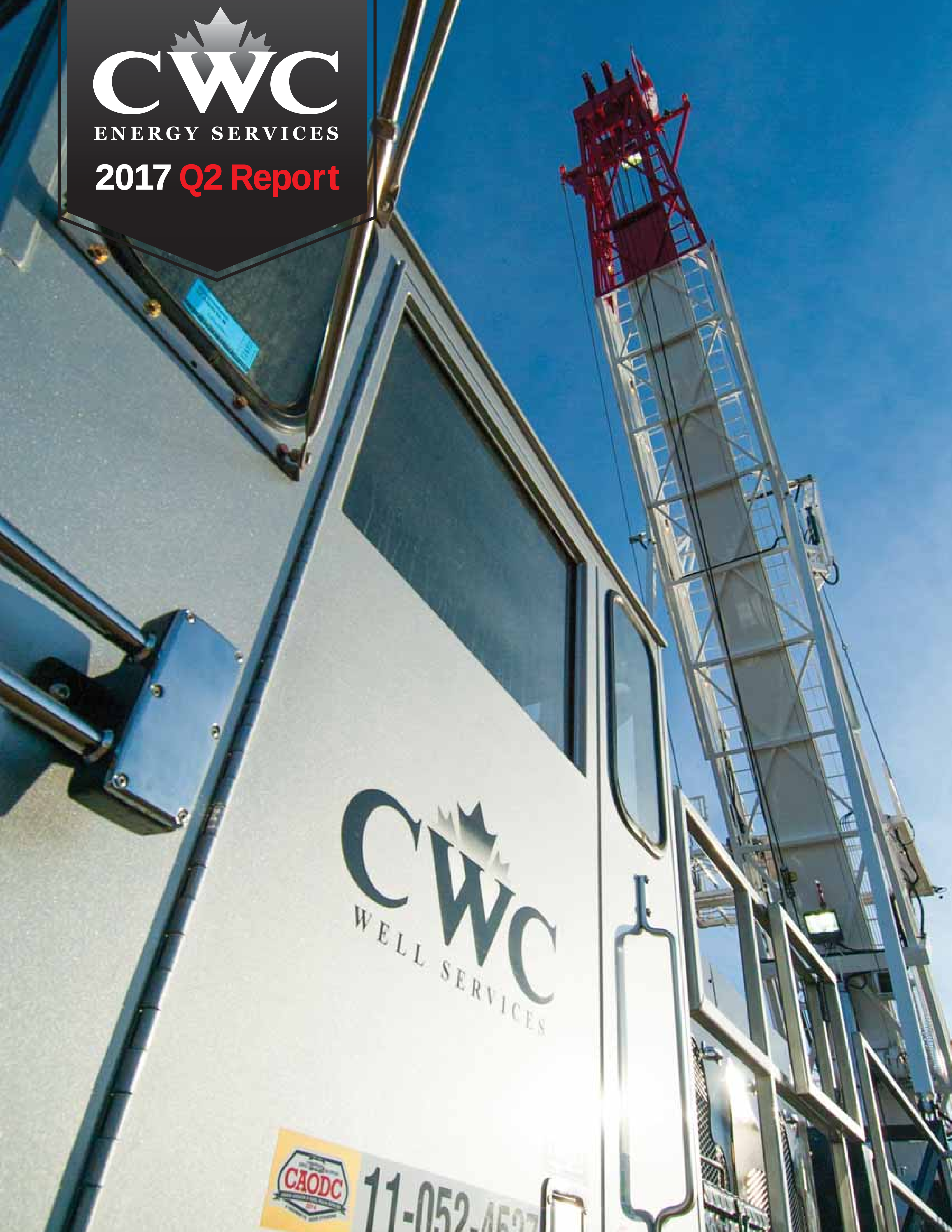
CWC ENERGY SERVICES

2017 Q2 Report



ENERGY 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 August 2, 2017 and should be read in conjunction with unaudited condensed interim financial statements for the three and six months ended June 30, 2017, the audited annual financial statements for the year ended December 31, 2016 ("Annual Financial Statements"), and the annual management's discussion and analysis for the year ended December 31, 2016 ("Annual MD&A"). Additional information regarding CWC can be found in the Company's latest Annual Information Form ("AIF"). The condensed interim 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, including the AIF, is available on SEDAR at www.sedar.com.

Highlights for the Three Months Ended June 30, 2017

- In Q2 2017, the Company continued to experience strong utilization despite renewed uncertainty of future crude oil and natural gas prices. CWC's drilling rig utilization of 19% in Q2 2017 (Q2 2016: 9%) exceeded the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 17%. Activity levels increased 139% in Q2 2017 compared to Q2 2016 reflecting increased year-over-year industry activity, focused marketing effort on high quality E&P companies with ongoing drilling programs and the high quality of our equipment and people. CWC's Q2 2017 utilization of 19% was achieved on 155 drilling rig operating days (Q2 2016: 65 drilling rig operating days) resulted in the most active second quarter since the acquisition of Ironhand Drilling Inc. in May 2014.

- CWC's service rig utilization of 33% in Q2 2017 (Q2 2016: 36%) with 20,047 operating hours was 8% lower than the Company's record setting Q2 2016 activity of 21,724 operating hours. Q2 2016's record second quarter operating hours in the Company's twelve year history was facilitated by an unusually dry spring breakup allowing our equipment and people to get back in the field earlier than normal. Q2 2017 spring breakup faced normal wet weather conditions usually experienced during the second quarter and resulted in the Company achieving the fourth highest operating hours in a second quarter in the Company's twelve year history. This demonstrates the continued high demand by our E&P customers to do maintenance, workovers and abandonments on existing wells even in a lower commodity price environment.

- CWC's coil tubing utilization of 19% in Q2 2017 (Q2 2016: 16%) with 1,549 operating hours was 35% higher than the 1,147 operating hours in Q2 2016. Q2 2016 operating hours were negatively impacted by the May 2016 Fort McMurray wildfire.

- Revenue of $15.1 million, an increase of $1.2 million (9%) compared to $13.9 million in Q2 2016. The increase from Q2 2016 is a result of the year-over-year increase in drilling rig and coil tubing activity which was offset by lower year-over-year average pricing for active drilling rigs, and lower service rig activity. Overall customer pricing has increased modestly for drilling and service rigs from the lows experienced in Q3 2016.

- Adjusted EBITDA of $0.2 million in Q2 2017, a decrease of $0.8 million (-77%) compared to $1.0 million in Q2 2016. The decrease in Adjusted EBITDA in Q2 2017 is due to lower service rig activity when compared to the record operating hours in Q2 2016, lower Production Services gross profit margins and higher selling and administrative costs. These are offset by higher gross profit from the Contract Drilling business, on higher operating days. CWC has achieved 16 continuous quarters of positive Adjusted EBITDA since Q2 2013 demonstrating management's superior ability to reduce costs to combat lower revenue from reduced pricing and activity since the beginning of this industry downturn 2.5 years ago.

- Net loss of $2.7 million, an increase of $0.4 million (18%) compared to $2.3 million in Q2 2016. The change in net loss is primarily due to the lower Adjusted EBITDA and higher stock based compensation partially offset by lower finance costs, depreciation and deferred income tax recovery.

- On April 7, 2017, the Company renewed its Normal Course Issuer Bid ("NCIB") with an Automatic Securities Purchase Plan ("ASPP") with Raymond James Ltd., which now expires on April 6, 2018. During Q2 2017, 1,404,000 (Q2 2016: nil) common shares were purchased under the ASPP and 1,478,000 common shares were cancelled and returned to treasury.

- On May 4, 2017, CWC announced a process to review strategic alternatives with a view to maximizing shareholder value by capitalizing on CWC's strong financial and operational performance, market share and attractive fleet of modern assets. The Special Committee of the Board of Directors, their financial advisors and management of CWC continue to evaluate several potential alternatives and proposals received to date. The Company has not established a definitive timeline to complete its review and no decision on any particular alternative has been reached at this time. CWC does not intend to disclose developments with respect to the strategic alternatives process unless and until the Board of Directors approve a definitive transaction or other course of action or otherwise deem disclosure of developments is appropriate or otherwise required by law. CWC cautions that there are no guarantees that the strategic alternatives process will result in a transaction, or if a transaction is undertaken, as to its terms or timing.

- CWC and its syndicated lenders have agreed to an extension of its credit facilities and certain other amendments to provide financial security and flexibility to July 31, 2020, subject to execution of legal documentation. The amendments further provide the Company access to another equity cure under the same terms and conditions, a reduction in the minimum liquidity from $10.0 million to $5.0 million, and quarterly financial covenant for Consolidated Debt to Consolidated EBITDA ratio as follows:

For the Quarter Ended	Current	Amended
June 30, 2017	4.75 : 1	4.75:1
September 30, 2017	4.50 : 1	4.50:1
December 31, 2017	4.00 : 1	4.00:1
Thereafter	3.50 : 1	4.00:1

Highlights for the Six Months Ended June 30, 2017

- CWC's drilling rig utilization in the first six months of 2017 of 42% (2016: 18%) exceeded the CAODC industry average of 29%. Activity levels in 2017 have increased 169% compared to 2016 reflecting increased year-over-year industry activity, focused marketing effort on high quality E&P companies with ongoing drilling programs and the high quality of our equipment and people. Year-to-date 2017 operating days of 687 (2016: 256 operating days) is the most active since the acquisition of Ironhand Drilling Inc. in May 2014.

