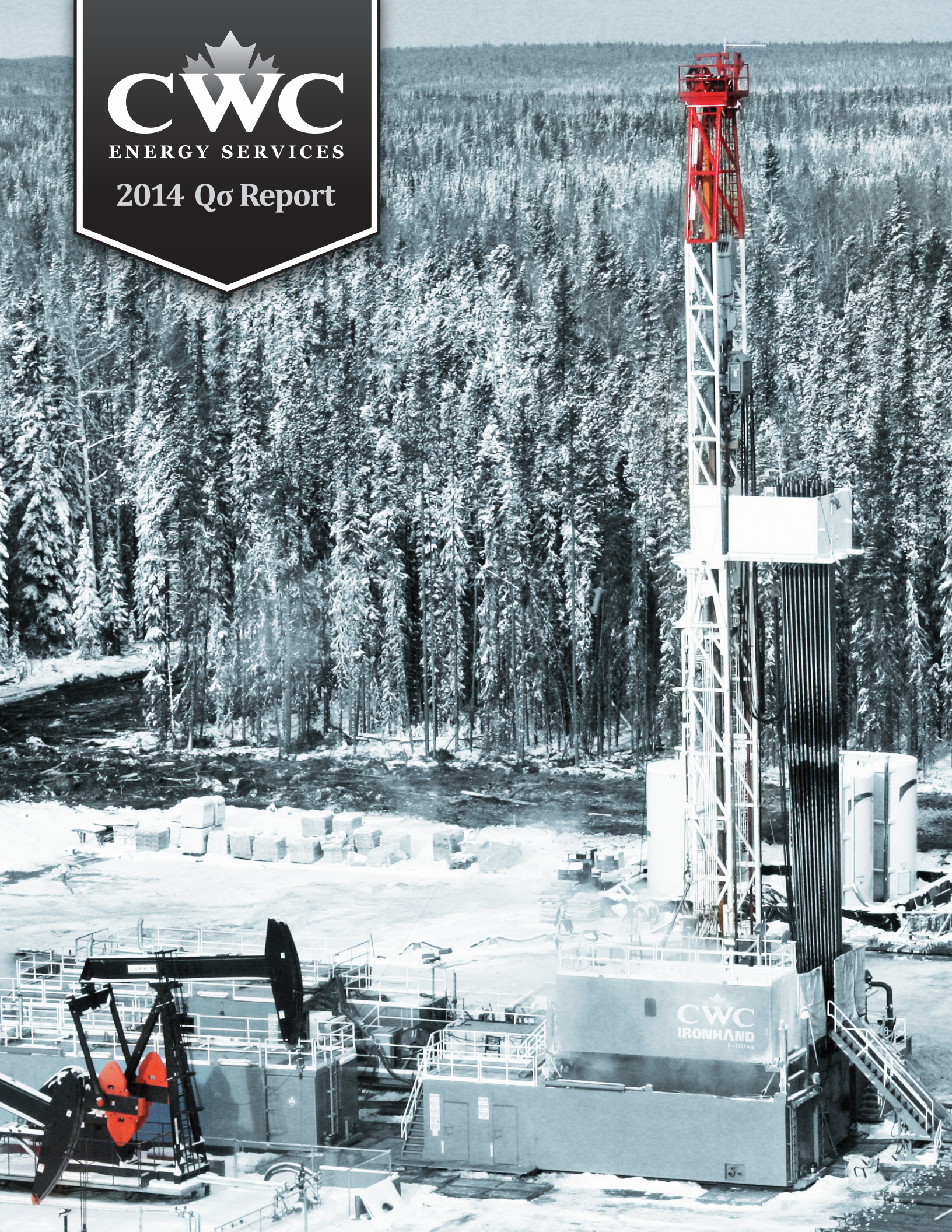
CWC

ENERGY SERVICES

2014 Qσ Report



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WELL SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

Management's Discussion and Analysis ("MD&A") is a review of the results of operations and liquidity and capital resources of CWC Energy Services Corp. (unless the context indicates otherwise, a reference in this MD&A to "CWC", the "Company", "we", "us", or "our" means CWC Energy Services Corp.). The following discussion and analysis provided by CWC is dated November 12, 2014 and should be read in conjunction with unaudited condensed interim financial statements for the three and nine months ended September 30, 2014, the audited annual financial statements for the year ended December 31, 2013 ("Annual Financial Statements") and the annual management's discussion and analysis for the year ended December 31, 2013 ("Annual MD&A"). The condensed interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements. All amounts are expressed in Canadian dollars unless otherwise noted. Additional information relating to CWC is available on SEDAR at www.sedar.com.

Highlights for the Three Months Ended September 30, 2014

- Record quarterly revenue of $38.8 million, an increase of $10.3 million (36%) compared to $28.6 million in the prior year quarter. $15.3 million of the Q3 2014 revenue came from our newly acquired Contract Drilling segment which offset a decline of $5.0 million in revenue from the Production Services segment. The revenue decline in the Production Services segment was primarily due to abnormally wet weather conditions during the quarter and reduced activity levels as a result of certain internal operational issues with three of CWC's top five senior exploration and production ("E&P") customers. In addition, CWC sold its snubbing division in September 2014 which contributed to the reduced revenue in the Production Services segment.

- Drilling rig utilization was industry leading at 75% compared to the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average utilization of 46%. Service rig utilization decreased to 42% (Q3 2013: 51%) as a result of the abnormally wet weather conditions and reduced activity levels with three significant E&P customers. Coil tubing utilization increased to 29% (Q3 2013: 25%) due to greater sales and operational focus on steam assisted gravity drainage ("SAGD") wells as opposed to deeper wells found in other parts of the Western Canadian Sedimentary Basin ("WCSB").

- Record quarterly EBITDAS(1) of $9.9 million, an increase of $2.3 million (30%), compared to $7.6 million in the prior year quarter.

- Net income of $2.2 million, an increase of $0.6 million (38%) compared to $1.6 million in the prior year quarter.

- CWC completed construction of drilling rig #9 and put it into service at the end of September 2014 with a two year customer contract. CWC also took delivery at the end of September 2014 of a new slant service rig which was put into service in October 2014, thereby increasing the total fleet of service rigs to 72 and making CWC the fifth largest service rig operator in Canada. In addition in August 2014, CWC expanded its coil tubing fleet to nine coil tubing units with the purchase of two Class II coil tubing units to work on the increasing number of SAGD wells in the WCSB. All of these new assets were constructed and purchased on time and on budget.

- On September 15, 2014, CWC announced the sale of its snubbing assets in several separate transactions for gross proceeds of $6.5 million, thereby further focusing the Company on its core assets and services of drilling rigs, service rigs and coil tubing.

Highlights for the Nine Months Ended September 30, 2014

- Record revenue for the first nine months of 2014 was $97.7 million, an increase of $15.9 million (19%) compared to $81.8 million in the prior year. $18.5 million of the increase came from 4.5 months of operating the new Contract Drilling segment which was offset by a decrease of $2.6 million in the Production Services segment.

- Record EBITDAS[(1)] for the first nine months of 2014 was $20.5 million, an increase of $1.9 million (10%) compared to $18.6 million in the prior year. $6.6 million of the increase came from 4.5 months of operating the new Contract Drilling segment, which was partially offset by a decrease of $3.7 million in the Production Services segment.

- Net income for the first nine months of 2014 was $2.3 million, a decrease of $0.4 million (13%) compared to $2.7 million in the prior year. The decrease in net income is directly attributable to $2.2 million of additional depreciation expense primarily as a result of the newly operated Contract Drilling segment in 2014 without a corresponding expense in 2013. This additional depreciation expense was partially offset by a decrease of $1.2 million in finance costs as a result of lower interest charges on the credit facility in 2014 compared to 2013.

- The Company renewed its Normal Course Issuer Bid ("NCIB") effective May 22, 2014, to purchase from time to time, as it considered advisable, up to 13,520,411 of its issued and outstanding common shares through the facilities of the TSX Venture Exchange ("TSXV") or other recognized marketplaces. To November 12, 2014, 1,091,000 common shares have been repurchased and to September 30, 2014, 547,500 common shares have been returned to Treasury and cancelled.

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

Corporate Overview

CWC Energy Services Corp. is a premier oilfield services company operating in the WCSB with a complementary suite of services including drilling rigs, service rigs, coil tubing, and well testing. CWC's Contract Drilling segment includes the results of operations for CWC's drilling rigs which are operated by the Company's CWC Ironhand Drilling division. CWC's Production Services segment includes the results of operations for CWC's service rigs, coil tubing units, and well testing equipment which are operated by the Company's CWC Well Services division. The Company's corporate office is located in Calgary, Alberta, with operational locations in Nisku, Grande Prairie, Slave Lake, Red Deer, Lloydminster, Provost, and Brooks, Alberta and Weyburn, Saskatchewan. The Company's shares trade on the TSX Venture Exchange under the symbol "CWC".

On May 15, 2014, CWC changed its name from CWC Well Services Corp. to CWC Energy Services Corp. and amalgamated with its wholly-owned subsidiary, Ironhand Drilling Inc.

