ClearStream Announces Third Quarter 2016 Financial Results

Toronto – November 9, 2016 – ClearStream Energy Services Inc. ("ClearStream", TSX: CSM and CSM.DB.A), formerly Tuckamore Capital Management Inc., today announced its results for the three and nine months ended September 30, 2016.

On October 13, 2016, Tuckamore Capital Management Inc. announced that it had filed articles of amendment changing its name to "ClearStream Energy Services Inc." The shareholder approval required to authorize the change in the Company's name was obtained at the Company's annual and special meeting held on June 17, 2016. The Company's listed securities, consisting of the Company's common shares and its outstanding 10.0% second lien secured convertible debentures due 2026, began trading under the new name on October 18, 2016 under the trading symbols of "CSM" and "CSM.DB.A" respectively.

Third Quarter 2016 Highlights

- The effect of the Fort McMurray fires continued to impact ClearStream's operations and people during the third quarter. We expect the financial impact of the fires will extend into the fourth quarter as many of our customers defer project and maintenance capital into 2017 to help offset the costs incurred relating to the fires. Overall, we anticipate that the total financial impact of the fires on ClearStream's business will be lost revenue of at least $35.0 million.
- Insurance recoveries of $0.6 million relating to lost profits from the fires were recorded during the third quarter of 2016. We continue to work with our insurers to recover as much of the lost profits as possible under the terms of our business interruption coverage.
- The operating environment continues to be challenging as low oil and gas prices have led to reduced spending by our customers. The industrial maintenance services industry also remains very competitive and the excess supply of services combined with reduced demand has led to price reductions for all of ClearStream's service lines.
- Significant cost reductions have lessened the impact of lower pricing and demand on our financial results; when adjusting for the impact of the fires, our cost reductions have been consistent with revenue reductions. Overall, our fixed costs have declined by 40% compared to the start of 2015.
- The market has started to show signs of improvement with our customer group indicating a modest capital spending increase in 2017 relative to 2016. As a result, we believe that maintenance and turnaround spending will increase in 2017 given the significant amount of deferrals that occurred in 2016
- ClearStream has undergone significant changes to senior management throughout the past 12 months and relocated its corporate office to Calgary, AB.
- With the experience and strength of the new leadership team, substantial reductions to our cost structure, and focus on new business development, we are confident in our ability to execute as market conditions improve in 2017.

Overview of Results

($ millions, except per share amounts)	Q3 2016	Q3 2015	9 months 2016	9 months 2015
		Restated[1]		Restated[1]
Revenue	67.8	116.7	197.7	327.2
Gross profit	6.8	18.4	17.6	45.1
Selling, general & administrative expenses	(3.4)	(6.0)	(12.3)	(15.8)
(Loss) income from continuing operations	(4.6)	3.7	(26.1)	3.6
EBITDA	2.9	11.8	(2.7)	26.9
Adjusted EBITDA	3.0	12.6	5.3	30.0
(Loss) income per share from continuing operations, basic	(0.04)	0.03	(0.24)	0.03

[1] Adjusted for discontinued operations and reclassification of certain selling, general and administrative expenses of ClearStream to cost of revenues.

Revenue for the three and nine-month periods ended September 30, 2016 was $67.8 million and $197.7 million, compared to $116.7 million and $327.2 million produced during the same periods in 2015. Gross profit for three and nine months ended September 30, 2016 was $6.8 million and $17.6 million representing a gross profit margin of 10.0% and 8.9%. For the same periods in the prior year, the Company reported gross profit of $18.4 million and $45.1 million representing a gross profit margin of 15.8% and 13.8% percent. Adjusted EBITDA was $3.0 million and $5.3 million for the three and nine months ended September 30, 2016, compared to $12.6 million and $30.0 million for the corresponding periods in 2015. The loss from continuing operations for the three and nine months ended September 30, 2016 was ($4.6) million and ($26.1) million compared to income of $3.7 million and $3.6 million for the same periods in the prior year.

Segment Review

Given the significant change in ClearStream's organizational structure in the first quarter of 2016, the Company considered and concluded that there was a change in reportable segments. The reportable segments discussed below, represent the reportable segments that the chief operating decision makers consider when reviewing the performance of ClearStream and deciding where to allocate resources.

