

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion & Analysis ("MD&A") for the three months ended March 31, 2022 should be read in conjunction with the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2021, as well as the MD&A in the 2021 Annual Report of Cathedral Energy Services Ltd. (the "Company" or "Cathedral"). This MD&A has been prepared as of May 12, 2022. Dollar amounts are in '000's except for day rates and per share amounts.

This MD&A contains references to Adjusted gross margin (gross margin plus non-cash items of depreciation and share-based compensation), Adjusted gross margin % (adjusted gross margin divided by revenues) and Adjusted EBITDA (earnings before finance costs, unrealized foreign exchange on intercompany balances, taxes, depreciation, non-recurring costs (including severance and non-cash provision for bad debts), write-down of equipment, write-down of inventory and share-based compensation). These terms do not have standardized meanings prescribed under International Financial Reporting Standards (IFRS) and may not be comparable to similar measures used by other companies, see "Non-GAAP Measures" later in this MD&A.

2022 Q1 KEY TAKEAWAYS

- Continued execution of the Company's consolidation strategy with the accretive acquisition of Discovery Downhole Services, a US-based mud motor technology company, for \$22,471
- Revenues increased by \$23,020 or 203% from \$11,365 in 2021 Q1 to \$34,385 in 2022 Q1, representing the highest quarterly revenues since 2019 Q1;
- Adjusted EBITDAs increased from \$825 in 2021 Q1 to \$6,913 in 2022 Q1, representing the highest quarterly Adjusted EBITDAs since 2014 Q4;
- Net income was \$2,243 compared to a loss of (\$2,240) in 2021 Q1, representing the highest quarterly Net income since 2018 Q3;
- Canadian market share reached 19.9%, its highest level on Company record; and
- Subsequent to 2022 Q1, the Company raised \$26,451 gross proceeds through a bought deal equity financing, one of the first to be completed in the Canadian energy services sector in the past four years.

PRESIDENT'S MESSAGE

Comments from President & CEO Tom Connors:

In the first quarter of 2022, the benefit of our strategy began to show results with more than triple the revenue from the same quarter last year, our highest adjusted quarterly EBITDAs in eight years and increase in our Canadian market share to 19.9%, our highest level on Company record.

Higher commodity prices and improved cash flow projections for oil and gas producers led to expanded drilling programs and increased demand for our services in the first quarter of 2022. Cathedral recorded higher activity levels and day rates in our Canadian operations over both the first quarter of last year, and the fourth quarter of 2021. Our improved operating performance drove solid financial results with revenue up \$23,020 and Adjusted EBITDAs growing more than 700% to \$6,913 from the same quarter last year. Adjusted gross margin also improved, increasing by 740 basis points compared to the same quarter last year due to lower repair costs that were partially offset by increased labour costs.

During the quarter, Cathedral reaffirmed its position as the leading consolidator in the industry with the successful acquisition of Discovery Downhole Services, which provided us with strategic growth in the U.S. motor technology rental business. To date, integration of this business is going well, and results have been in line with our expectations. We continue to believe that consolidation in the directional drilling industry is needed to create a sustainable, efficient sector that can thrive in the future. We see additional opportunities to add value for customers and shareholders in both Canada and the U.S., and we are carefully evaluating prospects, selectively looking for ways to grow strategically while not placing undue pressure on our capital structure.

The industry is emerging from a prolonged period of reduced investment in global energy infrastructure meaning tightened supply and demand fundamentals and higher commodity prices projected for some time into the future. Recent geopolitical events have further impacted commodity prices and raised concerns around energy security. This backdrop is fueling a sustained increase in drilling and development activity in both Canada and the U.S., and stronger demand for oilfield services. We expect industry conditions to remain strong in the near-to-medium term and anticipate increased demand for our services. With our expanded operations base, well-skilled team and high-quality equipment, we are well positioned to take full advantage of these strong industry conditions.

At Cathedral, we understand the importance of maintaining our position as an industry-leader and are continuing to reinvest in our business. For 2022, our capital expenditure plan remains approximately \$14,900, focused largely on adding new mud motors, and the completion of the 18 RapidFire™ Measurement-While-Drilling ("MWD") systems from our 2021 build program.