- Year to date, CWC's service rig utilization was 44% compared to 38% in 2016. Activity levels in 2017 have increased 17% to 53,043 hours (2016: 45,176). The increased activity reflects the strong Q1 2017 industry demand and optimism from higher commodity prices, partially offset by lower Q2 2017 operating hours from a normal wet weather spring break up compared to the unusually dry weather conditions in Q2 2016 resulting in the Company's record setting operating hours. CWC's continued above average service rig utilization is attributed to the modern fleet of 74 service rigs, exceptional sales and operational management, and experienced rig crews performing work safely and efficiently.

- Revenue of $47.6 million, an increase of $14.0 million (42%) compared to $33.6 million in the first six months of 2016. The increase is predominately due to significantly higher activity in all three business units, offset by lower year-over-year prices charged to E&P customers.

- Adjusted EBITDA of $5.4 million, an increase of $1.8 million (51%) compared to $3.6 million in 2016. The increase in Adjusted EBITDA is consistent with increased activity ($2.2 million) from Contract Drilling and lower corporate expenses ($0.4 million), offset by a decrease in Production Services revenue and gross profit margin and an increase in Production Services selling and administrative expenses incurred to support increased activity.

- Net loss of $3.0 million, a decrease of $0.7 million (-18%) compared to a net loss of $3.7 million in the first six months of 2016. The change in net loss is primarily an increase in Adjusted EBITDA and lower finance costs offset by higher stock based compensation, depreciation and amortization, selling and administrative expenses and lower deferred income tax recovery.

- For the six months ended June 30, 2017, the Company purchased 1,686,500 (2016: nil) common shares under its NCIB and 1,647,000 common shares were cancelled and returned to treasury.

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

Corporate Overview

CWC Energy Services Corp. is a premier Contract Drilling and Well Servicing company operating in the Western Canadian Sedimentary Basin ("WCSB") with a complementary suite of oilfield services including drilling rigs, service rigs and coil tubing units. The Company's corporate office is located in Calgary, Alberta, with operational locations in Nisku, Grande Prairie, Slave Lake, Red Deer, Drayton Valley, Lloydminster, Provost and Brooks, Alberta. The Company's shares trade on the TSX Venture Exchange under the symbol "CWC".

Financial and Operational Highlights

$ thousands, except shares, per share amounts, and margins	Three months ended June 30, 2017	2016	Change %	Six months ended June 30, 2017	2016	Change %
FINANCIAL RESULTS						
Revenue						
Contract drilling	3,042	1,414	115%	14,178	5,533	156%
Production services	12,072	12,470	(3%)	33,444	28,091	19%
	15,114	13,884	9%	47,622	33,624	42%
Adjusted EBITDA [1]	228	999	(77%)	5,378	3,556	51%
Adjusted EBITDA margin (%) [1]	2%	7%		11%	11%	
Funds from operations	228	999	(77%)	5,378	3,556	51%
Net loss and comprehensive loss	(2,677)	(2,279)	n/m[2]	(3,045)	(3,709)	n/m[2]
Net loss and comprehensive loss margin (%)	(18%)	(16%)	n/m[2]	(6%)	(11%)	n/m[2]
Per share information:						
Weighted average number of shares outstanding – basic and diluted	392,935,814	324,840,096		392,604,720	308,738,337	
Adjusted EBITDA[1] per share- basic and diluted	$0.00	$0.00		$0.01	$0.01	
Net loss per share – basic and diluted	($0.01)	($0.01)		($0.01)	($0.01)	

$ thousands, except ratios	June 30, 2017	December 31, 2016
FINANCIAL POSITION AND LIQUIDITY		
Working capital (excluding debt) [1]	8,018	11,333
Working capital (excluding debt) ratio [1]	2.0:1	2.5:1
Total assets	203,265	210,750
Total long-term debt (including current portion)	28,887	33,142
Shareholders' equity	152,596	155,482

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

Working capital (excluding debt) has decreased 29% since December 31, 2016 as the collection of account receivable combined with lower revenue in Q2 2017 compared to Q4 2016. Due to the seasonality of the oilfield services business in Canada, working capital is typically lowest in Q2 and builds throughout the next three quarters. Long-term debt (including current portion) has decreased 13% from December 31, 2016 as positive funds from operations and a reduction in working capital were used to fund capital expenditures, purchase shares under the NCIB and to repay debt. Shareholder equity has decreased since December 31, 2016 due to the net loss for the six months ended June 30, 2017 and the purchase and cancellation of common shares under the NCIB program offset by issuance of common shares under the Company stock option and restricted share plans.

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 two have pad rig walking systems. The drilling rig fleet has an average age of eight years. All of the drilling rigs are well suited for the most active depths for horizontal drilling in the WCSB, including the Montney, Cardium, Duvernay and other deep basin horizons.

	Three months ended							
OPERATING HIGHLIGHTS	**Jun. 30, 2017**	**Mar. 31, 2017**	**Dec. 31, 2016**	**Sep. 30, 2016**	**Jun. 30, 2016**	**Mar 31, 2016**	**Dec. 31, 2015**	**Sep. 30, 2015**
Drilling Rigs								
Active drilling rigs, end of period	9	9	9	9	8	8	9	9
Inactive drilling rigs, end of period	-	-	-	-	1	1	-	-
Total drilling rigs, end of period	9	9	9	9	9	9	9	9
Revenue per operating day [1]	$19,575	$20,942	$20,623	$16,835	$21,754	$21,565	$24,996	$24,740
Drilling rig operating days	155	532	257	301	65	191	191	379
Drilling rig utilization % [2]	19%	66%	31%	37%	9%	26%	23%	46%
CAODC industry average utilization %	17%	40%	24%	17%	7%	20%	20%	24%
Wells drilled	17	41	21	21	5	14	16	26
Average days per well	9.1	13.0	12.2	14.3	13.0	13.6	11.9	14.6
Meters drilled (thousands)	45.6	151.8	82.0	70.0	19.5	56.0	59.9	98.0
Meters drilled per day	294	285	319	232	300	293	314	259
Average meters per well	2,684	3,702	3,906	3,332	3,903	4,000	3,741	3,767

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

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

Contract Drilling revenue of $3.0 million for Q2 2017 (Q2 2016: $1.4 million) was achieved with a utilization rate of 19% (Q2 2016: 9%), compared to the CAODC industry average of 17%. CWC achieved 155 drilling rig operating days in Q2 2017, a 139% increase from Q2 2016 reflecting increased year-over-year industry activity, focused marketing effort on high quality E&P companies with ongoing drilling programs and the high quality of our equipment and people. Q2 2017 revenue was 115% higher compared to Q2 2016 as increased activity more than offset a 10% reduction in revenue per operating day when compared to Q2 2016.

Contract Drilling revenue of $14.2 million for the six months ended June 30, 2017 (2016: $5.5 million) as a result of a 169% increase in drilling rig operating days to 687 days (2016: 256). CWC's utilization rate of 42% continues to exceed the CAODC industry average of 29% and has increased from 18% for the six months ended June 30, 2016 when CWC marketed only 8 of 9 drilling rigs. Increased activity was partially offset by average revenue per operating day of $20,643 in the first six months of 2017, 5% lower than the same period in 2016. Improved financial performance for the first six months of 2017 reflect higher industry activity due to higher average commodity pricing, despite the price volatility in Q2 2017, and to CWC having modern, relevant and well maintained drilling rigs as well as a reputation for safe and efficient operations, exceptional management and experienced drilling rig crews.

Production Services

CWC is the second largest service rig provider in the WCSB, based on our modern fleet of 74 service rigs as at June 30, 2017 which consists of 41 single, 27 double, and 6 slant rigs. At an average age of ten years old, CWC's fleet is amongst the newest in the WCSB and provides services which include completions, maintenance, workovers and abandonments with depth ratings from 1,500 to 5,000 metres. CWC has chosen to park seven of its service rigs and focus its sales and operational efforts on the remaining 67 active service rigs with one temporarily taken out of service in the first half of 2017 to complete its Level IV recertification.

CWC's Class I, II and III coil tubing units have depth ratings from 1,500 to 4,000 metres. As at June 30, 2017, the Company's fleet of ten coil tubing units consists of six Class I, three Class II and one Class III coil tubing units. In light of competitive challenges for CWC's Class III coil tubing unit, the Company has chosen to focus its sales and operational efforts on its nine Class I and II coil tubing units which are better suited at servicing SAGD wells, which are shallower in depth and more appropriate for these coil tubing operations.

	Three months ended							
OPERATING HIGHLIGHTS	**Jun. 30, 2017**	**Mar. 31, 2017**	**Dec. 31, 2016**	**Sep. 30, 2016**	**Jun. 30, 2016**	**Mar. 31, 2016**	**Dec. 31, 2015**	**Sep. 30, 2015**
Service Rigs								
Active service rigs, end of period	66	66	67	66	65	65	64	65
Inactive service rigs, end of period	8	8	7	8	9	9	10	9
Total service rigs, end of period	74	74	74	74	74	74	74	74
Operating hours	20,047	32,997	27,091	22,927	21,724	23,466	21,008	16,676
Revenue per hour	$551	$584	$536	$543	$548	$580	$615	$657
Service rig utilization % (1)	33%	56%	45%	38%	37%	40%	36%	27%
Coil Tubing Units								
Active coil tubing units, end of period	9	9	8	8	8	8	8	8
Inactive coil tubing units, end of period	1	1	2	1	1	1	1	1
Total coil tubing units, end of period	10	10	10	9	9	9	9	9
Operating hours	1,557	4,243	2,349	2,160	1,147	3,034	1,665	1,048
Revenue per hour	$657	$491	$507	$458	$508	$662	$657	$771
Coil tubing units utilization % (2)	19%	52%	32%	29%	16%	42%	23%	14%

(1) 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, refurbishment or have been otherwise removed from service for greater than 90 days are excluded from the utilization calculation until their first day back in field service.

