



# Xtreme Drilling Corp. Announces First Quarter 2018 Financial and Operating Results

CALGARY, Alberta, May 03, 2018 (GLOBE NEWSWIRE) -- **Xtreme Drilling Corp.** (TSX:XDC) ("**Xtreme**" or the "**Company**") announces its first quarter 2018 financial and operating results. It is anticipated that filing will take place on SEDAR of Interim Consolidated Financial Statements as well as Management's Discussion and Analysis for the three months ended March 31, 2018, by May 4, 2018. All reported amounts are in Canadian dollars ("CAD"), unless otherwise noted.

## Q1 2018 Highlights

- | Operating days for the quarter were 844, an increase from 707 in the fourth quarter of 2017. The increase in operating days from the prior quarter was based on the reactivation of two rigs during the quarter, the operating days contributed by the first 850XE rig that commenced operations in January 2018 and the second 850XE rig which commenced operations in late March 2018 on an 18-month contract in the Utica play of the Appalachian Basin. Utilization was 85 percent for the quarter, compared to 77 percent in the fourth quarter.
- | The third 850XE rig was in the process of mobilization to the Appalachian Basin for the same customer at the end of the quarter. It also is contracted for 18-months and commenced operations in mid-April.
- | For the three months ended March 31, 2018, the Company reported revenue of \$21.3 million as compared to \$16.3 million in the fourth quarter of 2017. The increase is due to higher utilization and higher day-rates earned during the period. Revenue per day increased to \$25,262 in the first quarter of 2018 from \$23,088 in the fourth quarter of 2017.
- | Operating expenses include all direct and indirect costs associated with the operation, maintenance and support of the drilling operations. For the three months ended March 31, 2018, operating expenses were \$20,699 per operating day, an increase from \$18,919 per operating day in the fourth quarter of 2017. Operating expenses per operating day increased in the first quarter primarily due to the impact of start-up and mobilization of the first two 850XE rigs as well as the reactivation costs for the two idle XDR 500 rigs.
- | General and Administrative expenses were \$2.4 million in the first quarter of 2018 as compared to \$2.1 million for the fourth quarter of 2017. The increase from the previous quarter is due primarily to higher professional fees.
- | Adjusted EBITDA was \$1.5 million for the first quarter, an increase from what was reported in the fourth quarter of 2017 of \$0.8 million.
- | In March 2018, the Company executed an amendment to the loan agreement with an equipment finance lender to increase the amount of an existing loan by \$3.0 million US dollar ("USD") to \$9.0 million USD in total. The \$9.0 million USD loan has a term of 42 months, with a balloon payment of approximately \$1.6 million USD due at the end of the term. There are no restrictive covenants associated with this debt and is secured by the single asset of Rig 801.
- | The Company's US dollar revenue and expenses are impacted by the exchange rate between the US dollar and Canadian dollar. For the three months ended March 31, 2018, the average exchange rate used to convert the USD-denominated revenues and expenses to CAD was \$1.29/\$1 USD (\$1.27 for the previous quarter).
- | Capital expenditures for the first quarter were \$16.1 million, which included approximately \$14.1 million related to the 850XE rig build program. In the second quarter the Company anticipates final capital expenses of approximately \$2.0 million related to the 850XE build and related spares.

## Outlook

Xtreme finalized the rig build portion of the 850XE program in the first quarter of 2018. Two of the three rigs commenced operations during the quarter with the third rig spudding its first well in mid-April. The completion of the 850XE design and build is a significant milestone for the Company. The combination of drilling depth capacity and technological innovation make the 850XE the ideal rig design for the most challenging of US pad drilling operations. The Company envisions opportunities in the future to create additional scale around the 850XE platform.

Initial performance has been encouraging for the 850XE rigs. Aside from normal start-up items and final commissioning the drilling penetration rate and non-drilling efficiencies have been as expected. Once the Company has completed several wells we are confident that the 850XE will fully live up to the goal of being the most optimized pad drilling rig in US land.

The nine marketed XDR 500 fleet continued to perform well in the first quarter of 2018. Utilization increased as two rigs returned to work in January. Currently, the Company has two XDR 500 rigs idle but anticipates one returning to work in the coming weeks. Overall, the XDR 500 rigs are efficient AC electric rigs with a history of impressive performance across multiple US basins. Today they operate primarily in the DJ, Williston and Anadarko Basins of Colorado, North Dakota and Oklahoma respectively.

The supportive WTI oil prices and demand for efficient rigs provides a relatively strong macro environment. Overall, the Company has an optimistic outlook for the US drilling business over the coming 12 months. The Company has a significant revenue backlog and will look for opportunities to improve pricing as rigs roll off contract.

