Trinidad Drilling Reports Fourth Quarter and Year-End 2017 Results; Improving Industry Conditions Drive Higher Fourth Quarter Adjusted EBITDA

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CALGARY, Alberta, Feb. 26, 2018 (GLOBE NEWSWIRE) -- Trinidad Drilling Ltd. (TSX:TDG) (Trinidad) announced its fourth quarter and year-end 2017 results today.

In 2017, activity grew significantly over the levels recorded in the previous year. In the US and international operations, activity increased by 108.6%, and in the Canadian operations, activity grew by 46.5%. The increase in activity was mainly driven by higher commodity prices and increased customer demand.

Conditions continued to strengthen in the fourth quarter of 2017 and Trinidad benefited from improved profitability in its US and international operations, driven by growing activity levels, less rig reactivation costs and improving underlying dayrates. These improving conditions allowed Trinidad to record increased adjusted EBITDA[1] in the fourth quarter of 2017 when compared to the same period of the prior year.

"Industry conditions improved in 2017 and our operating days increased significantly, particularly in our US operations," said Brent Conway, Trinidad's President and Chief Executive Officer. "Throughout the year we saw our underlying dayrates in the US improve each quarter as the impact of rigs starting up on new contracts under market rates more than offset the impact of rigs rolling off legacy contracts. In Canada, market conditions improved, but not to the extent seen in the US."

"Due to this growing customer demand, we expanded our upgrade program and relocated rigs to high demand areas such as the Permian Basin in 2017. These strategic decisions positioned Trinidad with a strong market presence in the most active play in North America and with a fleet of high quality rigs that meet customer demands.” added Conway.

In addition, in response to customer requests for improved efficiency and performance, Trinidad acquired RigMinder Operating LLC (RigMinder), a global provider of rig technology in the third quarter of 2017. This acquisition allows Trinidad to deliver an integrated rig performance solution and reduce costs for customers.

1. See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section of this document for further details.

Fourth Quarter 2017 Highlights Versus Prior Year

- Revenue increased in the fourth quarter of 2017 compared to fourth quarter of 2016 largely due to increased activity levels in both the US and international and Canadian divisions, partly offset by lower dayrates in Canada and a negative currency translation impact on the Company's US dollar-based revenues.
- Activity levels were higher in the US and international and Canadian divisions for the current period compared to 2016, as commodity prices improved and customer demand increased, particularly in the US.
- Operating income increased by 69.9% in the fourth quarter of 2017 compared to the same period of 2016. The increased level of activity, combined with relatively flat dayrates and lower operating costs, drove improved operating income.

- Operating income - net percentage increased to 37.3% in the current period, from 32.3% in 2016, due to a reduction in operating costs in the current period. In the fourth quarter of 2016, the US division had commenced its rig reactivation program and incurred extra costs, while this program was completed and rigs were largely in operation by the fourth quarter of 2017.
- Adjusted EBITDA increased to $36.1 million in the fourth quarter of 2017, compared to $23.8 million in the fourth quarter of 2016, as a result of the same drivers that increased operating income.

- Net loss increased in the fourth quarter of 2017 compared to the same period of 2016 mainly due to higher depreciation and amortization expenses and a lower contribution from Trinidad's joint venture operations. The impact of these factors was partly offset by lower finance and transaction costs due to the refinancing of the senior notes earlier in 2017.

HIGHLIGHTS

	Three months ended December 31,			For the years ended Decer	
($ thousands except share and per share data)	2017	2016	% Change	2017	2016
FINANCIAL HIGHLIGHTS					
Revenue	137,902	93,058	48.2	501,615	362,144
Operating income [1]	47,895	28,240	69.6	157,320	159,577
Operating income - net percentage [1]	37.3 %	32.3 %	15.5	33.5 %	46.1
Adjusted EBITDA [1]	36,075	23,769	51.8	129,445	143,002
Per share (diluted) [2]	0.13	0.11	18.2	0.49	0.64
Funds flow [1]	32,719	17,596	85.9	51,429	62,618
Per share (basic / diluted) [2]	0.12	0.08	50.0	0.19	0.28
Net (loss) [3]	(17,691)	(11,813)	(49.8)	(79,618)	(52,546)
Per share (basic/diluted) [2][3]	(0.06)	(0.05)	(20.0)	(0.30)	(0.24)
Capital expenditures	51,989	5,981	769.2	163,117	44,326
Shares outstanding - diluted					
(weighted average) [2]	273,457,951	222,496,995	22.9	266,014,405	222,496,99
OPERATING HIGHLIGHTS	2017	2016	% Change	2017	2016
Operating days [1]					
United States and International	3,290	1,761	86.8	11,924	5,716
Canada	2,497	2,067	20.8	9,004	6,144
TDI Joint Venture [4]	268	284	(5.6)	1,278	1,709
Rate per operating day [1]					
United States and International (US$)	19,170	19,191	(0.1)	18,492	26,518
Canada (CDN$)	19,478	20,118	(3.2)	20,216	22,492
TDI Joint Venture (US$) [4]	48,923	65,529	(25.3)	65,929	55,594
Utilization rate - operating day [1]					
United States and International	52 %	29 %	79.3	48 %	23
Canada	39 %	31 %	25.8	35 %	23
TDI Joint Venture [4]	36 %	39 %	(7.7)	44 %	58
Number of drilling rigs at period end [5]					
United States and International	69	67	3.0	69	67
Canada	70	72	(2.8)	70	72
TDI Joint Venture [4]	8	8	—	8	8