(2) Coil tubing unit utilization is calculated based on 10 hours a day, 365 days a year. New coil tubing units are added based on the first day of field service.

Production Services revenue was $12.1 million in Q2 2017, down $0.4 million (-3%) compared to $12.5 million in Q2 2016 primarily as a result of service rig utilization of 33% in Q2 2017 (Q2 2016: 36%) with 20,047 operating hours, 8% lower than the 21,724 operating hours in Q2 2016. Q2 2016's record second quarter operating hours in the Company's twelve year history was facilitated by an unusually dry spring breakup allowing our equipment and people to get back in the field earlier than normal. Q2 2017 spring breakup faced normal wet weather conditions usually experienced during the second quarter and resulted in the Company achieving the fourth highest operating hours in a second quarter in the Company's twelve year history demonstrating the continued high demand by our E&P customers to do maintenance, workovers and abandonments on existing wells even in a lower commodity price environment.

CWC's coil tubing utilization of 19% in Q2 2017 (Q2 2016: 16%) from 1,549 operating hours was 35% higher than the 1,147 operating hours in Q2 2016. The increase in activity from Q2 2016 is partially due to lost productivity in Q2 2016 due to the Fort McMurray wildfire. Average revenue per hour for coil tubing services of $657 in Q2 2017 is 30% higher than $508 in Q2 2016 which reflects some modest price improvements, but is primarily due to a higher mix of deeper Class II units, compared to lower priced Class I shallow units compared to Q2 2016.

For the six months ended June 30, 2017, Production Services revenue of $33.4 million was 19% higher than the $28.1 million achieved in the same six month period in 2016 driven by service rig utilization of 44% (2016: 38%) with 53,043 service rig operating hours in the first six months of 2017; a 17% increase to the 45,176 operating hours for the same period in 2016. In addition for the first six months of 2017, coil tubing unit operating hours increased 38% to 5,776 operating hours (2016: 4,180 operating hours) which helped contribute to the increased Production Services revenue year to date in 2017 compared to 2016. Strong Q1 2017 industry demand and optimism from improved commodity prices was partially offset by lower Q2 2017 service rig operating hours driven by normal spring breakup wet weather conditions compared to the unusually dry weather which allowed equipment and people to return to the field earlier than normal in Q2 2016.

Outlook

The second quarter typically represents the seasonal low point during the year in activity, financial results and cash flow in the Canadian oilfield services sector as the thaw of frozen ground combined with typically wet weather conditions limits the ability to move heavy equipment to E&P customers' well sites. During Q2 2017, the optimism built up in Q1 2017 over improved crude oil and natural gas prices as a result of the November 30, 2016 decision by OPEC to curtail production, turned to uncertainty as U.S. drilling activity, production and inventory levels increased to offset the OPEC production cuts resulting in continued oversupply of global crude oil inventory. These uncertainties were reflected in the crude oil and natural gas prices during the quarter. In Q2 2017, average crude oil prices, as measured by WTI, of US$48.15/bbl was 7% lower than the Q1 2017 average price of US$51.85/bbl, but 5% higher than $45.70/bbl in Q2 2016. Natural gas prices, as measured by AECO, increased 3% to an average of $2.64/GJ in Q2 2017 from $2.57/GJ in Q1 2017 (Q2 2016: $1.34/GJ). Despite the increased uncertainty over commodity prices, on June 13, 2017 the CAODC revised its forecast of wells to be drilled in 2017 to 6,842, up 2,177 wells or 47% from its original November 22, 2016 forecast. This increased 2017 forecast by CAODC is consistent with the third upwardly revised forecast on July 31, 2017 by the Petroleum Services Association of Canada's ("PSAC") of 7,200 wells drilled in 2017 and is a significant improvement to its initial November 2016 forecast of 4,175 wells drilled in 2017 and the 4,084 actual wells drilled in 2016.

CWC is experiencing continued strong utilization in all three business units. The Company expects to have nine of its nine (100%) drilling rigs working in August 2017 and believes eight of the nine drilling rigs will be working steady with these E&P customers until Q2 2018 spring breakup. Similar to CWC's drilling rigs, the Company's service rigs and coil tubing units are anticipated to see continued strong industry demand and operate at utilization levels experienced prior to the industry downturn. CWC continues to experience aggressive price competition, but has been successful in modestly increasing pricing for all three of its business units for the second half of 2017. Given the industry's competitive pricing pressures on our day and hourly rates, CWC has sustainably positioned itself as a low cost contractor for its E&P customers providing the highest quality service from the highest quality people at reasonable prices. The Company has been able to do this by carefully managing fixed and discretionary costs on its relatively modern fleet of equipment with ongoing repairs and maintenance capital being low and predictable. As a result, CWC has demonstrated an ability to consistently generate positive Adjusted EBITDA and cash flow in each of its last 16 quarters, despite significantly reduced customer pricing over the last 2.5 years.

While CWC continues to maintain focus on its operational and financial performance, it also recognizes the need to pursue opportunities that create long-term shareholder value. On May 4, 2017, CWC announced a process to review strategic alternatives with a view to maximizing shareholder value by capitalizing on CWC's strong financial and operational performance, market share and attractive fleet of modern assets. The Special Committee of the Board of Directors, their financial advisors and management of CWC continue to evaluate several potential alternatives and proposals received to date. The Company has not established a definitive timeline to complete its review and no decision on any particular alternative has been reached at this time. CWC does not intend to disclose developments with respect to the strategic alternatives process unless and until the Board of Directors approve a definitive transaction or other course of action or otherwise deem disclosure of developments is appropriate or otherwise required by law. CWC cautions that there are no guarantees that the strategic alternatives process 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 June 30, 2017	2016	Change $	Change %	Six months ended June 30, 2017	2016	Change $	Change %
Revenue								
Contract drilling	3,042	1,414	1,628	115%	14,178	5,533	8,645	156%
Production services	12,072	12,470	(398)	(3%)	33,444	28,091	5,353	19%
	15,114	13,884	1,230	9%	47,622	33,624	13,998	42%
Direct operating expenses								
Contract drilling	2,228	1,073	1,155	108%	10,431	4,042	6,389	158%
Production services	9,536	8,813	723	8%	25,351	19,960	5,391	27%
	11,764	9,886	1,878	19%	35,782	24,002	11,780	49%
Gross margin (1)								
Contract drilling	814	341	473	139%	3,747	1,491	2,256	151%
Production services	2,536	3,657	(1,121)	(31%)	8,093	8,131	(38)	(0%)
	3,350	3,998	(648)	(16%)	11,840	9,622	2,218	23%
Gross margin percentage (1)								
Contract drilling	27%	24%	n/a	n/a	26%	27%	n/a	n/a
Production services	21%	29%	n/a	n/a	24%	29%	n/a	n/a
	22%	29%	n/a	n/a	25%	29%	n/a	n/a

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

Q2 2017 revenue of $15.1 million, an increase of $1.2 million (9%) compared to $13.9 million in Q2 2016. Revenue increased $1.6 million (115%) in the Contract Drilling segment and decreased $0.4 million (-3%) in the Production Services segment in Q2 2017 compared to Q2 2016. The Q2 2017 increase in Contract Drilling revenue was due to higher activity (operating days) which was partially offset by a 10% reduction in the Q2 2017 average revenue per operating day of $19,575 compared to Q2 2016 of $21,754. The Q2 2017 3% decrease in Production Services revenue was due primarily to lower activity for service rigs (an 8% reduction in operating hours) in Q2 2017 compared to Q2 2016 partially offset by a modest 1% increase to the Q2 2017 average revenue per operating hour of $554 compared to Q2 2016 of $548 for service rigs. In addition, a 36% increase in coil tubing activity (operating days) and a 29% increase in average revenue per operating hour of $657 in Q2 2017 compared to Q2 2016 of $508 helped to partially offset the overall 3% reduction in Production Services revenue.

For the six months ended June 30, 2017, revenue of $47.6 million, an increase of $14.0 million (42%) compared to $33.6 million in the first six months of 2016. Revenue increased $8.6 million (156%) in the Contract Drilling segment and $5.4 million (19%) in the Production Services segment for the first six months of 2017 compared to the same period in 2016. The increase in Contract Drilling revenue was due to higher activity (operating days) of 169% for the first six months of 2017 compared to the same period in 2016, which was partially offset by a 5% reduction in the average revenue per operating day. Contract Drilling pricing declined significantly in Q3 2016, but has since been modestly increasing. For the six months ended June 30, 2017, Production Services revenue of $33.4 million was 19% higher than the $28.1 million achieved in the same six month period in 2016 driven by service rig utilization of 44% (2016: 38%) with 53,043 service rig operating hours in the first six months of 2017; a 17% increase to the 45,176 operating hours for the same period in 2016. In addition for the first six months of 2017, coil tubing unit operating hours increased 38% to 5,776 operating hours (2016: 4,180 operating hours) which helped contribute to the increased Production Services revenue for the first six months of 2017 compared to the same period in 2016.

Higher industry activity in 2017 allowed CWC to diversify its customer base and reduce reliance on its top customers. Revenue contribution from the Company's top ten customers dropping from 79% for the first six months of 2016 to 67% for the same period in 2017 with CWC's top customer's revenue contribution dropping from 40% in the first six months of 2016 to 20% for the same period in 2017.

