CATHEDRAL

NEWS RELEASE
NOVEMBER 8, 2018

CATHEDRAL ENERGY SERVICES REPORTS RESULTS FOR 2018 Q3

Cathedral Energy Services Ltd. (the "Company" or "Cathedral" / TSX: CET) announces its consolidated financial results for the three and nine months ended September 30, 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 September 30 2018	Three months ended September 30 2017	Nine months ended September 30 2018	Nine months ended September 30 2017
Revenues	$ 42,570	$ 36,015	$ 117,700	$ 108,693
Adjusted gross margin % (1)	16%	18%	10%	18%
Adjusted EBITDAS (1)	$ 6,190	$ 3,909	$ 8,648	$ 13,068
Basic and diluted per share	$ 0.13	$ 0.08	$ 0.17	$ 0.28
As % of revenues	15%	11%	7%	12%
Cash flow - operating activities	$ 1,926	$ 21	$ 327	$ 1,815
Earnings (loss) before income taxes	$ 3,846	$ 1,990	$ (33)	$ 6,016
Basic and diluted per share	$ 0.08	$ 0.04	$ -	$ 0.13
Net earnings	$ 3,001	$ 1,810	$ 797	$ 4,577
Basic and diluted per share	$ 0.06	$ 0.04	$ 0.02	$ 0.10
Equipment additions - cash basis	$ 4,140	$ 3,518	$ 12,920	$ 7,065
Weighted average shares outstanding				
Basic (000s)	49,468	48,916	49,437	46,836
Diluted (000s)	49,474	49,035	49,459	46,947

	September 30 2018	December 31 2017
Working capital	$ 32,970	$ 31,016
Total assets	$ 134,077	$ 121,630
Loans and borrowings excluding current portion	$ 7,028	$ 46
Shareholders' equity	$ 103,465	$ 101,391

(1) Refer to "NON-GAAP MEASUREMENTS"

2018 Q3 KEY TAKEAWAYS

Q3 revenues increased 18% from $36,015 in 2017 Q3 to $42,570 in 2018 Q3 and year-to-date increased 8% from $108,693 in 2017 to $117,700 in 2018.

Adjusted gross margin for Q3 decreased to 16% from 18% in 2017 due to higher rentals of specialty equipment for the Canadian market.

The Company had a significant sequential increase in adjusted gross margin from an average of 7% in the first half of 2018 to 16% 2018 Q3. The sequential increase was due to reduced repair expenses in Q3 and lower equipment rentals as a result of the company having additional equipment available due to its capital expenditure program. As a result the year-to-date adjusted gross margin improved to 10% from 7% year-to-date at June 30, 2018.

Adjusted EBITDAS increased from $3,909 in 2017 Q3 to $6,190 in 2018 Q3, an increase of 58%. Year-to-date adjusted EBITDAS decreased from $13,068 in 2017 to $8,648 in 2018.

The Company continues to make investments in equipment to relieve capacity constraints and to improve equipment utilization, reliability and performance. Substantially all of these expenditures are targeted at the U.S. market.

OUTLOOK

Our financial results for 2018 Q3 were greatly improved compared to the first half of the year. In Q2 we noted that we had implemented a number of cost saving measures which started to positively impact results in late Q2. These included better controls on expenses, improving operational efficiencies and engineering improvements to our equipment to improve durability and performance and mitigate equipment repair and refurbishment costs. The on-going focus in these areas continued to positively impact our results in Q3.

In October we elected to close our Washington Pennsylvania (PA) district office and shop. Cathedral fully intends to remain active in the U.S. Northeast market, however, both motors and MWD equipment for the area will now be provisioned from our Oklahoma City, Oklahoma (OKC) facility. Our MWD equipment for all of our U.S. operations has been provided from OKC since 2016. This decision was largely based on the activity levels in the PA area compared to other regions we operate in addition to the type of drilling involved. For example, there are approximately 75 rigs currently running in the PA region (Utica and Marcellus basins) compared to the Permian basin with approximately 490 rigs. We believe that by deploying our PA equipment to other locations it will provide us with further growth opportunities in these areas in addition to allowing us to gain cost and organizational efficiencies.

