CATHEDRAL

2020 Q1 INTERIM REPORT

FINANCIAL HIGHLIGHTS

Dollars in 000's except per share amounts

		Three months ended March 31		
		2020		2019
Revenues	$	19,295	$	37,242
Adjusted gross margin % (1)		12%		7%
Adjusted EBITDAS (1)	$	1,012	$	1,874
Diluted per share	$	0.02	$	0.04
As % of revenues		5%		5%
Cash flow - operating activities	$	(1,943)	$	(854)
Loss from operating activities	$	(4,426)	$	(3,705)
Basic per share	$	(0.09)	$	(0.07)
Impairments and direct write-downs	$	(6,994)	$	-
Loss before income taxes	$	(14,123)	$	(3,568)
Basic per share	$	(0.29)	$	(0.07)
Loss	$	(12,590)	$	(3,624)
Basic per share	$	(0.25)	$	(0.07)
Equipment additions - cash basis	$	855	$	1,963
Weighted average shares outstanding				
Basic (000s)		49,468		49,468
Diluted (000s)		49,468		49,469

		March 31 2020		December 31 2019
Working capital	$	20,435	$	20,181
Total assets	$	94,883	$	106,300
Loans and borrowings excluding current portion	$	6,000	$	6,000
Shareholders' equity	$	59,069	$	68,092

(1) Refer to "NON-GAAP MEASUREMENTS"

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion & Analysis ("MD&A") for the three months ended March 31, 2020 should be read in conjunction with the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2019, as well as the MD&A in the 2019 Annual Report of Cathedral Energy Services Ltd. (the "Company" or "Cathedral"). This MD&A has been prepared as of June 24, 2020. Dollar amounts are in '000's except for day rates and per share amounts.

2020 Q1 KEY TAKEAWAYS

Revenues decreased by $17,947 or 48% from $37,242 in 2019 Q1 to $19,295 in 2020 Q1;

Adjusted gross margin increased from 7% to 12% primarily due to a decrease in repairs and field labour offset by an increase in the fixed component of cost of sales on a percentage of revenue basis;

Despite the 48% drop in revenue, loss from operating activities per share decreased to only $0.09 compared to $0.07 in 2019 Q1 due to cost control measures the Company has implemented since the end of 2019 Q1;

Total Adjusted EBITDAS decreased $862, from $1,874 to $1,012 in 2020 Q1 as a result of reduced revenues offset by increase in adjusted gross margin;

Net debt (drawn credit facility less cash on hand) at end of 2020 Q1 was $1,155;

During 2020 Q1, the Company recorded a non-cash impairment and direct write-down charge related to right of use and intangible assets of $6,994; and

The Company is in the process of finalizing an amendment to its credit facility to provide temporary covenant relief commencing 2020 Q2 and ending 2021 Q1. The changes have been approved by the Company and its Lender and the final agreement is expected to be completed and signed prior to June 30, 2020.

COVID-19

In March 2020, the World Health Organization declared a global pandemic due to COVID-19. In response to the COVID-19 outbreak, governments around the world implemented measures to control the spread of the virus including closure of non-essential businesses and implementing travel bans and stay-at-home restrictions. These actions contributed to the material deterioration in global economy including a dramatic decline in demand for oil, which resulted in a material decrease in the price for oil. The decline in oil prices has negatively affected current and forecasted drilling activities in Cathedral's operating areas of U.S. and Canada. In response to the decline in oil prices, OPEC+ agreed to production reductions in April 2020 and recently extended reductions to the end of July. In addition, North American oil and natural gas producers have shut-in production due to low oil prices. Recently governmental bodies have started to remove restrictions related to COVID-19 and gradually re-opening businesses. This has resulted in an increase in demand for crude oil and resulted in an improvement in world oil prices. Oil prices have improved significantly since the drop in early March 2020 but the sustainability of such price improvement is subject to significant uncertainty.

The Company has made significant changes to its cost structure including laying off staff, reducing compensation, closing facilities, eliminating discretionary expenses, deferring tool repairs and reducing capital expenditures, to better match our cost structure to expected operating levels. The collapse in oil prices has negatively affected our client's cash flows and, as a result, in certain situations resulted in slower collection of accounts receivable and increased risk related to potential non-payment.

All of these developments could have a material adverse effect on Cathedral's business, financial condition, results of operations, cash flows, ability to collect on accounts receivable and future impairments of Company assets. The duration and extent of business interruption and the financial impact cannot be reasonably determined and if it continues for an extended period, it could negatively impact Cathedral's ability to continue ongoing operations.

OUTLOOK

In both U.S. and Canada, Cathedral's service offerings are considered an essential service and therefore we are operating throughout the COVID-19 pandemic. The health and safety of our workplace, employees, clients, vendors and the public at large is a top priority for Cathedral and part of our guiding principles. With the onset of the COVID-19 pandemic, Cathedral implemented our multi-stage response plan to protect our stakeholders and our staff have adapted accordingly to this new way of operating our business.

The COVID-19 pandemic and its macroeconomic effects have contributed to an uncertain outlook for the oilfield service industry. The resulting supply and demand imbalance for oil, and related decline in oil prices, has dramatically changed drilling activity in Cathedral's operating areas. Since early March 2020, U.S. rig count has declined 66% to 266 rigs. On a year-over-year basis, the Canadian rig count is down 86%. Relative to prior year operating levels, we are expecting operating levels to remain depressed for the balance of 2020. The main driver for Cathedral's revenue is the price for oil and natural gas, and for the near term, oil prices are expected to be challenged. As a result, Cathedral's management team will focus on what it can control – cost structure, improving operational efficiencies, bringing new technologies to the market and strategic sales and marketing of our offerings. Cathedral's management team has navigated through previous downturns and we expect to do the same this time.

