NEWS RELEASE
MARCH 8, 2018

CATHEDRAL ENERGY SERVICES REPORTS RESULTS FOR 2017 Q4

Cathedral Energy Services Ltd. (the "Company" or "Cathedral" / TSX: CET) announces its consolidated financial results for the three months and year ended December 31, 2017 and 2016. 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.

FINANCIAL HIGHLIGHTS

Dollars in 000's except per share amounts

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Revenues	$ 38,402	$ 28,009	$ 147,095	$ 80,866
Adjusted gross margin % (1)	17%	24%	18%	22%
Adjusted EBITDAS from continuing operations (1)	$ 5,606	$ 4,156	$ 18,796	$ 7,459
Diluted per share	$ 0.11	$ 0.11	$ 0.40	$ 0.21
As % of revenues	15%	15%	13%	9%
Total Adjusted EBITDAS (1)	$ 5,606	$ 3,831	$ 18,674	$ 5,840
Diluted per share	$ 0.11	$ 0.11	$ 0.39	$ 0.16
Write-downs of equipment, intangibles and inventory	$ (8,584)	$ (277)	$ (8,584)	$ (277)
Cash flow - operating activities	$ 1,137	$ (479)	$ 2,952	$ 4,140
Gain on disposal of foreign subsidiary	$ -	$ -	$ -	$ 10,865
Provision for settlements	$ -	$ (421)	$ -	$ (4,217)
Loss before income taxes	$ (6,398)	$ (1,093)	$ (382)	$ (722)
Basic and diluted per share	$ (0.13)	$ (0.03)	$ (0.01)	$ (0.02)
Net earnings (loss) from continuing operations	$ (4,490)	$ (1,217)	$ 229	$ 2,617
Basic and diluted per share	$ (0.09)	$ (0.03)	$ -	$ 0.07
Net earnings (loss)	$ (4,490)	$ (6,420)	$ 87	$ (5,779)
Basic and diluted per share	$ (0.09)	$ (0.18)	$ -	$ (0.16)
Equipment additions - cash basis	$ 4,257	$ 415	$ 11,322	$ 899
Weighted average shares outstanding				
Basic (000s)	49,013	36,295	47,381	36,295
Diluted (000s)	49,509	36,295	47,577	36,295

	December 31 2017	December 31 2016
Working capital	$ 31,016	$ 39,324
Total assets	$ 121,630	$ 136,017
Loans and borrowings excluding current portion	$ 46	$ 26,322
Shareholders' equity	$ 101,391	$ 90,772

(1) Refer to "NON-GAAP MEASUREMENTS"

2017 Q4 KEY TAKEAWAYS

Revenues increased by $10,393 or 37% and Total Adjusted EBITDAS increased $1,775, or 46%;

Adjusted gross margin decreased from 24% to 17% due to increase equipment repairs, equipment rentals and field labour rates;

There was a significant decline in the USD/CAD foreign exchange rate year-over-year; for 2017 Q4 the average exchange rate was $1.27 compared to $1.33 for 2016 Q4; and

In December 2017, the Company signed with a new credit facility with a syndicate comprised of Alberta Treasury Branches and Export Development Canada.

OUTLOOK

The response to oil prices pushing into the WTI $60bbl USD range in late 2017 was a sharp increase in the U.S. rig count from 924 at the beginning of January to 978 at the end of February. As goes the outlook for oil prices, so goes the rig count and directional drilling industry activity levels. The improving rig count in early 2018 could signal a good start to the year other than the 10% drop in WTI that occurred the first week in February.

In 2018, our thesis is that oil prices will continue to be volatile and North American rig counts will show flat to slow growth. One factor supporting moderate rig growth is the improved well productivity. It is now taking less wells to get the same productivity as it has in the past due to longer laterals and better completions technology. On this basis, our strategy is that any market share we gain in 2018 will be at the expense of competitors - a challenge we are well prepared for. Any market growth will be icing on the cake.

The U.S. market will continue to be our primary focus in 2018 and we will continue to favor this market in terms of resource and equipment allocation. We intend to continue to develop our Canadian business where we see good prospects from a financial and strategic point of view. Changing supply and demand market dynamics, politics and innovation can change an oil and gas basin's prospects quickly and dramatically. Our business strategy of maintaining an operating presence in all the North American major basins has served us well for this reason.

2017 was challenging in terms of ramping up our business and underpinning this increased activity with a good sales and operations foundation. As we move forward, 2018 is about Cathedral demonstrating leadership in the directional business. 2018 is Cathedral's 20th year in business. Over the past 20 years we have built our business on being innovative, which will continue to be a key tenet going forward.

Based on the knowledge gained in 2016 and 2017 related to the more demanding post downturn drilling environment our equipment is subject to, Cathedral focused its 2017 technology development efforts on design changes to its existing MWD tools and motors with a view to make them more rugged and improve their reliability and performance. There were successes in many areas in 2017 and design upgrades are currently being implemented in our existing equipment fleet.

In late 2017, we embarked on a technology development program to develop a next generation Dual Telemetry (DT) MWD tool. The proposed tool design will incorporate a number of improvements over Cathedral's existing FUSION DT platform and over competitive products. A byproduct of this technology development program is improvements to Cathedral's standalone electromagnetic (EM) and pulse technology platforms. The launch of the new DT platform is anticipated to occur in 2019. This timeline may be impacted by technical challenges and the ability to test prototypes in wellbores. However, improvements identified under the longer term DT development program will be introduced into the existing MWD fleet as they become available.

