CATHEDRAL

NEWS RELEASE
April 14, 2023
Calgary, Alberta

CATHEDRAL ENERGY SERVICES ANNOUNCES RECORD FOURTH QUARTER AND STRONGEST ANNUAL RESULTS IN CORPORATE HISTORY

Cathedral Energy Services Ltd. (the "Company" or "Cathedral" / TSX: CET) announces its consolidated financial results for the three months and year ended December 31, 2022 and 2021.

Dollars in 000's except per share amounts.

This news release contains "forward-looking statements" within the meaning of applicable Canadian securities laws. For a full disclosure of forward-looking statements and the risks to which they are subject, see "Forward-Looking Statements" later in this news release. This news release contains references to Adjusted gross margin (gross margin plus non-cash items of depreciation and amortization and share-based compensation), Adjusted gross margin % (adjusted gross margin divided by revenues), Adjusted EBITDAS (earnings before finance costs, unrealized foreign exchange on intercompany balances, taxes, depreciation and amortization, non-recurring costs (including acquisition and restructuring costs and non-cash provision for bad debts), write-down of equipment, write-down of inventory and share-based compensation) and Free cash flow (Cash flow - operating activities prior to changes in non-cash working capital, income taxes paid (refund) and non-recurring costs less property, plant and equipment additions, excluding assets acquired in business combinations, cash lease payments offset by proceeds from disposition of property, plant and equipment). These terms do not have standardized meanings prescribed under International Financial Reporting Standards (IFRS) and may not be comparable to similar measures used by other companies, see "Non-GAAP Measures" later in this news release.

KEY TAKEAWAYS FOR FISCAL 2022

- Consolidated revenue of $298,401 in fiscal 2022 was a record for the Company's 25-year history and up 377% vs 2021.
- Adjusted EBITDAS for 2022 also posted a new record for the Company at $68,187, which compares to $4,829 in 2021.
- Adjusted EBITDAS margin % was 23%, up from 8% in 2021.
- Net income for the year was $18,347 as compared to a loss of $8,626 in 2021 – marking a return to profitability earlier than many companies in the energy service sector.
- Highest level of quarterly revenue for both the Canadian and U.S. divisions, bettering the individual records set in 2022 Q3.
- Fourth quarter 2022 Adjusted EBITDAS of $30,284 was the highest for any quarter, exceeding the prior record of $28,065 in 2022 Q3.
- The Company generated Free cash flow of $20,678 in the fourth quarter demonstrating the efficiency of a business model with lower capital intensity.
- Cathedral significantly increased its North American footprint and cemented one of the top positions in market share for the onshore U.S. directional drilling market with the acquisition in 2022 Q3 of Altitude Energy Partners ("Altitude") for $124,112. Cathedral also acquired U.S.-based Discovery Downhole Services in February for $20,892.
- Cathedral acquired Compass Directional in Canada as well as the Canadian operating assets and personnel of Ensign Energy Services' directional drilling business. Cathedral also signed a Marketing and Technology Alliance with Ensign, the second such alliance in Cathedral's portfolio.
- Canadian directional drilling market share hit a new high watermark in 2022 Q4, averaging 27.8% and up from 24.3% in 2022 Q3. Cathedral's Canadian market share was 18.1% in 2021.
- The Company closed 2022 with loans and borrowings less cash of $69,360 as compared to $81,786 as at September 30, 2022.
- The Board of Directors has approved a 2023 net capital expenditure budget of $46,000, increased from $35,000, which was preliminarily approved by the Board of Directors in 2022 Q4 to enable advance orders of strategic equipment for delivery in early 2023.
- A strengthened U.S. dollar also positively impacted results during fiscal 2022.

PRESIDENT'S MESSAGE

Comments from President & CEO Tom Connors:

The year 2022 was one of the most productive years in the Company's 25-year history. We continue to differentiate the Company by building a strategic moat around the business through size and scale in the North American directional drilling market. Expanding on our first two consolidation-focused Canadian acquisitions in 2021, Cathedral made five additional acquisitions in 2022 - three in Canada and two in the U.S. The purchase of Compass Directional and the Canadian directional drilling assets and personnel from Ensign Energy Services were the third and fourth consolidation transactions in Canada, ones that pushed the Company's 2022 Q4 directional drilling to a record market share of 27.8% - up roughly ten percent from the previous year. Compass added market share and excellent people in the Montney, Canada's most important natural gas and gas liquids play, while Ensign added key people, new clients and a Marketing and Technology Alliance with a leading land driller. The third Canadian acquisition in 2022 was the purchase of Lexa Drilling Technologies, which added promising Measurement-While-Drilling ("MWD") technology for the U.S. marketplace.

While we made substantial strides in the growth of our Canadian business with several acquisitions, the most significant moves in 2022 were made in the U.S. The July acquisition of Altitude Energy Partners, LLC for $124,112 was the largest transaction in Cathedral's history and immediately added strong market share and excellent directional drilling personnel in several key resource plays such as the Permian, U.S. Rockies, the Bakken, and Haynesville. Altitude's executive leadership, based in Houston, also became the go-forward leadership team for Cathedral's legacy U.S. directional drilling business. A key synergy and significant incremental growth opportunity going forward is the ability to replace third-party MWD equipment rentals with Cathedral-sourced technology as Altitude built a successful business while renting MWD technology from third party service providers. Altitude also provided an entry for Cathedral into the U.S. rotary steerable market – one that is outgrowing the underlying directional drilling market and one that offers a much greater revenue capture opportunity for the Company going forward. Altitude enters 2023 with 16 rotary steerable systems ("RSS"), on the way to 20 by year-end 2023.

Another significant milestone in our U.S. growth strategy was the acquisition of the operating assets of Discovery Downhole Services for $20,892 in February 2022. Discovery's high-performance mud motor rental business and key people operate out of locations in North Dakota, Texas and Wyoming. Discovery provides a platform to expand our high-performance mud motor offering to a wider customer base by renting both direct to leading exploration and production ("E&P") customers and to our competitors that may lack the appropriate assets. Due to the demand for high performance mud motor technology, Discovery's fleet has maintained high levels of utilization, providing an attractive payback on our investment. With a common fleet of mud motors from the same original equipment manufacturer for both Discovery and Altitude, we will also benefit from operational synergies going forward.

We continue to pursue further scale through accretive transactions. Our shareholders will benefit through that expansion as we become more investible to a wider audience, drive margin expansion through lower unit costs, and further differentiate ourselves in the market through the development and sustainment of leading-edge technology. We view the companies we purchase as partners and key members of the Cathedral team with a vested interest in our continued growth and success. To encourage alignment, and enhance longer term returns, vendors take meaningful quantities of equity that vests over time. As we continue to seek out opportunities for growth, we are also always very mindful of the cyclical nature of our business and the importance of maintaining a conservative and flexible capital structure.

We continue to support organic growth initiatives in both Canada and the U.S. In Canada, we have deployed an alternative RSS tool that we believe will build an incremental market following as we build on a successful operational track record and introduce the tool to more clients and reservoir types. In the U.S., there is a sizable Adjusted EBITDAS capture opportunity within our U.S. operations as third party-rented MWD systems can get replaced with Cathedral-supplied systems. Beyond tool development, we also intend to work closely with our technology alliance partners – Precision Drilling and Ensign Energy Services. Both are attempting leading-edge solutions to better integrate directional drilling tools with the increasingly-automated operations of the drilling rig itself. The value capture arises from reducing the human footprint on a wellsite, adding margin for both the contract driller and Cathedral while contributing to reducing our carbon footprint on location.

