



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 April 30, 2020 and should be read in conjunction with unaudited condensed interim consolidated financial statements ("Financial Statements") for the three months ended March 31, 2020, the audited annual consolidated financial statements for the year ended December 31, 2019 ("Annual Financial Statements"), and the annual management's discussion and analysis for the year ended December 31, 2019 ("Annual MD&A"). Additional information regarding CWC can be found in the Company's latest Annual Information Form ("AIF"). The condensed interim consolidated financial statements are prepared in accordance with IFRS and IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements. All amounts are expressed in Canadian dollars unless otherwise noted. Additional information relating to CWC, is available on SEDAR at www.sedar.com.

Financial Highlights

\$ thousands, except shares, per share amounts and margins	Three months ended March 31,		Change %
	2020	2019	
FINANCIAL RESULTS			
Revenue			
Contract Drilling	12,671	9,120	39%
Production Services	20,869	22,139	(6%)
	33,540	31,259	7%
Adjusted EBITDA ⁽¹⁾	5,508	4,694	17%
Adjusted EBITDA margin (%) ⁽¹⁾	16%	15%	
Impairment of assets	(25,451)	-	n/m ⁽²⁾
Net loss	(19,177)	(47)	n/m ⁽²⁾
Net loss margin (%) ⁽¹⁾	(57%)	(0%)	(57%)
Capital expenditures	2,805	1,294	117%
Per share information:			
Weighted average number of shares outstanding – basic and diluted	510,936,431	512,678,779	
Adjusted EBITDA ⁽¹⁾ per share - basic and diluted	\$ 0.01	\$ 0.01	
Net loss per share - basic and diluted	\$ (0.04)	\$ (0.00)	

\$ thousands, except ratios	March 31, 2020	December 31, 2019
FINANCIAL POSITION AND LIQUIDITY		
Working capital (excluding debt) ⁽¹⁾	23,903	18,534
Working capital (excluding debt) ratio ⁽¹⁾	4.9:1	3.3:1
Total assets	221,110	243,398
Total long-term debt (including current portion)	43,337	40,552
Shareholders' equity	164,802	182,032

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

⁽²⁾ Not meaningful.

Working capital (excluding debt) for March 31, 2020 has increased \$5.4 million (29%) since December 31, 2019 driven by increases in accounts receivable (\$3.2 million (13%)) and decreases in account payable (\$2.9 million (36%)) offset by a decrease in prepaid expenses and deposits (\$0.8 million (29%)). Due to the seasonality of the oilfield services business in Canada, working capital typically peaks in Q1 and drops in Q2 as accounts receivable are collected. Long-term debt (including current portion) has increased 7% from December 31, 2019 in part to fund the increase in working capital (excluding debt) required. Shareholders' equity has decreased \$17.2 million (9%) since December 31, 2019 primarily due to the net loss for the quarter ended March 31, 2020 which included a charge for impairment of assets of \$25.5 million partially offset by an unrealized gain on translation of foreign operations of \$2.2 million.

Highlights for the Three Months Ended March 31, 2020

- The COVID-19 health pandemic and the measures put in place to slow the spread of the virus has led to significant global economic demand deterioration for nearly all goods and services, including the use of oil and gas. In addition, on March 6, 2020, OPEC and Russia could not agree on a decrease to crude oil production quotas. In response to Russia's refusal to cut back on crude oil production, Saudi Arabia increased their oil production thereby flooding the global market and decreasing the price of crude oil to uneconomic levels. Average Q1 2020 crude oil price, as measured by West Texas Intermediate ("WTI"), of US\$45.57/bbl was 20% lower than the Q4 2019 average price of US\$56.85/bbl (Q1 2019: US\$54.87/bbl) and ended the quarter at US\$20.48/bbl. The crude oil price in Canada was even more distressed as the price differential between Canadian heavy crude oil, as represented by Western Canadian Select ("WCS"), and WTI of approximately US\$15.00/bbl resulted in WCS of US\$4.69/bbl on March 31, 2020. Natural gas prices, as measured by AECO, decreased 18% from an average of \$2.34/GJ in Q4 2019 to \$1.93/GJ in Q1 2020 (Q1 2019 \$2.44/GJ).
- The Company acted quickly to implement cash saving initiatives to preserve cash resources and maintain balance sheet strength as well as retaining our most valuable asset – our key employees. Annual cash saving initiatives totaling \$10.3 million are anticipated to reduce full year direct operating expenses by \$4.4 million, selling and administrative expenses by \$3.3 million and capital expenditures by \$2.6 million. The Company has reduced its head count by 43% through departures and layoffs of its employees and contractors and incurred \$0.1 million in severance costs related to these layoffs in Q1 2020. CWC now has 355 employees as at April 15, 2020. In addition, the Company expects to receive approximately \$1.3 million under the Canada Emergency Wage Subsidy ("CEWS").
- CWC's Canadian drilling rig utilization in Q1 2020 of 54% (Q1 2019: 47%) exceeded the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 35%. Canadian activity levels in Q1 2020 decreased 10% to 344 drilling rig operating days from seven Canadian drilling rigs (Q1 2019: 382 drilling rig operating days from nine Canadian drilling rigs). Average revenue per operating day of \$22,849 resulted in revenue of \$7.9 million from the Canadian drilling operations. U.S. drilling rig activity levels in Q1 2020 were 144 drilling rig operating days from two U.S. drilling rigs for a utilization of 79% (Q1 2019: nil). U.S. Contract Drilling revenue of \$4.8 million represented 38% of CWC's total Contract Drilling revenue in Q1 2020 with the average revenue per operating day of US\$25,139 from U.S. operations. CWC's service rig utilization in Q1 2020 of 56% (Q1 2019: 53%) was driven by 30,442 operating hours which were 1% lower than the 30,875 operating hours in Q1 2019; a result of the significant drop off in activity levels in mid-March 2020 due to COVID-19 and the corresponding steep drop in oil prices.
- Revenue of \$33.5 million, an increase of \$2.2 million (7%) compared to \$31.3 million in Q1 2019.
- Adjusted EBITDA⁽¹⁾ of \$5.5 million, an increase of \$0.8 million (17%) compared to \$4.7 million in Q1 2019.
- Net loss of \$19.2 million, an increase of \$19.2 million compared to a net loss of \$0.05 million in Q1 2019. The increase in net loss is primarily due to a charge for impairment of assets of \$25.5 million.
- During Q1 2020, 3,674,500 common shares (Q1 2019: 2,050,500) were purchased under the Normal Course Issuer Bid ("NCIB") and 3,764,000 common shares (Q1 2019: 1,792,000) were cancelled and returned to treasury.