1. See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section at the end of this document.
2. Basic shares include the weighted average number of shares outstanding over the period. Diluted shares include the weighted average number of shares outstanding over the period and the dilutive impact, if any, of the number of shares issuable pursuant to the Incentive Option Plan.
3. Net (loss) is net (loss) attributable to shareholders of Trinidad. Net (loss) per share is calculated as net (loss) attributable to shareholders of Trinidad divided by the weighted average number of common shares outstanding, both adjusted for dilutive factors.

4. Trinidad is party to a joint venture with a wholly-owned subsidiary of Halliburton. These rigs are owned by the joint venture.
5. Refer to the Results from Operations section for details on the changes to the rig count.

A copy of Trinidad’s fourth quarter and year-end 2017 Management’s Discussion and Analysis and the Financial Statements can be found at www.sedar.com and Trinidad’s website at www.trinidaddrilling.com/investorrelations/reports.aspx

OUTLOOK

To date in 2018, crude oil prices have increased over the fourth quarter of 2017, driving a growing active rig count, particularly in the US. Since the end of 2017, the US active rig count has steadily increased, and is currently up 50 rigs. In Canada, activity levels in early 2018 have been relatively flat to levels witnessed in 2017 and high pricing differentials for Canadian products have reduced the benefits of stronger crude oil prices, limiting customer demand.

Trinidad's existing geographic diversity has allowed the Company to take advantage of the relative strength of the US industry. In early 2018, Trinidad chose to redeploy rigs from Canada and areas of weaker demand within the US and internationally to the high demand Permian Basin, with mobilization costs expected to be largely covered by its customers. As a result of growing customer demand in the US market, dayrates are continuing to increase, particularly for high specification rigs where available supply has become limited. Dayrates in Canada have remained firm through the winter drilling season; however, the upward momentum seen in the US is not occurring to the same extent in the Canadian industry.

In the US, Trinidad currently has 39 rigs, or 59% of our fleet operating, with almost 80% operating in the Permian Basin. In Canada, activity continues to be focused in the Montney, Duvernay and Deep Basin. Trinidad currently has 39 rigs or 57% of its Canadian fleet running, six percentage points above industry activity levels.

In the TDI joint venture, one rig has been recently contracted to work in Bahrain and is expected to begin work early in the second quarter of 2018. The remaining three rigs in Saudi Arabia are in the process of being moved to the US where they will be re-configured to meet US customer requirements and are expected to be working in the Permian Basin in the third quarter of 2018. TDI has participated in a number of international tenders, some of which are expected to be awarded in the near future. If successful, Trinidad anticipates using existing idle equipment to fulfill these awards, likely its rigs currently located in Mexico.

Currently, Trinidad has 31 rigs, or 21% of its fleet under long-term contracts, with an average term remaining of 1.0 year; 15 contracts have expiration dates during the remainder of 2018. The Company is presently working with customers to negotiate contracts on the rigs being redeployed to the Permian.

Trinidad continues to make good progress on the roll out of its RigMinder technology platform. CriterionTM, RigMinder's directional advisory software, is currently being used by customers in both the US and Canada with encouraging results and additional customer interest. A Canadian customer is currently working in partnership with Trinidad to test and evaluate the GMXSteeringTM frac optimization software. As well, RigMinder now has in place several agreements to provide integrated tool solutions including agreements with multi-national suppliers of downhole tools. Trinidad has begun to market this service to its customers and is encouraged by customers' interest levels. In addition, the Company continues to add RigMinder EDRs to its rigs.

Early in 2018, Trinidad undertook a review of its cost structure to ensure that its practices were in-line or ahead of its competitors and to provide long-term value for its shareholders. Following this review, Trinidad reduced headcount, rolled back salaries and implemented tighter expense management. Trinidad expects that G&A expenses will total approximately $43 million in 2018, down 26% from the level incurred in 2017.

Debt levels increased during the fourth quarter as the 2017 capital upgrade program was completed; however, Trinidad remains committed to maintaining conservative leverage and expects to manage its business within cash flow generated from its operations in 2018.

In 2018, the Company expects to spend approximately $94 million in capital expenditures. Trinidad anticipates that approximately $20 million of this spending will be funded by the proceeds from the sale of unused facilities in 2018. The Company also expects that the majority of funds spent will be backed by customer contracts.

Trinidad's strong and growing operations in the US, position it well to take advantage of strengthening industry conditions. The Company's existing high quality fleet, combined with the rig upgrades completed in 2017 and the redeployment of existing equipment to the Permian allow it to benefit from improving dayrates and strong customer demand. In addition, RigMinder's technology platform is gaining momentum and Trinidad expects to continue to roll out these products to its customers throughout 2018. These factors, along with the Company's cost-efficient structure and focus on improving returns, position Trinidad for strong performance in the strengthening industry conditions.