Beyond the upside potential of executing on our company-specific strategy, we also believe in the strength of the macro backdrop in the coming years. It has become very clear that seven years of underinvestment in the global oil and natural gas business (years 2014 - 2021) is showing the underlying tightness of markets. The onset of the war in Ukraine has laid bare the vulnerabilities of global supply as countries now rush to re-order their domestic energy priorities, ones that will include the need for substantial oil and natural gas for decades at a minimum. Global LNG was already growing in importance and now its importance is accelerating. Canada will have its first major project - LNG Canada - in the coming two years while the U.S. is on pace to become the unchallenged global leader. Cathedral is extremely well-positioned to help develop the necessary supply in both major markets – an exciting long-term, organic growth opportunity. Notwithstanding the current volatility in financial markets, generally, and in the commodity markets more directly, we believe that any capital spending pullbacks by E&P companies will be relatively short-lived. The underlying supply-demand balance for oil and natural is simply too tight.

We enter 2023 – our 25th year as a company - with a strong opportunity set in front of us. We continue to examine ways to add further size and scale in key jurisdictions and with excellent companies, where the potential to be part of a leading consolidator is an attractive next step to an established player in the space. Most importantly, I want to finish by saying a tremendous thank you to all Cathedral staff - longstanding and new - who have helped make 2022 one for the record books. Strategy is one thing, but it takes a very strong team to deliver - and you delivered in 2022. I can't wait to see what we can achieve together in 2023 and the years to follow.

STRATEGIC OVERVIEW AND PROGRESS TO DATE

With the completion of a very active and productive year in 2022, it is valuable to review Cathedral's ongoing strategic vision and plan which has allowed for such a dramatic turnaround in the size, scale and financial performance of the Company. Shareholders must note that Cathedral shares had been trading at $0.19 the day prior to February 8, 2021, the date of the appointment of the new CEO. The Company had just completed the 2020 fiscal year, in which it would eventually report revenue of around $40,500 and Adjusted EBITDAS of roughly nil. At that point, Cathedral had survived the brutal, seven-year energy downcycle of 2014 - 2021 (compounded by the effects of COVID-19). The Company needed a new strategy to vault itself back into a position of relevance to our E&P client base as well as to investors who increasingly demand liquidity in their investment portfolios.

In a cyclical business, the urgency to achieve our mission of size and scale early in the cycle and harvest later in the cycle was imperative. These past two years, we have focused on actively executing our strategy and delivering on our plan by completing multiple accretive acquisitions in both Canada and the U.S. – the two most important land drilling markets for a Canadian-based energy services company. The global energy and energy services sectors have made it very clear that size and scale matter more than ever.

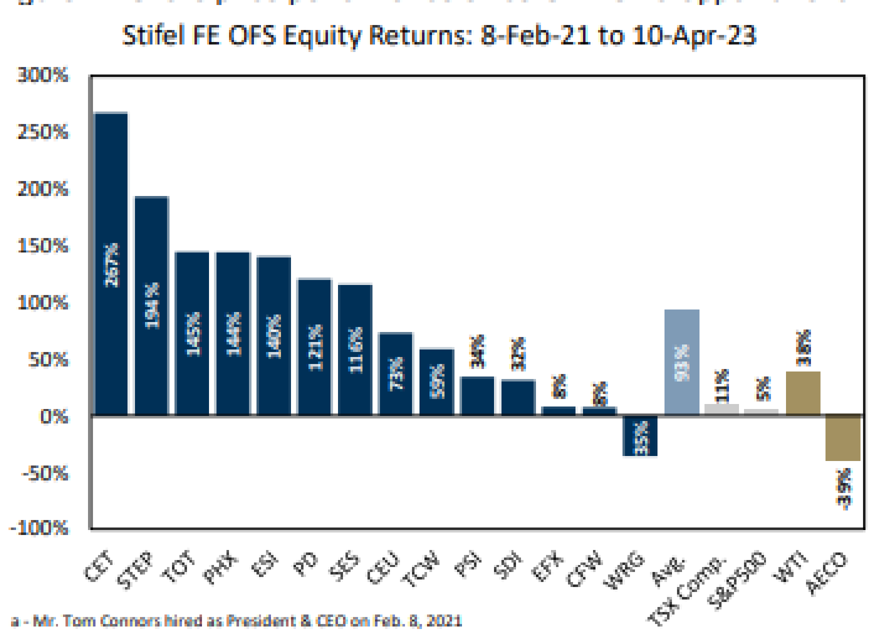
A slow depletion of tier-one drillable inventory, after so many years of underinvestment, has led E&P companies to combine in order to maximize their production efficiencies, improve their balance sheets and return capital to shareholders. The same E&P companies have demanded, in turn, that energy services companies maximize the efficiencies of their own product, service and technology offerings which further requires, or is best served with the benefits of scale.

After two years, we still believe we have more to accomplish and we are proud of the value we have created for shareholders as our strategy bears fruit. Since 2021, we have also grown our analyst coverage from one to five investment banks covering Cathedral, who are now forecasting over $500,000 in 2023 revenue and Adjusted EBITDAS over $130,000. The most visible measure of success of a public company is its equity value per share, and many shareholders have enjoyed tremendous appreciation in their shareholdings since 2021. Indeed, a recent report from one of the covering investment banks put Cathedral as the top performing Canadian energy service investment since February 8, 2021. We are excited about our prospects and opportunities to add further growth and significant scale to our business as we execute on our mission. We are confident that we have the right team and the right strategy in place to continue to deliver shareholder value, again in 2023 and onwards.

Specific highlights of the strategic vision include:

- The existing board recognized the changing industry dynamics and hired its new President and Chief Executive Officer in February 2021 to lead the initiative to transform Cathedral into a dominant industry player.
- Since February 2021, Cathedral has completed seven acquisitions and a $26,500 bought deal financing.
- Cathedral exited 2021 with $4,800 Adjusted EBITDAS, exited 2022 with $68,200 Adjusted EBITDAS, and is forecasted by industry analysts to potentially surpass $130,000 Adjusted EBITDAS in 2023.
- The Company has established a large U.S. footprint and experienced management team.
- Management teams are aligned with equity and material ownership in the business.
- Over 70% of revenue is expected to come from the U.S. market in 2023.
- The Company has a dominant share of the Canadian market, averaging almost 28% in 2022 Q4.
- Canadian acquisitions made us stronger by enhancing our management depth and experience.
- Generated higher levels of free cash flow and steady margin improvement in all markets.
- Established as a leading industry consolidator.
- A plan that has delivered industry-leading results to date (see chart, source: Stifel Research, Bloomberg) with a pipeline of potential opportunities for accretive transactions that, if they transpire, could transform the business yet again.

Figure 1 - Share price performance since CET CEO appointment



Source: Stifel Research, Bloomberg

FINANCIAL HIGHLIGHTS

Dollars in 000's except per share amounts

	Three months ended December 31 2022	2021	% change	Year ended December 31 2022	2021	% change
Revenues	$ 128,518	$ 23,710	442%	$ 298,401	$ 62,524	377%
Adjusted gross margin % (1)	28%	17%		28%	18%	
Adjusted EBITDAS (1)	$ 30,284	$ 1,132	2,575%	$ 68,187	$ 4,829	1,312%
Adjusted EBITDAS margin % (1)	24%	5%		23%	8%	
Cash flow - operating activities	$ 14,360	$ 601	2,289%	$ 23,960	$ (3,499)	n/m
Free cash flow	$ 20,678	$ (1,685)	n/m	$ 42,462	$ (2,150)	n/m
Net income (loss)	$ 10,270	$ (1,097)	n/m	$ 18,347	$ (8,626)	n/m
Basic and diluted per share	$ 0.05	$ (0.01)		$ 0.11	$ (0.13)	
Weighted average shares outstanding						
Basic (000s)	221,475	80,197		162,551	65,031	
Diluted (000s)	226,564	81,425		166,129	65,740	

	December 31 2022	December 31 2021
Working capital	$ 44,712	$ 14,117
Total assets	$ 353,990	$ 75,423
Loans and borrow ings, excluding current portion	$ 64,800	$ 5,035
Shareholders' equity	$ 153,897	$ 42,504

(1) Refer to "NON-GAAP MEASUREMENTS"