In early 2018, we will be introducing a new high performance motor. The motor design improves the mud flow characteristics of the motor along with delivering more energy to the drill bit. As drilling penetration rates have increased there are more cuttings that need to be conveyed out of the wellbore in less time. The high mud flow capability of this motor will facilitate wellbore solids cleaning during the drilling operation and allow for faster rate of penetration. Cathedral successfully tested variations of this new motor in early 2018 and intends to manufacture additional motors as part of its 2018 capital expenditure program.

In 2017 Cathedral also developed a drilling motor for use with rotary steerable systems (RSS). Rotary steerable technology is an alternative to the bent motor steering technique used by Cathedral and the majority of our directional drilling competitors. RSS is more applicable in certain drilling environments particularly with extended reach wellbores (horizontal wellbores exceeding 2 times vertical depth). Based on field testing in 2017, Cathedral's RSS motor design was shown to provide reliability and performance advantages over competitive products. Cathedral intends to invest in developing further drilling motor capabilities for the RSS market in 2018. Cathedral is also working on a strategy to allow it to participate more fully in the extended reach wellbore market. Part of this strategy will be leveraging our existing MWD telemetry capabilities.

In 2018, Cathedral will also be further supplementing its MWD fleet with additional downhole generators. This technology enables Cathedral to offer a high power telemetry system to support longer runs and higher signal strength compared to conventional battery systems.

We are both optimistic and confident about our prospects going into 2018.

RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 31

Revenues		2017		2016
Canada	$	7,748	$	7,428
United States		30,654		20,581
Total	$	38,402	$	28,009

Revenues 2017 Q4 revenues were $38,402, which represented an increase of $10,393 or 37% from 2016 Q4 revenues of $28,009. Both Canada and U.S. operations had increases due to increase in drilling activity.

Canadian revenues (excluding motor rental revenues) decreased to $6,216 in 2017 Q4 from $6,509 in 2016 Q4; a reduction of 5%. This decrease was the net result of: i) an 18% decrease in activity days to 814 in 2017 Q4 from 995 in 2016 Q4; net of ii) a 17% increase in the average day rate to $7,636 in 2017 Q4 from $6,542 in 2016 Q4. Offsetting this decline was an increase of $613 on the rental of motors. Motor rental revenues for 2017 Q4 were $1,532 (2016 Q4 - $919).

The average active land rig count for Canada was up 11% in 2017 Q4 compared to 2016 Q4. The reduction in days for Cathedral relative to the overall market was the result of clients who temporarily reduced their drilling programs in the quarter. In addition, throughout 2017, the Company made the decision to deploy equipment to the U.S. market where day rates are higher and there is more consistent client demand.

U.S. Directional Drilling revenues (excluding motor rental revenues) increased to $30,561 in 2017 Q4 from $20,032 in 2016 Q4; a 53% increase. This increase was the result of: i) an 29% increase in activity days to 2,453 in 2017 Q4 from 1,899 in 2016 Q4; and ii) an 18% increase in the average day rate to $12,459 in 2017 Q4 from $10,549 in 2016 Q4 (when converted to Canadian dollars). The average active land rig count for the U.S. was up 63% in 2017 Q4 compared to 2016 Q4. In the quarter, there were issues with having sufficient equipment available to service additional jobs and as such the Company's increase was not as great as the industry increase. Rates in USD increased to $9,798 in 2017 Q4 from $7,907 in 2016 Q4; a 24% increase. U.S. day rates were up due to price increases from clients and the mix of work performed by the U.S. division, including providing footage drilling services to certain clients, which can result in higher relative day rates. U.S. motor rental revenues for 2017 Q4 were $93 compared to $549 in 2016 Q4.

Gross margin and adjusted gross margin Gross margin for 2017 Q4 was 10% compared 13% in 2016 Q4. Adjusted gross margin (see Non-GAAP Measurements) for 2017 Q4 was $6,602 or 17% compared to $6,634 or 24% for 2016 Q4.

Adjusted gross margin percentage decreased due to increases in equipment repairs offset by lower field labour costs. This net increase was offset by a reduction in the fixed component of cost of sales that were 2% lower on a percentage of revenue basis in 2017 compared to 2016. The decrease in the fixed component of cost of sales as a percentage of revenue was mostly attributable to increase in revenues.

Depreciation allocated to cost of sales decreased to $2,915 in 2017 Q4 from $3,073 in 2016 Q4. Depreciation included in cost of sales as a percentage of revenue was 8% for 2017 Q4 and 11% in 2016 Q4.

Selling, general and administrative expenses ("SG&A") SG&A expenses were $3,163 in 2017 Q4; a decrease of $694 compared with $3,857 in 2016 Q4. As a percentage of revenue, SG&A was 8% in 2017 Q4 and 14% in 2016 Q4. The SG&A decrease was primarily due to decrease in U.S. sales tax charges on intercompany equipment rentals and reduction in insurance, net of increases in SG&A due to increases in staffing costs. Staffing costs included in SG&A include executive, sales, accounting, human resources, payroll, safety, technology support and related support staff.

