ClearStream

Helping Customers Bring Resources to Our World.

MESSAGE TO SHAREHOLDERS

2019 was a defining year for ClearStream with a significant step change in our overall size and growth trajectory. As outlined in our strategic roadmap established in 2018, ClearStream completed the acquisition of (i) certain assets of the production services division of AECOM Production Services Ltd. (the "AECOM PSD Business") and (ii) all of the shares of Universal Weld Overlays Inc. ("UWO") at the end of June 2019. These acquisitions support our vision to be recognized as the most trusted provider of industrial and asset integrity services to improve our customers' facilities and operations in a safe, efficient and cost effective manner. The acquisitions are complementary to our existing business with limited or no overlap in terms of clients, geographies and service lines, and offer significant cross-selling opportunities. ClearStream can now provide a full service offering to address our customers' maintenance and asset integrity requirements. We are proud to offer and serve our clients with a suite of 38 services that encompass the full asset lifecycle.

Overall demand for our services in conjunction with market share gains obtained throughout 2019, led ClearStream to achieving a 72% improvement of revenue compared to the low revenue level in 2016 following the oil and gas downturn. In 2019, revenues totalled $464.3 million, representing an increase of $85.9 million or 23% over 2018, and Adjusted EBITDAS totalled $26.3 million, representing an increase of $18.6 million or 240% over 2018 (which did not include any impact from the adoption of IFRS 16 (Leases)). In the fourth quarter of 2019, ClearStream announced contract renewals and project awards representing over $250 million of new backlog. This is the 4th year in a row with a 100% contract renewal rate.

The competitive landscape over the last 12 months remained high as market conditions continued to be uncertain due to the current geo-political macro environment, take away capacity concerns as well as the political and regulatory environment in Western Canada. With continued consolidation of oil and gas exploration and production companies and extensive regional coverage provided by its 13 district offices, ClearStream is well-positioned to effectively compete against both larger competitors that focus on industrial and infrastructure capital expenditures and smaller regional players that lack the depth of service offerings in multiple geographies.

Through our strong health, safety and environment ("HSE") management system, ClearStream demonstrated its commitment to maintain a safe and respectful work environment for our employees and clients. Thanks to active participation by all our employees, front line supervision and leadership teams, ClearStream ended the year with a Total Recordable Injury Frequency of 0.42. This has been achieved in spite of an increase in working hours from 2018, and by aligning the employees who joined us through the acquisitions with our HSE standards and expectations.

In 2019, we also announced various organizational changes, transfers, and promotions within our business to better support the entire organization and allow our employees to experience personal development and mobility. In addition, we have also accelerated our focus on internal business process improvements and automation in order to improve employee/customer experience, gain operational efficiency, reduce costs, accelerate cash conversion, and prepare for future growth.

We saw the immediate benefits of the acquisitions of the AECOM PSD Business and UWO in our third and fourth quarter 2019 results. The acquisitions, in combination with organic growth in our core business, should allow ClearStream to operate with increased profitability and cash flow generation going forward.

Overall, ClearStream is well-positioned to deliver value and growth, with improving results, significant cross-selling opportunities, strong customer relationships, recurring and stable revenues tied to our customers' operational expenditures, and an experienced Senior Leadership Team.

Thank you for your continued support.

Yves Paletta

Chief Executive Officer

Management's Discussion and Analysis

March 4, 2020

The following is management's discussion and analysis ("MD&A") of the consolidated results of operations, balance sheets and cash flows of ClearStream Energy Services Inc. ("ClearStream") for the years ended December 31, 2019 and 2018. This MD&A should be read in conjunction with ClearStream's audited consolidated financial statements for the years ended December 31, 2019 and 2018.

All amounts in this MD&A are in Canadian dollars and expressed in thousands of dollars unless otherwise noted. The accompanying audited annual consolidated financial statements of ClearStream have been prepared by and are the responsibility of management. The contents of this MD&A have been approved by the Board of Directors of ClearStream on the recommendation of its Audit Committee. This MD&A is dated March 4, 2020 and is current to that date unless otherwise indicated.

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

This MD&A makes reference to certain measures that are not defined in IFRS and contains forward-looking information. These measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Advisory regarding Forward-Looking Information" and "Non-Standard Measures" on page 4.

References to "we", "us", "our" or similar terms, refer to ClearStream, unless the context otherwise requires.

Reportable Segments

The reportable segments discussed below, represent the reportable segments that the chief operating decision maker considers when reviewing the performance of ClearStream and deciding where to allocate resources.

ClearStream's operations, assets and employees are mainly located in Canada with some activity in the United States through UWO. ClearStream utilizes EBITDAS and Adjusted EBITDAS as performance measures for its segmented results. These measures are considered to be non-standard measures under IFRS.

Segment	Business Description
Maintenance and Construction services	Operational, maintenance, turnaround and construction services to the conventional oil and gas, oilsands, and other industries.
Wear, Fabrication, and Environmental services	Custom fabrication services supporting pipeline and infrastructure projects, patented wear overlay technology services specializing in overlay pipe spools, pipe bends and plate, and regulatory and environmental advisory services.
Corporate	ClearStream head office management, administrative, legal and interest expense costs.

Note: The Environmental Services division has been included in the Wear, Fabrication, and Environmental Services segment; the financial results for this division were not significant to overall financial results for this segment during the years ending December 31, 2019 and 2018.

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. Specifically, this MD&A contains forward-looking information relating to: our business plans, strategies and objectives; the funding of our short-term contractual obligations with cash flow from operations; that the acquisition of the AECOM PSD Business and UWO will complement existing service lines and further broaden potential market opportunities; our estimate of the earn-out contingent liability payable to the sellers of UWO; the extension and amendment of the ABL Facility; the effect of known claims and litigation on our financial position and results of operations; our assessment of overall market conditions; that the acquisitions of the AECOM PSD Business and UWO will drive year-over-year growth in revenues, profitability and cash flow; the demand for maintenance and turnaround services; and expectations for our maintenance and turnaround, wear technology overlay and environmental services divisions in 2020.

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, 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 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. 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.

Non-standard measures

The terms ''EBITDAS'' and "Adjusted EBITDAS" (collectively, the ''Non-standard measures'') are financial measures used in this MD&A 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 this MD&A.

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 and gain on remeasurement of right-of-use assets. 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 this MD&A.

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 Interim Financial Statements and Annual Financial Statements available on SEDAR at www.sedar.com or on ClearStream's website at www.clearstreamenergy.ca.

2019 RESULTS – CONTINUING OPERATIONS

Summary Results ($000's)

For the year ended December 31,		2019		2018
Revenue	$	464,252	$	378,332
Cost of revenue		(412,678)		(351,235)
Gross profit		51,574		27,097
Selling, general and administrative expenses		(27,418)		(21,359)
Share-based compensation and other long-term incentive plans (expense) recovery		(1,162)		97
Amortization of intangible assets		(1,023)		(1,371)
Depreciation expense		(13,867)		(4,948)
Income from equity investment		509		163
Interest expense		(19,989)		(12,537)
Gain on sale of assets held for sale		—		757
Restructuring costs		(8,361)		(165)
Impairment of intangible assets and goodwill		—		(17,733)
Impairment of right-of-use assets		(1,680)		—
Recovery of contingent consideration liability		623		—
Bargain purchase gain		10,791		—
Gain on remeasurement of right-of-use assets		127		—
Gain on sale of property, plant and equipment		316		328
Income tax recovery - current		—		—
Income tax recovery - deferred		2,908		459
Other loss		—		(860)
Loss from continuing operations		(6,652)		(30,072)
Add:				
Amortization of intangible assets		1,023		1,371
Depreciation expense		13,867		4,948
Share-based compensation and other long-term incentive plans expense (recovery)		1,162		(97)
Interest expense		19,989		12,537
Income tax recovery - deferred		(2,908)		(459)
EBITDAS	$	26,481	$	(11,772)
Gain on sale of assets held for sale		—		(757)
Gain on sale of property, plant and equipment		(316)		(328)
Impairment of intangible assets and goodwill		—		17,733
Restructuring costs		8,361		165
Other loss		—		860
One-time incurred expenses		1,617		1,813
Impairment of right-of-use assets		1,680		—
Recovery of contingent consideration liability		(623)		—
Bargain purchase gain		(10,791)		—
Gain on remeasurement of right-of-use assets		(127)		—
Adjusted EBITDAS	$	26,282	$	7,714

Net (loss) income per share (dollars)				
Basic & Diluted:				
Continuing operations	$	(0.06)	$	(0.27)
Discontinued operations	$	0.02	$	(0.01)
Net loss and comprehensive loss	$	(0.04)	$	(0.29)

Selected Balance Sheet Accounts				
As at December 31,		2019		2018
Total assets	$	257,573	$	110,956
ABL facility		67,442		32,332
Senior secured debentures		96,955		96,746
Convertible secured debentures		—		852
Other secured borrowings		18,621		—
Shareholders' deficit	$	(23,438)	$	(58,437)

2019 RESULTS

Revenues for the year ended December 31, 2019 were $464,252 compared to $378,332 in 2018, an increase of 22.7% from 2018. This increase in 2019, in comparison to 2018, is largely driven by the acquisition on June 28, 2019 of (i) certain assets of the production services division of AECOM Production Services Ltd. (the "AECOM PSD Business") and (ii) all of the issued and outstanding shares of Universal Weld Overlays Inc. ("UWO"). In addition, the 2019 revenue increase over 2018 is being driven by strong organic growth in the pre-existing Maintenance and Construction Services segment.

Gross profit for the year ended December 31, 2019 was $51,574 compared to $27,097 in 2018. Gross profit margins were 11.1% in 2019 compared to 7.2% in 2018. The increase in gross profit margin in 2019, in comparison to 2018, is related to the acquisition of the AECOM PSD Business and UWO, the organic growth realized in the Maintenance and Construction Services segment and overall better absorption of indirect costs, as well as the adoption of IFRS 16 (Leases), which impacted the reclassification of lease expenses compared to 2018.

Selling, general and administrative (“SG&A”) expenses for the year ended December 31, 2019 were $27,418, in comparison to $21,359 for the same period in 2018. As a percentage of revenue, SG&A costs were 5.9% in 2019 compared to 5.6% in 2018. SG&A expenses as a percentage of revenue were impacted by the additional corporate support necessary to properly manage the newly acquired AECOM PSD Business and UWO as well as a significant decrease in the ClearWater division's large plant turnaround revenue in 2019 as compared to 2018. Also impacting SG&A expenses was the adoption of IFRS 16 (Leases), and costs incurred in the Company's growth initiatives and other expenses to support business process improvements designed to increase operational effectiveness and lower operating costs going forward.

Non-cash items that impacted the 2019 results were depreciation and amortization. For the year ended December 31, 2019, depreciation and amortization expense was $14,890 compared to $6,319 for the same period in 2018. An increase in depreciation and amortization expense was largely due to the implementation of IFRS 16 and the increase in asset values as a result of the acquisition of the AECOM PSD Business.

For the year ended December 31, 2019, interest expenses were $19,989 compared to $12,537 in 2018. Interest expense increased by $7,452, of which $2,555 related to the impact of IFRS 16 and the remainder related to an increase in the amount outstanding under the term loan facilities due to advances made in the fourth quarter of 2018 and the second and thrid quarters of 2019.

Restructuring costs of $8,361 were recorded during the year ended December 31, 2019, in comparison to $165 in 2018. These non-recurring restructuring costs are related to the acquisitions of the AECOM PSD Business and UWO, which closed on June 28, 2019, as well as additional severance and growth initiatives.

Loss from continuing operations for the year ended December 31, 2019 was $6,652, in comparison to loss of $30,072 in 2018. Nothwithstanding the significant improvement in gross profit, the income variance is also largely driven by the bargain purchase gain and deferred income tax recovery recognized through the acquisition of the AECOM PSD Business, which closed on June 28, 2019, as well as the impairment of intangible assets and goodwill recorded in 2018.

The gain from discontinued operations was $1,940 for the year ended December 31, 2019, compared to a loss of $1,495 for the same period in 2018. The gain in 2019 includes the Company's share of an income tax reassessment won by Brompton resulting in a recovery of $3,250, offset by expenses that the Company continues to incur relating to the sale of businesses that it owned prior to March 2018. These expenses consist largely of legal, insurance, and consulting costs relating to the Quantum Murray earn-out and legal proceedings that existed prior to the sale of the business.

For the year ended December 31, 2019, Adjusted EBITDAS was $26,282 compared to $7,714 for the same period in 2018. As a percentage of revenue, Adjusted EBITDAS was 5.7% in 2019 compared to 2.0% in 2018. Adjusted EBITDA as a percentage of revenue increased due largely to the impact of increased activity from the acquisitions of the AECOM PSD Business and UWO combined with organic growth in the pre-existing Maintenance and Construction Services segment.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

For the year ended December 31,	2019	2018
Revenue	$ 403,348	$ 318,873
Cost of revenue	(371,634)	(303,074)
Gross profit	31,714	15,799
Selling, general and administrative expenses	(1,349)	(1,093)
Amortization of intangible assets	(142)	(1,030)
Depreciation expense	(7,700)	(3,216)
Income from equity investments	509	163
Interest expense	(1,597)	(334)
Restructuring costs	(859)	—
Impairment of intangible assets and goodwill	—	(17,733)
Gain on sale of property, plant and equipment	316	318
Income (loss) from continuing operations	20,892	(7,126)
Add:		
Amortization of intangible assets	142	1,030
Depreciation expense	7,700	3,216
Interest expense	1,597	334
EBITDAS	30,331	(2,546)
Gain on sale of property, plant and equipment	(316)	(318)
Impairment of intangible assets and goodwill	—	17,733
Restructuring costs	859	—
One-time incurred expenses	—	801
Adjusted EBITDAS	$ 30,874	$ 15,670

REVENUES

Revenues for the Maintenance and Construction Services segment were $403,348 for the year ended December 31, 2019 compared to $318,873 for the same period in 2018, which reflects an increase of 26.5%. This increase was due to the acquisition of the AECOM PSD Business on June 28, 2019 as well as organic growth in the pre-existing Maintenance and Construction Services segment.

GROSS PROFIT

Gross profit was $31,714 for the year ended December 31, 2019, compared to $15,799 for the same period in 2018. Gross profit margins were 7.9% in 2019 compared to 5.0% in 2018. The gross profit increase was due to organic growth, increased activity from the acquisition of the AECOM PSD Business, better absorption of indirect costs and the adoption of IFRS 16 on January 1, 2019, which decreased direct rent expense and increased gross profit by $4,212.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the Maintenance and Construction segment were $1,349 for the year ended December 31, 2019 compared to $1,093 for the same period in 2018. SG&A expenses increased partially due to additional costs to support the revenue increase and the acquisition of the AECOM PSD Business.

