CRITICAL CONTROL ANNOUNCES SECOND QUARTER 2017 FINANCIAL RESULTS

CALGARY, ALBERTA, August 9, 2017 – Critical Control Energy Services Corp. (TSX: CCZ) today reported its financial results for the three and six months ended June 30, 2017.

"In light of emerging positive trends with our software business and our investment in research and development in the past year, our focus for the remainder of 2017 and 2018 will be in sales and marketing to increase penetration into our strong North American client base," said Alykhan Mamdani, CEO of Critical Control.

Revenue

- Industry driven revenue decline stabilized in the quarter with total revenue of $7.6 million compared to $7.8 million in the second quarter of 2016.
- 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. Accordingly, Software revenue in the second quarter remained steady at $4.3 million in 2017 compared to $4.3 million in 2016.
- Industry factors and the subsequent competitive environment continue to impact the Corporation's recurring revenue from its Services business, which generated US$1.7 million in revenue in the second quarter of 2017, a 11.8% decrease from the previous period.

Gross margin

- Management's reengineering of the business has allowed the Corporation to exit the downturn in a more competitive position with gross margin increasing from 40.0% in 2016 to 45.8%.
- Gross margin in Software improved from 55.9% to 63.5% despite a strong competitive environment and pressures to provide price concession.
- The Corporation's fabrication business gross margin went from negative 57.6% in 2016 to positive 3.0% in 2017, the total gross margin in Measurement Services continued strong at 24.3%. This resulted from management's focus on streamlining the Services operations in the first half of 2016.

Earnings and net earnings

- The Corporation's loss before tax in the second quarter is consistent at $0.7 million despite an unrealized foreign exchange loss in the second quarter of 2017 of $0.4 million. EBITDA, adjusted for this unrealized foreign exchange loss increased from $0.5 million in the second quarter of 2016 to $0.9 million in the second quarter of 2017.

Outlook and Guidance

The decline in energy prices in 2015 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 in 2016 and early 2017. These factors combined with competitive pressures from other service companies negatively impacted the Corporation's revenue throughout 2016 and early 2017, with such declines appearing to ebb in the second quarter of 2017.

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 first half of 2017 with improved gross margins and reduced general and administrative expenses. Management is optimistic that these margins are sustainable through 2017 at today's commodity prices 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. The growth from these initiatives 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.

Subsequent to the end of the second quarter of 2017, the Corporation completed a private placement of preferred shares for gross proceeds of $2.0 million. The completion of this offering increases the Corporations immediate liquidity and working capital, and in the opinion of management, based upon current industry conditions and progress in the Corporations business, is sufficient working capital to meet the Corporations stated objectives in 2017 and 2018.

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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