By the end of October we have deployed 92 of our next generation 7” CLAW-XT™ high performance drilling motors in our fleet. These motors generally garner premium pricing over prior generation motors and will allow us to grow our job capacity. Substantially all of this equipment has been targeted at the U.S. market. We continued to make enhancements to our motors and certain MWD equipment in Q3 aimed at reducing operating costs.

In Q3 we rolled out the first set of Cathedral Linear Pulser tools as an add-on to our FUSION™ Measurement-While-Drilling (MWD) platform. This technology will be our main MWD pulse telemetry platform going forward and will reduce our deployment and repair costs as we are currently dependent on third party suppliers with our capacity constrained existing linear pulse telemetry platform. We are also continuing to deploy upgrades to our existing Dual Telemetry (DT) MWD tool in our operations which are aimed at improving our MWD equipment performance and reliability. In Q4 we will be implementing an add-on device to our motors to allow logging drilling bit RPM. This additional downhole information coupled with analysis by our Drilling Engineering team provides another means to help our customers improve their drilling performance. This additional downhole information will also contribute to further development of our motor technology.

Through having additional equipment to deploy into 2019 and our continued focus on technology and our capabilities to improve drilling performance we are confident we are well positioned for the remainder of 2018 and into 2019.

2018 CAPITAL PROGRAM

During the nine months ended September 30, 2018 the Company invested $12,920 (2017 - $7,065) in equipment and $1,235 (2017 - $326) in new technology development primarily related to MWD systems.

The following table details the current period’s net equipment additions:

		Nine months ended September 30, 2018
Equipment additions:		
Motors	$	7,403
MWD		5,053
Other		464
Total cash additions		12,920
Less: proceeds on disposal of equipment (excluding capital lease settlements)		(10,471)
Net equipment additions (1)	$	2,449

(1) See "NON-GAAP MEASUREMENTS"

Cathedral's current 2018 capital budget totals $18,900, which includes $1,650 for intangible additions. The total net capital additions is estimated to be approximately $8,400. 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 SEPTEMBER 30

Revenues		2018		2017
Canada	$	7,876	$	9,186
United States		34,694		26,829
Total	$	42,570	$	36,015

Revenues 2018 Q3 revenues were $42,570, which represented an increase of $6,555 or 18% from 2017 Q3 revenues of $36,015.

Canadian revenues (excluding motor rental revenues) decreased to $7,697 in 2018 Q3 from $7,978 in 2017 Q3; a 14% decrease. This decrease was the result of: i) a 15% decrease in activity days to 953 in 2018 Q3 from 1,120 in 2017 Q3; net of ii) a 13% increase in the average day rate to $8,076 in 2018 Q3 from $7,123 in 2017 Q3.

The average active land rig count in Canada was up 1% in 2018 Q3 compared to 2017 Q3 (source: Baker Hughes). Cathedral’s activity levels relative to the industry were impacted by the scope of its customer drilling programs and their geographical focus relative to the overall industry. The increase in day rates was due to general increases in customer pricing.

U.S. Directional Drilling revenues (excluding motor rental revenues) increased to $34,669 in 2018 Q3 from $26,630 in 2017 Q3; a 30% increase. This increase was the result of: i) an 18% increase in activity days to 2,634 in 2018 Q3 from 2,233 in 2017 Q3; and ii) a 10% increase the average day rate to $13,162 in 2018 Q3 from $11,926 in 2017 Q3 (when converted to Canadian dollars).

The average active land rig count for the U.S. was up 13% in 2018 Q3 compared to 2017 Q3 (source: Baker Hughes). The Company experienced an 18% increase in activity days resulting in a slight increase in market share compared to 2017 Q3. The market share increase was due to the efforts of sales and marketing staff and improved performance on client jobs. Day rates in United States Dollars ("USD") increased to $10,069 USD in 2018 Q3 from $9,520 USD in 2017 Q3; a 6% increase. The increase in day rates was due to general increases in customer pricing and increased equipment damage recoveries.