Trinidad believes that the current trading price of its common shares does not reflect the value of the Company, despite the improving industry fundamentals and the recent steps the Company has taken to improve shareholder value. As a result, Trinidad recently commenced a formal process to initiate a strategic review in an effort to enhance shareholder value.

In connection with this process, Trinidad's board of directors intends to consider a broad range of alternatives, including a sale of selected assets, a merger, a corporate sale, a strategic partnership or various capital re-deployment opportunities. The board has appointed a special committee of independent directors and engaged financial and legal advisors to assist it with the review. The Company does not intend to set a definite schedule to complete its review and does not intend to disclose developments unless the board has approved a specific transaction or action plan, or otherwise determines that disclosure is necessary or appropriate.

There is no guarantee that the strategic review process the Company is undertaking will result in a transaction. To that end, the Company will continue to manage its business carefully. Trinidad will remain focused on providing customers with the strong performance they have come to expect from it, while also maintaining its commitment to the safety of its crews and the condition of its high performance equipment.

RESULTS FROM OPERATIONS

United States and International Operations

	Three months ended December 31,			For the years ended Decemb		
($ thousands except percentage and operating data)	2017	2016	% Change	2017	2016	% Ch
Operating revenue [1]	79,125	44,842	76.5	286,441	200,588	42.8
Operating income [2]	30,734	12,349	148.9	90,765	101,980	(11.0
Operating income - net percentage [2]	38.8 %	27.5 %		31.7 %	50.8 %	
Operating days [2]	3,290	1,761	86.8	11,924	5,716	108.6
Rate per operating day (US$) [2]	19,170	19,191	(0.1)	18,492	26,518	(30.3
Utilization rate - operating day [2]	52 %	29 %	79.3	48 %	23 %	108.7
Number of drilling rigs at year end	69	67	3.0	69	67	3.0

1. Operating revenue excludes third party recovery.
2. See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section at the end of this document.

In the fourth quarter of 2017, Trinidad recorded operating revenue and operating income of $79.1 million and $30.7 million, respectively, an increase of 76.5% and 148.9%, respectively, from the fourth quarter of 2016. Profitability increased mainly due to higher activity and lower operating costs than recorded in the fourth quarter of 2016. The fourth quarter of 2017 reflected a strong quarter of activity, following redeployment and reactivation efforts to reposition the fleet earlier in the year.

Activity levels increased to 3,290 operating days in the fourth quarter of 2017, compared to 1,761 operating days in the comparable quarter of 2016, mainly driven by stronger industry conditions.

Trinidad recorded consistent dayrates in the current quarter compared to the same quarter last year, with a dayrate of US$19,170 per day realized in the three months ended December 31, 2017 compared to US$19,191 in the comparable quarter in 2016. Dayrates decreased mainly due to more rigs operating on spot market and a change in rig mix in the US division. During the current quarter, Trinidad received standby revenue of US$1.4 million, compared to early termination and standby revenue of US$1.6 million in the prior year.

Operating income - net percentage increased in the fourth quarter of 2017, compared to the prior year, driven by lower operating costs in the current period. Trinidad recorded higher operating costs in the fourth quarter of 2016 as several rigs were prepared to return to work.

Fourth quarter of 2017 versus third quarter of 2017

When compared to the third quarter of 2017, Trinidad's operating income increased by $8.4 million in the fourth quarter of 2017, as a result of rig re-activation activities and higher dayrates. Trinidad incurred costs to reactivate rigs to go back to work throughout 2017. As these rigs were active in the fourth quarter of 2017, this led to a decrease in operating costs compared to the third quarter of 2017. As well, operating income - net percentage rose from 29.1% in the third quarter to 38.8% in the fourth quarter of 2017.

Dayrates in the fourth quarter of 2017 averaged US$19,170 per day, up from US$18,515 per day in the third quarter of 2017. Dayrates increased quarter over quarter as a result of strong results on Trinidad's performance-based contracts in the period, plus higher early termination and standby revenue received in the current period. Early termination and standby was US$1.4 million in the fourth quarter of 2017, as compared to US$0.6 million in the third quarter of 2017.

Canadian Operations

	Three months ended December 31,						For the years ended Decemb				
($ thousands except percentage and operating data)	2017		2016		% Change		2017		2016		% Ch
Operating revenue (1)	48,645		41,601		16.9		182,032		139,504		30.5
Operating income (2)	17,031		15,733		8.3		66,095		57,657		14.6
Operating income - net percentage (2)	34.9	%	37.5	%			36.1	%	41.1	%	
Operating days (2)	2,497		2,067		20.8		9,004		6,144		46.5
Rate per operating day (CDN$) (2)	19,478		20,118		(3.2	)	20,216		22,492		(10.1
Utilization rate - operating day (2)	39	%	31	%	25.8		35	%	23	%	52.2
Number of drilling rigs at year end	70		72		(2.8	)	70		72		(2.8

1. Operating revenue excludes third party recovery.
2. See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section at the end of this document.

During the fourth quarter of 2017, Trinidad recorded operating revenue and operating income of $48.6 million and $17.0 million, respectively, an increase of 16.9% and 8.3%, respectively, compared to the fourth quarter of 2016. Operating revenue and operating income was higher in the current quarter mainly due to increased activity, with 430 more operating days or a 20.8% increase from the same quarter last year. The impact of these factors was partly offset by lower average dayrates compared to the fourth quarter of 2016.