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

Corporate Overview

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

Operational Overview

Contract Drilling

CWC Ironhand Drilling, the Company's Contract Drilling segment, has a fleet of nine telescopic double drilling rigs with depth ratings from 3,200 to 5,000 metres. Eight of nine rigs have top drives and three have pad rig walking systems. All of the drilling rigs are well suited for the most active depths for horizontal drilling in the Western Canadian Sedimentary Basin ("WCSB"), including the Montney, Cardium, Duvernay and other deep basin horizons. The Company has expanded its drilling rig services into select United States basins including the Eagle Ford, Denver-Julesburg ("DJ") and Bakken. One of the Company's strategic initiatives is to continue to increase the capabilities of its existing fleet to meet the growing demands of E&P customers for deeper depths at a cost effective price while providing a sufficient internal rate of return for CWC's shareholders.

OPERATING HIGHLIGHTS	Three months ended							
	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018
Drilling Rigs - Canada								
Total drilling rigs, end of period	7	7	7	7	9	9	9	9
Revenue per operating day ⁽¹⁾	\$22,849	\$22,161	\$20,685	\$22,750	\$23,895	\$26,642	\$21,263	\$21,227
Drilling rig operating days	344	232	130	72	382	491	500	133
Drilling rig utilization % ⁽²⁾	54%	36%	19%	11%	47%	59%	60%	16%
CAODC industry average utilization %	35%	23%	23%	18%	29%	28%	30%	17%
Wells drilled	26	18	12	10	39	34	41	11
Average days per well	13.2	12.9	10.9	8.0	9.8	14.4	12.2	12.1
Meters drilled (thousands)	99.6	75.6	39.6	26.7	119.8	127.8	155.2	41.0
Meters drilled per day	290	326	304	373	314	261	310	309
Average meters per well	3,831	4,199	3,300	2,966	3,070	3,708	3,786	3,724
Drilling Rigs - United States								
Total drilling rigs, end of period	2	2	2	2	-	-	-	-
Revenue per operating day (US\$) ⁽¹⁾	\$25,139	\$34,448 ⁽³⁾	\$27,159	\$54,188 ⁽³⁾	-	-	-	-
Drilling rig operating days	144	56	155	25	-	-	-	-
Drilling rig utilization % ⁽²⁾	79%	31%	84%	69%	-	-	-	-
Wells drilled	10	5	16	1	-	-	-	-
Average days per well	14.4	11.3	9.7	16.6	-	-	-	-
Meters drilled (thousands)	40.5	14.5	50.7	2.9	-	-	-	-
Meters drilled per day	282	258	327	177	-	-	-	-
Average meters per well	4,053	2,942	978	2,939	-	-	-	-

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

⁽²⁾ Drilling rig utilization is calculated based on operating days (i.e. spud to rig release basis).

⁽³⁾ Revenue is enhanced by one-time recovery of mobilization costs.

Canadian Contract Drilling revenue of \$7.9 million for Q1 2020 (Q1 2019: \$9.1 million) was achieved with a utilization rate of 54% (Q1 2019: 47%), compared to the CAODC industry average of 35%. CWC completed 344 Canadian drilling rig operating days with seven drilling rigs in Q1 2020, a 10% decrease from the 382 Canadian drilling rig operating days with nine drilling rigs in Q1 2019. This decrease in drilling rig operating days in Q1 2020 was solely due to two less drilling rigs in Canada as a result of moving two drilling rigs to the U.S. in May 2019. The Q1 2020 average revenue per operating day of \$22,849 was a decrease of 4% compared to \$23,895 in Q1 2019.

