ClearStream

ANNUAL REPORT

2020

Helping Customers
Bring Resources to Our world.

ClearStream Announces Fourth Quarter and 2020 Annual Financial Results

Business shows resiliency with annual revenues of $393 million down only 15% from 2019

Calgary, Alberta (March 4, 2021) – ClearStream Energy Services Inc. (“ClearStream” or the "Company") (TSX: CSM) today announced its results for the three and twelve months ended December 31, 2020. All amounts are in Canadian dollars and expressed in thousands of dollars unless otherwise noted.

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

“With the arrival of the second wave of the COVID-19 pandemic in the fourth quarter, activity levels returned to a level similar to the second quarter when economic activity was constrained by the public health measures as governments responded and caused customers to remain cautious regarding their spending plans,” said Yves Paletta, Chief Executive Officer.

“With the recent recovery in both oil and natural gas prices that accelerated in the first two months of 2021 and the expected global roll out of vaccinations for COVID-19 this year, we believe that activity levels will start to recover in the second half of 2021. However, as a sector, we can expect to be in a lower growth operating model for the conceivable future and, as such, many of our customers have moved to an operational mindset that focuses on production optimization, reliability and environmental considerations through operational excellence. ClearStream is very well-positioned to support such trends,” said Mr. Paletta.

“As previously announced, we were deeply saddened by the incident that occurred on December 28, 2020 at the Suncor Fort Hills mine that resulted in the death of two valued members of our ClearStream family. We are actively working with Occupational Health and Safety with respect to the incident investigation. ClearStream’s strong HSE Management System and leadership’s commitment to the safety of our people is more than ever our most important core value," added Mr. Paletta.

HIGHLIGHTS

- Revenues for the year ended December 31, 2020 were $393.1 million, representing a decrease of $71.2 million or 15.3% from 2019.
- Adjusted EBITDAS for the year ended December 31, 2020 was $10.5 million, representing a decrease of $15.8 million or 60% from 2019.
- Selling, general and administrative expenses for the year ended December 31, 2020 were $24.0 million, representing a decrease of $2.2 million or 8.6% from 2019.
- Liquidity remained strong with total cash and available credit facilities of $71.7 million at December 31, 2020, up from $66.2 million at September 30, 2020.
- New project awards and contract renewals were $46 million for the three months ended December 31, 2020 and approximately $100 million for 2021 year-to-date (as announced in the press release dated February 24, 2021). Most of the work will be completed in 2021 with the balance scheduled for 2022-2025.
- Completed a corporate reorganization at year-end 2020 to simplify the corporate legal structure with the closing and consolidation of various legacy entities in order to reduce compliance costs going forward.
- Established a multi-disciplinary team to oversee the implementation of internal and external digitization strategies to transform ClearStream into a low cost, efficient and differentiated service provider.

<u>Maintenance and Construction Services</u>

Activity levels for maintenance and construction services slowed in the fourth quarter after a busy third quarter that saw the completion of 7 turnaround projects, many of which had originally been scheduled for the first half of 2020. Revenues from maintenance and construction services in 2020 were only down 11.1% from 2019, which shows the resiliency of our business. We benefited from a diverse customer base in the energy sector as those customer's focussed on natural gas production experienced less volatility in their operations.

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

Wear Technology Overlay Services

In 2020, activity levels for wear technology overlay services remained well below historical levels as customers scaled back their production output and spending on consumables in response to weak oil prices. With the recovery in world oil prices, we are seeing customers increase their production outlook for 2021, which has resulted in a modest increase in demand for wear technology overlay services in the first quarter of 2021.