Gain on disposal of equipment During 2017 Q4, the Company had a gain on disposal of equipment of $2,038 compared to $1,010 in 2016 Q4. These gains mainly relate to equipment lost-in-hole. Proceeds from clients on lost-in-hole equipment are based on amounts specified in client service agreements and generally consider the replacement cost of the equipment. In most cases, the lost-in-hole proceeds exceed the net book value of the equipment and result in a gain. The timing of lost-in-hole recoveries is not in the control of the Company and therefore can fluctuate significantly from quarter-to-quarter.

Finance costs Finance costs consist of interest expenses on operating loans, loans and borrowings and bank charges of $157 for 2017 Q4 compared to $679 for 2016 Q4. The decrease in finance costs relate to the reduction of loans within the Company's credit facility.

Foreign exchange loss The Company had a foreign exchange loss of $193 in 2017 Q4 compared to a loss of $701 in 2016 Q4 due to the fluctuations of the Canadian dollar relative to the U.S. dollar. The Company's foreign operations are denominated in a currency other than the Canadian dollar and therefore, upon consolidation, gains and losses due to fluctuations in the foreign currency exchange rates are recorded in OCI 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 2017 Q4 foreign currency gains are unrealized loss of $113 (2016 Q4 – loss of $719) related to intercompany balances.

Provision for settlement During 2016 Q4, the participation rate related to the FLSA matter was finalized and during 2017 the majority of the payments under the Settlement Agreement were made. Additionally in 2017 Q1, the Company entered a settlement with one of its U.S. clients related to an alleged down-hole drilling incident in December 2013. This settlement was payable based on an initial payment in 2017 Q1 and the remainder in quarterly installments concluding in 2021.

In 2016 Q4, there was a net increase to the settlement provision of $421 (2017 Q4 - $nil).

Write-down of equipment and intangibles The Company determined an impairment test for the directional drilling CGU was not required as at December 31, 2017. However, the Company chose to write-off certain assets where utilization was very low due to low market demand in the amount of $8,287. The assets written down included non-proprietary drilling motors and certain non-proprietary MWD systems. The non-proprietary MWD systems had been purchased related to the disposed of international operations and were retained by the Company after the sale of DPI in 2016 Q1. This equipment was not used extensively in the Company's North American operations and was fully written-off. The Company has experienced lower demand for non-proprietary mud motors in the current drilling environment as their performance capabilities are lower than the Company's proprietary mud motors. The Company conducted a review and wrote-off the remaining net book value for any non-proprietary mud motors that were no longer expected to be utilized. There was also an impairment of $146 related to an intangible project.

Write-down of inventory The Company made a provision related to inventory used to service the non-proprietary mud motors of $151 (2016 - $nil).

Net loss from discontinued operations In 2016 Q4, the Company made the decision to sell its F&PT assets and focus its attention and resources fully on the directional drilling business where it believes it has a strong competitive advantage and better future growth prospects. The proceeds from this sale were used to pay down debt. For 2017 Q4, the net loss from discontinued operations was $nil compared to $896 for 2016 Q4.

Write-down of assets held for sale from discontinued operations, net of tax In 2016 Q4 the F&PT assets were written down by $5,900 to their net realizable value of approximately $17,241. This write-down of $5,900 was offset by a deferred tax recovery of $1,593

Income tax For 2017 Q4, the Company had an income tax recovery of $1,908 compared to $124 in 2016 Q4. Excluding adjustments to prior years' tax provisions, the effective tax rate was 24% for 2017 Q4 and 28% for 2016 Q4. The 2017 provision includes reduction to U.S. deferred income tax asset due to reduction in U.S. rates from recent tax reform. The impact of the U.S. tax reform was not material to the 2017 tax provision or deferred tax asset. The impact of the U.S. tax reform was not material to the 2017 tax provision or deferred tax asset. Excluding this amount the effective rate for 2017 was 18%. Income tax expense is booked based upon expected annualized effective rates.

RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31

Revenues		2017		2016
Canada	$	32,315	$	22,220
United States		114,780		58,646
Total	$	147,095	$	80,866

Revenues 2017 revenues were $147,095, which represented a $66,229 increase or 82% from 2016 revenues of $ 80,866. Both Canada and U.S. operations had increases due to an improvement in overall drilling activity. In late 2016, due to a limited supply of the Company's proprietary motors, the Company made the decision to reduce the number of rental motors available in both Canada and the U.S. in favor of redirecting motors on jobs where both equipment and staff are deployed and the cash flow contribution is higher. As a consequence motor rental revenue in both Canada and the U.S. were less in 2017 compared to 2016.

Canadian revenues (excluding motor rental revenues) increased to $27,644 in 2017 from $16,164 in 2016; a 71% increase. This increase was the result of: i) a 59% increase in activity days to 3,890 in 2017 from 2,440 in 2016; and ii) a 7% increase in the average day rate to $7,106 in 2017 from $6,625 in 2016. Partially offsetting these increases was a decrease on the rental of motors to $4,671 from 2016 at $6,056.

The average active land rig count in Canada was up 59% in 2017 compared to 2016 (source: Baker Hughes). The increase in the Company's activity days of 59% was in line with the industry increase. The slight increases in day rates was due to the mix of work performed.

U.S. Directional Drilling revenues (excluding motor rental revenues) increase to $114,012 in 2017 from $55,452 in 2016; a 106% increase. This increase was the result of: i) a 90% increase in activity days to 9,782 in 2017 from 5,145 in 2016; and ii) a 8% increase in the average day rate to $11,655 in 2017 from $10,778 in 2016 (when converted to Canadian dollars). All U.S. operating areas saw increases in activity days. U.S. motor rental revenues for 2017 were $768 compared to $3,194 in 2016.