Motor rentals in Canada and the U.S. declined to $205 in 2018 Q3 compared to $1,408 in 2017 Q3 primarily as a result of reduced motor rentals from Canadian customers in 2018 Q3 resulting from a temporary pause in their Canadian drilling programs.

Gross margin and adjusted gross margin Gross margin for 2018 Q3 was 9% compared to 10% in 2017 Q3. Adjusted gross margin (see Non-GAAP Measurements) for 2018 Q3 was $6,688 or 16% compared to $6,516 or 18% for 2017 Q3.

Adjusted gross margin, as a percentage of revenue, decreased due to higher equipment rentals and to a lesser extent higher equipment repairs and an increase in the fixed component of cost of sales. The rental expense increase in the quarter was higher primarily due to rentals of specialty equipment for the Canadian market. Repairs increased in part due to a more demanding drilling environment experienced in 2018 Q3. The increase in the fixed component of cost of sales was mostly attributable to increased office and shop payroll and other labour related costs.

Depreciation allocated to cost of sales decreased to $2,627 in 2018 Q3 from $2,748 in 2017 Q3. Depreciation included in cost of sales as a percentage of revenue was 6% for 2018 Q3 and 8% in 2017 Q3.

Selling, general and administrative expenses ("SG&A") SG&A expenses were $3,457 in 2018 Q3; a decrease of $572 compared with $4,029 in 2017 Q3. As a percentage of revenue, SG&A was 8% in 2018 Q3 compared to 11% in 2017 Q3. SG&A decreased primarily due to U.S. state sales taxes on intercompany equipment rentals which were significantly higher in 2017 Q3. Cathedral's Canadian entity owns all Cathedral's downhole drilling equipment and rents it to the U.S. entity and is subject to state sales tax on these amounts

Technology group expenses Technology group expenses are related to new product development and supporting and upgrading existing technology. Technology group expenses consist of salaries and related benefits and burdens as well as shop supplies. Technology group activities spent on new product development are capitalized as intangible assets. Technology group expenses were $513 in 2018 Q3; a decrease of $60 compared with $573 in 2017 Q3. Expenses decreased due to a higher proportion of the group's activity being on new product development. In 2018 Q3, $268 of technology group expenses related to new product development were capitalized as intangible assets (2017 Q3 - $nil).

Gain on disposal of equipment During 2018 Q3, the Company had a gain on disposal of equipment of $3,250 compared to $1,907 in 2017 Q3. 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 Q3, the Company received proceeds on lost-in-hole recoveries of $3,872 (2017 Q3 - $2,546).

Finance costs Finance costs consist of interest expenses on operating loans, loans and borrowings and bank charges of $118 for 2018 Q3 versus $129 for 2017 Q3.

Foreign exchange The Company had a foreign exchange gain of $674 in 2018 Q3 compared to $1,059 in 2017 Q3 due to the fluctuations of the Canadian dollar relative to the U.S. dollar. The Company's foreign operations are denominated in USD and therefore, upon consolidation, gains and losses due to fluctuations in the foreign currency exchange rates are recorded as other comprehensive income on the balance sheet as a component of equity. However, gains and losses in the Canadian entity on U.S. denominated intercompany balances continue to be recognized in the statement of comprehensive income (loss). Included in the 2018 Q3 foreign currency gains are unrealized gain of $624 (2017 Q3 - $1,142) related to intercompany balances.

Income tax For 2018 Q3, the Company had an income tax expense of $845 compared to $173 in 2017 Q3.

The 2018 Q3 effective tax rate excluding adjustments for prior periods was 22%. The effective tax rate is impacted by one legal entity having pre-tax income and the other having pre-tax losses. Income tax expense is booked based upon expected annualized effective rates based upon the statutory rates of 27% for Canada and 23% for the U.S.

