



August 14, 2018

For Immediate Release

## **Xtreme Drilling Corp. Announces Second Quarter 2018 Financial and Operating Results and Shareholder Meeting Results**

*Calgary, Alberta - (TSX-XDC) - Xtreme Drilling Corp.* (“Xtreme” or the “Company”) announces its second 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 and six months ended June 30, 2018, by August 14, 2018. All reported amounts are in Canadian dollars ("CAD"), unless otherwise noted.

### ***Q2 2018 Highlights***

*(in Canadian dollars, except where otherwise stated)*

- Operating days for the quarter were 916, an increase from 844 in the previous quarter, or about 9 percent. Utilization was 79 percent for the quarter, compared to 85 percent in the previous quarter. The increase in operating days from the prior quarter was because of a full quarter of operating days for all three 850XE rigs.
- For the three months ended June 30, 2018, the Company reported revenue of \$23.37 million as compared to \$21.32 million in the previous quarter, or about 10 percent. The increase is primarily due to higher operating days during the period. In addition, revenue per day increased to \$25,500 from \$25,300 in the first quarter of 2018.
- Operating expenses include all direct and indirect costs associated with the operation, maintenance and support of the drilling operations. Direct costs are tied to operating levels; however, indirect costs are often not affected by changes in operating days and utilization as they are more fixed in nature. For the three months ended June 30, 2018, operating expenses on a per operating day basis were \$19,600, a decrease from \$20,700 in the first quarter. Operating expenses per operating day decreased primarily to a decrease in startup related costs for the 850XE rigs in the first quarter.
- General and Administrative expenses were \$3.15 million for the three months ended June 30, 2018, an increase from \$2.38 million recognized in the first quarter. General and Administrative expenses for the second quarter includes approximately \$1.15 million of professional fees related to the proposed transaction with AKITA Drilling Ltd. Exclusive of these costs, General and Administrative expenses would have been \$2.00 million for the period.
- Adjusted EBITDA was \$3.41 million for the second quarter, an increase over Adjusted EBITDA of \$1.53 million in the previous quarter. This was primarily due to an increase in gross margin of \$3.85 million during the period and a decrease in General and Administrative expenses.

- During the quarter, the Company evaluated the indicators of impairment for property and equipment. Indicators of impairment were identified for the drilling services segment in connection with the value estimated of the consideration expected to be received for Xtreme shares under the plan of Arrangement. As a result, an impairment charge of \$34.80 million was recorded during the period.
- In addition, during the quarter, the Company continued to evaluate the indicators of impairment for the assets held for sale and recorded an impairment charge of \$1.31 million net of tax during the period to reduce reported values to estimated net realizable values.
- In June 2018, the Company entered into an agreement to sell two of the XDR 300 rigs classified as assets held for sale at June 30, 2018. The sale closed on July 2, 2018, and the Company received approximately \$7.90 million in proceeds on sale on that date.
- In April 2018, the Company entered into a loan agreement with a finance company to provide the Company with \$4.00 million USD (about \$5.20 million CAD). The loan is payable in monthly installments of \$118,000 USD (\$155,000 CAD at June 30, 2018) over 36 months, with a balloon payment due at the end of the term. The loan is secured by one of the 850XE rigs and there are no restrictive covenants associated with this debt.
- Cash from continuing operations (before consideration of working capital changes) was \$2.22 million for the second quarter, up from \$0.83 million in the first quarter.
- The Company's US dollar ("USD") revenue and expenses are impacted by the exchange rate between the US dollar and Canadian dollar. For the three months ended June 30, 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 second quarter were \$12.28 million, down from \$16.08 million in the first quarter. The second quarter includes approximately \$11.00 million related to the final costs on the 850XE rigs and related drill pipe and spares, a decrease from approximately \$13.80 million in the first quarter.

### **AKITA Drilling Ltd. Transaction Update**

Xtreme is pleased to announce the results of its special meeting (the "Meeting") of the holders (the "Xtreme Shareholders") of common shares (the "Common Shares") of Xtreme, held on August 13, 2018, to consider and vote on a plan of arrangement (the "Arrangement"), under the Business Corporations Act (Alberta), involving Xtreme, Xtreme Shareholders and Akita Drilling Ltd. ("Akita") pursuant to which Akita will acquire all of the issued and outstanding Common Shares. By special resolution passed at the Meeting, the Arrangement was approved by 99.87% of the votes cast by Xtreme Shareholders. The application for the Final Order of the Court of Queen's Bench of Alberta (the "Court") was made by Xtreme and granted by the Court on August 14, 2018. Xtreme anticipates that the Arrangement will be completed in the third quarter following receipt of certain regulatory approvals.