Environmental

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

FOURTH QUARTER AND ANNUAL 2020 FINANCIAL RESULTS

($ millions, except per share amounts)	Three months ended December 31,			Twelve months ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Revenue						
Maintenance and Construction Services	77.6	124.4	(37.6)%	361.8	407.1	(11.1)%
Wear Technology Overlay Services	7.6	12.7	(40.2)%	33.4	61.0	(45.3)%
Total	84.5	137.1	(38.3)%	393.1	464.3	(15.3)%
Gross Profit						
Maintenance and Construction Services	7.1	10.2	(30.7)%	28.0	32.1	(12.6)%
Wear Technology Overlay Services	1.3	4.6	(72.4)%	5.6	18.3	(69.2)%
Total	8.4	14.9	(43.7)%	33.7	50.4	(33.2)%
% of revenue	9.9 %	10.8 %	(0.9)%	8.6 %	10.9 %	(2.3)%
Selling, general and administrative expenses	7.9	9.9	(20.1)%	24.0	26.2	(8.6)%
% of revenue	9.4 %	7.2 %	2.1 %	6.1 %	5.7 %	0.4 %
Adjusted EBITDAS						
Maintenance and Construction Services.	7.0	10.4	(32.7)%	27.8	31.6	(12.1)%
Wear Technology Overlay Services	1.2	4.5	(74.7)%	5.5	17.7	(69.1)%
Corporate	(7.7)	(9.6)	(19.8)%	(22.7)	(23.0)	(1.4)%
Total	0.5	5.4	(91.1)%	10.5	26.3	(60.0)%
% of revenue	0.6 %	3.9 %	(3.4)%	2.7 %	5.7 %	(3.0)%
Income (loss) from continuing operations	1.8	(10.4)	(116.8)%	3.5	(6.7)	(152.1)%
Net income (loss) per share from continuing operations (basic and diluted)	0.02	(0.09)	(116.8)%	0.03	(0.06)	(152.1)%

Note:

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

2020 RESULTS COMMENTARY

Revenue for the year ended December 31, 2020 was $393,121 compared to $464,252 for the same period in 2019, a decrease of 15.3%. The decrease in 2020, in comparison to 2019, was driven by overall reduced customer spending and the postponement of a portion of scheduled maintenance and turnaround activities as a result of macro-economic uncertainty and the economic impact of the COVID-19 pandemic.

Gross profit for the year ended December 31, 2020 was $33,686 compared to $50,396 for the same period in 2019, a decrease of 33%. Gross profit margin for the year ended December 31, 2020 was 8.6% compared to 10.9% for the same period in 2019. The decrease in 2020, in comparison to 2019, was due to a reduction in both the total volume and the volume of higher margin work in the Wear Technology Overlay Services segment where certain fixed costs are required to operate the facilities in addition to downward pressure on margins by customers in response to market uncertainty. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins across the whole business, we took immediate steps to adjust our cost structures. During the third quarter, we closed ClearStream Wear's locations in Nisku and Edmonton and consolidated all operations into the Sherwood Park location. By eliminating these two facilities, we have significantly improved production flexibility and reduced the fixed costs associated with ClearStream Wear's operations.

Selling, general and administrative ("SG&A") expenses for the year ended December 31, 2020 were $23,986, in comparison to $26,240 in 2019, a decrease of 8.6%. As a percentage of revenue, SG&A expenses for the year ended December 31, 2020 were 6.1% compared to 5.7% in 2019. The increase in SG&A expenses as a percentage of revenue was due to the decline in revenue resulting from macro-economic uncertainty and the economic impact of the COVID-19 pandemic. Given the market uncertainty, we continued to right size our SG&A cost structures compared to the prior year as shown by the decrease in total SG&A expenses in 2020 compared to the same period 2019.

For the year ended December 31, 2020, Adjusted EBITDAS was $10,524 compared to $26,282 in 2019. As a percentage of revenue, Adjusted EBITDAS was 2.7% for the year ended December 31, 2020 compared to 5.7% for the same period in 2019. Adjusted EBITDAS as a percentage of revenue decreased due to gross profit decreases in both the Maintenance and Construction Services segment and the Wear Technology Overlay Services segment.

Income from government subsidies represents the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") received from the Government of Canada to assist with the payment of employee wages and rent as a result of the impact of the COVID-19 pandemic. During the year ended December 31, 2020, the Company qualified for both CEWS and CERS and recorded total grants of $33,521 in the Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss).

