CATHEDRAL

NEWS RELEASE
MAY 7, 2018

CATHEDRAL ENERGY SERVICES REPORTS RESULTS FOR 2018 Q1

Cathedral Energy Services Ltd. (the "Company" or "Cathedral" / TSX: CET) announces its consolidated financial results for the three months ended March 31, 2018 and 2017. 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 March 31		
		2018		2017
Revenues	$	40,157	$	38,323
Adjusted gross margin % (1)		12%		22%
Adjusted EBITDAS (1)	$	3,443	$	6,796
Diluted per share	$	0.07	$	0.16
As % of revenues		9%		18%
Cash flow - operating activities	$	2,132	$	(568)
Earnings before income taxes	$	345	$	3,972
Basic and diluted per share	$	0.01	$	0.09
Net earnings	$	294	$	2,699
Basic and diluted per share	$	0.01	$	0.06
Equipment additions - cash basis	$	4,474	$	1,036
Weighted average shares outstanding				
Basic (000s)		49,401		42,606
Diluted (000s)		49,586		42,761

		March 31		December 31
		2018		2017
Working capital	$	33,204	$	31,016
Total assets	$	125,415	$	121,630
Loans and borrowings excluding current portion	$	2,540	$	46
Shareholders' equity	$	103,044	$	101,391

(1) Refer to "NON-GAAP MEASUREMENTS"

Revenues increased 5% from $38,323 in 2017 Q1 to $40,157 in 2018 Q1.

Adjusted gross margin decreased to 12% from 22% in 2017 Q1. This decline was primarily attributed to higher labour costs and related benefits and higher equipment repairs, in part due to a more demanding drilling environment and to a lesser extent bringing the Company's fleet back to operating condition following the industry downturn.

Adjusted EBITDAS decreased 49% from $6,796 in 2017 Q1 to $3,443 in 2018 Q1. Adjusted EBITDAS margin decreased to 9% of revenues in 2018 Q1 from 18% in 2017 Q1.

The Company continues to make investments in equipment to relieve capacity constraints and to improve equipment reliability and performance.

OUTLOOK

The first quarter of 2018 was challenging for Cathedral compared to 2017 Q3 and Q4. In the U.S., our day rate declined from 2017 Q4 due to a change in the mix of work and some clients altering the timing of their drilling programs. Despite this, we did see a slight increase in U.S. activity levels. In Canada, we achieved an increase in day rates compared to 2017 Q4 along with activity levels improving sequentially.

In both Canada and the U.S. we were impacted by increasing equipment repair expenses. Beginning in the second half of 2017, equipment repair costs have been increasing due to the progressively demanding downhole drilling environment and client's drilling practices. In addition, because of reduction in the time to drill wells, the frequency of equipment repairs and refurbishments has increased with the result that these costs are now spread over less revenue (most of Cathedral's revenue is based on per day rates). In response to increasing equipment damages, Cathedral is implementing operating specifications for its equipment with its clients. This program aims to help our clients achieve better overall drilling performance by optimizing rate of penetration while reducing non-productive drilling time that results from equipment failures. Over the past year, we have continued to improve our recoveries for equipment damages from clients by better delineating what damages are a result of poor drilling practices. We are also examining strategies to recover equipment refurbishment costs through different pricing structures and price increases. We continue to implement engineering improvements to our equipment to improve durability and performance and our operations and drilling engineering teams continue work with our clients to help them achieve "*Better Performance Every Day*".

In 2018 Q1, we also experienced increased shop and field wage rates compared to 2017 Q4 and the U.S operations experienced a significant increase in employee health related benefit expenses in the period. Increased wages to attract and retain quality people, particularly in the U.S., has been a challenge over the past year as industry activity levels improved. Cathedral self-funds its benefits plan and claims on the plan tend to be volatile. A key objective for us is to improve labor efficiency including optimizing the labor required on site and through promoting remote operations support to our clients, which we believe results in higher customer service quality. We continue to focus on our labor efficiency and other expense categories which are adversely impacting our business.