The average active land rig count for the U.S. was up 78% in 2017 compared to 2016 (source: Baker Hughes). The increase of U.S. activity days of 90% relative to the active rigs drilling was due to efforts of sales and marketing staff and performance on client jobs. The Company was able to increase its U.S. market share compared to 2016. Day rates in USD increased to $8,981 in 2017 from $8,124 in 2016; an 11% increase. U.S. day rates were up due to client price increases, the mix of work performed by the U.S. division, including providing footage drilling services to certain clients, which can result in higher relative day rates.

Gross margin and adjusted gross margin Gross margin for 2017 was 11% compared to 7% in 2016. Adjusted gross margin (see Non-GAAP Measurements) for 2017 was $26,677 or 18% compared to $17,875 or 22% for 2016.

Adjusted gross margin percentage decreased due to increases in field labour rates, equipment repairs and higher equipment rentals on a percentage of revenue basis. These increases were offset by a reduction in the fixed component of cost of sales that were 7% lower on a percentage of revenue basis in 2017 compared to 2016. The decrease in the fixed component of cost of sales as a percentage of revenue was mostly attributable to increase in revenues, however there were increases in costs largely related to salaries and other labour related costs.

Depreciation allocated to cost of sales decreased to $11,043 in 2017 from $12,358 in 2016. Depreciation included in cost of sales as a percentage of revenue was 8% for 2017 and 15% in 2016.

Selling, general and administrative expenses ("SG&A") SG&A expenses were $15,698 in 2017; an increase of $513 compared with $15,185 in 2016. As a percentage of revenue, SG&A was 11% in 2017 and 19% in 2016. SG&A increased primarily due to increases in sales commissions and U.S. sales tax charges on intercompany equipment rentals, net of a reduction in SG&A from the recovery of a bad debt.

Gain on disposal of equipment During 2017, the Company had a gain on disposal of equipment of $7,236 compared to $3,212 in 2016. These gains mainly relate to equipment lost-in-hole. Proceeds from clients on lost-in-hole equipment are based on amounts specified in client service agreements and generally consider the replacement cost of the equipment. In most cases, the lost-in-hole proceeds exceed the net book value of the equipment and result in a gain. The timing and amount of lost-in-hole recoveries is not in the control of the Company and therefore can fluctuate significantly from quarter-to-quarter.

Finance costs Finance costs consist of interest expenses on operating loans, loans and borrowings and bank charges of $684 for 2017 compared to $2,061 for 2016. The decrease in finance costs relate to primarily to repayments of loans in 2017 Q1.

Foreign exchange loss The Company had a foreign exchange gain of $1,783 in 2017 compared to $1,438 in 2016 due to the fluctuations of the Canadian dollar relative to the U.S. dollar. The Company's foreign operations are denominated in a currency other than the Canadian dollar and therefore, upon consolidation, gains and losses due to fluctuations in the foreign currency exchange rates are recorded in other comprehensive income ("OCI") 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 income. Included in the 2017 foreign currency gains are unrealized gains of $1,903 (2016 – $1,455) related to intercompany balances.

Provision for settlement In 2016 Q2, the Company entered into a Settlement Agreement and Release (the "Settlement Agreement") in respect of two wage and hour lawsuits (the "Collective Actions") that were filed against the Company's wholly owned subsidiary, INC. The Collective Actions alleged that INC employed or contracted Measurement While Drilling ("MWD") and Directional Drilling ("DD") operators were entitled to recover unpaid or incorrectly calculated overtime wages under the Fair Labor Standards Act ("FLSA").

The Settlement Agreement covered claims from employed and contracted MWD and DD staff who participated in the settlement. Under the terms of the Settlement Agreement, the parties established an initial settlement fund of up to $3,400 USD. The final determination of the settlement fund amount was based on the number of claimants that participated in the settlement at the end of December 2016, which under the terms of the Settlement Agreement is confidential. The settlement fund payments will be paid quarterly by the Company over a three-year period with the final payment due on or before September 2019. The quarterly payments may be accelerated in the event Cathedral meets certain financial targets over the payment period and can be deferred if a scheduled payment would put Cathedral in violation of its credit facility covenants subject to not more than three payments being deferred. In 2017 the majority of the payments under the Settlement Agreement were made.

In 2017 Q1, the Company entered a settlement with one of its U.S. clients related to a down-hole drilling incident in December 2013. The terms of this settlement agreement are confidential and following an initial payment in 2017 Q1 involve a series of quarterly payments to occur until 2021. This liability was recorded at December 31, 2016.

In 2016 there were total expenses recognized of $4,217 related to the 2 settlements (2017 - $nil).

Gain on disposal of foreign subsidiary During 2016 Q1, the Company completed the sale of its wholly-owned Barbados subsidiary, Directional Plus International Inc. ("DPI"), for net proceeds of $nil which resulted in a non-cash gain on sale of $10,865. DPI held the Company's investment in Venezuela and this sale completed Cathedral's exit from carrying on a business in Venezuela.