Our conservative balance sheet, high-quality assets and strong customer relationships position us to leverage these robust industry conditions. Subsequent to the first quarter, Cathedral raised \$26,400 through a bought deal equity financing, one of the first to be completed in the Canadian energy services sector in the past four years and a clear sign of improving sentiment towards our industry. Due to strong interest in this financing, Cathedral increased the size of its initial offering and fully exercised its overallotment option. The funds will be used to take advantage of ongoing industry strength by lowering debt, funding our capital expenditure program and improving liquidity.

As we move into the second half of 2022, we are carrying positive momentum, and broadening our customer base thanks to strong demand, our state-of-the-art technology and industry-leading customer service. This, coupled with new customers added through our recent acquisitions, gives us confidence in the continued expansion of our market share in 2022 in Canada and the U.S. Furthermore, our strengthened financial position, following our equity financing, adds additional flexibility and agility to our balance sheet, allowing us to capitalize on future opportunities as they emerge.

2022 ACQUISITIONS

On February 10, 2022, the Company announced the closing of Cathedral's acquisition of the operating assets of Discovery Downhole Services ("Discovery"). The Transaction includes the operating assets and non-executive personnel of Discovery's U.S.-based, high-performance mud motor technology rental business with operations in North Dakota, Texas, and Wyoming. The transaction will materially increase the Company's U.S. revenues and add a high-quality customer base of oil and gas producers and directional drilling companies active in all the major U.S. land basins.

Cathedral paid \$18,160 in cash funded by a new term loan from its existing bank along with funds raised in a common share private placement and issued 5,254,112 common shares (the "Consideration Shares"). The shares were valued at \$0.52 for accounting purposes (total of \$2,732). In addition to a 4-month statutory hold period on the Consideration Shares, the parties have agreed to contractual restrictions on resale as follows: 25% are restricted until February 10, 2023; a further 25% of are restricted until August 10, 2023; and a further 50% are restricted until February 10, 2024, subject to certain exceptions. Additionally, Cathedral assumed the leases at the three operating locations for lease liabilities of \$1,579. Total consideration paid was \$22,471.

While the purchase and sale agreement was structured as an asset sale, the Company will account for this transaction as a business combination. The Company has allocated the purchase price as:

- Right of use asset \$1,579; and
- Equipment \$20,892.

To date, the Company has expensed \$31 in costs related to the Transaction.

RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31

Revenues	2022		2021	
Canada	\$	25,399	\$	8,100
United States		8,986		3,265
Total	\$	34,385	\$	11,365

Revenues 2022 Q1 revenues were \$34,385, which represented an increase of \$23,020 or 203% from 2021 Q1 revenues of \$11,365.

Canadian revenues (excluding motor rental revenues) increased to \$24,467 in 2022 Q1 from \$7,440 in 2021 Q1; a 229% increase. This increase was the result of: i) a 163% increase in activity days to 3,053 in 2022 Q1 from 1,163 in 2021 Q1 and ii) a 25% increase in the average day rate to \$8,014 in 2022 Q1 from \$6,397 in 2021 Q1.

Based on publicly disclosed Canadian drilling and directional drilling days, Cathedral's market share for 2022 Q1 was 19.9% compared to 10.4% in 2021 Q1. Day rates increased due to certain ancillary revenues along with overall increases in day rates.

U.S. revenues (excluding motor rental revenues) increased 50% to \$4,067 in 2022 Q1 from \$2,706 in 2021 Q1. This increase was the result of: i) a 53% increase in activity days to 426 in 2022 Q1 from 279 in 2021 Q1; net of ii) a 2% decrease in the average day rate to \$9,546 in 2022 Q1 from \$9,699 in 2021 Q1 (when converted to Canadian dollars).

The average active land rig count for the U.S. was up 65% in 2022 Q1 compared to 2021 Q1 (source: Baker Hughes). The Company experienced a 31% increase in rigs followed resulting in a decrease in market share compared to 2021 Q1. Day rates in USD decreased 2% to \$7,536 USD in 2022 Q1 from \$7,659 USD in 2021 Q1. Revenue day rates decreased due to a 2022 Q1 decrease in revenues from providing RSS services which are rented from a 3rd party. The RSS services command a higher day rate than our regular drilling services.