Dayrates in the fourth quarter of 2017 decreased by $640 per day, compared to the fourth quarter of 2016. Dayrates lowered mainly as a result of a change in the active rig mix and continued competitive market conditions, partly offset by increased early termination and standby revenues in the current year.

Trinidad received early termination and standby revenue of $4.5 million for a shortfall of operating days in the fourth quarter of 2017 on contracted rigs, compared to $0.2 million in the same period of 2016. The shortfall revenue recorded in the fourth quarter of 2017 related to contracted days not worked in the current period on three rigs, whereas corresponding shortfall revenue in the fourth quarter of 2016 related to one rig. Excluding early termination and standby revenue, dayrates averaged $17,696 per day in the fourth quarter of 2017, down $2,315 per day from the prior period.

Operating income increased by $1.3 million in the current quarter compared to the prior year largely due to increased activity, partly offset by lower dayrates due to rig mix, fewer long-term contracts with stronger legacy pricing and pricing pressure in a competitive market.

Operating income - net percentage was 34.9% in the three months ended December 31, 2017, down from 37.5% in the corresponding period in 2016. Operating income - net percentage decreased due to lower dayrates in the quarter, while operating costs remained in line on a per day basis relative to the activity levels in the comparable periods, partly offset by higher early termination and standby revenue in the current period, which has no associated costs.

Fourth quarter of 2017 versus third quarter of 2017

Consistent utilization and the re-activation of higher specification rigs to the active fleet drove stronger results in the fourth quarter of 2017, compared to the third quarter of 2017. Operating revenue and operating income increased in the fourth quarter of 2017 by $3.4 million and $2.3 million, respectively, due to higher dayrates realized in the current quarter. Utilization remained steady at 39% in both the third and fourth quarters of 2017. Dayrates improved in the fourth quarter of 2017, averaging $19,478 per day compared to $17,961 per day in the third quarter due to higher specification rigs working in the fourth quarter, in combination with an increase in seasonal equipment rentals. Early termination and standby revenue remained consistent quarter over quarter, with $4.5 million recorded in the fourth quarter compared to $4.6 million in the third quarter of 2017.

Joint Venture Operations

Trinidad Drilling International (TDI):
Amounts below are presented at 100% of the value included in the statement of operations and comprehensive (loss) income for Trinidad Drilling International (TDI); Trinidad owns 60% of the shares of TDI and each of the parties has equal voting rights. Trinidad considers the investment to be a financial asset at fair value through profit or loss and recognizes changes in fair value of the investment in the statement of operations and comprehensive (loss) as a gain from investments in joint ventures.

	Three months ended December 31,			For the years ended Decemb		
($ thousands except percentage and operating data)	2017	2016	% Change	2017	2016	% Ch
Operating revenue	17,089	25,580	(33.2)	113,746	131,823	(13.7
Operating income [1]	5,865	13,888	(57.8)	62,163	62,499	(0.5
Operating income - net percentage [1]	34.3 %	54.3 %		54.6 %	47.4 %	
Operating days [1]	268	284	(5.6)	1,278	1,709	(25.2
Rate per operating day (US$) [1]	48,923	65,529	(25.3)	65,929	55,594	18.6
Utilization rate - operating day [1]	36 %	39 %	(7.7)	44 %	58 %	(24.1
Number of drilling rigs at year end	8	8	—	8	8	&mda

1. See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section at the end of this document.

Operating revenue decreased in the fourth quarter of 2017, compared to the prior year, mainly as a result of lower dayrates and lower early termination and standby revenues. Early termination and standby revenue for the three months ended December 31, 2017 was $0.8 million, compared to $8.0 million in the three months ended December 31, 2016. Operating days were slightly lower at 268 in the fourth quarter of 2017 compared to 284 in the comparative period for 2016.

Operating income - net percentage decreased in the current quarter compared to the fourth quarter of 2016 due to lower dayrates and lower early termination and standby costs.

Fourth quarter of 2017 versus third quarter of 2017

Compared to the third quarter of 2017, TDI recorded lower operating income in the current period mainly due to lower activity and lower early termination and standby revenue. TDI recorded 49 fewer operating days and $2.1 million lower operating income in the fourth quarter compared to the third quarter. Early termination and standby revenue decreased from $2.9 million in the third quarter to $0.8 million in the fourth quarter. Operating income - net percentage decreased in the fourth quarter due to the factors discussed above.

FINANCIAL SUMMARY

As at	December 31,	December 31,	
($ thousands)	2017	2016	$ Change
Working capital (1)	44,432	48,121	(3,689)
Total long-term debt	511,674	603,016	(91,342)
Total long-term debt as a percentage of assets	26.9 %	30.4 %	
Total long-term liabilities as a percentage of assets	28.0 %	33.2 %	

1. See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section at the end of this document.

Trinidad’s total long-term debt balance at December 31, 2017 decreased by $91.3 million compared to December 31, 2016. This decrease was largely due to the redemption of the senior unsecured notes due in 2019 (2019 Senior Notes), followed by the issuance of the senior unsecured notes which mature in 2025 (2025 Senior Notes) at a lower principal balance as well as the strengthening of the Canadian dollar compared to the US dollar at December 31, 2017 versus December 31, 2016. As these notes are held in US funds, the Senior Notes are translated at each period end, and as such, their aggregate value fluctuates with the US to Canadian exchange rates.