## Selected Quarterly Financial Information from Continuing Operations

<b>Three months ended</b>	<b>Mar 31, 2018</b>	<b>Dec 31, 2017</b>	<b>Sep 30, 2017</b>	<b>Jun 30, 2017</b>
Revenue	21,321	16,323	18,172	15,141
Adjusted EBITDA	1,468	818	1,008	(1,630)
Adjusted EBITDA as a percentage of revenue	7%	5%	6%	(11)%
Net loss	(5,926)	(9,564)	(8,673)	(48,366)
Net loss per share - basic (\$)	(0.08)	(0.13)	(0.12)	(0.61)
Operating cash flows from continuing operations	834	(3,130)	(3,096)	(4,957)
Capital assets	220,572	205,456	203,316	196,704
Total assets	262,927	251,573	253,171	272,798
Net debt	2,772	(8,126)	(19,144)	(41,682)
Operating days	844	707	851	683
Utilization (percentage)	85%	77%	93%	75%
Weighted average number of rigs in service	11	10	10	10
Total number of available rigs, end of quarter	12	10	10	10
	<b>Mar 31, 2017</b>	<b>Dec 31, 2016</b>	<b>Sep 30, 2016</b>	<b>Jun 30, 2016</b>
Revenue	12,379	9,929	8,468	7,369
Adjusted EBITDA	(78)	(148)	(1,423)	(5,449)
Adjusted EBITDA as a percentage of revenue	(1)%	(1)%	(17)%	(74)%
Net loss	(12,168)	(11,122)	(29,542)	(28,699)
Net loss per share - basic (\$)	(0.14)	(0.13)	(0.35)	(0.34)
Operating cash flows from continuing operations	101	(1,032)	(1,168)	(10,849)
Capital assets	245,267	240,656	243,564	266,188
Total assets	348,083	366,762	373,104	409,794
Net debt	(88,152)	(113,882)	(118,863)	(110,794)
Operating days	583	479	433	355
Utilization (percentage)	36%	25%	22%	19%
Weighted average number of rigs in service	18	21	21	21
Total number of rigs, end of quarter	18	21	21	21

### **Conference Call Details**

Xtreme has scheduled a conference call to discuss results with investors, analysts, and stakeholders on **Friday, May 4, 2018**, beginning promptly at **10:00 am MT** (11:00 am CT, 12:00 am ET).

Matt Porter, President and Chief Executive Officer, will host the conference call.

#### **Conference operator dial in numbers**

To participate in the conference call, please dial in as follows approximately ten minutes before the start time in your time zone.

**+1 844-889-6858** (North America Toll-Free) or **+1 661-378-9711** (International)

Webcast: <https://edge.media-server.com/m6/p/byfigto8> **Conference ID: 6998699**

An audio replay of the call will be available until 4:00, May 9, 2018. To access the replay, call +1 (855) 859-2056 or +1 (404) 537-3406 and enter Conference ID 6998699.

### **Xtreme Drilling Corp.**

#### **Interim Consolidated Statements of Financial Position**

*(in thousands of Canadian dollars)*

	<b>Mar 31, 2018</b>	<b>Dec 31, 2017</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	7,679	15,450
Accounts receivable	15,616	12,081
Other receivables	1,769	1,782
Inventory	2,888	1,703
Prepaid expenses and other	1,472	1,140
	<b>29,424</b>	<b>32,156</b>
Assets held for sale	12,120	13,172

Tax recoverable	811	789
Property and equipment	220,572	205,456
<b>Total Assets</b>	<b>262,927</b>	<b>251,573</b>
<b>Liabilities and Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	19,444	12,214
Current tax payable	212	219
Secured borrowings	6,666	4,419
Current portion of finance leases	149	118
Current portion of long-term debt	2,387	1,569
	<b>28,858</b>	<b>18,539</b>
Finance leases	454	514
Long-term debt	7,936	5,755
<b>Total Liabilities</b>	<b>37,248</b>	<b>24,808</b>
Shareholders' equity		
Share capital	298,262	298,262
Contributed surplus	30,365	30,156
Accumulated deficit	(186,365)	(180,439)
Foreign currency translation reserve	83,417	78,786
<b>Total Shareholders' Equity</b>	<b>225,679</b>	<b>226,765</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>262,927</b>	<b>251,573</b>

**Xtreme Drilling Corp.**  
**Interim Consolidated Statements of Loss**  
**For the three months ended March 31, 2018 and 2017**  
*(in thousands of Canadian dollars, except share and per share data)*