"n/m" = not meaningful

2022 ACQUISITIONS

A summary of the acquisitions for the year ended December 31, 2022 are as follows:

	Discovery	Compass	LEXA	Altitude	Ensign	Total
Consideration:						
Number of shares issues	5,254,112	6,253,475	1,772,727	67,031,032	7,017,988	87,329,334
Issue price	$ 0.52	$ 0.69	$ 0.63	$ 0.55	$ 0.85	
Common shares	$ 2,732	$ 4,315	$ 1,117	$ 36,867	$ 5,965	$ 50,996
Settlement of technology license from pre-existing relationship	-	-	644	-	-	644
Cash	18,160	4,000	-	87,245	-	109,405
Total consideration	$ 20,892	$ 8,315	$ 1,761	$ 124,112	$ 5,965	$ 161,045
Allocation of purchase price						
Cash	$ -	$ -	$ 70	$ 4,754	$ -	$ 4,824
Inventory	3,301	444	-	8,768	1,790	14,303
Other net w orking capital	-	-	291	(1,068)	-	(777)
Property, plant and equipment	17,591	8,518	-	43,667	4,175	73,951
Right of use assets	1,579	316	-	2,354	-	4,249
Lease liabilities assumed	(1,579)	(316)	-	(2,354)	-	(4,249)
Intangibles	-	-	1,574	35,720	-	37,294
Goodw ill	-	-	-	37,753	-	37,753
Deferred tax liability	-	(647)	(174)	(5,482)	-	(6,303)
Total	$ 20,892	$ 8,315	$ 1,761	$ 124,112	$ 5,965	$ 161,045

As discussed in the following LEXA section, the consideration and value of intangibles was increased $644 due to the settlement of a technology license ageement due to a pre-existing relationship.

Discovery Downhole Services

On February 10, 2022, the Company announced the closing of Cathedral's acquisition of the operating assets of Discovery Downhole Services ("Discovery"). The acquisition includes the operating assets and non-executive personnel of Discovery's U.S.- based, high-performance mud motor technology rental business with operations in North Dakota, Texas, and Wyoming.

Cathedral paid $18,160 in cash consideration funded by a new term loan and issued 5,254,112 common shares for a total consideration of $20,892. In addition to a four-month statutory hold period on the common shares, the parties have agreed to contractual restrictions on resale as follows: 25% are restricted until February 10, 2023; a further 25% are restricted until August 10, 2023; and a further 50% are restricted until February 10, 2024, subject to certain exceptions.

For the period from February 10, 2022 to December 31, 2022, the assets acquired generated revenues of $31,841 and operating income before depreciation and interest of $14,357. For the period from January 1, 2022 to February 9, 2022 revenue was $2,286 and operating profit before depreciation and interest was $717.

The Company has expensed $147 in costs related to this transaction.

Compass Directional Services

On June 22, 2022, the Company acquired the operating assets of Compass Directional Services Ltd. ("Compass"). Compass is a privately-owned, Canadian directional drilling business operating in the Western Canadian Sedimentary Basin, with a focus on the high-activity Montney and Deep Basin plays.

Cathedral paid $4,000 in cash consideration and issued 6,253,475 common shares for a total consideration of $8,315. The common shares are subject to contractual restrictions of resale as follows: 25% are restricted until June 22, 2023; a further 25% are restricted until December 22, 2023; and a further 50% are restricted until June 22, 2024, subject to certain exceptions.

Additionally, 1,389,664 common shares were issued pursuant to an escrow arrangement and are subject to contractual restrictions over four years with one quarter of the shares vesting each year on the anniversary of the purchase. These common shares are registered to Cathedral's 100% owned subsidiary, 2438155 Alberta Ltd. (held in trust for the beneficiary) and are classified as Treasury shares and will be recognized as compensation expense over the vesting period. On issuance, these Treasury shares were valued at $959.

As the acquired assets were integrated into Cathedral's existing directional drilling operations it is impractical to breakout the revenue and profit or loss of the acquired assets since the acquisition.

The Company has expensed $178 in costs related to this transaction.

LEXA Drilling Technologies Inc.

The Company purchased the shares of LEXA Drilling Technologies Inc. ("LEXA"), a Calgary-based, downhole technology company for equity consideration in Cathedral. LEXA is focused on the development and commercialization of high data rate positive pulse measure-while-drilling ("MWD") technology. They are also focused on developing technology that enhances and enables drilling automation through remote downhole directional equipment.

On June 17, 2022, the Company acquired 90.98% of the shares of LEXA, its technology and products in development, Cathedral issued 1,612,891 common shares, which were subject to a four-month restriction period. On July 19, 2022, the Company acquired the remaining 9.02% of the shares of LEXA in exchange for 159,836 common shares from Rod Maxwell, a director of Cathedral. These shares are also subject to a four-month hold period.

LEXA and Cathedral were parties to a technology licensing agreement under which LEXA allowed Cathedral access to specific technologies. This pre-existing relationship was effectively settled when Cathedral acquired LEXA, in accordance with IFRS 3 Business Combinations. The amount paid for the pre-existing contract was attributed to consideration transferred and recognized as an intangible asset. No gain or loss was recorded on this deemed settlement.

Prior to the acquisition, Cathedral was the only revenue source for LEXA so there are no revenues or operating profit before depreciation and interest to report.

Altitude Energy Partners, LLC

On July 13, 2022, the Company through its wholly owned U.S. subsidiary, Flight, closed the acquisition of Altitude through payment of cash in the amount of $87,245 and the issuance of 67,031,032 common shares in of Cathedral for total consideration of $124,112. Additionally, the Company assumed lease liabilities and a deferred tax liability. The common shares are subject to contractual restrictions on resale over a period of four to sixty months.

Altitude was a privately-held, U.S.- based, directional drilling services business with headquarters in Wyoming, executive leadership based in Houston, and significant operations in Texas, most prominently in the Permian Basin. The Company continues to use the Altitude name and brand in the U.S. Cathedral's former U.S. directional drilling business has been integrated into Altitude's business.

The Company acquired intangible assets of $35,720 as part of the acquisition including customer relationships, non-compete agreements and brand name. The fair values of customer relationships, non-compete agreements and brand name acquired in the business acquisition were determined using an income approach. The customer relationships and non-compete agreements were fair valued using the multi-period excess earnings and with-and-without methods, respectively. The valuation methods are based on the discounted cash flows expected to be derived from the ownership of the assets. To estimate the fair value of the brand name acquired, the relief from royalty method was applied to forecast revenue using an appropriate notional royalty rate.

The goodwill of $37,753 recorded for the Altitude acquisition consists mainly of the value of the expertise and reputation of the assembled workforce acquired, future growth opportunities, the geographic location of the acquiree and potential synergies arising in the form of cost savings. For U.S. tax purposes, approximately 70% of the goodwill will be deducted over 15 years based on cash paid as consideration.

For the period of July 14 to December 31, 2022, the acquired entity generated revenues of $136,140 and operating income before interest of $18,135. Revenues and operating profit for the period of January 1 to July 13, 2022 were $130,518 and $16,659, respectively.

The Company has expensed $1,439 in costs related to this transaction.

Ensign Energy Services Canadian directional drilling business

On October 26, 2022, the Company acquired the operating assets and personnel of Ensign Energy Services' Canadian directional drilling business for a purchase price of $5,965 through the issuance of 7,017,988 common shares of Cathedral. In addition to a four-month statutory hold period, the common shares are subject to contractual restrictions of resale as follows: 25% were restricted until April 26, 2023; a further 25% were restricted until October 26, 2023; and a further 50% are restricted until October 26, 2024, subject to certain exceptions.

As the acquired assets were integrated into Cathedral's existing directional drilling operations it is impractical to breakout the revenue and profit or loss of the acquired assets since the acquisition.

The Company has expensed $43 in costs related to this transaction.

RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 31

The Company has two operating segments based on its geographic operating locations of Canada and U.S. and a non-operating segment, for joint corporate costs ("Corporate services"). The Company determines its reportable segments based on internal information regularly reviewed by management to allocate resources and assess performance. The Corporate services segment is comprised of costs which are managed on a group basis and are not allocated to the operating segments. The Corporate services segment primarily consists of general and administrative expenses, foreign exchange gains (losses), interest expenses and acquisition and reorganization costs.

Revenues and operating expenses

Three months ended December 31,		2022		2021
Revenue				
Canada	$	42,673	$	18,535
United States		85,845		5,175
Total revenue	$	128,518	$	23,710
Cost of sales		(103,929)		(22,992)
Gross margin	$	24,589	$	718
Gross margin %		19%		3%
Adjusted gross margin (1)	$	35,551	$	4,064
Adjusted gross margin % (1)		28%		17%
Income (loss) before income taxes				
Canada	$	3,882	$	(213)
United States		17,197		(14)
Corporate services		(5,526)		(870)
Total	$	15,553	$	(1,097)

(1) Refer to "NON-GAAP MEASUREMENTS"

Revenues and cost of sales

2022 Q4 revenues were $128,518, which represented an increase of $104,808 or 442% from 2021 Q4 revenues of $23,710. The increases were due to 2022 acquisitions and internal growth.

Gross margin for 2022 Q4 was 19% compared to 3% in 2021 Q4. Adjusted gross margin (see Non-GAAP Measurements) for 2022 Q4 was $35,551 or 28% compared to $4,064 or 17% for 2021 Q4.

Adjusted gross margin, as a percentage of revenue, increased due to lower field labour and a reduction in fixed costs as percentage of revenue partially offset by increased repairs and third-party equipment rental costs.

Depreciation of equipment allocated to cost of sales increased to $10,660 in 2022 Q4 from $3,323 in 2021 Q4 due to property, plant and equipment additions, including acquisitions in 2022. Depreciation included in cost of sales as a percentage of revenue was 8% for 2022 Q4 and 14% in 2021 Q4.

Canadian segment

The Canadian segment has significantly increased its operating results due to internal growth and 2022 acquisitions.

Canadian revenues increased to $42,673 in 2022 Q4 from $18,535 in 2021 Q4, an increase of $24,138 or 130%. This increase was the result of: i) a 83% increase in activity days to 3,617 in 2022 Q4 from 1,974 in 2021 Q4 and ii) a 26% increase in the average day rate to $11,798 in 2022 Q4 from $9,390 in 2021 Q4.

Based on publicly disclosed Canadian drilling and directional drilling days, Cathedral's market share for 2022 Q4 was 27.8% compared to 18.1% in 2021 Q4. The increase in day rates was due to an increase in day rates to compensate for escalating operating costs, including field labour rates.

Canadian adjusted gross margin as a percentage of revenue were 28% in 2022 Q4 compared to 21% in 2021 Q4. This increase was due to lower third-party equipment rental costs and a reduction in fixed costs as a percentage of revenue, partially offset by higher repair expenses.

U.S. segment

The U.S. segment has significantly increased as a result of acquisitions completed in 2022.

U.S. revenues increased to $85,845 in 2022 Q4 from $5,175 in 2021 Q4, an increase of $80,670 or 1,559%. This increase was the result of: i) an 769% increase in activity days to 3,205 in 2022 Q4 from 369 in 2021 Q4; and ii) a 91% increase in the average day rate to $26,785 in 2022 Q4 from $14,026 in 2021 Q4 (when converted to Canadian dollars).

Based on publicly disclosed U.S. drilling rig activity, Cathedral's U.S. market share for 2022 Q4 was 6.3% compared to under 1% in 2021 Q4. Day rates in USD increased to $19,721 compared to $11,152 primarily due to the change in client mix and type of work performed.

U.S. adjusted gross margin as a percentage of revenues were 28% in 2022 Q4 compared to 2% in 2021 Q4. This increase was due to due to lower field labour, repairs and a reduction in fixed costs as percentage of revenue, partially offset by higher third-party equipment rental expenses.

Selling, general and administrative ("SG&A") expenses SG&A expenses were $11,535 in 2022 Q4; an increase of $8,735 compared with $2,800 in 2021 Q4. Depreciation and amortization charged to SG&A was a recovery of $635 compared to expense of $134 in 2021 Q4. SG&A excluding depreciation and amortization as percentage of revenue was 9% compared to 11% in 2021 Q4.

There were increases in SG&A wages, commissions, insurance and general increase in all other expenses, such as travel and promotion, which had been reduced to minimal levels due to COVID-19. Most year-over-year increases related to 2022 acquisitions.

Technology group expenses Technology group expenses were $418 in 2022 Q4, an increase of $204 compared with $214 in 2021 Q4. Technology group expenses are related to new product development and supporting and upgrading existing technology. Technology group expenses consist of salaries and related benefits and burdens as well as shop supplies.

Gain (loss) on disposal of equipment During 2022 Q4, the Company had a gain on disposal of equipment of $6,937 compared to $664 in 2021 Q4. These gains are mainly related to equipment lost-in-hole. Proceeds from clients on lost-in-hole equipment are based on amounts specified in service agreements. The timing of lost-in-hole recoveries is not in the control of the Company and therefore can fluctuate significantly from quarter-to-quarter. In 2022 Q4, the Company received proceeds on disposal of equipment of $10,501 (2021 Q4 - $1,275).

Finance costs Finance costs consisting of interest expenses on loans and borrowings and bank charges were $3,266 for 2022 Q4 compared to net recovery ($53) for 2021. The Company incurred fees of $1,424 related to the Syndicated Facility of which was recognized as finance costs during the year ended December 31, 2022. The remaining increase is due to the increased debt level due to the acquisitions and increases in interest rates.

Finance costs lease liability Lease liability interest increased slightly to $200 from $189.

Foreign exchange The Company had a foreign exchange gain of $737 in Q4 2022 compared to $78 in Q4 2021 due to the fluctuations of the Canadian dollar relative to the U.S. dollar. The Company's foreign operations are denominated in USD and therefore, upon consolidation, gains and losses due to fluctuations in the foreign currency exchange rates are recorded as other comprehensive income on the balance sheet as a component of equity. However, gains and losses in the Canadian entity on U.S. denominated intercompany balances continue to be recognized in the statement of comprehensive income (loss). Included in the 2022 Q4 foreign currency gain is an unrealized gain of $709 (2021 Q4 – $136) related to intercompany balances.

Acquisition and restructuring costs Acquisition and restructuring costs were $1,184 in 2022 Q4 compared to $21 in 2021 Q4. These costs consist of professional and consulting fees incurred on business combinations and subsequent restructuring costs, including severance.

Impairment and direct write-downs In 2022, there was a write-down of inventory of $107 related to certain inventory items that were classified by management as slow moving. In 2021, there was a reversal on a U.S. right of use asset that was subleased in the amount of $768 and partially offset by write-down of inventory of $154 for a net reversal of $614. The inventory write-down relates to parts that are unlikely to be used to repair the Company's tool.

Income tax Income tax expense is booked based upon expected annualized rates using the statutory rates of 23% for each of Canada the U.S.

RESULTS OF OPERATIONS - 2022 COMPARED TO 2021

Year ended December 31,		2022		2021
Revenue				
Canada	$	117,683	$	45,961
United States		180,718		16,563
Total revenue	$	298,401	$	62,524
Cost of sales		(243,419)		(63,556)
Gross margin	$	54,982	$	(1,032)
Gross margin %		18%		-2%
Adjusted gross margin (1)	$	84,291	$	11,429
Adjusted gross margin % (1)		28%		18%
Income (loss) before income taxes				
Canada	$	9,142	$	(1,711)
United States		31,108		(3,610)
Corporate services		(17,289)		(3,305)
Total	$	22,961	$	(8,626)

(1) Refer to "NON-GAAP MEASUREMENTS"

Revenues and cost of sales

2022 revenues were $298,401, which represented an increase of $235,877 or 377% from revenues of $62,524 in 2021. The increases were due to 2022 acquisitions, a full year's operation for 2021 acquisitions and internal growth.