RESULTS OF OPERATIONS – NINE MONTHS ENDED SEPTEMBER 30

Revenues		2018		2017
Canada	$	22,977	$	24,567
United States		94,723		84,126
Total	$	117,700	$	108,693

Revenues 2018 revenues were $117,700, which represented an increase of $9,007 or 8% from 2017 revenues of $108,693.

Canadian revenues (excluding motor rental revenues) decreased to $20,790 in 2018 from $21,428 in 2017; a 3% decrease. This decrease was the result of: i) a 15% decrease in activity days to 2,629 in 2018 from 3,076 in 2017; net of ii) an 14% increase in the average day rate to $7,908 in 2018 from $6,966 in 2017.

The average active land rig count in Canada was down 5% in 2018 compared to 2017 (source: Baker Hughes). Cathedral's lower activity levels relative to the industry were impacted by the scope of its customer drilling programs and geographical focus relative to the overall industry The increase in day rates was due to general increases in customer pricing.

U.S. Directional Drilling revenues (excluding motor rental revenues) increased to $93,632 in 2018 from $83,451 in 2017; a 12% increase. This increase was the result of: i) a 5% increase in activity days to 7,705 in 2018 from 7,329 in 2017; and ii) a 7% increase in the average day rate to $12,152 in 2018 from $11,386 in 2017 (when converted to Canadian dollars).

The average active land rig count for the U.S. was up 21% in 2018 compared to 2017 (source: Baker Hughes). The Company experienced a 5% increase in activity days relative to the industry that resulted in a decrease in market share over this period. This decrease in market share was largely due to equipment constraints starting in 2017 that extended into 2018 Q3. The Company's investment in new equipment as well as client changes in the timing and scope of their drilling programs resulted in an improvement in market share in 2018 Q3. Day rates in USD increased to $9,430 USD in 2018 from $8,707 USD in 2017; an 8% increase. The increase in day rates was primarily due to customer price increases.

Motor rentals in Canada and the U.S. declined slightly to $3,277 in 2018 compared to $3,814 in 2017 primarily as a result of reduced motor rentals from Canadian customers in 2018 Q3 resulting from a temporary pause in their Canadian drilling programs.

Gross margin and adjusted gross margin Gross margin for 2018 was 4% compared to 11% in 2017. Adjusted gross margin (see Non-GAAP Measurements) for 2018 was $12,081 or 10% compared to $20,075 or 18% for 2017.

Adjusted gross margin, as a percentage of revenue, decreased due to higher equipment repairs, higher equipment rentals and specific one-time credits related to performance issues with certain U.S. clients in Q2. Rental expenses were adversely impacted by specialty equipment rentals in Q2 that were billed through to clients with a lower mark-up than typical margins. The impact of these rentals and the credits on U.S. work caused 1% of the decrease in adjusted gross margin.

The remaining decrease in adjusted gross margin was primarily from increased equipment repairs in 2018 Q1 and Q2. Repairs increased in part due to a more demanding drilling environment and to a lesser extent upgrades being made to the Company's existing equipment fleet. In addition, there was an increase in the fixed component of cost of sales that were 2% higher on a percentage of revenue basis in 2018 compared to 2017. This increase was mostly attributable to office and shop payroll and other labour related costs.

The Company had a significant sequential increase in adjusted gross margin from an average of 7% in the first half of 2018 to 16% 2018 Q3. The sequential increase was due to reduced repair expenses in Q3 and lower equipment rentals as a result of the company having additional equipment available due to its capital expenditure program. As a result the year-to-date adjusted gross margin improved to 10% from 7% year-to-date at June 30, 2018.

Depreciation allocated to cost of sales decreased to $7,415 in 2018 from $8,128 in 2017. Depreciation included in cost of sales as a percentage of revenue was 6% for 2018 and 8% in 2017.