In the quarter, we continued to rollout of our new CLAW-XT™ high performance motor and clients have been pleased with its performance. We have committed additional capital to further build out the CLAW-XT fleet, however, the industry in general is experiencing delays from certain third-party vendors which is impacting our rollout plans. With respect to our new drilling motor for use with rotary steerable systems (RSS), we are expecting to conduct field testing in late Q2/early Q3. Our rollout of new MWD technology, including the downhole power generator (EMc2™) and our new Cathedral Linear Pulser add-ons to our FUSION™ Measurement-While-Drilling (MWD) platform, is on track. Progress on our next generation Dual Telemetry (DT) MWD tool remains on track for launch in 2019. In 2018 Q1, we were approved for financial contribution from the Government of Canada for the DT project which will help us hire additional resources and expand the project scope.

With WTI prices firmly in the $60bbl USD range and an improved outlook for WTI pricing longer term there has been a 10% increase in the U.S. active rig count to 1,021 active rigs at the end of April. This increased rig count is positive for Cathedral from the perspective of potentially achieving better pricing for our services and improved activity levels in the U.S. which is our primary focus market.

Despite a challenging 2018 Q1, we are both optimistic and confident about our prospects for 2018 and beyond. We remind our shareholders that Q2 is typically a lower revenue quarter for the Canadian oil field services industry, including Cathedral, due to lower activity levels in Canada as a result of spring break-up.

2018 CAPITAL PROGRAM

During the three months ended March 31, 2018 the Company invested $4,474 (2017 - $1,036) in equipment. The following table details the current period's net equipment additions:

	Three months ended March 31, 2018
Equipment additions:	
Motors	$ 2,422
MWD	1,916
Other	136
Total cash additions	4,474
Less: proceeds on disposal of equipment (excluding capital lease settlements)	(3,775)
Net equipment additions (1)	$ 699

(1)See "NON-GAAP MEASUREMENTS"

Cathedral's current 2018 capital budget totals $14,600, which includes $1,400 for intangible additions and $3,317 of equipment commitments from 2017 resulting in new equipment additions of $9,883 for 2018.

The Company is monitoring capital expenditure levels as we move forward and will adjust the plan accordingly including considering subsequent proceeds received on equipment lost-in-hole. Delivery lead times on capital items, including component parts for self-constructed assets, range from 60 to 180 days.

RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31

Revenues	2018	2017
Canada	$ 10,637	$ 10,466
United States	29,520	27,857
Total	$ 40,157	$ 38,323

Revenues 2018 Q1 revenues were $40,157, which represented an increase of $1,834 or 5% from 2017 Q1 revenues of $38,323. Both Canada and United States ("U.S.") operations had slight increases due to increases in drilling activity.

Canadian revenues (excluding motor rental revenues) increased to $9,698 in 2018 Q1 from $9,307 in 2017 Q1; a 4% increase. This increase was the result of: i) a 11% decrease in activity days to 1,272 in 2018 Q1 from 1,423 in 2017 Q1; net of ii) a 17% increase in the average day rate to $7,624 in 2018 Q1 from $6,540 in 2017 Q1.

The average active land rig count in Canada was down 8% in 2018 Q1 compared to 2017 Q1 (source: Baker Hughes). The increase in day rates was primarily due to increases that occurred starting in 2017 Q2. The 2018 Q1 rate is in line with the sequential rate increases experienced through 2017.

U.S. Directional Drilling revenues (excluding motor rental revenues) increased to $29,132 in 2018 Q1 from $27,578 in 2017 Q1; a 6% increase. This increase was the result of: i) a 3% decrease in activity days to 2,498 in 2018 Q1 from 2,565 in 2017 Q1; net of ii) a 8% increase in the average day rate to $11,662 in 2018 Q1 from $10,752 in 2017 Q1 (when converted to Canadian dollars).