Gross margin for 2022 was 18% compared to negative 2% in 2021. Adjusted gross margin (see Non-GAAP Measurements) for 2022 was $84,291 or 28% compared to $11,429 or 18% for 2021.

Adjusted gross margin, as a percentage of revenue, increased due to lower field labour and a reduction in fixed costs as percentage of revenue partially offset by increased third-party equipment rental costs.

Depreciation of equipment allocated to cost of sales increased to $28,687 in 2022 from $12,372 in 2021 due to capital additions, including from the acquisitions in 2022. Depreciation included in cost of sales as a percentage of revenue was 10% for 2022 and 20% in 2021.

Canadian segment

The Canadian segment has significantly increased its operating results due to internal growth, 2022 acquisitions and a full year of operation of the 2021 acquisitions.

Canadian revenues increased to $117,683 in 2022 from $45,961 in 2021; an increase of $71,722 or 156%. This increase was the result of: i) a 104% increase in activity days to 10,844 in 2022 from 5,325 in 2021 and ii) a 26% increase in the average day rate to $10,852 in 2022 from $8,631 in 2021.

Based on publicly disclosed Canadian drilling and directional drilling days, Cathedral's market share for 2022 was 22.5% compared to 18.1% in 2021. The increase in day rates was to compensate for escalating operating costs, including field labour rates.

Canadian adjusted gross margin, as a percentage of revenue increased to 28.5% from 26% as lower field labour, repairs, trucking and a reduction in fixed costs as percentage of revenue which were partially offset by increased third-party equipment rental costs.

U.S. segment

The U.S. segment has significantly increased as a result of acquisitions completed in 2022.

U.S. revenues increased to $180,718 in 2022 from $16,563 in 2021, an increase of $164,155 or 991%. This increase was the result of: i) an 435% increase in activity days to 6,818 in 2022 from 1,274 in 2021; and ii) a 104% increase in the average day rate to $26,506 in 2022 from $13,001 in 2021 (when converted to Canadian dollars). Day rates in USD increased to $19,986 compared to $10,385 primarily due to the change in client mix and type of work performed.

Based on publicly disclosed U.S. drilling rig activity, Cathedral's U.S. market share for 2022 was 3.4% compared to under 1% in 2021.

U.S. adjusted gross margin as a percentage of revenues was 28% in 2022 compared to negative 3% in 2021 due to lower field labour, repairs and a reduction in fixed costs as percentage of revenue, partially offset by higher third-party equipment rental expenses.

Selling, general and administrative ("SG&A") expenses SG&A expenses were $31,707 in 2022; an increase of $23,238 or 274% compared with $8,469 in 2021. Depreciation and amortization charged to SG&A was $3,009 (1% of revenues) compared to $535 (1% of revenues) in 2021. SG&A excluding non-cash items as percentage of revenue was 9% compared to 12% in 2021.

There were increases in SG&A wages, commissions, insurance and general increase in all other expenses, such as travel and promotion, which had been reduced to minimal levels due to COVID-19. Most year-over-year increases related to 2022 acquisitions.

Technology group expenses Technology group expenses were $1,271 in 2022; an increase of $524 compared with $747 in 2021. Technology group expenses are related to new product development and supporting and upgrading existing technology. Technology group expenses consist of salaries and related benefits and burdens as well as shop supplies.

Gain (loss) on disposal of equipment During 2022, the Company had a gain on disposal of equipment of $13,492 compared to $2,681 in 2021. These gains are mainly related to equipment lost-in-hole. Proceeds from clients on lost-in-hole equipment are based on amounts specified in service agreements. The timing of lost-in-hole recoveries is not in the control of the Company and therefore can fluctuate significantly from quarter-to-quarter. In 2022, the Company received proceeds on disposal of equipment of $21,795 (2021 - $3,553).

Finance costs Finance costs consisting of interest expenses on loans and borrowings and bank charges were $5,290 for 2022 compared to $196 for 2021. The Company incurred fees of $1,508 related to the Syndicated Facility of which was recognized as finance costs during the year ended December 31, 2022. The remaining increase is due to the increased debt level due to the acquisitions and increases in interest rates.

Finance costs lease liability Lease liability interest decreased slightly to $784 from $794.

Foreign exchange The Company had a foreign exchange loss of ($2,180) in 2022 compared to a gain of $277 in 2021 due to the fluctuations of the Canadian dollar relative to the U.S. dollar. The Company's foreign operations are denominated in USD and therefore, upon consolidation, gains and losses due to fluctuations in the foreign currency exchange rates are recorded as other comprehensive income on the balance sheet as a component of equity. However, gains and losses in the Canadian entity on U.S. denominated intercompany balances continue to be recognized in the statement of comprehensive income (loss). Included in the 2022 foreign currency loss is an unrealized loss of $1,802 (2021 – gain of $366) related to intercompany balances.

Acquisition and restructuring costs Acquisition and restructuring costs were $4,174 in 2022 compared to $960 in 2021. These costs consist of professional and consulting fees incurred on business combinations and subsequent restructuring costs, including severance.

Impairment and direct write-downs In 2022, there was a write-down of inventory of $107 related to certain inventory items that were classified by management as slow moving. In 2021, there was a reversal on a U.S. right of use asset that was subleased in the amount of $768 and partially offset by write-down of inventory of $154 for a net reversal of $614. The inventory write-down relates to parts that are unlikely to be used to repair the Company's tools.

Income tax Income tax expense is booked based upon expected annualized rates using the statutory rates of 23% for each of Canada the U.S.

LIQUIDITY AND CAPITAL RESOURCES

Overview On an annualized basis, the Company's principal source of liquidity is cash generated from operations and proceeds from equipment lost-in-hole. In addition, the Company has the ability to fund liquidity requirements through its credit facility and the issuance of debt and/or equity. Cash flow – operating activities for the year ended December 31, 2022 was a source of cash of $23,960 compared to a use of cash of ($3,499) in 2021. This change was primarily due to increases in cash flow from improved drilling activity in 2022 and Cathedral's increase in Canadian and U.S. market share. Cathedral intends to use the free cash flow generated in 2023 to continue to pay down debt while remaining opportunistic in making strategic, accretive acquisitions.

Working capital At December 31, 2022, the Company had working capital of $44,712 (December 31, 2021 - $14,117).

Contractual commitments and contingencies As at December 31, 2022, the Company's contractual commitment to purchase property, plant and equipment is approximately $5,556. Cathedral anticipates expending these funds in 2023 Q1 and Q2 subject to supply chain delays. The Company also holds six letters of credit totaling $1,920 related to rent payments, corporate credit cards and a utilities deposit.

The following table outlines the anticipated payments related to contractual commitments subsequent to December 31, 2022:

	Total	2023	2024	2025	2026	2027	Thereafter
Property, plant and equipment purchase obligations	$ 5,556	$ 5,556	$ -	$ -	$ -	$ -	$ -
Loans and borrow ings	80,535	14,900	14,900	50,100	100	100	435
Finance lease liabilities	17,880	3,631	3,054	3,001	2,614	1,477	4,103
Total	$103,971	$ 24,087	$ 17,954	$ 53,101	$ 2,714	$ 1,577	$ 4,538

The Company is involved in various legal claims associated with the normal course of operations. The Company believes that any liabilities that may arise pertaining to such matters would not have a material impact on its financial position.

Share capital At April 13, 2023, the Company has 225,227,967 common shares, 19,377,667 common share purchase warrants and 18,302,400 options outstanding with a weighted average exercise price of $0.36.

2022 CAPITAL PROGRAM

During the year ended December 31, 2022, the Company invested $31,282 (2021 - $5,617) in property, plant and equipment (excluding additions through acquisitions).