Financial and Operational Highlights

$ thousands, except shares, per share amounts, margins and ratios	Three months ended September 30 2014	2013	% Change	Nine months ended September 30, 2014	2013	% Change
FINANCIAL RESULTS						
Revenue						
Contract drilling[1]	15,271	-	n/m[3]	18,511	-	n/m[3]
Production services	23,575	28,559	(17%)	79,196	81,782	(3%)
	38,846	28,559	36%	97,707	81,782	19.5%
EBITDAS [2]	9,886	7,578	30%	20,518	18,573	10%
EBITDAS margin (%) [2]	25%	27%	(2%)	21%	23%	(2%)
Funds from operations [2]	9,886	7,578	30%	19,730	18,573	6%
Net income	2,246	1,629	38%	2,309	2,667	(13%)
Net income margin (%)	6%	6%	-	2%	3%	(1%)
Dividends declared	4,724	2,610	81%	11,982	7,822	53%
Per share information						
Weighted average number of shares outstanding – basic	270,344,750	155,128,284		213,489,814	155,037,479	
Weighted average number of shares outstanding – diluted	276,398,591	159,839,017		219,278,506	159,731,827	
EBITDAS [2] per share – basic	$0.04	$0.05		$0.10	$0.12	
EBITDAS [2] per share – diluted	$0.04	$0.05		$0.09	$0.12	
Net income per share - basic and diluted	$0.01	$0.01		$0.01	$0.02	
Dividends declared per share	$0.0175	$0.01625		$0.05125	$0.04875	

$ thousands, except margins and ratios	September 30, 2014	December 31, 2013
FINANCIAL POSITION AND LIQUIDITY		
Working capital (excluding debt) [2]	16,633	14,507
Working capital (excluding debt) ratio [2]	2.0:1	2.3:1
Total assets	288,011	148,999
Total long-term debt (including current portion)	60,313	44,009
Shareholders' equity	193,151	91,344

[1] CWC entered into the contract drilling business on May 15, 2014, through the acquisition of Ironhand Drilling Inc. and results are included May 16, 2014 onward

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

[3] Not meaningful.

Total assets have increased significantly since December 31, 2013 largely as a result of the acquisition of Ironhand Drilling Inc. ("Ironhand") which had a fair value of net assets acquired of $128.7 million on May 15, 2014.

Shareholders' equity has increased significantly since December 31, 2013 due primarily to the issuance of $112.8 million in new equity. $28.8 million was raised through the subscription receipts offering resulting in the issuance of 34.3 million common shares at a price of $0.84 per common share. $84.0 million in common shares were issued as purchase consideration to former Ironhand shareholders with 80.8 million common shares issued at a deemed price of $1.04 per common share based on the closing price of CWC's common shares on the TSX Venture Exchange on May 15, 2014.

Operational Overview

Contract Drilling

CWC Ironhand Drilling experienced industry leading utilization of 75% during Q3 2014 and put rig 9 into service on September 29, 2014. CWC Ironhand Drilling currently has a fleet of nine telescopic double drilling rigs with depth ratings from 3,200 to 4,500 metres having an average age of five years. Eight of these nine drilling rigs have top drives. All of the drilling rigs are well suited for the most active depths for horizontal drilling in the WCSB, including the Montney, Duvernay, Cardium and other deep basin horizons. Currently, four of the nine drilling rigs are on long-term contracts and there are customers for eight of the nine drilling rigs until April 2015. Despite the current downturn in oil prices, CWC anticipates customers will renew their contracts and commitments after spring breakup 2015.

OPERATING HIGHLIGHTS	September 30, 2014	June 30, 2014[1]
Drilling Rigs		
Number of drilling rigs [2]	9	8
Revenue per operating day [3]	$27,715	$30,258
Drilling rig operating days	551	107
Drilling rig utilization % [4]	75%	29%
CAODC industry average utilization rate	46%	26%[5]

[1] Ironhand was acquired on May 15, 2014, as such the Contract Drilling Segment includes the results for the period commencing May 16, 2014.

[2] Number of drilling rigs at the end of the period

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

[4] 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 . New drilling rigs are added based on the first day of field service.

[5] Calculated including ½ month of May which was 20% utilization and the month of June, which was 29% as reported by the CAODC.

CWC Ironhand Drilling is currently constructing Rig #10, a new telescopic double drilling rig with a depth capacity of 4,500 metres which is planned to be in service in Q3 2015. This drilling rig, like our other nine rigs, is well suited for drilling the Montney, Duvernay, Cardium, and other deep basin targets. CWC expects to continue to grow the CWC Ironhand Drilling rig fleet through organic new builds backed by long-term contracts with high credit quality oil and gas customers.

Production Services

	Three months ended							
OPERATING HIGHLIGHTS	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012
Service Rigs								
Number of units [1]	71	71	71	71	71	69	68	68
Hours worked	26,354	20,399	37,652	33,828	32,190	17,700	37,689	32,059
Utilization % [2]	42%	33%	61%	52%	51%	29%	62%	53%
Revenue per hour	$756	$752	$820	$786	$755	$746	$823	$791
Coil Tubing Units								
Number of units [1]	9	7	8	8	8	8	8	8
Hours worked	2,056	1,403	4,600	2,106	1,833	1,045	3,285	1,463
Utilization % [3]	29%	22%	64%	29%	25%	14%	46%	20%
Revenue per hour	$894	$784	$967	$1,129	$1,074	$1,107	$1,209	$1,209
Snubbing Units								
Number of units [1]	0[5]	6	6	6	6	6	6	7
Hours worked	702	494	1,214	1,081	891	220	1,460	1,191
Utilization % [4]	13%	11%	22%	20%	16%	4%	27%	18%
Revenue per hour	$1,459	$1,532	$1,868	$1,774	$1,666	$1,218	$1,416	$1,399

[1] Number of units at the end of the period – includes units which are out of service for recertification and/or refurbishment.

[2] Service rig utilization is calculated based on 10 hours a day, 365 days a year. New service rigs are added based on the first day of field service. Service rigs requiring their 24,000 hour recertification and/or refurbishment and are out of service for greater than 90 days are excluded from the utilization calculation until their first day back in field service.

[3] 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.

[4] Snubbing unit utilization is calculated based on 10 hours a day, 365 days a year. New snubbing units are added based on the first day of field service.

[5] During the quarter snubbing had six units in operation, however the snubbing assets were sold in several transactions the last of which closed September 24, 2014. The information shown relates to the operating results of the snubbing assets prior to disposition.

CWC is the fifth largest service rig provider in the WCSB, having a modern fleet of 71 service rigs as at September 30, 2014. The Company's service rig fleet consists of 41 singles, 27 doubles, and 3 slant rigs. The average age of CWC's service rig fleet is approximately 7 years, making CWC's fleet amongst the newest in the WCSB. CWC took delivery of a new slant service rig at the end of September 2014 and put it into service in October 2014. This new slant service rig was completed ahead of schedule and on budget at a cost of $3.0 million. This slant service rig will operate out of our Slave Lake operation with a focus on SAGD wells. Customer acceptance of our high quality equipment continues to be strong and a differentiating factor for CWC. Both customers and field personnel generally prefer to use newer equipment due to lighter weight, better design, and modern safety features. Rig services include completions, maintenance, workovers and abandonments with depth ratings from 1,500 to 5,000 metres.

Service rig hours and utilization decreased in Q3 2014 compared to Q3 2013 primarily due to abnormally wet weather conditions in central and southern Alberta and southeast Saskatchewan throughout July and August 2014 which affected the ability of our service rigs to move to the well location to perform its services. In addition, three of CWC's top five senior E&P customers by revenue temporarily reduced activity levels during the quarter due to their unique internal operational issues which resulted in a significant reduction in CWC's Q3 2014 utilization of 42% compared to 51% in Q3 2013. CWC was challenged to find new E&P customers to replace the significant reduction in revenue from these three customers and is pleased to report that all the service rigs affected by this slowdown in activity have been re-deployed with new customers by the end of September 2014. The end result of this shift in customers is that CWC has a more diverse and broader base of E&P customers today than in the prior year. In Q3 2013, 50% of CWC revenues came from five customers, as compared to 46% in Q3 2014.

CWC's Class I, II and III coil tubing units have depth ratings from 1,500 to 4,000 metres. The market for the Class III deep coil tubing unit has become extremely competitive with an increased supply of new deep coil tubing units over the last year having an adverse affect on industry utilization and pricing. In light of these competitive challenges for CWC's Class III coil tubing unit, the Company has chosen to focus its sales and operational efforts on SAGD wells, which are shallower in depth and more appropriate for our Class I and II coil tubing units. These strategies resulted in record 2013 revenue and cash flow in the eight year history of CWC's coil tubing division. In Q3 2014, the coil tubing division continues to show increased operating hours and utilization of 29% compared to Q3 2013 of 25% as it continues to gain market share on servicing SAGD wells. To support the increasing number of SAGD wells that need coil tubing services, in August 2014, the Company purchased two additional Class II shallow coil tubing units, similar to our existing shallow coil tubing fleet for a total purchase price of $1.3 million.

On September 15, 2014, CWC announced the sale of its non-core snubbing assets and business in several separate transactions for total gross proceeds of $6.5 million. The sale of the snubbing division allows CWC to focus on its core business of drilling rigs, service rigs and coil tubing.

Outlook

While oil and natural gas liquids prices have been strong in the first half of 2014, the more recent sharp decline in both oil and natural gas liquids prices may have an effect on our E&P customers' cash flow and therefore capital expenditure plans in 2015. This potential decline in E&P customers' cash flow is somewhat offset by the rising U.S. dollar resulting in favourable foreign exchange translations back to the Canadian dollar. Petroleum Services Association of Canada, ("PSAC"), predicts in their recently released drilling activity forecast that 10,100 wells will be drilled in 2015 compared to their forecast of 10,830 wells in 2014, a decrease of 7%. While PSAC anticipates fewer wells to be drilled in 2015, the average well depth will increase from 2,236 metres in 2014 to 2,415 metres in 2015 and the total meters drilled will increase from 24.2 million metres in 2014 to 24.4 million metres in 2015 indicating more drilling and well servicing activity per well. CWC believes this deeper well trend will result in increased operating days per well for its Contract Drilling fleet resulting in increased utilization. For CWC's Production Services segment, CWC anticipates that its modern service rig fleet and high quality field service staff will remain steady with stable utilization, while coil tubing should see an increase in utilization due to its focus on the ever increasing number of SAGD wells.

While commodity prices are currently under pressure, E&P customers have not yet slowed down their activity levels. CWC is not currently experiencing a slowdown of activity with its customers in Q4 2014 and Q1 2015 with less visibility into and beyond Q2 2015.