U.S. Contract Drilling revenue of \$4.8 million for Q1 2020 (Q1 2019: nil) was achieved with a utilization rate of 79% (Q1 2019: nil) with 144 U.S. drilling rig operating days. Q1 2020 average revenue per operating day in the U.S. was US\$25,139. Subject to customer contracts, the Company had planned to move two additional drilling rigs to the United States by the end of 2020, however, with the combined impact of COVID-19 and depressed oil prices, the timing of such moves may be delayed.

Production Services

With a fleet of 145 service rigs, CWC is the largest well servicing company in Canada as measured by active fleet and operating hours. CWC's service rig fleet consists of 75 single, 56 double, and 14 slant rigs providing services which include completions, maintenance, workovers and well decommissioning with depth ratings from 1,500 to 5,000 metres. CWC has chosen to park 62 of its service rigs and focus its sales and operational efforts on the remaining 83 active service rigs due to the reduction in the number of service rigs currently required to service the WCSB, in part as a result of the Government of Alberta's mandated crude oil production curtailments.

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

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

OPERATING HIGHLIGHTS	Three months ended							
	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018
Service Rigs								
Active service rigs, end of period	83	84	84	92	93	92	102	107
Inactive service rigs, end of period	62	62	64	56	55	56	46	41
Total service rigs, end of period	145	146	148	148	148	148	148	148
Operating hours	30,442	33,656	29,528	23,129	30,875	31,232	42,316	28,831
Revenue per hour	\$666	\$664	\$644	\$646	\$671	\$663	\$628	\$642
Revenue per hour excluding top volume customers	\$673	\$682	\$660	\$687	\$690	\$696	\$664	\$677
Service rig utilization % ⁽¹⁾	56%	62%	52%	39%	53%	51%	63%	41%
Coil Tubing Units								
Active coil tubing units, end of period	0	7	8	8	8	8	8	8
Inactive coil tubing units, end of period	9	2	1	1	1	1	1	1
Total coil tubing units, end of period	9	9	9	9	9	9	9	9
Operating hours	486	448	318	301	1,730	1,647	898	1,212
Revenue per hour	\$545	\$646	\$730	\$830	\$555	\$625	\$731	\$762
Coil tubing unit utilization % ⁽¹⁾	11%	10%	6%	6%	34%	31%	17%	23%
Swabbing Rigs								
Active swabbing rigs, end of period	5	5	5	8	8	8	9	8
Inactive swabbing rigs, end of period	7	8	8	5	5	5	4	5
Total swabbing rigs, end of period	12	13	13	13	13	13	13	13
Operating hours	1,088	1,141	865	661	1,655	2,313	881	958
Revenue per hour	\$300	\$282	\$284	\$262	\$288	\$283	\$273	\$265
Swabbing rig utilization % ⁽¹⁾	33%	35%	19%	13%	47%	41%	15%	18%

⁽¹⁾ Effective September 1, 2019, the CAODC changed its methodology on how it calculates service rig utilization. Service rig, coil tubing unit and swabbing rig utilization is now calculated based on 10 operating hours a day x number of days per quarter x 5 days a week divided by 7 days in a week to reflect maximum utilization available due to hours of service restrictions on rig crews. Utilization percentages have been retroactively updated to reflect this new CAODC methodology. Service and swabbing rigs requiring their 24,000 hour recertification, refurbishment or have been otherwise removed from service for greater than 90 days are excluded from the utilization calculation until their first day back in field service. Coil tubing units that were removed from service for greater than 90 days were excluded from the utilization calculation until their first day back in field service.

Production Services revenue was \$20.9 million in Q1 2020, down \$1.2 million (6%) compared to \$22.1 million in Q1 2019. The revenue decrease in Q1 2020 was a direct result of the rapid decrease in crude oil prices in March 2020 as the global health solutions to slow the spread of the COVID-19 virus resulted in a significant drop in demand for crude oil.

CWC's service rig utilization in Q1 2020 of 56% (Q1 2019: 53%) was driven by 30,442 operating hours being 1% lower than the 30,875 operating hours in Q1 2019. In addition, the Q1 2020 average revenue per hour of \$666 was slightly lower than the \$671 per hour in Q1 2019 as a result of lower boiler revenue during the quarter. Q1 2020 average revenue per hour of \$673 excluding

the Company's top volume customers was \$17 per hour (2%) lower than Q1 2019 average revenue per hour of \$690 as CWC was able to increase its hourly rate with its largest volume customers while being more competitive at slightly lower rates offered by our competitors for its smaller volume customers.

CWC's coil tubing utilization in Q1 2020 of 11% (Q1 2019: 34%) with 486 operating hours was 72% lower than the 1,730 operating hours in Q1 2019. Average revenue per hour for coil tubing services of \$545 in Q1 2020 was \$10 per hour (2%) lower than \$555 in Q1 2019. As a result of the continued lower customer demand, the Company discontinued operations of its coil tubing division on March 17, 2020 and wrote down the value of these assets to their estimated disposal value. The Company will look at monetizing the coil tubing assets when market conditions in the oil and gas industry stabilize.

CWC swabbing rig utilization in Q1 2020 of 33% (Q1 2019: 32%) with 1,088 operating hours was 34% lower than the 1,655 operating hours in Q1 2019 as CWC had three less swabbing rigs active during the quarter compared to the prior year due to lower customer demand from continued low natural gas prices. Average revenue per hour for swabbing rigs of \$300 in Q1 2020 was 4% higher compared to \$288 in Q1 2019. In January 2020, CWC sold one of its inactive swabbing rigs for a current fleet of 12 swabbing rigs.