## Selected Quarterly Financial Information from Continuing Operations

Three months ended	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017
Revenue	23,368	21,321	16,323	18,172
Adjusted EBITDA	3,409	1,526	818	1,008
Adjusted EBITDA as a percentage of revenue	15%	7%	5%	6%
Net loss	(43,121)	(5,926)	(9,564)	(8,673)
Net loss per share – basic	(0.58)	(0.08)	(0.13)	(0.12)
Operating cash flows from operations	2,223	834	(3,130)	(3,096)
Capital assets	192,486	220,572	205,456	203,316
Total assets	229,737	262,927	251,573	253,171
Net debt	9,380	2,772	(8,126)	(19,144)
Operating days	916	844	707	851
Utilization (percentage)	79%	85%	77%	93%
Weighted average number of rigs in service	13	11	10	10
Total number of available rigs, end of quarter	13	12	10	10
Three months ended	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016
Revenue	15,141	12,379	9,929	8,468
Adjusted EBITDA	(1,630)	(78)	(148)	(1,423)
Adjusted EBITDA as a percentage of revenue	(11)%	(1)%	(1)%	(17)%
Net loss	(48,366)	(12,168)	(11,122)	(29,542)
Net loss per share - basic	(0.61)	(0.14)	(0.13)	(0.35)
Operating cash flows from operations	(4,957)	101	(1,032)	(1,168)
Capital assets	196,704	245,267	240,656	243,564
Total assets	272,798	348,083	366,762	373,104
Net debt	(41,682)	(88,152)	(113,882)	(118,863)
Operating days	683	583	479	433
Utilization (percentage)	75%	36%	25%	22%
Weighted average number of rigs in service	10	18	21	21
Total number of rigs, end of quarter	10	18	21	21

**Xtreme Drilling Corp.**  
**Interim Consolidated Statements of Financial Position**  
*(in thousands of Canadian dollars)*

	June 30, 2018	December 31, 2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	6,047	15,450
Accounts receivable	15,169	12,081
Other receivables	1,803	1,782
Inventory	3,361	1,703
Assets held for sale	7,901	—
Prepaid expenses and other	1,134	1,140
	<b>35,415</b>	<b>32,156</b>
Assets held for sale	1,317	13,172
Tax recoverable	519	789
Property and equipment	192,486	205,456
<b>Total Assets</b>	<b>229,737</b>	<b>251,573</b>
<b>Liabilities and Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	20,011	12,214
Current tax payable	181	219
Secured borrowings	6,265	4,419
Current portion of finance leases	128	118
Current portion of long-term debt	3,670	1,569
	<b>30,255</b>	<b>18,539</b>
Finance leases	472	514
Long-term debt	11,757	5,755
<b>Total Liabilities</b>	<b>42,484</b>	<b>24,808</b>
Shareholders' equity		
Share capital	298,262	298,262
Contributed surplus	30,853	30,156
Accumulated deficit	(229,486)	(180,439)
Foreign currency translation reserve	87,624	78,786
<b>Total Shareholders' Equity</b>	<b>187,253</b>	<b>226,765</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>229,737</b>	<b>251,573</b>

**Xtreme Drilling Corp.****Interim Consolidated Statements of Loss****For the three months ended June 30, 2018 and 2017***(in thousands of Canadian dollars, except share and per share data)*

	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017
<b>Revenue</b>	<b>23,368</b>	15,141	<b>44,689</b>	27,520
<b>Expenses</b>				
Operating expenses	17,965	13,452	35,435	23,264
General and administrative expenses	3,149	3,319	5,530	5,964
Depreciation expense	7,872	7,148	13,097	16,233
Impairment of property and equipment and assets held for sale	36,111	25,983	37,534	25,983
Stock-based compensation	487	227	697	460
Foreign exchange loss (gain)	10	313	(160)	422
(Gain) loss on disposal of property and equipment and assets held for sale	(20)	13,007	(20)	15,690
Other income	(3)	(37)	(9)	(59)
Interest expense	873	—	1,255	—
<b>Loss before income tax</b>	<b>(43,076)</b>	(48,271)	<b>(48,670)</b>	(60,437)
<b>Tax expense</b>				
Current expense	45	95	377	97
<b>Total tax expense</b>	<b>45</b>	95	<b>377</b>	97
<b>Net loss</b>	<b>(43,121)</b>	(48,366)	<b>(49,047)</b>	(60,534)
Net loss per common share				
– basic	(0.58)	(0.61)	(0.65)	(0.77)
– diluted	(0.58)	(0.61)	(0.65)	(0.77)
Weighted average number of common shares				
– basic	74,982,894	79,067,648	74,982,894	79,078,541
– diluted	74,982,894	79,067,648	74,982,894	79,078,541

**Xtreme Drilling Corp.**

**Interim Consolidated Statements of Comprehensive Loss**

**For the three months ended June 30, 2018 and 2017**

*(in thousands of Canadian dollars)*

	<b>Jun 30, 2018</b>	<b>Jun 30, 2017</b>	<b>Jun 30, 2018</b>	<b>Jun 30, 2017</b>
Net loss	<b>(43,121)</b>	(48,366)	<b>(49,047)</b>	(60,534)
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	<b>4,207</b>	(3,980)	<b>8,838</b>	(7,329)
<b>Comprehensive loss</b>	<b>(38,914)</b>	(52,346)	<b>(40,209)</b>	(67,863)

