Trinidad Drilling Reports Third Quarter and Year-to-Date 2018 Results; Strong Adjusted EBITDA Growth Driven by Higher Activity and Dayrates

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CALGARY, Nov. 9, 2018 - Trinidad Drilling Ltd. (TSX: TDG) (Trinidad) announced its third quarter and year-to-date 20 today.

In the three and nine months ended September 30, 2018, industry conditions significantly improved compared to the pr driving higher operating days, higher dayrates and stronger operating income[1] from the same periods last year. For the nine months ended September 30, 2018, activity increased by 9.9% and 13.1%, respectively, and operating income inc 57.5% and 38.1%, respectively, compared to 2017.

Improving dayrates in both Canada and the US in 2018, combined with the Company's ongoing focus on operational ef also resulted in higher adjusted EBITDA[1] in the current year. Adjusted EBITDA was up 66.0% in the quarter and 24.7% date, compared to the same periods last year. Lastly, higher adjusted EBITDA and lower interest paid resulted in highe in the current year, up more than 300% in both the quarter and year to date, compared to the same periods in 2017.

On October 5, 2018, Trinidad agreed to a strategic combination with Precision Drilling Corp. (Precision), creating an industry-leading contract driller. Under the terms of the combination, Precision is offering 0.445 of a Precision share for issued and outstanding common shares of Trinidad. The transaction is expected to close before the end of 2018, subje shareholder and regulatory approvals.

The value of Trinidad's assets is well supported by their current and future cash flow generating capacity. However, und and as a result of the proposed combination with Precision, Trinidad was required to value its net assets based on Prec closing share price immediately before the proposed Arrangement. As a result, an impairment of $565.6 million was rec current quarter, negatively impacting net loss. While this adjustment was necessary under IFRS accounting standards, non-cash adjustment that calculates value based on share trading prices at a point in time, when share prices througho industry have dropped significantly and does not take into account the future cash flow generating capacity of the newly entity

"The combination of Trinidad and Precision will create a unique, high performance North American driller and provide s with an opportunity to realize significant long-term value creation," said Brent Conway, Trinidad's President and Chief E Officer. "Trinidad and Precision have followed similar strategies, with both companies focusing on operating high-quality with well-trained crews, while also embracing the benefits of new technology. We believe that our clear strategic fit will ongoing operational excellence for our customers, strong combined free cash flow and provide long-term value for shar added Conway.

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

THIRD QUARTER AND YEAR-TO-DATE 2018 HIGHLIGHTS

- Trinidad's activity continued to reflect stronger market conditions into the third quarter of 2018, increasing operati dayrates in each of Trinidad's US and Canadian drilling divisions in the current year. Subsequent to quarter end, entered into an agreement to combine entities with Precision which resulted in an impairment in the current perio
- For the three and nine months ended September 30, 2018, Trinidad's US and international operations recorded h at higher average dayrates resulting in increased revenue generation in 2018. Operating revenues increased 34. 32.5% for the three and nine months ended September 30, 2018, respectively while operating income increased 66.0% respectively for the corresponding periods. Higher dayrates combined with lower operating expense per da current year, resulted in increased operating income - net percentage of 38.1% in the third quarter of 2018 compa in the third quarter of 2017, and 36.3% for the nine months ended September 30, 2018 compared to 29.0% for th period of 2017.
- For the three and nine months ended September 30, 2018, Trinidad's Canadian operations realized increased op income due to higher contracted dayrates and higher activity in 2018. For the three months ended September 30 dayrates increased by 13.9% and operating income increased by 28.5%. On a year-to-date basis, Trinidad was n impacted by lower early termination and standby revenue in the current period. Adjusted for early termination and revenue, dayrates increased by 12.9%, and operating income increased by 39.6%, on a year-to-date basis.
- Trinidad's joint venture operations recorded lower revenue and lower operating income compared to the prior yea rig in Bahrain commenced activity in the second quarter of 2018 and Trinidad began mobilizing rigs to Kuwait, lo days in Saudi Arabia and Mexico, combined with lower early termination and standby in 2018, negatively impacte results.
- For the three and nine months ended September 30, 2018, Trinidad recorded adjusted EBITDA of $45.6 million a million, respectively, an increase of 66.0% and 24.7%, compared to the respective prior year periods. Increased a improving market dayrates recorded in each of Trinidad's US and Canadian drilling divisions in the current year re higher operating income compared to 2017. Additionally, Trinidad recorded lower G&A expenses in 2018 as a res salary and rent expenses in 2018. This was slightly offset by lower early termination and standby revenue in 201 year-to-date basis, combined with a lower contribution from the Company's TDI joint venture operations in 2018.
- Effective October 5, 2018, Trinidad's Board agreed to a strategic combination with Precision. Under the terms of combination, Precision is offering 0.445 of a Precision Share for each of the issued and outstanding common sha Trinidad. Under IFRS, Trinidad is required to report net assets based on observable inputs. Although Trinidad's o flows are expected to be positively impacted by the combination of the two entities, under IFRS, Trinidad is requi an impairment to reflect the implied conversion price on the date of the agreement. As such, Trinidad's net assets adjusted as at September 30, 2018, causing an impairment to be recorded in the current period.
- For the three and nine months ended September 30, 2018, net loss increased by 993.8% and 739.9%, respectiv impairment recorded on Trinidad's net assets in the quarter; offset by increased activity and higher operating inco
- For the three and nine months ended September 30, 2018, funds flow increased compared to 2017 due to increa in the current year resulting in higher operating income, combined with lower interest paid in 2018 on the refinan Notes.
- Trinidad's total long-term debt balance decreased by $15.6 million in the nine months ended September 30, 201 reduction in long-term debt was mainly due to a reduction of the outstanding credit facility balance of $31.0 millio slightly by an increase in the Senior Notes which was due entirely to foreign currency fluctuations in the period.
- In the first nine months of 2018, the Company, excluding Trinidad's portion of the joint venture, spent $54.0 millio expenditures, compared to $111.1 million in 2017. Capital spend in the current period mainly related to upgrades enhancements on rigs within Trinidad's US drilling division as well as maintenance across Trinidad's entire rig fle Company continues to realize cost savings in 2018 related to an ongoing focus on supply chain management.