Cathedral's largest cost is labour and with the forecasted decline in activity levels management was in the unfortunate position of having to lay off a significant amount of staff. Since mid-March, we have reduced our fixed labour costs associated with office and shop staff that has resulted in an annualized cost saving of $4,328. Management will continue to monitor its cost structure and adjust as necessary to match expected operating levels.

Management continues to evaluate and apply for U.S. and Canadian federal, state and provincial government relief programs for which Cathedral qualifies. To date, the main relief programs that Cathedral is participating in is the Canada Emergency Wage Subsidy ("CEWS") and U.S. Paycheck Protection Program ("PPP").

To date, Cathedral has applied for and received $436 in CEWS funding for the first two claim periods ending May 9, 2020. The Company is currently compiling information to file for the 3rd period ending June 6, 2020. The program has recently been extended to cover through to August 29, 2020, but details on the extended period have not been released.

On May 8, 2020, Cathedral received loan proceeds of $750 USD under U.S. PPP. The proceeds will be used to support payroll expenditures for Cathedral's U.S. employees. A portion of the loan may be forgivable in accordance with certain U.S. Treasury guidelines. Cathedral estimates that approximately 70% of the loan proceeds ($525 USD) may be forgiven, if the U.S. Treasury guidelines are met.

On the technology forefront, despite low activity levels, we have been able to field test our RapidFire™ MWD platform and we are pleased with the initial results. Commercializing our RapidFire MWD platform is a key initiative for 2020 however testing and commercial deployment are being negatively impacted by reduced drilling activity. RapidFire is capable of transmitting data simultaneously via pulse and electro-magnetic ("EM"), allowing for high data rates and higher reliability through redundancy. In addition, the system can be configured in either a hard mount or retrievable configuration and is rated to operating temperatures that meet or exceed most competitive MWD systems. The second phase, initially planned to be released later in 2020, will offer a retrievable downhole generator, which will reduce operating costs and allow for high power EM transmission on extended run applications. Our nDurance™ drilling motors continue to draw interest due to material improvements in drilling performance. Our performance achievements with existing clients are expected to be leveraged into new rental opportunities.

2020 CAPITAL PROGRAM

During the three months ended March 31, 2020, the Company invested $855 (2019 - $1,963) in equipment. The following table details the current period's net equipment additions:

		Three months ended March 31, 2019
Equipment additions:		
Motors	$	530
MWD		299
Other		26
Total cash additions		855
Less: proceeds on disposal of equipment		(1,176)
Net equipment additions (1)	$	(321)

(1) See "NON-GAAP MEASUREMENTS"

Our 2020 capital plan will be modest and we expect our "net equipment additions" (equipment additions less proceeds on equipment lost downhole) to be in the range of $nil to $2.5 million (depending on level of lost-in-hole proceeds). Focus of 2020 capital plan will be motor power section additions for premium lines, addition of RapidFire MWD tools and mud lube bearing motor upgrades.

RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31

Revenues		2020		2019
Canada	$	7,336	$	7,364
United States		11,959		29,878
Total	$	19,295	$	37,242

Revenues 2020 Q1 revenues were $19,295, which represented a decrease of $17,947 or 48% from 2019 Q1 revenues of $37,242.

Canadian revenues (excluding motor rental revenues) decreased to $5,945 in 2020 Q1 from $6,446 in 2019 Q1; an 8% decrease. This decrease was the result of: i) a 7% decrease in activity days to 810 in 2020 Q1 from 874 in 2019 Q1 and ii) a less than 1% decrease in the average day rate to $7,340 in 2020 Q1 from $7,375 in 2019 Q1.

There was a 15% year-over-year decline in the average active land rig count in Canada (source: Baker Hughes) which compares to Cathedral's activity decline of 7%. Due to Cathedral's client mix, our decline was less than the general market decline.

U.S. revenues (excluding motor rental revenues) decreased 60% to $11,704 in 2020 Q1 from $29,426 in 2019 Q1. This decrease was the net result of: i) a 62% decrease in activity days to 865 in 2020 Q1 from 2,269 in 2019 Q1; and ii) a 4% increase in the average day rate to $13,531 in 2020 Q1 from $12,969 in 2019 Q1 (when converted to Canadian dollars).

The average active land rig count for the U.S. was down 24% in 2020 Q1 compared to 2019 Q1 (source: Baker Hughes). The Company experienced a 65% decline in activity days resulting in a decrease in market share compared to 2019 Q1. This decline was related to reductions in clients' drilling programs to stay within their cash flow, financial restructuring by certain clients that caused them to pause or cancel programs, as well as loss of work related to pricing. Due to Cathedral's client mix, our decline exceeded the general market decline. Day rates in USD increased 3% to $10,079 USD in 2020 Q1 from $9,756 USD in 2019 Q1. The 2020 Q1 rate is up due to an increase in revenues from providing rotary steerable system (RSS) services which are rented from a 3rd party.

Motor rentals increased in Canada and were down slightly in the U.S. Combined rental revenues increased to $1,646 in 2020 Q1 compared to $1,370 in 2019 Q1. The increase is due to the increased availability of motors for rental due to less full service work being performed and the fact that Cathedral's nDurance drilling motors are noted for their reliability and drilling performance. Approximately 60% of the motor rental revenue related to Cathedral's motors used on RSS jobs.

Gross margin and adjusted gross margin Gross margin for 2020 Q1 was -11% compared to -7% in 2019 Q1. Adjusted gross margin (see Non-GAAP Measurements) for 2020 Q1 was $2,307 or 12% compared to $2,596 or 7% for 2019 Q1.