Outlook

The COVID-19 health pandemic and the measures put in place to slow the spread of the virus has led to an estimated 30 million bbls/day global demand decline in crude oil from its pre COVID-19 global demand of 100 million bbls/day. To combat this demand decline, on April 12, 2020 OPEC along with Russia agreed to a record 9.7 million bbls/day crude oil reduction in production quotas for May and June 2020, reducing to 7.6 million bbls/day from July to December 2020 and then to 5.6 million bbls/day from January 2021 to April 2022. Along with OPEC+, the Group of 20 democratic countries ("G20") energy ministers met on April 10, 2020 and acknowledged that they have already reduced or will reduce through normal market price forces an additional 5 million bbls/day of crude oil. The U.S., Canada and Brazil are expected to contribute 3.7 million bbls/day with the other G20 oil producing nations contributing 1.3 million bbls/day. Together OPEC+ and the G20 are expected to reduce the supply of global crude oil to the market by 14.7 million bbls/day to offset almost half of the 30 million bbls/day demand decline. As a result, WTI dropped below US\$20/bbl and WCS remains below US\$10/bbl as oil storage levels quickly fill up with the only remaining action by E&P companies is to shut in more oil wells and further reduce capital expenditures.

Under these challenging global market conditions, CWC has acted quickly to implement cash saving initiatives to preserve cash resources and maintain balance sheet strength as well as retaining our most valuable asset – our key employees. Annual cash saving initiatives totaling \$10.3 million are anticipated to reduce full year direct operating expenses by \$4.4 million, selling and administrative expenses by \$3.3 million and capital expenditures by \$2.6 million. These cash saving initiatives will be achieved through the following actions:

- Reduction in Board of Director compensation by 25%;
- Reduction in President & CEO, senior management and all salaried employee compensation, including suspension of bonus programs, by 27%;
- Reduction in service rig field employee compensation by 13%;
- Reduction in 2020 capital expenditures by 39%;
- Discontinued operations of the coil tubing division;
- Reduction and deferral of rent and property tax payments on leased facilities; and
- Deferral of Alberta Workers' Compensation Benefit ("WCB") premiums for 2020 until 2021.

The Company has reduced its head count by 43% through departures and layoffs of its employees and contractors and incurred \$0.1 million in severance costs related to these layoffs in Q1 2020. CWC now has 355 employees as at April 15, 2020. In addition, the Company expects to receive approximately \$1.3 million under the Canada Emergency Wage Subsidy ("CEWS").

Additionally, the Company has been in contact with its four member banking syndicate and have received positive indications that they will continue to support CWC through these turbulent times.

On April 17, 2020, the Government of Canada announced a \$1.7 billion funding package to the Government of Alberta, Saskatchewan, British Columbia and the Alberta Orphan Well Association for well decommissioning and reclamation of abandoned and inactive wells. Being the largest service rig company in Canada, CWC will be a net beneficiary of this funding as the Company pivots from workover and maintenance work on producing wells to doing a greater percentage of its work on well decommissioning in its well servicing division.

Looking out to a medium and longer term, CWC is optimistic about the future of the oil and gas industry in Canada. On March 31, 2020, the Government of Alberta announced they will be investing \$1.5 billion into the Keystone XL pipeline and provide a \$6.0 billion loan guarantee to TC Energy to start construction of the pipeline immediately, which is expected to be operational

by 2023. This pipeline will carry 830,000 bbls/day of crude oil to Gulf Coast refineries. Along with the anticipated completion of Enbridge's Line 3 pipeline in late 2020 which will carry 760,000 bbls/day to Minnesota and eastern refineries and the Trans Mountain expansion project carrying 890,000 bbls/day by late 2022 to the west coast for oversea markets, Canada should have sufficient capacity to resume growth in crude oil production. As such, CWC will remain focused on its operational and financial performance in the short-term, but recognize the need to pursue opportunities that have inevitably been created in this heavily discounted market to create medium and longer-term value for CWC's shareholders. With the support of the Board of Directors, management continues to actively pursue consolidation opportunities in North America. CWC cautions that there can be no guarantees that strategic opportunities will result in a transaction, or if a transaction is undertaken, as to its terms or timing.

Discussion of Financial Results

Revenue, Direct Operating Expenses and Gross Margin

\$ thousands	Three months ended		Change \$	Change %
	2020	March 31, 2019		
Revenue				
Contract Drilling	12,671	9,120	3,551	39%
Production Services	20,869	22,139	(1,270)	(6%)
	33,540	31,259	2,281	7%
Direct operating expenses				
Contract Drilling	8,150	6,845	1,305	19%
Production Services	15,465	15,493	(28)	(0%)
	23,615	22,338	1,277	6%
Gross margin ⁽¹⁾				
Contract Drilling	4,521	2,275	2,246	99%
Production Services	5,404	6,646	(1,242)	(19%)
	9,925	8,921	1,004	11%
Gross margin percentage ⁽¹⁾				
Contract Drilling	36%	25%	n/a	11%
Production Services	26%	30%	n/a	(4%)
	30%	29%	n/a	1%

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

Q1 2020 revenue of \$33.5 million, an increase of \$2.3 million (7%) compared to \$31.2 million in Q1 2019. Revenue increased \$3.6 million (39%) in the Contract Drilling segment and decreased \$1.3 million (6%) in the Production Services segment in Q1 2020 compared to Q1 2019. The increase in revenue from Contract Drilling was a direct result of CWC's movement of two Canadian drilling rigs into the U.S. drilling market in Q2 2019 that saw U.S. activity levels in Q1 2020 being stronger than in Canada. The slight decrease in revenue for Production Services was a direct result of the rapid decrease in crude oil prices in March 2020 as the global health solutions to slow the spread of the COVID-19 virus resulted in a significant drop in demand for crude oil, which negatively affected the demand for Production Services from our E&P customers.