HIGHLIGHTS

	Three months ended September 30,			Nine months ended September 30		
($ thousands except share and per share data)	2018	2017	% Change	2018	2017	% Chan
FINANCIAL HIGHLIGHTS						
Revenue	174,792	129,810	34.7	457,617	363,713	25.8

Operating income (1)	58,378	37,061	57.5	151,121	109,425	38.1
Operating income - net percentage (1)	37.1%	30.4%	22.0	35.8%	31.9%	12.2
Adjusted EBITDA (1)	45,590	27,458	66.0	116,427	93,370	24.7
Per share (diluted) (2)	0.17	0.10	70.0	0.43	0.35	22.9
Funds flow (1)	35,400	7,956	344.9	88,313	18,710	372.0
Per share (basic / diluted) (2)	0.13	0.03	333.3	0.32	0.07	357.1
Net (loss) (3)	(485,754)	(44,408)	(993.8)	(520,098)	(61,927)	(739.9)
Per share (diluted) (2)(3)	(1.77)	(0.16)	(1006.3)	(1.90)	(0.23)	(726.1)
Capital expenditures	30,831	52,570	(41.4)	53,987	111,128	(51.4)
Shares outstanding - diluted						
(weighted average) (2)	273,462,160	271,005,687	0.9	273,485,309	263,847,819	3.7
OPERATING HIGHLIGHTS	2018	2017	% Change	2018	2017	% Chang
Operating days (1)						
United States and International	3,854	3,212	20.0	10,965	8,634	27.0
Canada	2,616	2,520	3.8	6,858	6,507	5.4
TDI Joint Venture (4)	179	317	(43.5)	439	1,010	(56.5)
Rate per operating day (1)						
United States and International (US$)	20,309	18,515	9.7	19,438	18,233	6.6
Canada (CDN$)	20,464	17,961	13.9	21,104	20,500	2.9
TDI Joint Venture (US$) (4)	54,474	50,595	7.7	56,809	70,440	(19.4)
Operating expense per day (1)						
United States and International (US$)	12,621	13,098	(3.6)	12,422	12,822	(3.1)
Canada (CDN$)	13,280	12,173	9.1	13,784	13,101	5.2
TDI Joint Venture (US$) (4)	38,544	31,308	23.1	45,458	28,473	59.7
Utilization rate - operating day (1)						
United States and International	65%	52%	25.0	62%	47%	31.9
Canada	42%	39%	7.7	37%	34%	8.8
TDI Joint Venture (4)	65%	43%	51.2	31%	46%	(32.6)
Number of drilling rigs at period end (5)						
United States and International	66	69	(4.3)	66	69	(4.3)
Canada	68	70	(2.9)	68	70	(2.9)
TDI Joint Venture (4)						

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(37.5)

(37.5)

5

8

(37.5)

(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 third quarter 2018 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 the fourth quarter of 2018, conditions in US have remained strong. Customer demand for high-specification equipment is firm and dayrates continue to increase. Trinidad recently reached its expected target of 45 active rigs in the US and currently has 42 rigs operating, as rigs move between customers and locations.

Trinidad continues to maintain strong market presence in the Permian Basin and despite industry concerns regarding transportation bottlenecks in the area, customer demand remains robust. Trinidad is presently receiving multiple requests for additional equipment in 2019, focused largely in the Permian, but with growing interest in other basins. Dayrates for high-specification equipment continue to increase and Trinidad expects to see ongoing improvement in spot market dayrates through the remainder of 2018 and into 2019.

Early in the fourth quarter, activity levels in Canada were negatively impacted by wet weather conditions. These conditions have since improved and activity has returned to expected levels. To date, Trinidad has not seen a slowdown in customer demand as a result of high price differentials between WCS and WTI and dayrates remain firm in Canada. However, visibility for future activity is not as clear as is typical for this time of year, as customers are slow to commit to drilling plans, choosing rather to wait for 2019 budgets to be set. Trinidad currently has 25 rig, or 37% of its fleet operating in Canada, above current industry activity levels but slightly lower than this time last year.

TDI currently has one rig operating in Mexico and one rig in Bahrain on standby, awaiting a new location. The contract on the rig located in Bahrain was recently extended and this rig is now expected to work until the end of the first quarter 2019. In addition, two rigs are in the process of moving to Kuwait and being upgraded to meet the required contract specifications. These rigs are expected to begin operating in the second quarter of 2019. International bid activity has improved in the past year and Trinidad is actively marketing the remaining TDI and international rigs.

Currently, Trinidad has 39 rigs, or 28% of its fleet under long-term contracts, with an average term remaining of approximately 1.2 year; six contracts have expiration dates during the remainder of 2018 and 19 contracts expire during 2019. To date in 2018, Trinidad has been able to successfully re-sign rigs to contracts, typically at higher dayrates. In addition, customers are beginning to consider extended contract duration.

Trinidad continues to roll out its technology platform and is currently building customer awareness by partnering with key high-quality customers and conducting pilot projects. In addition, Trinidad has begun integrating its technology platform with its existing operations. A variety of technology solutions are being used to monitor current operations and suggest improvements to optimize performance. The results of this integration model have been impressive, driving strong performance gains and capturing the attention of customers. Trinidad expects to expand this model to a broader group of rigs and customers in the coming months.