Income from continuing operations for the year ended December 31, 2020 was $3,469 compared to a loss of $6,652 in 2019. The income variance was driven by the government subsidies received, the recovery of the share-based compensation and other long-term incentive plans, and the recovery of contingent consideration liability offset by the goodwill impairment loss and decrease to gross profit for the 2020 period as well as the bargain purchase gain in 2019.

FOURTH QUARTER RESULTS COMMENTARY

Revenues for the three months ended December 31, 2020 were $84,530 compared to $137,066 for the same period in 2019, a decrease of 38.3% on a year-over-year basis. This decrease for the three months ended December 31, 2020 in comparison to the same period in 2019, was driven by overall reduced customer spending as a result of the volatility in crude oil prices due to macro-economic uncertainty and the economic impact of the COVID-19 pandemic.

Gross profit for the three months ended December 31, 2020 was $8,372 compared to $14,868 for the same period in 2019. Gross margins were 9.9% for the three months ended December 31, 2020 compared to 10.8% in the same period in 2019. The decrease in gross margin in 2020 was due to a reduction in both the total volume and the volume of higher margin work in the Wear Technology Overlay Services segment where certain fixed costs are required to operate the facilities in addition to downward pressure on margins by customers in response to market uncertainty. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins across the whole business, we took immediate steps to adjust our cost structure as shown by the gross margin increasing to 9.9% for the three months ended December 31, 2020 from 8.6% for the year ended December 31, 2020.

SG&A expenses for the three months ended December 31, 2020 were $7,923 compared to $9,912 for the same period in 2019. As a percentage of revenue, SG&A expenses for the three months ended December 31, 2020 were 9.4% compared to 7.2% for the same period in 2019 due to the decline in revenue resulting from macro-economic uncertainty and the economic impact of the COVID-19 pandemic.

ASSET-BASED LENDING FACILITY

On March 3, 2021, the Company received confirmation from the lead lender under the ABL Facility that it had agreed to extend the maturity date of the Revolving Facility to March 23, 2022. The Company and the lead lender under the ABL Facility are preparing an amending agreement to effect the extension of the maturity date and certain other amendments. Due to the Company's current cash position, it was able to reduce the maximum borrowings available under the Revolving Facility to $15 million effective March 23, 2021.

OUTLOOK

The second wave of the COVID-19 pandemic continues to impact both the local and global economy. The public health measures to limit the spread of the virus, including business restrictions, travel restrictions, border closures, quarantines and social distancing, will remain in place for the near-term to allow for the global distribution of vaccines for COVID-19. As the rate of vaccinations increases, we expect that governments will start to re-open their economies.

With the recovery in world oil prices, we expect that our customers who are involved in the energy sector will realize higher cash flows, begin to increase their spending and address maintenance projects that have been deferred. We expect that activity levels will recover in the second half of 2021 as customers prioritize asset management and integrity services to increase operational reliability.

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

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

ClearStream's business model continues to prove its resilience as we are working closely with our customers every day in managing their operations.

Additional Information

Our consolidated financial statements for the year ended December 31, 2020 and the related Management's Discussion and Analysis of the operating and financial results can be accessed on our website at www.clearstreamenergy.ca and will be available shortly through SEDAR at www.sedar.com.

About ClearStream Energy Services Inc.