Motor rentals increased in both Canada and the U.S. Combined rental revenues increased to \$5,852 in 2022 Q1 compared to \$1,219 in 2021 Q1. Rentals were up due to the Discovery acquisition and the overall industry increase in drilling activity.

Gross margin and adjusted gross margin Gross margin for 2022 Q1 was 16% compared to (4%) in 2021 Q1. Adjusted gross margin (see Non-GAAP Measurements) for 2022 Q1 was \$9,861 or 29% compared to \$2,420 or 21% for 2021 Q1.

Adjusted gross margin, as a percentage of revenue, increased due to lower repairs and a reduction in fixed costs as percentage of revenue, partially offset by increases in rentals.

Depreciation of equipment allocated to cost of sales increased to \$4,289 in 2022 Q1 from \$2,887 in 2021 Q1 due to the asset acquisitions in 2021 and 2022. Depreciation included in cost of sales as a percentage of revenue was 12% for 2022 Q1 and 25% in 2021 Q1.

Selling, general and administrative ("SG&A") expenses SG&A expenses were \$3,781 in 2022 Q1; an increase of \$2,016 compared with \$1,765 in 2021 Q1. There were increases in SG&A wages, commissions and reduced CEWS grants. As a percentage of revenue, SG&A was 11% in 2022 Q1 compared to 16% in 2021 Q1.

Technology group expenses Technology group expenses were \$219 in 2022 Q1; an increase of \$31 compared with \$188 in 2021 Q1. Technology group expenses are related to new product development and supporting and upgrading existing technology. Technology group expenses consist of salaries and related benefits and burdens as well as shop supplies.

Gain (loss) on disposal of equipment During 2022 Q1, the Company had a gain on disposal of equipment of \$822 compared to \$188 in 2021 Q1. These gains are mainly related to equipment lost-in-hole. Proceeds from clients on lost-in-hole equipment are based on amounts specified in service agreements. The timing of lost-in-hole recoveries is not in the control of the Company and therefore can fluctuate significantly from quarter-to-quarter. In 2022 Q1, the Company received proceeds on disposal of equipment of \$1,233 (2021 Q1 - \$221).

Finance costs Finance costs consisting of interest expenses on loans and borrowings and bank charges were \$229 for 2022 Q1 compared to \$83 for 2021 Q1 due to the increase in debt level and increases in interest rates.

Finance costs lease liability The lease liability interest decreased slightly to \$189 from \$209.

Foreign exchange The Company had a foreign exchange gain of \$310 in 2022 Q1 compared to \$446 in 2021 Q1 due to the fluctuations of the Canadian dollar relative to the U.S. dollar. The Company's foreign operations are denominated in USD and therefore, upon consolidation, gains and losses due to fluctuations in the foreign currency exchange rates are recorded as other comprehensive income on the balance sheet as a component of equity. However, gains and losses in the Canadian entity on U.S. denominated intercompany balances continue to be recognized in the statement of comprehensive income (loss). Included in the 2022 Q1 foreign currency gain is an unrealized gain of \$295 (2021 Q1 - \$444) related to intercompany balances.

Income tax Income tax expense is booked based upon expected annualized rates using the statutory rates of 25.5% for Canada and 23% for the U.S. The provision for current taxes has been fully offset by the benefit of tax attributes not previously recognized.

LIQUIDITY AND CAPITAL RESOURCES

Overview On an annualized basis, the Company's principal source of liquidity is cash generated from operations and proceeds from equipment lost-in-hole. In addition, the Company has the ability to fund liquidity requirements through its credit facility and the issuance of debt and/or equity. Cash flow - operations in 2022 was a use of cash of (\$1,758) compared to (\$408) in 2021. The decrease in cash for 2022 was primarily to fund the increase in accounts receivable since December 31 of \$11,506 resulting from the improvement in North American oilfield service activity, partially offset by increases in cash flow from improved drilling activity in 2022 and Cathedral's increase in Canadian market share.