Trinidad's 2018 North American upgrade program is now largely complete and all upgraded rigs are contracted. The Company's full-year capital expenditure program for 2018, including Trinidad's share of the joint venture, and net of gross proceeds, remains unchanged at $81.6 million. A delay in the sale of unutilized facilities has been offset by a change in the expected timing of capital spend related to the Kuwait upgrade project and the timing of a RigMinder earn out payment, all of which are now expected to occur in 2019, leaving the total capital spend in 2018 unchanged. Trinidad expects to fund its capital program through cash flow generated from operations and proceeds from the sale of assets.

Trinidad remains committed to its low cost structure and expects G&A costs (excluding share-based payment expenses, third-party recoverable costs and restructuring and strategic review costs) to be approximately $40 million in 2018, representing a reduction of approximately $18 million, or 31% from 2017.

The proposed combination with Precision is progressing as expected, with the joint information circular filed on November 7, 2018 and shareholder meetings for both companies scheduled for December 11, 2018. Early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 was recently received from the U.S. Federal Trade Commission and the companies expect the transaction to close by the end of 2018, pending the receipt of the remaining regulatory approvals. Since the announcement of the combination on October 5, 2018, the oilfield services sector has experienced significant volatility, including the trading price of Precision Shares. While the impact of this decline has resulted in a reduced implied share price for Trinidad Shareholders (if the Exchange Ratio is calculated as of the date of this document), Trinidad believes the full financial and strategic value proposition for shareholders remains strong.

RESULTS FROM OPERATIONS

United States and International Operations

	Three months ended September 30,			Nine months ended Septemb		
($ thousands except percentage and operating data)	2018	2017	% Change	2018	2017	% Char
Operating revenue (1)	102,944	76,512	34.5	274,647	207,316	32.5
Operating income (2)	39,262	22,302	76.0	99,636	60,031	66.0
Operating income - net percentage (2)	38.1%	29.1%		36.3%	29.0%	
Operating days (2)	3,854	3,212	20.0	10,965	8,634	27.0
Revenue - rate per operating day (US$) (2)	20,309	18,515	9.7	19,438	18,233	6.6
Operating expense - rate per operating day (US$) (2)	12,621	13,098	(3.6)	12,422	12,822	(3.1)
Utilization rate - operating day (2)	65%	52%	25.0	62%	47%	31.9
Number of drilling rigs at period end	66	69	(4.3)	66	69	(4.3)

(1) Operating revenue excludes third party recovery and third party costs.

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

Improved market conditions in 2018 led to stronger demand and increased profitability in the US and international operations in the current year. For each of the three and nine months ended September 30, 2018, Trinidad recorded increased activity of 20.0% and 27.0%, respectively, compared to the prior year resulting from improved commodity prices and growing customer demand. As well, improved dayrates and lower per-day operating expenses resulted in higher operating income - net percentage in 2018 compared to the prior year periods.

In the three and nine months ended September 30, 2018, Trinidad recorded average dayrates of US$20,309 per day and US$19,438 per day, respectively, an increase of US$1,794 per day and US$1,205 per day, respectively, from the comparable periods of 2017. Dayrates increased in the current year due to improving contract pricing as a result of strengthening market conditions. On a quarterly and year-to-date basis, there was no material impact related to early termination and standby revenue on reporting statistics.

In the three and nine months ended September 30, 2018, operating expense per day was US$12,621 per day and US$12,422 per day, respectively, a decrease of 3.6% and 3.1%, respectively, compared to the prior year periods. Continuing cost control measures and lower rig reactivation costs in the current year have allowed Trinidad to record lower per-day metrics and improve profitability.

Increased activity levels recorded at higher dayrates and lower per-day operating expenses have improved Trinidad's operating income and operating income - net percentage in 2018 compared to the prior year. Trinidad recorded operating income - net percentage of 38.1% in the third quarter of 2018, compared to 29.1% in the same period of 2017, and 36.3% in the first nine months of 2018, compared to 29.0% in the comparable period of 2017.

Trinidad's US and international rig count totaled 66 rigs at September 30, 2018 compared to 69 at September 30, 2017. Two rigs in the first quarter of 2018 were transferred from the Canadian operations to meet strong demand in the Permian basin, offset by five low-specification rigs being redeployed to inventory in the current year.

Third Quarter of 2018 versus Second Quarter of 2018

Strong market conditions continued to improve activity and dayrates in the US and international operations in the third quarter when compared to the second quarter of 2018. Trinidad's operating revenue and operating income increased by $11.9 million and $8.7 million, respectively, in the third quarter compared to the second quarter of 2018.

Operating income increased as a result of higher activity levels and dayrates in the third quarter, compared to the second quarter of 2018. Trinidad recorded 182 more operating days and a US$1,012 per day increase in dayrates in the third quarter of 2018 compared to the second quarter of 2018.

Operating costs on a per day basis were lower in the third quarter as a result of lower transportation costs due to less rig movement in the period, partly offset by a wage increase in the current period which was mostly passed through to customers.

Operating income - net percentage in the current quarter was 4.5 percentage points higher than the second quarter of 2018, consistent with higher dayrates and lower per day operating costs in the current period.

Canadian Operations

	Three months ended September 30,			Nine months ended Septen		
($ thousands except percentage and operating data)	2018	2017	% Change	2018	2017	% Ch
Operating revenue (1)	53,543	45,253	18.3	144,721	133,387	8.5
Operating income (2)	18,891	14,696	28.5	50,720	49,064	3.4
Operating income - net percentage (2)	35.2%	32.4%		34.9%	36.5%	
Operating days (2)	2,616	2,520	3.8	6,858	6,507	5.4
Revenue - rate per operating day (CDN$) (2)	20,464	17,961	13.9	21,104	20,500	2.9
Operating expense - rate per operating day (CDN$) (2)	13,280	12,173	9.1	13,784	13,101	5.2
Utilization rate - operating day (2)	42%	39%	7.7	37%	34%	8.8
Number of drilling rigs at period end	68	70	(2.9)	68	70	(2.9)

(1) Operating revenue excludes third party recovery and third party costs.