The average active land rig count for the U.S. was up 34% in 2018 Q1 compared to 2017 Q1 (source: Baker Hughes). The Company experienced a 3% decrease in activity days which resulted in a decrease in market share over this period. This decrease was largely due to equipment constraints starting in Q2, 2017 that the Company has been working to resolve with its capital budget program as well as certain clients altering the timing of their drilling programs. Day rates in USD increased to $9,231 USD in 2018 Q1 from $8,117 USD in 2017 Q1; a 14% increase. The increase in day rates was primarily due to increases that occurred starting in 2017 Q2. The 2018 Q1 rate is in line with the sequential rates seen in remainder of 2017.

Gross margin and adjusted gross margin Gross margin for 2018 Q1 was 6% compared to 15% in 2017 Q1. Adjusted gross margin (see Non-GAAP Measurements) for 2018 Q1 was $4,762 or 12% compared to $8,486 or 22% for 2017 Q1.

Adjusted gross margin, as a percentage of revenue, decreased due to higher equipment repairs and higher labour costs and related benefits. Labor costs are a result of wage increases, including the reinstatement of previous wage rollbacks, increased U.S. health benefits and to a lesser extent, staff additions. Increased equipment repairs were in part due to a more demanding drilling environment and to a lesser extent bringing the Company's fleet back to operating condition following the industry downturn. In addition, there was an increase in the fixed component of cost of sales which were 3% higher on a percentage of revenue basis in 2018 Q1 compared to 2017 Q1. The increase in the fixed component of cost of sales as a percentage of revenue was mostly attributable to increases in costs largely related to office and shop payroll and other labour related costs.

Depreciation allocated to cost of sales decreased to $2,215 in 2018 Q1 from $2,606 in 2017 Q1. Depreciation included in cost of sales as a percentage of revenue was 6% for 2018 Q1 and 7% in 2017 Q1.

Selling, general and administrative expenses ("SG&A") SG&A expenses were $3,827 in 2018 Q1; an increase of $499 compared with $3,328 in 2017 Q1. As a percentage of revenue, SG&A was 10% in 2018 Q1 compared to 9% in 2017 Q1. SG&A increased primarily due to wage increases, including the reinstatement of previous wage rollbacks, increased U.S. health benefits and to a lesser extent, staff additions. Staffing costs included in SG&A include executive, sales, accounting, human resources, payroll, safety and related support staff.

Technology group expenses Technology group expenses were $601 in 2018 Q1; an increase of $106 compared with $495 in 2017 Q1. Technology group expenses are related to new product development, upgrades and support and consist of salaries and related benefits and burdens as well as shop supplies. Technology group expenses increased primarily due to wage increases, including the reinstatement of previous wage rollbacks, and staff additions. In 2018 Q1, an additional $230 of technology group expenses were capitalized as intangible assets (2017 Q1 - $nil).

Gain on disposal of equipment During 2018 Q1, the Company had a gain on disposal of equipment of $3,008 compared to $2,014 in 2017 Q1. These gains mainly relate to equipment lost-in-hole. Proceeds from clients on lost-in-hole equipment are based on amounts specified in service agreements and, in most cases; these 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. In 2018 Q1, the Company received proceeds on lost-in-hole recoveries of $3,740 (2017 Q1 - $2,250).

Finance costs Finance costs consist of interest expenses on operating loans, loans and borrowings and bank charges of $45 for 2018 Q1 versus $302 for 2017 Q1. The decrease in finance costs relate to the reduction of loans within the Company's credit facility. In 2017 Q1, the Company finalized the sale of its Flowback and Production Testing assets, raised funds through a private placement of shares and repaid the outstanding long-term debt.

Foreign exchange The Company had a foreign exchange loss of $(697) in 2018 Q1 compared to a gain of $218 in 2017 Q1 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 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 2018 Q1 foreign currency gains are unrealized loss of $669 (2017 Q1 - gain of $192) related to intercompany balances.

Income tax For 2018 Q1, the Company had an income tax expense of $51 compared to $1,273 in 2017 Q1. The 2018 Q1 effective tax rate was 15%. The 2018 Q1 rate is lower than anticipated as one legal entity has pre-tax income and the other has pre-tax losses. Income tax expense is booked based upon expected annualized effective rates based upon the statutory rates of 27% for Canada and 22.5% for U.S.