The recent announcement of the British Columbia liquified natural gas ("LNG") tax at a graduated 3.5% tax rate was lower than previously anticipated and is not expected to be a hindrance to proponents making final investment decisions on whether to build such LNG facilities on the west coast of British Columbia. A positive investment decision will have significant impact to CWC's growth profile as the Company is well positioned to capitalize on this potential future growth. Currently, 100% of

the drilling rig fleet is positioned in the Montney, Duvernay, Cardium and deep basin resource plays and 20% of the service rig fleet is based out of Grande Prairie. CWC is cautiously optimistic on its prospects to grow its fleet as these LNG investment decisions become reality and activity levels in northwest Alberta and northeast British Columbia increase.

Discussion of Financial Results

	Three months ended September 30,				Nine months ended September 30,			
$ thousands	**2014**	**2013**	**Change $**	**Change %**	**2014**	**2013**	**Change $**	**Change %**
Revenue								
Contract drilling	15,271	-	15,271	n/m[2]	18,511	-	18,511	n/m[2]
Production services	23,575	28,559	(4,984)	(17%)	79,196	81,782	(2,586)	(3%)
	38,846	28,559	10,287	36%	97,707	81,782	15,925	19%
Direct operating expenses								
Contract drilling	9,028	-	9,028	n/m[2]	11,362	-	11,362	n/m[2]
Production services	15,328	17,335	(2,007)	(12%)	53,533	52,608	925	2%
	24,356	17,335	7,021	41%	64,895	52,608	12,287	23%
Gross margin [1]								
Contract drilling	6,243	-	6,243	n/m[2]	7,149	-	7,149	n/m[2]
Production services	8,247	11,224	(2,977)	(27%)	25,663	29,174	(3,511)	(12%)
	14,490	11,224	3,266	29%	32,812	29,174	3,638	12%
Gross margin percentage [1]								
Contract drilling	41%	-	n/a	n/m[2]	39%	n/m[2]	n/a	n/m[2]
Production services	35%	39%	n/a	(4%)	32%	36%	n/a	(4%)
	37%	39%	n/a	(2%)	34%	36%	n/a	(2%)

[1] Please refer to the "Reconciliation of Non-IFRS Measures" later in this MD&A.
[2] Not meaningful

Revenue

CWC achieved record third quarter revenue in the Company's nine year history. Revenue for the three months and year to date periods ended September 30, 2014 increased significantly over the prior year. During Q3 2014, increases of $15.3 million within the newly acquired Contract Drilling segment were offset by decreases of $5.0 million in the Production Services segment due primarily to abnormally wet weather conditions and reduced activity levels as a result of certain internal operational issues with three of CWC's top five senior E&P customers which reduced revenue by $4.4 million compared to Q3 2013. In addition, CWC sold its snubbing division in September 2014 which reduced revenue in the Production Services segment by a further $0.5 million compared to Q3 2013. Direct Operating Expenses and Gross Margin

The $7.0 million increase in direct operating expenses for Q3 2014 is a direct result of the newly acquired Contract Drilling segment incurring $9.0 million without a corresponding expense in Q3 2013. The decrease of $2.0 million of direct operating expenses in the Production Services segment is consistent with a decrease in revenue in Q3 2014 compared to Q3 2013.

Many operating costs 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. Labour cost is the largest cost incurred by the Company, with much of this cost being variable in nature. However, there is also a portion of our labour costs which are fixed in nature and do not reduce, even in periods of lower activity. A tight labour market and changes to our compensation structure for field personnel has increased operating costs in the current year period. Some of this increase in cost relative to revenue is driven by labour laws which require the Company to pay overtime labour rates at times when the Company is not contractually able to pass on overtime rate premiums to our customers. The Company is attempting to improve the matching of labour overtime costs with overtime premiums in our customer contracts. Additionally, fuel costs, which in the early part of 2014, increased the operating cost per hour, have seen a return to more manageable levels recently, lessening the impact on margins.

Selling and Administrative Expenses and Transaction Costs

	Three months ended September 30,				Nine months ended September 30,			
$ thousands	**2014**	**2013**	**Change $**	**Change %**	**2014**	**2013**	**Change $**	**Change %**
Selling and administrative expenses	4,604	3,646	958	26%	12,294	10,601	1,693	16%
Transaction costs	-	-	-	n/m[2]	788	-	788	n/m[2]

[2] Not meaningful

Selling and administrative expenses have increased year over year for both the three month and nine month periods ended September 30, 2014. Many of the costs in this category, such as building and office rent, and office staff salaries are relatively fixed in nature and are not subject to significant fluctuation on a quarterly basis. Other costs such as professional and legal fees can fluctuate depending on specific services received in the period. Of the year over year increase $0.9 million and $1.3 million represent the overhead costs for the quarter and year to date periods, respectively, associated with the newly acquired Contract Drilling segment. The remainder of the year over year increase is due to the expansion into the Slave lake area, general increases in the levels of salaries and other administrative expenses, and the cost of having a larger asset base to manage.

Transaction costs totaling $0.8 million for the nine months ended 2014 relate to the acquisition of Ironhand Drilling Inc. and consist primarily of legal, professional and regulatory fees and expenses of the acquisition which are one-time only costs that are not expected to be repeated in the future.

EBITDAS

	Three months ended September 30,				Nine months ended September 30,			
$ thousands	**2014**	**2013**	**Change $**	**Change %**	**2014**	**2013**	**Change $**	**Change %**
EBITDAS [1]								
Contract drilling	5,878	-	5,878	n/m[2]	6,574	-	6,574	n/m[2]
Production services	6,762	9,823	(3,061)	(31%)	21,324	25,024	(3,700)	(15%)
Corporate	(2,754)	(2,245)	(509)	23%	(7,380)	(6,451)	(929)	14%
	9,886	7,578	2,308	30%	20,518	18,573	1,945	10%
EBITDAS margin (%) [1]	25%	27%	n/a	(2%)	21%	23%	n/a	(2%)

[1] Please refer to the "Reconciliation of Non-IFRS Measures" later in this MD&A.
[2] Not meaningful

Management uses EBITDAS as a measure of the cash flow generated by the Company. Positive EBITDAS provides the cash flow needed to grow our business through the purchase of new equipment or business acquisitions, maintain a dividend for our shareholders, repurchase outstanding common shares under a Normal Course Issuer Bid ("NCIB"), and reduce outstanding long-term debt. CWC achieved record quarterly EBITDAS resulting in an increase of $2.3 million for Q3 2014 as a result of the newly acquired Contract Drilling segment contributing $5.9 million, which was offset by decreases in the Production Services segment of $3.1 million and Corporate expenses of $0.5 million compared to Q3 2013. The EBITDAS decrease in the Production Services segment is consistent with a $5.0 million decrease in revenue for the current quarter.

Stock-Based Compensation

	Three months ended September 30,				Nine months ended September 30,			
$ thousands	**2014**	**2013**	**Change $**	**Change %**	**2014**	**2013**	**Change $**	**Change %**
Stock based compensation	498	236	262	111%	1,135	626	509	81%

Stock based compensation is primarily a function of the outstanding stock options and restricted share units ("RSUs") being expensed over their vesting term. As a generalization, a higher trading price for our common shares will increase the value of stock options and RSUs at their grant date which is the value used for stock based compensation expensing. As at September 30, 2014, CWC's stock price had increased significantly over the past two years and, therefore, the value and expense amounts of new stock options and RSUs are generally higher in the current year period than it was for RSUs expensed in the prior year period. Additionally, payments under the Company's dividend bonus plan have increased as more in-the-money stock options have vested over time.

Finance Costs

	Three months ended September 30,				Nine months ended September 30,			
$ thousands	**2014**	**2013**	**Change $**	**Change %**	**2014**	**2013**	**Change $**	**Change %**
Finance costs	588	569	19	3%	1,554	2,781	(1,227)	(44%)

Finance costs for the three month period ended September 30, 2014 are slightly higher than the prior year quarter due primarily to an increase in the long-term debt to $60.3 million compared to $44.0 million at September 30, 2013. On a year to date basis, finance costs have decreased $1.2 million as a result of lower interest rates under the current bank facilities compared to the facilities which were in place in the prior year. Prior to June 21, 2013, the Company had a portion of its debt under a term facility bearing interest at 7.42% per annum and expensed $0.9 million in cash and deferred fees when cancelling that facility. During the first nine months of 2014 the Company's borrowings under the current bank facilities bore interest at approximately 3.6%.

Depreciation

$ thousands	Three months ended September 30, 2014	2013	Change $	Change %	Nine months ended September 30, 2014	2013	Change $	Change %
Depreciation								
Contract drilling	2,124	-	2,124	n/m[(2)]	2,603	-	2,603	n/m[(2)]
Production services	3,452	4,396	(944)	(21%)	10,814	11,197	(383)	(3%)
Corporate	132	115	17	15%	377	372	5	1%
	5,708	4,511	1,197	27%	13,794	11,569	2,225	19%

(2) Not meaningful

Depreciation for drilling rigs and service rigs is based on hours of work. As a result, an increase or decrease in hours worked for an individual drilling or service rig results in an increase or decrease in depreciation expense for that individual drilling or service rig. However, there can be significant variation in the historical cost basis for our service rigs based on type of rig and our newest service rigs, which have the highest cost and depreciation rate per hour, also typically have higher utilization. Coil tubing, snubbing and well testing units are depreciated straight line resulting in consistent depreciation expense regardless of utilization or hours of use. The increase in depreciation of $1.2 million for Q3 2014 is a direct result of $2.1 million in depreciation related to the newly acquired Contract Drilling segment with no corresponding depreciation expense in the prior year quarter offset by $0.9 million decrease in the Production Services segment as a result of lower activity levels for the service rigs during Q3 2014 compared to Q3 2013.

Gain on Disposal of Equipment

$ thousands	Three months ended September 30, 2014	2013	Change $	Change %	Nine months ended September 30, 2014	2013	Change $	Change %
Gain on disposal of equipment	(129)	-	(129)	n/m[(2)]	(242)	(125)	(117)	n/m[(2)]

(2) Not meaningful

Management continually monitors the asset mix and equipment needs and invests and divests assets as needed to optimize our operations. During Q3 2014 the snubbing division was divested in several separate transactions for gross proceeds of $6.5 million resulting in a gain on disposal of equipment of $0.2 million.