	2018	2017
<b>Revenue</b>	<b>21,321</b>	<b>12,379</b>
<b>Expenses</b>		
Operating expenses	17,470	9,812
General and administrative expenses	2,383	2,645
Depreciation expense	5,225	9,085
Impairment of assets held for sale	1,423	—
Stock-based compensation	209	232
Foreign exchange (gain) loss	(170)	110
Loss on disposal of equipment	—	2,682
Other income	(6)	(22)
Interest expense	381	—
<b>Loss</b>	<b>(5,594)</b>	<b>(12,165)</b>
<b>Tax expense</b>		
Current expense	332	3
<b>Total tax expense</b>	<b>332</b>	<b>3</b>
<b>Net loss</b>	<b>(5,926)</b>	<b>(12,168)</b>
Net loss per common share		
– basic	(0.08)	(0.14)
– diluted	(0.08)	(0.14)
Weighted average number of common shares		
– basic	74,982,894	85,091,367
– diluted	74,982,894	85,091,367

**Xtreme Drilling Corp.**  
**Interim Consolidated Statements of Comprehensive Loss**  
**For the three months ended March 31, 2018 and 2017**  
*(in thousands of Canadian dollars)*

	2018	2017
Net loss	(5,926)	(12,168)
Other comprehensive gain (loss)		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Unrealized gain (loss) on translating financial statements of foreign operations	4,631	(3,349)
<b>Comprehensive loss</b>	<b>(1,295)</b>	<b>(15,517)</b>

**Xtreme Drilling Corp.**  
**Interim Consolidated Statements of Changes in Equity**  
**For the three months ended March 31, 2018 and 2017**  
*(in thousands of Canadian dollars)*

	Share capital	Contributed surplus	Accumulated deficit	Foreign currency translation reserve	Total Shareholders' Equity
<b>Balance at January 1, 2017</b>	339,448	13,387	(101,670)	94,306	345,471
Net loss	—	—	(12,168)	—	(12,168)
Other comprehensive loss:					
Currency translation differences	—	—	—	(3,349)	(3,349)
Total comprehensive loss	—	—	(12,168)	(3,349)	(15,517)
Employee share option scheme:					
Value of employee services	—	232	—	—	232
Total transactions with owners	—	232	—	—	232
<b>Balance at March 31, 2017</b>	339,448	13,619	(113,838)	90,957	330,186
<b>Balance at January 1, 2018</b>	<b>298,262</b>	<b>30,156</b>	<b>(180,439)</b>	<b>78,786</b>	<b>226,765</b>
Net loss	—	—	(5,926)	—	(5,926)
Other comprehensive gain:					
Currency translation differences	—	—	—	4,631	4,631
Total comprehensive loss	—	—	(5,926)	4,631	(1,295)
Employee share option scheme:					
Value of employee services	—	209	—	—	209
Total transactions with owners	—	209	—	—	209
<b>Balance at March 31, 2018</b>	<b>298,262</b>	<b>30,365</b>	<b>(186,365)</b>	<b>83,417</b>	<b>225,679</b>

**Xtreme Drilling Corp.**  
**Consolidated Statements of Cash Flows**  
*(in thousands of Canadian dollars)*

	2018	2017
<b>Cash flow provided by:</b>		
<b>Operating activities</b>		
Net loss	(5,926)	(12,168)
Items not affecting cash:		
Depreciation expense	5,225	9,085
Impairment of assets held for sale	1,423	—
Stock-based compensation	209	232
Loss on disposal of equipment	—	2,682
Provision for doubtful accounts	—	199
Interest expense	344	—
Interest paid	(358)	—

Amortization of debt issuance costs	37	—
Unrealized foreign exchange (gain) loss	(106)	68
Current tax expense	332	3
Taxes paid	(346)	—
Operating cash flows from continuing operations	834	101
Operating cash flows from discontinued operations	—	(446)
Changes in items of non-cash working capital	(1,845)	(4,922)
<b>Net cash used in operating activities</b>	<b>(1,011)</b>	<b>(5,267)</b>
<b>Financing activities</b>		
Drawdowns of secured borrowings, net	2,053	—
Proceeds from long-term debt	3,868	—
Repayment of long-term debt	(693)	—
Debt issuance cost	(103)	—
Payments of financing lease	(55)	—
<b>Net cash generated from financing activities</b>	<b>5,070</b>	<b>—</b>
<b>Investing activities</b>		
Proceeds from sale of equipment, net	—	12
Capital expenditures	(16,075)	(18,718)
Changes in items of non-cash working capital related to investing items	4,071	(566)
<b>Net cash used in investing activities</b>	<b>(12,004)</b>	<b>(19,272)</b>
Effect of exchange rate changes on cash and cash equivalents	174	(1,151)
<b>Decrease in cash and cash equivalents</b>	<b>(7,771)</b>	<b>(25,690)</b>
<b>Cash and cash equivalents - beginning of period</b>	<b>15,450</b>	<b>115,240</b>
<b>Cash and cash equivalents - end of period</b>	<b>7,679</b>	<b>89,550</b>