Adjusted gross margin, as a percentage of revenue, increased due to decreases in equipment repairs and lower field labour partially offset by higher rentals as a percentage of revenue (actual rental costs were down year-over-year) and increased fixed component of cost of sales as a percentage of revenue (the amount was down, but not as percentage of revenues).

Depreciation of equipment allocated to cost of sales decreased to $4,376 in 2020 Q1 from $5,004 in 2019 Q1. Depreciation included in cost of sales as a percentage of revenue was 23% for 2020 Q1 and 13% in 2019 Q1.

Selling, general and administrative ("SG&A") expenses SG&A expenses were $2,810 in 2020 Q1; a decrease of $563 compared with $3,373 in 2019 Q1. There were reductions in SG&A wages and related benefits and burdens due to a reduction in head count as well as decreases in almost all categories of expenses due to efforts to reduce spending. As a percentage of revenue, SG&A was 15% in 2020 Q1 compared to 9% in 2019 Q1.

Technology group expenses Technology group expenses are related to new product development and supporting and upgrading existing technology. Technology group expenses consist of salaries and related benefits and burdens as well as shop supplies. Technology group activities spent on new product development are capitalized as intangible assets.

Total technology group costs were $725 in 2020 Q1; a decrease of $180 compared with $905 in 2019 Q1. The portion of total technology group costs related to new product development was $195 and this amount has been capitalized as intangible assets (2019 Q1 - $230). Technology group costs not related to new product development were $530 in 2020 Q1; a decrease of $145 compared with $675 in 2019 Q1. Total technology group costs decreased primarily due to reduction in staffing.

In light of the current market, Cathedral has consolidated its MWD repairs and, as part of this realignment, combined our Technology Group and MWD repair department. This has resulted in a reduction in overall head count of the combined group and will result in limited new product development in the near term.

Gain on disposal of equipment During 2020 Q1, the Company had a gain on disposal of equipment of $1,004 compared to $2,793 in 2019 Q1. These gains mainly related to equipment lost-in-hole. Proceeds from clients on lost-in-hole equipment are based on amounts specified in service agreements and, in most cases, these proceeds exceed the net book value of the equipment and result in a gain. The timing of lost-in-hole recoveries is not in the control of the Company and therefore can fluctuate significantly from quarter-to-quarter. In 2020 Q1, the Company received proceeds on disposal of equipment of $1,176 (2019 Q1 - $3,962).

Finance costs Finance costs consist of interest expenses on operating loans, long-term debt and bank charges of $29 for 2020 Q1 versus $143 for 2019 Q1.

Finance costs lease liability The lease liability interest decreased slightly to $238 from $262.

Foreign exchange The Company had a foreign exchange loss of $2,436 in 2020 Q1 compared to a gain of $542 in 2019 Q1 due to the fluctuations of the Canadian dollar relative to the U.S. dollar. The Company's foreign operations are denominated in USD and therefore, upon consolidation, gains and losses due to fluctuations in the foreign currency exchange rates are recorded as other comprehensive income on the balance sheet as a component of equity. However, gains and losses in the Canadian entity on U.S. denominated intercompany balances continue to be recognized in the statement of comprehensive income (loss). Included in the 2020 Q1 foreign currency loss are unrealized loss of $2,464 (2019 Q1 - gain of $527) related to intercompany balances.

Impairment and direct write-downs Due to the decline in projected drilling activity for the remainder of 2020 and into 2021 as a result of the decrease in oil and natural gas prices, the Company determined that indicators of impairment existed as at March 31, 2020. The Company made a provision as a result of impairment test and direct write-downs of $6,994 in 2020 Q1 to right of use assets ($6,834) and intangibles ($160). As part of the Company's response to changes in drilling activity, the decision was made to consolidate its repair activities and there are plans to close or significantly reduce activities at certain locations and the right of use asset for these locations was written down to $nil. There were $160 intangible projects in progress where it is uncertain when or if staff resources will be available to bring the projects to commercialization. As such these projects were written down to $nil. There were no impairments or direct write-downs in 2019 Q1.

Income tax Due to U.S. legislative changes in 2020, an adjustment to prior year provision has been made to recognize the U.S. Federal portion of 2019 tax losses that will now be allow to be carried back to 2018 and recovered.

In 2019 Q1, Cathedral derecognized $13,059 of deferred tax assets due to a recent history of tax losses within Cathedral's Canadian entity. As a result of this, where there are losses in the Canadian entity that are not recognized as deferred taxes the effective tax rate is not meaningful. Income tax expense is booked based upon expected annualized rates using the statutory rates of 26.5% for Canada and 23% for the U.S.

LIQUIDITY AND CAPITAL RESOURCES

Overview On an annualized basis, the Company's principal source of liquidity is cash generated from operations and proceeds from equipment lost-in-hole. In addition, the Company has the ability to fund liquidity requirements through its credit facility and the issuance of debt and/or equity. Cash flow - operating activities in 2020 Q1 decreased to a use of funds of $1,943 compared to use of funds of $854 in 2019 Q1. This decrease was primarily due to the impact of changes in working capital in 2020 Q1 and reduced the Company's cash balances.

Working capital At March 31, 2020, the Company had working capital of $20,435 (December 31, 2019 - $20,181).

Credit facility At March 31, 2020, the Company's credit facility (the "Facility") consists of a $5 million operating facility and a $15 million extendible revolving credit facility and expires December 31, 2020. The Facility is secured by a general security agreement over all present and future personal property. The Facility provides a definition of EBITDA ("Credit Agreement EBITDA") to be used in calculation of financial covenants.

The financial covenants associated with the Facility are:

Consolidated funded debt to consolidated Credit Agreement EBITDA ratio shall not exceed 3.0:1; and
Consolidated interest coverage ratio shall not be less than 2.5:1.

