbon levy goes into effect on April 1, 2019 and will affect provinces which have not implemented their own carbon taxes, cap-and-trade systems or other plans for carbon pricing, namely Ontario, Manitoba, Saskatchewan and New Brunswick. The federal carbon levy will be at an initial rate of $20 per tonne. Provincially, the Government of Alberta has already implemented a carbon levy on almost all sources of GHG emissions, now at a rate of $30 per tonne. The implementation of the federal carbon levy is currently subject to constitutional challenges submitted by the Provinces of Saskatchewan and Ontario, which are supported by the province of New Brunswick. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on CWC's business, financial condition, results of operations and prospects. Additional changes to provincial climate change legislation may adversely affect the Corporation's business, financial condition, results of operations and cash flows which cannot be reliably or accurately estimated at this time.

Concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Historically, political and legal opposition to the fossil fuel industry focused on public opinion and the regulatory process. More recently, however, there has been a movement to more directly hold governments and oil and natural gas companies responsible for climate change through climate litigation. In November 2018, ENvironment JEUnesse, a Quebec advocacy group, applied to the Quebec Superior Court to certify a class action against the Government of Canada for climate related matters. In January 2019, the City of Victoria became the first municipality in Canada to endorse a class action lawsuit against oil and natural gas producers for climate-related harms.

Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the affect of increasing the CWC's operating expenses and in the long-term reducing the demand for its services oil, resulting in a decrease in the Corporation's profitability and a reduction in the value of its assets or asset write-offs.

In addition, there has been public discussion that climate change may be associated with extreme weather conditions and increased volatility in seasonal temperatures. Extreme weather could interfere with CWC's operations. At this time, CWC is unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting its operations.

Carbon Pricing Risk

The majority of countries across the globe have agreed to reduce their carbon emissions. In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The taxes placed on carbon emissions may have the effect of decreasing the demand for oil and natural gas products and at the same time, increasing CWC's operating expenses, each of which may have a material adverse effect on the CWC's profitability and financial condition. Further, the imposition of carbon taxes puts CWC at a disadvantage with its counterparts who operate in jurisdictions where there are less costly carbon regulations.

Geopolitical Risks

Political changes in North America and political instability in the Middle East and elsewhere may cause disruptions in the supply of oil that affects the oil and gas industry. Conflicts, or conversely peaceful developments, arising outside of Canada, including changes in political regimes or parties in power, may have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and result in a reduction of the Corporation's profitability.

Non-Governmental Organizations and Eco-Terrorism Risks

The business activities conducted by the Corporation may, at times, be subject to public opposition. Such public opposition could expose the Corporation to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Aboriginal groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of the federal, provincial or municipal governments, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses, and direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that the Corporation will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require the Corporation to incur significant and unanticipated capital and operating expenditures.

In addition, the Corporation's oilfield services equipment could be the subject of a terrorist attack. If any of the Corporation's equipment are the subject of a terrorist attack it may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The Corporation does not have insurance to protect against the risk from terrorism.

Equipment and Technology Risks

Complex drilling programs for the exploration and development of remaining conventional and unconventional oil and natural gas reserves in North America places high demands on drilling rigs, service rigs, swabbing rigs, coil tubing units and related equipment. CWC's ability to deliver equipment and services that are more efficient than equipment and services offered by its competitors is critical to continued success. There is no assurance that competitors will not achieve technological improvements that are more advantageous, timely or cost effective than improvements developed by CWC.

The ability of CWC to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment and there can be no assurance that CWC will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by CWC to do so could have a material adverse effect on CWC's business, financial condition, results of operations and cash flows. No assurances can be given that competitors will not achieve technological advantages over CWC.

In the future, the Company may seek patents or other similar protections in respect of particular tools, equipment and technology; however, the Company may not be successful in such efforts. Competitors may also develop similar tools, equipment and technology to those of the Company thereby adversely affecting the Company's competitive advantage in one or more of its businesses. Additionally, there can be no assurance that certain tools, equipment or technology developed by the Company may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on the business, results of operations and financial condition of the Company.

Significant Shareholder

Brookfield Capital Partners Ltd. and its affiliates (collectively, “Brookfield”), through its ownership of 79.3% of CWC's outstanding voting shares is a significant shareholder. As such, Brookfield will have, subject to applicable law, the ability to determine the outcome of certain matters submitted to shareholders for approval in the future, including the election and removal of directors, amendments to the CWC's corporate governance documents and certain business combinations. CWC's interests and those of its controlling shareholder may at times conflict, and this conflict might be resolved against CWC's interests. The concentration of control in the hands of a significant shareholder may impact the potential for the initiation, or the success, of an unsolicited bid for CWC's securities.

