

NEWS RELEASE

CATHEDRAL ENERGY SERVICES LTD. ANNOUNCES STRATEGIC ACQUISITION OF RIME DOWNHOLE TECHNOLOGIES, LLC

CALGARY, AB, CANADA – July 11, 2023 – Cathedral Energy Services Ltd. (TSX:CET) ("**Cathedral**" or the "**Company**") today announced the acquisition of Rime Downhole Technologies, LLC ("**Rime**"), through a wholly-owned subsidiary, for an aggregate purchase price of approximately USD\$41 million (approximately CAD\$55 million) comprised of USD\$21 million cash and USD\$20 million in subordinated exchangeable promissory notes ("**EP Notes**") that are exchangeable into a maximum of 24,570,000 common shares ("**Common Shares**") of Cathedral (the "**Transaction**").

Rime is a Texas-based engineering company founded in 2012 that specializes in building products for the downhole measurement-while-drilling ("**MWD**") industry. Rime offers a broad array of proprietary MWD components, including pulsers, pulser drivers, shock isolators and gamma modules. Rime's Slick-HD™ Pulser and Agilis™ Driver are the leading pulser solutions in the U.S. onshore marketplace.

Mr. Tom Connors, President and CEO of Cathedral stated, "We are pleased to welcome Rime's employees and principals to Cathedral and are excited to expand the technical moat around our business with their high-performance products and capabilities. With technology that has a reputation for high reliability and standard-setting performance, Rime has forged strong market share and broad market acceptance which includes adoption by many of the larger and more active players in the industry. We will continue to operate Rime as an independent brand and support the sale of industry-leading technology to a broad customer base, including some of our competitors. The founders of Rime, Mr. Manoj Gopalan, President, and Mr. Robert Weber, Senior Vice President, will continue to lead the business and will add significant depth to our engineering and technology efforts as we further differentiate our product offering in the market."

Mr. Gopalan and Mr. Weber commented, "We are aligned with the strategy of Cathedral and felt it gave us the best opportunity to grow our business and our technology. We are confident that with this partnership we will continue to support our customers with the same great products, service, dedication, and focus they've come to expect from Rime. Rime only becomes stronger with the resources of Cathedral behind it."

Mr. Connors further added, "The addition of Rime's proprietary MWD products completes Cathedral's U.S. directional drilling platform with the full suite of premier directional services technologies demanded by our customers. Given the high level of market acceptance and recognition of Rime technology we anticipate a relatively efficient rollout of a commercial MWD platform into our U.S. directional drilling business over the next 12 to 18 months. Cathedral will invest USD\$5-10 million to build Cathedral owned MWD equipment and reduce our reliance on renting third-party MWD products resulting in significantly enhanced Adjusted EBITDAS and stronger margins."

Transaction Highlights

- **Provides Cathedral with industry leading proprietary MWD products:** Cathedral estimates that approximately 40% of the active drilling rigs in the onshore U.S. are currently operating with either Rime's complete Slick-HD™ Pulser or Agilis™ Driver on a stand-alone basis.
- **Strong Adjusted EBITDAS margins and minimal capital requirements:** Based on consistent historical results, low requirement for capital investment, and current outlook, Rime is expected to generate strong margins and consistent levels of Adjusted EBITDAS.
- **Significant expected synergies through integration with Cathedral's U.S. operations:** Based on Altitude Energy Partner's MWD rental expenses in 2022, Cathedral estimates potential annual synergies of up to CAD\$34 million can be realized by reducing Cathedral's reliance on renting third-party MWD products through a potential incremental investment of up to CAD\$14 million in Rime MWD equipment.

- **Attractive transaction structure:** To fund the purchase of Rime, Cathedral has obtained a new USD\$21 million term loan from its lending syndicate while maintaining conservative leverage ratios, and has issued the EP Notes with an exchange price of CAD \$1.10 per Common Share, representing an approximately 60% premium to the closing price of the Common Shares on the TSX on July 10, 2023.
- **Accretive transaction metrics:** On an annualized basis, including expected synergies and cost of synergies, Cathedral estimates that the total investment in Rime should pay for itself in two years or less.