Working capital At March 31, 2022 the Company had working capital of \$15,029 (December 31, 2021 - \$14,117).

Credit facility In February 2022, the Company entered into an Amended and Restated Credit Agreement with its current lender (the "Facility"). The Company's Facility consists of a \$12,000 operating facility and a term facility in the amount of the Canadian equivalent of \$14,250 USD both with a

single lender, ATB Financial ("ATB"), which expire June 30, 2023. The Facility is secured by a general security agreement over all present and future personal property. The Facility provides a definition of EBITDA ("Credit Agreement EBITDA") to be used in calculation of financial covenants.

The Facility bears interest at the financial institution's prime rate plus 1.75% to 3.25% or bankers' acceptance rate plus 3.00% to 4.25% with interest payable monthly. Interest rate spreads for the Facility depend on the level of funded debt compared to the 12-month trailing Credit Agreement EBITDA. The Facility provides a means to lock in a portion of the debt at interest rates through bankers' acceptances ("BA") based on the interest rate spread on the date the BA was entered into.

While the term facility will be amortized over five years it has a maturity of June 2023 as with the existing Facility. The amortization will be based on a variable interest rate consistent with the Company's existing operating facility interest rates with required monthly payments of \$303 for principal plus prevailing interest.

The Facility provided an alternative definition of Credit Agreement EBITDA to allow pro-rating Credit Agreement EBITDA to a 12-month equivalent ("Consolidated EBITDA Annualization Period") which was to end March 31, 2022. During reporting periods in which the alternative definition of Credit Agreement EBITDAS was in effect, the Company's loans bore interest at the highest marginal rate. However, the agreement allowed Cathedral to opt out of the alternative calculation and the Company exercised this option prior to March 31, 2022.

The financial covenants associated with the Facility that will be tested commencing 2022 Q1 are:

- Consolidated Funded Debt to Consolidated Credit Agreement EBITDA ratio shall not exceed 3.0:1; and
- Consolidated Fixed Charge Coverage ratio shall not be less than 1.25:1.

Compliance with Facility covenants

At March 31, 2022, the Company had drawn \$1,395 of its operating facility, \$17,554 on the term facility and had \$41 in cash. The Company was in compliance with all covenants at March 31, 2022.

Current facility - Highly Affected Sectors Credit Availability Program ("HASCAP")

In June 2021, the Company applied for and received a further \$1,000 of liquidity from HASCAP. The incremental \$1,000 non-revolving loan is fully drawn and is in addition to the Company's Facility. The demand loan has an interest rate of 4% and is amortized over a ten-year period. Repayment terms are interest only for the first year, and principal plus interest for the remaining nine years, payable on a monthly basis. The HASCAP Loan is secured by a general security interest over all present and after acquired personal property of the Company granted in favour of ATB.

Contractual obligations In the normal course of business, the Company incurs contractual obligations and those obligations are disclosed in the Company's annual financial statements for the year ended December 31, 2021.

As at March 31, 2022, the Company's has a commitment to purchase equipment of \$1,650 which is expected to be incurred in 2022 Q2 and Q3.

The Company has issued the following six letters of credit ("LOC"):

- three securing rent payments on property leases and renew annually with the landlords. Two LOCs total \$700 CAD for the first ten years of the lease and then reduce to \$500 for the last five years of the leases. The third LOC is currently for \$630 USD and increases annually based upon annual changes in rent;
- two securing the Company's corporate credit cards in the amounts of \$75 CAD and \$175 USD; and
- one in lieu of cash deposit for utilities in the amounts of \$55 CAD.

Subsequent events On April 5, 2022, the Company announced and subsequently closed on April 25, 2022 a bought deal financing of 37,786,700 Units at a price of \$0.70 per Unit, for aggregate gross proceeds of \$26,451. Net of issue costs, the Company received \$25,018. Each Unit is comprised of one common share in the capital of the Company (a "Common Share") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"). Each Warrant will be exercisable to acquire one additional Common Share (a "Warrant Share") for a period of 12 months following the closing of the Offering at an exercise price of \$0.85 per Warrant Share, subject to adjustment in certain events. The Warrants will began trading on April 25, 2022 on the Toronto Stock Exchange (the "TSX") under the symbol "CET.WT".