Adjusted EBITDA $000s	Q3 2016	Q3 2015	2016 vs. 2015
ClearStream Industrial Services			
Maintenance and Construction	5,431	10,735	(5,304)
Wear, Fabrication & Transportation	1,295	6,940	(5,645)
Adjusted EBITDA from portfolio operations	$ 6,726	$ 17,675	$ (10,949)
Corporate	(3,724)	(5,067)	1,343
Adjusted EBITDA from operations	$ 3,002	$ 12,608	$ (9,606)

MAINTENANCE AND CONSTRUCTION SERVICES

The Fort McMurray fires continued to impact the maintenance and construction division with estimated lost revenue of $28.0 million during the nine months ended September 30, 2016 and $5.0 million during the third quarter of 2016. In addition, although ClearStream completed several significant turnarounds during the third quarter, turnaround activity was substantially lower compared to the third quarter of 2015. Ongoing weakness in oil and gas prices continued to lead to maintenance and turnaround deferrals as well as customer pressure to lower prices. Pricing declines and lower revenue have led to the declines in adjusted EBITDA margins. These factors were partially offset by cost control efforts that were realized during the third quarter.

FABRICATION, WEAR AND TRANSPORATION SERVICES

Demand for ClearStream's Wear services is driven largely by pipeline maintenance requirements for customers operating in the Alberta oilsands. The Fort McMurray fires continued to negatively impact the Wear business during the third quarter with estimated lost revenue of $3.0 million directly caused by the fires. The year-to-date financial impact of the fires on the Wear business revenue is estimated to be a minimum of $6.0 million. Pipeline maintenance deferrals also impacted the revenue of the Wear division during the third quarter.

Fabrication demand is largely based on pipeline and infrastructure project activity. Pipeline approval delays combined with weak infrastructure project activity levels have led to the significant decline in Fabrication revenue.

The services provided by the transportation division are largely related to the transportation of drilling and completions material and equipment. As a result of weak drilling and completion activity, demand for ClearStream's transportation services is down in 2016 relative to 2015.

Adjusted EBITDA profit margins for the segment declined due to lower pricing and revenue, which led to lower operating leverage on fixed costs. Fixed costs for the Wear, Fabrication, and Transportation segment are generally higher than our other segment due to facilities and equipment needed to provide services. We have reduced fixed costs for this segment by 17% in 2016 relative to 2015, and we expect to implement further fixed cost reductions going forward.

CORPORATE

Selling, general & administrative ("SG&A") costs decreased for the three and nine months ended September 30, 2016 in comparison to the same periods in 2015. Reductions in people, facility and discretionary costs have led to the decline in corporate SG&A costs.

FOURTH QUARTER 2016 OUTLOOK

Revenue for the fourth quarter of 2016 is expected to be slightly lower compared to the third quarter of 2016. An increase in revenue in the Fort McMurray region, due to a recovery in activity levels from the May 2016 fires, is expected to be more than offset by a decline in customer spending, outside of the Fort McMurray region, near the end of 2016 as our customers' complete 2016 capital spending budgets. In addition, Fabrication demand is expected to remain weak during the fourth quarter due to continued project and pipeline delays and deferrals. Fourth quarter EBITDA is also expected to be down compared to the third quarter of 2016 due to the decrease in revenue; however, the impact of lower revenue is expected to be partially offset by the realization of cost cutting measures implemented throughout 2016.

Compared to 2015, revenue for the fourth quarter of 2016 is expected to be down substantially due to pricing and activity declines across all segments. However, EBITDA in the fourth quarter is expected to be relatively consistent on a year-over-year basis as cost reductions offset the impact of lower revenue.

About ClearStream Energy Services Inc.

ClearStream is a fully integrated provider of upstream, midstream and downstream production services to the energy industry in Western Canada. For more information about ClearStream, please visit www.ClearStreamEnergy.ca.