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

Randy Watt
Chief Financial Officer
ClearStream Energy Services Inc.
(587) 318-0997
rwatt@clearstreamenergy.ca

Yves Paletta
Chief Executive Officer
ClearStream Energy Services Inc.
(587) 318-0997
ypaletta@clearstreamenergy.ca

Advisory regarding Forward-Looking Information

Certain information included in this press release may constitute "forward-looking information" within the meaning of Canadian securities laws. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. This press release contains forward-looking statements relating to but not limited to: our business plans, strategies and objectives; the effects of the COVID-19 pandemic on global commerce and oil prices; that customers will remain cautious regarding their spending plans; that activity levels will recover in the second half of 2021; that we will be in a lower growth operating model for the conceivable future; that customers will focus on production optimization, reliability and environmental considerations through operational excellence; the estimated value of contract renewals and project awards; that the implementation of internal and external digitization strategies will transform us into a low cost, efficient and differentiated service provider; that there will be a modest increase in demand for wear technology overlay services in the first quarter of 2021; that the pace at which funding under federal and provincial programs for the closure and reclamation of oil and gas wells, pipelines and facilities is released will accelerate in 2021; that the consolidation of our wear technology overlay facilities has improved our production flexibility and reduced our fixed costs; that the COVID-19 pandemic will continue to impact both the local and global economy; the duration of public health measures; that governments will start to re-open their economies as the rate of vaccinations increases; that our customers who are involved in the energy industry will begin to increase their spending and address maintenance projects that have been deferred as they realize higher cash flows from the recovery in world oil prices; that activity levels will recover in the second half of 2021 as customers prioritize asset management and integrity services to increase operational reliability; that our customers will focus on improving their operational processes; and that we are well-positioned to consolidate further multiple services while generating efficiencies and cost reductions for our customers.

Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information including, but not limited to, the success of our response to the COVID-19 global pandemic, risks related to the integration of acquired businesses, conditions of capital markets, economic conditions, commodity prices, dependence on key personnel, interest rates, regulatory change, ability to meet working capital requirements and capital expenditure needs, factors relating to the weather and availability of labour. These factors should not be considered exhaustive. Risks and uncertainties about ClearStream's business are more fully discussed in ClearStream's disclosure materials, including its annual information form and management's discussion and analysis of the operating and financial results, filed with the securities regulatory authorities in Canada and available at www.sedar.com. In formulating the forward-looking information, management has assumed that business and economic conditions affecting ClearStream will continue substantially in the ordinary course, including, without limitation, with respect to general levels of economic activity, regulations, taxes and interest rates. Although the forward-looking information is based on what management of ClearStream consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management's assumptions may prove to be incorrect.

This forward-looking information is made as of the date of this press release, and ClearStream does not assume any obligation to update or revise it to reflect new events or circumstances except as required by law. Undue reliance should not be placed on forward-looking information. Forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes.

Advisory regarding Non-Standard Measures

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

EBITDAS refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery), share-based compensation, and other long-term incentive plans. EBITDAS is used by management and the directors of ClearStream as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDAS to monitor the performance of ClearStream's reportable segments and believes that in addition to net income or loss and cash provided by operating activities, EBITDAS is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures and income taxes. ClearStream has provided a reconciliation of income (loss) from continuing operations to EBITDAS in its management's discussion and analysis of the operating and financial results for the year ended December 31, 2020.

Adjusted EBITDAS refers to EBITDAS excluding the gain on sale of assets held for sale, impairment of goodwill and intangible assets, restructuring costs, gain on sale of property plant and equipment, recovery of contingent consideration liability, other loss, one time incurred expenses, impairment of right-of-use assets, bargain purchase gain, gain on remeasurement of right-of-use assets, and government subsidies. ClearStream has used Adjusted EBITDAS as the basis for the analysis of its past operating financial performance. Adjusted EBITDAS is used by ClearStream and management believes it is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures, and income taxes. Adjusted EBITDAS is a measure that management believes facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors. ClearStream has provided a reconciliation of income (loss) from continuing operations to Adjusted EBITDAS its management's discussion and analysis of the operating and financial results for the year ended December 31, 2020.

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.

ClearStream

ANNUAL REPORT

MD&A 2020

Helping Customers
Bring Resources to Our world.

Management's Discussion and Analysis

March 4, 2021

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" or the "Company") for the years ended December 31, 2020 and 2019. This MD&A should be read in conjunction with ClearStream's audited consolidated financial statements and the notes thereto for the years ended December 31, 2020 and 2019.