The Facility bears interest at the financial institution's prime rate plus 0.75% to 2.25% or bankers' acceptance rate plus 1.75% to 3.00% with interest payable monthly. Interest rate spreads for the Facility depend on the level of funded debt compared to the 12 month trailing Credit Agreement EBITDA. The Facility provides a means to lock in a portion of the debt at interest rates through bankers' acceptance ("BA") based on the interest rate spread on the date the BA was entered into.

Compliance with Facility covenants

At March 31, 2020, the Company had drawn $6,000 of its revolving credit facility, $nil of its operating facility and had $4,845 in cash. At March 31, 2020, the Company had consolidated funded debt of $3,049 that includes five outstanding letters of credit ("LOC") which are included in the funded debt calculation. For the trailing twelve months ended March 31, 2020, Credit Agreement EBITDA was $2,483.

The calculation of the financial covenants under the Facility as at March 31, 2020 is as follows:

Covenant	Actual Ratio	Required Ratio
Consolidated funded debt to consolidated Credit Agreement EBITDA ratio	1.2:1	3.0:1 (maximum)
Consolidated interest coverage ratio	6.0:1	2.5:1 (minimum)

The Company was in compliance with all covenants at March 31, 2020.

The Company is in the process of finalizing the following changes to its credit agreement:

- A reduction in facility to $12 million;
- The consolidated funded debt to consolidated Credit Agreement EBITDA ratio is waived from 2020 Q2 through 2021 Q1 (the "covenant relief period");
- The consolidated interest coverage ratio is waived during the covenant relief period if funded debt is no more than $6 million;
- A new funded debt to tangible net worth ("TNW") ratio is in place during the covenant relief period. This ratio is to be no more than 10% for 2020 Q2 and Q3 and no more than 15% in 2020 Q4 and 2021 Q1. TNW is defined as shareholders' equity plus subordinated debt less investments in or amounts owed by any related party which does not constitute subordinated debt;
- During the covenant relief period advances are limited to $10 million;
- During the covenant relief period aggregate capital expenditures (excluding non-cash utilization of existing inventory) for the fiscal year ended December 31, 2020, are not to exceed $2,000,000;
- During the covenant relief period interest increases to bear interest at the financial institution's prime rate plus 1.75% to 3.25% or bankers' acceptance rate plus 3.00% to 4.25% with interest payable monthly; and
- The Borrower has a one-time option to exit the covenant relief period.

The changes have been approved by the Company and its Lender and the final agreement is expected to be completed and signed prior to June 30, 2020.

Contractual obligations In the normal course of business, the Company incurs contractual obligations and those obligations are disclosed in the Company's annual financial statements for the year ended December 31, 2019.

As at March 31, 2020, the Company's has no commitment to purchase equipment.

The Company has issued the following six LOC:

- three securing rent payments on property leases and renew annually with the landlords. Two LOCs total $700 CAD for the first ten years of the lease and then reduces to $500 for the last five years of the lease. The third LOC is currently for $542 USD and increases annually based upon annual changes in rent;
- $75 USD issued for U.S. workers compensation coverage; and
- two securing the Company's corporate credit cards in the amounts of $75 CAD and $175 USD.

Share capital At June 24, 2020, the Company has 49,468,117 common shares and 2,420,500 options outstanding with a weighted average exercise price of $0.71.

CONTROLS AND PROCEDURES

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

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

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

The CEO and CFO have concluded that there have been no changes in internal controls for the period ended on March 31, 2020 that have materially affected, or are reasonably likely to materially affect, Cathedral's ICFR.

RISK FACTORS

The MD&A for the year ended December 31, 2019, which is included in the Company's 2019 Annual Report, includes an overview on risk factors associated with the Company and its operating entities. Those risk factors remain in effect as at March 31, 2020.

GOVERNANCE

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

NEW AND FUTURE ACCOUNTING POLICIES

There were no new or amended standards issued during the three months ended March 31, 2020 that are applicable to the Company in future periods.

SUMMARY OF QUARTERLY RESULTS

Three month periods ended	Mar 2020	Dec 2019	Sep 2019	Jun 2019	Mar 2019	Dec 2018	Sep 2018	Jun 2018
Revenues	$ 19,295	$ 19,299	$ 31,185	$ 32,550	$ 37,242	$ 43,127	$ 42,570	$ 34,973
Adjusted EBITDAS (1)	$ 1,012	$ (702)	$ 2,236	$ 479	$ 1,874	$ 3,412	$ 6,190	$ (985)
Adjusted EBITDAS (1) per share - diluted	$ 0.02	$ (0.01)	$ 0.05	$ 0.01	$ 0.04	$ 0.07	$ 0.13	$ (0.02)
Net earnings (loss)	$ (12,590)	$ (6,068)	$ (4,153)	$ (5,342)	$ (3,624)	$ (17,858)	$ 3,001	$ (2,498)
Net earnings (loss) per share - basic and diluted	$ (0.25)	$ (0.12)	$ (0.08)	$ (0.11)	$ (0.07)	$ (0.36)	$ 0.06	$ (0.05)

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

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "achieve", "believe", "plan", "intend", "objective", "continuous", "ongoing", "estimate", "outlook", "expect", "may", "will", "project", "should" or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements relating to, among other things: the sustainability of oil and gas price improvement is subject to significant uncertainty; all of these developments could have a material adverse effect on Cathedral's business, financial condition, results of operations, cash flows, ability to collect on accounts receivable and future impairments of Company assets; the duration and extent of business interruption and the financial impact cannot be reasonably determined and if it continues for an extended period, it could result in Cathedral's ability to continue ongoing operations; we are expecting operating levels to remain depressed for the balance of 2020; for the near term, oil prices are expected to be challenged; reductions to fixed labour costs associated with office and shop staff is expected to result in an annualized cost saving of $4,328; Cathedral estimates that approximately 70% of the PPP loan proceeds $525 USD may be forgiven, if the U.S. Treasury guidelines are met; the second phase of RapidFire MWD platform, initially planned to be released later in 2020, will offer a retrievable downhole generator, which will reduce operating costs and allow for high power EM transmission on extended run applications; our nDurance™ drilling motors continue to draw interest due to material improvements in drilling performance; our performance achievements with existing clients are expected to be leveraged into new rental opportunities; the final amended credit agreement is expected to be completed and signed prior to June 30, 2020; and projected capital expenditures and commitments and the financing thereof.