Revenue contribution from the Company's top ten customers increased from 60% in Q1 2019 to 69% in Q1 2020. CWC's top customer's revenue contribution increased from 11% in Q1 2019 to 27% in Q1 2020.

For the quarter ended March 31, 2020, approximately 79% of revenue (Q1 2019: 79%) was from work on crude oil wells while 21% (Q1 2019: 21%) was from natural gas wells. Further, approximately 45% of revenue (Q1 2019: 40%) was related to drilling and completions work, 39% of revenue (Q1 2019: 43%) from maintenance and workovers on producing wells and 16% of revenue (Q1 2019: 17%) from well decommissioning.

Many direct operating expenses, including labour costs related to field operating employees, are variable in nature and increase or decrease with activity levels such that changes in operating costs generally correspond to changes in revenue or activity levels. Contract Drilling's gross margin percentage of 36% in Q1 2020 was higher than the 25% in Q1 2019 primarily as a result of U.S. operations where revenue per operating day is higher combined with direct labour costs being paid in Canadian dollars at a favourable foreign currency exchange. Production Services' gross margin of 26% in Q1 2020 is lower than the 30% in Q1 2019 as a result of a combination of decreased activity levels and lower revenue per hour.

Selling and Administrative Expenses

\$ thousands	Three months ended		Change \$	Change %
	2020	March 31, 2019		
Selling and administrative expenses	4,417	4,227	190	4%

Selling and administrative expenses were \$4.4 million in Q1 2020, an increase of \$0.2 million (4%) compared to \$4.2 million in Q1 2019. The increase is a result of one-time severance costs of \$0.1 million for salaried and field staff reductions and \$0.3 million in increased bad debt expense offset by accrued wage subsidies of \$0.4 million under the CEWS legislation.

Selling and administrative expenses in future quarters are anticipated to benefit from the impact of the cash saving initiatives undertaken in March and April 2020, including reduced head counts through departures and layoffs; compensation reductions to Board of Directors, management, administrative and field employees; discontinuing operations of the Coil Tubing division; reductions and deferrals of rent and property taxes; and further wage subsidies from CEWS and other tax relief programs.

Adjusted EBITDA⁽¹⁾

\$ thousands	Three months ended		Change \$	Change %
	2020	March 31, 2019		
Adjusted EBITDA ⁽¹⁾				
Contract Drilling	3,941	2,000	1,941	97%
Production Services	2,950	4,109	(1,159)	(28%)
Corporate	(1,383)	(1,415)	32	(2%)
	5,508	4,694	814	17%
Adjusted EBITDA margin (%) ⁽¹⁾	16%	15%	n/a	1%

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

Management uses Adjusted EBITDA⁽¹⁾ as a measure of the cash flow generated by the Company. Positive Adjusted EBITDA⁽¹⁾ provides the cash flow needed to grow the business through purchase of equipment or business acquisitions, fund working capital, service and reduce outstanding long-term debt, pay a dividend or repurchase outstanding common shares under the NCIB.

Adjusted EBITDA⁽¹⁾ was \$5.5 million for Q1 2020, an increase of \$0.8 million (17%) compared to \$4.7 million in Q1 2019.

The increase in Adjusted EBITDA⁽¹⁾ is a result of increased Contract Drilling activity offset by reduced Production Services activity levels compared to Q1 2019.

Stock Based Compensation

\$ thousands	Three months ended		Change \$	Change %
	2020	March 31, 2019		
Stock based compensation	133	229	(96)	(42%)

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

Stock based compensation was \$0.1 million in Q1 2020, a decrease of \$0.1 million (42%) compared to \$0.2 million in Q1 2019.

Finance Costs

\$ thousands	Three months ended		Change \$	Change %
	2020	March 31, 2019		
Finance costs	684	732	(48)	(7%)

Finance costs of \$0.7 million in Q1 2020 were consistent with \$0.7 million in Q1 2019.

Depreciation and Amortization

\$ thousands	Three months ended		Change \$	Change %
	2020	March 31, 2019		
Depreciation and amortization				
Contract Drilling	1,119	1,423	(304)	(21%)
Production Services	1,781	2,052	(271)	(13%)
Corporate	272	259	13	5%
	3,172	3,734	(562)	(15%)

Depreciation and amortization was \$3.2 million in Q1 2020, a decrease of \$0.6 million (15%) compared to \$3.7 million in Q1 2019. The decrease in depreciation and amortization expense in Q1 2020 compared to Q1 2019 was as a result of the change in accounting estimate to straight line depreciation compared to the previously used unit of production method, which varied depending upon activity levels.