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, 2021 and is current to that date unless otherwise indicated.

The 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 "Advisory regarding Non-Standard Measures".

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

Reportable Segments

The three segments listed 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 Universal Weld Overlays Inc. 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 as well as abandonment, decommissioning, and reclamation services.
Wear Technology Overlay Services	Custom fabrication services supporting pipeline and infrastructure projects, patented wear overlay technology services specializing in overlay pipe spools, pipe bends and plate.
Corporate	Head office management, administrative, legal and interest expenses.

Note: Certain amounts in the previous periods presented herein have been reclassified from the prior year to conform to the current period presentation. The Environmental Services division has been included in the Maintenance and Construction Services segment; the financial results for this division were not significant to overall financial results for this segment during the years ended December 31, 2020 and 2019.

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 effects of the COVID-19 pandemic on global commerce and oil prices; that the COVID-19 outbreak and other market conditions will have longer term impacts on our activity levels and margins; that the consolidation of our wear technology overlay facilities has improved our production flexibility and reduced our fixed costs; the sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations and maintain compliance with our financial covenants through December 31, 2021; the effect of known claims and litigation on our financial position and results of operations; that the COVID-19 pandemic will continue to impact both the local and global economy; the duration of public health measures; that governments will start to re-open their economies as the rate of vaccinations increases; that our customers who are involved in the energy industry will begin to increase their spending and address maintenance projects that have been deferred as they realize higher cash flows from the recovery in world oil prices; that activity levels will recover in the second half of 2021 as customers prioritize asset management and integrity services to increase operational reliability; that our customers will focus on improving their operational processes; and that we are well-positioned to consolidate further multiple services while generating efficiencies and cost reductions for our customers.

Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information including, but not limited to, the success of our response to the COVID-19 global pandemic, risks related to the integration of acquired businesses, conditions of capital markets, economic conditions, commodity prices, dependence on key personnel, interest rates, regulatory change, ability to meet working capital requirements and capital expenditure needs, factors relating to the weather and availability of labour. These factors should not be considered exhaustive. Risks and uncertainties about ClearStream's business are more fully discussed in ClearStream's disclosure materials, including its annual information form and management's discussion and analysis of the operating and financial results, filed with the securities regulatory authorities in Canada and available at www.sedar.com. In formulating the forward-looking information, management has assumed that business and economic conditions affecting ClearStream will continue substantially in the ordinary course, including, without limitation, with respect to general levels of economic activity, regulations, taxes and interest rates. Although the forward-looking information is based on what management of ClearStream consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management's assumptions may prove to be incorrect.

This forward-looking information is made as of the date of this 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.

Advisory regarding Non-Standard Measures

The terms ''EBITDAS'', "Adjusted EBITDAS" and "Adjusted EBITDAS from Operations" (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, gain on remeasurement of right-of-use assets, and government subsidies. ClearStream has used Adjusted EBITDAS as the basis for the analysis of its past operating financial performance. Adjusted EBITDAS is used by ClearStream and management believes it is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures, and income taxes. Adjusted EBITDAS is a measure that management believes facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors. ClearStream has provided a reconciliation of income (loss) from continuing operations to Adjusted EBITDAS in this MD&A.

Adjusted EBITDAS from Operations refers to Adjusted EBITDAS generated from the Maintenance and Construction Services and Wear Technology Overlay Services segments, before Adjusted EBITDAS used in the corporate segment. Management believes it is a useful measure for the users, because it provides the adjusted EBITDAS from operational segments only without taking into account corporate expenditures.

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.