Pursuant to the financing agreement, \$8,777 of the bought deal financing proceeds were used to reduce the term loan.

Additionally, on April 7, 2022 the Company accepted an offer to purchase its land and building for \$2,150. This land and building was acquired in 2021 in the purchase of assets from Precision Drilling Corporation ("Precision"). Pursuant to a side letter to the purchase and sale agreement, Cathedral will receive the first \$1,500 of proceeds and any selling expenses and the excess proceeds will be allocated 25% to Cathedral and 75% to Precision.

Share capital At May 12, 2022, the Company has 138,111,297 common shares, 21,468,350 common share purchase warrants and 6,689,368 options outstanding with a weighted average exercise price of \$0.23.

In 2022 Q1, the Company issued 380,000 stock options to staff with an exercise price of \$0.77 per option.

2022 CAPITAL PROGRAM

During the three months ended March 31, 2022, the Company invested \$3,304 (2021 - \$591) in equipment, excluding acquisitions. The following table details the current period's net equipment additions:

	Three months ended March 31, 2022	
Equipment additions:		
Motors	\$	1,479
MWD		1,805
Other		20
Total cash additions	\$	3,304

The additions of \$3,304 were partially funded by proceeds on disposal of equipment of \$1,233.

The Company's estimated 2022 gross capital plan is approximately \$14,900, excluding any potential acquisitions. The primary additions under the 2022 capital plan will be approximately \$9,500 for new mud motors and related parts with the remaining \$5,400 on MWD and ancillary assets.

OUTLOOK

The North American oil and gas industry fundamentals remain robust for 2022 and beyond, despite the near-to-medium term uncertainty created by Russia's war in Ukraine and global inflation.

Oil benchmarks West Texas Intermediate (WTI) and Western Canadian Select (WCS) have performed strongly year-to-date, up 33% and 36% respectively, as at May 10, 2022. Natural gas has experienced similar price expansion in both Canada and the USA over the same period. The Canadian benchmark AECO has increased 72% year-to-date and USA NYMEX natural gas has more than doubled, up 108%. These strong hydrocarbon prices have boosted oil and gas producer cash flow levels to pre-2015 levels and are resulting in increased activity for North American service companies. (source: <https://oilprice.com/>)

The Canadian 2022 Q1 average rig count surpassed 190 rigs, peaking above 220 rigs. The 2022 Q2 rig count in Canada is always depressed due to Spring break-up, but is still trending to be the busiest second quarter in the past eight years. Further, analysts continue to revise their estimates upwards for 2022 H2 and 2023. The consensus now suggests that both 2022 Q3 and 2022 Q4 will be as active as 2022 Q1. The first quarter is traditionally the busiest quarter in Canada so this speaks to the meaningful impact the current commodity prices are having on activity.

Land rig counts in the USA have shown very consistence progress, posting higher week-over-week figures in 84 of the last 89 weeks. The American rig count troughed in August-2020 at approximately 230 rigs and has now nearly tripled to 680 rigs in May of this year, with the Permian and Haynesville plays leading this growth. 2022 Q1 averaged 620 rigs which surpassed many analysts' initial 2022 exit rig projections. Consensus now forecasts in excess of 700 active rigs for 2022 H2 in the USA, and closer to 800 active units through 2023.

(sources: ATB Capital Markets, Baker Hughes Company, BMO Capital Markets, National Bank of Canada Financial Markets, Peters & Co Limited, Raymond James Ltd., and TD Securities Inc.)

Labour continues to be the limiting factor in the service industry's ability to meet current strong demand, along with supply chain constraints on certain specialty products, due in part to the conflict in Ukraine. Service company pricing remains materially below peak levels, but will need to rise to address the inflationary pressures presented by these workforce shortages and logistics challenges, and to provide positive returns to shareholders. The current macro-economic factors, combined with oil and gas producers' steadily growing free cash flow, provide a constructive environment to achieve more sustainable oilfield service pricing levels in the back half of this year and into 2023.