WEAR, FABRICATION AND ENVIRONMENTAL SERVICES

For the year ended December 31,	2019	2018
Revenue	$ 64,797	$ 61,335
Cost of revenue	(44,938)	(50,037)
Gross profit	19,859	11,298
Selling, general and administrative expenses	(1,424)	(1,137)
Amortization of intangible assets	(881)	(341)
Depreciation expense	(4,003)	(1,388)
Interest expense	(590)	(54)
Gain on sale of assets held for sale	—	1,032
Restructuring costs	(1,379)	—
Impairment of right-of-use asset	(1,680)	—
Recovery of contingent consideration liability	623	—
Loss on sale of property, plant and equipment	—	(2)
Income tax recovery - deferred	—	459
Other loss	—	(860)
Income from continuing operations	10,525	9,007
Add:		
Amortization of intangible assets	881	341
Depreciation expense	4,003	1,388
Interest expense	590	54
Income tax recovery - deferred	—	(459)
EBITDAS	15,999	10,331
Gain on sale of assets held for sale	—	(1,032)
Loss on sale of property, plant and equipment	—	2
Restructuring costs	1,379	—
Other loss	—	860
Impairment of right-of-use asset	1,680	—
Recovery of contingent consideration liability	(623)	—
Adjusted EBITDAS	$ 18,435	$ 10,161

REVENUES

Revenues for this segment for the year ended December 31, 2019 were $64,797, compared to $61,335 for the same period in 2018. The increase in revenue for the period was partially due to an overall increase in Wear Technology demand, including the additional capacity from the acquisitions of AFX Materials and Fabrication Ltd. ("AFX") in the third quarter of 2018 and UWO in the second quarter of 2019. This increase offset the decrease in revenues in the Fabrication business following the closure of some unprofitable facilities in 2019.

GROSS PROFIT

Gross profit was $19,859 for the year ended December 31, 2019, compared to $11,298 for the same period in 2018. The gross profit increase was due to the closure of some unprofitable fabrication facilities, the UWO acquisition, and operational efficiencies in our Wear business. A further increase was due to the adoption of IFRS 16 on January 1, 2019, which decreased direct rent expense and increased gross profit by $2,862 for the year ended December 31, 2019.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the Wear, Fabrication, and Environmental segment were $1,424 for the year ended December 31, 2019 compared to $1,137 for the same period in 2018. SG&A expenses increased due to the acquisitions of AFX in the third quarter of 2018 and UWO in the second quarter of 2019, and additional resources required to support the increased activity in the Wear, Fabrication and Environmental segment.

CORPORATE

ClearStream's head office functions are located in Calgary, Alberta. The Corporate division provides typical head office functions including strategic planning, corporate communications, taxes, legal, marketing, finance, human resources and information technology for the entire organization. The tables below reflect the costs of ClearStream's corporate function, as well as other corporate overhead expenses.

For the year ended December 31,		2019	2018
Selling, general and administrative expenses	$	(24,645) $	(19,129)
Share-based compensation and other long-term incentive plans		(1,162)	97
Depreciation expense		(2,164)	(344)
Interest expense		(17,802)	(12,149)
Loss on sale of assets held for sale		—	(275)
Restructuring costs		(6,124)	(165)
Bargain purchase gain		10,791	—
Gain on remeasurement of right-of-use assets		127	—
Gain on sale of property, plant and equipment		—	12
Income tax recovery - deferred		2,908	—
Loss from continuing operations		(38,071)	(31,953)
Add:			
Depreciation expense		2,164	344
Share-based compensation and other long-term incentive plans		1,162	(97)
Interest expense		17,802	12,149
Income tax recovery - deferred		(2,908)	—
EBITDAS		(19,851)	(19,557)
Loss on sale of assets held for sale		—	275
Gain on sale of property, plant and equipment		—	(12)
Restructuring costs		6,124	165
One-time incurred expenses		1,617	967
Bargain purchase gain		(10,791)	—
Gain on remeasurement of right-of-use assets		(127)	—
Adjusted EBITDAS	$	(23,028) $	(18,162)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses were $24,645 for the year ended December 31, 2019 compared to $19,129 for the same period in 2018. The increase for the year ended December 31, 2019 was partially due to additional resources required to support the increased activity from organic growth recognized in the period as well as the preparation for the acquisitions of the AECOM PSD Business and UWO. Also impacting SG&A expenses were transition costs, including professional fees incurred in the Company's growth initiatives and other expenses to support business process improvements designed to increase operational effectiveness and lower operating costs going forward.

FOURTH QUARTER 2019 RESULTS

For three months ended December 31,	2019	2018
Revenue	$ 137,066	$ 77,840
Cost of revenue	(121,908)	(71,671)
Gross profit	15,158	6,169
Selling, general and administrative expenses	(10,202)	(6,561)
Share-based compensation and other long-term incentive plans (expense) recovery	(1,098)	240
Amortization of intangible assets	(313)	941
Depreciation expense	(3,974)	(1,433)
Income from equity investment	413	31
Interest expense	(6,060)	(3,036)
Restructuring costs	(2,829)	(38)
Impairment of intangible assets and goodwill	—	(265)
Recovery of contingent consideration liability	623	—
Bargain purchase gain	(1,481)	—
Gain on sale of property, plant and equipment	69	52
Income tax recovery - deferred	(755)	628
Other loss	—	(331)
Loss from continuing operations	(10,449)	(3,603)
Add:		
Amortization of intangible assets	313	(941)
Depreciation expense	3,974	1,433
Share-based compensation and other long-term incentive plans expense (recovery)	1,098	(240)
Interest expense	6,060	3,036
Income tax recovery - deferred	755	(628)
EBITDAS	1,751	(943)
Gain on sale of property, plant and equipment	(69)	(52)
Impairment of intangible assets and goodwill	—	265
Restructuring costs	2,829	38
Other loss	—	331
One-time incurred expenses	—	1,530
Recovery of contingent consideration liability	(623)	—
Bargain purchase gain	1,481	—
Adjusted EBITDAS	$ 5,369	$ 1,169

FOURTH QUARTER RESULTS COMMENTARY

Revenues for the three months ended December 31, 2019 were $137,066 compared to $77,840 for the same period in 2018, an increase of 76.1% on a year-over-year basis. This increase for the three months ended December 31, 2019 in comparison to the same period in 2018, is largely driven by the acquisitions of the AECOM PSD Business and UWO on June 28, 2019. In addition, the increase in 2019 revenue over 2018 is being driven by strong organic growth in the pre-existing Maintenance and Construction Services segment.

Gross profit for the three months ended December 31, 2019 was $15,158 compared to $6,169 for the same period in 2018. Gross margins were 11.1% for the three months ended December 31, 2019 compared to 7.9% in the fourth quarter of 2018. The increase in gross margins in the three months ended December 31, 2019 was due to the acquisitions of the AECOM PSD Business and UWO, the organic growth realized in the Maintenance and Construction Services segment, as well as the adoption of IFRS 16, which impacted the reclassification of lease expenses compared to 2018.

SG&A expenses for the three months ended December 31, 2019 were $10,202 compared to $6,561 for the same period in 2018. SG&A expenses, as a percentage of revenue, were 7.4% compared to 8.4% for the same period in 2018 due to significantly higher revenue in the three months ended December 31, 2019 as well as IFRS 16 impacts in 2019, which impacted the reclassification of lease expenses compared to 2018.

Adjusted EBITDAS

	Three months ended December 31,		Twelve months ended December 31,	
	2019	**2018**	**2019**	**2018**
Maintenance and Construction Services	10,168	4,287	30,874	15,715
Wear, Fabrication and Environmental Services	4,758	1,767	18,435	10,161
Adjusted EBITDAS from operations	14,926	6,054	49,309	25,876
Corporate	(9,557)	(4,885)	(23,028)	(18,162)
Adjusted EBITDAS	**5,369**	**1,169**	**26,282**	**7,714**

Discontinued Operations

Three months ended December 31,	**2019**	**2018**
Loss from discontinued operations	$ (87)	$ (610)

The loss from discontinued operations is due to costs relating to the calculation of the Quantum Murray earn-out and legal proceedings that existed prior to the business.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31,	**2019**	**2018**
Cash used in by operating activities	(20,171)	(12,151)
Cash (used in) provided by investing activities	(57,974)	1,691
Cash provided by financing activities	74,416	16,649
Consolidated cash as of December 31,	7,109	10,838

OPERATING ACTIVITIES

Cash used in continuing operations represents EBITDAS less impairment, restructuring, plus changes in non-cash working capital. The cash provided by or used in discontinued operations includes the settlement of some of the legacy claims in 2019 and other expenses paid in 2019 relating to businesses that were sold prior to March 2018.

ClearStream expects to meet its short-term contractual obligations through cash flow from operations, which includes collection of accounts receivable, and available credit facilities.

INVESTING ACTIVITIES

Cash used in investing activities related to the acquisitions of the AECOM PSD Business and UWO completed in the second quarter of 2019, which are expected to complement existing service lines and further broaden potential market opportunities.

AECOM PSD Business - Asset Purchase

On June 28, 2019, the Company acquired the AECOM PSD Business, a leading provider of mechanical, electrical and instrumentation services to upstream, midstream and downstream operators in Canada. The acquired assets include equipment and properties located throughout Alberta, as well as rights to the Flint brand in Canada.

The total purchase price was $40,546 cash, net of a post-closing working capital adjustment.

UWO - Share Purchase

On June 28, 2019, the Company acquired 100% of the issued and outstanding shares of UWO, a privately held specialty weld overlay fabricator that provides customers with protection of pre-fabricated components across the oil and gas, pulp and paper, petrochemical, power, pipeline, mining, subsea, aerospace and pressure vessel fabrication sectors. The transaction is expected to complement existing service lines in addition to expanding the Company's offerings to customers.

The total purchase price for UWO of $16,024 consisted of four components, including:

- Cash of $11,997;
- Deferred consideration of $1,114 (undiscounted - $1,300), which represents the fair value of three equal instalments of $433 due on June 28, 2020, 2021 and 2022;
- Working capital adjustment of $2,052, which is not included in deferred consideration;
- Earn-out contingent liability of $861 (undiscounted - $1,612), which represents the fair value of the expected payout to the sellers on June 28, 2022, based on management's best estimate of performance against agreed targets for average three-year EBITDA (as defined in the purchase and sale agreement). The maximum undiscounted earn-out is $2,000.

During the twelve months ending December 31, 2019, the Company recognized $373 and $44 in accretion expense related to the earn-out contingent liability and deferred consideration, respectively, recorded under interest expense on the Consolidated Statement of Loss, as well as $2,798 in transaction costs on both transactions recorded under restructuring expense on the Consolidated Statement of Loss.

Cost of Acquisition

	AECOM PSD	UWO	Total
Cash	$ 42,036	$ 11,997	$ 54,033
Deferred consideration	—	1,114	1,114
Working capital adjustment	(1,490)	2,052	562
Earn-out contingent liability	—	861	861
Total	$ 40,546	$ 16,024	$ 56,570

Identifiable Assets Acquired & Liabilities Assumed

	AECOM PSD	UWO	Total
Cash	$ —	$ 275	$ 275
Accounts receivable	36,191	4,343	40,534
Inventories	—	125	125
Accounts payable and accrued liabilities	(13,592)	(1,692)	(15,284)
Deferred revenue	(428)	—	(428)
Deferred tax liability	(2,822)	(1,295)	(4,117)
Property, plant and equipment	34,021	1,550	35,571
Goodwill and intangible assets	—	13,252	13,252
Lease liabilities	(2,033)	(534)	(2,567)
Bargain purchase gain	(10,791)	—	(10,791)
Total	$ 40,546	$ 16,024	$ 56,570

Bargain purchase gain

The bargain purchase gain of $10,791 from the acquisition of the AECOM PSD Business represents the difference between the fair value of the identifiable assets and liabilities acquired and the total purchase price paid for the AECOM PSD Business. The bargain purchase gain has arisen primarily due to the strategic decision of the sellers to exit these assets due to a variety of factors.

Goodwill

The goodwill of $8,652 recognized as part of the UWO acquisition is mainly attributed to expected future revenue growth, future market development and synergies expected from the integration of UWO into the operations of the Company.

FINANCING ACTIVITIES

a. ABL Facility

The Company established an asset-based lending facility (the “ABL Facility”) pursuant to the terms of the Third Amended and Restated Credit Agreement, which is comprised of a revolving credit facility providing for maximum borrowings of up to $50,000 (the “Revolving Facility”) and a term loan facility providing for maximum borrowings of up to $40,500 (the “Term Loan Facility”) received from Canso Investment Counsel Ltd, in its capacity as portfolio manager for and on behalf of certain accounts that it manages (“Canso”).

The Revolving Facility matures on March 23, 2020 and the Term Loan Facility matures 180 days thereafter.

The amount available under the Revolving Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable of the Company. The Revolving Facility borrowing base as at December 31, 2019 is $50,000 (December 31, 2018 - $29,690). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the borrower and the other guarantors, being the Company and certain of its direct and indirect subsidiaries. The interest rate on the Revolving Facility is prime plus 2.5%, increasing to prime plus 4.0% if the Revolving Facility is more than 50% drawn.

As at December 31, 2019, $27,825 (December 31, 2018 - $22,961) was drawn on the Revolving Facility, and there were $2,930 (December 31, 2018 - $2,250) of letters of credit further reducing the amount available to be drawn. As at December 31, 2019, the net unamortized amount of deferred financing costs was $883 (December 31, 2018 - $629).

At December 31, 2019, $40,500 (December 31, 2018 - $10,000) is outstanding under the Term Loan Facility. The Term Loan Facility is required to be used for specific purposes and cannot be redrawn once repaid. The interest rate on the Term Loan Facility is equal to the interest rate on the Revolving Facility plus 2.0%.

The amended financial covenants applicable under the ABL Facility are as follows:

- ClearStream must maintain a quarterly minimum cumulative EBITDA commencing on December 31, 2019 and each quarter thereafter of not less than $13,404
- ClearStream must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $5,800 during the period commencing January 1, 2019 and ending February 29, 2020, and any fiscal year thereafter

At December 31, 2019, ClearStream was in compliance with all financial covenants under the ABL Facility.

On March 3, 2020, the Company received confirmation from the lenders under the ABL Facility that they have agreed to extend the maturity date of the facility to March 23, 2021. The Company and the lenders under the ABL Facility are preparing an amending agreement to effect the extension of the maturity date and certain other amendments, including replacing the monthly minimum EBITDA covenant with a quarterly fixed charge coverage ratio covenant. The amendments will not reduce the maximum borrowings available under the Revolving Facility.

b. Convertible Secured Debentures

On June 28, 2019, the Company used $1,275 drawn under the Term Loan Facility to extinguish the outstanding principal of the convertible secured debentures of $1,216 and all accrued interest.

c. Other Secured Borrowings

On June 26, 2019, the Company received $19,000 from two secured loans with the Business Development Bank of Canada (“BDC”) as a partial source of funds for the acquisition of the AECOM PSD Business.