2020 SUMMARY OF RESULTS – CONTINUING OPERATIONS ($000's)

For the year ended December 31,	2020	2019
Revenue	$ 393,121	$ 464,252
Cost of revenue	(359,435)	(413,856)
Gross profit	33,686	50,396
Selling, general and administrative expenses	(23,986)	(26,240)
Share-based compensation and other long-term incentive plans recovery (expense)	1,127	(1,162)
Amortization of intangible assets	(1,824)	(1,023)
Depreciation expense	(14,937)	(13,867)
Income from equity investment	1	509
Interest expense	(19,028)	(19,989)
Restructuring expense	(2,641)	(8,361)
Impairment of intangible assets and goodwill	(5,000)	—
Impairment of right-of-use assets	—	(1,680)
Recovery of contingent consideration liability	1,121	623
Bargain purchase gain	—	10,791
Gain on remeasurement of right-of-use assets	—	127
Gain on sale of property, plant and equipment	154	316
Income tax recovery - current	65	—
Income tax recovery - deferred	1,210	2,908
Income from government subsidies	33,521	—
Income (loss) from continuing operations	3,469	(6,652)
Add:		
Amortization of intangible assets	1,824	1,023
Depreciation expense	14,937	13,867
Share-based compensation and other long-term incentive plans (recovery) expense	(1,127)	1,162
Interest expense	19,028	19,989
Income tax recovery - current	(65)	—
Income tax recovery - deferred	(1,210)	(2,908)
EBITDAS	36,856	26,481
Gain on sale of property, plant and equipment	(154)	(316)
Impairment of intangible assets and goodwill	5,000	—
Restructuring expense	2,641	8,361
Income from government subsidies	(33,521)	—
One-time incurred expenses	823	1,617
Impairment of right-of-use assets	—	1,680
Recovery of contingent consideration liability	(1,121)	(623)
Bargain purchase gain	—	(10,791)
Gain on remeasurement of right-of-use assets	—	(127)
Adjusted EBITDAS	$ 10,524	$ 26,282

Net income (loss) per share (dollars) For the year ended December 31,		2020		2019
Basic & Diluted:				
Continuing operations	$	0.03	$	(0.06)
Discontinued operations	$	—	$	0.02
Net income (loss) and comprehensive income (loss)	$	0.03	$	(0.04)

Selected Balance Sheet Accounts As at December 31,		2020		2019
Total assets	$	215,607	$	257,573
ABL facility		40,626		67,442
Senior secured debentures		105,173		96,955
Other secured borrowings		17,703		18,621
Shareholders' deficit	$	(19,942)	$	(23,438)

2020 RESULTS

Revenue for the year ended December 31, 2020 was $393,121 compared to $464,252 for the same period in 2019, a decrease of 15.3%. The decrease in 2020, in comparison to 2019, was driven by overall reduced customer spending and the postponement of a portion of scheduled maintenance and turnaround activities as a result of macro-economic uncertainty and the economic impact of the COVID-19 pandemic.

Gross profit for the year ended December 31, 2020 was $33,686 compared to $50,396 for the same period in 2019, a decrease of 33.2%. Gross profit margin for the year ended December 31, 2020 was 8.6% compared to 10.9% for the same period in 2019. The decrease in 2020, in comparison to 2019, was due to a reduction in both the total volume and the volume of higher margin work in the Wear Technology Overlay Services segment where certain fixed costs are required to operate the facilities in addition to downward pressure on margins by customers in response to market uncertainty. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins across the whole business, we took immediate steps to adjust our cost structures. During the third quarter, we closed ClearStream Wear's locations in Nisku and Edmonton and consolidated all operations into the Sherwood Park location. By eliminating these two facilities, we have significantly improved production flexibility and reduced the fixed costs associated with ClearStream Wear's operations.

Selling, general and administrative (“SG&A”) expenses for the year ended December 31, 2020 were $23,986, in comparison to $26,240 in 2019, a decrease of 8.6%. As a percentage of revenue, SG&A expenses for the year ended December 31, 2020 were 6.1% compared to 5.7% in 2019. The increase in SG&A expenses as a percentage of revenue was due to the decline in revenue resulting from macro-economic uncertainty and the economic impact of the COVID-19 pandemic. Given the market uncertainty, we continued to right size our SG&A cost structures compared to the prior year as shown by the decrease in total SG&A expenses in 2020 compared to the same period 2019.