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for designing disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Cathedral's DC&P have been designed to provide reasonable assurance that material information relating to Cathedral is made known to the CEO and the CFO by others and that information required to be disclosed by Cathedral in its annual filings, interim filings or other reports filed or submitted by Cathedral under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

Because of their inherent limitations, DC&P and ICFR may not prevent or detect all misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

The CEO and CFO have concluded that there have been no changes in internal controls for the period ended on March 31, 2022 that have materially affected, or are reasonably likely to materially affect, Cathedral's ICFR.

RISK FACTORS

The MD&A for the year ended December 31, 2021, which is included in the Company's 2021 Annual Report, includes an overview on risk factors associated with the Company and its operating entities. Those risk factors remain in effect as at March 31, 2022.

GOVERNANCE

The Audit Committee of the Board of Directors has reviewed this MD&A and the related unaudited condensed consolidated interim financial statements and recommended they be approved to the Board of Directors. Following a review by the full Board, the MD&A and financial statements were approved.

NEW AND FUTURE ACCOUNTING POLICIES

There were no new or amended standards issued during the three months ended March 31, 2022 that are applicable to the Company in future periods.

SUMMARY OF QUARTERLY RESULTS

Three month periods ended	Mar 2022	Dec 2021	Sep 2021	June 2021	Mar 2021	Dec 2020	Sep 2020	Jun 2020
Revenues	\$ 34,385	\$ 23,710	\$ 20,127	\$ 7,322	\$ 11,365	\$ 7,448	\$ 4,990	\$ 8,841
Adjusted EBITDAS ⁽¹⁾	\$ 6,913	\$ 1,273	\$ 5,170	\$ (2,683)	\$ 825	\$ (435)	\$ 84	\$ (823)
Adjusted EBITDAS ⁽¹⁾ per share - diluted	\$ 0.07	\$ 0.02	\$ 0.07	\$ (0.05)	\$ 0.02	\$ (0.01)	\$ 0.00	\$ (0.02)
Net income (loss)	\$ 2,243	\$ (1,097)	\$ 403	\$ (5,846)	\$ (2,086)	\$ (6,171)	\$ (5,014)	\$ (3,815)
Net income (loss) per share - basic and diluted	\$ 0.02	\$ (0.01)	\$ 0.01	\$ (0.11)	\$ (0.04)	\$ (0.12)	\$ (0.10)	\$ (0.08)

(1) Refer to MD&A: see "NON-GAAP MEASUREMENTS"

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "achieve", "believe",

"plan", "intend", "objective", "continuous", "ongoing", "estimate", "outlook", "expect", "may", "will", "project", "should" or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements relating to, among other things: we see additional opportunities to add value for customers and shareholders in both Canada and the U.S., and we are carefully evaluating prospects; we expect industry conditions to remain strong in the near-to-medium term and anticipate increased demand for our services; with our expanded operations base, well-skilled team and high-quality equipment, we are well positioned to take full advantage of these strong industry conditions; , our strengthened financial position, following our equity financing, adds additional flexibility and agility to our balance sheet, allowing us to capitalize on future opportunities as they emerge; the North American oil and gas industry fundamentals remain robust for 2022 and beyond, despite the near-to-medium term uncertainty created by Russia's war in Ukraine and global inflation; 2022 Q2 Canadian rig count is trending to be the busiest second quarter in the past eight years; both 2022 Q3 and 2022 Q4 will be as active as 2022 Q1 in Canada; in excess of 700 active rigs for 2022 H2 in the U.S., and closer to 800 active units through 2023; the current macro-economic factors, combined with oil and gas producers' steadily growing free cash flow, provide a constructive environment to achieve more sustainable oilfield service pricing levels in the back half of this year and into 2023; and projected capital expenditures and commitments and the financing thereof.