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 three months ended March 31, 2018, the Company had funds from operations of $2,132 (2017 – funds used in operations $568). The increase in funds is mainly due to changes in non-cash working capital balances.

Working capital At March 31, 2018 the Company had working capital of $33,204 (December 31, 2017 - $31,016). The increase in working capital level was primarily due to cash flow from operations.

Credit facility In 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 Facility 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 Facility 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.

At March 31, 2018, the Company had cash balances in excess of outstanding letters of credit, capital lease obligations and operating and revolving loan balances. As such its funded debt to Facility 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 March 31, 2018, Facility EBITDA was $17,537.

Ratio	Actual	Required
Consolidated funded debt to consolidated Facility EBITDA ratio	NM	3.0:1
Consolidated interest coverage ratio	41.1:1	2.5:1

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

Contractual obligations In the normal course of business, the Company incurs contractual obligations and those obligations are disclosed in the Company's MD&A for the year ended December 31, 2017. As at March 31, 2018, the Company had a commitment to purchase approximately $4,438 of equipment. Cathedral anticipates expending these funds 2018 Q2 and Q3 based upon current delivery lead times.

Share capital At May 7, 2018, the Company has 49,438,117 common shares and 2,892,834 options outstanding with a weighted average exercise price of $1.44.

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: examining strategies to recover equipment refurbishment costs through different pricing structures and price increases; continue to implement engineering improvements to our equipment to improve durability and performance;

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; with respect to our new drilling motor for use with rotary steerable systems (RSS), we are expecting to conduct field testing in late Q2/early Q3; progress on our next generation Dual Telemetry (DT) Measurement-While-Drilling (MWD) tool remains on track for launch in 2019; increased rig count is positive for Cathedral from the perspective of potentially achieving better pricing for our services and improved activity levels in the U.S.; we are both optimistic and confident about our prospects for 2018 and beyond; Q2 is typically a lower revenue quarter for the Canadian oil field services industry, including Cathedral, due to lower activity levels in Canada as a result of spring break-up; projected capital expenditures and commitments and the financing thereof; and Cathedral expects to comply with all covenants during 2018.

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) “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 March 31 2018	2017
Gross margin	$ 2,507	$ 5,865
Add non-cash items included in cost of sales:		
Depreciation	2,215	2,606
Share-based compensation	40	15
Adjusted gross margin	$ 4,762	$ 8,486
Adjusted gross margin %	12%	22%

Total Adjusted EBITDAS

	Three months ended March 31 2018	2017
Earnings before income taxes	$ 345	$ 3,972
Add:		
Depreciation included in cost of sales	2,215	2,606
Depreciation included in selling, general and administrative expenses	36	25
Share-based compensation included in cost of sales	40	15
Share-based compensation included in selling, general and administrative expenses	93	47
Finance costs	45	302
Subtotal	2,774	6,967
Unrealized foreign exchange (gain) loss on intercompany balances	669	(192)
Non-recurring expenses	-	127
Adjusted EBITDAS from continuing operations	3,443	6,902
Adjusted EBITDAS from discontinued operations	-	(106)
Total Adjusted EBITDAS	$ 3,443	$ 6,796

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2018 and 2017
Dollars in '000s
(unaudited)

		March 31 2018		December 31 2017
Assets				
Current assets:				
Cash	$	4,972	$	2,683
Restricted cash equivalents		-		1,514
Trade receivables		32,186		33,885
Current taxes recoverable		1,098		86
Prepaid expenses		1,937		1,460
Inventories		12,416		11,128
Total current assets		52,609		50,756
Equipment		59,976		58,383
Intangible assets		2,165		1,953
Deferred tax assets		10,665		10,538
Total non-current assets		72,806		70,874
Total assets	$	125,415	$	121,630
Liabilities and Shareholders' Equity				
Current liabilities:				
Operating loan	$	833	$	1,233
Trade and other payables		18,184		17,926
Loans and borrowings		233		233
Provision for settlements, current		155		348
Total current liabilities		19,405		19,740
Loans and borrowings		2,540		46
Provision for settlements, long-term		426		453
Total non-current liabilities		2,966		499
Total liabilities		22,371		20,239
Shareholders' equity:				
Share capital		88,102		88,059
Contributed surplus		9,922		9,801
Accumulated other comprehensive income		9,339		8,144
Deficit		(4,319)		(4,613)
Total shareholders' equity		103,044		101,391
Total liabilities and shareholders' equity	$	125,415	$	121,630

