CRITICAL CONTROL ANNOUNCES THIRD QUARTER 2017 FINANCIAL RESULTS

CALGARY, ALBERTA, November 10, 2017 – Critical Control Energy Services Corp. (TSX: CCZ) today reported its financial results for the three and nine months ended September 30, 2017.

"Positive trends from Q2 2017 have continued into Q3, providing an ebb in the revenue losses driven by industry trends from 2015 and 2016," said Alykhan Mamdani, CEO of Critical Control. "Our improved margins and reduced operating costs combined with results from our research and development have positioned us to be optimistic going into 2018."

Revenue

- Strong 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 third quarter remained steady at $4.0 million in 2017 compared to $4.0 million in 2016.
- Industry factors and the subsequent competitive environment continue to impact the Corporation's revenue from its Services business, which generated US$2.3 million in revenue in the third quarter of 2017, a 13.6% 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 in the third quarter of 2016 from 41.4% to 43.9% in 2017.
- Gross margin in Software improved from 56.6% to 63.1% in the third quarter of 2017 despite a strong competitive environment and pressures to provide price concession.
- Management continues to focus on streamlining the Services operations and leveraging its software to improve the efficiency of the field work.

Earnings and net earnings

- The Corporation has a loss in the third quarter of 2017 of $1.1 million versus income of $0.4 million in the comparative quarter. The difference relates primarily to unrealized foreign exchange loss of $0.7 million in the quarter compared to a gain of $0.1 million in the prior year comparative and recognition of a $0.6 million income tax recovery in the prior year. Adjusted EBITDA remains consistent in the third quarter of 2017 at $0.5 million compared to $0.6 million in 2016.

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 2017 with improved gross margins and reduced general and administrative expenses. Management is optimistic that these margins are sustainable into 2018 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 into 2018. 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.

In the third 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 Corporation's immediate liquidity and working capital, and in the opinion of management, based upon current industry conditions and progress in the Corporation's business, is sufficient working capital to meet the Corporation's stated objectives in 2017 and 2018.

The key strategic focus of the Corporation going into 2018 is penetration of the Corporation's existing and new software solutions into the US market through leveraging its existing services business customers.

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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