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Forward-looking information
This MD&A contains certain forward-looking information. Certain information included in this MD&A may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results and may include statements or information regarding the future plans or prospects of ClearStream and reflects management's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of ClearStream. Without limitation, information regarding the future operating results and economic performance of ClearStream constitute forward-looking information. Such forward-looking information reflects management's current beliefs and is based on information currently available to management of the Company. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information including risks related to investments, conditions of capital markets, economic conditions, commodity prices, dependence on key personnel, limited customer bases, interest rates, regulatory change, ability to meet working capital requirements and capital expenditures needs, factors relating to the weather and availability of labour. These factors should not be considered exhaustive. In addition, in evaluating this information, investors should specifically consider various factors, including the risks outlined under "Risk Factors," which may cause actual events or results to differ materially from any forward-looking statement. In formulating forward-looking information herein, management has assumed that business and economic conditions affecting ClearStream will continue substantially in the ordinary course, including without limitation with respect to general levels of economic activity, regulations, taxes and interest rates. Although the forward-looking information is based on what management of ClearStream consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management's assumptions may prove to be incorrect. This forward-looking information is made as of the date of this MD&A, and ClearStream does not assume any obligation to update or revise it to reflect new events or circumstances except as required by law. Undue reliance should not be placed on forward-looking information. ClearStream is providing the forward-looking financial information set out in this MD&A for the purpose of providing investors with some context for the "Fourth Quarter 2016 Outlook" presented. Readers are cautioned that this information may not be appropriate for any other purpose.

Non-standard measures
The terms ''EBITDA'' and "Adjusted EBITDA" (collectively the ''Non-IFRS measures'') are financial measures used in this MD&A that are not standard measures under IFRS. ClearStream's method of calculating Non-IFRS measures may differ from the methods used by other issuers. Therefore, ClearStream's Non-IFRS measures, as presented may not be comparable to similar measures presented by other issuers.

EBITDA refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense and income tax expense (recovery). EBITDA is used by management and the directors of ClearStream (the "Directors") as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDA to monitor the performance of ClearStream's reportable segments and believes that in addition to net income or loss and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures and income taxes. ClearStream has provided a reconciliation of income (loss) from continuing operations to EBITDA in its consolidated financial statements and MD&A.

Adjusted EBITDA refers to EBITDA excluding the interest, taxes, depreciation and amortization of long-term investments, write-down of goodwill, gain from disposal of assets held for sale, restructuring costs and gain on sale of long-term investment. ClearStream has used Adjusted EBITDA as the basis for the analysis of its past operating financial performance. Adjusted EBITDA is used by ClearStream and management believes it is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures, and income taxes. Adjusted EBITDA is a measure that management believes facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors. ClearStream has provided a reconciliation of income (loss) from continuing operations to Adjusted EBITDA in its MD&A.

Investors are cautioned that the Non-IFRS Measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the shares. These Non-IFRS measures should only be used in conjunction with the financial statements included in the MD&A and ClearStream's annual audited consolidated financial statements available on SEDAR at www.sedar.com or www.clearstreamenergy.ca.

CLEARSTREAM ENERGY SERVICES INC.
(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)
Consolidated Interim Balance Sheets
(In thousands of Canadian dollars)
(unaudited)

		September 30, 2016		December 31, 2015
Assets				
Current Assets:				
Cash and cash equivalents	$	6,983	$	24,409
Cash and short-term investments held in trust		980		4,380
Accounts receivable		51,515		76,089
Inventories		3,628		3,114
Prepaid expenses		2,503		2,357
Other current assets		1,114		114
Assets held for sale		-		54,310
Total current assets	$	66,723	$	164,773
Property, plant and equipment		25,357		30,873
Long-term investments		632		8,000
Goodwill		22,288		30,988
Intangible assets		16,446		18,904
Other assets		6,381		-
Total assets	$	137,827	$	253,538
Liabilities and Shareholders' Deficit				
Current liabilities:				
Accounts payable and accrued liabilities		23,920		32,132
Current portion of obligations under finance leases		4,391		4,685
Senior credit facility		-		58,482
Secured Debentures		-		174,311
Liabilities related to assets held for sale		-		42,637
Total current liabilities	$	28,939	$	312,247
Obligations under finance leases		3,699		6,347
Senior secured debentures		171,563		-
Convertible secured debentures		24,282		-
Shareholders' deficit		(90,656)		(65,056)
Total liabilities & shareholders' deficit	$	137,827	$	253,538

CLEARSTREAM ENERGY SERVICES INC.
(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)
Consolidated Interim Statements of Loss and Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)
(unaudited)