The Company believes the expectations reflected in such forward-looking statements are reasonable as of the date hereof but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Various material factors and assumptions are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking statements. Those material factors and assumptions are based on information currently available to the Company, including information obtained from third party industry analysts and other third party sources. In some instances, material assumptions and material factors are presented elsewhere in this MD&A in connection with the forward-looking statements. You are cautioned that the following list of material factors and assumptions is not exhaustive. Specific material factors and assumptions include, but are not limited to:

- the performance of Cathedral's business
- impact of economic and social trends;
- oil and natural gas commodity prices and production levels;
- the ongoing impact of the global health crisis and COVID-19;
- capital expenditure programs and other expenditures by Cathedral and its customers;
- the ability of Cathedral to retain and hire qualified personnel;
- the ability of Cathedral to obtain parts, consumables, equipment, technology, and supplies in a timely manner to carry out its activities;
- the ability of Cathedral to maintain good working relationships with key suppliers;
- the ability of Cathedral to retain customers, market its services successfully to existing and new customers and reliance on major customers;
- risks associated with technology development and intellectual property rights;
- obsolescence of Cathedral's equipment and/or technology;
- the ability of Cathedral to maintain safety performance;
- the ability of Cathedral to obtain adequate and timely financing on acceptable terms;
- the ability of Cathedral to comply with the terms and conditions of its credit facility;
- the ability to obtain sufficient insurance coverage to mitigate operational risks;
- currency exchange and interest rates;
- risks associated with future foreign operations;
- the ability of Cathedral to integrate its transactions and the benefits of any acquisitions, dispositions and business development efforts;
- environmental risks;
- business risks resulting from weather, disasters and related to information technology;
- changes under governmental regulatory regimes and tax, environmental, climate and other laws in Canada and the U.S.; and
- competitive risks.

Forward-looking statements are not a guarantee of future performance and involve a number of risks and uncertainties some of which are described herein. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Company's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the risks identified in this MD&A and in the Company's Annual Information Form under the heading "Risk Factors". Any forward-looking statements are made as of the date hereof and, except as required by law, the Company assumes no obligation to publicly update or revise such statements to reflect new information, subsequent or otherwise.

All forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Further information about the factors affecting forward-looking statements is available in the Company's current Annual Information Form that has been filed with Canadian provincial securities commissions and is available on www.sedar.com.

NON-GAAP MEASUREMENTS

Cathedral uses certain performance measures throughout this document that are not defined under GAAP. Management believes that these measures provide supplemental financial information that is useful in the evaluation of Cathedral's operations and are commonly used by other oilfield companies. Investors should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with GAAP as an indicator of Cathedral's performance. Cathedral's method of calculating these measures may differ from that of other organizations, and accordingly, may not be comparable.

The specific measures being referred to include the following:

- i) "Adjusted gross margin" - calculated as gross margin plus non-cash items (depreciation and share-based compensation); is considered a primary indicator of operating performance (see tabular calculation);
- ii) "Adjusted gross margin %" - calculated as adjusted gross margin divided by revenues; is considered a primary indicator of operating performance (see tabular calculation);
- iii) "Adjusted EBITDAS" - defined as earnings before finance costs, unrealized foreign exchange on intercompany balances, taxes, depreciation, non-recurring costs (including severance and non-cash provision for bad debts), write-down of equipment, write-down of inventory and share-based compensation; is considered an indicator of the Company's ability to generate funds flow from operations prior to consideration of how activities are financed, how the results are taxed and non-cash expenses (see tabular calculation);

The following tables provide reconciliations from GAAP measurements to non-GAAP measurements referred to in this MD&A:

Adjusted gross margin

	Three months ended March 31	
	2022	2021
Gross margin	\$ 5,529	\$ (475)
Add non-cash items included in cost of sales:		
Depreciation	4,289	2,887
Share-based compensation	43	8
Adjusted gross margin	\$ 9,861	\$ 2,420
Adjusted gross margin %	29%	21%

Adjusted EBITDAS

	Three months ended March 31	
	2022	2021
Income (loss) before income taxes	\$ 2,243	\$ (2,086)
Add:		
Depreciation included in cost of sales	4,289	2,887
Depreciation included in selling, general and administrative expenses	124	134
Share-based compensation included in cost of sales	43	8
Share-based compensation included in selling, general and administrative expenses	91	21
Finance costs	229	83
Finance costs lease liabilities	189	209
Subtotal	7,208	1,256
Unrealized foreign exchange gain on intercompany balances	(295)	(444)
Non-recurring expenses	-	13
Total Adjusted EBITDAS	\$ 6,913	\$ 825