Income Taxes

$ thousands	Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Net income before income taxes	3,221	2,262	3,489	3,722
Deferred income tax expense	975	633	1,180	1,055
Deferred income tax expense as a % of net income before income taxes	30%	28%	34%	28%
Expected statutory income tax rate	25%	25%	25%	25%

Income taxes are a function of taxable income and are calculated differently than accounting income. Differences between accounting income and taxable income include such things as the non-taxable portion of capital gains, the non-deductible portion of capital losses, items which are not deductible for income tax purposes such as gains or losses on disposal of fixed assets, stock based compensation, differences between income tax estimates and actual tax filings, and other differences. Additionally, the recognition or de-recognition of certain tax credits or pool balances can occur based on judgments as to the ability of the Corporation to be able to realize the benefits of such tax balances or credits in the future. The difference between the actual income tax rate and the expected income tax rate in both the current year and prior year periods is due to these types of items. The Company has substantial tax pools and non-capital losses available to reduce future taxable income such that no cash taxes are expected to be payable for 2014.

Net Income and Comprehensive Income

$ thousands	Three months ended September 30, 2014	2013	Change $	Change %	Nine months ended September 30, 2014	2013	Change $	Change %
Net income and comprehensive income	2,246	1,629	617	38%	2,309	2,667	(358)	(13%)

Net income and comprehensive income increased $0.6 million in Q3 2014 compared to Q3 2013 as a result of record revenue and EBITDAS attributed to the newly acquired Contract Drilling segment. In both the current year and the prior year nine month periods ended September 30, the Company had certain nonrecurring costs which adversely effected the net income

reported. In the current year to date net income and comprehensive income, transaction costs of $0.8 million relating to the Ironhand acquisition were expensed. In the prior year to date net income and comprehensive income, the Company expensed $0.9 million in cash and deferred fees in connection with the cancellation of a credit facility with less favourable terms.

Liquidity and Capital Resources

Sources of Funds:
During the nine months ended September 30, 2014, the Company financed capital expenditures with cash flow from operations and the use of the Company's debt credit facility. The acquisition of Ironhand Drilling Inc. was financed with a combination of new equity and a debt credit facility.

At September 30, 2014, the Company had positive working capital excluding debt of $16.6 million (Please refer to the "Reconciliation of Non-IFRS Measures" section for further information).

On May 15, 2014, the Company amended its syndicated debt credit facility. The amendments included the addition of a fourth Canadian financial institution to the syndicate, an increase in the credit facility to $100.0 million, and an extension of the committed term to June 21, 2017. All other terms of the credit facility remain substantially the same or more favourable to the Company than was the case prior to the amendments, including the continued availability of the $25 million accordion. No principal payments are required under the credit facility until June 21, 2017, at which time any amounts outstanding are due and payable. As at September 30, 2014, drawings under the credit facility totaled $60.3 million.

The credit facility is secured by a general security agreement covering all of the assets of the Company and a first charge security interest covering all assets of the Company. Under the terms of the credit facility, the Company is required to comply with certain financial covenants. As of September 30, 2014, the Company is in compliance with each of those financial covenants.

Effective September 30, 2014 the applicable rates under the agreement are: bank prime rate plus 0.875%, bankers acceptances rate plus a stamping fee of 1.875%, and standby fee rate of 0.42%.

Capital Requirements:
Over the past three years the Company has been increasing its asset base of service rigs. Given the Company's relatively young fleet of equipment many capital expenditures are discretionary in nature and are incurred with a view to increase the size and revenue generating capacity of the business as opposed to being required in order to maintain the current business operations. The Company anticipates spending approximately $3.0 million annually over the next several years to recertify the oldest of its service rigs due for their Level IV recertification. As at September 30, 2014, 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 generated from operations and bank debt from the Company's existing credit facility as required. However, additional funds may be raised by additional bank debt, other forms of debt, the sale of assets, or the issue of equity.

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, Outstanding Share Data, Dividends and Normal Course Issuer Bid

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

	November 12, 2014	September 30, 2014	December 31, 2013
Common shares	269,425,557	269,919,057	155,323,066
Stock options	10,827,012	11,777,012	8,307,012
Restricted share units	1,751,667	2,006,667	1,600,000

On April 10, 2014, CWC issued a total of 34,270,000 subscription receipts at a price of $0.84 per subscription receipt for aggregate gross proceeds of $28.8 million. On May 15, 2014, contemporaneous with the closing of the acquisition of Ironhand, each subscription receipt was converted to one common share of CWC.

On May 15, 2014, CWC acquired Ironhand pursuant to a plan of arrangement whereby all of the issued and outstanding common shares of Ironhand were exchanged for common shares of CWC or cash. The aggregate purchase consideration consisted of 80,785,158 common shares of CWC and $18.2 million in cash.

$18.2 million of the net proceeds from the April 10, 2014 subscription receipt offering were used to satisfy the cash portion of the purchase consideration for the Ironhand acquisition with the remainder used towards extinguishing the bank debt of Ironhand under its former banking facility which was repaid in full and cancelled on May 15, 2014.

The following table summarizes dividends declared or paid since December 31, 2013:

Declaration Date	Record Date	Payment Date	Dividend per Common Share
March 5, 2014	March 31, 2014	April 15, 2014	$0.01625
May 15, 2014	June 30, 2014	July 15, 2014	$0.01750
August 14, 2014	September 30, 2014	October 15, 2014	$0.01750
November 12, 2014	December 31, 2014	January 15, 2015	$0.01750

The declaration of dividends is determined on a quarter by quarter basis by the Board of Directors and reflects CWC's positive view on the sustainability of its cash flows and earnings in the future.

The Company's previous normal course issuer bid ("NCIB") expired on March 31, 2014. From January 1, 2014 to March 31, 2014, no common shares were purchased under the NCIB. The Company renewed its NCIB effective May 22, 2014, to purchase from time to time, as it considered advisable, up to 13,520,411 of its issued and outstanding common shares through the facilities of the TSX Venture Exchange ("TSXV") or other recognized marketplaces. The price that the Company will pay for any common share under the NCIB will be the prevailing market price on the TSXV or such other recognized marketplace at the time of such purchase. During Q3 2014, 597,500 common shares were purchased under the NCIB for total proceeds including commissions of $0.6 million. Of these 597,500 common shares, 547,500 common shares were returned to treasury and cancelled as at September 30, 2014. From October 1, 2014 to November 12, 2014 a further 493,500 common shares were repurchased under the NCIB. These remaining 543,500 common shares will be returned to treasury and cancelled in Q4 2014. The NCIB expires on May 21, 2015.

Capital Expenditures

The Board of Directors has approved a 2014 capital expenditure budget of $45.6 million consisting of $31.2 million in growth capital and $14.4 million of maintenance and infrastructure capital. The growth capital consists of:

- two new telescopic double drilling rigs complete with top drives (Rig #9 & 10);
- three new slant service rigs; and
- two Class II coil tubing units.

As at September 30, 2014, the Company has spent $20.7 million of the $45.6 million 2014 capital expenditure budget and taken delivery of:

- one new telescopic double drilling rig (Rig #9);
- one new slant service rig (Rig #504); and
- two Class II coil tubing units (Unit #10 & 11).

CWC expects to take delivery of the remaining growth capital expenditures as follows:

- one new telescopic double drilling rig (Rig #10) in Q3 2015; and
- two new slant service rigs (Rig #505 & 506) in Q1 2015.

Of the $45.6 million capital expenditure budget, it is expected that $17.8 million is expected to be carried over into 2015 due primarily to long lead time items for the drilling rig that are not expected to be received in 2014.

Commitments and Contractual Obligations

Under the terms of the Company's amended credit facility, the Bank Loan is due in full on June 21, 2017. The Company is committed to make only monthly payments of interest and bank charges until June 21, 2017. There have been no other significant changes in commitments or contractual obligations since December 31, 2013.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts	2014			2013				2012
Three months ended	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Revenue	38,846	20,488	38,373	31,515	28,559	14,845	38,378	29,396
EBITDAS [(1)]	9,886	1,176	9,456	7,597	7,578	(269)	11,265	7,050
Net income (loss)	2,246	(3,182)	3,245	2,196	1,629	(3,844)	4,883	1,729
Net income (loss) per share: basic and diluted	0.01	(0.01)	0.02	0.01	0.01	(0.02)	0.03	0.01
Total assets	288,011	277,679	151,661	148,999	150,522	144,604	157,262	152,680
Total long-term debt	60,313	51,324	43,547	44,009	46,225	42,279	42,634	41,841
Shareholders' equity	193,151	195,851	92,202	91,344	91,537	92,440	98,969	96,465

[(1)] Please refer to the "Reconciliation of Non-IFRS Measures" later in this MD&A.

The table above summarizes CWC's quarterly results for the previous eight financial quarters. All of 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 our equipment generally and the increase in the number of drilling rigs, service rigs and coil tubing units over the period as detailed in the section titled "**Operational Overview**".

Other significant impacts have been a result of:

- Three months ended September 30, 2014 represented a record revenue quarter for CWC since the Company's inception and the first full three month period with the Contract Drilling segment which represented 39% of the Company's third quarter revenues;
- Three months ended September 30, 2014, included a gain on disposal of equipment of $0.2 million in net income as a result of the sale of the snubbing division;
- Three months ended June 30, 2014, $0.8 million in transaction costs were incurred relating to the acquisition of Ironhand;
- Three months ended September 30, 2013, $0.7 million for impairment of a coil tubing unit not completed due to the manufacturer going into receivership;
- Three months ended June 30, 2013 – an increase in the precipitation levels in the spring of 2013 led to a prolonged spring breakup in 2013 than in recent years resulting in a larger decline in seasonal activity levels than in previous years;
- Three months ended June 30, 2013, $0.9 million of finance costs were incurred to terminate debt facilities prior to their expiry (see the heading titled "Finance Costs" in this document); and

- The increase to total assets and shareholders' equity reflects the acquisition of Ironhand and related equity financing. Ironhand was acquired for a total purchase consideration of $128.7 million

Critical Accounting Estimates and Judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Further details of the nature of these estimates and assumptions may be found in the relevant notes to the Annual Financial Statements and the interim unaudited financial statements for the three months ended September 30, 2014 and the section titled Critical Accounting Estimates and Judgments in the Annual MD&A. There have been no significant or material changes in the nature of critical accounting estimates and judgments since December 31, 2013.