The $13,500 loan is repayable over 300 monthly payments of $45 from April 1, 2020 to March 1, 2045. The interest rate on the loan is the BDC Floating Base Rate less 1.0%. Interest accrues and is payable monthly. The Company allocated $195 in deferred financing costs to this loan that will be amortized over the life of the loan.

The $5,500 loan is repayable over 72 monthly payments of $76 from July 28, 2019 to June 28, 2025. The interest rate on the loan is the BDC Floating Base Rate less 0.5%. Interest accrues and is payable monthly. The Company allocated $85 in deferred financing costs to this loan that will be amortized over the life of the loan.

The loans are secured by a first security interest on the equipment acquired through the acquisition of the AECOM PSD Business and a security interest in all other present and future property, subject to the priorities granted to existing lenders under the ABL Facility, senior secured debentures and other existing commitments.

The loans require the Company to maintain a Fixed Charge Coverage Ratio equal to or greater than 1.10:1.00 for each financial year commencing with the year ended December 31, 2019.

At December 31, 2019, ClearStream was in compliance with all financial covenants under the BDC agreement.

Summary of Contractual Obligations

ClearStream’s contractual obligations for the years 2020 to 2024 and thereafter are as follows:

	2020	2021	2022	2023	2024	Thereafter
Lease liabilities	9,735	7,760	6,281	5,339	3,767	12,005

Critical Accounting Policies and Estimates

ClearStream prepares its consolidated financial statements in accordance with IFRS. The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements. Significant accounting policies and methods used in the preparation of the consolidated financial statements, including use of estimates and judgments, are described in note 1 of the Annual Financial Statements.

Recently Adopted Accounting Pronouncements

IFRS 16 Leases

On January 1, 2019, the Company adopted IFRS 16 Leases. IFRS 16 provides a single accounting model for lessees that requires the recognition of assets and liabilities on the balance sheet for contracts that are, or contain, a lease. The accounting treatment for lessors remains substantially unchanged.

On transition, the Company elected to apply the modified retrospective approach. The Company has elected to use hindsight in determining the term of contracts that contain an option to extend or terminate a lease. The Company has elected to rely on its assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. The Company has elected to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

On an ongoing basis, the Company has elected to not recognize right-of-use assets and lease liabilities for contracts that have a lease term of 12 months or less and leases of low value assets. The payments associated with these leases are recognized as an expense on a straight-line basis over the lease term. The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Lease liabilities have been measured using the present value of the remaining lease payments discounted at the Company's weighted average incremental borrowing rate of 8.12%. Right-of-use assets have initially been recognized at an amount equal to the lease liability.

The following table summarizes the difference between operating lease commitments disclosed applying IAS 17 - Leases at the previous annual reporting period and lease liabilities recognized in the consolidated Balance Sheet on transition.

Operating lease commitments at December 31, 2018	**$**	**46,978**
Effect of discounting		(12,416)
Discounted Operating lease liabilities at January 1, 2019		**34,562**
Exemption for short term leases		(418)
Exemption for low value leases		(54)
Additional leases identified through reassessment of leases under IFRS 16		874
Adjustments as a result of a different treatment of extension and termination options		11,342
Lease liabilities recognized at January 1, 2019	**$**	**46,306**
Consisting of:		
Current lease liabilities	$	6,823
Non current lease liabilities		39,483
Operating lease commitments	**$**	**46,306**

The right-of-use assets recognized on transition consist of:

Land	$	8,230
Building		32,946
Equipment		69
Total	**$**	**41,245**

At December 31, 2017, a property rental contract related to the Transportation cash generating unit was deemed onerous and therefore a provision of $5,778 was recorded. The remaining provision of $5,060 was reversed on transition and recognized as an impairment of right-of-use land assets at January 1, 2019.

CONTINGENCIES

Contingencies are provided for when they are likely to occur and can be reasonable estimated. ClearStream is subject to claims and litigation proceedings arising in the normal course of operations. The known claims and litigation proceedings are not expected to materially affect the Company's financial position or reported results of operations.

Summary of Quarterly Results

($000s except unit amounts)

	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Revenue	$137,066	$139,542	$103,690	$ 83,954	$ 77,840	$ 85,996	$129,702	$84,794
Gross Margin	$ 15,158	$ 16,127	$ 11,571	$ 8,718	$ 6,169	$ 7,400	$ 6,709	$ 6,819
Gross Margin %	11.1 %	11.6 %	11.2 %	10.4 %	7.9 %	8.6 %	5.2 %	8.0 %
Net (loss) income from continuing operations	$ (10,449)	$ 928	$ 7,091	$ (4,222)	$ (3,153)	$ (20,834)	$ (3,097)	$ (2,988)
Net (loss) income	$ (10,536)	$ 619	$ 6,785	$ (1,580)	$ (2,543)	$ (20,694)	$ (3,210)	$ (3,175)
Net (loss) income per share from continuing operations	$ (0.09)	$ 0.01	$ 0.06	$ (0.04)	$ (0.03)	$ (0.19)	$ (0.03)	$ (0.03)
Net (loss) income per share	$ (0.10)	$ 0.01	$ 0.06	$ (0.01)	$ (0.02)	$ (0.19)	$ (0.03)	$ (0.03)

ClearStream's revenues are somewhat seasonal, in particular for the Maintenance and Construction segment. Typically, there are scheduled shutdown turnaround projects in the spring and fall which increases revenues over and above the standard maintenance and operational support services.

TRANSACTIONS WITH RELATED PARTIES

As at December 31, 2019, directors, officers and key employees beneficially hold an aggregate of 11,873,654 common shares or 10.81%. Two leases for property, with quarterly rents of $78 and $100 are with a landlord in which certain directors of ClearStream hold an indirect minority interest.

On June 27, 2019, $1,373 was recognized in selling, general & administrative expenses in connection with the termination benefits, representing the fair value of expected payments to a Director in connection with the past service as an executive officer. Under the agreement, the Director will receive quarterly payments from June 30, 2019 to December 31, 2021. At December 31, 2019, $916 was included in accounts payable and accrued liabilities.

These transactions occurred in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties.

SHARE CAPITAL

The authorized share capital of the Company consists of: (i) an unlimited number of common shares, and (ii) preferred shares issuable in series to be limited in number to an amount equal to not more than one half of the issued and outstanding common shares at the time of issuance of such preferred shares.

As of December 31, 2019, our issued and outstanding share capital included 109,992,668 common shares, 127,735 Series 1 preferred shares, and 40,111 Series 2 preferred shares.

Preferred shares	Series 1	Series 2
As at January 1, 2018	—	—
Issued	127,753	—
Balance as at December 31, 2018	127,753	—
Issued	—	40,111
Converted to common shares	(18)	—
Balance as at December 31, 2019	127,735	40,111

On June 27, 2019, ClearStream issued 40,111 Series 2 preferred shares to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, in exchange for $32,200 in cash (which was used to partially finance the acquisitions during the period) and settlement of interest obligations of $7,911 on the senior secured debentures due June 30, 2019 and December 31, 2019. The Company allocated $363 in deferred financing costs to this transaction. Holders of the preferred shares have the right, at their option, to convert their preferred shares into common shares at a price of $0.10 per common share, subject to adjustments in certain circumstances. The Series 2 preferred shares are redeemable by the Company for cash at 100% of the purchase price for such shares, plus accrued and unpaid dividends, once all of the senior secured debentures have been repaid, as well as in the event of certain change of control transactions.

In the fourth quarter of 2019, 51,427 common shares were issued upon the conversion of 18 Series 1 preferred shares.

As the terms of the preferred shares do not create an unavoidable obligation to pay cash, the preferred shares are accounted for within shareholders' deficit, net of transaction costs.

As part of the refinancing transaction in 2018, ClearStream issued 127,565 Series 1 Preferred Shares to Canso. Subsequent to the refinancing transaction, an additional 188 Series 1 Preferred Shares were issued in exchange for convertible debentures. The Series 1 Preferred Shares are convertible into Common Shares at a price of $0.35 per Common Share.

Based upon the conversion rights of the Series 1 and Series 2 Preferred Shares, there could be significant dilution to the current holders of Common Shares. Up to approximately 766,067,000 additional Common Shares would be issuable upon conversion of the face amount of the Preferred Shares into Common Shares, representing approximately 697% of the Common Shares outstanding as of December 31, 2019.

In addition, the Series 1 and Series 2 Preferred Shares have a 10% fixed cumulative preferential cash dividend payable when the Company shall have 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 time as the Company's balance sheet and liquidity position supports the payment. 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.

As at December 31, 2019, the accrued and unpaid dividends on the Series 1 and Series 2 Preferred Shares totaled $26,300. Assuming that the holders of the Preferred Shares exercise the right to convert such accrued and unpaid dividends into additional Preferred Shares and then convert such Preferred Shares into Common Shares, approximately 89,851,880 Common Shares would be issued, which represents approximately 82% of the Common Shares outstanding as of December 31, 2019.

OUTLOOK

Overall market conditions continue to be uncertain in light of continuing weakness in commodity prices, lack of infrastructure build up to bring product to markets and the recent outbreak of the Coronavirus. Therefore, upstream, midstream and downstream companies are likely to maintain spending discipline for capital projects and focus instead on operational efficiencies and asset integrity. The cash flows generated by such companies will be further impacted by reductions in commodity prices due to the impact of the Coronavirus on global economic growth.

In 2020, ClearStream will benefit from the full year impact of the acquisitions of the AECOM PSD Business and UWO, which were completed on June 28, 2019. These acquisitions are expected to drive year-over-year growth in revenues, profitability and cash flow. However, the next few quarters will likely be challenging as we navigate the current market environment.

Over the next few years, we expect that demand for maintenance and turnaround services will increase as many customers have deferred and may continue to defer maintenance and turnaround spending which is required to improve asset reliability and uptime. Furthermore, as digital transformation is shaping the industry, we are adopting more digital solutions to gain efficiencies in our service delivery, but also to provide our customers with innovative and reliable solutions for their maintenance and asset integrity requirements. With additional overlay manufacturing and fabrication capacity acquired in late 2018, a doubling of our wire manufacturing capacity established in late 2019, a strong focus on productivity improvement and lead times throughout the year, and the addition of corrosion resistant applications through UWO in mid-2019, our Wear Technology Overlay division is well positioned to offer significant value to our clients from a full life cycle cost perspective. We also continue to see growth opportunities in our Environmental Division as abandonment and reclamation remain an important issue for regulatory authorities and oil and gas companies.

RISK FACTORS

An investment in the common shares of ClearStream involves a number of risks. In addition to the other information contained in this MD&A and ClearStream's other publicly-filed disclosure documents, investors should give careful consideration to the following factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. Any of the matters highlighted in these risk factors could have a material adverse effect on ClearStream's results of operations, business prospects or financial condition. The risks described below and referenced elsewhere in this MD&A are not exhaustive. The Company operates in a very competitive and ever-changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business.

- Failure to comply with the covenants in the agreements governing the Company's debt could adversely affect the Company's financial condition.
- The Company's credit facilities may not provide sufficient liquidity and a failure to renew the credit facilities could adversely affect the Company's financial condition.
- The Company's access to capital or borrowing to maintain operations and/or finance future development and acquisitions may become restricted.
- The Company's growth potential is restricted by the use of the majority of its cash flow to service debt.
- Common Shares issuable on conversion of Series 1 or Series 2 preferred shares, substantially all of which are held by Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages ("**Canso**"), could result in the holders of the Common Shares being substantially diluted and Canso being in a position to unilaterally elect the directors of the Company should it so choose.
- The Company's business depends on the oil and natural gas industry and particularly on the level of exploration, development and production for North American oil and natural gas, which is volatile.
- The Company relies on certain key personnel whose absence or loss could disrupt its operations and have a material adverse effect on its business.
- The Company's financial performance depends on its performance under agreements with its customers and its ability to renew customer contracts and attract new business.
- The Company is subject to risk of default by counterparties to its contracts, and its counterparties may deem the Company to be a default risk.

- Failure to maintain the Company's safety standards and record could lead to a decline in the demand for its services.
- Difficulty in retaining, replacing or adding personnel could adversely affect the Company's business. A portion of the Company's employees are unionized, and accordingly the Company is subject to the detrimental effects of a strike or other labour action, in addition to competitive cost factors.
- The Company is subject to a number of federal, provincial and regional health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities. Changes in legislation and regulations that affect the Company's customers, or failure of customers to comply with such regulations, could adversely affect demand for the Company's services and the Company's financial performance.
- The Company's industry is intensely competitive. The Company's reputation relative to its competition significantly affects the Company's long-term success and financial performance.
- The Company has direct and indirect exposure to credit market volatility resulting from negative investor sentiment about the development and regulation of energy production.
- The Company is directly and indirectly subject to the influence of public perception on the regulatory regime governing resource development.
- The Company is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions.
- The Company's reliance on equipment and parts suppliers exposes it to risks including timing of delivery and quality of parts and equipment.
- The Company is subject to a number of additional business risks, which could adversely affect its ability to complete projects and service contracts on time and on budget.
- The direct and indirect restrictions and costs of various environmental laws and regulations, existing and proposed, may adversely affect the Company's business, operations and financial results.
- The Company may participate in large contracts with a small number of customers, thus increasing the risk of economic dependence and concentration of credit. The Company's customer base is concentrated and loss of a significant customer could cause the Company's revenue to decline substantially.
- The Company's performance is sensitive to impacts of localized factors and trends that are specific to Alberta because a large percentage of the Company's revenues originate in Alberta.
- Since a significant portion of the Company's work is in the oil sands sector, the Company's performance is sensitive to factors affecting the oil sands sector including temporary or permanent shutdown of projects due to downturns in oil and gas prices, natural disasters, mechanical breakdowns, technology failures or pressure from environmental activism.
- ClearStream may not be able to convert its backlog into revenue and cannot guarantee that the revenues projected in its backlog will be realized or, if realized, will result in profits.
- The Company's current technology may become obsolete or experience a decrease in demand. To the extent that ClearStream does not keep up with changes in technology, demand for its services may be hindered.
- The Company's operations are subject to hazards inherent in the oilfield services industry, which risks may not be covered to the full extent by the Company's insurance policies.
- The Company is and may become subject to legal proceedings, which could have a material adverse effect on its business, financial condition and results of operations.