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

Improving industry conditions in the current year resulted in higher dayrates and higher activity in 2018 compared to the prior year. For the three and nine months ended September 30, 2018, Trinidad recorded dayrates of $20,464 per day and $21,104 per day, respectively, an increase of 13.9% and 2.9%, respectively, from 2017 periods. Lower shortfall revenue recorded on a year-to-date basis negatively impacted Trinidad's profitability and dayrates for the nine months ended September 30, 2018 when compared to the prior year. Adjusted for shortfall revenue, Trinidad recorded improved profitability and higher operating statistics year over year.

Improved industry conditions led to higher activity in 2018 compared to the prior year. For the three months ended September 30, 2018, activity increased by 3.8% compared to the prior year, with 2,616 operating days recorded, compared to 2,520 in the third quarter of 2017. For the nine months ended September 30, 2018, activity increased by 5.4% compared to the same period 2017, with 6,858 operating days in 2018, compared to 6,507 operating days in the prior year. In each of the three and nine months ended September 30, 2018, Trinidad outperformed the industry recording higher average utilization than the industry average.

In the third quarter and year-to-date 2018, contracted dayrates increased due to improved market conditions, offset by the impact of lower early termination and standby revenue recorded in 2018. For the three and nine months ended September 30, 2018, Trinidad recorded early termination and standby revenue of $2.5 million and $7.4 million, respectively, compared to $4.6 million and $18.1 million, respectively, in 2017. Excluding early termination and standby revenue, in the third quarter of 2018 Trinidad recorded dayrates of $19,512 per day, compared to $16,141 per day in the third quarter of 2017. On a year to date basis, Trinidad recorded normalized dayrates of $20,017 per day, compared to $17,724 per day in the prior year to date period.

For the three months ended September 30, 2018, operating income - net percentage was 35.2% compared to 32.4% in 2017. Higher dayrates, due to a change in rig mix and improved market conditions, were the main drivers for the increase; partially offset by higher operating costs on a per-day basis due to higher repair and maintenance costs and increased labor costs. For the nine months ended September 30, 2018, operating income - net percentage decreased mainly due to lower early termination and standby revenue recorded in 2018. Adjusted for early termination and standby revenue in each of the three and nine month periods, Trinidad recorded operating income - net percentage of 32.1% in the quarter, compared to 24.9% in the prior year, and 31.5% on a year to date basis in 2018, compared to 26.9% in the comparable nine months of 2017.

Trinidad's Canadian rig count totaled 68 rigs at September 30, 2018, compared to 70 rigs at September 30, 2017. The Company transferred two rigs to its US drilling division in the first quarter of 2018 to meet strong US customer demand.

Third Quarter of 2018 versus Second Quarter of 2018

The Canadian drilling industry is typically impacted by spring break-up in the second quarter of each year as weather conditions and road bans restrict the movement of the rigs. As a result of this seasonality, the third quarter reflects considerably higher activity levels. In the third quarter of 2018, operating revenue and operating income increased by $21.7 million and $8.7 million, respectively, compared to the second quarter of 2018. Operating days increased by 1,249 days in the third quarter of 2018 compared to the second quarter of 2018.

Along with the increase in activity, rig mix changed in the third quarter as more doubles returned to work following the end of spring break up, leading to a decrease in dayrate from $23,295 per day in the second quarter to $20,464 per day in the third quarter. Similarly, with more doubles working, operating costs on a per-day basis also decreased to $13,280 per day from $15,964 per day in the second quarter. This led to an increase in operating income - net percentage of 35.2% in the third quarter of 2018 compared to 31.8% in the second quarter of 2018.

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) 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 loss (gain) from investments in joint ventures.

	Three months ended September 30,			Nine months ended Septemb		
($ thousands except percentage and operating data)	2018	2017	% Change	2018	2017	% Chang
Operating revenue	11,301	20,616	(45.2)	30,857	94,113	(67.2)
Operating income (1)	2,814	7,918	(64.5)	5,579	56,298	(90.1)
Operating income - net percentage (1)	24.8%	38.3%		18.0%	59.8%	
Operating days (1)	179	317	(43.5)	439	1,010	(56.5)
Revenue - rate per operating day (US$) (1)	54,474	50,595	7.7	56,809	70,440	(19.4)
Operating expense - rate per operating day (US$) (1)	38,544	31,308	23.1	45,458	28,473	59.7
Utilization rate - operating day (1)	65%	43%	51.2	31%	46%	(32.6)
Number of drilling rigs at period end	5	8	(37.5)	5	8	(37.5)

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

Lower activity levels and less early termination and standby revenue recorded in 2018 negatively impacted the TDI joint venture in the current year, when compared to 2017. These reductions were offset partially by revenue generated by one additional rig drilling in Bahrain beginning in the second quarter of 2018 and additional mobilization revenue. Mobilization revenue was earned on two rigs currently undergoing upgrades and moving from Mexico to begin operations in Kuwait in 2019. These rigs have been removed from the utilization calculation while in transit.

During the three months ended September 30, 2018, TDI recorded lower operating days than the comparative period in 2017 largely due to lower activity in Saudi Arabia in 2018. During the second quarter of 2018, Trinidad entered into an agreement to sell three of the rigs located in Saudi Arabia. As such, these rigs had no activity in the third quarter of 2018, compared to all three rigs active in 2017. Lower activity in Saudi Arabia was partly offset by the Bahrain division which had one rig active in the third quarter of 2018 while the Mexican division remained consistent year over year. On a year-to-date basis, TDI recorded lower activity mainly due to less activity in each of Saudi Arabia and Mexico, slightly offset by the addition of Bahrain.