New Accounting Pronouncements

Effective January 1, 2014, the Company adopted the following accounting standards or revisions thereto:

IAS 36 - Impairment of Assets - Amendments of IAS 36 require entities to disclose the recoverable amount of an impaired Cash Generating Unit ("CGU"). The Company assessed the effect of IAS 36 on its financial results and financial position and will adopt these disclosures in the annual financial statements.

IFRIC 21 - Levies - Interpretation of IAS 37, Provisions, Contingent Liabilities and Assets - sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as the result of a past event. The interpretation clarifies that the obligation that gives rise to the liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company assessed the effect of IFRIC 21 on its financial results and statement of financial position and has determined there is no material impact.

On adoption, these standards had no impact on the recognition or measurement of the balances recorded in the Company's financial statements.

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, 2014. The new standards, amendments to standards and interpretations have not been applied in preparing these condensed interim financial statements. None of these are expected to have a significant effect on the consolidated financial statements, except for:

IFRS 15, Revenue from Contracts with Customers, which provides guidance on revenue recognition and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to annual reporting periods beginning on or after January 1, 2017, with early adoption permitted under IFRS. The Company has not yet assessed the impact this standard will have on the financial statements.

Related Party Transactions

The Ironhand acquisition was a related party transaction for CWC as certain directors and shareholders of CWC were also directors, officers and/or shareholders of Ironhand. Further information regarding the Ironhand acquisition is available on SEDAR at www.sedar.com in the Joint Information Circular of CWC and Ironhand dated April 15, 2014.

CEO and CFO Certifications

The CEO and CFO of TSX Venture Exchange listed companies, such as CWC, are not required to certify they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Instead, an optional form of certification has been made available to TSX Venture Exchange listed companies and has been used by CWC's certifying officers for the September 30, 2014 interim filings. The certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires that the certifying officer's state:

- They have reviewed the interim financial report and MD&A;
- That, based on their knowledge, they have determined there is no untrue statement of a material fact, or any omission of material fact required to be stated which would make any statement not misleading in light of the circumstances under which it was made within the interim filings; and
- That based upon their knowledge, the interim filings, together with the other financial information included in the interim filings, fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date and for the periods presented in the interim filings.

Risks and Uncertainties

Certain activities of the Company are affected by factors that are beyond its control or influence. Additional risks and uncertainties that management may be unaware of, or that they determine to be immaterial may also become important factors which affect the Company. Along with the risks discussed in this MD&A, other business risks faced by the Company may be found under "Risk Factors" in the Company's AIF and under "The Arrangement - Risk Factors" in the JIC dated April 15, 2014, both of which are available under the Company's profile at www.sedar.com or by contacting the Company.

CWC's various businesses are generally tied in large part to the oil and gas exploration and production industry in Western Canada. CWC's businesses are 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. All of these risk factors could negatively impact CWC's revenue, margins and cash flow.

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 everything 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 level of capital expenditures, expectations as to the increase in activity levels, expectations on the sustainability of future cash flow and earnings and the ability to pay dividends, expectations with respect to oil and natural gas prices and price levels necessary for increases in oil and natural gas activity levels, activity levels in various areas, continuing focus on cost saving measures, 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 expectations regarding the business, operations and revenue 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, including the Ironhand Acquisition, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties and environmental regulations, stock market volatility and the inability to access sufficient capital from external and internal sources and the inability to pay dividends. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through SEDAR at www.sedar.com. The forward-looking information and statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. Any forward-looking statements made previously may be inaccurate now.

Reconciliation of Non-IFRS Measures

$ thousands except share and per share amounts	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
NON-IFRS MEASURES				
EBITDAS:				
Net income	2,246	1,629	2,309	2,667
Add:				
Depreciation	5,708	4,511	13,794	11,569
Finance costs	588	569	1,554	2,781
Transaction costs	-	-	788	-
Deferred income tax expense	975	633	1,180	1,055
Stock based compensation	498	236	1,135	626
Gain on sale of equipment	(129)	-	(242)	(125)
EBITDAS (1)	9,886	7,578	20,518	18,573
EBITDAS per share – basic(1)	$0.04	$0.05	$0.10	$0.12
EBITDAS per share – diluted(1)	$0.04	$0.04	$0.09	$0.12
EBITDAS margin (EBITDAS/Revenue) (1)	25%	27%	21%	23%
Weighted average number shares outstanding - basic	270,344,750	155,128,284	213,489,814	155,037,479
Weighted average number shares outstanding - diluted	276,398,591	159,839,017	219,278,506	159,731,827
Funds from operations:				
Cash flows from operating activities	2,491	1,468	14,935	19,296
Add (deduct): Change in non-cash working capital	7,395	6,110	4,795	(723)
Funds from operations (2)	9,886	7,578	19,730	18,573
Gross margin:				
Revenue	38,846	28,559	97,707	81,782
Less: Direct operating expenses	24,356	17,335	64,895	52,608
Gross margin (3)	14,490	11,224	32,812	29,174
Gross margin percentage (3)	37%	39%	34%	36%

$ thousands	September 30, 2014	December 31, 2013
Working capital (excluding debt):		
Current assets	33,780	25,353
Less: Current liabilities	(17,350)	(11,031)
Add: Current portion of long term debt	203	185
Working capital (excluding debt) (4)	16,633	14,507
Working capital (excluding debt) ratio(4)	2.0:1	2.3:1
Net debt:		
Long term debt	60,110	43,824
Less: Current assets	(33,780)	(25,353)
Add: Current liabilities	17,350	11,031
Net debt (5)	43,680	29,502

(1) EBITDAS (Earnings before interest and finance costs, income tax expense, depreciation, amortization, (gain) loss on disposal of asset, transaction costs, and stock based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS 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 EBITDAS should not be construed as an alternative to net income (loss) and comprehensive income (loss) determined in accordance with IFRS as an indicator of the Company's performance. CWC's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities. EBITDAS margin is calculated as EBITDAS divided by revenue and provides a measure of the percentage of EBITDAS per dollar of revenue. EBITDAS per share is calculated by dividing EBITDAS by the weighted average number of shares outstanding as used for calculation of earnings per share.

(2) Funds from operations is not a recognized measure under IFRS. Management believes that in addition to cash flow from operations, funds from operations is a useful supplemental measure as it provides an indication of the cash flow generated by the Company's principal business activities prior to consideration of changes in working capital. Investors should be cautioned, however, that funds from operations should not be construed as an alternative to cash flow from operations determined in accordance with IFRS as an indicator of the Company's performance. CWC's method of calculating funds from operations may differ from other entities and accordingly, funds from operations may not be comparable to measures used by other entities. Funds from operations is equal to cash flow from operations before changes in non-cash working capital items related to operations.

(3) Gross margin is calculated from the statement of comprehensive income 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.

(4) 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.

(5) 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.

CWC ENERGY SERVICES CORP.

Unaudited Condensed Interim Financial Statements

For the three and nine months ended September 30, 2014 and 2013

CWC ENERGY SERVICES CORP.

STATEMENTS OF FINANCIAL POSITION

As at September 30, 2014 and December 31, 2013

(unaudited)

Stated in thousands of Canadian dollars	Note	**September 30, 2014**	December 31, 2013
ASSETS			
Current			
Cash		**$ 55**	$ 202
Accounts receivable		**30,702**	22,359
Inventory		**2,350**	2,392
Prepaid expenses and deposits		**673**	400
		33,780	25,353
Property and equipment	5	**215,233**	123,646
Intangibles	6	**1,470**	-
Goodwill	6	**37,528**	-
		$ 288,011	$ 148,999
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 12,422**	$ 8,322
Dividend payable	9	**4,725**	2,524
Current portion of long-term debt	8	**203**	185
		17,350	11,031
Deferred tax liability		**17,400**	2,800
Long-term debt	8	**60,110**	43,824
		94,860	57,655
SHAREHOLDERS' EQUITY			
Share capital	9	**219,146**	108,184
Contributed surplus		**6,934**	6,056
Deficit		**(32,929)**	(22,896)
		193,151	91,344
		$ 288,011	$ 148,999

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF COMPREHENSIVE INCOME

For the three and nine months ended September 30, 2014 and 2013

(unaudited)

Stated in thousands of Canadian dollars except per share amounts	Note	Three months ended September 30		Nine months ended September 30	
		2014	2013	**2014**	2013
Revenue		**$ 38,846**	$ 28,559	**$ 97,707**	$ 81,782
Expenses	12				
Direct operating expenses		**24,356**	17,335	**64,895**	52,608
Selling and administrative expenses		**4,604**	3,646	**12,294**	10,601
Stock based compensation		**498**	236	**1,135**	626
Finance costs	8	**588**	569	**1,554**	2,781
Transaction costs		**-**	-	**788**	-
Depreciation and amortization		**5,708**	4,511	**13,794**	11,569
Gain on disposal of equipment		**(129)**	-	**(242)**	(125)
		35,625	26,297	**94,218**	78,060
Net income before income taxes		**3,221**	2,262	**3,489**	3,722
Deferred income tax expense		**975**	633	**1,180**	1,055
Net income and comprehensive income		**$ 2,246**	$ 1,629	**$ 2,309**	$ 2,667
Earnings per share					
Basic and diluted	9	**$ 0.01**	$ 0.01	**$ 0.01**	$ 0.02

