

ClearStream Announces Second Quarter 2021 Financial Results

Recovery continues with second quarter revenues 17.5% higher than first quarter

Calgary, Alberta (July 29, 2021) – ClearStream Energy Services Inc. ("ClearStream" or the "Company") (TSX: CSM) today announced its results for the three and six months ended June 30, 2021. All amounts are in Canadian dollars and expressed in thousands of dollars unless otherwise noted.

"EBITDAS" and "Adjusted EBITDAS" are not standard measures under IFRS. Please refer to the Advisory regarding Non-Standard Measures at the end of this press release for a description of these items and limitations of their use.

"We delivered a solid second quarter in 2021 as the recovery that commenced in the second half of 2020 continued with revenues in Q2 2021 increasing by 19.2% from Q2 2020 and 17.5% from Q1 2021. The revenue increase was driven by customers increasing oil and gas production as the recovery in commodity prices continued. Gross profit margins improved in Q2 2021 due to continued aggressive cost management," said Yves Paletta, Chief Executive Officer.

"While our customers remain cautious, the continued improvement in oil and natural gas prices during the second quarter of 2021 and the rollout of vaccinations provide for a more optimistic outlook for our sector. While we have seen an increase in bidding activity as our service offerings align well with current market needs, customers have so far remained cautious with increasing operational spending. We believe that activity levels will continue to recover in the second half of 2021 and into 2022," added Mr. Paletta.

HIGHLIGHTS

- Revenues for the three months ended June 30, 2021 were \$96.6 million, representing an increase of \$15.6 million or 19.2% from Q2 2020 and an increase of \$14.4 million or 17.5% from Q1 2021.
- Gross profit margin for the three months ended June 30, 2021 was 10.8%, as compared to 7.4% in Q2 2020 and 9.8% in Q1 2021.
- Adjusted EBITDAS for the three months ended June 30, 2021 was \$4.4 million, representing an increase of \$2.6 million or 138.6% from Q2 2020 and an increase of \$2.2 million or 99.6% from Q1 2021.
- Selling, general and administrative expenses for the three months ended June 30, 2021 were \$6.6 million, representing an increase of \$1.9 million or 39.6% from Q2 2020 and an increase of \$0.6 million or 10.3% from Q1 2021.
- Liquidity remained strong with total cash and available credit facilities of \$51.7 million at June 30, 2021.
- New project awards and contract renewals were \$78 million for the three months ended June 30, 2021 and \$17 million for the month of July 2021. Approximately 70% of that work is expected to be completed in the next 12 months.

Maintenance and Construction Services

Activity levels for maintenance and construction services in the second quarter increased from the first quarter of 2021, as turnaround activities were scheduled and executed during this quarter. Revenues from maintenance and construction services in Q2 2021 were 18.0% higher than Q1 2021 and 17.7% higher than Q2 2020, which was significantly affected by the pandemic.

With the continuing recovery in world oil prices combined with on-going strength in North American natural gas prices, bidding activity for new work accelerated towards the end of 2020 and has continued to be very active in 2021. We remain focused on consolidating various scopes of work with existing customers by adding additional services to enable more efficient execution and lower costs for our customers on each work site.

During the second quarter, the joint venture with Fort McMurray First Nations to provide heavy equipment operators in North Eastern Alberta was expanded to include other services. This joint venture will leverage the experience and strengths of both parties for mutual benefit and growth.

Wear Technology Overlay Services

The recovery in activity levels that we experienced in Q1 2021 continued in Q2 2021 with revenues up 14.0% from Q1 2021 and up 46.3% from the pandemic low experienced in Q3 2020. With the recovery in world oil prices, we are seeing customers increase their production outlook for 2021, which should result in an increase in demand for wear technology overlay services.

Environmental Services

We are actively pursuing opportunities with our customers to secure funding under the federal and provincial programs for the closure and reclamation of oil and gas wells, pipelines and facilities in British Columbia, Alberta and Saskatchewan. We expect the pace at which funding under these programs is released to accelerate in 2021 and 2022. In addition, we are seeing oil and gas companies increase their own expenditures for reclamation and remediation activities.