- Conservation measures and technological advances could reduce demand for oil and natural gas, resulting in reduced demand for the Company's services.
- Business acquisitions involve numerous risks and the failure to realize anticipated benefits of acquisitions and dispositions could negatively affect the Company's results of operations.
- Public announcement of strategic transactions could be delayed.
- Improper access to confidential information could adversely affect the Company's business.
- Cyber attacks and loss of the Company's information and computer systems could adversely affect the Company's business.
- Income tax laws, regulations or administrative practices relating to the Company and its shareholders may in the future be changed or interpreted in a manner that adversely affects the Company or its shareholders.
- The Company's business is subject to changes in general economic conditions over which ClearStream has little or no control.
- The trading activity and price of the Common Shares could be unpredictable and volatile.
- The Company may issue additional Common Shares or securities exchangeable for or convertible into Common Shares in the future, which could result in the dilution of the interests of the holders of Common Shares.
- The Company has no plans to pay dividends.

For additional information regarding the risks that the Company is exposed to, see the disclosure provided under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2019, which is available on the SEDAR website at www.sedar.com.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"), issued by the CSA requires CEOs and CFOs to certify that they are responsible for establishing and maintaining the disclosure controls and procedures for the issuer, that disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's disclosure controls and procedures, and that their conclusions about effectiveness of those disclosure controls and procedures at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

ClearStream's management, including its CEO and CFO, have evaluated the effectiveness of ClearStream's disclosure controls and procedures as at December 31, 2019 and have concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by ClearStream in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended. The CEO and CFO have certified the appropriateness of the financial disclosures in ClearStream's filings for the year ended December 31, 2019 with securities regulators, including this MD&A and the accompanying audited consolidated financial statements and that they are responsible for the design of the disclosure controls and procedures.

Internal controls over financial reporting

NI 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting for the issuer, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, and that the issuer has disclosed any changes in its internal

controls during its most recent year end that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

There have been no changes in internal controls over financial reporting during the year ended December 31, 2019 that have materially affected or are reasonably likely to materially affect internal controls over financial reporting. Furthermore, ClearStream's management, including its CEO and CFO, have evaluated the effectiveness of ClearStream's internal control over financial reporting as at December 31, 2019 and have concluded that those controls were effective. Due to the inherent limitations common to all control systems, management acknowledges that disclosure controls and procedures and internal control over financial reporting may not prevent or detect all misstatements. Accordingly, management's evaluation of our disclosure controls and procedures and internal control over financial reporting provide reasonable, not absolute, assurance that misstatements resulting from fraud or error will be detected.

ADDITIONAL INFORMATION

Additional information relating to ClearStream is available in our Annual Information Form for the year ended December 31, 2019.

CONSOLIDATED FINANCIAL STATEMENTS OF

CLEARSTREAM ENERGY SERVICES INC.

YEARS ENDED DECEMBER 31, 2019 AND 2018

Calgary, Canada

March 4, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements of ClearStream Energy Services Inc. ("ClearStream") and all of the information in the annual report are the responsibility of management, including responsibility for establishing and maintaining disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance that the information used internally by management and disclosed externally is complete and reliable in all material respects. Management has evaluated the effectiveness of the disclosure controls and procedures and internal controls over financial reporting and has concluded that they are effective.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain estimates that are based on management's best judgments. Actual results may differ from these estimates and judgments. Management has ensured that the consolidated financial statements are presented fairly in all material respects.

Management has developed and maintains a system of internal control to provide reasonable assurance that ClearStream's assets are safeguarded, transactions are accurately recorded, and the consolidated financial statements report ClearStream's operating and financial results in a timely manner. Financial information presented elsewhere in the annual report has been prepared on a consistent basis with that in the consolidated financial statements.

The Board of Directors of ClearStream annually appoints an Audit Committee (the "Committee") comprised of Independent Directors. This Committee meets regularly with management and the auditors to review significant accounting, reporting and internal control matters. The auditors have unrestricted access to the Committee. The Committee reviews the consolidated financial statements, Management's Discussion & Analysis, the external auditor's report. The Committee reports its findings to the Board of Directors for their consideration in approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

Ernst & Young LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Ernst & Young LLP has provided an independent auditor's report.

Yves Paletta
Chief Executive Officer

Randy Watt
Chief Financial Officer

Calgary, Canada
March 4, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **ClearStream Energy Services Inc.**

Opinion

We have audited the consolidated financial statements of ClearStream Energy Services Inc. and its subsidiaries (collectively the "Company"), which comprise the consolidated balance sheets as at December 31, 2019 and 2018 and the consolidated statements of loss and comprehensive loss, consolidated statements of shareholders' deficit and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

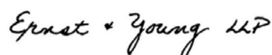
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kim Wiggins.



Calgary, Canada
March 4, 2020

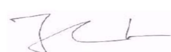
Consolidated Balance Sheets

(In thousands of Canadian dollars)

As at December 31,	Notes	2019	2018
Assets			
Cash		$ 7,109	$ 10,838
Restricted cash		805	980
Accounts receivable	17	138,638	59,715
Inventories	3	9,739	5,734
Prepaid expenses		1,888	2,046
Total current assets		158,178	79,313
Property, plant and equipment	4	78,244	23,520
Goodwill and intangible assets	5	20,332	7,685
Long-term investments		819	438
Total assets		**$ 257,573**	**$ 110,956**
Liabilities and Shareholders' Equity			
Accounts payable and accrued liabilities		57,472	28,438
Deferred consideration	2	1,158	—
Earn-out contingent liability	2	1,234	638
ABL facility	6	67,442	32,332
Current portion of lease liabilities	8	7,756	1,777
Current portion of provision	7	885	1,072
Current portion of other secured borrowings	6	1,322	—
Total current liabilities		137,269	64,257
Lease liabilities	8	28,278	3,549
Other secured borrowings	6	17,299	—
Provision	7	—	3,989
Senior secured debentures	6	96,955	96,746
Convertible secured debentures		—	852
Deferred tax liability	12	1,210	—
Total liabilities		281,011	169,393
Common Shares		462,054	462,036
Preferred shares	13	141,933	102,203
Contributed surplus		20,679	20,716
Deficit		(648,104)	(643,392)
Total shareholders' deficit		(23,438)	(58,437)
Total liabilities and shareholders' deficit		**$ 257,573**	**$ 110,956**

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of the Board of Directors,



Fraser Clarke, Director

Sean McMaster, Director

Consolidated Statements of Loss and Comprehensive Loss

(In thousands of Canadian dollars)

For the year ended December 31,	Notes	2019	2018
Revenue	9	$ 464,252	$ 378,332
Cost of revenue		(412,678)	(351,235)
Gross profit		51,574	27,097
Selling, general and administrative expenses	10	(27,418)	(21,359)
Share-based compensation and other long-term incentive plans	15	(1,162)	97
Amortization of intangible assets	5	(1,023)	(1,371)
Depreciation expense	4	(13,867)	(4,948)
Income from equity investment		509	163
Interest expense	11	(19,989)	(12,537)
Gain on sale of assets held for sale		—	757
Restructuring costs	14	(8,361)	(165)
Other loss		—	(860)
Impairment of goodwill and intangible assets	5	—	(17,733)
Impairment of right-of-use assets	4	(1,680)	—
Recovery of contingent consideration liability		623	—
Bargain purchase gain	2	10,791	—
Gain on remeasurement of right-of-use assets	4	127	—
Gain on sale of property, plant and equipment	4	316	328
Loss from continuing operations before taxes		(9,560)	(30,531)
Income tax recovery - deferred	12	2,908	459
Loss from continuing operations		(6,652)	(30,072)
Gain (loss) from discontinued operations (net of income taxes)	20	1,940	(1,495)
Net loss and comprehensive loss		$ (4,712)	$ (31,567)
Net (loss) income per share (dollars)			
Basic & diluted:			
Continuing operations		$ (0.06)	$ (0.27)
Discontinued operations		$ 0.02	$ (0.01)
Net loss		$ (0.04)	$ (0.29)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Deficit

(In thousands of Canadian dollars, except number of shares)

	Notes	Number of shares	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Total Shareholders' Deficit
January 1, 2019		109,941,241	$ 462,036	$ 102,203	$ 20,716	$ (643,392)	$ (58,437)
Net loss		—	—	—	—	(4,712)	(4,712)
Issuance of preferred shares	13	—	—	39,748	—	—	39,748
Conversion of preferred shared to common shares	13	51,427	18	(18)	—	—	—
Share-based compensation	15	—	—	—	(37)	—	(37)
At December 31, 2019		109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (648,104)	$ (23,438)

	Notes	Number of shares	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Total Shareholders' Deficit
January 1, 2018		109,941,241	$ 469,030	$ —	$ 2,958	$ (610,876)	$ (138,888)
Net loss		—	—	—	—	(31,567)	(31,567)
Share-based compensation	15	—	—	—	51	—	51
Issuance of preferred shares	13	—	—	102,203	—	—	102,203
Equity component of convertible debentures		—	(6,994)	—	6,994	—	—
Gain on debt extinguishment		—	—	—	10,713	—	10,713
Impact of transition of IFRS 15		—	—	—	—	(949)	(949)
At December 31, 2018		109,941,241	$ 462,036	$ 102,203	$ 20,716	$ (643,392)	$ (58,437)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

For the year ended December 31,	Notes	2019	2018
Operating activities:			
Net loss		$ (4,712)	(31,567)
Adjustments for:			
Share-based compensation and other long-term incentive plans	15	1,162	51
Amortization of intangible assets	5	1,023	1,371
Depreciation expense	4	13,867	4,948
Income from equity investments		(509)	(163)
Accretion expense	11	1,362	299
Other loss		—	860
Impairment of goodwill and intangible assets		—	17,733
Impairment of right-of-use assets	4	1,680	—
Onerous lease payments		—	(1,577)
Amortization of deferred financing costs	11	1,822	719
Gain on sale of assets held for sale		—	(757)
Recovery of contingent consideration liability		(623)	
Gain on sale of property, plant and equipment	4	(316)	(328)
Gain on remeasurement of right-of-use assets	4	(127)	—
Bargain purchase gain	2	(10,791)	—
Deferred income tax recovery	3	(2,908)	—
Change in provision		883	—
Changes in non-cash working capital	18	(21,984)	(3,740)
Cash flow used in operating activities		$ (20,171)	$ (12,151)
Investing activities:			
Acquisitions, net of cash acquired	2	(54,320)	(2,450)
Purchase of property, plant and equipment	4	(3,749)	(937)
Net proceeds on disposal of property, plant and equipment	4	1,915	575
Purchase of intangible assets	5	(374)	—
Dividend proceeds from equity investment		—	300
Proceeds on the disposition of businesses		—	4,625
Transaction costs	2	(2,798)	(1,060)
Changes in non-cash working capital		1,352	638
Cash flow (used in) provided by investing activities		$ (57,974)	$ 1,691
Financing activities:			
Decrease in restricted cash		175	—
Repayment of other secured borrowings		(459)	—
Proceeds from the issuance of preferred shares	13	32,200	19,000
Proceeds from the issuance of other secured borrowings	6	19,000	—
Increase in ABL Term Loan Facility	6	30,500	—
Repayment of senior secured debentures	6	—	(2,340)
Repayment of convertible debentures	6	(1,216)	—
Refinancing fees	6	(820)	(3,441)
Transaction costs		—	(682)
Increase in ABL Revolving Facility	6	4,864	5,461
Repayment of lease liabilities	8	(9,828)	(2,442)
Changes in non-cash working capital		—	1,093
Cash flow provided by financing activities		$ 74,416	$ 16,649
(Decrease) in cash		(3,729)	6,189
Cash, beginning of year		10,838	4,649
Cash, end of year		$ 7,109	$ 10,838
Supplemental cash flow information:			
Interest paid		$ 5,287	$ 11,602
Supplemental disclosure of non-cash financing and investing activities:			
Acquisition of property, plant and equipment through leases		$ 1,552	$ 1,726

The accompanying notes are an integral part of these consolidated financial statements.

CLEARSTREAM ENERGY SERVICES INC.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2019 and 2018

Reporting Entity

ClearStream Energy Services Inc. ("ClearStream" or the "Company") is a corporation formed pursuant to the Business Corporations Act (Ontario). The head office is located at 311-6th Avenue, Calgary, Alberta. ClearStream is a fully-integrated provider of midstream production services, which includes maintenance and turnarounds, facilities construction, welding and fabrication and environmental services with locations across Western Canada.

These annual consolidated financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of ClearStream on March 4, 2020.

1 Significant accounting policies

a. Basis of Presentation

These consolidated financial statements are prepared on a historical cost basis in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies that follow have been consistently applied to all years presented, other than as described in Note 1(q). Certain amounts have been reclassified from the prior year to conform to the current period presentation.

b. Principles of Consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2019. The Company conducts business through numerous subsidiaries, all of which are wholly-owned and therefore controlled, by the Company. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated on consolidation.

c. Investment in associates and joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

d. Financial instruments

(i) Financial assets

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. Embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. Financial assets and financial liabilities are recognized on the Company's consolidated balance sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the

contractual rights to those assets are transferred. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Cash and restricted cash

Cash and restricted cash are comprised of cash on deposit with financial institutions. These are measured at amortized cost.

Accounts receivable

Accounts receivable, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as amortized cost and subsequently measured using the effective interest rate method, net of any impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the accounts receivable. For accounts receivable, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized in the consolidated statement of net loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(ii) Financial liabilities

Financial liabilities include accounts payable, the ABL Facility, senior secured debentures, other secured borrowings and convertible secured debentures. Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

(iii) Fair value hierarchy

The Company uses a three level hierarchy to categorize the significance of the inputs used in measuring the fair value of financial instruments. The three levels of the fair value hierarchy are:

Level 1 – Where financial instruments are traded in active financial markets, fair value is determined by reference to the appropriate quoted unadjusted market price at the reporting date. Active markets are those in which transactions occur in significant frequency and volume to provide pricing information on an ongoing basis.

Level 2 – If there is no active market, fair value is established using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including quoted forward prices, time value, volatility factors and broker quotations.

Level 3 – Valuations in this level are those with inputs that are not based on observable market data and which are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value. Level 3 instruments may include items based on pricing services or broker quotes where the Company is unable to verify the observability of inputs into their prices. Level 3 instruments include longer-term transactions, transactions in less active markets or transactions at locations for which pricing information is not available. In these instances, internally developed methodologies are used to determine fair value which primarily includes extrapolation of observable future prices to similar location, similar instruments or later time periods.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

e. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes the costs to purchase and other costs incurred in bringing the inventories to their present location. Costs such as storage costs and administrative overheads that do not directly contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned by using specific identification of their individual costs. The weighted average cost formula is used for inventories other than those dealt with by the specific identification of cost formula.

f. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year and adjusted prospectively, if appropriate.