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2014 and 2013

(unaudited)

Stated in thousands of Canadian dollars except share amounts	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance – January 1, 2013		154,915,899	$ 108,001	$ 5,762	$ (17,298)	$ 96,465
Net income and comprehensive income		-	-	-	2,667	2,667
Stock based compensation expense	9	-	-	542	-	542
Exercise of stock options	9	661,667	355	(154)	-	201
Stock options settled in cash		-	-	(190)	-	(190)
Cancellation of common shares purchased under normal course issuer bid		(439,500)	(303)	(23)	-	(326)
Dividends declared	9	-	-	-	(7,822)	(7,822)
Balance – September 30, 2013		155,138,066	$ 108,053	$ 5,937	$ (22,453)	$ 91,537
Net income and comprehensive income		-	-	-	2,196	2,196
Stock based compensation expense		-	-	250	-	250
Exercise of stock options		-	-	-	-	-
Stock options settled in cash		-	-	-	-	-
Settlement of restricted share units		185,000	131	(131)	-	-
Dividends declared		-	-	-	(2,639)	(2,639)
Balance December 31, 2013		**155,323,066**	**108,184**	**6,056**	**(22,896)**	**91,344**
Net income and comprehensive income		**-**	**-**	**-**	**2,309**	**2,309**
Stock based compensation expense	9	**-**	**-**	**1,018**	**-**	**1,018**
Issued common shares for acquisition	7	**80,785,158**	**84,017**	**-**	**-**	**84,017**
Issued for cash	9	**34,270,000**	**27,323**	**-**	**-**	**27,323**
Exercise of stock options	9	**80,000**	**62**	**(25)**	**-**	**37**
Settlement of restricted share units	9	**58,333**	**44**	**(44)**	**-**	**-**
Cancellation of common shares purchased under normal course issuer bid		**(597,500)**	**(484)**	**(71)**	**-**	**(555)**
Dividends declared	9	**-**	**-**	**-**	**(12,342)**	**(12,342)**
Balance – September 30, 2014		**269,919,057**	**$ 219,146**	**$ 6,934**	**$ (32,929)**	**$ 193,151**

See accompanying notes to the financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2014 and 2013

(unaudited)

Stated in thousands of Canadian dollars	Note	Three months ended September 30		Nine months ended September 30	
		2014	2013	**2014**	2013
Operating activities:					
Net income		**$ 2,246**	$ 1,629	**$ 2,309**	$ 2,667
Adjustments for:					
Stock based compensation expense	9	**498**	236	**1,135**	626
Finance costs		**588**	569	**1,554**	2,781
Depreciation and amortization		**5,708**	4,511	**13,794**	11,569
Gain on disposal of equipment		**(129)**	-	**(242)**	(125)
Deferred income tax expense		**975**	633	**1,180**	1,055
		9,886	7,578	**19,730**	18,573
Changes in non-cash working capital balances	10	**(7,395)**	(6,110)	**(4,795)**	723
Operating cash flow		**2,491**	1,468	**14,935**	19,296
Investing activities:					
Business acquisition	7	**-**	-	**(18,189)**	-
Purchase of equipment		**(12,244)**	(2,367)	**(19,488)**	(10,480)
Proceeds on disposal of equipment		**6,484**	-	**7,468**	670
Investing cash flow		**(5,760)**	(2,367)	**(30,209)**	(9,810)
Financing activities:					
Retirement of long-term debt		**-**	-	**-**	(14,250)
Increase of long-term debt		**9,014**	4,171	**424**	15,788
Interest paid		**(545)**	(537)	**(1,438)**	(2,406)
Finance costs paid		**-**	(40)	**(229)**	(414)
Finance lease repayments		**(68)**	(46)	**(178)**	(136)
Common shares issued for cash		**-**	-	**26,848**	-
Common shares issued on exercise of options	9	**-**	60	**37**	200
Common shares repurchased for cancellation	9	**(555)**	-	**(555)**	(326)
Stock options settled in cash		**-**	(190)	**-**	(190)
Dividends paid	9	**(4,734)**	(2,519)	**(9,782)**	(7,557)
Financing cash flow		**3,112**	899	**15,127**	(9,291)
(Decrease) Increase in cash during the period		**(157)**	-	**(147)**	195
Cash, beginning of period		**212**	195	**202**	-
Cash, end of period		**$ 55**	$ 195	**$ 55**	$ 195

See accompanying notes to the financial statements.

1. Reporting entity

CWC Energy Services Corp. ("CWC" or the "Company") is incorporated under the *Business Corporations Act* (Alberta). On May 15, 2014 CWC changed its name from CWC Well Services Corp. to CWC Energy Services Corp. and amalgamated with its wholly owned subsidiary, Ironhand Drilling Inc. (note 7). The address of the Company's head office is Suite 755, 255 – 5th Avenue SW, Calgary, Alberta, Canada. The Company is an oilfield services company providing drilling and production services to oil and gas exploration and development companies throughout the Western Canadian Sedimentary Basin ("WCSB"). The Company's common stock is listed and traded on the TSX Venture Exchange under the symbol CWC. Additional information regarding CWC's business is available in CWC's most recent Annual Information Form available on SEDAR at www.sedar.com, or on the Company's website www.cwcenergyservices.com, or by contacting the Company at the address noted above.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements.

These condensed interim financial statements were approved by the Board of Directors on November 12, 2014.

(b) Use of estimates and judgments

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2013.

(c) New standards, amendments and interpretations

Effective January 1, 2014, the Company adopted the following accounting standards or revisions thereto:

IAS 36 - Impairment of Assets - Amendments of IAS 36 require entities to disclose the recoverable amount of an impaired Cash Generating Unit ("CGU"). The Company assessed the effect of IAS 36 on its financial results and financial position and will adopt these disclosures, as applicable, in the annual financial statements.

IFRIC 21 - Levies - Interpretation of IAS 37, Provisions, Contingent Liabilities and Assets - sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as the result of a past event. The interpretation clarifies that the obligation that gives rise to the liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company assessed the effect of IFRIC 21 on its financial results and statement of financial position and has determined there is no material impact.

(d) Comparative figures

Certain comparative amounts have been reclassified to conform to the current period's presentation.

3. Significant accounting policies including changes and initial adoption

Except as described in note 2 (c) above, the accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended December 31, 2013. These unaudited interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2013 as filed on SEDAR.

In connection with the acquisition of Ironhand Drilling Inc. (note 7) and the entrance into the contract drilling business, the following additional accounting policies have been adopted or changes to existing accounting policies have been made:

(a) Business combinations

The Company uses the acquisition method to account for business acquisitions. The Company measures goodwill as the fair value of the consideration transferred, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a gain on acquisition is recognized immediately in net income. Goodwill is allocated as of the date of the business combination to the Company's reporting segments that are expected to benefit from the business combination and represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which can be no higher than the operating segment level. Goodwill is not amortized and is tested for impairment annually. Additionally, goodwill is reviewed at each reporting date to determine if events or changes in circumstances indicate that the asset might be impaired, in which case an impairment test is performed. Goodwill is measured at cost less accumulated impairment losses. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred and recognized in other items within net income.

(b) Property and equipment depreciation

Depreciation is recorded annually over the estimated useful lives of the contract drilling assets acquired using the following deprecation methods and rates:

Contract drilling assets	Method	Rate
Drilling rigs and related equipment	Unit of production with residual values of up to 20%	1,500 to 5,000 operating days

Intangible assets acquired in business combinations consist of trade names which are amortized over five years and customer contracts which are amortized over the remaining contractual term of up to two years.

(c) Segmented information

The Company has changed its reportable operating segments to reflect the addition of contract drilling as an operating segment as more fully described in note 11.

(d) New accounting standards not yet effective

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, 2014. The new standards, amendments to standards and interpretations have not been applied in preparing these condensed interim financial statements. None of these are expected to have a significant effect on the consolidated financial statements, except for:

> IFRS 15, Revenue from Contracts with Customers, which provides guidance on revenue recognition and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to annual reporting periods beginning on or after January 1, 2017, with early adoption permitted under IFRS. The Company has not yet assessed the impact this standard will have on the financial statements.

4. Seasonality of operations

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

5. Property and equipment

	Contract drilling equipment	Production services equipment	Other equipment	Total
Costs				
Balance, December 31, 2013	$ -	$ 204,608	$ 1,418	$ 206,026
Acquisition through business combination	92,611	-	124	92,735
Additions	7,276	12,399	79	19,754
Disposals	(133)	(15,806)	-	(15,939)
Balance, September 30, 2014	99,754	201,201	1,621	302,576
Accumulated depreciation				
Balance, December 31, 2013	-	81,300	1,080	82,380
Depreciation	2,471	11,002	203	13,676
Disposals	(4)	(8,709)	-	(8,713)
Balance, September 30, 2014	2,467	83,593	1,283	87,343
Net book value				
Balance, December 31, 2013	$ -	$ 123,308	$ 338	$ 123,646
Balance, September 30, 2014	$ 97,287	$ 117,608	$ 338	$ 215,233

At September 30, 2014, property and equipment includes equipment under finance leases which are recorded at cost totaling $880 (December 31, 2013: $750), less accumulated depreciation of $492 (December 31, 2013: $455).

Included in additions of $19,754 are $266 of additions under finance lease (September 30, 2013: $30).

6. Goodwill and intangible assets

	Goodwill	Intangible assets
Cost		
Balance, December 31, 2013	$ -	$ -
Acquisition through business combination (note 7)	37,528	1,588
Balance, September 30, 2014	37,528	1,588
Accumulated amortization		
Balance, December 31, 2013	-	-
Amortization of intangible assets	-	118
Balance, September 30, 2014	-	118
Net book value		
Balance, December 31, 2013	$ -	$ -
Balance, September 30, 2014	$ 37,528	$ 1,470

7. Business acquisition

On May 15, 2014, CWC acquired Ironhand Drilling Inc. ("Ironhand") pursuant to a plan of arrangement whereby all of the issued and outstanding common shares of Ironhand were exchanged for aggregate cash consideration of $18,189 and 80,785,158 common shares of CWC at an ascribed price of $1.04 per share, based on the trading price of CWC at closing.

