CRITICAL CONTROL ANNOUNCES THIRD QUARTER 2015 FINANCIAL RESULTS

CALGARY, ALBERTA, November 16, 2015 – Critical Control Energy Services Corp. (TSX: CCZ) today reported its financial results for the three and nine months ended September 30, 2015.

Revenue increased 15.5% to $30.5 million in the nine months ended September 30, 2015 compared to the same period in 2014 driven by growth in the Corporation's software solutions and geographic expansion in the United States. For the quarter, revenue remained steady at $10.3 million compared to $10.4 million in 2014, with the Corporation's recurring revenue growth from software and services replacing a $2.4 million decline in fabrication related non-recurring revenue in Q3 2014.

During 2015, the Corporation is transitioning to a focused digital oilfield solutions company with integrated software and services. As part of this transition and in light of the prevailing industry the Corporation is recognizing the following one-time charges for the nine month period ended September 30, 2015:

- $2.1 million in restructuring charges related to terminations ($1.4 million in Q3 2015);
- $1.2 million as an additional allowance for doubtful accounts ($1.2 million in Q3 2015);
- $0.4 million as an additional allowance for inventory obsolescence ($0.4 million in Q3 2015).

These one-time charges increase the Corporation's net loss before tax from $1.2 million for the nine months ended September 30, 2015 to $4.9 million compared to a loss before tax of $0.4 million for the period in 2014 (Q3 2015 loss increased from $0.6 million to $3.6 million compared to net income before tax of $0.5 million in 2014).

Driven by these one-time non-recurring charges, net loss for the nine months ended September 30, 2015 dropped to $2.8 million from $0.1 million in 2014. On a quarterly basis, net loss increased to $2.4 million in Q3 2015 from net income of $0.2 million in Q3 2014.

"Our top line numbers are indicative of our continued success to penetrate the market with our solutions despite turbulent industry conditions," said Alykhan Mamdani. "Notwithstanding our success during this quarter, we have taken charges for our plan to increase our resilience, improve our competitiveness and streamline our overhead; all with a view to deliver strong future profitability."

Quarter ended September 30, 2015 highlights

In 2015, Critical Control embarked on a restructuring of the Corporation to reposition itself as a digital oil field company focused on the penetration of its software partnered with its field and lab services into the US market. Phase 1 of this plan was completed in the first half of 2015 whereby all of the Corporation's non-energy business units, comprising of approximately 35% of the Corporation's revenue in 2014 were divested.

Phase 2 commenced in the second quarter of 2015, resulting in the Corporation acquiring the measurement services business of a larger company, giving the Corporation a presence in a number of new geographic areas in the United States.

Late in the second quarter of 2015, the Corporation commenced the integration of its Canadian and US business units into a single organization, reducing overhead, centralizing accounting, creating a sales and marketing team to span North America and reengineered its business processes to integrate its solutions with the objective of leveraging its size and centralization capability to obtain economies of scale. This third phase continued in the third quarter. The business process reengineering negatively impacted margins in the third quarter of 2015 with duplicate costs while certain business processes were relocated. Additionally, the reorganization resulted in the Corporation incurring one-time restructuring costs of $2.1 million in 2015, $1.4 million of which was in the third quarter.

Given the current price of oil and gas, the lack of investment in exploration and the impact to investment in the industry, oil and gas producers are facing significant financial obstacles. Management has observed that the impact of these obstacles has resulted in a number of bankruptcies in the third quarter of 2015. Although the Corporation's key customers have comparatively strong financial positions, a number of the Corporation's smaller and mid-sized customers may be at risk. Accordingly, upon review of the increased risk of insolvency in the industry and amounts due from the Corporation's specific clients, management has increased its provision for doubtful accounts by $1.2 million.

In addition, given the downturn in exploration and the resulting rapid decline in the Corporation's non-recurring fabrication business, management has reevaluated the value of its inventory and has conservatively increased its allowance for obsolescence by $0.4 million.

The additional charges taken by the Corporation in the third quarter of 2015, combined with the business process reengineering being implemented by management has resulted in the Corporation being in violation of its banking covenants. Although the lender has provided a waiver for the breach of covenants to the Corporation subsequent to September 30, 2015, the $2.5 million which would otherwise have been considered long-term, has been classified as current. Total indebtedness to the lender as at September 30, 2015 is $10.3 million. The Corporation is in discussions with the lender to either extend the waiver for a longer period of time or amend the financial covenants to reflect the charges taken by the Corporation and its longer term impact to profitability and to avoid future breaches.