Credit Facility and Debt Covenants

Trinidad's credit facility includes a Canadian revolving facility of $100.0 million and a US revolving facility of $100.0 million. On November 30, 2017, Trinidad amended the credit facility; the amendment included an extension of the maturity date to December 12, 2020, as well as releasing the prior covenant relief measures.

At December 31, 2017, the following financial covenants were in place:

Senior Debt to Bank EBITDA (1)	Max of 2.5x
Bank EBITDA to Cash Interest Expense (1)	Min of 2.5x

1. See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section at the end of this document.

At December 31, 2017, Senior Debt to Bank EBITDA was 0.70 times and Bank EBITDA to Cash Interest Expense was 3.55 times. Trinidad was in compliance with all covenants at December 31, 2017.

Other covenants in effect include, but are not limited to, the following: incurring additional debt and liens on assets; investments, including advances to the TDI joint venture; asset sales; and making restricted payments. The new amended credit facility allows Trinidad to pay dividends provided that Trinidad's Senior Debt to Bank EBITDA covenant is less than five times. At December 31, 2017, Trinidad is in compliance with all covenants related to the credit facility.

Readers are cautioned that the ratios noted above do not have standardized meanings under IFRS.

Capital Expenditures

For the years ended December 31,		
($ thousands)	2017	2016
Capital upgrades and enhancements	136,010	23,549
Maintenance and infrastructure	27,107	6,288
Capital spares inventory	—	14,489
Total capital expenditures for Trinidad	163,117	44,326
TDI joint venture capital expenditures (Trinidad's 60% share)	4,294	5,978
RigMinder acquisition (net)	31,396	—
Total capital expenditures including TDI joint venture and acquisitions	198,807	50,304

In 2017, Trinidad spent $163.1 million on capital expenditures, compared to $44.3 million in 2016. As well, the Company spent $4.3 million related to its portion of capital spending for the TDI joint venture, compared to $6.0 million in 2016. Capital expenditures in 2017 were higher than previously anticipated as a result of improving industry conditions and increased customer demand. Additional spend mainly related to capital requirements to reactivate equipment, such as additional drill pipe, rig re-certifications and capital inventory.

On August 25, 2017, Trinidad completed the acquisition of RigMinder for cash proceeds (excluding shares and contingent consideration) of $31.4 million. Through this strategic business acquisition, Trinidad acquired significant technology rights that are complementary to its industry-leading drilling fleet.

CONFERENCE CALL

Tuesday, February 27, 2018
11:00 a.m. MT (1:00 p.m. ET)
866-393-4306 (toll-free in North America) or 734-385-2616 approximately 10 minutes prior to the conference call
Conference ID: 3469297

Archived Recording:
855-859-2056 or 404-537-3406
Conference ID: 3469297

Webcast: https://www.trinidaddrilling.com/investors/events-presentations

For further information, please contact:

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On February 20, 2018, Trinidad announced that it had initiated a strategic review in an effort to enhance shareholder value. In a letter to shareholders, Trinidad's President and CEO, Brent Conway provided information on the review process and an update of Trinidad's ongoing strategy. For a copy of the letter, please go to Trinidad's website under Presentations and Events or click here.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	December 31,	December 31,
($ thousands)	2017	2016

Assets		
Current Assets		
Cash and cash equivalents	3,948	25,780
Accounts receivable	118,612	91,062
Inventory	5,971	7,907
Prepaid expenses	3,657	4,960
Assets held for sale	19,583	218
	151,771	129,927
Property and equipment	1,363,815	1,482,897
Intangible assets and goodwill	90,339	33,706
Deferred income taxes	82,872	72,873
Investments in joint ventures	214,976	262,673
	1,903,773	1,982,076
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	106,694	79,388
Deferred revenue and customer deposits	645	459
Current portion of long-term debt	—	1,959
	107,339	81,806
Long-term debt	511,674	601,057
Contingent consideration	7,035	—
Deferred income taxes	5,474	49,348
Non-controlling interests	8,863	7,197
	640,385	739,408
Shareholders' Equity		
Common shares	1,525,633	1,374,656
Contributed surplus	65,292	65,087
Accumulated other comprehensive income	128,655	179,499
Deficit	(456,192)	(376,574)
	1,263,388	1,242,668
	1,903,773	1,982,076

Consolidated Statements of Operations and Comprehensive (Loss)

	Three months ended December 31,		For the years ended December 31,	
($ thousands)	2017	2016	2017	2016
Revenue				
Oilfield service revenue	137,555	92,454	499,978	359,889
Other revenue	347	604	1,637	2,255
	137,902	93,058	501,615	362,144
Expenses				
Operating expense	90,007	64,818	344,295	202,567
General and administrative	12,777	15,056	60,080	56,820
Depreciation and amortization	56,213	43,703	199,962	171,746
Foreign exchange	(767)	(698)	9,295	(3,374)
(Gain) on sale of assets	(218)	(742)	(2,166)	(11,317)
Impairment of property and equipment	2,993	—	2,993	—
	161,005	122,137	614,459	416,442
(Gain) from investments in joint ventures (1)	1,968	(19,659)	(17,659)	(12,929)
Finance and transaction costs	9,323	16,045	42,059	55,824