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

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

- the performance of Cathedral's business
- impact of economic and social trends;
- oil and natural gas commodity prices and production levels;
- capital expenditure programs and other expenditures by Cathedral and its customers;
- the ability of Cathedral to retain and hire qualified personnel;

- the ability of Cathedral to obtain parts, consumables, equipment, technology, and supplies in a timely manner to carry out its activities;
- the ability of Cathedral to maintain good working relationships with key suppliers;
- the ability of Cathedral to retain customers, market its services successfully to existing and new customers and reliance on major customers;
- risks associated with technology development and intellectual property rights;
- obsolesce of Cathedral's equipment and/or technology;
- the ability of Cathedral to maintain safety performance;
- the ability of Cathedral to obtain adequate and timely financing on acceptable terms;
- the ability of Cathedral to comply with the terms and conditions of its credit facility;
- the ability to obtain sufficient insurance coverage to mitigate operational risks;
- currency exchange and interest rates;
- risks associated with future foreign operations;
- risks associated with acquisitions, dispositions and business development efforts;
- environmental risks;
- business risks resulting from weather, disasters and related to information technology;
- changes under governmental regulatory regimes and tax, environmental, climate and other laws in Canada and the U.S.; and
- competitive risks.

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

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

NON-GAAP MEASUREMENTS

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

The specific measures being referred to include the following:

i) Adjusted gross margin" - calculated as gross margin plus non-cash items (depreciation and share-based compensation); is considered a primary indicator of operating performance (see tabular calculation);

ii) "Adjusted gross margin %" - calculated as adjusted gross margin divided by revenues; is considered a primary indicator of operating performance (see tabular calculation);

iii) "Adjusted EBITDAS" - defined as earnings before finance costs, unrealized foreign exchange on intercompany balances, taxes, depreciation, non-recurring costs (including severance), write-down of equipment, write-down of inventory and share-based compensation; is considered an indicator of the Company's ability to generate funds flow from operations prior to consideration of how activities are financed, how the results are taxed and measured and non-cash expenses (see tabular calculation);

iv) "Net equipment additions" – is equipment additions expenditures less proceeds from equipment lost down-hole. Cathedral uses net equipment additions to assess net cash flows related to the financing of Cathedral's equipment additions.

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

Adjusted gross margin

	Three months ended March 31 2020	2019
Gross margin	$ (2,090)	$ (2,450)
Add non-cash items included in cost of sales:		
Depreciation	4,376	5,004
Share-based compensation	21	42
Adjusted gross margin	$ 2,307	$ 2,596
Adjusted gross margin %	12%	7%

Adjusted EBITDAS

		Three months ended March 31		
		2020		2019
Loss before income taxes	$	(14,123)	$	(3,568)
Add:				
Depreciation included in cost of sales		4,376		5,004
Depreciation included in selling, general and administrative expenses		132		192
Share-based compensation included in cost of sales		21		42
Share-based compensation included in selling, general and administrative expenses		41		107
Finance costs		29		143
Finance costs		238		262
Subtotal		(9,286)		2,182
Impairment and direct write-downs		6,994		-
Unrealized foreign exchange (gain) loss on intercompany balances		2,464		(527)
Non-recurring expenses		840		219
Total Adjusted EBITDAS	$	1,012	$	1,874

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2020 and December 31, 2019
Dollars in ‘000s
(unaudited)

	March 31 2020	December 31 2019
Assets		
Current assets:		
Cash	$ 4,845	$ 7,223
Trade receivables (note 10)	15,015	14,802
Prepaid expenses	1,471	1,668
Inventories	9,957	10,423
Current tax recoveries	892	-
Total current assets	32,180	34,116
Equipment (note 3)	43,975	46,882
Intangible assets (note 5)	2,926	3,019
Right of use asset (notes 4 and 5)	12,538	19,590
Deferred tax assets	3,264	2,693
Total non-current assets	62,703	72,184
Total assets	$ 94,883	$ 106,300
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	$ 9,357	$ 11,308
Current taxes payable	-	314
Lease liabilities, current (note 4)	2,219	2,145
Provision for settlements, current	169	168
Total current liabilities	11,745	13,935
Loans and borrowings (note 6)	6,000	6,000
Provision for settlements, long-term	127	156
Lease liabilities, long-term (note 4)	17,942	18,117
Total non-current liabilities	24,069	24,273
Total liabilities	35,814	38,208
Shareholders' equity:		
Share capital (note 7)	88,155	88,155
Contributed surplus	10,926	10,864
Accumulated other comprehensive income	13,439	9,934
Deficit	(53,451)	(40,861)
Total shareholders' equity	59,069	68,092
Total liabilities and shareholders' equity	$ 94,883	$ 106,300

See accompanying notes to condensed consolidated interim financial statements.