Drilling Rig, Service Rig, Swabbing Rig and Coil Tubing Unit Construction Risks

When CWC contracts for the construction of a drilling rig, service rig, swabbing rig or coil tubing unit, the cost of construction of the rig or a coil tubing unit and the timeline for completing the construction, are estimated at that time. Actual costs of construction may, however, vary significantly from those estimated as a result of numerous factors, including, without limitation, changes in input costs such as the price of steel; variations in labour rates; and, to the extent that component parts must be sourced from other countries, fluctuations in exchange rates. In addition, several factors could cause delays in the construction of a drilling rig, service rig, swabbing rig or coil tubing unit, including, and without limitation, shortages in skilled labour and delays or shortages in the supply of component parts. Construction delays may lead to postponements of the anticipated date for deployment of the newly constructed rig or coil tubing unit into operation and any such postponement could have a negative effect on cash flows generated from operations, of which the effect may be material.

Equipment and Parts Availability

The Company's ability to expand its operations and provide reliable service is dependent upon timely delivery of new equipment and replacement parts from fabricators and suppliers. A lack of skilled labour to build equipment combined with new competitors entering the oilfield service sector has resulted in increased order times on new equipment and increased uncertainty surrounding final delivery dates. Significant delays in the arrival of new equipment from expected dates may impact future growth and the financial performance of the Company. CWC attempts to mitigate this risk by maintaining strong relations with key fabricators and suppliers.

Dependence on Suppliers

The ability of the Company to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to equipment, parts, components and consumables. Failure of suppliers to deliver such equipment, parts, components and consumables at a reasonable cost and in a timely manner would be detrimental to the Company's ability to maintain existing customers and expand its customer list. No assurances can be given that the Company will be successful in maintaining its required supply of equipment, parts, components and consumables.

The Company's ability to provide services to its customers is also dependent upon the availability at reasonable prices of raw materials which the Company purchases from various suppliers, most of whom are located in Canada or the United States. Alternate suppliers exist for all raw materials. In periods of high industry activity periodic industry shortages of certain materials have been experienced and costs may be affected. In contrast, periods of low industry activity levels may cause financial distress on a supplier, thus limiting their ability to continue to operate and provide the Company with necessary services and supplies.

Management maintains relationships with a number of suppliers in an attempt to mitigate this risk. However, if the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to the Company's customers could have a material adverse effect on CWC's business, financial condition, results of operations and cash flows.

Risks of Interruption and Casualty Losses

CWC's operations are, or will be, subject to many hazards inherent in the well drilling, workover and completion industry, including blowouts, cratering, explosions, fires, loss of well control, loss of hole, damaged or lost drilling equipment and damage or loss from inclement weather or natural disasters and reservoir damage. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage, damage to the property of others and damage to producing or potentially productive oil and natural gas formations. Generally, drilling rig, service rig, swabbing rig and coil tubing contracts provide for the division of responsibilities between a drilling rig, service rig, swabbing rig or coil tubing unit provider and its customer, and CWC will seek to obtain indemnification from its customers by contract for certain of these risks. CWC will also seek protection through insurance. However, CWC cannot ensure that such insurance or indemnification agreements will adequately protect it against liability from all of the consequences of the hazards described above. The occurrence of an event not fully insured or indemnified against, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, insurance may not be available to cover any or all of these risks, or, even if available, may not be adequate. Insurance premiums or other costs may rise significantly in the future, so as to make such insurance prohibitively expensive or uneconomic.

Future Capital Requirements and Future Sales of Common Shares by CWC

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. CWC may issue additional common shares in the future, which may dilute a shareholder's holdings in CWC or negatively affect the market price of common shares. CWC's articles permit the issuance of an unlimited number of common shares. The directors of CWC have the discretion to determine the price and the terms of issue of further issuances of common shares, subject to applicable law. Also, additional common shares will be issued by CWC on the exercise of stock options granted pursuant to CWC's stock option plan, or pursuant to its restricted share unit plan.

Capital and Financial Markets

As future capital expenditures and potential acquisitions will need to be financed out of cash generated from operations, through debt or, if available, equity offerings, the Company's ability to access new capital is dependent on, among other factors, the overall state of capital markets generally, and the appetite for investments in the energy industry and the Company's securities specifically. All of these factors could have a negative effect on CWC's ability to obtain new capital on acceptable terms, or at all, and this could have a material adverse effect on operations and share price.

Environmental Protection

CWC, is subject to various environmental laws and regulations enacted in most jurisdictions in which the Company operates, which primarily govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Company's operations. CWC believes that all CWC's business lines are currently in compliance with such laws and regulations. CWC's customers are subject to similar laws and regulations, as well as limits on emissions into the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, CWC cannot predict the nature of the restrictions that may be imposed. CWC may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Historically, environmental protection requirements have not had a significant financial operational effect on capital expenditures, earnings or competitive position of the Company. Environmental protection requirements are not presently anticipated to have a significant effect on such matters in the future.

The services provided by CWC, in some cases, involve flammable products being pumped under high pressure. To address these risks, CWC has developed and implemented safety and training programs. In addition, a comprehensive insurance and risk management program has been established to protect CWC's assets and operations. CWC also complies with current environmental requirements and maintains an ongoing participation in various industry-related committees and programs.

The Company has established procedures to address compliance with current environmental laws and regulations and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Company may have the benefit of insurance maintained by it or the operator; however the Company may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

Third Party Credit Risk

CWC is exposed to third party credit risk through its contractual arrangements with other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company.