Fair value adjustments [2]	(1,542)	(3,454)	2,052	(9,398)
(Loss) before income taxes	(32,852)	(22,011)	(139,296)	(87,795)
Income taxes				
Current	702	(1,054)	929	(871)
Deferred	(15,827)	(8,857)	(59,744)	(33,289)
	(15,125)	(9,911)	(58,815)	(34,160)
Net (loss)	(17,727)	(12,100)	(80,481)	(53,635)
Other comprehensive (loss)				
Foreign currency translation adjustment for foreign operations, net of income tax	1,917	16,439	(50,844)	(24,448)
Foreign currency translation adjustment for non-controlling interests, net of income tax	35	109	(761)	(144)
	1,952	16,548	(51,605)	(24,592)
Total comprehensive (loss)	(15,775)	4,448	(132,086)	(78,227)
Net (loss) attributable to:				
Shareholders of Trinidad	(17,691)	(11,813)	(79,618)	(52,546)
Non-controlling interests	(36)	(287)	(863)	(1,089)
Total comprehensive (loss) attributable to:				
Shareholders of Trinidad	(15,774)	4,626	(130,462)	(76,994)
Non-controlling interests	(1)	(178)	(1,624)	(1,233)
Earnings per share				
Basic/Diluted	(0.06)	(0.05)	(0.30)	(0.24)

[1] (Gain) from investments in joint ventures includes Trinidad's portion of the net (gain) loss in all joint ventures as well as the fair value adjustment related to the TDI joint venture as this is held as a financial asset.
[2] Fair value adjustments includes the fair value adjustments on the contingent considerations related to the RigMinder business combination and the fair value of the non-controlling interests liability. For the year ended December 31, 2017, the fair value on the contingent consideration was less than $1.1 million (2016 - nil). For the year ended December 31, 2017, the fair value on the non-controlling interests liability was $3.1 million (December 31, 2016 - $(9.4) million).

Consolidated Statement of Changes in Equity

For the years ended December 31, 2017 and 2016 ($ thousands)	Common shares	Contributed surplus	Accumulated other comprehensive income [1]	(Deficit)	Total equity
Balance at December 31, 2016	1,374,656	65,087	179,499	(376,574)	1,242,668
Issuance of shares	155,782	—	—	—	155,782
Share issuance costs (net of tax)	(4,805)	—	—	—	(4,805)
Share-based payment expense	—	205	—	—	205
Total comprehensive (loss)	—	—	(50,844)	(79,618)	(130,462)
Balance at December 31, 2017	1,525,633	65,292	128,655	(456,192)	1,263,388
Balance at December 31, 2015	1,374,656	64,884	203,947	(324,028)	1,319,459
Share-based payment expense	—	203	—	—	203
Total comprehensive (loss)	—	—	(24,448)	(52,546)	(76,994)
Balance at December 31, 2016	1,374,656	65,087	179,499	(376,574)	1,242,668

[1] Accumulated other comprehensive income consists of the foreign currency translation adjustment. All amounts will be reclassified to profit or loss when specific conditions are met.

Consolidated Statements of Cash Flows

For the years ended December 31,		
($ thousands)	2017	2016
Cash (used in) provided by		
Operating activities		
Net (loss)	(80,481)	(53,635)
Adjustments for:		
Depreciation and amortization	199,962	171,746
Foreign exchange	9,295	(3,374)
(Gain) on sale of assets	(2,166)	(11,317)
Impairment of property and equipment	2,993	—
(Gain) from investments in joint ventures (1)	(17,659)	(12,929)
Finance and transaction costs	42,059	55,824
Fair value adjustments	2,052	(9,398)
Income taxes	(58,815)	(34,160)
Interest income	—	(2)
Other (2)	2,009	11,811
Income taxes paid	(1,643)	(2,138)
Income taxes recovered	2,031	760
Interest paid	(48,208)	(50,572)
Interest received	—	2
Funds flow	51,429	62,618
Change in non-cash operating working capital	(30,954)	(32,308)
Cash flow provided by operating activities	20,475	30,310
Investing activities		
Purchase of property and equipment	(163,117)	(44,326)
Proceeds from disposition of assets	3,996	18,894
Net investments in joint ventures	9,123	13,138
Distribution and dividends received from joint venture	40,149	21,509
Acquisition of RigMinder (net)	(31,396)	—
Purchase of intangibles	(4,038)	—
Change in non-cash working capital	24,820	14,726
Cash flow (used in) provided by investing activities	(120,463)	23,941
Financing activities		
Proceeds from long-term debt	164,268	138,252
Repayments of long-term debt	(81,606)	(227,346)
Purchase of non-controlling interest	(200)	—
Issuance of shares	149,500	—
Share issuance costs	(6,561)	—
Dividends paid	—	(2,221)
Proceeds from 2025 Senior Notes	461,860	—
Repayments of 2019 Senior Notes	(591,670)	—
Debt issuance costs	(11,458)	(762)
Cash flow provided by (used in) financing activities	84,133	(92,077)
Cash flow from operating, investing and financing activities	(15,855)	(37,826)
Effect of translation of foreign currency cash	(5,977)	(80)
(Decrease) in cash for the year	(21,832)	(37,906)
Cash and cash equivalents - beginning of year	25,780	63,686
Cash and cash equivalents - end of year	3,948	25,780