SECOND QUARTER 2021 FINANCIAL RESULTS

(\$ millions, except per share amounts)	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Revenue						
Maintenance and Construction Services	87.3	74.1	17.7 %	161.3	189.5	(14.9)%
Wear Technology Overlay Services	9.8	7.4	32.5 %	18.3	19.1	(4.2)%
Total	96.6	81.0	19.2 %	178.8	207.8	(14.0)%
Gross Profit						
Maintenance and Construction Services	7.6	5.3	42.7 %	13.5	12.1	11.7 %
Wear Technology Overlay Services	2.9	0.7	297.4 %	5.0	3.3	52.4 %
Total	10.4	6.0	73.1 %	18.5	15.4	20.4 %
% of revenue	10.8 %	7.4 %	3.4 %	10.3 %	7.4 %	3.0 %
Selling, general and administrative expenses	6.6	4.7	39.6 %	12.6	11.4	9.8 %
% of revenue	6.8 %	5.8 %	1.0 %	7.0 %	5.5 %	1.5 %
Adjusted EBITDAS						
Maintenance and Construction Services	7.8	5.4	43.4 %	13.6	12.0	13.4 %
Wear Technology Overlay Services	2.8	0.8	251.1 %	4.9	3.2	51.6 %
Corporate	(6.1)	(4.4)	40.5 %	(11.8)	(10.7)	10.4 %
Total	4.4	1.9	138.6 %	6.7	4.5	47.8 %
% of revenue	4.6 %	2.3 %	2.3 %	3.7 %	2.2 %	1.6 %
Income (loss) from continuing operations	0.5	1.3	(62.1)%	(7.1)	(8.0)	(11.2)%
Net income (loss) per share (dollars) from continuing operations (basic and diluted)	—	0.01	(62.1)%	(0.06)	(0.07)	(11.2)%

Note: (1) "Adjusted EBITDAS" is not a standard measure under IFRS. Please refer to the Advisory regarding Non-Standard Measures at the end of this press release for a description of this measure and limitations of its use.

2021 SUMMARY RESULTS COMMENTARY

Revenue for the three and six months ended June 30, 2021 was \$96,596 and \$178,800 compared to \$81,037 and \$207,836 for the same periods in 2020, representing an increase of 19.2% and decrease of 14.0%. The decrease in the six months ended June 30, 2021, in comparison to the same period in 2020, was driven by the macro-economic uncertainties and the economic impacts of the COVID-19 pandemic which started in mid-March 2020 and extended through Q1 2021. However, we have started to see a stabilization of the business and an increase

in activity represented by revenue for the three months ended June 30, 2021, which increased by 19.2% in comparison to the three months ended June 30, 2020, 14.3% in comparison to the three months ended December 31, 2020, and 17.5% in comparison to the three months ended March 31, 2021.

Gross profit for the three and six months ended June 30, 2021 was \$10,440 and \$18,485 compared to \$6,030 and \$15,350 for the same periods in 2020, representing an increase of 73.1% and 20.4%. Gross profit margin for the three and six months ended June 30, 2021 was 10.8% and 10.3% compared to 7.4% for the same periods in 2020 and 9.9% for the three months ended December 31, 2020. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins across the whole business, we took immediate steps to adjust our cost structures. These mitigation measures have improved operational flexibility and reduced the fixed costs associated with ClearStream's operations as shown by the increase in gross profit margins.

Selling, general and administrative ("SG&A") expenses for the three and six months ended June 30, 2021 were \$6,586 and \$12,554, in comparison to \$4,717 and \$11,433 for the same periods in 2020, representing an increase of 39.6% and 9.8%. As a percentage of revenue, SG&A expenses for the three and six months ended June 30, 2021 were 6.8% and 7.0% compared to 5.8% and 5.5% for the same periods in 2020. In response to reduced operational volumes and macro-economic uncertainty in 2020, we focussed on right sizing our SG&A cost structures and a hold was put on all discretionary spending. However, as revenue and margins have started stabilizing throughout 2021, investments are being made now to support our enterprise systems and digital strategy to drive longer-term efficiencies and competitiveness in the future.

For the three and six months ended June 30, 2021, Adjusted EBITDAS was \$4,448 and \$6,677 compared to \$1,864 and \$4,517 for the same periods in 2020. As a percentage of revenue, Adjusted EBITDAS was 4.6% and 3.7% for the three and six months ended June 30, 2021 compared to 2.3% and 2.2% for the same periods in 2020. Adjusted EBITDAS as a percentage of revenue increased due to gross profit margin increases being realized in both the Maintenance and Construction Services segment and the Wear Technology Overlay Services segment.