For the three and nine months ended September 30, 2018, operating revenue decreased by 45.2% and 67.2%, respectively, compared to the same periods in 2017 due to lower activity and less early termination and standby revenue. In the first nine months of 2017, TDI received US$26.1 million in early termination and standby revenue related to the termination of two rigs in its Mexican operations, compared to US$0.2 million received for the comparable period of 2018.

For the three months ended September 30, 2018, dayrates increased by US$3,879 per day compared to third quarter of 2017, as a result of mobilization revenue related to the Kuwait project. Adjusted for Kuwait mobilization and early termination and standby revenue, TDI recorded dayrates of US$39,908 per day in the third quarter of 2018 compared to US$43,366 per day in 2017, a decrease of US$3,548 per day, mainly due to lower contracted rates in the current period.

For the nine months ended September 30, 2018, dayrates were lower in the current period by US$13,631 per day due to lower early termination and standby revenue recorded in 2018 compared to the prior year, offset slightly by mobilization revenue recorded in 2018 related to the Kuwait project. Normalizing for Kuwait mobilization and early termination and standby revenue, TDI recorded dayrates of US$44,400 per day for the first nine months of 2018, compared to US$44,557 per day in the comparable period of 2017, mainly due to changes in contracted dayrates in the current year.

Operating income and operating income - net percentage decreased in the three and nine months ended September 30, 2018, compared to the same period in 2017, mainly due to lower activity and lower early termination and standby revenue in 2018. As well, TDI recorded higher operating expenses in the current year due to one-time shut down costs related to TDI's Saudi Arabian division and start-up costs related to Bahrain.

Trinidad's joint venture rig count totaled five rigs at September 30, 2018, compared to eight rigs at September 30, 2017. The Company sold three of the rigs included in Saudi Arabia in the first half of 2018.

Third Quarter of 2018 versus Second Quarter of 2018

In the third quarter of 2018, operating revenue and operating income decreased by $0.4 million and $0.3 million, respectively, compared to the second quarter of 2018. Operating revenue and operating income were relatively flat period over period as operations in Mexico and Bahrain remained consistent.

FINANCIAL SUMMARY

As at	September 30,	December 31,	
($ thousands)	2018	2017	$ Change
Working capital (1)	92,487	43,205	49,282
Total long-term debt	496,099	511,674	(15,575)
Total long-term debt as a percentage of assets	36.2%	26.9%	
Total long-term liabilities as a percentage of assets	37.2%	28.0%	

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

For the nine months ended September 30, 2018, working capital increased by $49.3 million when compared to December 31, 2017, due to an increase in current assets combined with a decrease in current liabilities.

Current assets increased in the current period mainly due to increased cash and cash equivalents and increased accounts receivable in 2018. The increase in each of cash and receivables in the current year was due to increased demand across each of Trinidad's drilling divisions. Cash has also increased due to lower finance related costs in 2018. Current liabilities decreased in the current period mainly due to lower accounts payable and accrued liabilities in 2018. The decrease in payables was due to a decrease in the interest payable on the Senior Note as payments are made in the first and third quarter, a decrease in payroll liabilities mainly due to a lower head count in the Company's corporate office in 2018, combined with a decrease in capital accruals at September 30, 2018 compared to the prior year end.

Trinidad's total long-term debt balance at September 30, 2018 decreased by $15.6 million, compared to December 31, 2017, due to lower amounts outstanding on the credit facilities offset by an increase in the Senior Notes at September 30, 2018. The decrease in the credit facility was due to payments made during the year due to increased cash flow as a result of increased activity. The increase in the Senior Notes was entirely due to a strengthening of the US dollar compared to the Canadian dollar at September 30, 2018 versus December 31, 2017. 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. Included in the facility are a $10.0 million Canadian dollar bank overdraft and a $10.0 million US dollar bank overdraft. The facility requires quarterly interest payments based on Bankers Acceptance and LIBOR rates. The facility matures on December 12, 2020 and is subject to annual extensions of an additional year on each anniversary date upon consent of the lenders holding two-thirds of the aggregate commitments under the credit facility. The members of the syndicated groups include major Canadian, US and international financial institutions. The debt is secured by a general guarantee over the assets of Trinidad and its subsidiaries.

At September 30, 2018, 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 section of this MD&A (beginning on page 28) for further details.

At September 30, 2018, Senior Debt to Bank EBITDA was 0.45 times and Bank EBITDA to Cash Interest

Expense was 5.70 times. Trinidad was in compliance with all covenants at September 30, 2018.

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 credit facility allows Trinidad to pay dividends provided that Trinidad's Total Debt to Bank EBITDA covenant is less than five times. At September 30, 2018, Trinidad is in compliance with all covenants related to the credit facility.

Capital Expenditures

Nine months ended September 30,		
($ thousands)	2018	2017
Capital upgrades and enhancements	33,372	87,240
Maintenance and infrastructure	20,615	23,888
Total capital expenditures for Trinidad	53,987	111,128
TDI joint venture capital expenditures (Trinidad's 60% share)	15,398	278
RigMinder Acquisition (net)	-	31,396
Total capital expenditures including TDI joint venture	69,385	142,802

As of September 30, 2018, Trinidad spent $69.4 million on total capital expenditures, compared to $142.8 million in 2017. Capital spend in 2018 related to upgrade projects in the US to move rigs into the Permian, as well as maintenance costs on rigs in the US and Canada. As well, in 2018 Trinidad incurred costs in the TDI joint venture related to moving a rig into Bahrain and upgrade costs related to Trinidad's Kuwait project.