The Ironhand acquisition enabled the Company to continue its growth strategy and enter the contract drilling services business in western Canada. At closing, Ironhand's fleet consisted of eight telescopic double drilling rigs with depth ratings from 3,200 to 4,500 metres with a ninth rig under construction. Seven of these eight rigs have top drives. All of the drilling rigs are ideally suited for the most active depths for horizontal drilling in the WCSB.

The fair value of consideration transferred at the acquisition date consisted of:

	Amount
Cash	$ 18,189
Common shares	84,017
Assumption of bank debt	26,542
Total consideration	$ 128,748

This acquisition has been accounted for using the acquisition method on May 15, 2014, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Company assessed the fair values of the net assets acquired based on management's best estimate of market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities. Subsequent to the acquisition date, Ironhand's operating results have been included in CWC's revenues, expenses and capital spending.

The fair value of consideration transferred for the Ironhand acquisition was allocated on the basis of the fair value of the net assets acquired as at May 15, 2014 as follows:

		Amount
Net working capital [(1)]	$	10,792
Property and equipment		92,735
Intangibles – trade name and customer contracts		1,588
Goodwill		37,528
Deferred income tax liability		(13,895)
Total fair value of net assets acquired	$	128,748

[(1)] Net working capital included no cash and trade receivables in the contractual amount and fair value of $12,031, all of which is expected to be collected.

The Company estimates that had the acquisition closed on January 1, 2014, $40.2 million of revenue for the nine month period ended September 30, 2014 would have been attributable to Ironhand's assets. Included in this estimated amount is $18.5 million of revenue recognized by the Company subsequent to the acquisition date relating to Ironhand's assets. The Company estimates that had the acquisition closed on January 1, 2014, $5.8 million of net income for the nine month period ended September 30, 2014 would have been attributable to Ironhand's assets. Included in this estimated amount is $3.2 million of net income recognized by the Company subsequent to the acquisition date relating to Ironhand's assets.

The Company assessed the acquisition for intangible assets and concluded that customer relationship and the Ironhand Drilling trade name, which is being retained, met the criteria for recognition as intangible assets. The trade name was valued using the relief-from-royalty method and the customer contracts were valued using the multi-period excess earnings method. The allocations described above are preliminary and subject to changes upon finalization of purchase price adjustments. These adjustments may include, but are not limited to, the allocation of fair values between assets acquired, deferred tax balance adjustments on the filing of tax returns and final working capital adjustments on the respective balances acquired.

Goodwill on the Ironhand acquisition is attributable to the price paid for Ironhand's newly constructed modern drilling rig fleet complete with trained and assembled workforce in competitive market conditions. None of the goodwill recognized is expected to be deductible for income tax purposes. CWC's share price on March 18, 2014, the day prior to the announcement of the acquisition was $0.88 per share. The share price on the closing date, which was the price CWC was required to use to value the shares issued for the acquisition was $1.04 per CWC share.

The Company incurred costs related to the acquisition of Ironhand of $788 relating to due diligence as well as external legal and advisory fees, which were expensed in the period incurred.

This acquisition was a related party transaction for CWC as certain directors and shareholders of CWC were also directors, officers and / or shareholders of Ironhand.

8. Loans and borrowings

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

	September 30, 2014	December 31, 2013
Current liabilities:		
Current portion of finance lease liabilities	$ 203	$ 185
	203	185
Non-current liabilities:		
Bank Loan	60,369	44,041
Finance lease liabilities	190	119
Financing fees	(449)	(336)
	60,110	43,824
Total loans and borrowings	$ 60,313	$ 44,009

The Company has a credit facility with a syndicate of four Canadian financial institutions (the "Credit Facility"). The Credit Facility provides the Company with a $100 million extendible revolving term facility (the "Bank Loan") and other credit instruments. The Bank Loan is for a committed term until June 21, 2017 (the "Maturity Date"). No principal payments are required under the Bank Loan until the Maturity Date, at which time any amounts outstanding are due and payable. The Company may, on an annual basis, request the Maturity Date be extended for a period not to exceed three years from the date of the request. If a request for an extension is not approved by the banking syndicate, the Maturity Date will remain unchanged.

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company's trailing debt to EBITDAS[(1)] ratio from a minimum of the bank's prime rate plus 0.75% to a maximum of the bank's prime rate plus 2.25% or from a minimum of the bankers acceptances rate plus a stamping fee of 1.75% to a maximum of the bankers acceptances rate plus a stamping fee of 3.25%. Standby fees under the Bank Loan range between 0.39% and 0.73%. Interest and fees under the Bank Loan is payable monthly. The Company has the option to borrow funds denominated in either Canadian or United States dollars under the Credit Facility. Borrowings under the Bank Loan are limited to an aggregate of 75% of accounts receivable outstanding less than 90 days plus 60% of the net book value of property and equipment less certain priority payables. As at September 30, 2014, $100 million was available for immediate borrowing under the $100 million Bank Loan facility and $60.4 million was outstanding (December 31, 2013: $44.0 million). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings to up to $125 million, subject to the approval of the lenders. The Bank Loan is secured by a security agreement covering all of the assets of the Company and a first charge Security Interest covering all assets of the Company. Effective September 30, 2014 the applicable rates under the Bank Loan are: bank prime rate plus 0.875%, bankers acceptances rate plus a stamping fee of 1.875%, and standby fee rate of 0.42%.

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

	Covenant limits	Actual September 30, 2014
Consolidated Debt[2] to EBITDAS[1]	3.00:1.00 or less	1.48:1.00
Consolidated Debt[2] to Capitalization[3]	0.50:1.00 or less	0.24:1.00
Consolidated Adjusted Cash Flow[4] to Consolidated Finance Obligations[5]	1.15:1.00 or more	11.03:1.00

[1] EBITDAS is calculated as net income(loss) plus finance costs, plus current and deferred income taxes, plus depreciation, plus stock based compensation, plus any non recurring losses or impairment losses, minus any non recurring gain, plus any expenses related to corporate or business acquisitions with all amounts being for the twelve month period ended the calculation date. EBITDAS is adjusted to reflect the inclusion of material acquisitions or material dispositions on a pro forma basis for the twelve month period ended the calculation date.
[2] Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted to remove any financing fees included.
[3] Capitalization is calculated as Consolidated Debt plus Shareholders' Equity as at the calculation date.
[4] Consolidated Adjusted Cash Flow is calculated as EBITDAS minus amounts paid for transaction costs, dividends or share repurchases in the twelve month period ended the calculation date.
[5] Consolidated Finance Obligations is calculated as finance costs plus scheduled principal payments on debt including scheduled principal payments under finance leases minus accretion of finance fees included in finance costs for the twelve month period ended the calculation date.

Obligations under finance leases are primarily for leased automobiles with an expected term of three years and a one year minimum term. Interest rates on finance leases are specific to each leased asset, are fixed for the lease term and vary between 4.4% and 5.3% per annum.

Financing fees consist of commitment fees and legal expenses relating to the Credit Facility and are being amortized using the effective interest rate method over the term of the Credit Facility. Financing fees of $116 were amortized and included in finance costs during the nine month period ended September 30, 2014 (year ended December 31, 2013: $410).

9. Share capital

(a) Authorized
Unlimited number of common voting shares without par value.
Unlimited number of preferred shares without par value.

(b) Common shares
On April 10, 2014, CWC issued a total of 34,270,000 subscription receipts at a price of $0.84 per subscription receipt for aggregate gross proceeds of $28,787 ($27,323 after deduction of $1,939 in share issue costs plus deferred income taxes of $475). On May 15, 2014, contemporaneous with the closing of the acquisition of Ironhand, each subscription receipt was converted to one common share of CWC.

(c) Normal course issuer bid
The Company has a program to purchase its common shares from time to time in accordance with the normal course issuer bid procedures under Canadian securities laws. Pursuant to the issuer bid, CWC is allowed to purchase for cancellation up to 13,520,411 of its issued and outstanding common shares at prevailing market prices on the TSX Venture Exchange or other recognized marketplaces during the 12-month period ending May 21, 2015. During the three months ended September 30, 2014, the Company purchased 597,500 shares for consideration of $555 including commissions.

(d) Stock options
The following table summarizes changes in the number of stock options outstanding:

	Number of options	Weighted average exercise price
Balance at December 31, 2013	8,307,012	0.37
Exercised for common shares	(80,000)	0.47
Granted	3,550,000	1.04
Balance at September 30, 2014	11,777,012	$ 0.57

The following table summarizes information about stock options outstanding as at September 30, 2014:

Exercise price	Number of options outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price	Number of options exercisable
$ 0.25	5,927,012	1.2	$ 0.25	5,927,012
$ 0.60	1,450,000	2.4	$ 0.60	966,641
$ 0.75	600,000	3.8	$ 0.75	200,000
$ 0.80	250,000	2.7	$ 0.80	166,667
$ 1.04	3,550,000	4.9	$ 1.04	-
$ 0.25-1.04	11,777,012	2.7	$ 0.57	7,260,320

The fair value of stock options is estimated as at the grant date using the Black-Scholes option pricing model, with the following weighted average assumptions used for stock options issued during the nine months ended September 30, 2014:

	2014
Risk free interest rate (%)	1.44%
Expected life (years)	4.0
Expected volatility (%)	55%
Expected dividend per share	$ 0.07

The weighted average fair value of the stock options issued during the nine months ended September 30, 2014 was $0.29. For the three months ended September 30, 2014, stock-based compensation expense relating to stock options totaled $226 (three months ended September 30, 2013: $171). For the nine months ended September 30, 2014, stock-based compensation expense relating to stock options totaled $388 (nine months ended September 30, 2013: $419).