Write-down of equipment and intangibles The Company determined an impairment test for the directional drilling Cash Generating Unit (CGU) was not required as at December 31, 2017. However, the Company chose to write-off certain assets where utilization was very low due to low market demand in the amount of $8,287. The assets written down included non-proprietary drilling motors and certain non-proprietary MWD systems. The non-proprietary MWD systems had been purchased related to the disposed of international operations and were retained by the Company after the sale of DPI in 2016 Q1. This equipment was not used extensively in the Company's North American operations and was fully written-off. The Company has experienced lower demand for non-proprietary mud motors in the current drilling environment as their performance capabilities are lower than the Company's proprietary mud motors. The Company conducted a review and wrote-off the remaining net book value for any non-proprietary mud motors that were no longer expected to be utilized. There was also an impairment of $146 related to an intangible project.

Write-down of inventory The Company made a provision related to inventory used to service the non-proprietary mud motors of $151 (2016 - $277).

Net loss from discontinued operations In 2016 Q4, the Company made the decision to sell its F&PT assets and focus its attention and resources fully on the directional drilling business where it believes it has a strong competitive advantage and better future growth prospects. The proceeds from this sale were used to pay down debt. As such, operating results for the years ended December 31, 2017 and 2016 for the F&PT business have been included in the statements of income and retained earnings and cash flows as discontinued operations. For 2017, the net loss from discontinued operations was $142 compared to $4,089 for 2016.

Write-down of assets held for sale from discontinued operations, net of tax In 2016 the F&PT assets were written down by $5,900 to their net realizable value of approximately $17,241. This write-down of $5,900 was offset by a deferred tax recovery of $1,593.

Income tax For 2017, the Company had an income tax recovery of $611 compared to a recovery of $3,339 in 2016. Excluding the non-cash gain on disposal of foreign subsidiary, write-down of goodwill and adjustments to prior years' tax provisions, the effective tax rate was 57% for 2017 and 31% for 2016. The 2017 provision includes reduction to U.S. deferred income tax asset due to reduction in U.S. rates from recent tax reform. The impact of the U.S. tax reform was not material to the 2017 tax provision or deferred tax asset. Excluding this amount the effective rate for 2017 was 36%. Income tax expense is booked based upon expected annualized effective rates.

LIQUIDITY AND CAPITAL RESOURCES

Overview On an annualized basis, the Company's principal source of liquidity is cash generated from operations. In addition, the Company has the ability to fund liquidity requirements through its credit facility and the issuance of debt and/or equity. For the year ended December 31, 2017, the Company had cash flow from operating activities of $2,952 (2016 - $4,140). The decrease in funds from operating activities is due to the change in non-cash operating working capital from a source of cash of $1,570 in 2016 to a use of cash of $8,948 in 2017. Cash flow from continuing operations increased to $11,169 from $2,937 in 2016. This increase was primarily due to increased revenues and net earnings.

Working capital At December 31, 2017 the Company had working capital of $31,016 (2016 - $39,324) and a working capital ratio of 2.6 to 1 (2016 – 3.3 to 1). Included in the December 31, 2016 balance is $17,241 related to Assets held for sale. $17,200 of proceeds on this sale were used to repay the secured revolving term loan in January 2017. Excluding Assets held for sale, December 31, 2016 working capital was $22,083 and the 2017 working capital reflects an $8,933 increase from the adjusted 2016 value. The increase was mainly due to an increase in accounts receivable due to the overall increase in revenues in 2017 Q4 as well as increase in inventories a portion of which will be used for 2018 capital build.

Credit facility During December 2017, the Company signed a new credit facility (the "Facility") with a new lending syndicate. The Facility consists of a $5 million operating facility and $15 million extendible revolving credit facility and expires December 31, 2019. The Facility is secured by a general security agreement over all present and future personal property.

The financial covenants associated with the amended Facility are:

Consolidated funded debt to consolidated Credit Agreement EBITDA ratio shall not exceed 3.0:1; and

Consolidated interest coverage ratio shall not be less than 2.5:1.

The Facility bears interest at the financial institution's prime rate plus 0.75% to 2.25% or bankers' acceptance rate plus 1.75% to 3.00% with interest payable monthly. Interest rate spreads for the Facility depend on the level of funded debt to the 12 month trailing Credit Agreement EBITDA. The Facility provides a means to lock in a portion of the debt at interest rates through bankers' acceptance ("BA") based on the interest rate spread on the date the BA was entered into.

Based on current available information, Cathedral expects to comply with all covenants for the next twelve months.

At December 31, 2017, the Company had cash balances in excess of outstanding letters of credit and capital lease obligations. As such its funded debt to Credit Agreement EBITDA ratio ("Funded debt ratio") was negative (i.e. net cash balance). As such, the Funded debt ratio has been met, but is not meaningful ("NM") for presentation. For the rolling twelve months ended December 31, 2017 Credit Agreement EBITDA was $20,374.

Ratio	**Actual**	**Required**
Consolidated funded debt to consolidated Credit Agreement EBITDA ratio	NM	3.0:1
Consolidated interest coverage ratio	29.8:1	2.5:1

The amount drawn under the Facility at December 31. 2017 was $1,233 due to a requirement that the Company pledge cash deposits as security for three outstanding letters of credit ("LOC") with the Company's former financial institution. These LOCs were replaced by the current financial institution in January 2018 resulting in the related restricted cash funds being returned to general accounts.

Contractual obligations In the normal course of business, the Company incurs contractual obligations and those obligations are disclosed below. As at December 31, 2017, the Company had a commitment to purchase equipment of approximately $3,317. Cathedral anticipates expending these funds 2018 Q1.