Approximately 69% of revenue in the first six months of 2017 was from work on crude oil wells while 32% was from natural gas wells. Further, approximately 37% of revenue was related to drilling and completions work, 51% from maintenance and workovers on producing wells and 13% from abandonments.

Many direct operating expenses, including labour costs related to field operating employees, are variable in nature and increase or decrease with activity levels such that changes in operating costs generally correspond to changes in revenue or activity levels. CWC's management continues to focus on reducing direct costs in line with reduced pricing and where possible, minimizing the fixed cost component. The result has been an ability to maintain gross margin percentage despite significant pricing pressures. Contract Drilling's gross margin percentage of 27% in Q2 2017 is higher than the 24% in Q2 2016 and the 26% for the six months ended June 30, 2017 is consistent with the 27% for the first six months of 2016, despite lower pricing. Production Services gross margin of 21% in Q2 2017 is 8% lower than 29% in 2016 and the 24% for the six months ended June 30, 2017 is 5% lower than for the first six months of 2016. The decrease in Production Services' gross margin in Q2 2017 and for the six months ended June 30, 2017 is a result of an unusually high percentage of service rigs operating 24 hour a day in Q2 2016 with no corresponding activity in Q2 2017, which resulted in significantly higher gross margins. In addition, the higher activity levels in the first six months of 2017 compared to the same period in 2016 resulted in increases in repairs and maintenance and higher fuel costs for the Production Services segment due to the introduction of the Alberta Carbon Tax Levy on January 1, 2017.

Selling and Administrative Expenses

	Three months ended June 30,				Six months ended June 30,			
$ thousands	**2017**	**2016**	**Change $**	**Change %**	**2017**	**2016**	**Change $**	**Change %**
Selling and administrative expenses	3,122	2,999	123	4%	6,462	6,066	396	7%

Selling and administrative expenses of $3.1 million in Q2 2017, an increase of $0.1 million (4%) compared to $3.0 million in Q2 2016. Selling and administrative expenses of $6.5 million for the six months ended June 30, 2017, an increase of $0.4 million (7%) compared to $6.1 million in 2016. The increased selling and administrative expenses are due primarily to additional costs to recruit field employees combined with other costs incurred due to significantly higher year-over-year activity levels across all segments. Also, severance payments totaling $0.1 million were paid in Q2 2017. Most selling and administrative expenses, such as building and office rent and administrative salaries are fixed and are not subject to significant fluctuation on a quarterly basis. Other costs such as travel, training, professional and legal fees can fluctuate depending on specific activity or services required in the period.

Adjusted EBITDA

	Three months ended June 30,				Six months ended June 30,			
$ thousands	**2017**	**2016**	**Change $**	**Change %**	**2017**	**2016**	**Change $**	**Change %**
Adjusted EBITDA (1)								
Contract drilling	623	98	525	536%	3,313	1,081	2,232	206%
Production services	505	1,939	(1,434)	(74%)	3,935	4,695	(760)	(16%)
Corporate	(900)	(1,038)	138	(13%)	(1,870)	(2,220)	350	(16%)
	228	999	(771)	(77%)	5,378	3,556	1,822	51%
Adjusted EBITDA margin (%) (1)	2%	7%	n/a	n/a	11%	11%	n/a	n/a

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

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

Adjusted EBITDA of $0.2 million in Q2 2017, a decrease of $0.8 million (-77%) compared to $1.0 million in Q2 2016. The decrease in Adjusted EBITDA in Q2 2017 is due to lower service rig activity when compared to the record setting operating hours in Q2 2016, lower gross profit margins and higher selling and administrative costs. These are partially offset by higher gross profit from Contract Drilling on increased operating days.

For the six months ended June 30, 2017, Adjusted EBITDA of $5.4 million, an increase of $1.8 million (51%) compared to $3.6 million for the same period in 2016. The increase in Adjusted EBITDA is consistent with increased activity ($2.2 million) from the Contract Drilling and lower corporate expenses ($0.4 million), offset by a decrease in Production Services revenue and gross profit margin and an increase in Production Services selling and administrative expenses incurred to support increased activity.

Stock Based Compensation

$ thousands	Three months ended June 30, 2017	2016	Change $	Change %	Six months ended June 30, 2017	2016	Change $	Change %
Stock based compensation	226	135	91	67%	426	219	207	95%

Stock based compensation is primarily a function of outstanding stock options and restricted share units ("RSU's") being expensed over their vesting term. As a generalization, a higher stock based compensation expense will result from a higher trading price of CWC's common shares at the time the stock options and RSU's are granted.

Stock based compensation of $0.2 million in Q2 2017, an increase of $0.1 million (67%) compared to $0.1 million in Q2 2016. Stock based compensation of $0.4 million for the six months ended June 30, 2017, an increase of $0.2 million (95%) compared to $0.2 million in 2016. The increase in 2017 stock based compensation is primarily due to the forfeiture of stock options and RSU's in Q2 2016 on the departure of a senior employee.

Finance Costs

$ thousands	Three months ended June 30, 2017	2016	Change $	Change %	Six months ended June 30, 2017	2016	Change $	Change %
Finance costs	570	840	(270)	(32%)	1,115	1,417	(302)	(21%)

Finance costs of $0.6 million in Q2 2017, a decrease of $0.3 million (-32%) compared to $0.8 million in Q2 2016. Finance costs of $1.1 million for the six months ended June 30, 2017, a decrease of $0.3 million (-21%) compared to $1.4 million in 2016. The decrease in finance costs was due to lower average interest rates, and a reduction in the average outstanding borrowing in 2017 when compared to 2016 following the Q3 2016, repayment of $7.0 million from the proceeds of the $14.6 million rights offering. The remaining $7.6 million was held in a segregated bank account, which for accounting purposes, offset the long-term debt. Finance costs are calculated on the long-term debt excluding the monies held in the segregated bank account.

Depreciation and Amortization

$ thousands	Three months ended June 30, 2017	2016	Change $	Change %	Six months ended June 30, 2017	2016	Change $	Change %
Depreciation and amortization								
Contract drilling	635	404	231	57%	2,412	1,210	1,202	99%
Production services	2,346	2,694	(348)	(13%)	5,286	5,516	(230)	(4%)
Corporate	41	41	-	0%	82	84	(2)	(2%)
	3,022	3,139	(117)	(4%)	7,780	6,810	970	14%

Depreciation and amortization for drilling rigs and service rigs are based on operating days and hours. Coil tubing units, capitalized recertifications and other production equipment are depreciated on a straight line basis resulting in consistent depreciation and amortization expense regardless of activity. Amortization of Intangibles is based on estimated remaining life. As such, the change in depreciation for Q2 2017 and the six months ended June 30, 2017 predominately reflect changes in utilizations compared to the same periods in 2016.

Loss (Gain) on Disposal of Equipment

$ thousands	Three months ended June 30, 2017	2016	Change $	Change %	Six months ended June 30, 2017	2016	Change $	Change %
Loss (Gain) on disposal of equipment	(6)	(31)	25	(81%)	42	114	(72)	(63%)

Management continually monitors the asset mix and equipment needs and invests and divests assets as needed to optimize operations. During Q2 2017 and the first six months of 2017, the loss (gain) on disposal of equipment was the result of the sale of equipment with proceeds on sale of $0.02 million (Q2 2016: $0.1 million) and $0.4 million (2016: $0.2 million) respectively.

Deferred Income Taxes

$ thousands	Three months ended June 30, 2017	2016	Six months ended June 30, 2017	2016
Net loss before income taxes	(3,584)	(3,084)	(3,985)	(5,004)
Deferred income tax recovery	(907)	(805)	(940)	(1,295)
Deferred income tax recovery as a % of net loss before income taxes	25%	26%	24%	26%
Expected statutory income tax rate	27%	27%	27%	27%

Income taxes are a function of taxable income and are calculated differently than accounting net income. Differences between accounting net income and taxable income include such things as gains or losses on disposal of fixed assets, stock based compensation, differences between income tax estimates and actual tax filings, goodwill impairment, and other differences. The deferred income tax recovery in Q2 2017 and first six months ended June 30, 2017 of $0.9 million (Q2 2016: $0.8 million) $0.9 million (2016: $1.3 million) respectively, is a result of the net loss before income taxes in each period.

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

Net Loss and Comprehensive Loss

$ thousands	Three months ended June 30, 2017	2016	Change $	Change %	Six months ended June 30, 2017	2016	Change $	Change %
Net loss and comprehensive loss	(2,677)	(2,279)	(398)	17%	(3,045)	(3,709)	664	(18%)

Net loss and comprehensive loss has increased $0.4 million year-over-year for the quarter and decreased $0.7 million for the six months ended June 30, 2017. In Q2 2016, the increase in Adjusted EBITDA from the Contract Drilling segment combined with lower corporate costs and depreciation and amortization was more than offset by reduced Adjusted EBITDA for Production Services in Q2 2017. For the six months ended June 30, 2017, the increase in Adjusted EBITDA from the Contract Drilling segment and lower corporate costs exceeded lower reduced Adjusted EBITDA from Production Services and the increased depreciation and amortization.

Liquidity and Capital Resources

Source of Funds

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

During the first six months of 2017, the Company's Funds from Operations of $5.4 million combined with $3.5 million from a decrease in non-cash working capital were used to fund $4.4 million in credit facility repayments, $2.9 million in capital expenditures, net of proceeds on disposition, $0.4 million to acquire common shares of CWC under the NCIB, and financing costs of $1.0 million. CWC's cash balance increased to $0.2 million at June 30, 2017.