Income from government subsidies includes the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") received from the Government of Canada to assist with the payment of employee wages and rent as a result of the impact of the COVID-19 pandemic. During the three and six months ended June 30, 2021, the Company qualified for both CEWS and CERS and recorded total subsidies of \$4,415 and \$11,170 compared to \$8,576 for both comparative periods in 2020.

Income from continuing operations for the three months ended June 30, 2021, was \$494 compared to \$1,303 for the same period in 2020. Loss from continuing operations for the six months ended June 30, 2021 was \$7,076 compared \$7,968 for the same period in 2020. The income variance was driven by the government subsidies received in 2020 and 2021 and the recovery of the share-based compensation and other long-term incentive plans in 2020, offset by the impairment of right-of-use assets in 2021 and goodwill in 2020.

LIQUIDITY AND CAPITAL RESOURCES

ClearStream has an asset-based lending facility (the "ABL Facility") comprised of (i) a revolving credit facility providing for maximum borrowings up to \$15.0 million (the "Revolving Facility") and (ii) a term loan facility providing for maximum borrowings of up to \$40.5 million (the "Term Loan Facility"). The Revolving Facility matures on March 31, 2022 and the Term Loan Facility matures 180 days thereafter. As at June 30, 2021, the Company had \$8.8 million of available capacity under the Revolving Facility, \$40.5 million drawn on the Term Loan Facility and \$41.0 million of cash on hand.

The Company anticipates that its liquidity (cash on hand and available credit facilities) and cash flow from operations will be sufficient to meet its short-term contractual obligations, maintain compliance with its financial covenants, and maintain a positive cash position through June 30, 2022.

As at June 30, 2021 and December 31, 2020, issued and outstanding share capital included 109,992,668 common shares, 127,735 Series 1 preferred shares, and 40,111 Series 2 preferred shares.

The Series 1 preferred shares (having an aggregate value of \$127.735 million) are convertible at the option of the holder into common shares at a price of \$0.35/share and the Series 2 preferred shares (having an aggregate value of \$40.111 million) are convertible into common shares at a price of \$0.10/share.

The Series 1 and Series 2 preferred shares have a 10% fixed cumulative preferential cash dividend payable when the Company has sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The board of directors of the Company does not intend to declare or pay any cash dividends until such times as the Company's balance sheet and liquidity position supports the payment. As at June 30, 2021, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled \$51.4 million. Any accrued and unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 and Series 2 preferred shares.

OUTLOOK

The accelerating rollouts of Covid-19 vaccinations in many major economies and the widespread fiscal responses to the economic crisis are boosting the outlook for economic growth and leading to a rebound in energy demand in 2021. As such, the current environment is a relatively positive outlook for the oil and gas sector as many exploration and production (E&P) companies substantially reduced fixed costs through the downturn, which, when combined with increased revenue from higher commodity prices, is forecast to significantly boost earnings and cash flow in 2021/2022. However, it is anticipated this will not lead to an immediate increase in activity as E&P companies are prioritizing debt repayment and increasing returns to shareholders.

However, we are expecting over the next few quarters with the recovery in world oil prices that our customers who are involved in the energy sector will continue to realize higher cash flows, and increase their spending to address maintenance projects and asset retirement obligations that have been deferred in the last few years as they prioritize asset management and integrity services to increase operational reliability.

With energy transition and environmental considerations becoming increasingly important for all stakeholders in the energy sector, our customers will focus on improving their operational processes for greater efficiencies and reliability.

To better support our customers, ClearStream has continued to add new service offerings that encompass the full asset lifecycle and is now offering a suite of more than 40 services. Through the extensive regional coverage provided by our 15 operating facilities, we believe that ClearStream is well-positioned to consolidate further multiple services required at various operating sites while generating efficiencies and cost reductions for its customers.

ClearStream's business model continues to prove its resilience as we are working closely with our customers everyday in helping them to effectively manage their operations.