	Three months ended September 30, 2016	Three months ended September 30, 2015 Restated[1]	Nine months ended September 30, 2016	Nine months ended September 30, 2015 Restated[1]
Revenues	$ 67,773	$ 116,662	$ 197,748	$ 327,166
Cost of revenues	(60,949)	(98,255)	(180,143)	(282,099)
Gross profit	6,824	18,407	17,605	45,067
Selling, general and administrative expenses	(3,356)	(6,037)	(12,312)	(15,834)
Amortization of intangible assets	(716)	(1,412)	(2,518)	(4,229)
Depreciation	(1,533)	(1,993)	(4,667)	(6,011)
Income (loss) from long-term investments	62	(478)	(93)	229
Interest expense, net	(5,239)	(6,032)	(16,184)	(17,778)
Gain on sale from assets held for sale	212	-	1,326	-
Restructuring costs	(344)	(282)	(344)	(2,889)
Other income	623	-	623	-
Gain (loss) on sale of property, plant and equipment	(1,155)	149	(822)	347
Write-down of goodwill	-	-	(8,700)	-
(Loss) income from continuing operations	$ (4,622)	$ 2,321	$ (26,086)	$ (1,098)
Income tax expense - current	(2)	(77)	(21)	(96)
Income tax recovery - deferred	-	1,430	-	4,800
(Loss) income from continuing operations	$ (4,624)	$ 3,675	$ (26,107)	$ 3,606
Loss from discontinued operations (net of income taxes)	$ (715)	$ (10,025)	$ (6,765)	$ (20,645)
Net loss and comprehensive loss	$ (5,339)	$ (6,350)	$ (32,872)	$ (17,039)

(Loss) income per share	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Basic and diluted:				
Continuing operations	$ (0.04)	$ 0.03	$ (0.24)	$ 0.03
Net loss	$ (0.05)	$ (0.06)	$ (0.30)	$ (0.15)

CLEARSTREAM ENERGY SERVICES INC.
(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)
Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
(unaudited)

		Nine months ended September 30, 2016		Nine months ended September 30, 2015 Restated[1]
Cash provided by (used in):				
Operating activities:				
Net loss for the period	$	(32,872)	$	(17,039)
(Income) loss from discontinued operations (net of income tax)		6,765		20,645
Items not affecting cash:				
Amortization of intangible assets		2,518		4,229
Depreciation		4,667		6,011
Deferred income tax recovery		-		(4,800)
Income from equity investments, net of cash received		(93)		(119)
Non-cash interest expense		2,332		5,568
Amortization of deferred financing costs		288		344
Write down of goodwill		8,700		-
Gain on sale of assets held for sale		(1,326)		-
(Gain) loss on sale of property, plant and equipment		822		(347)
Changes in non-cash working capital		10,302		(19,405)
Advances to discontinued operations		(4,363)		-
Cash provided by discontinued operations		-		180
Total cash used in operating activities	$	(2,259)	$	(4,733)
Investing activities:				
Purchase of property, plant and equipment		(1,168)		(2,720)
Net proceeds on disposal of property, plant and equipment		1,560		1,343
Purchase of software		(65)		-
Proceeds on the disposition of business		14,800		5,050
Cash used in discontinued operations		-		(214)
Total cash provided by investing activities	$	15,127	$	3,459
Financing activities:				
Decrease in cash held in trust		3,400		270
Proceeds from the issuance of the senior secured debentures (note 5)		176,228		-
Proceeds from the issuance of the convertible secured debentures (note 5)		35,000		-
Repayment of the senior credit facility (note 5)		(58,735)		(8,934)
Repayment of the 8.00% secured debentures (note 5)		(176,228)		-
Refinancing fees (ABL Facility, senior and convertible secured debentures) (note 5)		(10,216)		-
Repayment of obligations under finance leases		(4,143)		(4,208)
Changes in non-cash financing activities		4,400		-
Cash used in discontinued operations (note 2)		-		(823)
Total cash used in financing activities	$	(30,294)	$	(13,695)
Decrease in cash		(17,426)		(14,969)
Cash, beginning of the year - continuing operations		24,409		23,669
Cash, beginning of the year - discontinued operations		-		(1,088)
Cash, end of period	$	6,983	$	7,612
Cash, end of period - continuing operations		6,983		9,557
Cash, end of period - discontinued operations		-		(1,945)
Supplemental cash flow information:				
Interest paid		9,749		8,516
Supplemental disclosure of non-cash financing and investing activities:				
Acquisition of property, plant and equipment through finance leases		426		764