The following table details property, plant and equipment additions:

Year ended December 31,		2022	2021
Additions:			
Motors and related equipment	$	12,561	$ 3,495
MWD and related equipment		14,491	2,107
Other		4,230	15
Total capital additions	$	31,282	$ 5,617

The additions of $31,282 (2021 - $5,617) were partially funded by proceeds on disposal of property, plant and equipment of $21,795 (2021 - $3,553).

2023 CAPITAL PROGRAM

The Company's estimated 2023 net capital plan is $46,000, excluding any potential acquisitions. This represents an increase to preliminary guidance of $35,000 released in our 2022 Q3 interim report. The additional funds are targeted at growing our high-performance mud motor, MWD and rotary steerable technology in both Canada and the U.S. The increase in budget is reflective of the opportunities to deploy capital at rates of return that exceed our cost of capital and is evidence of our confidence around 2023 activity levels in North America. Cathedral intends to fund its 2023 capital plan from cash flow from operating activities along with proceeds on equipment lost-in-hole.

OUTLOOK

The year 2023 has started with a weakening of key oil and natural gas pricing vs the last update provided in Cathedral's Q3 news release. WTI oil prices spent most of 2022 above USD $75/bbl and bottomed in 2022 Q4 at approximately $71/bbl. The first quarter of 2023 has seen WTI trade in a general range between USD $65 and $80/bbl – a level that remains economic for the vast majority of our customer E&P companies. A somewhat slow return of Chinese economic activity from the COVID demand shock of 2020-2022 and oil market fears of aggressive central bank interest rate tightening regimes has caused a steady erosion of near-term confidence in oil pricing.

More importantly, the collapse of key North American natural gas pricing markers starting in late December 2022 and continuing to the end of March 2023 has raised fears that aggregate oilfield service sector demand will be impacted beyond the initial E&P re-allocation of capital expenditures from natural gas-focused programs to oil-focused programs. Specifically, U.S. NYMEX ended 2022 falling toward USD $4.50/mmbtu and then immediately breached that level in early 2023 to eventually test $2.06/mmbtu in February 2023 and $2.00/mmbtu toward the end of March. For context, the highwater mark for U.S. natural gas prices was over $10.00/mmbtu in August 2022 amidst fears of insufficient European natural gas in storage for the upcoming winter, a situation that did not materialize amidst a warm European winter. The effect of much lower U.S. NYMEX pricing has been a modest rollover in the U.S. land drilling rig count. Energy equities typically show weakness amidst falling commodity prices and rig counts due to fears of possible pricing weakness in various oilfield service subsectors.

More recently, the prospect of a U.S. regional banking crisis has invoked the ghosts of the global financial crisis of 2008-2009, which was not a kind event to global commodity prices. It is unclear what effect if any the failure of certain U.S. regional banks will have on investor confidence, interest rate policy by the U.S Federal Reserve and other global central banks, but for now commodity prices are reflecting nervousness around commodity demand. As noted earlier, the U.S. land rig count has fallen marginally since the beginning of the year – recently at 734 (Source: Baker Hughes) or down 4% from the year-ending 2022 level of 764 active rigs. Viewed instead through the lens of oil vs natural gas-directed drilling, the decline has been entirely on the "oil" side although occasionally some "oil-directed" rigs have economics more exposed to a fall in natural gas liquids (NGL) pricing. Declines in activity have shown up principally in the Permian, Haynesville and the Marcellus plays of the U.S. Broken down by E&P client-type, almost all of the drilling pull-back appears to be among private E&P companies (Source: Stifel FirstEnergy) who tend to be more commodity price-sensitive. Despite the recent minor weakening in field activity, on a year-to-date average basis through the first 14 weeks, the U.S. land rig count has averaged 743 active rigs in 2023 Q1, up 19% from YTD in 2022 Q1 – much better than many observers realize.

In Canada, the first quarter has been very active for Cathedral and the industry. First quarter drilling levels are typically the strongest each year due to cold weather and favorable land access amidst newly-replenished E&P company capital budgets. The Western Canadian active rig count started the current year at less than 100 via the holiday season lull and rose quickly in January to over 250 before slowly rolling over in early March as first quarter E&P budgets were fully spent. Note that the peak of over 250 active rigs this winter compares favorably to 235 peak active Western Canadian rigs in 2022 Q1. Natural gas-directed drilling has been somewhat more prevalent this winter, with particular year over year growth in the natural gas and gas liquids prone Montney area - up 16% year over year. The Montney will be an important source area for the LNG Canada project set to ship first gas sometime in late-2024 or early-2025.

A consensus of seven Canadian-based energy research analysts points to approximately 17.5% growth in the Canadian drilling rig count in 2023 Q1 vs 2022 Q1 and approximately 23% year over year growth in the U.S. land rig count. [Source: ATB Capital, BMO Capital Markets, Stifel FirstEnergy, National Bank Financial, Peters & Co, Raymond James, TD Securities] For 2023 as a whole, this group of analysts sees an average Canadian rig count of 184 for 2023, up 13.5% from 162 in 2022. Similarly, the consensus of this group is 763 active U.S. land rigs in 2023 vs 705 in 2022, growth of 8.2%. We believe that an expanded North American footprint and diverse client base helps ensure limited changes in spending trends by select customers do not have an outsized impact. Cathedral also has the ability to move some of its assets within a broad national market such as Canada or the U.S. as well as cross-border if the need arises.

Notwithstanding the modest pull-back in U.S. land rig activity, Cathedral remains optimistic on the mid- and longer-term opportunity set in this market. Our strong position in the Permian and U.S. Rockies gives the Company an excellent base to expand operations further in other active areas such as the Haynesville deep gas play once natural gas prices recover and as more U.S. LNG export projects receive a positive FID (final investment decision). Cathedral remains very constructive on Canada as well, especially with the steady progress being made on the build-out of LNG Canada phase one (Trains I and II). Drilling activity has already increased as part of the significant effort needed to fill the plant with sufficient volumes by 2025. Cathedral has a very strong position in the Canadian Montney and Deep Basin, areas that are targeted for key, strategic LNG supply. In short, Cathedral has exposure to all the major growth plays in North America and we will continue to look for ways to grow that exposure in the quarters and years to come. Acquisition opportunities serve to accelerate growth beyond the organic potential already built within the current platform.

CONTROLS AND PROCEDURES

Cathedral's Management Discussion & Analysis ("MD&A") for three and nine months ended September 30, 2022, has been refiled concurrently with the 2022 Q4 and 2022 annual materials to limit the scope of design of Disclosure Controls & Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR") to exclude controls, policies and procedures of Altitude Energy Partners, LLC which was acquired on July 13, 2022, the financial performance of which is include in our September 30, 2022 financial statements. The scope limitation is in accordance with section 3.3(1)(b) of NI 52-109 which allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the end of the fiscal period.