At June 30, 2017 the Company had working capital (excluding debt) of $8.0 million compared to $11.3 million at December 31, 2016. (Please refer to the "Reconciliation of Non-IFRS Measures" section for further information). The decrease in working capital (excluding debt) from December 31, 2016 is due to lower accounts receivable from lower revenue in Q2 2017 versus Q4 2016 and increased accounts payable. Typically, as activity levels increase or decrease working capital will also increase or decrease.

CWC and its syndicated lenders have agreed to an extension of its credit facilities and certain other amendments to provide financial security and flexibility to July 31, 2020, subject to execution of legal documentation. The amendments further provide the Company access to another equity cure under the same terms and conditions, a reduction in the minimum liquidity from $10.0 million to $5.0 million, and quarterly financial covenant for Consolidated Debt to Consolidated EBITDA ratio as follows:

For the Quarter Ended	Current	Amended
June 30, 2017	4.75 : 1	4.75:1
September 30, 2017	4.50 : 1	4.50:1
December 31, 2017	4.00 : 1	4.00:1
Thereafter	3.50 : 1	4.00:1

The credit facilities are secured by a general security agreement and a first charge security interest covering all of the assets of the Company. Under the terms of the credit facilities, the Company is required to comply with certain financial covenants. As of June 30, 2017, the Company is in compliance with each of the financial covenants. The Company expects to be able to renew the credit facilities prior to maturity.

Effective June 30, 2017, the applicable rates under the Bank Loan are: bank prime rate plus 1.00%, banker's acceptances rate plus a stamping fee of 2.00%, and standby fee rate of 0.45%.

Capital Requirements

As utilization of the Company's equipment increases, CWC plans to recertify several of its service rigs. As at June 30, 2017, the Company has capital spending plans as noted in the section titled "Capital Expenditures". Additional discretionary capital expenditures will be required in order to continue to grow the Company's assets and revenue in the future. It is anticipated future cash requirements for capital expenditures will be met through a combination of funds from operations and borrowing against existing credit facilities as required. However, additional funds may be raised by new debt instruments, equity issuances and proceeds from the sale of assets.

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

Common Shares and Dividends

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

	August 2, 2017	June 30, 2017	December 31, 2016
Common shares	391,707,842	391,632,842	391,920,676
Stock options	20,241,000	20,241,000	21,791,000
Restricted share units	3,817,167	3,892,167	4,473,000

During the six months ended June 30, 2017, 833,333 stock options were exercised and 716,667 were forfeited. In addition, 525,833 RSU's were exercised, 130,000 were forfeited and 75,000 were granted.

During Q1 2017, the Company had an NCIB which allowed it to purchase, from time to time as it considers advisable, up to 19,512,200 of issued and outstanding common shares through the facilities of the TSX Venture Exchange ("TSXV"). The price that the Company paid for any common share under the NCIB was the prevailing market price on the TSXV at the time of such purchase. During Q1 2017, 282,500 common shares were purchased under the NCIB and 169,000 common shares were cancelled and returned to treasury. Subsequent to Q1 2017, an additional 113,500 common shares were cancelled and returned to treasury.

On April 7, 2017, the Company renewed its NCIB which now expires on April 6, 2018. Under the NCIB the Company may purchase, from time to time as it considers advisable, up to 19,653,292 of issued and outstanding common shares through the facilities of the TSXV. In addition, CWC entered into an automatic securities purchase plan (the "ASPP") (as defined under applicable securities laws) with Raymond James Ltd. ("Raymond James") for the purpose of making purchases under the ASPP. Such purchases will be determined by Raymond James in its sole discretion, without consultation with CWC having regard to the price limitation and aggregate purchase limitation and other terms of the ASPP and the rules of the TSXV. Conducting the NCIB as an ASPP allows common shares to be purchased at times when CWC would otherwise be prohibited from doing so pursuant to securities laws and its internal trading policies. During Q2 2017, 1,404,000 common shares were purchased under the ASPP and 1,364,500 common shares were cancelled and returned to treasury, bringing the total for the six months ended June 30, 2017 to 1,686,500 of which 1,647,000 were cancelled and returned to treasury.

Capital Expenditures

	Three months ended June 30,				Six months ended June 30,			
$ thousands	2017	2016	Change $	Change %	2017	2016	Change $	Change %
Contract drilling	1,138	268	870	325%	1,284	294	990	337%
Production services	1,283	100	1,183	n/m[1]	1,789	340	1,449	426%
Corporate	3	7	(4)	(57%)	9	7	2	29%
Total capital expenditures	2,424	375	2,049	546%	3,082	641	2,441	381%
Growth capital	372	-	372	n/m[1]	372	-	372	n/m[1]
Maintenance and infrastructure capital	2,052	375	1,677	447%	2,710	641	2069	323%
Total capital expenditures	2,424	375	2,047	546%	3,082	641	2,441	381%

[1] Not meaningful.

Capital expenditures for the first six months of 2017 of $3.1 million are $2.5 million higher than $0.6 million in 2016 and primarily consist of drilling rig upgrades, recertification costs, replacement components and leased vehicles. This compares to 2016 capital expenditures consisting of recertification costs and one leased vehicle. Growth capital of $0.4 million in Q2 2017 is for upgrades to drilling rig #4 which began in Q2 2017 and is expected to be completed in July 2017 at a total cost of approximately $1.1 million. The upgrade will increase hook-load, racking capacity, and pumping power as well as an improvement to the well control.

The 2017 capital expenditure budget of $5.9 million was approved by the Board of Directors on December 6, 2016 comprised of $5.4 million of maintenance and infrastructure capital related to recertifications, additions and upgrades to field equipment for the drilling rigs, service rigs and coil tubing divisions as well as for information technology and $0.5 million of growth capital.

Commitments and Contractual Obligations

Under the terms of the Company's amended credit facilities, the borrowing under the credit facilities are due in full on July 31, 2018. The Company is committed to monthly payments of interest and bank charges until July 31, 2018. CWC and its syndicated lenders have agreed to an extension of its credit facilities and certain other amendments to provide financial security and flexibility to July 31, 2020, There have been no significant changes in other commitments or contractual obligations since December 31, 2016. Management believes that there will be sufficient cash flows generated from operations to service the interest on the debt and finance the required maintenance and growth capital of the Company in 2017.

Summary and Analysis of Quarterly Data

$ thousands, except per share amounts	2017		2016				2015	
Three months ended	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30
Revenue	15,114	32,580	20,922	18,506	13,884	19,740	18,787	21,135
Adjusted EBITDA	228	5,150	2,923	1,741	999	2,557	2,327	3,679
Net loss	(2,677)	(368)	(1,717)	(2,042)	(2,279)	(1,430)	(6,747)	(18,103)
Net loss per share: basic and diluted	(0.01)	0.00	0.00	(0.01)	(0.01)	0.00	(0.02)	(0.06)
Total assets	203,265	218,171	210,750	212,634	212,440	218,906	222,428	236,246
Total long-term debt	28,887	38,987	33,142	34,013	32,235	50,765	52,241	57,519
Shareholders' equity	152,596	155,358	155,482	156,605	158,515	146,116	147,462	153,503

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

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

Other significant impacts have been a result of:

- Q2 2017 saw the initiation of a process to review strategic alternatives. During Q2 2017, 1,404,000 common shares were purchased under the NCIB and a total of 1,478,000 common shares were cancelled and returned to treasury.
- Q1 2017 saw significantly higher operating activity in the Company's Contract Drilling and Production Services segments than what had been experienced in the last eight to twelve quarters;
- Q4 2016 saw improved utilizations in both drilling and service rig activity as a result of increased global crude oil and natural gas prices after OPEC's agreement on crude oil production cuts;
- Q3 2016 activity and pricing continued to be negatively impacted by low global crude oil and natural gas prices. However, the Company continued to see leading market share and utilization of its service rigs;
- Q2 2016 service rig fleet worked a record 21,730 operating hours, the highest second quarter in the company's previous eleven years despite a very challenging industry operating environment, which continued to reduce hourly rates. The prolonged downturn and pricing pressure had a significant impact on the utilization of the Company's Contract Drilling division as the need to drill new wells by E&P customers were at extremely low levels;
- Q1 2016 activity and pricing continued to be negatively impacted by low global crude oil and natural gas prices. However, the Company saw a significant increase in its market share and utilization of its service rigs during a period of declining industry activity;
- Q4 2015 activity and pricing continued to be negatively impacted by low global crude oil and natural gas prices. Q4 2015 net loss included an impairment of drilling rig, service rig and coil tubing property and equipment and intangible assets totaling $6.9 million;
- Q3 2015 saw improved utilizations in drilling and service rig activity compared to Q2 2015 due in part to improved crude oil pricing in Q2 2015. Q3 2015 net loss includes a $17.3 million impairment in goodwill and assets held for sale. The goodwill arose on the purchase of Ironhand Drilling Inc. in Q2 2014.

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 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, 2016.

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 June 30, 2017 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 most recent Annual Information Form which is available under the Company's profile at www.sedar.com or by contacting the Company.