Depreciation is calculated following the method that best reflects usage and annual rates based on the estimated useful lives of the assets as follows:

Asset class	Basis	Rate
Furniture, tools and equipment	Declining balance	10% - 50%
Computer hardware	Declining balance	20% - 30%
Automotive & heavy equipment	Declining balance	15% - 30%
Buildings	Declining balance	5% - 10%
Leasehold improvements	Straight-line	The shorter of expected useful life or term of lease

g. Intangible assets

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are initially recorded at their fair value. Intangible assets with determinable useful lives, such as customer relationships, management contracts, computer software and sales orders, are amortized over their useful lives. Intangible assets having an indefinite life, such as brands, are not amortized but are subject to an annual impairment test (refer to Note 1(h)). The Company expects to renew the registration of the brand names indefinitely, and expects these assets to generate economic benefit in perpetuity. As such, the Company assessed brand name intangible assets as having indefinite useful lives with an exception of the UWO brand name. UWO brand name was assessed as having definite useful live and is being amortized according to the method and rate provided in the table below.

Some intangible assets are contained in a physical form, such as a compact disc in the case of computer software. When the software is not an integral part of the related hardware, computer software is treated as an intangible asset.

Intangible assets with determinable lives are amortized using the following methods and rates based on the estimated useful life of the asset as follows:

Asset class	Basis	Rate / Term
Customer relationships	Straight line	2 – 10 years
Computer software	Declining balance	30% - 100%
UWO brand name	Straight line	10 years

h. Impairment of long-lived assets, indefinite life intangible assets and goodwill

Assets with definite useful lives, including property, plant and equipment and intangible assets, are amortized over their estimated useful lives. Long-lived assets are assessed for impairment at each balance sheet date, or whenever events or changes in circumstances occur, to assess whether there is an indication that such assets may not be recoverable.

If indicators of impairment exist, an estimate of the recoverable amount is made. If the carrying amount of an asset or cash generating unit ("CGU") exceeds its recoverable amount, an impairment charge is recognized for the amount by which the carrying amount exceeds the recoverable amount.

Goodwill and indefinite life intangible assets are not amortized and are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. For the purposes of impairment testing, goodwill is allocated to the CGU or group of CGUs whose acquisition gave rise to the goodwill. Assessment of goodwill impairment is performed at the level at which goodwill is monitored for internal management purposes, which is the CGU level. Goodwill impairment is determined by assessing whether the carrying amount of the CGU or relevant group of CGUs exceeds the recoverable amount. Indefinite life intangible impairment is determined by assessing whether the carrying amount of the CGU to which those indefinite life intangible assets relate exceeds the recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). If it is not possible to estimate the recoverable amount of an individual asset, the CGU to which the asset belongs is tested for impairment. The FVLCD excludes any costs with respect to restructuring, employee severance and termination benefits. VIU is determined using the estimated future cash flows generated from use and eventual disposition of an asset or CGU discounted to their present value using a post-tax discount rate and excludes any costs with respect to restructuring, employee severance and termination benefits.

Assets to be disposed of are presented separately in the consolidated balance sheet and reported at the lower of the carrying amount or FVLCD.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, ClearStream estimates the assets' or CGUs' recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumption used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined net of depreciation had the impairment loss not been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

i. Revenue recognition

Maintenance and Construction services revenue includes revenue from contracts entered into to provide maintenance and construction services to various industries, including energy, mining, agriculture, pulp and paper and petrochemical. The majority of the revenue within the Maintenance and Construction segment relates to contracts with customers to perform services based on cost plus an agreed-upon margin.

Wear and Fabrication services revenue includes the sale of goods with respect to custom fabrication services supporting pipeline and infrastructure projects, patented wear overlay technology services

specializing in overlay pipe spools, pipe bends and plate, and regulatory and environmental advisory services. The majority of revenue within the Wear, Fabrication, and Environmental services segment relates to contracts with customers to construct goods to client specifications for an agreed-upon price.

i. Revenue from the sale of services

Performance obligations arising from contracts with customers require ClearStream to provide labour hours and rental of equipment as requested. Each individual contract may contain multiple performance obligations and at contract inception, consideration is variable as the total number of hours required is not fixed. However, under the terms of its contracts with customers, ClearStream has the right to consideration in an amount that corresponds directly with the value to its customers of performance completed to date, and therefore recognizes revenue over time based on the amount ClearStream has the right to invoice.

ii. Revenue from the sale of goods

At the inception of each contract with a customer, ClearStream identifies the distinct performance obligations based on promises to transfer distinct goods to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. ClearStream's performance obligations are generally satisfied over time as work progresses because of continuous transfer of control to the customer. For contracts with multiple performance obligations, the contract's transaction price is allocated to each performance obligation using the Company's best estimate of the standalone selling price of each distinct good in the contract.

Transfer of control is measured utilizing an input method to measure progress for contracts based on an analysis of costs incurred to date compared to total estimated costs. These costs, once incurred, are considered a measure of progress and are expensed in the period in which they are incurred. Total estimated project costs and resulting contract income are affected by changes in the expected cost of materials and labor, productivity, scheduling and other factors. Additionally, external factors such as customer requirements and other factors outside of ClearStream's control may affect the progress and estimated cost of a project's completion and, therefore, the timing and amount of revenue and income recognition. Changes in total estimated contract cost and losses, if any, are recognized in the period they are determined.

j. Income taxes

Income tax expense or recovery comprises current and deferred taxes. Current tax is the expected tax payable or recoverable on the taxable income for the year and is recognized in the period to which it relates. Amounts included in current tax reflect the income tax expense or recovery relating to the taxable income of ClearStream and its subsidiaries.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if ClearStream has a legally enforceable right to offset current tax assets/liabilities and if the corresponding deferred tax assets and liabilities relate to the income taxes raised by the same taxation authority on either the same taxable entity or different taxable entities that intend to settle their current tax assets and liabilities either on a net basis or simultaneously.

A deferred tax asset is recognized to the extent it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

k. Leases

i. Leases as a Lessee

The Company assesses whether a contract is or contains a lease at inception. The Company recognizes a right-of-use asset and corresponding lease liability with respect to all lease contracts in which it is a lessee, except for leases with a term of twelve months or less or leases of low value assets.

A right-of-use asset and lease liability is recognized on the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, less any lease incentives received. Right-of-use assets are subsequently depreciated using the straight line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the lease commencement date. The associated lease payments are discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method. The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Leases as a Lessor

The Company enters into sub-lease agreements as a lessor with respect to some of its buildings. When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Leases for which the Company is a lessor are classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Rental income from operating leases is recognized on a straight line basis over the term of the lease. Amounts due from lessees under finance leases are recognized as receivables of the Company's net investment in the leases. Finance lease income is allocated to reflect a constant periodic gain over the life of the leases.

l. Share-based compensation and other long-term incentive plans

Employees, directors and consultants of the Company may receive remuneration in the form of share-based payment transactions and other long-term incentive plans for services rendered. Equity-settled awards are recorded in the consolidated statement of loss for awards granted, with a corresponding amount reflected in contributed surplus. The fair value of equity-settled awards is estimated, at the date of grant, using the Black-Scholes pricing model, and amortized over the expected vesting period using the graded vesting method. Market vesting conditions are factored into the fair value of share-based payments on the date of grant and no subsequent adjustments are made to reflect the occurrence or non-occurrence of those conditions. Performance vesting conditions are adjusted at each reporting date to reflect the actual number of awards expected to vest.

Share-based awards that can be settled in either cash or equity at the sole discretion of ClearStream are classified as equity-settled if management and the Board of Directors do not intend to settle the awards in cash (and there is no history of settling those awards in cash).

Cash-settled RSUs and CVCUs are recorded at their fair value at each reporting date through the consolidated statement of loss, with a corresponding amount reflected as a liability. The fair value of RSUs and CVCUs approximates the intrinsic value as the awards have no exercise price. Share-based payment expense (recovery) is recognized over the vesting period of the RSUs and CVCUs, using the graded vesting method.

m. Income (loss) per share

The income (loss) per share of ClearStream is computed by dividing ClearStream's income (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted income (loss) per share is determined by adjusting the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares, using the treasury stock method.

n. Provisions

A provision is recognized if, as a result of a past event, ClearStream has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

o. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange for control of the acquiree. Transaction costs directly attributable to the acquisition are expensed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured as the excess of the fair value of consideration paid over the fair value of the net identifiable tangible and intangible assets acquired. If the fair value of consideration paid is less than the fair value of the net identifiable tangible and intangible assets acquired, the difference is recognized directly in net income as a bargain purchase gain.

p. Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment in future periods to the carrying amount of the asset or liability affected.

Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

i. Depreciation and amortization

Measurement of the net book value of property, plant and equipment and intangible assets requires the Company to make estimates of the expected useful lives of the assets, method of depreciation and amortization and whether impairment in value has occurred. Residual values of the assets, estimates useful lives and depreciation and amortization methodology are reviewed annually with prospective application of any changes, if deemed appropriate. Changes to estimates and specifically those related to automotive and heavy equipment, which could be significant, could be caused by a variety of factors, including changes to the physical life of the assets or changes in the nature of the utilization of the assets. A change in any of the estimates

would result in a change in the amount of depreciation or amortization and, as a result, a charge to net income recorded in the period in which the change occurs.

ii. Revenue recognition – percentage of completion

The nature of certain of the Company's contracts with customers is such that revenue is earned over time as the related good is produced. In these instances, revenue is recognized as work is completed and this requires management to make a number of estimates and assumptions surrounding the expected profitability of the contract, the estimated degree of completion based on hours and costs incurred and other detailed factors. Although these factors are routinely reviewed as part of the project management process, changes in these estimates or assumptions could lead to changes in revenues recognized in a given period.

iii. Determination of cash generating units ("CGUs")

Assets are grouped into CGUs that have been identified as being the smallest identifiable group of assets that generate cash inflows that are independent of cash flows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations. Factors considered in the classification include the integration between assets, the ability of management to allocate finite resources to complete future projects or contracts, and the way in which management monitors the operations. The recoverability of the Company's assets is assessed at the CGU level and therefore the determination of a CGU could have a significant effect on impairment losses or reversals.

iv. Income taxes

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carried forward tax losses can be utilized. Assessing the recoverability of deferred taxes requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted earnings before depreciation and amortization, interest expense, income tax expense (recovery), share-based compensation and other long-term incentive plans ("EBITDAS") and the application of existing tax laws. The carrying amount of deferred tax assets is reviewed each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income taxes contain uncertainties because of the assumptions made about when deferred tax assets are likely to reverse, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain.

v. Provisions and contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. Judgment and estimates are necessary to determine the likelihood that a pending litigation or other claim will succeed or a liability will arise and to quantify the possible range of the final settlement.

vi. Impairment of non-financial assets

With respect to property, plant and equipment and definite life intangible assets, judgment is applied by management in assessing whether there are any indicators of impairment at each reporting date that would require a full impairment test to be performed. Impairment indicators include, but are not limited to, a significant decline in an asset's market value, significant adverse changes in the technological, market, economic or legal environment in which the assets are

operated, evidence of obsolescence or physical damage of an asset, significant changes in the planned use of an asset, or ongoing under-performance of an asset. Application of these factors to the facts and circumstances of a particular asset requires a significant amount of judgment.

Should an impairment test be required, the determination of the magnitude of impairment involves the use of estimates, assumptions and judgments on highly uncertain matters particularly with respect to estimating the recoverable amount of a CGU or a group of CGUs. Such estimates, assumption and judgments include, but are not limited to: the choice of discount rates that reflect appropriate asset-specific risks, timing of revenue and customer turnover, inflation factors for projected costs and the level of capital expenditures required in future periods to maintain operations.

vii. Carrying amount of accounts receivable

Initially recorded at fair value, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Impairment provisions for trade receivables are recognized based on the simplified approach within IFRS 9 using the lifetime expected credit losses.

viii. Going concern

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities and commitments in the normal course of business within the foreseeable future. Management uses judgment to assess the Company's ability to continue as a going concern and the conditions that cast doubt upon the use of the going concern assumption.

ix. Discount rate for the measurement of lease liabilities

Lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. If the rate cannot be readily determined, the lessee's incremental borrowing rate is used. The Company estimates the incremental borrowing rate based on the economic environment, the nature and quality of the asset, the Company's credit rating and other factors.

q. Recently Adopted Accounting Pronouncements

IFRS 16 Leases

On January 1, 2019, the Company adopted IFRS 16 Leases. IFRS 16 provides a single accounting model for lessees that requires the recognition of assets and liabilities on the balance sheet for contracts that are, or contain, a lease. The accounting treatment for lessors remains substantially unchanged.

On transition, the Company elected to apply the modified retrospective approach. The Company has elected to use hindsight in determining the term of contracts that contain an option to extend or terminate a lease. The Company has elected to rely on its assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. The Company has elected to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

On an ongoing basis, the Company has elected to not recognize right-of-use assets and lease liabilities for contracts that have a lease term of 12 months or less and leases of low value assets. The payments associated with these leases are recognized as an expense on a straight-line basis over the lease term. The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Lease liabilities have been measured using the present value of the remaining lease payments discounted at the Company's weighted average incremental borrowing rate of 8.12%. Right-of-use assets have initially been recognized at an amount equal to the lease liability.

The following table summarizes the difference between operating lease commitments disclosed applying IAS 17 - Leases at the previous annual reporting period and lease liabilities recognized in the consolidated Balance Sheet on transition.

Operating lease commitments at December 31, 2018	**$**	**46,978**
Effect of discounting		(12,416)
Discounted Operating lease liabilities at January 1, 2019		**34,562**
Exemption for short term leases		(418)
Exemption for low value leases		(54)
Additional leases identified through reassessment of leases under IFRS 16		874
Adjustments as a result of a different treatment of extension and termination options		11,342
Lease liabilities recognized at January 1, 2019	**$**	**46,306**
Consisting of:		
Current lease liabilities	$	6,823
Non current lease liabilities		39,483
Operating lease commitments	**$**	**46,306**

The right-of-use assets recognized on transition consist of:

Land	$	8,230
Building		32,946
Equipment		69
Total	**$**	**41,245**

At December 31, 2017, a property rental contract related to the Transportation cash generating unit was deemed onerous and therefore a provision of $5,778 was recorded. The remaining provision of $5,060 was reversed on transition and recognized as an impairment of right-of-use land assets at January 1, 2019.

2. Business Combinations

During the year ended December 31, 2019, the Company entered into two business combinations expected to complement existing service lines and further broaden potential market opportunities.