Impairment of Assets

\$ thousands	Three months ended		Change \$	Change %
	2020	March 31, 2019		
Impairment of assets				
Contract Drilling	24,000	-	24,000	n/m ⁽¹⁾
Production Services	1,451	-	1,451	n/m ⁽¹⁾
Corporate	-	-	-	-
	25,451	-	25,451	n/m ⁽¹⁾

⁽¹⁾ Not meaningful.

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

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

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

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

Loss (Gain) on Disposal of Equipment

\$ thousands	Three months ended		Change \$	Change %
	2020	March 31, 2019		
Loss (gain) on disposal of equipment	1,051	(22)	1,073	n/m ⁽¹⁾

⁽¹⁾ Not meaningful.

Management continually monitors the asset mix and equipment needs of the Company and divests assets as needed to optimize operations. For the quarter ended March 31, 2020, the loss on disposal of equipment was primarily the result of the disposal of one inactive service rig and one inactive swabbing rig as well as disposals of ancillary equipment and vehicles with proceeds on sale of \$0.5 million (Q1 2019: \$0.2 million).

Deferred Income Tax (Recovery) Expense

\$ thousands	Three months ended March 31,	
	2020	2019
Net loss before income taxes	(24,983)	21
Deferred income tax (recovery) expense	(5,806)	68
Deferred income tax (recovery) expense as a % of net loss before income taxes	23%	n/m ⁽¹⁾
Expected statutory income tax rate	26.5%	27%

⁽¹⁾ Not meaningful.

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

The deferred income tax expense in Q1 2020 of \$5.8 million (Q1 2019: \$0.1 million) is a result of the net loss before income taxes.

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

Net Loss and Comprehensive Loss

\$ thousands	Three months ended March 31,		Change \$	Change %
	2020	2019		
Net loss	(19,177)	(47)	19,130	n/m ⁽¹⁾
Unrealized gain (loss) on translation of foreign operations	2,234	(2)	(2,236)	n/m ⁽¹⁾
Comprehensive loss	(16,943)	(49)	16,894	n/m ⁽¹⁾

⁽¹⁾ Not meaningful.

Net loss was \$19.2 million in Q1 2020, an increase of \$19.2 million compared to a net loss of \$0.05 million in Q1 2019 primarily due to the impairment of assets booked in the quarter. Comprehensive loss was \$16.9 million in Q1 2020, an increase of \$16.9 million compared to a comprehensive loss of \$0.05 million in Q1 2019. The increase in comprehensive loss was due to the impairment of assets partially offset by an unrealized gain on translation of foreign currency from the Company's U.S. operations.

Liquidity and Capital Resources

Source of Funds

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

During the quarter ended March 31, 2020, the Company's operating cash flow of \$0.2 million, proceeds on disposal of equipment of \$0.5 million, and increase in long-term debt of \$3.0 million were used to fund the purchase of \$2.8 million of capital expenditures, \$0.9 million of interest on long-term debt, finance costs and finance lease payments, and \$0.4 million in acquisitions of shares under the NCIB.

At March 31, 2020 the Company had working capital (excluding debt) of \$23.9 million, an increase of \$5.4 million (29%) from \$18.5 million at December 31, 2019. (Please refer to the "Reconciliation of Non-IFRS Measures" section for further information.) The increase in working capital (excluding debt) is due to higher accounts receivable from higher revenue in Q1 2020 versus Q4 2019 and lower accounts payable. Typically, as activity levels increase or decrease working capital will also increase or decrease.

The Company's \$60.7 million credit facilities (the "Bank Loan") provides financial security and flexibility to July 31, 2022. The Bank Loan is secured by a general security agreement and a first charge security interest covering all of the assets of the Company (other than real estate assets related to the Mortgage Loan). Under the terms of the Bank Loan, the Company is required to comply with certain financial covenants. The Company is in compliance with each of the financial covenants at March 31, 2020. As of March 31, 2020, the applicable rates under the Bank Loan are: bank prime rate plus 2.25%, banker's acceptances rate plus a stamping fee of 3.25%, and standby fee rate of 0.73%.

The Company's Mortgage Loan is a loan maturing on June 28, 2023 that is amortized over 22 years with blended monthly principal and interest payments of \$86. At maturity, approximately \$9,891 of principal will become payable assuming only

regular monthly payments are made. On July 27, 2018 the Company entered into an interest rate swap to exchange the floating rate interest payments for fixed rate interest payments, which fix the Bankers' Acceptance-Canadian Dollar Offered Rate components of its interest payment on the outstanding term debt. Under the interest rate swap agreement, the Company pays a fixed rate of 2.65% per annum plus the applicable credit spread of 1.35%, for an effective fixed rate of 4.0%. The fair value of the interest rate swap arrangement is the difference between the forward interest rates and the discounted contract rate. As of March 31, 2020, the mark-to-market value of the interest rate swap of \$377 is included within accounts payable and accrued liabilities on the Consolidated Statements of Financial Position (December 31, 2019: \$246).