Key Terms of the Transaction

Pursuant to the terms of the definitive agreements between Cathedral and Rime, the Transaction closed on July 11, 2023 (“**Closing Date**”) and Cathedral paid the following consideration to acquire Rime:

- USD \$21,000,000 in cash; and
- USD\$20,000,000 in EP Notes with an exchange price of CAD \$1.10 per Common Share.

The EP Notes are subject to the following key terms:

- Cathedral shall pay interest on a quarterly basis to holders of EP Notes at a rate of 5% per annum;
- On July 11, 2026 (the “**Expiry Date**”), if not previously exchanged for Common Shares, the EP Notes expire and the holders will be entitled to a cash repayment amount equal to the principal amount outstanding of the EP Notes;
- Any time prior to the Expiry Date, if the 20-day volume weighted average trading price of Cathedral shares equals or exceeds CAD \$1.10 per Common Share, Cathedral may cause the exchange of the EP Notes for up to 24,570,000 Common Shares;
- Cathedral and the holders of the EP Notes may agree to an earlier exchange of the EP Notes into Common Shares; and
- Holders of the EP Notes and the underlying Common Shares, once exchanged, will be subject to restrictions on resale in the following aggregate amounts and until the following dates: 33.0% on a date that is 12 months following the Closing Date; 33.0% on a date that is 24 months following the Closing Date; and 34.0% on a date that is 36 months following the Closing Date.

Select Pro Forma Financial Information

Select pro forma financial information is summarized below in Canadian dollar terms:

	Pre-acquisition	Post-acquisition
Common Shares Outstanding	243.2 million	243.2 million
Market Capitalization ⁽¹⁾	\$165.4 million	\$165.4 million
Net Debt ⁽²⁾	\$57.2 million	\$115.0 million
Enterprise Value	\$222.6 million	\$280.4 million

(1) Based on Cathedral's closing share price on July 10, 2023 of \$0.68.

(2) Estimated pre/post-closing - refer to Non-GAAP measures section in this news release.

Expanded Credit Facility

In concert with the Transaction, Cathedral has signed an amended credit agreement with ATB Financial (“**ATB**”) as lead arranger and administrative agent, and its syndicate of lenders to provide the Company with financing by way of a three year approximately CAD\$137 million credit facility (previously CAD\$99 million) (the “**Credit Facility**”). The Credit Facility is comprised of a CAD\$59 million term loan (replacing existing term loan), a new USD\$21 million term loan, a CAD\$35 million revolving borrowing base loan (“**Syndicated Operating Facility**”) and a \$15 million revolving operating facility (“**Operating Facility**”). The Credit Facility will be utilized to replace and repay Cathedral’s existing term loan and borrowing base facilities.

Advisors

Peters & Co. Limited is acting as financial advisor to Cathedral with respect to the Transaction.

Acumen Capital Finance Partners Ltd, Stifel FirstEnergy, and Cormark Securities Inc. are acting as strategic advisors to Cathedral with respect to the Transaction.

DS Lawyers Canada LLP and Fasken Martineau DuMoulin LLP acted as Canadian legal counsel, and Porter Hedges LLP acted as U.S. legal counsel, to Cathedral and its subsidiaries.

PPHB, LP acted as Rime's financial advisor and investment bank with respect to the Acquisition. Meadows, Collier, Reed, Cousins, Crouch & Ungerman, LLP acted as legal counsel to Rime and PPHB.

Certain U.S. Legal Matters

This news release does not constitute an offer to sell or a solicitation of an offer to sell any of securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws and may not be offered or sold within the United States or to, for the account or benefit of, U.S. Persons (as such term is defined in Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. This news release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

ABOUT CATHEDRAL

Cathedral Energy Services Ltd., based in Calgary, Alberta is incorporated under the *Business Corporations Act* (Alberta) and operates in the U.S. under Discovery Downhole Services, a division of Cathedral Energy Services Inc., and Altitude Energy Partners, LLC. Cathedral's Common Shares are 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.

NON-GAAP MEASURES

Cathedral uses certain performance measures as described below in this news release that are not defined under IFRS or Generally Accepted Accounting Principles ("**GAAP**"). These non-GAAP measures do not have a standardized meaning and may differ from that of other organizations, and accordingly, may not be comparable. Management believes these measures provide supplemental financial information that is useful in the evaluation of Cathedral's operations. They are commonly used by other oilfield service companies. Investors should be cautioned, however, that these measures should not be construed as alternatives to IFRS measures as an indicator of Cathedral's performance.