Forward-Looking Information

This MD&A contains certain forward-looking information and statements within the meaning of applicable Canadian securities legislation. Certain statements contained in this MD&A, including most of those contained in the section titled "Outlook" and including statements which may contain such words as "anticipate", "could", "continue", "should", "seek", "may", "intend", "likely", "plan", "estimate", "believe", "expect", "will", "objective", "ongoing", "project" and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements including management's assessment of future plans and operations, planned levels of capital expenditures, expectations as to activity levels, expectations on the sustainability of future cash flow and earnings and the ability to pay dividends, expectations with respect to crude oil and natural gas prices, activity levels in various areas, 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 expanding its customer base, 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, 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 June 30, 2017	2016	Six months ended June 30, 2017	2016
NON-IFRS MEASURES				
Adjusted EBITDA:				
Net loss and comprehensive loss	(2,677)	(2,279)	(3,045)	(3,709)
Add:				
Depreciation	3,022	3,139	7,780	6,810
Finance costs	570	840	1,115	1,417
Deferred income tax recovery	(907)	(805)	(940)	(1,295)
Stock based compensation	226	135	426	219
Loss (gain) on sale of equipment	(6)	(31)	42	114
Adjusted EBITDA (1)	228	999	5,378	3,556
Adjusted EBITDA per share – basic and diluted(1)	$0.00	$0.00	$0.01	$0.01
Adjusted EBITDA margin (Adjusted EBITDA/Revenue) (1)	2%	7%	11%	11%
Weighted average number shares outstanding – basic and diluted	392,935,814	324,840,096	392,604,720	308,738,337
Gross margin:				
Revenue	15,114	13,884	47,622	33,624
Less: Direct operating expenses	11,764	9,886	35,782	24,002
Gross margin (2)	3,350	3,998	11,840	9,622
Gross margin percentage (2)	22%	29%	25%	29%

$ thousands	June 30, 2017	December 31, 2016
Working capital (excluding debt):		
Current assets	15,973	18,692
Less: Current liabilities	(8,113)	(7,535)
Add: Current portion of long term debt	158	176
Working capital (excluding debt) (3)	8,018	11,333
Working capital (excluding debt) ratio (3)	2.0:1	2.5:1
Net debt:		
Long term debt	28,729	32,966
Less: Current assets	(15,973)	(18,692)
Add: Current liabilities	8,113	7,535
Net debt (4)	20,869	21,809

(1) Adjusted EBITDA (Earnings before interest and finance costs, income tax expense, depreciation, amortization, gain or loss on disposal of asset, goodwill impairment, stock based compensation and other one-time gains and losses) is not a recognized measure under IFRS. Management believes that in addition to net earnings, Adjusted EBITDA is a useful supplemental measure as it provides an indication of the Company's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes, pay dividends, repurchase common shares under the Normal Course Issuer Bid, and fund capital programs. Investors should be cautioned, however, that Adjusted EBITDA should not be construed as an alternative to net income (loss) and comprehensive 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 as revenue less direct operating costs and is used to assist management and investors in assessing the Company's financial results from operations excluding fixed overhead costs. Gross margin percentage is calculated as gross margin divided by revenue. The Company believes the relationship between revenue and costs expressed by the gross margin percentage is a useful measure when compared over different financial periods as it demonstrates the trending relationship between revenue, costs and margins. Gross margin and gross margin percentage are non-IFRS measures and do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures provided by other companies.

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

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

CWC ENERGY SERVICES CORP.

Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2017 and 2016

CWC ENERGY SERVICES CORP.
STATEMENTS OF FINANCIAL POSITION
(unaudited)

Stated in thousands of Canadian dollars	Note	**June 30, 2017**	December 31, 2016
ASSETS			
Current			
Cash		**$ 225**	$ 2
Accounts receivable		**12,450**	15,335
Inventory		**2,241**	2,191
Prepaid expenses and deposits		**1,057**	1,164
		15,973	18,692
Property and equipment	5	**186,721**	191,334
Intangibles		**571**	724
		$ 203,265	$ 210,750
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 7,955**	$ 7,359
Current portion of long-term debt	6	**158**	176
		8,113	7,535
Deferred tax liability		**13,827**	14,767
Long-term debt	6	**28,729**	32,966
		50,669	55,268
SHAREHOLDERS' EQUITY			
Share capital	7	**241,554**	242,306
Contributed surplus		**7,758**	6,847
Deficit		**(96,716)**	(93,671)
		152,596	155,482
		$ 203,265	$ 210,750

See accompanying notes to the condensed interim financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF COMPREHENSIVE LOSS

For the three and six months ended June 30, 2017 and 2016
(unaudited)

Stated in thousands of Canadian dollars except per share amounts	Note	**Three months ended June 30** 2017	2016	**Six months ended June 30** 2017	2016
Revenue		**$ 15,114**	**$** 13,884	**$47,622**	$ 33,624
Expenses	10				
Direct operating expenses		**11,764**	9,886	**35,782**	24,002
Selling and administrative expenses		**3,122**	2,999	**6,462**	6,066
Stock based compensation	7	**226**	135	**426**	219
Finance costs	6	**570**	840	**1,115**	1,417
Depreciation and amortization		**3,022**	3,139	**7,780**	6,810
(Gain) Loss on disposal of equipment		**(6)**	(31)	**42**	114
		18,698	16,968	**51,607**	38,628
Net loss before income taxes		**(3,584)**	(3,084)	**(3,985)**	(5,004)
Deferred income tax recovery		**(907)**	(805)	**(940)**	(1,295)
Net loss and comprehensive loss		**$ (2,677)**	$ (2,279)	**$ (3,045)**	$ (3,709)
Loss per share					
Basic and diluted	7	**(0.01)**	$ (0.01)	**(0.01)**	$ (0.01)

See accompanying notes to the condensed interim financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CHANGES IN EQUITY

For the three and six months ended June 30, 2017 and 2016
(unaudited)

Stated in thousands of Canadian dollars except share amounts	Note	**Number of Shares**	**Share Capital**	**Contributed Surplus**	**Deficit**	**Total Equity**
Balance – January 1, 2016		292,628,007	$ 227,149	$ 6,516	$ (86,203)	$ 147,462
Net loss and comprehensive loss		-	-	-	(3,709)	(3,709)
Stock based compensation expense	7	-	-	219	-	219
Settlement of restricted share units	7	145,000	111	(111)	-	-
Issued common shares on exercise of rights offering (net of share issue costs)		97,546,002	14,543	-	-	14,543
Balance – June 30, 2016		390,319,009	$ 241,803	$ 6,624	$ (89,912)	$ 158,515
Balance - January 1, 2017		**391,920,676**	**$ 242,306**	**$ 6,847**	**$ (93,671)**	**$ 155,482**
Net loss and comprehensive loss		**-**	**-**	**-**	**(3,045)**	**(3,045)**
Stock based compensation expense	7	**-**	**-**	**426**	**-**	**426**
Exercise of stock options	7	**833,333**	**166**	**(58)**	**-**	**108**
Settlement of restricted share units	7	**525,833**	**124**	**(124)**	**-**	**-**
Cancellation of common shares purchased under normal course issuer bid	7	**(1,647,000)**	**(1,042)**	**667**	**-**	**(375)**
Balance – June 30, 2017		**391,632,842**	**241,554**	**7,758**	**(96,716)**	**152,596**

See accompanying notes to the condensed interim financial statements.

CWC ENERGY SERVICES CORP.

STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2017 and 2016

(unaudited)

Stated in thousands of Canadian dollars	Note	**Three months ended June 30** **2017**	2016	**Six months ended June 30** **2017**	2016
Operating activities:					
Net loss		**$ (2,677)**	$ (2,279)	**$ (3,045)**	$ (3,709)
Adjustments for:					
Stock based compensation expense	7	**226**	135	**426**	219
Finance costs		**570**	840	**1,115**	1,417
Depreciation and amortization		**3,022**	3,139	**7,780**	6,810
(Gain) Loss on disposal of equipment		**(6)**	(31)	**42**	114
Deferred income tax recovery		**(907)**	(805)	**(940)**	(1,295)
Funds from operations		**228**	999	**5,378**	3,556
Changes in non-cash working capital balances	8	**13,259**	4,121	**3,538**	3,793
Operating cash flow		**13,487**	5,120	**8,916**	7,349
Investing activities:					
Purchase of equipment		**(2,336)**	(376)	**(2,956)**	(562)
Proceeds on disposal of equipment		**6**	117	**26**	206
Investing cash flow		**(2,330)**	(259)	**(2,930)**	(356)
Financing activities:					
Repayment of long-term debt		**(10,203)**	(18,306)	**(4,410)**	(19,869)
Interest paid		**(496)**	(762)	**(968)**	(1,250)
Finance costs paid		**--**	(244)	**-**	(269)
Finance lease repayments		**(58)**	(58)	**(117)**	(114)
Common shares issued on exercise of rights offering		**-**	14,632	**-**	14,632
Share issue costs		**-**	(123)	**-**	(123)
Common shares issued on exercise of options		**-**	-	**108**	-
Common shares purchased under NCIB		**(312)**	-	**(376)**	-
Financing cash flow		**(11,069)**	(4,861)	**(5,763)**	(6,993)
Increase in cash during the period		**88**	-	**223**	-
Cash, beginning of period		**137**	2	**2**	2
Cash, end of period		**$ 225**	$ 2	**225**	$ 2

See accompanying notes to the condensed interim financial statements.

1. Reporting entity

CWC Energy Services Corp. ("CWC" or the "Company") is incorporated under the Business Corporations Act (Alberta). The address of the Company's head office is Suite 610, 205 – 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, on the Company's website www.cwcenergyservices.com, or by contacting the Company at the address noted above.

On May 4, 2017, CWC announced a process to review strategic alternatives with a view to maximizing shareholder value by capitalizing on CWC's strong financial and operational performance, market share and attractive fleet of modern assets. The Special Committee of the Board of Directors, their financial advisors and management of CWC continue to evaluate several potential alternatives and proposals received to date. The Company has not established a definitive timeline to complete its review and no decision on any particular alternative has been reached at this time. CWC does not intend to disclose developments with respect to the strategic alternatives process unless and until the Board of Directors approve a definitive transaction or other course of action or otherwise deem disclosure of developments is appropriate or otherwise required by law. CWC cautions that there are no guarantees that the strategic alternatives process will result in a transaction, or if a transaction is undertaken, as to its terms or timing.