Capital Requirements

On December 12, 2019, the Company announced its capital expenditure budget for 2020 of \$6.7 million, an increase of \$1.4 million compared to the 2019 capital expenditure of \$5.3 million. Given the current economic environment as a result of the COVID-19 health pandemic, the Company has reduced its 2020 capital expenditure budget by \$2.6 million (39%) to \$4.1 million. As \$2.8 million of the 2020 capital expenditure budget has been incurred in Q1 2020, the Company is effectively suspending any further capital expenditures, other than those in progress, for the remainder of 2020.

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

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

Common Shares and Dividends

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

	April 30, 2020	March 31, 2020	December 31, 2019
Common shares	507,578,849	507,578,849	510,702,349
Stock options	20,640,667	20,640,667	20,666,667
Restricted share units	6,673,154	6,673,154	7,224,154

During the quarter ended March 31, 2020, 26,000 stock options were forfeited. In addition, 551,000 RSUs were exercised.

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

Capital Expenditures

\$ thousands	Three months ended		Change \$	Change %
	March 31, 2020	March 31, 2019		
Capital expenditures				
Contract drilling	786	94	692	736%
Production services	1,993	1,185	808	68%
Other equipment	26	15	11	73%
	<u>2,805</u>	<u>1,294</u>	<u>1,511</u>	<u>117%</u>
Growth capital	1,335	-	1,335	n/m ⁽¹⁾
Maintenance and infrastructure capital	1,470	1,294	176	14%
Total capital expenditures	<u>2,805</u>	<u>1,294</u>	<u>1,511</u>	<u>117%</u>

⁽¹⁾ Not meaningful.

Capital expenditures of \$2.8 million in Q1 2020, an increase of \$1.5 million (117%) compared to \$1.3 million in Q1 2019.

The 2020 capital expenditure budget of \$6.7 million was approved by the Board of Directors on December 12, 2019 comprised of maintenance and infrastructure capital related to recertifications, additions and upgrades to field equipment for the drilling rig and service rig divisions as well as information technology infrastructure and growth capital to upgrade one of the drilling

rigs. Given the current economic environment as a result of the COVID-19 health pandemic, the Company has reduced its 2020 capital expenditure budget by \$2.6 million (39%) to \$4.1 million. As \$2.8 million of the 2020 capital expenditure budget has been incurred in Q1 2020, the Company is effectively suspending any further capital expenditures, other than those in progress, for the remainder of 2020.

Commitments and Contractual Obligations

Under the terms of the Company's amended Bank Loan, the borrowings under the Bank Loan are due in full on July 31, 2022. The Company is committed to monthly payments of interest and bank charges until July 31, 2022. The Company's Mortgage Loan is being amortized over 22 years with blended monthly principal and interest payments and matures on June 28, 2023. There have been no significant changes in other commitments or contractual obligations since December 31, 2019. Management believes that there will be sufficient cash flows generated from operations to service the interest on the debt and finance the required maintenance capital of the Company in 2020.

Summary and Analysis of Quarterly Data

\$ thousands, except per share amounts	2020 Mar. 31	2019				2018		
		Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Three months ended								
Revenue	33,540	30,667	27,775	18,745	31,259	35,478	38,113	22,245
Adjusted EBITDA ⁽¹⁾	5,508	3,491	3,868	113	4,694	4,978	6,002	31
Net (loss) income	(19,177)	(854)	(234)	(565)	(47)	(157)	326	(3,067)
Net (loss) income per share: basic and diluted	(0.04)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.01	(0.01)
Total assets	221,110	243,398	243,647	240,603	250,358	252,665	257,675	250,038
Total long-term debt	43,337	40,552	41,549	36,618	43,296	44,896	46,394	36,803
Shareholders' equity	164,802	182,032	183,621	183,526	184,041	184,231	185,195	184,834

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

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

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

Other significant impacts have been a result of:

- Q1 2020 saw the combined effects of the reduction in global demand for crude oil due to the COVID-19 health pandemic and the increase in global supply of crude oil resulting in a rapid and uneconomic decline in oil prices. This negatively affected current and future drilling and production levels in Canada and the U.S. resulting in decreased demand for drilling and production services by our E&P customers in mid-March 2020. The Company acted quickly to implement cash saving initiatives to preserve cash resources and maintain balance sheet strength as well as retaining our most valuable asset – our key employees. The Company reduced its head count by 43% through departures and layoffs of its employees and contractors and incurred \$0.1 million in severance costs related to these layoffs in Q1 2020. During Q1

2020, 3,674,500 common shares were purchased under the NCIB and 3,764,000 common shares were cancelled and returned to treasury;