(e) Restricted share units

The following table summarizes changes in the number of Restricted Share Units ("RSU's") outstanding:

	Number of RSU's
Balance, December 31, 2013	1,600,000
Exercised for common shares	(58,333)
Granted	465,000
Balance at September 30, 2014	2,006,667

The following table summarizes information about RSU's outstanding as at September 30, 2014:

Issue date fair value	Number of RSU's outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price ($)	Number of RSU's exercisable
$0.71 – 0.97	2,006,667	1.9	n/a	-

For the three months ended September 30, 2014, stock-based compensation expense relating to RSU's totaled $232 (three months ended September 30, 2013: $65). For the nine months ended September 30, 2014, stock-based compensation expense relating to RSU's totaled $630 (nine months ended September 30, 2013: $207).

(f) Earnings per share

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Weighted average common shares outstanding – basic	270,344,750	155,128,284	213,489,814	155,037,479
Dilutive stock options	4,995,950	4,406,964	4,996,656	4,480,253
Dilutive RSU's	1,057,891	303,769	792,036	214,095
Weighted average common shares outstanding – diluted	276,398,591	159,839,017	219,278,506	159,731,827

Outstanding stock options and RSU's are currently the only instruments which could potentially dilute earnings per share. For the three months ended September 30, 2014, 3,550,000 stock options and NIL RSU's (three months ended September 30, 2013: 1,333,359 stock options and 175,000 RSU's) were not included in the computation of net income per common share because to do so would be anti-dilutive. For the nine months ended September 30, 2014, 3,633,333 stock options and 465,000 RSU's (nine months ended September 30, 2013: 1,866,715 stock options and 175,000 RSU's) were not included in the computation of net income per common share because to do so would be anti-dilutive.

(g) Dividends

On August 14, 2014, the Company declared dividends of $0.0175 per common share to shareholders of record on September 30, 2014 to be paid on October 15, 2014. Subsequent to quarter end, on October 15, 2014, the dividend was paid to shareholders of record as at the close of business on September 30, 2014. On November 12, 2014, the Company declared a dividend of $0.0175 per common share to shareholders of record on December 31, 2014 to be paid on January 15, 2015.

10. Supplemental cash flow information

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Change in non-cash working capital items:				
Accounts receivable	$ (10,229)	$ (8,073)	$ (8,343)	$ 840
Inventory	13	70	42	115
Prepaid expenses and deposits	64	(58)	(273)	(206)
Accounts payable and accrued liabilities	2,757	1,951	3,779	(26)
	$ (7,395)	$ (6,110)	$ (4,795)	$ 723

11. Operating segments

The Company operates in the western Canadian oilfield service industry through its production services and contract drilling segments. The production services segment provides well services to oil and gas exploration and production companies through the use of service rigs, coil tubing units, snubbing units and production testing equipment. The contract drilling segment provides drilling rigs and related ancillary equipment to oil and gas exploration and production companies. The production services segment combines what was previously reported as the well servicing and other oilfield services segments in prior period financial statements.

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

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

The amounts related to each industry segment are as follows:

For the three months ended September 30, 2014	Contract drilling	Production services	Corporate	Total
Revenue	$ 15,271	$ 23,575	$ -	$ 38,846
Finance costs	-	-	588	588
Net income (loss) before depreciation and taxes	5,877	5,764	(2,712)	8,929
Depreciation	2,124	3,452	132	5,708
Net income (loss) before tax	3,753	2,312	(2,844)	3,221
Income tax expense	-	-	975	975
Net income (loss)	3,753	2,312	(3,819)	2,246
Capital expenditures	5,473	6,742	29	12,244
As at September 30, 2014				
Property and equipment	97,287	117,608	338	215,233
Goodwill	37,528	-	-	37,528
Intangibles	1,470	-	-	1,470

For the three months ended September 30, 2013	Contract drilling	Production services	Corporate	Total
Revenue	$ -	$ 28,559	$ -	$ 28,559
Finance costs	-	-	569	569
Net income (loss) before depreciation and taxes	-	8,708	(1,935)	6,773
Depreciation	-	4,396	115	4,511
Net income (loss) before tax	-	4,312	(2,050)	2,262
Deferred income tax expense	-	-	633	633
Net income (loss)	-	4,312	(2,683)	1,629
Capital expenditures		2,365	2	2,367
As at September 30, 2013				
Property and equipment	-	126,174	766	126,940

For the nine months ended September 30, 2014	Contract drilling	Production services	Corporate	Total
Revenue	$ 18,510	$ 79,197	$ -	$ 97,707
Finance costs	-	-	1,554	1,554
Net income (loss) before depreciation and taxes	6,573	18,282	(7,572)	17,283
Depreciation	2,602	10,815	377	13,794
Net income (loss) before tax	3,971	7,467	(7,949)	3,489
Income tax expense	-	-	1,180	1,180
Net income (loss)	3,971	7,467	(9,129)	2,309
Capital expenditures	7,276	12,399	79	19,754

For the nine months ended September 30, 2013	Contract drilling	Production services	Corporate	Total
Revenue	$ -	$ 81,782	$ -	$ 81,782
Finance costs	-	-	2,781	2,781
Net income (loss) before depreciation and taxes	-	21,987	(6,696)	15,291
Depreciation	-	11,197	372	11,569
Net income (loss) before tax	-	10,790	(7,068)	3,722
Deferred income tax expense	-	-	1,055	1,055
Net income (loss)	-	10,790	(8,123)	2,667
Capital expenditures	-	10,416	64	10,480

For the nine months ended September 30, 2014, revenue from two customers of the Company's production services segment represented approximately $20.0 million (nine months ended September 30, 2013: two customers represented $20.7 million) of the Company's total revenues.

12. Expenses by nature

For the three months ended September 30, 2014	Direct operating expenses	Selling and administrative expenses and transaction costs	Stock based compensation	Finance costs	Depreciation and amortization expense	Gain on sale of equip-ment	Total
Personnel expenses	$ 14,137	$ 2,744	$ 498	$ -	$ -	$ -	$ 17,379
Other operating expenses	10,219	-	-	-	-	-	10,219
Other selling and administrative expenses	-	1,292		-	-	-	1,292
Facility expenses	-	568	-	-	-	-	568
Depreciation expense	-	-	-	-	5,708	-	5,708
Transaction costs	-	-	-	-	-	-	-
Finance costs	-	-	-	588	-	-	588
Gain on disposal of equipment	-	-	-	-	-	(129)	(129)
Total	$ 24,356	$ 4,604	$498	$ 588	$5,708	$ (129)	$ 35,625

For the three months ended September 30, 2013	Direct operating expenses	Selling and administrative expenses and transaction costs	Stock based compensation	Finance costs	Depreciation and amortization expense	Gain on sale of equip-ment	Total
Personnel expenses	$12,450	$ 2,194	$ 236	$ -	$ -	$ -	$ 14,880
Other operating expenses	4,885	-	-	-	-	-	4,885
Other selling and administrative expenses	-	972	-	-	-	-	972
Facility expenses	-	480	-	-	-	-	480
Depreciation expense	-	-	-	-	4,511	-	4,511
Finance costs	-	-	-	569	-	-	569
Gain on disposal of equipment	-	-	-	-	-	-	-
Total	$ 17,335	$ 3,646	$ 236	$ 569	$ 4,511	$ -	$ 26,297

For the nine months ended September 30, 2014	Direct operating expenses	Selling and administrative expenses and transaction costs	Stock based compensation	Finance costs	Depreciation and amortization expense	Gain on sale of equip-ment	Total
Personnel expenses	$40,645	$ 6,972	$ 1,135	$ -	$ -	$ -	$ 48,752
Other operating expenses	24,250	-	-	-	-	-	24,250
Other selling and administrative expenses	-	3,630		-	-	-	3,630
Facility expenses	-	1,692	-	-	-	-	1,692
Depreciation expense	-	-	-	-	13,794	-	13,794
Transaction costs	-	788	-	-	-	-	788
Finance costs	-	-	-	1,554	-	-	1,554
Gain on disposal of equipment						(242)	(242)
Total	$ 64,895	$ 13,082	$1,135	$1,554	$13,794	$ (242)	$ 94,218

For the nine months ended September 30, 2013	Direct operating expenses	Selling and administrative expenses and transaction costs	Stock based compensation	Finance costs	Depreciation and amortization expense	Gain on sale of equip-ment	Total
Personnel expenses	$ 36,318	$ 6,212	$ 626	$ -	$ -	$ -	$ 43,156
Other operating expenses	16,290	-	-	-	-	-	16,290
Other selling and administrative expenses	-	2,949	-	-	-	-	2,949
Facility expenses	-	1,440	-	-	-	-	1,440
Depreciation expense	-	-	-	-	11,569	-	11,569
Finance costs	-	-	-	2,781	-	-	2,781
Gain on disposal of equipment	-	-	-	-	-	(125)	(125)
Total	$ 52,608	$ 10,601	$ 626	$ 2,781	$ 11,569	$ (125)	$ 78,060

Corporate Information

Directors

Jim Reid[2], Chairman
Duncan T. Au[1]
Daryl Austin
Gary L. Bentham[1,2]
Alexander D. Greene
Wade McGowan[1, 2]

1. *Audit Committee*
2. *Compensation and Corporate Governance Committee*

Officers

Duncan T. Au, CA, CFA
President & Chief Executive Officer

Ron Sutley
Vice President, Operations (Drilling)

Darwin McIntyre
Vice President, Operations (Well Services - East)

Layne Wilk
Vice President, Operations (Well Services -West)

Brian Weighill
Vice President Sales & Marketing (Drilling)

Rick Dawson
Vice President, Business Development

Karen Dilon, CA
Vice President, Finance & Controller

Corporate Secretary

James L. Kidd
Burnet, Duckworth & Palmer LLP

Auditors

KPMG LLP

Bankers

ATB Financial
National Bank
HSBC Bank Canada
Canadian Western Bank

Legal Counsel

Burnet, Duckworth & Palmer LLP

Transfer Agent

Computershare Limited

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