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Three months and year ended March 31, 2018 and 2017
Dollars in '000s except per share amounts
(unaudited)

	Three months ended March 31 2018	2017
Revenues	$ 40,157	$ 38,323
Cost of sales:		
Direct costs	(35,395)	(29,837)
Depreciation	(2,215)	(2,606)
Share-based compensation	(40)	(15)
Total cost of sales	(37,650)	(32,458)
Gross margin	2,507	5,865
Selling, general and administrative expenses:		
Direct costs	(3,698)	(3,256)
Depreciation	(36)	(25)
Share-based compensation	(93)	(47)
Total selling, general and administrative expenses	(3,827)	(3,328)
	(1,320)	2,537
Technology group expenses	(601)	(495)
Gain on disposal of equipment	3,008	2,014
Earnings from operating activities	1,087	4,056
Finance costs	(45)	(302)
Foreign exchange gain (loss)	(697)	218
Earnings before income taxes	345	3,972
Income tax recovery (expense):		
Current	(162)	(655)
Deferred	111	(618)
Total income tax expense	(51)	(1,273)
Net earnings from continuing operations	294	2,699
Net loss from discontinued operations	-	(118)
Net earnings	294	2,581
Other comprehensive income (loss):		
Foreign currency translation differences for foreign operations	1,195	(362)
Total comprehensive income	$ 1,489	$ 2,219
Net earnings from continuing operations per share		
Basic and diluted	$ 0.01	$ 0.06
Net loss from discontinued operations per share		
Basic	$ -	$ -
Net earnings per share		
Basic and diluted	$ 0.01	$ 0.06

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three months and year ended March 31, 2018 and 2017
Dollars in '000s
(unaudited)

	Three months ended March 31 2018	2017
Cash provided by (used in):		
Operating activities:		
Net earnings from continuing operations	$ 294	$ 2,699
Items not involving cash		
Depreciation	2,251	2,631
Share-based compensation	133	62
Income tax expense	51	1,273
Gain on disposal of equipment	(3,008)	(2,014)
Finance costs	45	302
Unrealized foreign exchange (gain) loss on intercompany balances	669	(192)
Cash flow - continuing operations	435	4,761
Cash flow - discontinued operations	-	(117)
Changes in non-cash operating w orking capital	2,903	(6,105)
Income taxes (paid) refunded	(1,206)	893
Cash flow - operating activities	2,132	(568)
Investing activities:		
Equipment additions	(4,474)	(1,036)
Intangible asset additions	(301)	(79)
Proceeds on disposal of equipment	3,775	2,393
Proceeds on disposal of discontinued operations	-	17,252
Changes in non-cash investing w orking capital	(2,294)	196
Cash flow - investing activities	(3,294)	18,726
Financing activities:		
Change in operating loan	(399)	(2,105)
Repayments on loans and borrow ings	(11)	(26,313)
Proceeds on share issuance from bought deal public offering and insider private placement	-	13,131
Proceeds on share issuance from exercise of share options	31	4
Payment on settlements	(196)	(668)
Restricted cash	1,514	-
Interest paid	(45)	(305)
Advances of loans and borrow ings	2,500	-
Cash flow - financing activities	3,394	(16,256)
Effect of exchange rate on changes on cash	57	(17)
Change in cash and cash equivalents	2,289	1,885
Cash, beginning of year	2,683	1,898
Cash, end of year	$ 4,972	$ 3,783

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

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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.