- Q4 2019 saw the WTI-WCS differential widen to over US\$20.00/bbl, compared to a historical normal range of US\$10-\$15/bbl. Despite this widening differential, CWC saw increased activity in its service rig division with 33,656 hours compared to the 29,528 hours in Q3 2019. Drilling rig operating days were impacted by the movement of one drilling rig from Texas to Wyoming which resulted in approximately 21 days of lost revenue. During Q4 2019, 1,453,500 common shares were purchased under the NCIB and 1,342,000 common shares were cancelled and returned to treasury;
- Q3 2019 saw the first full quarter of drilling operations in the United States. In addition, the Company extended its credit facilities to July 31, 2022 and reduced the credit facilities from \$75 million to \$60 million, which now includes a separate U.S. operating facility. During Q3 2019, 405,000 common shares were purchased under the NCIB and 524,500 common shares were cancelled and returned to treasury;
- Q2 2019 saw CWC move two drilling rigs from Canada into the United States which commenced operations in mid-June 2019. Wet weather conditions during the quarter significantly impacted activity levels in both the Canadian Contract Drilling and Production Services segments. During Q2 2019, 623,000 common shares were purchased under the NCIB and a total of 744,000 common shares were cancelled and returned to treasury;
- Q1 2019 saw a continuation of reduced activity levels for both the drilling rigs and CWC's production-oriented service rigs as a direct result of lower WTI prices during the quarter and the Government of Alberta mandated 325,000 bbls/day production curtailments taking effect in January 2019. During Q1 2019, 2,050,500 common shares were purchased under the NCIB and a total of 1,792,000 common shares were cancelled and returned to treasury;
- Q4 2018 saw the price differential between Canadian heavy crude oil, as represented by WCS, and WTI widen at times to unprecedented levels of over US\$50/bbl compared to the historical normalized range of US\$10/bbl to US\$15/bbl. These significant WTI-WCS differential resulted in the Government of Alberta announcement on December 2, 2018 mandating a 325,000 bbls/day crude oil production curtailment on Alberta oil companies producing more than 10,000 bbls/day causing E&P customers to shorten or delay their workover and maintenance work on producing wells. During Q4 2018, 7,858,000 common shares were purchased, cancelled and returned to treasury under the NCIB;
- Q3 2018 saw the completion of significant customer driven capital expenditure upgrades on Drilling Rig #4 to meet customer demands for deeper depths at cost effective prices. Wet weather conditions during the quarter significantly impacted activity levels in both the Contract Drilling and Production Services segments resulting in 7% and 4% of lost operating days and hours respectively. During Q3 2018, 1,175,500 common shares were purchased under the NCIB and a total of 1,309,000 common shares were cancelled and returned to treasury;
- Q2 2018 saw significant customer driven capital expenditure upgrades to two drilling rigs to meet customer demands for deeper depths at cost effective prices. During Q2 2018, 1,023,000 common shares were purchased under the NCIB and a total of 935,500 common shares were cancelled and returned to treasury.

Critical Accounting Estimates and Judgments

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

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The outbreak and the measures implemented by governments across the world intended to limit the pandemic have adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil. The supply conflict between the Organization of Petroleum Exporting Countries over production restrictions has also severely impacted crude oil prices, resulting in increased global supply.

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

CEO and CFO Certifications

The CEO and CFO of TSX Venture Exchange listed companies, such as CWC, are not required to certify they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Instead, an optional form of certification has been made available to TSX Venture Exchange listed companies and has been used by CWC's certifying officers for the March 31, 2020 interim filings. The certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires that the certifying officer's state:

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

Risks and Uncertainties

Certain activities of the Company are affected by factors that are beyond its control or influence. Additional risks and uncertainties that management may be unaware of at the present time may also become important factors which affect the Company. Along with the risks discussed in this MD&A, other business risks faced by the Company may be found under "Risk Factors" in the Company's December 31, 2019 Management's Discussion and Analysis which is available under the Company's profile at www.sedar.com.

COVID-19 and Related Impacts

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

Forward-Looking Information

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

operations of the Company's facilities and operations, actions to ensure social distancing due to COVID-19, the Company's cash saving initiatives, integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties and environmental regulations, stock market volatility and the inability to access sufficient capital from external and internal sources. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through SEDAR at www.sedar.com. The forward-looking information and statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. Any forward-looking statements made previously may be inaccurate now.

Reconciliation of Non-IFRS Measures

\$ thousands, except shares, per share amounts and margins	Three months ended	
	2020	March 31, 2019
NON-IFRS MEASURES		
<u>Adjusted EBITDA:</u>		
Net loss	(19,177)	(47)
Add:		
Stock based compensation	133	229
Finance costs	684	732
Depreciation and amortization	3,172	3,734
Impairment of assets	25,451	-
Loss (gain) on sale of equipment	1,051	(22)
Income tax expense	(5,806)	68
Adjusted EBITDA⁽¹⁾	5,508	4,694
Adjusted EBITDA per share - basic and diluted⁽¹⁾	\$ 0.01	\$ 0.01
Adjusted EBITDA margin (Adjusted EBITDA/Revenue)⁽¹⁾	16%	15%
Weighted average number of shares outstanding - basic and diluted	510,936,431	512,678,779
<u>Gross margin:</u>		
Revenue	33,540	31,259
Less: Direct operating expenses	23,615	22,338
Gross margin⁽²⁾	9,925	8,921
Gross margin percentage⁽²⁾	30%	29%

\$ thousands	March 31, 2020	December 31, 2019
<u>Working capital (excluding debt):</u>		
Current assets	29,974	26,642
Less: Current liabilities	(7,033)	(9,249)
Add: Current portion of long term debt	962	1,141
Working capital (excluding debt)⁽³⁾	23,903	18,534
<u>Net debt:</u>		
Long term debt	42,375	39,411
Less: Current assets	(29,974)	(26,642)
Add: Current liabilities	7,033	9,249
Net debt⁽⁴⁾	19,434	22,018

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

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

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

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