AECOM Production Services Division - Asset Purchase

On June 28, 2019, the Company acquired certain assets of the production services division of AECOM Production Services Ltd. (the "AECOM PSD Business"), a leading provider of mechanical, electrical and instrumentation services to upstream, midstream and downstream operators across Canada. The acquired assets include equipment and properties located throughout Alberta, as well as rights to the Flint brand in Canada.

The total purchase price was $40,546 cash, net of a post-closing working capital adjustment.

Universal Weld Overlay Inc. ("UWO") - Share Purchase

On June 28, 2019, the Company acquired 100% of the issued and outstanding shares of UWO, a privately held specialty weld overlay fabricator that provides customers with protection of pre-fabricated components across the oil and gas, pulp and paper, petrochemical, power, pipeline, mining, subsea, aerospace and pressure vessel fabrication sectors. The transaction is expected to complement existing service lines in addition to expanding the Company’s offerings to customers.

The total purchase price for UWO of $16,024 consisted of four components, including:

- Cash of $11,997;

- Deferred consideration of $1,114 (undiscounted - $1,300), which represents the fair value of three equal instalments of $433 due on June 28, 2020, 2021 and 2022;
- Working capital adjustment of $2,052, which is not included in deferred consideration;
- Earn-out contingent liability of $861 (undiscounted - $1,612), which represents the fair value of the expected payout to the sellers on June 28, 2022, based on management's best estimate of performance against agreed targets for average three-year EBITDA (as defined in the purchase and sale agreement). The maximum undiscounted earn-out is $2,000.

During the twelve months ending December 31, 2019, the Company recognized $373 and $44 in accretion expense related to the earn-out contingent liability and deferred consideration, respectively, recorded under interest expense on the Consolidated Statement of Loss, as well as $2,798 in transaction costs on both transactions recorded under restructuring expense on the Consolidated Statement of Loss.

Cost of Acquisition

	AECOM PSD	UWO	Total
Cash	$ 42,036	$ 11,997	$ 54,033
Deferred consideration	—	1,114	1,114
Working capital adjustment	(1,490)	2,052	562
Earn-out contingent liability	—	861	861
Total	$ 40,546	$ 16,024	$ 56,570

Identifiable Assets Acquired & Liabilities Assumed

	AECOM PSD	UWO	Total
Cash	$ —	$ 275	$ 275
Accounts receivable	36,191	4,343	40,534
Inventories	—	125	125
Accounts payable and accrued liabilities	(13,592)	(1,692)	(15,284)
Deferred revenue	(428)	—	(428)
Deferred tax liability	(2,822)	(1,295)	(4,117)
Property, plant and equipment	34,021	1,550	35,571
Goodwill and intangible assets	—	13,252	13,252
Lease liabilities	(2,033)	(534)	(2,567)
Bargain purchase gain	(10,791)	—	(10,791)
Total	$ 40,546	$ 16,024	$ 56,570

Bargain purchase gain

The bargain purchase gain of $10,791 from the acquisition of the AECOM PSD Business represents the difference between the fair value of the identifiable assets and liabilities acquired and the total purchase price paid for the AECOM PSD Business. The bargain purchase gain has arisen primarily due to the strategic decision of the sellers to exit these assets due to a variety of factors.

Goodwill

The goodwill of $8,652 recognized as part of the UWO acquisition is mainly attributed to expected future revenue growth, future market development and synergies expected from the integration of UWO into the operations of the Company.

Impact on Operations

During the twelve months ending December 31, 2019, the AECOM PSD Business contributed $79,225 in revenues and $6,796 in earnings before interest, tax, depreciation, and amortization in the results of the Company. If the acquisition had taken place on January 1, 2019, management estimates that the AECOM PSD Business would have contributed $131,868 to twelve month pro forma revenue and $11,200 to twelve month pro forma earnings before interest, tax, depreciation, and amortization. The pro forma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effective on the date indicated, or of future results.

During the twelve months ending December 31, 2019, UWO contributed $4,678 in revenues and $1,662 in earnings before interest, tax, depreciation, and amortization in the results of the Company. If the acquisition had taken place on January 1, 2019, management estimates that the UWO operations would have contributed $12,018 to twelve month pro forma revenue and $4,494 to twelve month pro forma earnings before interest, tax, depreciation, and amortization. The pro forma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effective on the date indicated, or of future results.

3. Inventories

Inventories comprise the following:

As at December 31,	2019	2018
Raw materials	$ 5,374	$ 3,324
Work-in-progress	229	202
Finished goods	3,473	1,281
Parts and supplies	663	927
Total	$ 9,739	$ 5,734

Work in progress includes amounts for work performed in excess of amounts billed for contracts accounted for using the percentage of completion method. Included in cost of revenues for the year ended December 31, 2019 is the cost of inventories of $34,558 (2018 - $15,373).

4. Property, plant and equipment

	Land and buildings	Computer hardware	Furniture, tools and equipment	Leasehold improvements	Equipment under finance lease	Right-of-use assets	Automotive and heavy equipment	Total
Cost								
Balance as at January 1, 2018	$ 1,539	$ 1,578	$ 17,380	$ 8,613	$ 20,330	$ —	$ 20,403	$ 69,843
Additions	—	166	3,329	180	4,126	—	255	8,056
Disposal	—	—	(295)	—	(24)	—	(888)	(1,207)
Balance as at December 31, 2018	**$ 1,539**	**$ 1,744**	**$ 20,414**	**$ 8,793**	**$ 24,432**	**$ —**	**$ 19,770**	**$ 76,692**
Adoption of IFRS 16 (Note 1)	—	—	—	—	(24,432)	70,738	—	46,306
Additions	—	888	517	—	—	1,596	2,344	5,345
Acquisitions (Note 2)	18,230	—	1,327	—	—	2,567	13,447	35,571
Disposals	(264)	(58)	(5,167)	(787)	—	(792)	(1,306)	(8,375)
Revaluation	—	—	—	—	—	(10,275)	—	(10,275)
Balance as at December 31, 2019	**$ 19,505**	**$ 2,574**	**$ 17,091**	**$ 8,006**	**$ —**	**$ 63,834**	**$ 34,255**	**$145,264**
Accumulated Depreciation								
Balance as at January 1, 2018	$ 562	$ 1,128	$ 9,827	$ 8,385	$ 10,725	$ —	$ 18,559	$ 49,186
Depreciation	23	120	1,435	119	2,070	—	1,182	4,949
Disposal	—	—	(204)	—	(16)	—	(743)	(963)
Balance as at December 31, 2018	**$ 585**	**$ 1,248**	**$ 11,058**	**$ 8,504**	**$ 12,779**	**$ —**	**$ 18,998**	**$ 53,172**
Adoption of IFRS 16	—	—	—	—	(12,779)	17,839	—	5,060
Depreciation	313	235	1,729	109	—	8,709	2,772	13,868
Disposals	(149)	(49)	(3,698)	(704)	—	(457)	(1,703)	(6,760)
Impairment	14	—	—	—	—	1,666	—	1,680
Balance as at December 31, 2019	**$ 763**	**$ 1,434**	**$ 9,089**	**$ 7,909**	**$ —**	**$ 27,757**	**$ 20,067**	**$ 67,020**
Net book value								
As at December 31, 2018	**$ 954**	**$ 496**	**$ 9,356**	**$ 289**	**$ 11,653**	**$ —**	**$ 772**	**$ 23,520**
As at December 31, 2019	**$ 18,742**	**$ 1,140**	**$ 8,002**	**$ 97**	**$ —**	**$ 36,077**	**$ 14,188**	**$ 78,244**

a. Collateral:

As at December 31, 2019, property, plant and equipment included $12,145 subject to a general security agreement under the Senior Secured Debentures and the Convertible Secured Debentures (2018 - $11,867) and $30,022 subject to a general security agreement under the other secured borrowings (2018 - nil).

b. Disposals:

During the year ended December 31, 2019, the Company disposed of assets with a cost of $8,375 (2018 - $1,207) and accumulated depreciation of $6,760 (2018 - $963), for cash proceeds of $1,915 (2018 - $575), and recognized a net gain on sale of $316 (2018 - net gain $328) and impairment loss of $16 (2018 - 0).

c. Right-of-use assets consist of the following:

	Land and buildings	Furniture, tools and equipment	Automotive and heavy equipment	Total
Cost				
Adoption of IFRS 16	$ 46,237	$ 69	$ 24,432	$ 70,738
Remeasurement	(10,275)	—	—	(10,275)
Acquisitions	1,319	—	1,248	2,567
Additions	146	—	1,450	1,596
Disposals	—	—	(792)	(792)
Balance as at December 31, 2019	**$ 37,427**	**$ 69**	**$ 26,338**	**$ 63,834**
Accumulated Depreciation				
Adoption of IFRS 16	$ 5,060	$ —	$ 12,779	$ 17,839
Disposals	—	—	(457)	(457)
Depreciation expense	6,466	31	2,212	8,709
Impairment	1,666	—	—	1,666
Balance as at December 31, 2019	**$ 13,192**	**$ 31**	**$ 14,534**	**$ 27,757**
Net book value				
As at December 31, 2019	**$ 24,235**	**$ 38**	**$ 11,804**	**$ 36,077**

The Company has entered into sub-lease agreements as a sub-lessor for some of their buildings in the land and buildings asset class. Further information can be found in Note 8.

Information on the corresponding lease liabilities can be found in Note 8.

Reassessment of renewal option and impairment

During the year ended December 31, 2019 the Company reassessed plans to renew its property leases and determined that it would no longer execute the renewal option on several leases due to changes in its strategic operating plans. As a result, the associated right-of-use buildings and lease liabilities were reduced by $10,275 on remeasurement.

During the year ended December 31, 2019, the Company recognized an impairment charge of $1,666 representing the carrying value of right-of-use buildings previously used in operations that were wound up during 2019 prior to the expiry of associated property leases. The recoverable value was determined to be $nil based on the value-in-use at the closure dates. The right-of-use buildings impaired are included in the Wear, Fabrication and Environmental segment.

5. Goodwill and intangible assets

		Goodwill		Customer relationships		Computer software		Brands		Intangible Total
Cost										
Balance as at January 1, 2018	$	92,029	$	83,552	$	2,720	$	16,142	$	102,414
Disposals		—		—		(73)		—		(73)
Balance as at December 31, 2018	$	92,029	$	83,552	$	2,647	$	16,142	$	102,341
Additions		8,652		4,300		374		345		5,019
Balance as at December 31, 2019	$	100,681	$	87,852	$	3,021	$	16,487	$	107,360
Amortization and impairments										
Balance as at January 1, 2018	$	(69,999)	$	(80,531)	$	(2,580)	$	(14,568)	$	(97,679)
Amortization		—		(1,298)		(74)		—		(1,371)
Disposals		—		—		96		—		96
Impairment		(17,733)		—		—		—		0
Balance as at December 31, 2018	$	(87,732)	$	(81,829)	$	(2,558)	$	(14,568)	$	(98,954)
Amortization		—		(862)		(146)		(15)		(1,023)
Balance as at December 31, 2019	$	(87,732)	$	(82,691)	$	(2,704)	$	(14,583)	$	(99,977)
Net book value										
As at December 31, 2018	$	4,297	$	1,723	$	89	$	1,574	$	3,387
As at December 31, 2019	$	12,949	$	5,161	$	317	$	1,904	$	7,383

ClearStream has six CGUs, one of which has intangible assets with an indefinite life. Goodwill is monitored by management at the CGU level. As at December 31, 2019, the Wear CGU had indefinite life intangible assets of $1,574 (2018 - $1,574), The Wear CGU had goodwill of $4,297 (2018 - $4,297), and the UWO CGU had goodwill of $8,567. Goodwill increased as a result of the UWO share acquisition in the second quarter of 2019.

On December 31, 2019 ClearStream performed its annual impairment test on indefinite life intangible assets and goodwill for both the Wear and UWO CGUs. Based on the results of this test, the Company concluded that the recoverable amount of each CGU approximated or exceeded its carrying amount, and therefore there was no impairment.

ClearStream identified indicators of impairment at September 30, 2018 as a result of actual results for the nine months ended September 30, 2018 being materially below budget. Management therefore performed impairment tests as at September 30, 2018 at the CGU level as well as at the operating segment level, which resulted in an impairment loss of $17,733 in the Maintenance & Construction operating segment to reduce the carrying amount to its recoverable amount of $42,898.

The valuation techniques, significant assumptions and sensitivities applied in the impairment tests are described below:

Valuation technique

The recoverable amounts of ClearStream's operating segments and CGUs were calculated based on fair value less costs of disposal, which is considered to be a level three estimate. The fair value less costs of disposal was determined through a discounted cash flow ("DCF") approach for all CGUs.

The DCF method involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk

associated with the business or asset and the time value of money. This approach requires assumptions about earnings before taxes, interest, depreciation and amortization ("EBITDA"), capital expenditures, growth rates, working capital and discount rates.

Projected EBITDA and Capital Expenditures

Projected EBITDA and capital expenditures are based on ClearStream's internal budget for the following year and take into consideration past experience, economic trends and market/industry trends at the time the budget is developed. The annual budget is developed during the fourth quarter of the previous year. The budget is also updated quarterly by senior management and these updates are used to assess impairment during the year, if necessary. The anticipated future cash flows are updated to reflect any subsequent changes in demand for products and services.

Growth rate and terminal value

ClearStream used projected EBITDA and capital expenditures for the following year and applied a perpetual long-term growth rate of 2% thereafter for the Wear CGU. The UWO CGU used projected EBITDA for the first three years and a perpetual long-term growth rate of 2% thereafter, and used projected capital expenditures for the following year with a terminal growth rate of 0.5% thereafter. The perpetual growth rates are management's estimate of long-term inflation and productivity growth in the industry and geographic locations in which it operates. In arriving at its forecasts, ClearStream considered past experience, inflation as well as industry and market trends.

Discount rate

ClearStream assumed post-tax discount rates of 16.5%-21.3% in order to calculate the present value of projected future cash flows. The discount rates represent a weighted average cost of capital ("WACC") for comparable companies operating in similar industries based on publicly available information for each CGU. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate, adjusted for risks specific to each CGU.

The recoverable amounts of the Wear CGU and the UWO CGU (based on fair value less costs of disposal) exceeded its carrying amounts by approximately $26,097 and $549, respectively, at December 31, 2019. If the discount rate applied to the Wear CGU increased by 15%, the excess of recoverable amount over carrying value would be reduced to nil. If the discount rate applied to the UWO CGU increased by 1 basis point, the excess of recoverable amount over carrying value would be reduced to nil.

6. Refinancing transactions

a. ABL Facility

The Company established an asset-based lending facility (the "ABL Facility") pursuant to the terms of the Third Amended and Restated Credit Agreement, which is comprised of a revolving credit facility providing for maximum borrowings of up to $50,000 (the "Revolving Facility") and a term loan facility providing for maximum borrowings of up to $40,500 (the "Term Loan Facility") received from Canso Investment Counsel Ltd, in its capacity as portfolio manager for and on behalf of certain accounts that it manages ("Canso").