Selling, general and administrative expenses ("SG&A") SG&A expenses were $10,991 in 2018; an increase of $95 compared with $10,896 in 2017. As a percentage of revenue, SG&A was 9% in 2018 compared to 10% in 2017. 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 offset by lower U.S. state sales tax expenditures. Staffing costs included in SG&A include executive, sales, accounting, human resources, payroll, safety and related support staff.

Technology group expenses Technology group expenses are related to new product development and supporting and upgrading existing technology. Technology group expenses consist of salaries and related benefits and burdens as well as shop supplies. Technology group activities spent on new product development are capitalized as intangible assets. Technology group expenses were $1,741 in 2018; an increase of $102 compared with $1,639 in 2017. Technology group expenses increased primarily due to wage increases, including the reinstatement of previous wage rollbacks and new staff additions. In 2018, an additional $729 of technology group expenses related to new product development were capitalized as intangible assets (2017 - $nil).

Gain on disposal of equipment During 2018, the Company had a gain on disposal of equipment of $8,834 compared to $5,198 in 2017. 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, the Company received proceeds on lost-in-hole recoveries of $10,471 (2017 - $6,417).

Finance costs Finance costs consist of interest expenses on operating loans, loans and borrowings and bank charges of $262 for 2018 versus $527 for 2017. The decrease in finance costs relate to the reduction of amounts drawn on the Company's credit facility. In 2017 Q1, the Company finalized the sale of its Flowback and Production Testing ("F&PT)" 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 $(415) in 2018 compared to a gain of $1,976 in 2017 due to the fluctuations of the Canadian dollar relative to the U.S. dollar. The Company's foreign operations are denominated in USD and therefore, upon consolidation, gains and losses due to fluctuations in the foreign currency exchange rates are recorded as other comprehensive income on the balance sheet as a component of equity. However, gains and losses in the Canadian entity on U.S. denominated intercompany balances continue to be recognized in the statement of comprehensive income (loss). Included in the 2018 foreign currency gains are unrealized loss of $446 (2017 - gain of $2,016) related to intercompany balances.

Income tax For 2018, the Company had an income tax recovery of $830 compared to expense of $1,297 in 2017. Included in the 2018 provision was recoveries of $361 related to provisions of prior periods (2017 recovery of $12).

The 2018 effective tax rate excluding adjustments for prior periods is negative and on a percentage basis not meaningful. The effective tax rate is impacted by one legal entity having pre-tax income and the other having pre-tax losses. Income tax expense is booked based upon expected annualized effective rates based upon the statutory rates of 27% for Canada and 23% for the 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 nine months ended September 30, 2018, the Company had funds from operations of $327 (2017 – $1,815). The decrease in funds is mainly due to reduced profits offset by change in non-cash working capital. For the three months ended September 30, 2018, the Company had funds from operations of $1,926 (2017 Q3 - $21).

Working capital At September 30, 2018 the Company had working capital of $32,970 (December 31, 2017 - $31,016). The increase in working capital level was primarily due to increases in cash and accounts payable offset by increases in trade receivables and inventory relative to December 31, 2017.

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 Company has extended the credit facility to December 31, 2020 under the same terms and conditions as the Facility. 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 (as defined in the Facility agreement) 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 September 30, 2018, the Company had drawn $7,000 of its revolving credit facility. The Company's Funded Debt level under the lending agreement was $2,669. For the rolling twelve months ended September 30, 2018, Facility EBITDA was $16,384.

Ratio	Actual	Required
Consolidated funded debt to consolidated Facility EBITDA ratio	0.2:1	3.0:1 maximum
Consolidated interest coverage ratio	39.1:1	2.5:1 minimum

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 September 30, 2018, the Company had a commitment to purchase approximately $1,556 of equipment. Cathedral anticipates expending these funds 2018 Q4 based upon current delivery lead times.

Share capital At November 8, 2018, the Company has 49,468,117 common shares and 3,725,667 options outstanding with a weighted average exercise price of $1.19.