The Company has issued the following five LOC:

- two LOC securing rent payments on property leases and renew annually with the landlords. The first LOC is $700 CAD for the first ten years of the lease and then reduces to $500 for the last five years of the lease. The second LOC is currently for $542 USD and increases annually based upon annual changes in rent;
- $75 USD issued for U.S. workers compensation coverage; and
- two LOC securing the Company's corporate credit cards in the amounts of $100 CAD and $150 USD.

The following table outlines the anticipated payments related to purchase commitments subsequent to December 31, 2018:

	Total	2018	2019	2020	2021	2022	Thereafter
Purchase obligations	$ 3,317	$ 3,317	$ -	$ -	$ -	$ -	$ -
Secured revolving term loan	-	-	-	-	-	-	-
Operating lease obligations	32,581	3,537	3,119	2,924	2,907	2,960	17,134
Finance lease obligations	285	236	49	-	-	-	-
Total	$ 36,183	$ 7,090	$ 3,168	$ 2,924	$ 2,907	$ 2,960	$ 17,134

Share capital At March 8, 2018, the Company has 49,403,951 common shares and 2,927,000 options outstanding with a weighted average exercise price of $1.44.

In 2017, the Company issued 2,197,750 stock options to staff and directors with an average exercise price of $1.08 per option.

2017 CAPITAL PROGRAM

During the year ended December 31, 2017 Company invested $11,322 (2016 - $899) in equipment. The following table details the net equipment additions:

	December 31 2017	December 31 2016
Property and equipment additions:		
Grow th capital [(1)]	$ 4,049	$ 324
Maintenance capital [(1)]	3,610	105
Replacement capital [(1)]	3,663	470
Total cash additions	11,322	899
Less: proceeds on disposal of equipment lost dow n-hole	(8,951)	(5,286)
Net property and equipment additions (disposals) [(1)]	$ 2,371	$ (4,387)

(1)See "NON-GAAP MEASUREMENTS"

The replacement and maintenance capital amounts noted above is expenditures to replace items that have been lost-in-hole over the past two years and for equipment upgrades and replacements to improve the capacity of Cathedral's existing Measurement-While-Drilling ("MWD") and drilling motor fleet. Over the past 2 years, Cathedral deferred replacement and maintenance capital expenditures in the face of low equipment utilization and in order to pay down debt. Subject to operating results and industry outlook, equipment lost-in-hole will be replaced and funded from the proceeds received. As such, Cathedral's total capex in any year may exceed the budgeted net additions. At December 31, 2017, the Company had 107 active MWD kits (2016 – 126 total kits) and 741 drilling motors (2016 -746). During 2017, the Company changed how it tracks kits and is now tracking those that can be actively deployed. The 2016 amount is under the prior practice of reporting total kits as this new system was not in place at that time.

A capital budget of $10,000 plus re-investment of proceeds on disposition of property and equipment was approved by the Board of Directors for 2017. There is a carry forward of $7,629 to be expended in 2018.

2018 CAPITAL PROGRAM

Cathedral's 2018 capital budget approved by the Board of Directors in January 2018 was for new expenditures of $12,500 which includes approximately $2,500 of intangible additions related to technology developments. In addition to this amount, there is a carry forward from 2017 of $7,629 largely related to lost-in-hole equipment replacements that will be expended in 2018.

ANNUAL MEETING

Cathedral will be holding its Annual Meeting ("Meeting") at 2:00 pm (MDT) on May 10, 2018 at our Head Office 6030 – 3 Street SE, Calgary, Alberta. Business at the meeting will include the election of directors and appointment of auditors.

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: oil prices will continue to be volatile and North American rig counts will show flat to slow growth; our strategy is that any market share we gain in 2018 will be at the expense of competitors; U.S. market will continue to be our primary focus in 2018 and we will continue to favor this market in terms of resource and equipment allocation; intend to continue to develop our Canadian business where we see good prospects; launch of the new DT platform is anticipated to occur in 2019; intends to manufacture additional motors as part of its 2018 capital expenditure program; Cathedral intends to invest in developing further drilling motor capabilities for the RSS market in 2018; Cathedral will also be further supplementing its MWD fleet with additional downhole generators; optimistic and confident about our prospects going into 2018; projected capital expenditures and commitments and the financing thereof; and Cathedral expects to comply with all covenants during 2017.

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 businesses, including current business and economic trends;
- oil and natural gas commodity prices and production levels;
- alternatives to and changing demand for hydrocarbon products;
- performance obligation to clients;
- capital expenditure programs and other expenditures by Cathedral and its customers;
- currency exchange and interest rates;
- the ability of Cathedral to service its debt;
- 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 market its services successfully to existing and new customers and reliance on major customers;
- risks associated with technology development and intellectual property rights;
- the ability of Cathedral to maintain safety performance;
- the ability of Cathedral to obtain timely financing on acceptable terms;
- the ability to obtain sufficient insurance coverage to mitigate operational risks;
- risks associated with acquisitions and business development efforts;
- environmental risks;
- risks associated with information technology systems;
- changes under governmental regulatory regimes and tax, environmental and other laws in Canada and 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 GAAP. 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 companies. Investors should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with GAAP 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 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) "Total Adjusted EBITDAS" - defined as earnings before share of income/loss from associate, write-down/recovery on investment in associate finance costs, unrealized foreign exchange on intercompany balances, unrealized foreign exchange due to hyper-inflation accounting, taxes, non-recurring gains and losses on disposal of equipment (see non-GAAP measurement), depreciation, write-down of goodwill, write-down of equipment, write-down of inventory and share-based compensation; 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 measured and non-cash expenses (see tabular calculation). This measure includes both discontinued F&PT operations and continuing Directional Drilling operations;