Notice of No Auditor Review of Unaudited Condensed Consolidated Interim Financial Statements
Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Cathedral Energy Services Ltd. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Three months ended March 31, 2020 and 2019
Dollars in '000s except per share amounts
(unaudited)

	Three months ended March 31 2020	2019
Revenues (note 8)	$ 19,295	$ 37,242
Cost of sales:		
Direct costs	(16,988)	(34,646)
Depreciation	(4,376)	(5,004)
Share-based compensation	(21)	(42)
Total cost of sales	(21,385)	(39,692)
Gross margin	(2,090)	(2,450)
Selling, general and administrative expenses:		
Direct costs	(2,637)	(3,074)
Depreciation	(132)	(192)
Share-based compensation	(41)	(107)
Total selling, general and administrative expenses	(2,810)	(3,373)
	(4,900)	(5,823)
Technology group expenses	(530)	(675)
Gain on disposal of equipment	1,004	2,793
Loss from operating activities	(4,426)	(3,705)
Finance costs	(29)	(143)
Finance costs lease liability	(238)	(262)
Foreign exchange gain (loss)	(2,436)	542
Impairment and direct write-downs	(6,994)	-
Loss before income taxes	(14,123)	(3,568)
Income tax recovery (expense):		
Current	1,187	-
Deferred	346	(56)
Total income tax recovery (expense)	1,533	(56)
Loss	(12,590)	(3,624)
Other comprehensive income (loss):		
Foreign currency translation differences for foreign operations	3,505	(1,046)
Total comprehensive loss	$ (9,085)	$ (4,670)
Loss per share		
Basic	$ (0.25)	$ (0.07)

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Three months ended March 31, 2020 and 2019
Dollars in ‘000s
(unaudited)

	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
Balance at December 31, 2018	**$ 88,155**	**$ 10,410**	**$ 12,252**	**$ (21,674)**	**$ 89,143**
Total comprehensive loss for three months ended March 31, 2019	-	-	(1,046)	(3,624)	(4,670)
Share-based compensation	-	149	-	-	149
Balance at March 31, 2019	**$ 88,155**	**$ 10,559**	**$ 11,206**	**$ (25,298)**	**$ 84,622**
Balance at December 31, 2019	**$ 88,155**	**$ 10,864**	**$ 9,934**	**$ (40,861)**	**$ 68,092**
Total comprehensive income (loss) for three months ended March 31, 2020	-	-	3,505	(12,590)	(9,085)
Share-based compensation	-	62	-	-	62
Balance at March 31, 2020	**$ 88,155**	**$ 10,926**	**$ 13,439**	**$ (53,451)**	**$ 59,069**

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three months ended March 31, 2020 and 2019
Dollars in '000s
(unaudited)

	Three months ended March 31	
	2020	2019
Cash provided by (used in):		
Operating activities:		
Loss before income taxes	$ (12,590)	$ (3,624)
Items not involving cash		
Depreciation	4,508	5,196
Share-based compensation	62	149
Income tax expense (recovery)	(1,533)	56
Gain on disposal of equipment	(1,004)	(2,793)
Impairment and direct write-downs	6,994	-
Finance costs	29	143
Finance costs lease liability	238	262
Unrealized foreign exchange (gain) loss on intercompany balances	2,464	(527)
Cash flow - continuing operations	(832)	(1,138)
Changes in non-cash operating working capital	(1,080)	287
Income taxes paid	(31)	(3)
Cash flow - operating activities	(1,943)	(854)
Investing activities:		
Equipment additions	(855)	(1,963)
Intangible asset additions	(238)	(385)
Proceeds on disposal of equipment	1,176	3,962
Changes in non-cash investing working capital	(3)	(1,262)
Cash flow - investing activities	80	352
Financing activities:		
Change in operating loan	-	(188)
Repayments on loans and borrowings	(588)	(574)
Interest paid	(267)	(405)
Payment on settlements	(42)	(40)
Cash flow - financing activities	(897)	(1,207)
Effect of exchange rate on changes on cash	382	(130)
Change in cash	(2,378)	(1,839)
Cash, beginning of period	7,223	6,875
Cash, end of period	$ 4,845	$ 5,036

See accompanying notes to condensed consolidated interim financial statements.

1. Reporting entity

Cathedral Energy Services Ltd. (the "Company" or "Cathedral") is a company domiciled in Canada. The Company is a publicly traded company listed on the Toronto Stock Exchange under symbol "CET". The consolidated financial statements of the Company as at and for the period ended March 31, 2020 comprise the Company and its 100% owned subsidiary, Cathedral Energy Services Inc. ("INC"), (together referred to as "Cathedral"). INC is incorporated in the United States of America ("U.S.") and its functional currency is U.S. dollars ("USD").

The Company and INC are primarily involved and engaged in the business of providing directional drilling services to oil and natural gas companies in western Canada and the U.S.

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") ("IFRS" or "GAAP").

Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. It also requires management to exercise judgment in applying the Company's accounting policies. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2019, which are included in the Company's 2019 Annual Report.

The unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 9, 2019.

(b) Basis of measurement

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars ("CAD"), which is the Company's functional currency. All financial information presented in dollars has been rounded to the nearest thousand except for share and per share amounts.

(d) Future Accounting Pronouncements
There were no new or amended standards issued during the period ended March 31, 2020 that are applicable to the Company in future periods.

(e) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant judgements made by management in applying the Company's accounting policies and the information used in assessing uncertainty and have not changed significantly since December 31, 2019.