FORWARD LOOKING STATEMENTS

This news release contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "achieve", "believe", "plan", "intend", "objective", "continuous", "ongoing", "estimate", "outlook", "expect", "may", "will", "project", "should" or similar words suggesting future outcomes. In particular, this news release contains forward-looking statements relating to, among other things: future commitments; the 2023 capital program and financing of the program; adding promising MWD technology for U.S. market with LEXA Drilling Technologies acquisition; synergies and significant incremental growth opportunity going forward with the ability to replace third-party MWD equipment rentals with Cathedral-sourced technology in U.S. market; expected revenue capture opportunity for the Company going forward with the addition of Altitude's RSS fleet including four RSS to be added in 2023; expected attractive payback on Discovery acquisition; synergies expected with both Altitude and Discovery operating the same equipment manufacturers tools; benefit for shareholders through acquisitions as Cathedral becomes more investible to a wider audience, able to drive margin expansion through lower unit costs, and further differentiate ourselves in the market through the development and sustainment of leading-edge technology; belief that the deployment of an alternative RSS tool in Canadian market will build an incremental market following as we build on a successful operational track record and introduce the tool to more clients and reservoir types; expected alignment and enhanced longer term returns with vendors taking meaningful quantities of equity that vests over time; intention work with technology partners and resulting value capture; strength of the macro backdrop in the coming years; Cathedral's position to help develop the necessary LNG supply in Canada and U.S. and expected benefits to Cathedral; belief that any capital spending pullbacks by E&P companies will be relatively short-lived; examine ways to add further size and scale in key jurisdictions and with excellent companies, where the potential to be part of a leading consolidator is an attractive next step to an established player in the space; belief there are more things to accomplish and creating value for our shareholders as our strategy bears fruit; research analysts on Cathedral who are now forecasting over $500,000 in 2023 revenue and Adjusted EBITDAS well north of $130,000; over 70% of revenue is expected to come from the U.S. market in 2023; plan that has delivered industry-leading results to date with a pipeline of potential opportunities for accretive transactions that will further transform the business yet again; 2023 Q1 activity levels for Cathedral and the industry; growth in the Canadian drilling rig count in 2023 Q1 vs 2022 Q1; growth in the U.S. land rig count; analyst's projections for Canadian and U.S. rig activity for 2023 versus 2022; belief that an expanded North American footprint and diverse client base helps ensure limited changes in spending trends by select customers do not have an outsized impact; the LNG Canada project is set to ship first gas sometime in late-2024 or early-2025; Cathedral remains optimistic on the mid- and longer-term opportunity set in U.S. land rig activity; Cathedral's strong position in the Permian and U.S. Rockies gives the company an excellent base to expand operations further in other active areas such as the Haynesville deep gas play once natural gas prices recover and as more U.S. LNG export projects receive a positive FID (final investment decision); Cathedral has exposure to all the major growth plays in North America and will continue to look for ways to grow that exposure in the quarters and years to come; ability for acquisition opportunities will serve to accelerate growth beyond the organic potential already built within the current platform; expected timing for payment of capital assets commitments; and intent to use free cash flow to pay down debt while remaining opportunistic in making strategic, accretive acquisitions.

The Company believes the expectations reflected in such forward-looking statements are reasonable as of the date hereof but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Various material factors and assumptions are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking statements. Those material factors and assumptions are based on information currently available to the Company, including information obtained from third-party industry analysts and other third-party sources. In some instances, material assumptions and material factors are presented elsewhere in this news release in connection with the forward-looking statements. You are cautioned that the following list of material factors and assumptions is not exhaustive. Specific material factors and assumptions include, but are not limited to:

- the performance of Cathedral's business;
- impact of economic and social trends;
- oil and natural gas commodity prices and production levels;
- capital expenditure programs and other expenditures by Cathedral and its customers;
- the ability of Cathedral to retain and hire qualified personnel;
- the ability of Cathedral to obtain parts, consumables, equipment, technology, and supplies in a timely manner to carry out its activities;
- the ability of Cathedral to maintain good working relationships with key suppliers;
- the ability of Cathedral to retain customers, market its services successfully to existing and new customers and reliance on major customers;
- risks associated with technology development and intellectual property rights;
- obsolesce of Cathedral's equipment and/or technology;
- the ability of Cathedral to maintain safety performance;
- the ability of Cathedral to obtain adequate and timely financing on acceptable terms;
- the ability of Cathedral to comply with the terms and conditions of its credit facility;
- the ability to obtain sufficient insurance coverage to mitigate operational risks;
- currency exchange and interest rates;
- risks associated with future foreign operations;
- the ability of Cathedral to integrate its transactions and the benefits of any acquisitions, dispositions and business development efforts;
- environmental risks;
- business risks resulting from weather, disasters and related to information technology;
- changes under governmental regulatory regimes and tax, environmental, climate and other laws in Canada and the U.S.; and
- competitive risks.

Forward-looking statements are not a guarantee of future performance and involve a number of risks and uncertainties some of which are described herein. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Company's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the risks identified in this news release and in the Company's Annual Information Form under the heading "Risk Factors". Any forward-looking statements are made as of the date hereof and, except as required by law, the Company assumes no obligation to publicly update or revise such statements to reflect new information, subsequent or otherwise.

All forward-looking statements contained in this news release are expressly qualified by this cautionary statement. Further information about the factors affecting forward-looking statements is available in the Company's current Annual Information Form that has been filed with Canadian provincial securities commissions and is available on www.sedar.com.

NON-GAAP MEASUREMENTS

Cathedral uses certain performance measures throughout this document that are not defined under Canadian Generally Accepted Accounting Principles ("GAAP"). These non-GAAP measures do not have a standardized meaning prescribed under International Financial Reporting Standards ("IFRS"), and therefore may not be comparable to similar measures presented by other entities. These measures are Adjusted gross margin, Adjusted gross margin %, Adjusted EBITDAS, Adjusted EBITDAS margin %, Adjusted EBITDAS per share – diluted and Free cash flow. Management believes that these measures provide supplemental financial information that is useful in the evaluation of Cathedral's operations and are commonly used by other oilfield service companies. Investors should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with IFRS as an indicator of Cathedral's performance. Cathedral's method of calculating these measures may differ from that of other organizations, and accordingly, may not be comparable.

The specific measures being referred to include the following:

i) "Adjusted gross margin" - calculated as gross margin plus non-cash items (depreciation and amortization and share-based compensation); is considered a primary indicator of operating performance (see tabular calculation);

ii) "Adjusted gross margin %" - calculated as Adjusted gross margin divided by revenues; is considered a primary indicator of operating performance (see tabular calculation);

iii) "Adjusted EBITDAS" - defined as earnings before finance costs, unrealized foreign exchange on intercompany balances, taxes, depreciation and amortization, non-recurring costs (including acquisition and restructuring costs and non-cash provision for bad debts), write-down of property, plant and equipment, write-down of inventory and share-based compensation; provides supplemental information to earnings that is useful in evaluating the results of the Company's business activities before considering certain charges and how it is financed (see tabular calculation);

iv) "Adjusted EBITDAS margin %" - calculated as Adjusted EBITDAS divided by revenues; provides supplemental information to earnings that is useful in evaluating the results of the Company's business activities before considering certain charges and how it is financed but measurement as a percentage of revenues (see tabular calculation);

v) "Adjusted EBITDAS per diluted share" - defined as Adjusted EBITDAS divided by weighted average shares outstanding – diluted; provides supplemental information to earnings that is useful in evaluating the results of the Company's business activities before considering certain charges and how it is financed but measurement on a per diluted share basis; and

vi) "Free cash flow" - defined as Cash flow - operating activities prior to changes in non-cash working capital, income taxes paid (refund) and non-recurring costs less property, plant and equipment additions, excluding assets acquired in business combinations, cash lease payments offset by proceeds from disposition of property, plant and equipment. Management uses this measure as an indication of the Company's ability to generate funds from its operations to support future capital expenditures, debt repayment or other initiatives.

The following tables provide reconciliations from IFRS measurements to non-GAAP measurements referred to in this news release:

Adjusted gross margin

	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Gross margin	$ 24,589	$ 718	$ 54,982	$ (1,032)
Add non-cash items included in cost of sales:				
Depreciation and amortization	10,660	3,323	28,687	12,372
Share-based compensation	302	23	622	89
Adjusted gross margin	$ 35,551	$ 4,064	$ 84,291	$ 11,429
Adjusted gross margin %	28%	17%	28%	18%

Adjusted EBITDAS

	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Income (loss) before income taxes	$ 15,553	$ (1,097)	$ 22,961	$ (8,626)
Add:				
Depreciation and amortization included in cost of sales	10,660	3,323	28,687	12,372
Depreciation and amortization included in selling, general and administrative expenses	(635)	134	3,009	535
Share-based compensation included in cost of sales	302	23	622	89
Share-based compensation included in selling, general and administrative expenses	356	51	765	152
Finance costs	3,266	(53)	5,290	196
Finance costs - lease liabilities	200	189	784	794
Subtotal	29,702	2,570	62,118	5,512
Impairment expense (recovery)	107	(614)	107	(614)
Unrealized foreign exchange (gain) loss on intercompany balances	(709)	(136)	1,802	(366)
Non-recurring expenses (recoveries)	1,184	(688)	4,160	297
Adjusted EBITDAS	$ 30,284	$ 1,132	$ 68,187	$ 4,829
Adjusted EBITDAS margin %	24%	5%	23%	8%