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: Cathedral fully intends to remain active in the U.S. Northeast market; FUSION™ Measurement-While-Drilling (MWD) platform will be our main MWD pulse telemetry platform going forward and will reduce our deployment and repair costs; in Q4 we will be implementing an add-on device to our motors to allow logging drilling bit RPM; this additional downhole information will also contribute to further development of our motor technology; we are confident we are well positioned for the remainder of 2018 and into 2019; 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 finance costs, unrealized foreign exchange on intercompany balances, taxes, 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 September 30		Nine months ended September 30	
	2018	2017	2018	2017
Gross margin	$ 4,010	$ 3,755	$ 4,542	$ 11,904
Add non-cash items included in cost of sales:				
Depreciation	2,627	2,748	7,415	8,128
Share-based compensation	51	13	124	43
Adjusted gross margin	$ 6,688	$ 6,516	$ 12,081	$ 20,075
Adjusted gross margin %	16%	18%	10%	18%

Total Adjusted EBITDAS

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Earnings (loss) before income taxes	$ 3,846	$ 1,990	$ (33)	$ 6,016
Add:				
Depreciation included in cost of sales	2,627	2,748	7,415	8,128
Depreciation included in selling, general and administrative expenses	54	25	131	75
Share-based compensation included in cost of sales	51	13	124	43
Share-based compensation included in selling, general and administrative expenses	118	43	303	139
Finance costs	118	129	262	527
Subtotal	6,814	4,948	8,202	14,928
Unrealized foreign exchange (gain) loss on intercompany balances	(624)	(1,142)	446	(2,016)
Non-recurring expenses	-	102	-	278
Adjusted EBITDAS from continuing operations	6,190	3,908	8,648	13,190
Adjusted EBITDAS from discontinued operations	-	1	-	(122)
Total Adjusted EBITDAS	$ 6,190	$ 3,909	$ 8,648	$ 13,068

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2018 and December 31, 2017
Dollars in '000s
(unaudited)

	September 30 2018	December 31 2017
Assets		
Current assets:		
Cash	$ 4,796	$ 2,683
Restricted cash equivalents	-	1,514
Trade receivables	36,477	33,885
Current taxes recoverable	-	86
Prepaid expenses	1,319	1,460
Inventories	13,578	11,128
Total current assets	56,170	50,756
Equipment	62,209	58,383
Intangible assets	2,924	1,953
Deferred tax assets	12,774	10,538
Total non-current assets	77,907	70,874
Total assets	$ 134,077	$ 121,630
Liabilities and Shareholders' Equity		
Current liabilities:		
Operating loan	$ -	$ 1,233
Trade and other payables	22,517	17,926
Current taxes payable	429	-
Loans and borrowings	100	233
Provision for settlements, current	154	348
Total current liabilities	23,200	19,740
Loans and borrowings	7,028	46
Provision for settlements, long-term	384	453
Total non-current liabilities	7,412	499
Total liabilities	30,612	20,239
Shareholders' equity:		
Share capital	88,155	88,059
Contributed surplus	10,203	9,801
Accumulated other comprehensive income	8,923	8,144
Deficit	(3,816)	(4,613)
Total shareholders' equity	103,465	101,391
Total liabilities and shareholders' equity	$ 134,077	$ 121,630