(1) (Gain) loss from investments in joint ventures includes Trinidad's portion of net (loss) income in all joint ventures and the TDI joint venture fair value adjustment as this is held as a financial asset.
(2) Other includes share-based payment expense of $1.4 million (2016 - $8.4 million) and elimination of

upstream and downstream transactions between Trinidad and the Joint Venture Operations.

NON-GAAP MEASURES DEFINITIONS

This document contains references to certain financial measures and associated per share data that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. These financial measures are computed on a consistent basis for each reporting period and include: adjusted EBITDA, adjusted EBITDA from investments in joint ventures, working capital, Senior Debt to Bank EBITDA, Bank EBITDA to Cash Interest Expense, drilling days, operating days, utilization rate - drilling day, utilization rate - operating day, and rate per operating day or dayrate. These non-GAAP measures are identified and defined as follows:

Adjusted EBITDA is used by management and investors to analyze the Company's profitability based on the Company's principal business activities prior to how these activities are financed, how assets are depreciated and amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on the core business alone, amounts are removed related to foreign exchange, share-based payment expense, impairment expenses, the sale of assets, and fair value adjustments on financial assets and liabilities, as the Company does not deem these to relate to the core drilling business. Adjusted EBITDA also takes into account the Company’s portion of the principal activities of the joint venture arrangements by removing the (gain) from investments in joint ventures and including adjusted EBITDA from investments in joint ventures. Adjusted EBITDA is not intended to represent net (loss) as calculated in accordance with IFRS. Adjusted EBITDA is calculated using 100% of the related amounts from all entities controlled by Trinidad where Trinidad may not hold 100% of the outstanding shares.

Adjusted EBITDA is calculated as follows:

	Three months ended December 31,				For the years ended Decemb		
($ thousands)	2017		2016		2017		2016
Net (loss)	(17,727	)	(12,100	)	(80,481	)	(53,635
Plus:							
Finance and transaction costs	9,323		16,045		42,059		55,824
Depreciation and amortization	56,213		43,703		199,962		171,746
Income taxes	(15,125	)	(9,911	)	(58,815	)	(34,160
EBITDA	32,684		37,737		102,725		139,775
Plus:							
(Gain) on sale of assets	(218	)	(742	)	(2,166	)	(11,317
Impairment of property and equipment	2,993		—		2,993		—
Share-based payment expense	(1,139	)	3,418		1,405		8,434
Foreign exchange loss (gain)	(767	)	(698	)	9,295		(3,374
Fair value adjustments	(1,542	)	(3,454	)	2,052		(9,398
(Gain) from investments in joint ventures	1,968		(19,659	)	(17,659	)	(12,929
Adjusted EBITDA from investments in joint ventures	2,096		7,167		30,800		31,811
Adjusted EBITDA	36,075		23,769		129,445		143,002

Adjusted EBITDA from investments in joint ventures is used by management and investors to analyze the results generated by the Company's joint venture operations prior to how these activities are financed, how assets are depreciated and amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on the core drilling business, amounts related to foreign exchange, dividend expense, dividend re-class, impairment adjustments to property and equipment, as well as preferred share valuation and the sale of assets are removed. Lastly, amounts recorded for the revaluation on the investment of the TDI joint venture are removed as these are non-cash items and unrelated to the operations of the business. Adjusted EBITDA from investments in joint ventures is not intended to represent net (loss) as calculated in accordance with IFRS.

Adjusted EBITDA from investments in joint ventures is calculated as follows:

	Three months ended December 31,				For the years ended Decemb		
($ thousands)	2017		2016		2017		2016
Gain from investments in joint ventures	(1,968	)	19,659		17,659		12,929
Plus:							
Finance costs	198		3		518		1,169
Depreciation and amortization	4,586		6,034		21,769		21,617
Income taxes	1,655		143		1,901		2,901
EBITDA	4,471		25,839		41,847		38,616
Plus:							
Loss (gain) on sale of property and equipment	447		—		447		(4
Share-based payment expense	—		91		—		91
Dividend	—		—		—		14,891
Foreign exchange	(550	)	412		349		1,055
TDI fair value adjustments	(2,538	)	(19,494	)	(13,216	)	(7,353
Preferred share valuation	5,253		319		6,359		(15,485
Dividend re-class	(4,986	)	—		(4,986	)	—
Adjusted EBITDA from investments in joint ventures	2,096		7,167		30,800		31,811

Working capital is used by management and the investment community to analyze the operating liquidity available to the Company.