Failure to Realize Anticipated Benefits of Acquisitions

The Company makes acquisitions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions, retaining key employees and customer relationships and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources, may divert management's focus from other strategic opportunities and operational matters and ultimately the Company may fail to realize anticipated benefits of acquisitions.

CWC May Make Dispositions of Businesses and Assets in the Ordinary Course of Business

Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that CWC can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of CWC, if disposed of, could be expected to realize less than their carrying value on the financial statements of CWC.

Tax Matters

The taxation of companies is complex. In the ordinary course of business, CWC is subject to ongoing audits by tax authorities. While CWC believes that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the tax authorities. In addition, the tax filing positions of businesses acquired by CWC may be reviewed and challenged by the tax authorities. If such challenge were to succeed, it could have a material adverse effect on CWC's tax position. Further, the interpretation of, and changes in, tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect CWC's tax position. As a consequence, CWC is unable to predict with certainty the effect of the foregoing on CWC's effective tax rate and earnings.

CWC regularly reviews the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes materially differ from the provisions, CWC's effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved. CWC intends to mitigate this risk through ensuring staff is well trained and supervised and that tax filing positions are carefully scrutinized by management and external consultants, as appropriate.

There can be no assurance that income tax laws or the interpretation thereof in any of the jurisdictions in which CWC operates will not be changed or interpreted or administered in a manner which adversely affects CWC and its shareholders. In addition, there is no assurance that the Canada Revenue Agency, or a provincial or foreign tax agency (collectively the "**Tax Agencies**") will agree with the manner in which CWC or its subsidiaries calculate their income or taxable income for tax purposes or that any of the Tax Agencies will not change their administrative practices to the detriment of CWC or its shareholders (or both).

Vulnerability to Market Changes

Fixed costs, including costs associated with leases, labour and depreciation will account for a significant portion of the Company's costs and expenses. As a result, reduced utilization of equipment and other fixed assets resulting from reduced demand, equipment failure, weather or other factors could significantly affect financial results.

Alternatives to and Changing Demand for Petroleum Products

Regulation, fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Interest Rate Risk

The Company is exposed to interest rate price risk as its bank loan has floating interest rate terms. However, the floating interest rate terms do give rise to interest rate cash flow risk as interest payments are recalculated as the market rates change. Management currently does not see this risk as significant due to Canada's history of reasonably stable interest rates and their expectations of future interest rates.

Conflicts of Interest

Certain of the directors and officers of the Company are also directors and officers of other oil and natural gas exploration and/or production entities and oil and natural gas services companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply, under the ABCA.

Legal Proceedings

The Company is involved in litigation from time to time in the ordinary course of business. No assurance can be given as to the final outcome of any legal proceedings or that the ultimate resolution of any legal proceedings will not have a material adverse effect on the Company.

Intellectual Property Litigation

Due to the rapid development of oil and natural gas technology, in the normal course of the Corporation's operations, the Corporation may become involved in, named as a party to, or be the subject of, various legal proceedings in which it is alleged that the Corporation has infringed the intellectual property rights of others or which the Corporation initiates against others it believes are infringing upon its intellectual property rights. The Corporation's involvement in intellectual property litigation could result in significant expense, adversely affecting the development of its assets or intellectual property or diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Corporation's favour. In the event of an adverse outcome as a defendant in any such litigation, the Corporation may, among other things, be required to: (a) pay substantial damages and/or cease the development, use, sale or importation of processes that infringe upon other patented intellectual property; (b) expend significant resources to develop or acquire non-infringing intellectual property; (c) discontinue processes incorporating infringing technology; or (d) obtain licences to the infringing intellectual property. However, the Corporation may not be successful in such development or acquisition, or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on the Corporation's business and financial results.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Cyber-Security Threats and Reliance on Information Technology

CWC's operations are dependent on the functioning of several information technology systems. Exposure of CWC's information technology systems to external threats poses a risk to the security of these systems. Such cyber-security threats include unauthorized access to information technology systems due to hacking, viruses and other causes that can result in service disruptions, system failures and the disclosure, deliberate or inadvertent, of confidential business information. Significant interruption or failure of any or all of these systems could result in operational outages, delays, lost profits, lost data, increased costs, and other adverse outcomes. These factors could include a loss of communication links or reliable information, security breaches by computer hackers and cyber terrorists, and the inability to automatically process commercial transactions or engage in similar automated or computerized business activities.

Further, the Company is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Company becomes a victim to a cyber phishing attack it could result in a loss or theft of the Company's financial resources or critical data and information or could result in a loss of control of the Company's technological infrastructure or financial resources. The Company applies technical and process controls in line with industry-accepted standards to protect our information assets and systems; however, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on our performance and earnings, as well as on our reputation. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

Social Media

Increasingly, social media is used as a vehicle to carry out cyber phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to gain entry into the Corporation's systems and obtain confidential information. The Corporation restricts the social media access of its employees and periodically reviews, supervises, retains and maintains the ability to retrieve social media content. Despite these efforts, as social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that the Corporation may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

Forward-Looking Information may Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the company’s forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

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	35,478	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)	9,690	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.