In March 2020, the World Health Organization declared a global pandemic due to COVID-19. In response to the COVID-19 outbreak, governments around the world implemented measures to control the spread of the virus including closure of non-essential businesses and implementing travel bans and stay-at-home restrictions. These actions contributed to the material deterioration in global economy including a dramatic decline in demand for oil, which resulted in a material decrease in the price for oil. The decline in oil prices has negatively affected current and forecasted drilling activities in Cathedral's operating areas of U.S. and Canada. In response to the decline in oil prices, OPEC+ agreed to production reductions in April 2020 and recently extended reductions to the end of July. In addition, North American oil and natural gas producers have shut-in production due to low oil prices. Recently governmental bodies have started to remove restrictions related to COVID-19 and gradually re-opening businesses. This has resulted in an increase in demand for crude oil and resulted in an improvement in world oil prices. Oil prices have improved significantly since the drop in early March 2020 but the sustainability of such price improvement is subject to significant uncertainty.

The Company has made significant changes to its cost structure including laying off staff, reducing compensation, closing facilities, eliminating discretionary expenses, deferring tool repairs and reducing capital expenditures, to better match our cost structure to expected operating levels. The collapse in oil prices has negatively affected our client's cash flows and, as a result, in certain situations resulted in slower collection of accounts receivable and increased risk related to potential non-payment.

All of these developments could have a material adverse effect on Cathedral's business, financial condition, results of operations, cash flows, ability to collect on accounts receivable and future impairments of Company assets. The duration and extent of business interruption and the financial impact cannot be reasonably determined and if it continues for an extended period, it could negatively impact Cathedral's ability to continue ongoing operations.

3. Equipment

During the period, there were additions to drilling equipment of 855 (2019 - $1,963).

4. Right of use asset and lease liabilities

Right of use asset - Real Property		March 31 2020		December 31 2019
Balance, start of period		19,590	$	-
Initial recognition		-		22,356
Depreciation		(641)		(2,718)
Impairments and direct write-downs		(6,834)		-
Exchange adjustments		423		(48)
Balance, end of period	$	12,538	$	19,590

Lease liabilities

Lease liabilities		Vehicles		Real Property		Total
Balance, December 31, 2019	$	31	$	20,231	$	20,262
Interest		-		238		238
Disposals		(2)		-		(2)
Payments		(5)		(824)		(829)
Exchange adjustments		-		492		492
Subtotal	$	24	$	20,137	$	20,161
Less current portion		(24)		(2,195)		(2,219)
Lease liabilities, long-term	$	-	$	17,942	$	17,942

The maturity analysis of the undiscounted contractual balances of the lease liabilities is as follows:

In one year or less	$	3,129
In more than one year, but not more than five years		11,773
In more than five years		12,714
Total	$	27,616

5. Impairments and direct write-downs

Review for impairment and direct write-offs

The Company reviews the carrying value of equipment and intangible assets at each reporting period to determine if there are indicators of impairment. The Company determined an impairment test for the sole directional drilling CGU was required as at March 31, 2020 due to the existing and projected decline in drilling activity.

The recoverable amount of the CGU was determined using the discounted cash flow model for value-in-use for the CGU. This was determined based on a detailed budget of revenues for the remainder of 2020 and for 2021 on a quarterly basis which was prepared based upon revenue forecasted by heads of sales departments. The budget was prepared with consultation of senior operating managers and accounting staff based upon existing costs, historical information and anticipated cost reductions. The detailed budget was used to prepare a high level for the next ten years. Variable costs were adjusted based on percentage of sales, while fixed costs were maintained at current levels per activity day.

It is estimated that U.S. operations will experience an approximate 50% decrease in 2020. It is then estimated that activity will remain relatively flat in 2021, but will increase by 25% in 2022. Subsequently, growth rates in 2023 to 2025 range from 5% to 10% and 2% thereafter. For Canada, activity in 2020 is estimated to decrease approximately 55%. It is then estimated that activity will grow by 24% in 2021 and 10% in 2022. Subsequently, growth rates in 2023 to 2025 range from 2.5% to 5% and 2% thereafter

The forecasted cash flows are based on management's best estimates of pricing, activity levels, costs to maintain equipment and a pre-tax discount rate of 17% per annum. A terminal value was used based on the annual growth rate for cash flows through the remainder of the segment's life.

The most sensitive inputs to the value in use model are the discount rate and the U.S. activity growth rate:

- A 0.5% increase in the discount rate would have resulted in an additional impairment of $2.7 million;
- A 1% decrease to U.S. activity growth in each of 2021 and 2022 would have resulted in an additional impairment of $0.9 million

Additionally, there were write-downs of $160 related to intangible projects in progress where there was uncertainty related to commercialization of the project in a reasonable time frame.

6. Operating loan and Loans and borrowings

		March 31 2020		December 31 2019
Current liabilities:				
Operating loan	$	-	$	-
Non-current liabilities:				
Secured revolving term loan		6,000		6,000
Total	$	6,000	$	6,000

At March 31, 2020, the Company's credit facility (the "Facility") consists of a $5 million operating facility and a $15 million extendible revolving credit facility and expires December 31, 2020. The Facility is secured by a general security agreement over all present and future personal property. The Facility provides a definition of EBITDA ("Credit Agreement EBITDA") to be used in calculation of financial covenants.

The financial covenants associated with the Facility are:

Consolidated funded debt to consolidated Credit Agreement EBITDA ratio shall not exceed 3.0:1; and
Consolidated interest coverage ratio shall not be less than 2.5:1.

The Facility bears interest at the financial institution's prime rate plus 0.75% to 2.25% or bankers' acceptance rate plus 1.75% to 3.00% with interest payable monthly. Interest rate spreads for the Facility depend on the level of funded debt compared to the 12 month trailing Credit Agreement EBITDA. The Facility provides a means to lock in a portion of the debt at interest rates through bankers' acceptance ("BA") based on the interest rate spread on the date the BA was entered into.