**Xtreme Drilling Corp.**  
**Interim Consolidated Statements of Changes in Equity**  
**For the three months ended June 30, 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>	<b>339,448</b>	<b>13,387</b>	<b>(101,670)</b>	<b>94,306</b>	<b>345,471</b>
Net loss	—	—	(60,534)	—	(60,534)
Other comprehensive loss:					
Currency translation differences	—	—	—	(7,329)	(7,329)
<b>Total comprehensive loss</b>	<b>—</b>	<b>—</b>	<b>(60,534)</b>	<b>(7,329)</b>	<b>(67,863)</b>
Employee share option scheme:					
Value of employee services	—	460	—	—	460
Transfer from share option	106	(106)	—	—	—
Repurchase of shares	(41,634)	16,557	—	—	(25,077)
Proceeds from shares issued	28	—	—	—	28
<b>Total transactions with owners</b>	<b>(41,500)</b>	<b>16,911</b>	<b>—</b>	<b>—</b>	<b>(24,589)</b>
<b>Balance at June 30, 2017</b>	<b>297,948</b>	<b>30,298</b>	<b>(162,204)</b>	<b>86,977</b>	<b>253,019</b>
<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	—	—	(49,047)	—	(49,047)
Other comprehensive gain:					
Currency translation differences	—	—	—	8,838	8,838
<b>Total comprehensive loss</b>	<b>—</b>	<b>—</b>	<b>(49,047)</b>	<b>8,838</b>	<b>(40,209)</b>
Employee share option scheme:					
Value of employee services	—	697	—	—	697
<b>Total transactions with owners</b>	<b>—</b>	<b>697</b>	<b>—</b>	<b>—</b>	<b>697</b>
<b>Balance at June 30, 2018</b>	<b>298,262</b>	<b>30,853</b>	<b>(229,486)</b>	<b>87,624</b>	<b>187,253</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	(49,047)	(60,534)
Items not affecting cash:		
Depreciation expense	13,097	16,233
Impairment of property and equipment and assets held for sale	37,534	25,983
Stock-based compensation	697	460
(Gain) loss on disposal of property and equipment and assets held for sale	(20)	15,690
Provision for doubtful accounts	—	199
Interest expense	1,190	—
Interest paid	(1,118)	—
Amortization of debt issuance costs	65	—
Unrealized foreign exchange (gain) loss	422	(104)
Current tax expense	377	97
Taxes paid	(140)	(2,880)
Operating cash flows from continuing operations	3,057	(4,856)
Operating cash flows from discontinued operations	—	(446)
Changes in items of non-cash working capital	3,502	(5,997)
<b>Net cash provided by (used in) operating activities</b>	<b>6,559</b>	<b>(11,299)</b>
<b>Financing activities</b>		
Drawdowns of secured borrowings, net	1,503	—
Proceeds from long-term debt	9,000	—
Repayment of long-term debt	(1,374)	—
Debt issuance cost	(113)	—
Payments of financing lease	(18)	—
Purchase of common shares	—	(25,076)
Proceeds from exercise of stock options	—	28
<b>Net cash generated from (used in) financing activities</b>	<b>8,998</b>	<b>(25,048)</b>
<b>Investing activities</b>		
Proceeds from sale of equipment and assets held for sale, net	3,260	—
Capital expenditures	(28,350)	(39,836)
Changes in items of non-cash working capital related to investing items	(147)	4,970
<b>Net cash used in investing activities</b>	<b>(25,237)</b>	<b>(34,866)</b>
Effect of exchange rate changes on cash and cash equivalents	277	(976)
<b>Decrease in cash and cash equivalents</b>	<b>(9,403)</b>	<b>(72,189)</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>6,047</b>	<b>43,051</b>



## Adjusted EBITDA from Operations

	Three months ended	
	June 30, 2018	June 30, 2017
Net loss	(43,121)	(48,366)
Interest expense	873	—
Depreciation	7,872	7,148
Tax expense	45	95
	<b>(34,331)</b>	<b>(41,123)</b>
<b>Non-cash items:</b>		
Impairment of property and equipment and assets held for sale	36,111	25,983
Stock-based compensation	487	227
Foreign exchange loss (gain)	10	313
(Gain) loss on disposal of property and equipment and assets held for sale	(20)	13,007
	<b>36,588</b>	<b>39,530</b>
<b>Non-recurring items:</b>		
Other income	(3)	(37)
Costs related to the plan of Arrangement	1,155	—
	<b>1,151</b>	<b>(37)</b>
Adjusted EBITDA	<b>3,409</b>	<b>(1,630)</b>

## 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 August 14, 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 Canada and the United States. For more information about the Company, please visit <http://www.xtremedrillingcorp.com>.

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