Senior Debt to Bank EBITDA is defined as the consolidated balance of the revolving facility and other debt secured by a lien at quarter end to consolidated Bank EBITDA for the trailing 12 months (TTM). Bank EBITDA used in this financial ratio is calculated as net earnings before interest, taxes, depreciation and amortization, plus impairment expense, loss (gain) on sale of assets, loss (gain) from investments in joint ventures, share-based payment expense, fair value adjustments on financial assets and liabilities and unrealized foreign exchange. Bank EBITDA also includes all distributions received from the Company's joint ventures during the period.

Bank EBITDA to Cash Interest Expense is defined as the consolidated Bank EBITDA for TTM to the cash interest expense on all debt balances for TTM. Bank EBITDA used in this financial ratio is calculated as net earnings before interest, taxes, depreciation and amortization, plus impairment expense, loss (gain) on sale of assets, loss (gain) from investments in joint ventures, share-based payment expense, fair value adjustments on financial assets and liabilities and unrealized foreign exchange. Bank EBITDA also includes all distributions received from the Company's joint ventures during the period.

Operating days is defined as moving days (move in, rig up and tear out) plus drilling days (spud to rig release).

Utilization rate - operating day is defined as operating days divided by total available rig days.

Rate per operating day or Dayrate is defined as operating revenue (net of third party costs) divided by operating days (drilling days plus moving days).

ADDITIONAL GAAP MEASURES DEFINITIONS

To assess performance, the Company uses certain additional GAAP financial measures within this document that are not defined terms under IFRS. Management believes that these measures provide useful supplemental information to investors, and provide the reader a more accurate reflection of our industry. These financial measures are computed on a consistent basis for each reporting period and include Operating revenue or Revenue, net of third party costs, Funds flow, Operating income, and Operating income - net percentage. These additional GAAP measures are defined as follows:

Operating revenue or Revenue, net of third party costs is defined as revenue earned for drilling activities excluding all third party revenues. Third party revenues mainly consist of rental activities and other services provided by third parties for which Trinidad does not earn a mark-up on. This metric is used by analysts and investors to assess the operations of each segment based on the core drilling business alone and more accurately reflects the health of those operations. The operating revenue for each reportable segment is disclosed in the segmented information included in the consolidated financial statements.

Funds flow is used by management and investors to analyze the funds generated by Trinidad’s principal business activities prior to consideration of working capital, which is primarily made up of highly liquid balances. This balance is reported in the consolidated statements of cash flows included in the cash flows from operating activities section.

Operating income is used by management and investors to analyze overall and segmented operating performance. Operating income is not intended to represent an alternative to net (loss) or other measures of financial performance calculated in accordance with IFRS. Operating income is calculated from the consolidated statements of operations and comprehensive (loss) and from the segmented information contained in the notes to the consolidated financial statements. Operating income is defined as revenue less operating expenses.

Operating income - net percentage is used by management and investors to analyze overall and segmented operating performance excluding third party recovery and third party costs, as well as inter-segment revenue and inter-segment operating costs, as these revenue and expenses do not have an effect on consolidated net (loss). Operating income - net percentage is calculated from the consolidated statements of operations and comprehensive (loss) and from the segmented information in the notes to the consolidated financial statements. Operating income - net percentage is defined as operating income less third party G&A expenses divided by revenue net of operating and G&A third party costs.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements relating to Trinidad’s plans, strategies, objectives, expectations and intentions. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "confident", "might" and similar expressions are intended to identify forward-looking information or statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this document. The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. In particular, but without limiting the foregoing, this document may contain forward-looking information and statements pertaining to:

- the assumption that Trinidad's customers will honour their long-term contracts, and Trinidad's ability to sign future long-term contracts;
- future liquidity levels;
- fluctuations in the demand for Trinidad’s services;
- the ability for Trinidad to attract and retain qualified personnel, in particular field staff to crew the Company’s rigs;
- Trinidad's ability to increase dayrates;
- the existence of competitors, technological changes and developments in the oilfield services industry;
- the existence of operating risks inherent in the oilfield services industry;
- assumptions respecting internal capital expenditure programs and expenditures by oil and gas exploration and production companies;
- assumptions regarding commodity prices, in particular oil and natural gas;
- assumptions respecting supply and demand for commodities, in particular oil and natural gas;
- assumptions regarding future expected cash flows and potential distributions from joint venture partners including Trinidad Drilling International (TDI);
- assumptions regarding foreign currency exchange rates and interest rates;
- assumptions around future Other G&A cost levels;
- the existence of regulatory and legislative uncertainties;
- the possibility of changes in tax laws; and general economic conditions including the capital and credit markets;
- assumptions made about our future banking covenants and liquidity;

- assumptions made about future performance and operations of joint ventures and partnership arrangements;
- the ability of the Company to continue to execute on its business strategy during the strategic review process, and the various risks and assumptions customarily related thereto; and
- the likelihood that the Company will be able to identify and undertake alternatives which enhance shareholder value.

Trinidad cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. Additional information on these and other factors that could affect Trinidad’s business, operations or financial results are described in reports filed with securities regulatory authorities, accessible through the SEDAR website (www.sedar.com) including but not limited to Trinidad’s annual MD&A, financial statements, Annual Information Form and Management Information Circular. The forward-looking information and statements contained in this document speak only as of the date of this document and Trinidad assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

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