Additional Information

Our unaudited condensed interim consolidated financial statements for three and six months ended June 30, 2021 and the related Management's Discussion and Analysis of the operating and financial results can be accessed on our website at www.clearstreamenergy.ca and will be available shortly through SEDAR at www.sedar.com.

About ClearStream Energy Services Inc.

With a legacy of excellence and experience stretching back more than 50 years, ClearStream provides solutions for the Energy and Industrial markets including: Oil & Gas, Petrochemical, Mining, Power, Agriculture, Forestry, Infrastructure and Water Treatment. With offices strategically located across Canada and a dedicated workforce, we provide maintenance, construction and environmental services that keep our clients moving forward. For more

information about ClearStream, please visit www.clearstreamenergy.ca or contact:

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Advisory regarding Forward-Looking Information

Certain information included in this MD&A may constitute “forward-looking information” within the meaning of Canadian 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. This press release contains forward-looking information relating to: our business plans, strategies and objectives; the effects of the COVID-19 pandemic on global commerce and oil prices; that customers will remain cautious regarding their spending plans; that activity levels will recover in the second half of 2021 and into 2022; contract renewals and project awards, including the estimated value thereof and the timing of completing the associated work; that the demand for wear technology overlay services will increase as customers increase production levels; that the pace at which funding under federal and provincial programs for the closure and reclamation of oil and gas wells, pipelines and facilities is released will accelerate in 2022; that the adjustments to our cost structures have improved operational flexibility and reduced the fixed costs associated with our operations; that the investments being made to support our enterprise systems and digital strategy will drive longer-term efficiencies and competitiveness; the sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations, maintain compliance with our financial covenants and maintain a positive cash position through June 30, 2022; that governments will start to re-open their economies as the rate of vaccinations increases; that our customers who are involved in the energy industry will begin to increase their spending and address maintenance projects that have been deferred as they realize higher cash flows from the recovery in world oil prices; that activity levels will recover in the second half of 2021 as customers prioritize asset management and integrity services to increase operational reliability; that our customers will focus on improving their operational processes; and that we are well-positioned to consolidate further multiple services while generating efficiencies and cost reductions for our customers.

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, but not limited to, the success of our response to the COVID-19 global pandemic, risks related to the integration of acquired businesses, conditions of capital markets, economic conditions, commodity prices, dependence on key personnel, interest rates, regulatory change, ability to meet working capital requirements and capital expenditure needs, factors relating to the weather and availability of labour. These factors should not be considered exhaustive. Risks and uncertainties about ClearStream’s business are more fully discussed in ClearStream’s disclosure materials, including its annual information form and management’s discussion and analysis of the operating and financial results, filed with the securities regulatory authorities in Canada and available at www.sedar.com. In formulating the forward-looking information, 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 press release, 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. Forward-looking information is provided for the purpose of providing information about management’s current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes.

Advisory regarding Non-Standard Measures

The terms “EBITDAS” and “Adjusted EBITDAS” (collectively, the “Non-standard measures”) are financial measures used in this press release that are not standard measures under IFRS. ClearStream’s method of calculating Non-Standard Measures may differ from the methods used by other issuers. Therefore, ClearStream’s Non-Standard Measures, as presented may not be comparable to similar measures presented by other issuers.

EBITDAS refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery), share-based compensation, and other long-term incentive plans. EBITDAS is used by management and the directors of ClearStream as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDAS 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, EBITDAS 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 EBITDAS in its management’s discussion and analysis of the operating and financial results for the three and six months ended June 30, 2021.

Adjusted EBITDAS refers to EBITDAS excluding the gain on sale of assets held for sale, impairment of goodwill and intangible assets, restructuring costs, gain on sale of property, plant and equipment, recovery of contingent consideration liability, other loss, one time incurred expenses, impairment of right-of-use assets, bargain purchase gain, gain on remeasurement of right-of-use assets, and government subsidies. ClearStream has used Adjusted EBITDAS as the basis for the analysis of its past operating financial performance. Adjusted EBITDAS 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 EBITDAS 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 EBITDAS in its management's discussion and analysis of the operating and financial results for the three and six months ended June 30, 2021.

Investors are cautioned that the Non-Standard 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-Standard Measures should only be used with reference to ClearStream's consolidated interim and annual financial statements available on SEDAR at www.sedar.com or on ClearStream's website at www.clearstreamenergy.ca.