2. Basis of presentation

(a) Statement of compliance

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

These condensed interim financial statements were approved by the Board of Directors on August 2, 2017.

(b) Use of estimates and judgments

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

In preparing these condensed interim financial statements, the significant judgments 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, 2016.

3. Significant accounting policies

The accounting policies applied by the Company in these condensed 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, 2016. These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto as at and for the year ended December 31, 2016 as filed on SEDAR.

(a) 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 ending December 31, 2017. The following new standards, amendments to standards and interpretations have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements, except for:

Stated in thousands of Canadian dollars except share and per share amounts

IFRS 15, Revenue from Contracts with Customers. This standard specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. IFRS 15 also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts and a number of revenue-related interpretations. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied for periods beginning on or after January 1, 2018 with early application permitted. The Company has developed a transition plan to implement IFRS 15. The Company has substantially completed the assessment phase and has also commenced the impact assessment. The Company has concluded on a preliminary basis to use the modified retrospective approach on transition date, in which a cumulative catch-up adjustment will be recorded through equity upon initial adoption. Additionally, we continue to monitor international developments of the standard as a component of our impact evaluation.

IFRS 16, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Company is currently in the process of identifying leasing contracts to determine the impact that the adoption of IFRS 16 may have on its 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 drilling and 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 service 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 once more maximizing site access. However, there may be temporary halts to operations in extreme cold weather when the temperature falls below -35C.

5. Property and equipment

	Contract drilling equipment	Production services equipment	Other equipment	Total
Costs				
Balance, December 31, 2016	$ 108,947	$ 204,078	$ 1,874	$ 314,899
Additions	1,284	1,789	9	3,082
Disposals	(76)	(167)	-	(243)
Balance, June 30, 2017	110,155	205,700	1,883	317,738
Accumulated depreciation and impairment losses				
Balance, December 31, 2016	15,073	106,944	1,548	123,565
Depreciation	2,260	5,286	82	7,628
Disposals	(8)	(168)	-	(176)

Stated in thousands of Canadian dollars except share and per share amounts

Balance, June 30, 2017	**17,325**	**112,062**	**1,630**	**131,017**
Net book value				
Balance, June 30, 2017	**$ 92,830**	**$ 93,638**	**$ 253**	**$ 186,721**

Additions of property and equipment include purchases of assets under finance lease which are recorded at cost totaling $126.

6. Loans and borrowings

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

	June 30, 2017	December 31, 2016
Current liabilities:		
Current portion of finance lease liabilities	**$ 158**	$ 176
	$ 158	$ 176
Non-current liabilities:		
Bank Loan	**$ 28,922**	$ 33,333
Finance lease liabilities	**124**	97
Financing fees	**(317)**	(464)
	$ 28,729	$ 32,966
Total loans and borrowings	**$ 28,887**	$ 33,142

The Company has credit facilities with a syndicate of four Canadian financial institutions (the "Credit Facility"). The Credit Facility provides the Company with a $65,000 extendible revolving term facility (the "Bank Loan") and other credit instruments. The Bank Loan is for a committed term until July 31, 2018 (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 Consolidated Debt to Consolidated EBITDA (1) ratio from a minimum of the bank's prime rate plus 0.75% to a maximum of the bank's prime rate plus 3.75% 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 4.75%. Standby fees under the Bank Loan range between 0.39% and 1.07%. Interest and fees under the Bank Loan are 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 June 30, 2017, of the $65,000 Bank Loan facility, $26,076 was available for immediate borrowing and $36,649 was outstanding (December 31, 2016: $41,013). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings up to $125,000, 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 June 30, 2017, the applicable rates under the Bank Loan are: bank prime rate plus 1.00%, banker's acceptances rate plus a stamping fee of 2.00%, and standby fee rate of 0.45%.

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

Stated in thousands of Canadian dollars except share and per share amounts

	Covenant limits	Actual June 30, 2017
Consolidated Debt[2] to Consolidated EBITDA[1]	4.75:1.00 or less	1.64:1.00
Consolidated Debt[2] to Capitalization[3]	0.50:1.00 or less	0.19:1.00
Consolidated Adjusted Cash Flow[4] to Consolidated Finance Obligations[5]	1.15:1.00 or more	4.33:1.00

[1] Consolidated EBITDA is calculated as net income plus finance costs, plus current and deferred income taxes, plus depreciation, plus stock based compensation, plus any non-recurring losses or impairment losses, or permitted severance costs, 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. EBITDA 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. Consolidated EBITDA is increased if debt repayments from the proceeds of equity issuance are used to repay the syndicated facility and designated by the Company as an Equity Cure amount. The Consolidated Debt to Consolidated EBITDA covenant limit reduces to 4.50:1.00 at September 30, 2017, to 4.00:1.00 at December 31, 2017 and to 3.50:1.00 thereafter.
[2] Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted to exclude the funds held in the segregated account and 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 Consolidated EBITDA minus amounts paid for transaction costs, dividends or share repurchases in the twelve month period ended the calculation date. The Calculation of Adjusted Cash Flow excludes Consolidated EBITDA resulting from an Equity Cure.
[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.

On June 2, 2016, the Company received gross proceeds of $14,632 from a rights offering of common shares of which the funds were placed into a segregated bank account. On July 9, 2016, $7,000 was paid on the Bank Loan. At June 30, 2017 the remaining $7,632 plus earned interest has been offset against long-term debt as the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. On July 4, 2017, the remaining $7,632 plus earned interest was paid on the Bank Loan and the segregated bank account closed. Consolidated Debt to Consolidated EBITDA at June 30, 2017 includes the impact of a $7,632 equity cure designated on July 4, 2017.

Subsequent to June 30, 2017, CWC and its syndicated lenders have agreed to an extension of its credit facilities and certain other amendments to provide financial security and flexibility to July 31, 2020, subject to execution of legal documentation.

	June 30, 2017		
	Cash	**Long-Term Debt**	**Net**
Gross amounts	**$ 7,951**	**$ (36,455)**	**$ (28,504)**
Amount offset	**(7,726)**	**7,726**	**-**
Net amounts	**$ 225**	**$ (28,729)**	**$ (28,504)**

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 5.1% 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 $147 were amortized and included in finance costs during the three months ended June 30, 2017 (year ended December 31, 2016: $313).

Stated in thousands of Canadian dollars except share and per share amounts

7. Share capital

(a) Authorized

Unlimited number of Common voting shares without par value.
Unlimited number of Preferred shares without par value.

(b) 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 19,653,292 of its issued and outstanding common shares at prevailing market prices on the TSX Venture Exchange or other recognized marketplaces during the twelve month period ending April 6, 2018.

On April 7, 2017, CWC entered into an automatic securities purchase plan (the "ASPP") (as defined under applicable securities laws) with Raymond James Ltd. ("Raymond James") for the purpose of making purchases under the ASPP. Such purchases will be determined by Raymond James in its sole discretion, without consultation with CWC having regard to the price limitation and aggregate purchase limitation and other terms of the ASPP and the rules of the TSXV. Conducting the NCIB as an ASPP allows common shares to be purchased at times when CWC would otherwise be prohibited from doing so pursuant to securities laws and its internal trading policies.

For the three months ended June 30, 2017, 1,404,000 shares (2016: nil) for consideration of $312, including commissions (2016: nil) were purchased under the NCIB, and for the six months ended June 30, 2017, 1,686,500 shares (2016: nil) for consideration of $376 (2016: Nil) including commissions were purchased under the NCIB. In the three months ended June 30, 2017, a total of 1,478,000 shares were cancelled and returned to treasury (2016: nil) and in the six months ended June 30, 2017, a total of 1,647,000 shares were cancelled and returned to treasury (2016: nil).

(c) 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, 2016	21,791,000	$ 0.27
Exercised for common shares	**(833,333)**	**0.13**
Expired	**(716,667)**	**0.63**
Balance at June 30, 2017	**20,241,000**	**$ 0.27**

For the three months ended June 30, 2017, stock-based compensation expense relating to stock options totaled $159 (three months ended June 30, 2016: $90). For the six months ended June 30, 2017, stock-based compensation expense relating to stock options totaled $300 (six months ended June 30, 2016: $156).

(d) Restricted share unit plan

The following table summarizes information about RSUs outstanding as at June 30, 2017:

Issue date fair value	Number of RSUs outstanding	Weighted average remaining life (years) contractual	Weighted average exercise price ($)	Number of RSUs exercisable
$0.09 – 1.04	**3,892,167**	**2.17**	**n/a**	**1,080,835**

Stated in thousands of Canadian dollars except share and per share amounts

For the three months ended June 30, 2017, stock-based compensation expense relating to RSUs totaled $67 (2016: $45). For the six months ended June 30, 2017, stock-based compensation expense relating to RSUs totaled $126 (2016: $63).

For the six months ended June 30, 2017, 525,833 RSUs were exercised (2016: 145,000), 130,000 RSUs were forfeited (2016: 270,001) and 75,000 RSUs were issued (2016: 300,000).