The Revolving Facility matures on March 23, 2020 and the Term Loan Facility matures 180 days thereafter.

The amount available under the Revolving Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable of the Company. The Revolving Facility borrowing base as at December 31, 2019 is $50,000 (December 31, 2018 - $29,690). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the borrower and the other guarantors, being the Company and certain of its direct and indirect subsidiaries. The interest rate on the Revolving Facility is prime plus 2.5%, increasing to prime plus 4.0% if the Revolving Facility is more than 50% drawn.

As at December 31, 2019, $27,825 (December 31, 2018 - $22,961) was drawn on the Revolving Facility, and there were $2,930 (December 31, 2018 - $2,250) of letters of credit further reducing the amount available to be drawn. As at December 31, 2019, the net unamortized amount of deferred financing costs was $883 (December 31, 2018 - $629).

At December 31, 2019, $40,500 (December 31, 2018 - $10,000) is outstanding under the Term Loan Facility. The Term Loan Facility is required to be used for specific purposes and cannot be redrawn once repaid. The interest rate on the Term Loan Facility is equal to the interest rate on the Revolving Facility plus 2.0%.

The amended financial covenants applicable under the ABL Facility are as follows:

- ClearStream must maintain a quarterly minimum cumulative EBITDA commencing on December 31, 2019 and each quarter thereafter of not less than $13,404
- ClearStream must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $5,800 during the period commencing January 1, 2019 and ending February 29, 2020, and any fiscal year thereafter

At December 31, 2019, ClearStream was in compliance with all financial covenants under the ABL Facility.

On March 3, 2020, the Company received confirmation from the lenders under the ABL Facility that they have agreed to extend the maturity date of the facility to March 23, 2021. The Company and the lenders under the ABL Facility are preparing an amending agreement to effect the extension of the maturity date and certain other amendments, including replacing the monthly minimum EBITDA covenant with a quarterly fixed charge coverage ratio covenant. The amendments will not reduce the maximum borrowings available under the Revolving Facility.

b. Senior Secured Debentures

Balance as at January 1, 2018	$	171,988
Accretion		248
Extinguishment of debt, net of deferred financing costs		(73,205)
Debt repayment, net of deferred financing fees		(2,285)
Balance as at December 31, 2018	$	96,746
Accretion		209
Balance as at December 31, 2019	$	96,955

c. Convertible Secured Debentures

On June 28, 2019, the Company used $1,275 drawn under the Term Loan Facility to extinguish the outstanding principal of the convertible secured debentures of $1,216 and all accrued interest.

Liability component of convertible secured debentures		
As at January 1, 2018	$	24,999
Accretion		51
Settled for cash and preferred shares		(130)
Extinguishment of debt, net of deferred financing fees		(24,068)
As at December 31, 2018	$	852
Accretion		6
Extinguishment of debt, net of deferred financing fees		(858)
As at December 31, 2019	$	—

d. Other Secured Borrowings

On June 26, 2019, the Company received $19,000 from two secured loans with the Business Development Bank of Canada (“BDC”) as a partial source of funds for the acquisition of the AECOM PSD Business.

The $13,500 loan is repayable over 300 monthly payments of $45 from April 1, 2020 to March 1, 2045. The interest rate on the loan is the BDC Floating Base Rate less 1.0%. Interest accrues and is payable monthly. The Company allocated $195 in deferred financing costs to this loan that will be amortized over the life of the loan.

The $5,500 loan is repayable over 72 monthly payments of $76 from July 28, 2019 to June 28, 2025. The interest rate on the loan is the BDC Floating Base Rate less 0.5%. Interest accrues and is payable monthly. The Company allocated $85 in deferred financing costs to this loan that will be amortized over the life of the loan.

The loans are secured by a first security interest on the equipment acquired through the acquisition of the AECOM PSD Business and a security interest in all other present and future property, subject to the priorities granted to existing lenders under the ABL Facility, senior secured debentures and other existing commitments.

The loans require the Company to maintain a Fixed Charge Coverage Ratio equal to or greater than 1.10:1.00 for each financial year commencing with the year ended December 31, 2019.

At December 31, 2019, ClearStream was in compliance with all financial covenants under the BDC agreement.

Balance as at January 1, 2019	$	—
Borrowings		19,000
Deferred financing		(280)
Repayments		(459)
Accretion		360
Balance as at December 31, 2019		18,621
Less: current portion		(1,322)
Non-current portion as at December 31, 2019	$	17,299

7. Provision

During the year-ended December 31, 2019, $1,970 was recognized in restructuring provision in connection with the closure of two business locations as part of formal plans to reorganize the Company following the AECOM and UWO acquisitions. The estimated costs recognized mainly consist of salaries and termination benefits of personnel in connection with ongoing closure activities that are expected to be incurred over the subsequent 12 months. As at December 31, 2019, $885 of the restructuring provision balance remained.

At December 31, 2017, a property rental contract related to the Transportation CGU was deemed to be onerous and therefore a provision of $5,778 was recorded. This was reclassified in 2019 with the adoption of IFRS 16.

8. Leases

a. As a lessee

The Company recognized the following amounts related to lease liabilities in the Consolidated Statements of Loss and Comprehensive Loss.

For the year ended December 31,		2019
Depreciation of lease liabilities	$	7,078
Expense relating to short-term leases		1,318
Expense relating to leases of low value assets		17
Expense relating to variable lease payments not included in the measurement of the lease liability	$	576

Overall the variable payments constitute up to 5.9% of the Company's entire lease payments. The Company expects this ratio to remain constant in future years. Variable payments are primarily based on management fees related to the use of the rented property.

The total cash outflow for leases for the year ended December 31, 2019 amount to $9,828 (December 31, 2018 - $7,384).

Maturity analysis - contractual undiscounted cash flows

As at December 31,		
2020	$	9,735
2021		7,760
2022		6,281
2023		5,339
2024		3,767
After 2025		12,005
Total		**44,887**
Less: effects of discounting		(8,773)
Total discounted lease liabilities	**$**	**36,114**
Analyzed as:		
Current		7,756
Non-current		28,278

On August 29, 2019, the Company entered into a 42-month lease to rent a building, which had not commenced by the year-end and as a result, a lease liability and right-of-use asset has not been recognized at December 31, 2019. The aggregate future cash outflows to which the Company is exposed in respect of this contract is a deposit of $254, due January 1, 2020 and fixed payments of $53 per month, for the next 42 months.

There are no extension or termination options on the lease.

b. Leases (as a lessor)

The Company has entered into operating lease agreements as a lessor with respect to some of its buildings that they are sub-leasing. Total income recognized from sub-leasing right-of-use assets for the year ending December 31, 2019 is $1,168, and has been recorded within Revenue. These leases do not include any variable payments.

Maturity analysis - undiscounted lease receivable

As at December 31,		
Less than one year	$	877
One to five years		877
More than five years		—
Total	**$**	**1,754**

9. Revenue

The following are amounts for each significant category of revenue recognized during the years ended December 31, 2019 and 2018:

For the year ended December 31,	2019	2018
Rendering of services	$ 399,454	$ 309,240
Sales of goods	64,797	69,092
Total revenue	$ 464,251	$ 378,332

10. Selling, general & administrative expenses

For the year ended December 31,	2019	2018
Salaries & benefits	$ 17,200	$ 10,818
Occupancy and office costs	3,180	2,880
Professional fees	3,341	4,096
Travel	1,738	1,733
Repairs & maintenance	349	269
Insurance	1,483	1,391
Other	127	172
Total	$ 27,418	$ 21,359

11. Interest expense

For the year ended December 31,	2019	2018
Interest expense on senior secured debentures	$ 7,911	$ 7,911
Interest expense on convertible secured debentures	58	504
Interest expense on ABL facility	4,785	2,764
Interest expense on lease liabilities	3,419	339
Interest expense - other	129	2
Deferred financing costs amortized	1,822	718
Interest expense on other secured borrowings	502	—
Accretion expense	1,362	299
Total	$ 19,989	$ 12,537

12. Income taxes

The reconciliation of statutory income tax rates to ClearStream's effective tax rate is as follows:

For the year ended December 31,		2019	2018
Loss from continuing operations before tax	$	(9,560) $	(30,531)
Tax rate		26.74 %	27.00 %
Income tax recovery at statutory rates	$	(2,556) $	(8,243)
Permanent differences		(2,226)	4,875
Change in rates on temporary differences		5,311	142
Deferred tax asset not recognized		(3,437)	2,767
Income tax (recovery) expense	$	(2,908) $	(459)

As at December 31,		2019	2018
Fixed assets	$	(131) $	—
Intangible assets		(1,079)	(455)
Debentures		—	(1,078)
Net operating losses		—	1,533
Deferred tax (liability)	$	(1,210) $	—

The statutory rate declined from 27% to 26.74% due to the reduction of the Alberta income tax rate on July 1, 2019.

The benefit of the following temporary differences not recognized:

As at December 31,		2019	2018
Fixed assets		(22,070) $	22,509
Intangible Assets		(2,365)	—
Senior secured debentures		(3,731)	—
Net operating losses		134,302	125,980
Obligation under finance leases		36,034	—
Other		6,522	15,219
Unrecognized deductible temporary differences	$	148,692 $	163,708

Net operating losses of $134,302 will begin to expire in 2035.

ClearStream has approximately $141,969 of capital losses that have not been recognized in the consolidated financial statements as at December 31, 2019 (2018 - $137,391). There is no expiry of capital losses.

13. Share capital and loss per share

The authorized share capital of the Company consists of: (i) an unlimited number of common shares, and (ii) preferred shares issuable in series to be limited in number to an amount equal to not more than one half of the issued and outstanding common shares at the time of issuance of such preferred shares.

As of December 31, 2019, our issued and outstanding share capital included 109,992,668 common shares, 127,735 Series 1 preferred shares, and 40,111 Series 2 preferred shares.

Preferred shares	Series 1	Series 2
As at January 1, 2018	—	—
Issued	127,753	—
Balance as at December 31, 2018	127,753	—
Issued	—	40,111
Converted to common shares	(18)	—
Balance as at December 31, 2019	127,735	40,111

On June 27, 2019, ClearStream issued 40,111 Series 2 preferred shares to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, in exchange for $32,200 in cash (which was used to partially finance the acquisitions during the period) and settlement of interest obligations of $7,911 on the senior secured debentures due June 30, 2019 and December 31, 2019. The Company allocated $363 in deferred financing costs to this transaction. Holders of the preferred shares have the right, at their option, to convert their preferred shares into common shares at a price of $0.10 per common share, subject to adjustments in certain circumstances. The Series 2 preferred shares are redeemable by the Company for cash at 100% of the purchase price for such shares, plus accrued and unpaid dividends, once all of the senior secured debentures have been repaid, as well as in the event of certain change of control transactions.

In the fourth quarter of 2019, 51,427 common shares were issued upon the conversion of 18 Series 1 preferred shares.

As the terms of the preferred shares do not create an unavoidable obligation to pay cash, the preferred shares are accounted for within shareholders' deficit, net of transaction costs.

As part of the refinancing transaction in 2018, ClearStream issued 127,565 Series 1 Preferred Shares to Canso. Subsequent to the refinancing transaction, an additional 188 Series 1 Preferred Shares were issued in exchange for convertible debentures. The Series 1 Preferred Shares are convertible into Common Shares at a price of $0.35 per Common Share.

Based upon the conversion rights of the Series 1 and Series 2 Preferred Shares, there could be significant dilution to the current holders of Common Shares. Up to approximately 766,067,000 additional Common Shares would be issuable upon conversion of the face amount of the Preferred Shares into Common Shares, representing approximately 697% of the Common Shares outstanding as of December 31, 2019.

In addition, the Series 1 and Series 2 Preferred Shares have a 10% fixed cumulative preferential cash dividend payable when the Company shall have 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 time as the Company's balance sheet and liquidity position supports the payment. 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.

As at December 31, 2019, the accrued and unpaid dividends on the Series 1 and Series 2 Preferred Shares totaled $26,300. Assuming that the holders of the Preferred Shares exercise the right to convert such accrued and unpaid dividends into additional Preferred Shares and then convert such Preferred Shares into Common Shares, approximately 89,851,880 Common Shares would be issued, which represents approximately 82% of the Common Shares outstanding as of December 31, 2019.

The only potentially dilutive securities as at December 31, 2019 were the preferred shares, stock options, and performance share units. As a result of the net losses incurred in all periods presented, all potentially dilutive securities were anti-dilutive.

(in thousands, except per share amount)	2019	2018
Net income - basic and diluted	$ (4,712)	$ (31,567)
Weighted average shares outstanding - basic and diluted	109,944,607	109,941,241
Net income per common shares - basic and diluted	$ (0.04)	$ (0.29)

14. Restructuring costs

Restructuring costs of $8,361 were recorded during the year ended December 31, 2019, in comparison to (2018 - $165). These non-recurring restructuring costs are primarily related to the acquisitions of the AECOM PSD Business and UWO, which closed on June 28, 2019, as well as the closure of two business locations, severance and growth initiatives.

15. Share-based compensation and other long-term incentive plans

In addition to the Incentive Option Plan ("IOP") previously approved by the shareholders of ClearStream on November 30, 2009, the Board of Directors approved the Performance Share Unit ("PSU") and Restricted Share Unit ("RSU") Plan on January 31, 2017 and the Cumulative Value Creation Unit ("CVCU") on June 19, 2019. The aggregate number of shares that may be acquired upon exercise of all share-based compensation granted pursuant to the IOP and PSU/RSU plans shall not exceed 10% of the aggregate number of common shares outstanding.

a. Stock Options

The Company's IOP allows for the issuance of stock options to employees, consultants and directors of the Company. The options vest based on service requirements over either two-year or three-year periods; the options expire five years from the date of grant. The summary of stock option activity is presented below:

	Number of stock options	Weighted average exercise price
Balance as at January 1, 2018	3,160,000	0.28
Forfeited	(1,330,000)	0.28
Balance as at December 31, 2018	1,830,000	0.28
Forfeited	(200,000)	0.28
Balance as at December 31, 2019	1,630,000	0.28
Exercisable as at December 31, 2019	—	—

The options outstanding at December 31, 2019 have a weighted average remaining contractual life of 2.1 years (2018 – 3.1 years). For the year ended December 31, 2019, the Company recognized $4 of share-based compensation expense relating to stock options (2018 – $143).

Volatility of ClearStream's common shares was estimated using the Company's actual historical volatility as well as the volatility of peer group companies with similar corporate structure, operations and size.

b. Cumulative Value Creation Unit

The Board of Directors approved the Cumulative Value Creation Unit ("CVCU") Plan on June 19, 2019.