#### Adjusted EBITDA from Continuing Operations

	Three months ended	
	Mar 31, 2018	Mar 31, 2017
Net loss	(5,926)	(12,168)
Interest expense	381	—
Depreciation	5,225	9,085
Tax expense	332	3
	12	(3,080)
<b>Non-cash items:</b>		
Impairment of assets held for sale	1,423	—
Stock-based compensation	209	232
Foreign exchange (gain) loss	(170)	110
Loss on disposal of equipment	—	2,682
	1,462	3,024
<b>Non-recurring items:</b>		
Other income	(6)	(22)
Termination revenue	—	—
Other management compensation related to XSR sale	—	—
	(6)	(22)
Adjusted EBITDA	1,468	(78)

#### Reader Advisory

This news release, or documents incorporated herein, contains forward-looking information (“FLI”). FLI is typically contained in statements with words such as “anticipate”, “believe”, “estimate”, “expect”, “plan”, “schedule”, “intend”, “propose” or similar words suggesting future outcomes or an outlook. More particularly, this NEWS RELEASE contains FLI that may relate to contracting, marketing, financing, construction, modifications, deployment, operation, and utilization of drilling rigs in the Company’s current and future fleet. Although Xtreme believes expectations reflected in such FLI are reasonable, readers should not place undue reliance on them because Xtreme can give no assurance they will prove to be correct. There are many factors that could cause FLI not to be correct, including risks and uncertainties inherent in the Company’s business.

FLI is based on certain factors and assumptions including, but not limited to:

- the assessment of current and projected future drilling and related operations;

- | ongoing and future strategic business alliances,
- | negotiations and opportunities to enter new, extend or complete existing contracts;
- | the availability and cost of financing;
- | currency exchange rates; timing and magnitude of capital expenditures;
- | expenses and other variables affecting rig operation, modification and construction;
- | the ability and commitment of vendors to provide rig equipment, services and supplies, including labor, in a cost-effective and timely manner;
- | the issuance of applied-for patents;
- | changes in tax structures and rates; and,
- | government regulations.

Although Xtreme considers the assumptions used to prepare this news release reasonable, based on information available to management as of May 4, 2018, ultimately the assumptions may prove to be incorrect.

FLI is also subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from management's current expectations. These factors include, but are not limited to:

- | the cyclical nature of drilling market demand;
- | currency exchange rates;
- | commodity prices;
- | access to credit and to equity markets;
- | the availability and retention of qualified personnel;
- | vendor-provided equipment components and services; and
- | competition for customers.

Management's assumptions considered the following:

- | ongoing access to key services, supplies and equipment required to continue operating and maintaining the rigs, including fuel;
- | continued successful performance of drilling and related equipment;
- | expectations regarding gross margin;
- | recruitment and retention of qualified personnel;
- | continuation or extension of existing long-term, multi-well contracts or other contracts;
- | revenue expectations related to shorter-term drilling opportunities;
- | willingness and ability of customers to remit amounts owing to Xtreme in accordance with normal industry practices; and,
- | management of accounts receivable in direct relation to revenue generation.

In preparing this news release, the following risk factors were considered:

- | fluctuations in crude oil and natural gas prices, as well as supply and demand;
- | fluctuation in currency exchange and interest rates;
- | financial stability of Xtreme's customers;
- | current and future applications for Xtreme's proprietary technology;
- | related services provided by, and competition from, other drilling contractors;
- | regulatory and economic conditions in regions where Xtreme operates;
- | environmental constraints;
- | changes to government legislation;
- | international trade barriers or restrictions; and,
- | where appropriate, global economic, political and military events, as well as acts of terrorism, riots, strikes, insurrections, revolutions and civil war.

FLI contained in this news release about prospective results of operations, financial position or cash provided by operating activities is based on assumptions about future events, including economic conditions and proposed courses of action, and on management's assessment of relevant information currently available. Readers are cautioned such financial outlook information contained in this news release is not appropriate for purposes other than for which it is disclosed here. Readers should not place undue importance on FLI and should not rely on this information as of any other date. Except as required pursuant to applicable securities laws, Xtreme disclaims any intention, and assumes no obligation, to update publicly or revise FLI to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such FLI or otherwise.

## **About Xtreme**

Xtreme Drilling Corp. ("XDC" on the Toronto Stock Exchange) designs, builds, and operates a fleet of high specification AC drilling rigs featuring leading-edge proprietary technology. Currently, Xtreme operates one service line - Drilling Services (XDR) under contracts with oil and natural gas exploration and production companies and integrated oilfield service providers in the United States. For more information about the Company, please visit <http://www.xtremedrillingcorp.com>.

## **CONTACT INFORMATION**

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