Total capital expenditures for 2018, including Trinidad's share of the joint venture, and net of gross proceeds, is expected to remain at approximately $81.6 million. Trinidad expects to spend a total of approximately $149.6 million in capital expenditures, with $104.7 million related to maintenance and growth capital in Trinidad's fleet and $44.9 million related to Trinidad's portion of the joint venture, mainly related to the Kuwait project. The Company had previously expected to receive $88.0 million in gross proceeds from the sale of assets in 2018. Trinidad now expects to receive gross proceeds of $68.0 million, with $20.0 million of these proceeds delayed to the first half of 2019. The delay in timing of these proceeds is offset by a change in the timing of capital spend related to the Kuwait project and a $12.5 million RigMinder earn out payment, now delayed to 2019.

PERFORMANCE METRICS AND TARGETS

As part of the Company's commitment to improved performance and financial discipline, it has set targets for several key metrics. Trinidad's performance in these metrics in 2017, year-to-date 2018 and targets for 18-months (2019 target) and three years (2021 target) are laid out below:

($ millions except percentage and multiples)	2017 Actuals	Q3 2018 YTD Actuals	2019 Target	2021 Target
G&A % of Revenue (1) (4)	11.6%	7.1%	7 - 8%	7 - 8%
Adjusted EBITDA margin percentage (1) (4)	25.8%	25.0%	>28%	>30%
Net Debt to Adjusted EBITDA (1)	3.9	3.2	<2.5	~1.5
ROCE (1) (2) (3)	7.9%	9.9%	>8.0%	>10.0%
Target free cash flow committed to debt repayment or share buyback		Min of 15%	Min of 20%	Min of 20%
Free cash flow (1)		$88.4		
Target amount of free cash flow		$13.3		
Decrease in credit facility		$31.0		

(1) See Non-GAAP Measures Definitions section of document for further details.

(2) ROCE for 2017, 2019 Target and 2021 Target is calculated based on a three-year average.

(3) ROCE for Q3 2018 YTD Actuals is calculated as a one-year average, trailing twelve months.

(4) Adjusted EBITDA margin percentage and G&A % of Revenue is calculated by normalizing for strategic review and restructuring costs of $4.7 million and the leasehold incentive liability adjustment of $2.8 million.

SUBSEQUENT EVENT

On October 5, 2018, Trinidad announced that the board of directors had unanimously agreed to a strategic combination with Precision, creating an industry-leading contract driller. Under the terms of the combination, Precision is offering 0.445 of a Precision Share for each of the issued and outstanding common shares of Trinidad. The transaction is subject to the approval of the security holders of Trinidad and the shareholders of Precision, the Court of Queen's Bench as well as certain regulatory approvals and other customary closing conditions. The transaction is expected to close by the end of 2018 subject to regulatory approvals.

CONFERENCE CALL

Trinidad will not be hosting a conference call in conjunction with its third quarter 2018 results.

About Trinidad

Trinidad is an industry-leading contract driller, providing safe, reliable, expertly-designed equipment operated by well-trained and experienced personnel. Trinidad's drilling fleet is one of the most adaptable, technologically advanced and competitive in the industry. Trinidad provides contract drilling and related services in the US, Canada, the Middle East and Mexico.

Trinidad is headquartered in Calgary, Alberta, Canada. The Company's common shares are listed on the Toronto Stock Exchange under the trading symbol TDG. For more information, please visit www.trinidaddrilling.com.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	September 30,	December 31,
($ thousands) - unaudited	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	6,765	3,948
Accounts receivable [1]	147,498	117,385
Inventory	5,599	5,971
Prepaid expenses	4,789	3,657
Assets held for sale	18,806	19,583
	183,457	150,544
Property and equipment	794,045	1,363,815
Intangible assets and goodwill	9,332	90,339
Deferred income taxes	229,036	82,872
Investments in joint ventures	153,088	214,976
	1,368,958	1,902,546
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	90,943	106,694
Deferred revenue and customer deposits	27	645
	90,970	107,339
Long-term debt	496,099	511,674
Contingent consideration	—	7,035
Deferred income taxes	660	5,474
Non-controlling interests	11,895	8,863
	599,624	640,385
Shareholders' Equity		
Common shares	1,525,633	1,525,633
Contributed surplus		

65,442

65,442

65,292

Accumulated other comprehensive income	155,776	128,655
Deficit [1]	(977,517)	(457,419)
	769,334	1,262,161
	1,368,958	1,902,546

(1) Included in accounts receivable and deficit at December 31, 2017 is $1.2 million recorded related to the IFRS 9 implementation.

Consolidated Statements of Operations and Comprehensive (Loss)

	Three months ended September 30,		Nine months ended September 3	
($ thousands) - unaudited	2018	2017	2018	2017
Revenue				
Oilfield service revenue	174,432	129,625	456,136	362,423
Other revenue	360	185	1,481	1,290
	174,792	129,810	457,617	363,713
Expenses				
Operating expense	116,414	92,749	306,496	254,288
General and administrative	16,223	13,920	42,294	47,303
Depreciation and amortization	55,931	53,317	172,120	143,749
Foreign exchange	1,165	3,452	(3,362)	10,062
(Gain) on sale of assets	(10)	(309)	(697)	(1,948)
Impairment of property and equipment	484,386	—	484,386	—
Impairment of goodwill and intangibles	81,228	—	81,228	—
	755,337	163,129	1,082,465	453,454
Loss (gain) from investments in joint ventures (1)	26,807	17,182	19,199	(19,627)
Finance and transaction costs	9,131	9,709	27,980	32,736
Fair value adjustments (2)	(2,317)	494	(4,126)	3,594
(Loss) before income taxes	(614,166)	(60,704)	(667,901)	(106,444)
Income taxes				
Current	(390)	173	27	227
Deferred	(128,163)	(16,220)	(147,868)	(43,917)
	(128,553)	(16,047)	(147,841)	(43,690)
Net (loss)	(485,613)	(44,657)	(520,060)	(62,754)