(e) Loss per share

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

	For the three months ended June 30,		**For the six months ended June 30,**	
	2017	2016	**2017**	2016
Weighted average common shares outstanding – basic	**392,935,814**	324,840,096	**392,604,720**	308,738,337
Effect of dilutive share-based compensation plans	**-**	-	**-**	-
Weighted average common shares outstanding – basic and diluted	**392,935,814**	324,840,096	**392,604,720**	308,738,337

Outstanding stock options and RSUs are currently the only instruments which could potentially dilute earnings per share. For the three and six months ended June 30, 2017, the effect of all outstanding stock options and RSUs were not included in the computation of net loss per common share because to do so would be anti-dilutive.

8. Supplemental cash flow information

	For the three months ended June 30,		**For the six months ended June 30,**	
	2017	2016	**2017**	2016
Change in non-cash working capital items:				
Accounts receivable	**$ 14,662**	$ 3,327	**$ 2,885**	$ 2,955
Inventory	**(66)**	85	**(50)**	118
Prepaid expenses and deposits	**(200)**	64	**107**	426
Accounts payable and accrued liabilities	**(1,137)**	645	**596**	294
	$ 13,259	$ 4,121	**$ 3,538**	$ 3,793

9. Operating segments

The Company operates in the western Canadian oilfield service industry through its Contract Drilling and Production Services segments. The Contract Drilling segment provides drilling rigs and related ancillary equipment to oil and gas exploration and production companies. The Production Services segment provides well services to oil and gas exploration and production companies through the use of service rigs and coil tubing units.

Management uses net income before depreciation and income taxes ("segment profit") in 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.

Stated in thousands of Canadian dollars except share and per share amounts

The amounts related to each industry segment are as follows:

For the three months ended June 30, 2017	Contract Drilling	Production Services	Corporate	Total
Revenue	$ 3,042	$ 12,072	$ -	$ 15,114
Direct operating expenses	2,228	9,536	-	11,764
Selling and administrative expenses	191	2,031	900	3,122
Stock based compensation	-	-	226	226
Finance costs	-	-	570	570
Gain on disposal of equipment	-	(6)	-	(6)
Net income (loss) before depreciation and taxes	623	511	(1,696)	(562)
Depreciation and amortization	635	2,346	41	3,022
Net loss before tax	(12)	(1,835)	(1,737)	(3,584)
Deferred income tax recovery	-	-	(907)	(907)
Net loss	(12)	(1,835)	(830)	(2,677)
Capital expenditures	1,138	1,277	9	2,424
As at June 30, 2017				
Property and equipment	92,830	93,638	253	186,721
Intangibles	571	-	-	571

For the three months ended June 30, 2016	Contract Drilling	Production Services	Corporate	Total
Revenue	$ 1,414	$ 12,470	$ -	$ 13,884
Direct operating expenses	1,073	8,813	-	9,886
Selling and administrative expenses	243	1,718	1,038	2,999
Stock based compensation	-	-	135	135
Finance costs	-	-	840	840
Loss on disposal of equipment	(25)	(6)	-	(31)
Net income (loss) before depreciation and taxes	123	1,945	(2,013)	55
Depreciation and amortization	404	2,694	41	3,139
Net loss before tax	(281)	(749)	(2,054)	(3,084)
Deferred income tax recovery	-	-	(805)	(805)
Net loss	(281)	(749)	(1,249)	(2,279)
Capital expenditures	268	107	-	375
As at June 30, 2016				
Property and equipment	95,428	102,010	292	197,730
Intangibles	876	-	-	876

Stated in thousands of Canadian dollars except share and per share amounts

For the six months ended June 30, 2017	Contract Drilling	Production Services	Corporate	Total
Revenue	$ 14,178	$ 33,444	$ -	$ 47,622
Direct operating expenses	10,431	25,351	-	35,782
Selling and administrative expenses	434	4,158	1,870	6,462
Stock based compensation	-	-	426	426
Finance costs	-	-	1,115	1,115
(Gain) loss on disposal of equipment	48	(6)	-	42
Net income (loss) before depreciation and taxes	3,265	3,941	(3,411)	3,795
Depreciation and amortization	2,412	5,286	82	7,780
Net income (loss) before tax	853	(1,345)	(3,493)	(3,985)
Deferred income tax recovery	-	-	(940)	(940)
Net income (loss)	853	(1,345)	(2,553)	(3,045)
Capital expenditures	1,284	1,789	9	3,082

For the six months ended June 30, 2016	Contract Drilling	Production Services	Corporate	Total
Revenue	$ 5,533	$ 28,091	$ -	$ 33,624
Direct operating expenses	4,042	19,960	-	24,002
Selling and administrative expenses	410	3,436	2,220	6,066
Stock based compensation	-	-	219	219
Finance costs	-	-	1,417	1,417
Loss on disposal of equipment	(25)	139	-	114
Net income (loss) before depreciation and taxes	1,106	4,556	(3,856)	1,806
Depreciation and amortization	1,210	5,516	84	6,810
Net loss before tax	(104)	(960)	(3,940)	(5,004)
Deferred income tax recovery	-	-	(1,295)	(1,295)
Net income loss	(104)	(960)	(2,645)	(3,709)
Capital expenditures	294	340	7	641

Stated in thousands of Canadian dollars except share and per share amounts

10. Expenses by nature

For the three months ended June 30, 2017	Direct operating expenses	Selling and administrative expenses	Stock based compensation	Finance costs	Depreciation expense	Gain on disposal of equipment	Total
Personnel expenses	$ 7,963	$ 1,908	$ 226	$ -	$ -	$ -	$ 10,097
Other operating expenses (1)	3,801	-	-	-	-	-	3,801
Other selling and administrative expenses	-	782	-	-	-	-	782
Bad debt recovery	-	-	-	-	-	-	-
Facility expenses	-	432	-	-	-	-	432
Finance costs	-	-	-	570	-	-	570
Depreciation expense	-	-	-	-	3,022	-	3,022
Gain on disposal of equipment	-	-	-	-	-	(6)	(6)
Total	$ 11,764	$ 3,122	$ 226	$ 570	$ 3,022	$ (6)	$ 18,698

For the three months ended June 30, 2016	Direct operating expenses	Selling and administrative expenses	Stock based compensation	Finance costs	Depreciation expense	Gain on disposal of equipment	Total
Personnel expenses	$ 6,941	$ 1,645	$ 135	$ -	$ -	$ -	$ 8,721
Other operating expenses (1)	2,945	-	-	-	-	-	2,945
Other selling and administrative expenses	-	819	-	-	-	-	819
Bad debt expense	-	(26)	-	-	-	-	(26)
Facility expenses	-	561	-	-	-	-	561
Finance costs	-	-	-	840	-	-	840
Depreciation expense	-	-	-	-	3,139	-	3,139
Gain on disposal of equipment	-	-	-	-	-	(31)	(31)
Total	$ 9,886	$ 2,999	$ 135	$ 840	$ 3,139	$ (31)	$ 16,968

For the six months ended June 30, 2017	Direct operating expenses	Selling and administrative expenses	Stock based compensation	Finance costs	Depreciation expense	Loss on disposal of equipment	Total
Personnel expenses	$ 24,270	$ 3,816	$ 426	$ -	$ -	$ -	$ 28,512
Other operating expenses (1)	11,512	-	-	-	-	-	11,512
Other selling and administrative expenses	-	1,681	-	-	-	-	1,681
Bad debt recovery	-	(2)	-	-	-	-	(2)
Facility expenses	-	967	-	-	-	-	967
Finance costs	-	-	-	1,115	-	-	1,115
Depreciation expense	-	-	-	-	7,780	-	7,780
Loss on disposal of equipment	-	-	-	-	-	42	42
Total	$ 35,782	$ 6,462	$ 426	$ 1,115	$ 7,780	$ 42	$ 51,607

Stated in thousands of Canadian dollars except share and per share amounts

For the six months ended June 30, 2016	Direct operating expenses	Selling and administrative expenses	Stock based compensation	Finance costs	Depreciation expense	Loss on disposal of equipment	Total
Personnel expenses	$ 16,745	$ 3,407	$ 219	$ -	$ -	$ -	$ 20,371
Other operating expenses (1)	7,257	-	-	-	-	-	7,257
Other selling and administrative expenses	-	1,326	-	-	-	-	1,326
Bad debt expense	-	201	-	-	-	-	201
Facility expenses	-	1,132	-	-	-	-	1,132
Finance costs	-	-	-	1,417	-	-	1,417
Depreciation expense	-	-	-	-	6,810	-	6,810
Loss on disposal of equipment	-	-	-	-	-	114	114
Total	$ 24,002	$ 6,066	$ 219	$ 1,417	$ 6,810	$ 114	$ 38,628

(1) Other operating expenses consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Repairs and maintenance	**$ 1,530**	$ 1,045	**$ 5,008**	$ 2,835
Fuel	**994**	790	**3,448**	1,946
Operating supplies and consumables	**273**	388	**799**	573
Travel and accommodation	**245**	219	**654**	533
License, registration and permits	**247**	264	**630**	496
Certification and inspection	**351**	132	**619**	378
Equipment rental	**95**	96	**187**	370
Other	**66**	11	**167**	126
	$ 3,801	$ 2,945	**$ 11,512**	$ 7,257

Corporate Information

Directors
Jim Reid, Chairman
Duncan T. Au[1]
Daryl Austin
Gary L. Bentham[1,2]
Wade McGowan[1, 2]
Dean Schultz[2]

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

Officers
Duncan Au, CPA, CA, CFA
President & Chief Executive Officer

Craig Flint, CPA, CA
Chief Financial Officer

Paul Donohue
Vice President Operations (Drilling)

Darwin McIntyre
Vice President Operations (Well Services)

Bob Apps
Vice President, Sales and Marketing (Drilling)

Mike Dubois
Vice President, Sales and Marketing (Well Services)

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
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