	Three months ended September 30,			Nine months ended September 30,		
	2015	**2014**	**Variance**	**2015**	**2014**	**Variance**
Revenue	10,300	10,400	(100)	30,526	26,431	4,095
Gross margin	2,525	3,730	(1,205)	9,381	9,332	49
Gross margin percentage	24.5%	35.9%	-11.4%	30.7%	35.3%	-4.6%
Selling and administrative	3,123	2,947	176	10,003	8,504	1,499
Other expenses	2,994	255	2,739	4,248	1,152	3,096
(Loss) earnings before income taxes	(3,592)	528	(4,120)	(4,870)	(324)	(4,546)
Net (loss) earinings from continuing operations	(2,233)	372	(2,605)	(3,244)	(363)	(2,881)
Net earnings (loss) from discontinued operations	(211)	(153)	(58)	492	302	190
Net loss (earnings)	(2,444)	219	(2,663)	(2,752)	(61)	(2,691)
EBITDA	(2,646)	1,151	(3,797)	(1,837)	1,494	(3,331)
Adjusted EBITDA	4	958	(954)	721	1,381	(660)

Revenue

- Revenue increased 15.5% in the first three quarters of 2015 compared to the same period last year. The increased revenue is attributed to growth in recurring revenue from the Corporation's software solutions and geographic expansion in the United States.
- The Corporation's software centered Canadian Energy Services delivered 6.2% growth in the first three quarters of 2015 compared to 2014. Despite increased shut ins, industry bankruptcies and strong negative sentiment, the Corporation's Canadian Energy Services' revenue in the third quarter of 2015 matched 2014 through increased penetration of its software solutions.
- The Corporation's US Energy Services business delivered a 21.1% increase in revenue on a year to date basis compared to 2014 on the back of its acquisition of a measurement services business in the second quarter of 2015. Recurring revenue from this acquisition enabled the Corporation to offset a US$2.6 million decline in the sale of fabricated measurement equipment compared to the third quarter of 2014. This decline was caused in part to reduced demand from industry conditions and in part to two major one time projects billed in the third quarter of 2014 which did not recur in 2015. Despite this decline, overall revenue only declined 1.7% in the third quarter of 2015 compared to the third quarter of 2014.

Gross margin

- The Corporation's overall gross margins declined from 35.3% on a year to date basis in 2014 to 30.7% in 2015. This decline was more apparent in the third quarter of 2015 where gross margin fell to 24.5% from 35.9% in 2014. This decline is a direct result of the Corporation's geographic expansion in the United States and the duplicate costs being incurred during a period of business process reengineering and integration of the measurement services business acquired in the second quarter of 2015.

- Notwithstanding these costs, the Corporation's margins in the Canadian Energy Services business improved from 48.1% in the first nine months of 2014 to 50.6% for the same period in 2015. The improved margin was on the back of commercialization of the Corporation's ProMonitor solution, which generated losses in 2014. In third quarter of 2015, the Corporation's margin were down to 48.1% compared to 52.6% in 2014 due to the commencement of depreciation from ProMonitor and costs associated with the Corporation's increased office space in Calgary which commenced earlier in 2015.

Earnings and net earnings

- The Corporation's $3.6 million loss before income tax for the third quarter of 2015 (compared to net income of $0.5 million in 2014) is a result of lower margins associated with costs from the Corporation's business process reengineering, restructuring charges in the quarter of $1.4 million, $0.4 million allowance for inventory obsolescence and $1.2 million allowance for doubtful accounts.
- On a year to date basis, the Corporation's net loss of $4.9 million (compared to a $0.3 million loss in 2014) was impacted materially by $2.1 million charges associated with the Corporation's restructuring, $0.4 million allowance for inventory obsolescence, and $1.2 million allowance for doubtful accounts.

Outlook and forward looking statements

Continued depressed commodity prices have significantly impacted the oil and gas business across North America. Management is unable to foresee or predict an improvement in the current industry climate. Management has completed a major corporate restructuring in the second and third quarters of 2015 and has commenced a business process reengineering late in the second quarter of 2015 which is expected to be substantially completed by the end of 2015. Management expects that the savings from the restructuring and business process reengineering will reduce cost of revenue and operating expense by over $1.7 million annually, the savings for which will be seen commencing in the fourth quarter of 2015 and more materially commencing in 2016.

Management has seen an increase in the penetration of its software in Canada in 2015 and this penetration has more than offset reduced revenue from the impact of the current industry downturn. Management anticipates being able to continue this trend into the fourth quarter of 2015 and based on interest expressed by customers, anticipates being able to continue this trend into 2016.

The margins associated with the Corporation's acquisition of a measurement services company in the United States is low. As the Corporation completes its business process reengineering and continues to streamline its operations, management anticipates returning to historic margins from 2014 during 2016. Given the early success of penetrating the US market with its software, management is optimistic that it will be able to improve margins by the end of 2016 as this penetration becomes a material part of the Corporation's US business.

The one-time charges incurred in the third quarter of 2015 combined with the business process reengineering being completed by management has impacted the Corporation's financial results and contributed to the Corporation not being in compliance with certain financial covenants contained in the loan agreement with its lender. The lender has waived the breach as at September 30, 2015 and the Corporation is in discussion with the lender to temporarily amend the covenants such that there are no further breaches caused by the one-time charges already incurred. Management has prepared forecasts for the remainder of 2015 and 2016 and the expected performance combined with the benefits associated with the business process reengineering will enable the Corporation to meet its existing covenants by the end of the second quarter of 2016. Amending the existing covenants with the lender and operating results for the remainder of 2015 and 2016 are forward looking statements not completely in management's control, but will affect the Corporation being in compliance with those covenants.

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.

For further information

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