CVCUs provide eligible participants with a cash settlement based on the calculation of cumulative value creation, which represents the increase in the value of the Company's equity over a specified period. CVCUs cliff vest based on service requirements three years after the start of the performance period. Each CVCU has a value of $1,000. The number of CVCUs that will vest depends on an EBITDA-based performance condition and is therefore subject to estimation uncertainty.

CVCUs are settled in cash and payable within one month following approval of the Company's annual financial statements for the final fiscal year in the performance period.

The following table summarizes the change in outstanding units during the year:

Balance as at December 31,	2019	2018
Opening balance	—	—
Performance Period - 2018-2020	12,710	—
Performance Period - 2019-2021	1,853	—
Total units outstanding	14,563	—

There were no forfeitures during the year. The carrying amount of $1,109 (2018 - $nil) is recorded as Accounts Payable and Accrued Liabilities, and represents the net present value of future cash payments expected to be earned under the program based on management's best estimate of EBITDA over the performance period, adjusted for the portion of the performance period that has been completed.

The fair value of the CVCUs approximates their intrinsic value as the awards have no exercise price.

The following table summarizes the carrying amount:

Balance as at December 31,		2019		2018
Carrying amount of liabilities for CVCUs:				
Current portion	$	—	$	—
Long-term portion		1,109		—
Total carrying amount		1,109		—
Total intrinsic value of liability for vested benefits	$	1,109	$	—

For the year ending December 31, 2019, an expense of $1,109 (2018 - $nil) was recognized related to outstanding CVCUs.

c. Restricted Share Units and Performance Share Units

RSUs vest based on service requirements over either two-year or three-year periods and are settled in cash by multiplying the numbers of units with the Company's share price based on the volume weighted-average trading price for the five trading days preceding the vesting date of the award. The fair value of the RSUs is based on the market value of the Company's common shares at the reporting date. As at December 31, 2019 the intrinsic value of the RSUs outstanding was $90 (2018 - $31).

PSUs vest based on service requirements over either two-year or three-year periods. The number of PSUs that will vest on the applicable vesting dates is dependent upon both an EBITDA-based performance condition and a market condition based on the Company's share price. PSUs can be settled in cash or equity on the vesting date, at the discretion of the Board of Directors, by multiplying the number of units with the Company's share price based on the volume weighted-average trading price for the five trading days preceding the vesting date of the award.

The following table summarizes the units outstanding:

	RSUs	PSUs
Balance as at January 1, 2018	4,350,000	1,740,000
Forfeited	(730,000)	(1,390,000)
Balance as at December 31, 2018	3,620,000	350,000
Forfeited	—	(350,000)
Balance as at December 31, 2019	3,620,000	—
Exercisable as at December 31, 2019	2,200,000	—

ClearStream's five day weighted average closing share price at December 31, 2019 was $0.055 (2018 - $0.01). Both RSUs and PSUs had fully vested as of December 31, 2019. For the year ended

December 31, 2019, an expense of $90 of share-based compensation was recognized relating to RSUs (2018 – recovery of $148) and a recovery of $44 of share-based compensation was recognized relating to PSUs (2018 – $92).

16. Related party disclosures

a. Termination benefits

On June 27, 2019, $1,373 was recognized in selling, general & administrative expenses in connection with the termination benefits, representing the fair value of expected payments to a Director in connection with the past service as an executive officer. Under the agreement, the Director will receive quarterly payments from June 30, 2019 to December 31, 2021. At December 31, 2019, $916 was included in accounts payable and accrued liabilities.

b. Compensation for key management personnel

ClearStream's key management personnel are comprised of officers and directors. The remuneration for these key management personnel during the years ended December 31, 2019 and 2018 are as follows:

For the year ended December 31,	2019	2018
Short-term employment benefits	$ 3,989	$ 3,852
Share-based compensation	1,162	(97)
Termination benefits	1,413	—
Total compensation	$ 6,564	$ 3,755

c. Other related party transactions

Two operating leases for property, with annual rents of $132 and $400 are with a landlord in which certain executives of ClearStream hold an indirect minority interest (2018 - $312 and $400). These transactions occurred in the normal course of business and are recorded at the exchange amount which is the amount of consideration established and agreed to between the parties.

17. Financial instruments and risk management

Financial instruments consist of cash, restricted cash, accounts receivable, accounts payable, ABL Facility, senior secured debentures, other secured borrowings, deferred consideration and earn-out liability.

a. Fair values of financial liabilities

The fair value of the Company's interest-bearing financial liabilities approximate their respective carrying amounts.

b. Risk management

ClearStream's Board of Directors has overall responsibility for the establishment and oversight of ClearStream's risk management framework. ClearStream has exposure to credit risk, customer concentration risk, liquidity risk, interest rate risk and foreign exchange risk.

i. Credit risk

The Company has exposure to credit risk, which is the risk of financial loss to ClearStream if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from ClearStream's accounts receivable. The following table outlines ClearStream's maximum exposure to credit risk:

As at December 31,	2019	2018
Cash	$ 7,109	$ 10,838
Restricted cash	805	980
Accounts receivable	138,638	59,715
Total	$ 146,551	$ 71,533

Cash is held at Canadian Schedule A Banks and are therefore considered low credit risk.

ClearStream has a credit policy under which each new customer is analyzed individually for creditworthiness before standard payment terms and conditions are offered. ClearStream's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. When available, ClearStream reviews credit bureau ratings, bank accounts and financial information for each new customer. ClearStream's customers are primarily multinational oil and gas and construction companies, all of which have strong creditworthiness.

Of the total balance of accounts receivable at December 31, 2019, $99,305 (2018 - $45,741) related to trade receivables and $39,333 (2018 - $13,974) related to accrued revenue (i.e. for work performed but not yet invoiced).

Trade receivables are non-interest bearing and generally due on 30-90 day terms. As at December 31, 2019, approximately $5,856 of ClearStream's trade receivables had been outstanding longer than 90 days (2018 - $1,809). Subsequent to December 31, 2019, $2,752 of the $5,856 over 90 days was collected. Management has fully evaluated the outstanding receivables as at December 31, 2019 and has determined that the lifetime expected credit losses of the trade receivables was immaterial.

ii. Customer concentration risk

Revenues of ClearStream are concentrated, with its top three customers representing 39.1% of consolidated revenue (2018 – 54%) and 24.0% of the consolidated accounts receivable for ClearStream (2018 – 40%). More specifically, ClearStream's largest customer within the Maintenance & Construction operating segment accounted for 19.7% or $91,365 of ClearStream's consolidated revenue for the year ended December 31, 2019 (2018 – 31% or $119,005).

iii. Liquidity risk

Liquidity risk is the risk that ClearStream will not be able to meet its financial obligations as they come due. ClearStream's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

All of ClearStream's financial liabilities are current with the exception of its senior secured debentures, which are due March 2026, and other secured borrowings, which are due June 2025 and March 2045.

ClearStream's strategy is that long-term debt should always form part of its capital structure, assuming an appropriate cost. As existing debt approaches maturity, ClearStream will replace it with new debt, convert it into equity or refinance or restructure, depending on the state of the capital markets at the time.

ClearStream manages its liquidity risk by continuously monitoring forecast and actual gross profit and cash flows from operations.

On March 3, 2020, the Company received confirmation from the lenders under the ABL Facility that they have agreed to extend the maturity date of the facility to March 23, 2021. The Company and the lenders under the ABL Facility are preparing an amending agreement to effect the extension of the maturity date and certain other amendments, including replacing the monthly minimum EBITDA covenant with a quarterly fixed charge coverage ratio covenant. The amendments will not reduce the maximum borrowings available under the Revolving Facility.

18. Supplemental cash flow information

a. Changes in non-cash working capital

	2019	2018
Accounts receivables	$ (38,388)	$ 4,731
Inventories	(3,880)	(1,430)
Prepaid expenses	4,115	943
Accounts payable and accrued liabilities	16,169	(7,984)
Total changes in non-cash balances	$ (21,984)	$ (3,740)

b. Changes in liabilities arising from financing activities

	ABL facility	Lease liabilities	Senior and convertible secured debentures	Other secured borrowings	Total liabilities from financing activities
Balance as at January 1, 2018	27,500	3,611	196,987	—	228,098
Borrowings	4,822	4,106	—	—	8,928
Repayment	—	(2,442)	—	—	(2,442)
Cash and preferred share conversion	—	—	(2,415)	—	(2,415)
Extinguishment of debt, net of deferred financing fees	—	—	(97,273)	—	(97,273)
Non-cash changes	—	51	—	—	51
Accretion	—	—	299	—	299
Balance as at December 31, 2018	32,322	5,326	97,598	—	135,246
Borrowings	35,374	1,609	—	19,000	55,983
Deferred financing	(254)	—	—	(280)	(534)
Repayments	—	(9,831)	—	(459)	(10,290)
Adoption of IFRS 16	—	38,930	—	—	38,930
Extinguishment of debt, net of deferred financing fees	—	—	(858)	—	(858)
Accretion	—	—	215	360	575
Balance as at December 31, 2019	$ 67,442	$ 36,034	$ 96,955	$ 18,621	$ 219,052

19. Segment information

The Company has organized the business around differences in products and services provided to customers. All or substantially all of ClearStream's operations, assets and employees are located in Canada.

ClearStream has six operating segments, which are aggregated into two reportable segments, as follows:

- The Maintenance and Construction reportable segment is a fully integrated provider of maintenance and construction services to the energy industry. This segment provides maintenance services, welding, fabrication, machining, construction, turnaround services, and a resource/labour supply to companies in the conventional oil and gas and oilsands markets. The Maintenance and Construction reportable segment consists of the union and non-union operating segments on the basis of the similarities in their service offerings, customers, methods and business environment.

- The Wear Technology, Fabrication and Environmental reportable segment specializes in the supply and fabrication of overlay pipe spools, pipe bends, wear plate, welding services, custom fabrication, pipe management and storage services focused on servicing our clients across various end markets such as Oil & Gas, Power, Government, Mining and Forestry. This reportable segment consists of the Wear, UWO, Fabrication segments on the basis of similarities in their service offerings, customers and methods, as well as the Environmental operating segment on the basis of similarities in their customers, geographies and business environment.

In addition to the reportable operating segments, the Corporate division is a standard head office function, which deals with strategic planning, corporate communications, taxes, legal, marketing, finance, financing (including interest expense), human resources and information technology for the entire organization.

The Eliminations column includes adjustments required to account for joint ventures as equity investments, and eliminations of interdivisional transactions. ClearStream accounts for intersegment sales based on transaction price.

Year ended December 31, 2019	Maintenance and Construction Services	Wear, Fabrication, and Environmental services	Corporate	Eliminations	Total
Revenues	$ 403,348	$ 64,797	$ —	$ (3,894)	$ 464,252
Cost of revenues	(371,634)	(44,938)	—	3,894	(412,678)
Gross profit	31,714	19,859	—	—	51,574
Selling, general & administrative	(1,349)	(1,424)	(24,645)	—	(27,418)
Share-based compensation and other long-term incentive plans	—	—	(1,162)	—	(1,162)
Amortization of intangible assets	(142)	(881)	—	—	(1,023)
Depreciation expense	(7,700)	(4,003)	(2,164)	—	(13,867)
Income from equity investment	509	—	—	—	509
Interest expense	(1,597)	(590)	(17,802)	—	(19,989)
Restructuring costs	(859)	(1,379)	(6,124)	—	(8,361)
Impairment of right-of-use assets	—	(1,680)	—	—	(1,680)
Recovery of contingent consideration liability	—	623	—	—	623
Bargain purchase gain	—	—	10,791	—	10,791
Gain on remeasurement of right-of-use assets	—	—	127	—	127
Gain on sale of property, plant and equipment	316	—	—	—	316
Income (loss) before taxes	20,892	10,525	(40,979)	—	(9,560)
Income tax recovery - deferred	—	—	2,908	—	2,908
Income (loss) from continuing operations	$ 20,892	$ 10,525	$ (38,071)	$ —	$ (6,652)

Year ended December 31, 2018	Maintenance and Construction Services	Wear, Fabrication & Transportation	Corporate	Eliminations	Total
Revenues	$ 318,873	$ 61,335	$ —	$ (1,876)	$ 378,332
Cost of revenues	(303,074)	(50,037)	—	1,876	(351,235)
Gross profit	15,799	11,298	—	—	27,097
Selling, general and administrative expenses	(1,093)	(1,137)	(19,129)	—	(21,359)
Share-based compensation and other long-term incentive plans	—	—	97	—	97
Amortization of intangible assets	(1,030)	(341)	—	—	(1,371)
Depreciation	(3,216)	(1,388)	(344)	—	(4,948)
Income from equity investment	163	—	—	—	163
Interest expense	(334)	(54)	(12,149)	—	(12,537)
Gain on sale of assets held for sale	—	1,032	(275)	—	757
Restructuring costs	—	—	(165)	—	(165)
Impairment of goodwill and intangible assets	(17,733)	—	—	—	(17,733)
Gain (loss) on sale property, plant and equipment	318	(2)	12	—	328
Other loss	—	(860)	—	—	(860)
(Loss) income before taxes	(7,126)	8,548	(31,953)	—	(30,531)
Income tax recovery - deferred	—	459	—	—	459
(Loss) income from continuing operations	$ (7,126)	$ 9,007	$ (31,953)	$ —	$ (30,072)

20. Discontinued operations

The gain from discontinued operations is due to the Company's share of an income tax reassessment resulting in a recovery of $3,250, offset by the expenses that the Company continues to incur relating to the sale of businesses that it owned prior to March 2016. These expenses consist largely of legal, insurance, and consulting costs relating to the calculation of the Quantum Murray earn-out and legal proceedings that existed prior to the sale of the business.

For the year ended December 31, 2018 the loss from discontinued operations was $1,495 due to SG&A expenses that the Company continues to incur relating to sale of business prior to March 2016. These expenses consist of legal, insurance, and consulting costs relating to the Quantum Murray earn-out and legal proceedings that existed prior to the sale of the business.

21. Subsequent events

ABL renewal

On March 3, 2020, the Company received confirmation from the lenders under the ABL Facility that they have agreed to extend the maturity date of the facility to March 23, 2021. The Company and the lenders under the ABL Facility are preparing an amending agreement to effect the extension of the maturity date and certain other amendments, including replacing the monthly minimum EBITDA covenant with a quarterly fixed charge coverage ratio covenant. The amendments will not reduce the maximum borrowings available under the Revolving Facility.

Corporate Office
Suite 1650, 311 - 6th Avenue SW
Calgary, Alberta, Canada
Tel: 587.318.0997
InvestorRelations@clearstreamenergy.ca

CLEARSTREAMENERGY.CA