Other comprehensive (loss) income				
Foreign currency translation adjustment				
for foreign operations, net of income tax	(10,945)	(28,419)	27,121	(52,761)
Foreign currency translation adjustment				
for non-controlling interests, net of income tax	235	(415)	(407)	(796)
	(10,710)	(28,834)	26,714	(53,557)
Total comprehensive (loss)	(496,323)	(73,491)	(493,346)	(116,311)
Net (loss) attributable to:				
Shareholders of Trinidad	(485,754)	(44,408)	(520,098)	(61,927)
Non-controlling interests	141	(249)	38	(827)
Total comprehensive (loss) attributable to:				
Shareholders of Trinidad	(496,699)	(72,827)	(492,977)	(114,688)
Non-controlling interests	376	(664)	(369)	(1,623)
Earnings per share				
Basic	(1.77)	(0.16)	(1.90)	(0.24)
Diluted	(1.77)	(0.16)	(1.90)	(0.23)

(1) Loss (gain) from investments in joint ventures includes Trinidad's portion of the net loss (gain) 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.

Consolidated Statement of Changes in Equity

Nine months ended September 30, 2018 and 2017			Accumulated		
			other		
	Common	Contributed	comprehensive		Total
($ thousands) - unaudited	shares	surplus	income (1)	(Deficit)	equity
Balance at December 31, 2017	1,525,633	65,292	128,655	(457,419)	1,262,161
Share-based payment expense	—	150	—	—	150
Total comprehensive (loss)	—	—	27,121	(520,098)	(492,977)
Balance at September 30, 2018	1,525,633	65,442	155,776	(977,517)	769,334
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	—	156	—	—	156
Total comprehensive (loss)	—	—	(52,761)	(61,927)	(114,688)
Balance at September 30, 2017	1,525,633	65,243	126,738	(438,501)	1,279,113

(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 Flow

Nine months ended September 30,		
($ thousands) - unaudited	2018	2017
Cash (used in) provided by		
Operating activities		
Net (loss)	(520,060)	(62,754)
Adjustments for:		
Depreciation and amortization	172,120	143,749
Foreign exchange	(3,362)	10,062
(Gain) on sale of assets	(697)	(1,948)
Impairment of property and equipment	484,386	—
Impairment of goodwill and intangibles	81,228	—
Loss (gain) from investments in joint ventures (1)		

19,199

(19,627)

Finance and transaction costs	27,980	32,736
Fair value adjustments	(4,126)	3,594
Income taxes	(147,841)	(43,690)
Other (2)	7,559	3,056
Income taxes paid	(684)	(1,474)
Income taxes recovered	591	1,758
Interest paid	(27,980)	(46,752)
Funds flow	88,313	18,710
Change in non-cash operating working capital	(29,417)	(21,745)
Cash flow provided by (used in) operating activities	58,896	(3,035)
Investing activities		
Purchase of property and equipment	(53,987)	(111,128)
Proceeds from disposition of assets	6,931	3,321
Net investments in joint ventures	—	7,081
Acquisition of RigMinder (net)	—	(31,396)
Purchase of intangibles	(4,511)	(3,145)
Distribution and dividends received from joint venture	48,927	40,149
Change in non-cash working capital	(21,715)	24,979
Cash flow (used in) investing activities	(24,355)	(70,139)
Financing activities		
Proceeds from long-term debt	160,476	105,729
Repayments of long-term debt	(192,739)	(55,416)
Purchase of non-controlling interest	—	(200)
Issuance of shares	—	149,500
Share issuance costs	—	(6,561)
Proceeds from 2025 Senior Notes	—	461,860
Repayments of 2019 Senior Notes	—	(591,670)
Debt issuance costs	(25)	(11,456)
Cash flow (used in) provided by financing activities	(32,288)	51,786
Cash flow from operating, investing and financing activities	2,253	(21,388)
Effect of translation of foreign currency cash	564	(5,942)
Increase (decrease) in cash for the period		

2,817

(27,330)

Cash and cash equivalents - beginning of period	3,948	25,780
Cash and cash equivalents - end of period	6,765	(1,550)

(1) Loss (gain) from investments in joint ventures includes Trinidad's portion of net loss (gain) 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 $7.2 million (2017 - $2.5 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, Total Debt to Bank EBITDA, Bank EBITDA to Cash Interest Expense, operating days, utilization rate - operating day, revenue - rate per operating day or dayrate, operating expense - rate per operating day or operating expense per day, Adjusted EBITDA margin percentage, Free Cash Flow, G&A as a % of revenue, Net Debt to Adjusted EBITDA, and Return on Capital Employed or ROCE. 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 loss (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 September 30,		Nine months ended Septemb	
($ thousands)	2018	2017	2018	2017
Net (loss)	(485,613)	(44,657)	(520,060)	(62,754)
Plus:				
Finance and transaction costs	9,131	9,709	27,980	32,736
Depreciation and amortization	55,931	53,317	172,120	143,749
Income taxes	(128,553)	(16,047)	(147,841)	(43,690)
	(549,104)	2,322	(467,801)	70,041
Plus:				
(Gain) on sale of assets	(10)	(309)	(697)	(1,948)
Impairment of property and equipment	484,386	—	484,386	—
Impairment of goodwill and intangibles	81,228	—	81,228	—
Share-based payment expense	2,336	1,023	7,165	2,544
Foreign exchange	1,165	3,452	(3,362)	10,062
Fair value adjustments	(2,317)	494	(4,126)	3,594
Loss (gain) from investments in joint ventures	26,807	17,182	19,199	(19,627)
Adjusted EBITDA from investments in joint ventures	1,099	3,294	435	28,704
Adjusted EBITDA	45,590	27,458	116,427	93,370