"**Adjusted EBITDAS**" is calculated as net income before finance costs, unrealized foreign exchange on intercompany balances, income tax expense, depreciation, amortization, non-recurring costs (including acquisition and restructuring costs), write-down of inventory and share-based compensation; and is considered an indicator of the Company's ability to generate funds flow from operations prior to consideration of how activities are financed, how the results are taxed and non-cash expenses. Further information regarding how Cathedral calculates and uses Adjusted EBITDAS is contained in Cathedral's Q1 2023 Management Discussion & Analysis under the heading "Non-GAAP Measurements" and is available on SEDAR under Cathedral's profile at www.sedar.com.

"**Enterprise Value**" is calculated as Market Capitalization plus Net Debt. Market Capitalization as shown is based on 243,200,173 Common Shares outstanding as of July 11, 2023.

"**Net debt**" is calculated as loan and borrowings plus lease liabilities and EP Notes less cash as of the date of this news release.

FORWARD-LOOKING INFORMATION

This news release contains statements and information that may constitute "forward-looking information" within the meaning of applicable securities legislation, including statements identified by the use of words such as "will", "expects", "positions", "believe", "potential" and similar words, including negatives thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking information in this news release includes, but is not limited to, statements regarding: the expectation that the Rime acquisition will help to further differentiate our product offering in the market; the expectation that Rime becomes stronger with the resources of Cathedral; the expectation that the addition of Rime's proprietary MWD products completes Cathedral's U.S. directional drilling platform with the full suite of premier directional services technologies demanded by our customers; that the rollout of a commercial MWD platform into our U.S. directional drilling business will take place over the next 12 to 18 months; that with investing USD\$5-10 million to build Cathedral-owned MWD equipment it will reduce reliance on renting third-party MWD products resulting in significantly enhanced Adjusted EBITDAS and stronger margins; that approximately 40% of the active drilling rigs in the onshore U.S. are currently operating with either Rime's complete Slick-HD™ Pulser or Agilis™ Driver on a stand-alone basis; Rime is expected to generate strong margins and consistent levels of Adjusted EBITDAS; that potential annual synergies of up to CAD\$34 million can be realized by reducing Cathedral's reliance on renting third-party MWD products through a potential incremental investment of up to CAD\$14 million in Rime MWD equipment; and that with expected synergies and cost of synergies, Cathedral estimates that the total investment in Rime should pay for itself in two years or less.

Such forward-looking information is based on various assumptions that may prove to be incorrect, including, but not limited to, assumptions with respect to: the benefits from the Transaction; the integration of the Rime business into Cathedral's business; assumptions regarding usage of Rime's technologies in North American land drilling markets; conditions in the oil and gas markets and debt and equity markets generally; the ability of the Company to successfully implement its strategic plans and initiatives and whether such strategic plans and initiatives will yield the expected benefits. Although the Company believes that such assumptions are reasonable, the Company can give no assurance that such forward-looking statements will prove to be correct or that any of the events anticipated by such forward-looking statements will occur, or if any of them do so, what benefits the Company will derive therefrom.

Actual results could differ materially due to a number of factors and risks including, but not limited to: the risk that Cathedral will not be able to integrate the Rime business as anticipated or at all; the risk that the Rime business will not yield operational or financial benefits as anticipated or at all; the risk that demand for Cathedral's services will not be as anticipated; conditions in the oil and gas and financial markets in Canada and the United States; the ability of management to execute and fund its business strategy; and the impact of general economic conditions in Canada and the United States.

Additional information regarding risks and uncertainties of the Company's business are contained under the heading "Risk Factors" in the Company's annual information form for the financial year ended December 31, 2022 and the Company's other public filings which are available under the Company's profile on SEDAR at www.sedar.com. The forward-looking information included in this news release is made as of the date of this news release and the Company does not undertake an obligation to publicly update such forward-looking information to reflect new information, future events or otherwise, except as required by applicable law.

This news release also contains financial outlook information ("FOFI") about prospective results of operations, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this news release was made as of the date of this news

release to provide information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for any other purpose. Cathedral disclaims any intention or obligation to update or revise any FOPI contained in this news release, whether as a result of new information, future events or otherwise, except as required by applicable law.

Requests for further information should be directed to:

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