iv) "Adjusted EBITDAS from discontinued operations" – Total Adjusted EBITDAS as calculated above from discontinued F&PT operations only;

v) "Adjusted EBITDAS from continuing operations" – Total Adjusted EBITDAS as calculated above for ongoing Directional Drilling as well as corporate administrative costs;

vi) "Growth equipment additions" or "Growth capital" – is capital spending which is intended to result in incremental revenues or decreased operating costs. Growth capital is considered to be a key measure as it represents the total expenditures on equipment expected to add incremental revenues and funds flow to the Company;

vii) "Maintenance equipment additions" or "Maintenance capital" – is capital spending incurred in order to refurbish or replace previously acquired other than "replacement equipment additions" described below. Maintenance capital is a key component in understanding the sustainability of the Company's business as cash resources retained within Cathedral must be sufficient to meet maintenance capital needs to replenish the assets for future cash generation;

viii) "Replacement equipment additions" or "Replacement capital" – is capital spending incurred in order to replace equipment that is lost downhole. Cathedral recovers lost-in-hole costs including previously expensed depreciation on the related assets from customers. Such additions do not provide incremental revenues. The identification of replacement equipment additions is considered important as such additions are financed by way of proceeds on disposal of equipment (see discussion within the news release on "gain on disposal of equipment); and

ix) "Net equipment additions" – is equipment additions expenditures less proceeds from equipment lost down-hole. Cathedral uses net equipment additions to assess net cash flows related to the financing of Cathedral's equipment additions.

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

Adjusted gross margin

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Gross margin	$ 3,661	$ 3,555	$ 15,565	$ 5,503
Add non-cash items included in cost of sales:				
Depreciation	2,915	3,073	11,043	12,358
Share-based compensation	26	6	69	14
Adjusted gross margin	$ 6,602	$ 6,634	$ 26,677	$ 17,875
Adjusted gross margin %	17%	24%	18%	22%

Total Adjusted EBITDAS

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Earnings (loss) before income taxes	$ (6,398)	$ (1,093)	$ (382)	$ (722)
Add:				
Depreciation included in cost of sales	2,915	3,073	11,043	12,358
Depreciation included in selling, general and administrative expenses	29	34	104	134
Share-based compensation included in cost of sales	26	6	69	14
Share-based compensation included in selling, general and administrative expenses	67	19	206	130
Finance costs	157	679	684	2,061
Subtotal	(3,204)	2,718	11,724	13,975
Unrealized foreign exchange (gain) loss on intercompany balances	113	719	(1,903)	(1,455)
Write-down of equipment and intangibles	8,433	-	8,433	-
Write-down of inventory	151	-	151	277
Provision for settlement	-	421	-	4,217
Gain on disposal of foreign subsidiary	-	-	-	(10,865)
Non-recurring expenses	113	298	391	1,310
Adjusted EBITDAS from continuing operations	5,606	4,156	18,796	7,459
Adjusted EBITDAS from discontinued operations	-	(325)	(122)	(1,619)
Total Adjusted EBITDAS	$ 5,606	$ 3,831	$ 18,674	$ 5,840

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2017 and 2016
Dollars in ‘000s
(unaudited)

	December 31 2017	December 31 2016
Assets		
Current assets:		
Cash	$ 2,683	$ 1,898
Restricted cash equivalents	1,514	-
Trade receivables	33,885	26,245
Current taxes recoverable	86	1,336
Prepaid expenses	1,460	1,611
Inventories	11,128	8,037
Assets held for sale	-	17,241
Total current assets	50,756	56,368
Equipment	58,383	68,158
Intangible assets	1,953	1,978
Deferred tax assets	10,538	9,513
Total non-current assets	70,874	79,649
Total assets	$ 121,630	$ 136,017
Liabilities and Shareholders' Equity		
Current liabilities:		
Operating loan	$ 1,233	$ 2,105
Trade and other payables	17,926	12,837
Loans and borrowings	233	459
Provision for settlements, current	348	1,643
Total current liabilities	19,740	17,044
Loans and borrowings	46	26,322
Provision for settlements, long-term	453	1,879
Total non-current liabilities	499	28,201
Total liabilities	20,239	45,245
Shareholders' equity:		
Share capital	88,059	74,481
Contributed surplus	9,801	9,620
Accumulated other comprehensive income	8,144	11,371
Deficit	(4,613)	(4,700)
Total shareholders' equity	101,391	90,772
Total liabilities and shareholders' equity	$ 121,630	$ 136,017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Three months and year ended December 31, 2017 and 2016
Dollars in '000s except per share amounts
(unaudited)