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Three and nine months ended September 30, 2018 and 2017
Dollars in '000s except per share amounts
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revenues	$ 42,570	$ 36,015	$ 117,700	$ 108,693
Cost of sales:				
Direct costs	(35,882)	(29,499)	(105,619)	(88,618)
Depreciation	(2,627)	(2,748)	(7,415)	(8,128)
Share-based compensation	(51)	(13)	(124)	(43)
Total cost of sales	(38,560)	(32,260)	(113,158)	(96,789)
Gross margin	4,010	3,755	4,542	11,904
Selling, general and administrative expenses:				
Direct costs	(3,285)	(3,961)	(10,557)	(10,682)
Depreciation	(54)	(25)	(131)	(75)
Share-based compensation	(118)	(43)	(303)	(139)
Total selling, general and administrative expenses	(3,457)	(4,029)	(10,991)	(10,896)
	553	(274)	(6,449)	1,008
Technology group expenses	(513)	(573)	(1,741)	(1,639)
Gain on disposal of equipment	3,250	1,907	8,834	5,198
Earnings from operating activities	3,290	1,060	644	4,567
Finance costs	(118)	(129)	(262)	(527)
Foreign exchange gain (loss)	674	1,059	(415)	1,976
Earnings (loss) before income taxes	3,846	1,990	(33)	6,016
Income tax recovery (expense):				
Current	(956)	2	(1,391)	(26)
Deferred	111	(175)	2,221	(1,271)
Total income tax recovery (expense)	(845)	(173)	830	(1,297)
Net earnings from continuing operations	3,001	1,817	797	4,719
Net loss from discontinued operations	-	(7)	-	(142)
Net earnings	3,001	1,810	797	4,577
Other comprehensive income (loss):				
Foreign currency translation differences for foreign operations	(773)	(1,932)	779	(3,579)
Total comprehensive income (loss)	$ 2,228	$ (122)	$ 1,576	$ 998
Net earnings from continuing operations per share				
Basic and diluted	$ 0.06	$ 0.04	$ 0.02	$ 0.10
Net loss from discontinued operations per share				
Basic	$ -	$ -	$ -	$ -
Net earnings per share				
Basic and diluted	$ 0.06	$ 0.04	$ 0.02	$ 0.10

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three and nine months ended September 30, 2018 and 2017
Dollars in '000s
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Cash provided by (used in):				
Operating activities:				
Net earnings from continuing operations	$ 3,001	$ 1,817	$ 797	$ 4,719
Items not involving cash				
Depreciation	2,681	2,773	7,546	8,203
Share-based compensation	169	56	427	182
Income tax expense	845	173	(830)	1,297
Gain on disposal of equipment	(3,250)	(1,907)	(8,834)	(5,198)
Finance costs	118	129	262	527
Unrealized foreign exchange (gain) loss on intercompany balances	(624)	(1,142)	446	(2,016)
Cash flow - continuing operations	2,940	1,899	(186)	7,714
Cash flow - discontinued operations	-	-	-	(135)
Changes in non-cash operating working capital	(1,433)	(1,642)	1,358	(6,695)
Income taxes (paid) refunded	419	(236)	(845)	931
Cash flow - operating activities	1,926	21	327	1,815
Investing activities:				
Equipment additions	(4,140)	(3,518)	(12,920)	(7,065)
Intangible asset additions	(415)	(92)	(1,235)	(326)
Proceeds on disposal of equipment	3,827	2,565	10,676	6,668
Proceeds on disposal of discontinued operations	-	-	-	17,252
Changes in non-cash investing working capital	(1,044)	1,429	(1,478)	1,926
Cash flow - investing activities	(1,772)	384	(4,957)	18,455
Financing activities:				
Change in operating loan	-	-	(1,232)	(2,105)
Repayments on loans and borrowings	(2)	(37)	(153)	(26,395)
Proceeds on share issuance from bought deal public	-	-	-	13,131
Proceeds on share issuance from exercise of share options	-	-	71	4
Payment on settlements	-	(249)	(236)	(2,073)
Restricted cash	-	-	1,514	-
Interest paid	(118)	(129)	(262)	(530)
Advances of loans and borrowings	1,500	-	7,000	-
Cash flow - financing activities	1,380	(415)	6,702	(17,968)
Effect of exchange rate on changes on cash	(56)	(79)	41	(151)
Change in cash and cash equivalents	1,478	(89)	2,113	2,151
Cash, beginning of period	3,318	4,138	2,683	1,898
Cash, end of period	$ 4,796	$ 4,049	$ 4,796	$ 4,049

NOT FOR DISSEMINATION IN THE UNITED STATES OF AMERICA

Requests for further information should be directed to:

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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.