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 September 30,		Nine months ended Septemb
($ thousands)	2018	2017	2018	2017
(Loss) gain from investments in joint ventures	(26,807)	(17,182)	(19,199)	19,627
Plus:				
Finance costs	439	199	1,339	320
Depreciation and amortization	3,548	5,340	11,512	17,182
Income taxes	196	(462)	(165)	247
	(22,624)	(12,105)	(6,513)	37,376
Plus:				
Impairment of property and equipment	—	—	10,210	—
Foreign exchange	457	(64)	428	899
TDI investment - fair value adjustment	24,341	15,024	(37,073)	(10,677)
Cumulative dividend valuation	(1,075)	439	33,383	1,106
Adjusted EBITDA from investments in joint ventures	1,099	3,294	435	28,704

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.

Total Debt to Bank EBITDA is defined as the consolidated balance of long-term debt, which includes the revolving facility, Senior Notes and dividends payable at quarter end less unrestricted cash in excess of $10.0 million, to consolidated Bank EBITDA for the 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 property and equipment, loss (gain) from investment in joint ventures, share-based payment expense and unrealized foreign exchange.

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.

Revenue - 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).

Operating expense - rate per operating day or Operating expense per day is defined as operating expense (net of third party costs) divided by operating days (drilling days plus moving days).

Adjusted EBITDA margin percentage is used by management and investors to analyze the Company's profitability relative to its revenue generation. Adjusted EBITDA margin percentage is calculated as adjusted EBITDA divided by revenue. Adjusted EBITDA is normalized for the purposes of this calculation to exclude one-time items that are not related to operational performance.

($ thousands except percentage)	Nine months ended September 30, 2018	Year-ended December 31, 2017
Adjusted EBITDA	116,427	129,446
Strategic review and restructuring costs	(4,695)	—
Leasehold incentive liability adjustment	2,800	—
	114,523	129,446
Revenue	457,617	501,615
Adjusted EBITDA margin percentage	25.0%	25.8%

Free Cash Flow is used by management and investors to measure the Company's financial performance and its ability to generate excess cash from its business operations. Free cash flow is calculated as adjusted EBITDA less finance and transaction costs and current income taxes.

($ thousands)	Nine months ended September 30, 2018
Adjusted EBITDA	116,427
Less:	
Finance and transaction costs	27,980
Current income taxes	27
Free Cash Flow	88,420

G&A as a % of revenue is used by management and investors to measure the level of the Company's general and administrative costs (G&A) relative to the revenue generated. G&A as a % of revenue is calculated as G&A costs, before share-based payment costs and third-party recoverable costs, divided by revenue. G&A is normalized for the purposes of this calculation to exclude one-time items that are not related to operational performance.

($ thousands except percentage)	Nine months ended September 30, 2018	Year-ended December 31, 2017
General and administrative	42,294	60,080
Share-based payment expense	7,165	1,405
Third party recoverable costs	765	460
General and administrative (1)	34,364	58,215
Strategic review and restructuring costs	(4,695)	—
Leasehold incentive liability adjustment	2,800	—
	32,469	58,215
Revenue	457,617	501,615
G&A as % of Revenue	7.1%	11.6%

(1) General and administrative expenses excluding share-based payment expense and third party recoverable costs.

Net Debt to Adjusted EBITDA is used by management and investors to analyze the level of indebtedness of the company by measuring the amount of long-term debt net of cash or cash equivalents relative to the amount of adjusted EBITDA generated. Net debt to adjusted EBITDA is calculated as long-term debt plus current portion of long-term debt less cash or cash equivalents divided by adjusted EBITDA for the trailing twelve months.

($ thousands except multiples)	As at September 30, 2018	As at December 31, 2017
Long-term debt	496,099	511,674
Minus:		
Cash and cash equivalents	6,765	3,948
Net Debt	489,334	507,726
Adjusted EBITDA trailing twelve months	152,502	129,446
Net Debt to Adjusted EBITDA	3.2	3.9

Return on Capital Employed or ROCE is used by management and investors to measure how efficiently the Company uses capital to generate profit. ROCE is calculated as adjusted EBITDA for the trailing 12 months divided by the average of total assets less current liabilities for the beginning and ending periods.

ROCE (Three-year Average)

($ thousands except percentage)	2015	2016	2017	Three-year Average
Total Assets	2,236,200	1,982,076	1,902,546	
Current Liabilities	133,487	81,806	107,339	
Capital Employed	2,102,713	1,900,270	1,795,207	
Adjusted EBITDA	186,746	143,002	129,446	
ROCE	8.9%	7.5%	7.2%	7.9%

ROCE (One-year Average)

($ thousands except percentage)	As at September 30, 2017	As at September 30, 2018	One-year Average
Total Assets	1,901,210	1,368,958	1,635,084
Current Liabilities	109,282	90,970	100,126
Capital Employed	1,791,928	1,277,988	1,534,958
Adjusted EBITDA trailing twelve month			152,502
ROCE			9.9%

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 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 pr 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 Drilling International (TDI);
- assumptions regarding foreign currency exchange rates and interest rates;
- assumptions around future G&A cost levels;
- assumptions regarding Trinidad's ability to get shareholder and regulatory approvals for the Precision Drilling Cor combination and around the timing of closing the transaction;
- assumptions regarding the future benefits and efficiency gains expected from the combination with Precision;
- 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; and
- assumptions made about future performance and operations of joint ventures and partnership arrangements.

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.

SOURCE Trinidad Drilling Ltd.

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