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Revenues	$ 38,402	$ 28,009	$ 147,095	$ 80,866
Cost of sales:				
Direct costs	(31,800)	(21,375)	(120,418)	(62,991)
Depreciation	(2,915)	(3,073)	(11,043)	(12,358)
Share-based compensation	(26)	(6)	(69)	(14)
Total cost of sales	(34,741)	(24,454)	(131,530)	(75,363)
Gross margin	3,661	3,555	15,565	5,503
Selling, general and administrative expenses:				
Direct costs	(3,067)	(3,804)	(15,388)	(14,921)
Depreciation	(29)	(34)	(104)	(134)
Share-based compensation	(67)	(19)	(206)	(130)
Total selling, general and administrative expenses	(3,163)	(3,857)	(15,698)	(15,185)
	498	(302)	(133)	(9,682)
Gain on disposal of equipment	2,038	1,010	7,236	3,212
Earnings (loss) from operating activities	2,536	708	7,103	(6,470)
Finance costs	(157)	(679)	(684)	(2,061)
Foreign exchange gain (loss)	(193)	(701)	1,783	1,438
Provision for settlement	-	(421)	-	(4,217)
Write-dow n of equipment and intangibles	(8,433)	-	(8,433)	-
Write-dow n of inventory	(151)	-	(151)	(277)
Gain on disposal of foreign subsidiary	-	-	-	10,865
Loss before income taxes	(6,398)	(1,093)	(382)	(722)
Income tax recovery (expense):				
Current	(379)	(430)	(405)	(106)
Deferred	2,287	306	1,016	3,445
Total income tax recovery (expense)	1,908	(124)	611	3,339
Net earnings (loss) from continuing operations	(4,490)	(1,217)	229	2,617
Net loss from discontinued operations	-	(896)	(142)	(4,089)
Write-dow n of assets held for sale from discontinued operations, net of tax	-	(4,307)	-	(4,307)
Net earnings (loss)	(4,490)	(6,420)	87	(5,779)
Other comprehensive income (loss):				
Foreign currency translation differences for foreign operations	352	1,528	(3,227)	(1,554)
Foreign currency translation gain on disposal of foreign subsidiary	-	-	-	1,348
Total comprehensive loss	$ (4,138)	$ (4,892)	$ (3,140)	$ (5,985)
Net earnings (loss) from continuing operations per share				
Basic and diluted	$ (0.09)	$ (0.03)	$ -	$ 0.07
Net loss from discontinued operations per share				
Basic	$ -	$ (0.02)	$ -	$ (0.11)
Net earnings (loss) per share				
Basic and diluted	$ (0.09)	$ (0.18)	$ -	$ (0.16)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three months and year ended December 31, 2017 and 2016
Dollars in '000s
(unaudited)

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Cash provided by (used in):				
Operating activities:				
Net earnings from continuing operations	$ (4,490)	$ (1,217)	$ 229	$ 2,617
Items not involving cash				
Depreciation	2,944	3,107	11,147	12,492
Share-based compensation	93	25	275	144
Income tax (recovery) expense	(1,908)	124	(611)	(3,339)
Gain on disposal of equipment	(2,038)	(1,010)	(7,236)	(3,212)
Finance costs	157	679	684	2,061
Unrealized foreign exchange (gain) loss on intercompany balances	113	719	(1,903)	(1,455)
Write-down of equipment and intangibles	8,433	-	8,433	-
Write-down of inventory	151	-	151	277
Provision for settlements	-	421	-	4,217
Gain on disposal of foreign subsidiary	-	-	-	(10,865)
Cash flow - continuing operations	3,455	2,848	11,169	2,937
Cash flow - discontinued operations	-	(383)	(135)	(1,800)
Changes in non-cash operating working capital	(2,253)	(2,537)	(8,948)	1,570
Income taxes refunded	(65)	(407)	866	1,433
Cash flow - operating activities	1,137	(479)	2,952	4,140
Investing activities:				
Equipment additions	(4,257)	(415)	(11,322)	(899)
Intangible asset additions	(148)	(47)	(474)	(160)
Proceeds on disposal of equipment	2,535	1,536	9,203	5,286
Proceeds on disposal of discontinued operations	-	-	17,252	-
Changes in non-cash investing working capital	(1)	(772)	1,925	(762)
Cash flow - investing activities	(1,871)	302	16,584	3,465
Financing activities:				
Change in operating loan	1,233	1,145	(872)	(388)
Repayments on loans and borrowings	(25)	(94)	(26,420)	(5,499)
Proceeds on share issuance from bought deal public offering an	-	-	13,131	-
Proceeds on share issuance from exercise of share options	350	-	354	-
Payment on settlements	(534)	(281)	(2,607)	(851)
Change in restricted cash	(1,514)	-	(1,514)	-
Interest paid	(157)	(551)	(687)	(1,605)
Advances of loans and borrowings	-	1,250	-	1,250
Cash flow - financing activities	(647)	1,469	(18,615)	(7,093)
Effect of exchange rate on changes on cash	15	36	(136)	(40)
Change in cash and cash equivalents	(1,366)	1,328	785	472
Cash, beginning of period	4,049	570	1,898	1,426
Cash, end of period	$ 2,683	$ 1,898	$ 2,683	$ 1,898

NOT FOR DISSEMINATION IN THE UNITED STATES OF AMERICA

Requests for further information should be directed to:

P. Scott MacFarlane, President and Chief Executive Officer, Michael F. Hill, Chief Financial Officer or Randy Pustanyk, Executive Vice President, Product Line Management

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. (the "Company" or "Cathedral"), based in Calgary, Alberta is incorporated under the Business Corporations Act (Alberta) and operates in the U.S. under Cathedral Energy Services Inc. The Company 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.