CRITICAL CONTROL ANNOUNCES 2016 YEAR END FINANCIAL RESULTS

CALGARY, ALBERTA, March 27, 2017 – Critical Control Energy Services Corp. (TSX: CCZ) today reported its financial results for the year ended December 31, 2016.

"During 2016 oil and gas prices materially dropped, causing reduced industry spending, material numbers of wells being shut in and many oil and gas producers being unable to continue operations, all of which impacted our revenue," said Alykhan Mamdani, President and CEO of Critical Control. "Notwithstanding these significant headwinds, management successfully reengineered its operations and further penetrated the market with its software, improving operational performance through improved margins and reduced general and administrative costs, which are sustainable once conditions improve."

Revenue

- The decline in the price of oil and gas since fourth quarter of 2014 impacted the industry causing reduced expenditure in exploration, development and operations. As a consequence, the Corporation's revenue declined to $31.8 million in 2016 compared to $39.9 million in 2015, a 20.5% overall decline.
- Strong recurring revenue in the Corporation's Software segment together with growth driven from the continued penetration of the Corporation's software in both Canada and the United States offset declines from shut in wells and the cost saving measures implemented by industry. As a result, Software revenue fell by only 12% to $16.9 million in 2016 from $19.2 million in 2015.
- Despite industry factors and the subsequent competitive environment, the Corporation's recurring revenue from its Services business remained steady generating $10.3 million in revenue in 2016, a 7% decrease from the previous year. The Corporation's revenue from fabrication of measurement related equipment for new wells hit the Corporation's revenue the hardest causing non-recurring revenue in the Services business to fall by 53% to $4.5 million.

Gross margin

- Management's measures to reengineer the Corporation's business to exit the downturn in a more competitive position resulted in gross margin increasing from 36.2% to 40.0%.
- Gross margin in Software improved from 51.9% to 55.7% despite a strong competitive environment and pressures to provide price breaks during the downturn.
- Despite the downturn of gross margin in the Corporation's fabrication business from 11.8% in 2015 to negative 45.9% in 2016, the total gross margin in Services improved from 21.7% to 22.1%. This is related to the improvement in recurring revenue gross margin from 21.3% to 25.4% which resulted from management's focus on streamlining the operations in the beginning half of 2016.

Earnings and net earnings

- The Corporation's loss before tax improved to $3.0 million from a loss of $5.6 million in 2015. This change was a result of decreased general and administrative costs in 2016 compared to results from 2015 which included $3.6 million one-time reorganization expenses offset by a $1.1 million foreign currency gain.

Outlook and Guidance

The decline in energy prices resulted in oil and gas producers shutting in production, reducing operating costs associated with the Corporation's services, demanding price reductions and in certain cases, filing for creditor protection. These factors combined with competitive pressures from other service companies negatively impacted the Corporation's revenue in 2016.

Notwithstanding the foregoing, the Corporation has further penetrated its client base with its software solutions and reengineered its operations to reduce costs to maintain, and in some cases grow, its margins.

The impact of the Corporation's internal business process reengineering and reorganization in 2016 are evident in the Corporation's results in the last half of 2016 with improved gross margins and reduced general and administrative expenses. Management is optimistic that these margins are sustainable through 2017 and will continue to improve in the event industry activity increases. Notwithstanding the foregoing, commodity prices or increased competitive pressures are unpredictable and a material change will affect profitability.

Simultaneous with cost saving measures, the Corporation has continued its investment in enhancing its existing software portfolio and adding new software products to reduce energy producer's cost and risk. Management intends on continuing this investment during 2017. This continued investment has enabled the Corporation to offset reduced revenue from its existing products during the downturn in 2016 and management expects this investment to differentiate the Corporation from its competitors and provide an avenue of growth regardless of industry conditions in 2017. This expectation is based upon the Corporation's ability to develop its software on a timely basis, bring it to market cost effectively and to successfully penetrate the Corporation's existing client base with new software capabilities to address existing costs and operational risks.

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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