Free Cash Flow

	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Cash flow - operating activities	$ 14,360	$ 601	$ 23,960	$ (3,499)
Add (deduct):				
Changes in non-cash operating w orking capital	8,283	558	27,113	5,263
Income taxes (refunded) paid	(480)	(3)	(538)	87
Non-recurring expenses (recoveries)	1,184	(688)	4,160	297
Proceeds on disposal of property, plant and equipment	10,501	1,275	21,795	3,553
Less:				
Property, plant and equipment additions (1)	(12,152)	(2,818)	(30,894)	(5,617)
Repayments of lease liabilities	(1,018)	(610)	(3,134)	(2,234)
Free cash flow	$ 20,678	$ (1,685)	$ 42,462	$ (2,150)

(1) Property, plant and equipment additions exclude non-cash additions and assets acquired in business combinations

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2022 and 2021
Canadian dollars in '000s
(Unaudited)

	2022	2021
Assets		
Current assets:		
Cash	$ 11,175	$ 2,898
Trade receivables	113,477	15,609
Prepaid expenses	4,529	1,438
Inventories	26,195	8,423
Total current assets	155,376	28,368
Property, plant and equipment	108,530	35,044
Intangible assets	38,511	1,491
Right of use assets	12,178	10,520
Goodwill	39,395	-
Total non-current assets	198,614	47,055
Total assets	$ 353,990	$ 75,423
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	$ 90,389	$ 11,069
Current taxes payable	909	55
Loans and borrowings, current	15,735	1,000
Lease liabilities, current	3,631	2,127
Total current liabilities	110,664	14,251
Loans and borrowings	64,800	5,035
Lease liabilities, long-term	14,249	13,633
Deferred tax liability	10,380	-
Total non-current liabilities	89,429	18,668
Total liabilities	200,093	32,919
Shareholders' equity:		
Share capital	180,484	98,918
Treasury shares	(959)	-
Contributed surplus	15,854	11,793
Accumulated other comprehensive income	17,389	9,011
Deficit	(58,871)	(77,218)
Total shareholders' equity	153,897	42,504
Total liabilities and shareholders' equity	$ 353,990	$ 75,423

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Three months and year ended December 31, 2022 and 2021
Canadian dollars in '000s except per share amounts
(Unaudited)

	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Revenues	$ 128,518	$ 23,710	$ 298,401	$ 62,524
Cost of sales:				
Direct costs	(92,967)	(19,646)	(214,110)	(51,095)
Depreciation and amortization	(10,660)	(3,323)	(28,687)	(12,372)
Share-based compensation	(302)	(23)	(622)	(89)
Total cost of sales	(103,929)	(22,992)	(243,419)	(63,556)
Gross margin	24,589	718	54,982	(1,032)
Selling, general and administrative expenses:				
Direct costs	(11,814)	(2,615)	(27,933)	(7,782)
Depreciation and amortization	635	(134)	(3,009)	(535)
Share-based compensation	(356)	(51)	(765)	(152)
Total selling, general and administrative expenses	(11,535)	(2,800)	(31,707)	(8,469)
Technology group expenses	(418)	(214)	(1,271)	(747)
Gain on disposal of property, plant and equipment	6,937	664	13,492	2,681
Income (loss) from operating activities	19,573	(1,632)	35,496	(7,567)
Finance costs	(3,266)	53	(5,290)	(196)
Finance costs - lease liabilities	(200)	(189)	(784)	(794)
Foreign exchange gain (loss)	737	78	(2,180)	277
Acquisition and restructuring costs	(1,184)	(21)	(4,174)	(960)
Impairment (expense) recoveries	(107)	614	(107)	614
Income (loss) before income taxes	15,553	(1,097)	22,961	(8,626)
Income tax expense:				
Current	(675)	-	(762)	-
Deferred	(4,608)	-	(3,852)	-
Total income tax expense	(5,283)	-	(4,614)	-
Net income (loss)	10,270	(1,097)	18,347	(8,626)
Other comprehensive income (loss):				
Foreign currency translation differences for foreign operations	(3,629)	(123)	8,378	(329)
Total comprehensive income (loss)	$ 6,641	$ (1,220)	$ 26,725	$ (8,955)
Net income (loss) per share				
Basic and diluted	$ 0.05	$ (0.01)	$ 0.11	$ (0.13)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three months and year ended December 31, 2022 and 2021
Canadian ollars in ‘000s
(Unaudited)

	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Cash provided by (used in):				
Operating activities:				
Net income (loss)	$ 10,270	$ (1,097)	$ 18,347	$ (8,626)
Items not involving cash				
Depreciation and amortization	10,025	3,457	31,696	12,907
Share-based compensation	658	74	1,387	241
Gain on disposal of property, plant and equipment	(6,937)	(664)	(13,492)	(2,681)
Finance costs	3,266	(53)	5,290	196
Finance costs - lease liabilities	200	189	784	794
Impairment expense (recoveries)	107	(614)	107	(614)
Income tax expense	5,283	-	4,614	-
Unrealized foreign exchange (gain) loss on intercompany balances	(709)	(136)	1,802	(366)
Subotal	22,163	1,156	50,535	1,851
Changes in non-cash operating w orking capital	(8,283)	(558)	(27,113)	(5,263)
Income taxes refunded (paid)	480	3	538	(87)
Cash flow - operating activities	14,360	601	23,960	(3,499)
Investing activities:				
Cash paid on acquisitions, net of cash acquired	(55)	3,000	(104,581)	3,000
Property, plant and equipment additions	(12,152)	(2,818)	(30,894)	(5,617)
Intangible asset additions	(8)	-	(1,464)	-
Proceeds on disposal of property, plant and equipment	10,501	1,275	21,795	3,553
Changes in non-cash investing w orking capital	1,099	590	(660)	(59)
Cash flow - investing activities	(615)	2,047	(115,804)	877
Financing activities:				
Proceeds on unit and common share issue	907	(3,013)	32,285	3,394
Repayments on lease liabilities	(1,018)	(610)	(3,134)	(2,234)
Finance costs including lease liabilities	(3,466)	(136)	(6,074)	(990)
Repayments of loans and borrow ings	(17,847)	(790)	(41,438)	(3,924)
Advances on loans and borrow ings	8,789	2,395	115,939	8,399
Payment on settlements	-	(38)	-	(151)
Cash flow - financing activities	(12,635)	(2,192)	97,578	4,494
Effect of exchange rate on changes on cash	2,258	(4)	2,543	(8)
Change in cash and cash equivalents	3,368	452	8,277	1,864
Cash, beginning of period	7,807	2,446	2,898	1,034
Cash, end of period	$ 11,175	$ 2,898	$ 11,175	$ 2,898

NOT FOR DISSEMINATION IN THE UNITED STATES OF AMERICA

Requests for further information should be directed to:

Tom Connors, President, Chief Executive Officer or Scott MacFarlane, Interim Chief Financial Officer

Cathedral Energy Services Ltd., 6030 3 Street S.E., Calgary, Alberta T2H 1K2

Telephone: 403.265.2560 Fax: 403.262.4682 www.cathedralenergyservices.com

Cathedral Energy Services Ltd., based in Calgary, Alberta is incorporated under the Business Corporations Act (Alberta) and operates in the U.S. under Cathedral Energy Services Inc. Cathedral is publicly traded on the Toronto Stock Exchange under the symbol "CET". Cathedral is a trusted partner to North American energy companies requiring high performance directional drilling services. We work in partnership with our customers to tailor our equipment and expertise to meet their specific geographical and technical needs. Our experience, technologies and responsive personnel enable our customers to achieve higher efficiencies and lower project costs. For more information, visit www.cathedralenergyservices.com.