

CRITICAL CONTROL ANNOUNCES SECOND QUARTER 2015 FINANCIAL RESULTS

CALGARY, ALBERTA, August 11, 2015 – Critical Control Energy Services Corp. (TSX: CCZ) today reported its financial results for the three and six months ended June 30, 2015.

“Despite a turbulent industry, we are pleased to deliver both organic growth in Canada and growth through a strategic geographic acquisition in the United States,” said Alykhan Mamdani, President and CEO of Critical Control. “Measures taken and costs incurred in the quarter to reduce overall administrative costs will better position us for profitability in the quarters to come.”

Quarter ended June 30, 2015 highlights

Effective April 1, 2015, the Corporation acquired, through Gas Analytical Services, Inc. certain assets of a company based in Dallas, Texas relating to the interpretation of gas charts, the provision of gas and liquids analysis and the provision of measurement related field services (“Measurement Services Acquisition”). The purchase price of US\$2.0 million was paid 80% on the first closing with the remainder payable on the second closing of December 15, 2015.

The net assets acquired have been allocated to US Energy Services. Revenue generated from the net assets since the date of acquisition is \$2.1 million. Earnings before income tax contributed from the net assets in 2015 is \$0.1 million. The Measurement Services Acquisition contributed revenues of US\$1.7 million in the second quarter, including US\$0.8 million from field services and US\$0.6 million from gas and liquid analysis, with the remaining contributed from field data capture.

The Corporation also released a new version of its ProMonitor software containing numerous improvements, enhancements and new functionality. New functionality includes a real-time reporting module, providing critical warnings on risks of failure in pipelines and a customizable risk calculator, allowing clients to modify factors and weightings in the pipeline risk calculation to provide intelligence on the factors most important to the client. The result is a faster, more customizable and more accurate method of managing a pipeline integrity program to reduce risks which in turn reduces probability of compliance issues and losses.

Revenue

- Critical Control generated revenue of \$10.7 million in the second quarter and \$20.2 million year-to-date in 2015, an increase of 26.5% and 26.2%, respectively.
- Revenue from Canadian Energy Services was \$3.5 million in the second quarter 2015 compared to \$3.3 million in the second quarter 2014, representing an increase of \$0.2 million or 7.7%. The growth is attributed to an increase in new product penetration and consolidation of large accounts which has been partly offset by downward pressure on product pricing due to market conditions. Recurring revenue increased by \$0.1 million and non-recurring revenue increased by \$0.1 million.
- Revenue from US Energy Services increased by \$2.0 million or 38.4%, from \$5.2 million in the second quarter 2014 to \$7.2 million in the second quarter 2015. Excluding the positive impact of foreign exchange, a \$2.4 million increase in recurring revenue was offset by a \$0.4 million decrease in non-recurring revenue from fabrication, assembly and equipment. \$2.1 million of the increase in revenue was a result of the Measurement Services Acquisition.

Gross margin

- Gross margin percentage for the Corporation was 33.5% and 33.9% for the three and six months ended June 30, 2015 compared to 36.4% and 34.9%, respectively, in 2014.
- Canadian Energy Services’ gross margin percentage increased from 48.4% in the second quarter 2014 to 49.7% in the second quarter 2015. The change is primarily attributable to improvements in ProMonitor’s gross margin.

- US Energy Services' gross margin percentage decreased from 28.7% in the second quarter 2014 to 25.4% in the second quarter 2015. The margin was impacted by both a decline in margins with fabrication services, assembly and equipment and by costs associated with the creation of a centralized processing centre for gas charts.

Earnings and net earnings

- Loss before income tax from continuing operations for the second quarter 2015 was \$1.1 million compared to \$0.4 million for the second quarter 2014. The \$1.1 million loss included a restructuring charge of \$0.7 million in severances associated with terminations of administrative personnel and \$0.1 million to a loss from unrealized foreign exchange.
- Net loss for the second quarter 2015 was \$0.9 million compared to a net loss of \$0.1 million for the second quarter 2014. The increase is primarily attributable to corporate restructuring costs relating to the disposition of the Service Bureau Operations.

Outlook and forward looking statements

In light of the rapid decline in the price of oil commencing in the fourth quarter 2014, oil and gas producers across North America are curtailing capital expenditures and reducing costs. Accordingly, Critical Control has modified its short-term strategy with a view to reduce risk, increase focus, and position the Corporation to capitalize on the current environment and the eventual rebound in oil prices. While management is confident of an eventual rebound of investment in oil and gas, the timing of the rebound remains uncertain.

During the first half of 2015, in a series of transactions, the Corporation divested its non-energy business and completed the Measurement Services Acquisition. The Corporation's focus is to increase penetration of its core software solutions (ProChart, NetFlow and ProTrend) into the Canadian and US markets, and continue penetration of its emerging ProMonitor modules in Canada.

The Corporation took steps to streamline general and administrative costs and improve operational efficiencies in the second quarter 2015 and is executing measures to further improve profitability. These measures may result in additional one-time expenses in the second half of 2015. While management expects to begin seeing the benefits of this restructuring in the second half of 2015, the total impact of these changes is expected to improve 2016 profitability. Expectations of increased profitability in 2016 will be impacted in the event oil and gas producers reduce the amount of oil and gas they produce, rather than the current trend of curtailing most exploration and development drilling.

Management expects a positive contribution from the Measurement Services Acquisition in the second half of 2015. Notwithstanding the forgoing expectations, some of the aspects of the integration of the assets into the Corporation's operations is outside of management's control, and a delay in such integration will delay the positive financial contribution from the assets.

Given the growth of the Corporation's client base in the US from the recent Measurement Services Acquisition, management expects that a decline in the Corporation's revenue from the sale of measurement related fabrication equipment in the US, due to reduced exploration, will be offset by increased penetration of the Corporation's software.

Management's expectations of future events including those related to growth and increased penetration into its client base in Canada and the US are forward looking statements subject to risks including continued acceptance of the Corporation's software and services, pricing competition and industry trends, which are outside of the Corporation's control.

About Critical Control

Critical Control provides solutions for the collection, control and analysis of measurement and operational data related to oil and gas wells across North America. We provide services to capture the data, cloud based software to visualize and manage it and the business intelligence to make quicker and more informed operational decisions.



Critical Control Energy Services Corp.

For further information

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