Compliance with Facility covenants

At March 31, 2020, the Company had drawn $6,000 of its revolving credit facility, $nil of its operating facility and had $4,845 in cash. At March 31, 2020, the Company had consolidated funded debt of $3,049 that includes five outstanding letters of credit ("LOC") which are included in the funded debt calculation. For the trailing twelve months ended March 31, 2020, Credit Agreement EBITDA was $2,483.

The calculation of the financial covenants under the Facility as at March 31, 2020 is as follows:

Covenant	Actual Ratio	Required Ratio
Consolidated funded debt to consolidated Credit Agreement EBITDA ratio	1.2:1	3.0:1 (maximum)
Consolidated interest coverage ratio	6.0:1	2.5:1 (minimum)

The Company was in compliance with all covenants at March 31, 2020.

The Company is in the process of finalizing the following changes to its credit agreement:

- A reduction in facility to $12 million;
- The consolidated funded debt to consolidated Credit Agreement EBITDA ratio is waived from 2020 Q2 through 2021 Q1 (the "covenant relief period");
- The consolidated interest coverage ratio is waived during the covenant relief period if funded debt is no more than $6 million;
- A new funded debt to tangible net worth ("TNW") ratio is in place during the covenant relief period. This ratio is to be no more than 10% for 2020 Q2 and Q3 and no more than 15% in 2020 Q4 and 2021 Q1. TNW is defined as shareholders' equity plus subordinated debt less investments in or amounts owed by any related party which does not constitute subordinated debt;
- During the covenant relief period advances are limited to $10 million;
- During the covenant relief period aggregate capital expenditures (excluding non-cash utilization of existing inventory) for the fiscal year ended December 31, 2020, are not to exceed $2,000,000;
- During the covenant relief period interest increases to bear interest at the financial institution's prime rate plus 1.75% to 3.25% or bankers' acceptance rate plus 3.00% to 4.25% with interest payable monthly; and
- The Borrower has a one-time option to exit the covenant relief period.

The changes have been approved by the Company and its Lender and the final agreement is expected to be completed and signed prior to June 30, 2020.

7. Share capital

Authorized: An unlimited number of common shares and an unlimited number of preferred shares (issuable in series).

Common shares issued:

	Three months ended March 31, 2020 Number		Amount
Issued, beginning and end of period	49,468,117	$	88,155

Basic earnings (loss) per share

The calculation of basic earnings per share for the three months ended March 31, 2020 was based on the loss attributable to common shareholders of $(12,590) (2019 – $(3,624). As there were no changes to issued shares, the issued shares equals the weighted average number of common shares.

Diluted earnings (loss) per share

There is no diluted calculation in 2020 Q1 or 2019 Q1 as the Company incurred a loss. The weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares as follows:

Weighted average number of common shares (diluted)

	Three months ended March 31	
	2020	2019
Weighted average number of common shares (basic)	49,468,117	49,468,117
Effect of share options on issue	-	1,324
Weighted average number of common shares (diluted) at end of period	49,468,117	49,469,441

At March 31, 2020, 2,500,166 options (2019 – 3,040,500 options) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. The average market value of the Company's common shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

8. Revenue

a) Disaggregation of revenue

The following table reconciles revenue by geographic location:

Revenues		2020		2019
Canada	$	7,336	$	7,364
United States		11,959		29,878
Total	$	19,295	$	37,242

b) Seasonality of operations

A portion of the Company's operations are carried on in western Canada where activity levels in the oilfield services industry are subject to a degree of seasonality. Operating activities in western Canada are generally lower during "spring breakup" which normally commences in mid to late March and continues through to May. Operating activities generally decrease in the fall and peak in the winter months from December until mid to late March. Additionally, volatility in the weather and temperatures not only during this period, but year round, can create additional unpredictability in operational results. Activity levels in the oil and natural gas basins in the U.S. are not subject to the seasonality to the same extent that it occurs in the western Canada region.

9. Commitments

In the normal course of business, the Company incurs contractual obligations and those obligations are disclosed in the Company's MD&A for the year ended December 31, 2019. As at March 31, 2020, the Company's has no commitment to purchase equipment.

The Company has issued the following six LOC:

- three securing rent payments on property leases and renew annually with the landlords. Two LOCs total $700 CAD for the first ten years of the lease and then reduces to $500 for the last five years of the lease. The third LOC is currently for $542 USD and increases annually based upon annual changes in rent;
- $75 USD issued for U.S. workers compensation coverage; and
- two securing the Company's corporate credit cards in the amounts of $75 CAD and $175 USD.

10. Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Carrying amount

		March 31 2020		December 31 2019
Canada	$	6,050	$	4,911
United States		8,965		9,891
Total	$	15,015	$	14,802

The aging of trade receivables at the reporting date was:

		March 31, 2020		December 31, 2019
Not past due	$	12,481	$	11,375
Past due 61-90 days		586		2,534
Past due over 91 days		2,053		1,507
Total gross	$	15,120	$	15,416
Allowance for doubtful accounts		(105)		(614)
Accounts receivable	$	15,015	$	14,802

The Company has a total allowance for impairment of $105 at March 31,2020 (December 31, 2019 - $614). The movement in the allowance for impairment in respect of trade receivables during 2020 was as follows:

		2020
Balance, beginning of period	$	614
Current year provisions		46
Receivables written-off against the provision		(555)
Reversals of losses previously recognized		-
Balance, end of period	$	105

For the period ended March 31, 2020 a provision for doubtful accounts of $46 (December 31, 2019 - $555) was recognized relating to customers that have been unable to make payments in accordance with normal terms and conditions, mainly due to economic circumstances. The Company believes that the unimpaired amounts that are past due are still collectible, based on historic payment behavior, payments made after quarter end and an analysis of the underlying customers' ability to pay.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

11. Comparative figures

Certain comparative figures have been reclassified to conform to current year presentation.