Non-cash items that impacted the 2020 results were depreciation, amortization, and the recovery of share-based compensation and other long-term incentive plans. For the year ended December 31, 2020, depreciation and amortization expense were $16,761 compared to $14,890 in 2019. The increase in depreciation and amortization expense was due to the increase in asset values as a result of the acquisition of certain assets of the production services division of AECOM Production Services Ltd. (the "AECOM PSD Business") as well as additional 2020 capital expenditures. Recovery of the share-based compensation and other long-term incentive plans for the year ended December 31, 2020 of $1,127, in comparison to an expense of $1,162 in 2019, represents the change in the net present value of future cash payments as no payout is expected under the Cumulative Value Creation Unit Plan.

For the year ended December 31, 2020, interest expenses were $19,028 compared to $19,989 in 2019, a decrease of 4.8%. The decrease was due to a reduction in amounts recognized under lease liabilities and deferred financing charges partially offset by an increase in interest on the ABL facility due to term loan advances made in Q2 and Q3 of 2019 in comparison to the full year's term loan interest impact in 2020.

Restructuring expenses of $2,641 were recorded during the year ended December 31, 2020 compared to $8,361 in 2019. The non-recurring restructuring expenses in 2020 were related to cost reduction initiatives in response to changing market conditions. The non-recurring restructuring expenses in 2019 were related to the acquisition of the AECOM PSD Business as well as termination benefits.

Impairment of $5,000 was recorded for the year ended December 31, 2020 as a result of the identification of indicators of impairment at March 31, 2020 related to the forecasted impact of the COVID-19 pandemic, which has decreased global demand for oil and gas and resulted in a reduction in the long-term outlook for commodity prices. Management therefore performed impairment tests as at March 31, 2020 for the Wear and UWO cash-generating units (“CGUs”), both of which are within the Wear Technology Overlay Services segment. This testing resulted in an impairment of the UWO CGU of $5,000 in the twelve months ended December 31, 2020. No impairment was required for the Wear CGU.

Income from government subsidies represents the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") received from the Government of Canada to assist with the payment of employee wages and rent as a result of the impact of the COVID-19 pandemic. During the year ended December 31, 2020, the Company qualified for both CEWS and CERS and recorded total grants of $33,521 in the Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss).

Income from continuing operations for the year ended December 31, 2020 was $3,469 compared to a loss of $6,652 in 2019. The income variance was driven by the government subsidies received, the recovery of the share-based compensation and other long-term incentive plans, and the recovery of contingent consideration liability offset by the goodwill impairment loss and decrease to gross profit for the 2020 period as well as the bargain purchase gain in 2019.

The gain from discontinued operations was $27 for the year ended December 31, 2020, compared to a gain of $1,940 for the same period in 2019. The gain from discontinued operations in 2020 was due to a settlement relating to Quantum Murray offset by associated legal fees. The gain from discontinued operations in 2019 was due to the Company's share of an income tax reassessment won by Brompton, offset by expenses relating to the sale of businesses prior to March 2018. The Company continues to incur expenses relating to the sale of businesses that it owned prior to March 2018. These expenses consist largely of legal costs relating to Quantum Murray and legal proceedings that existed prior to the sale of the business.

For the year ended December 31, 2020, Adjusted EBITDAS was $10,524 compared to $26,282 in 2019. As a percentage of revenue, Adjusted EBITDAS was 2.7% for the year ended December 31, 2020 compared to 5.7% for the same period in 2019. Adjusted EBITDAS as a percentage of revenue decreased due to gross profit decreases in both the Maintenance and Construction Services segment and the Wear Technology Overlay Services segment.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

For the year ended December 31,	2020	2019
Revenue	$ 361,816	$ 407,119
Cost of revenue	(333,776)	(375,051)
Gross profit	28,040	32,068
Selling, general and administrative expenses	(671)	(1,010)
Amortization of intangible assets	(261)	(142)
Depreciation expense	(8,888)	(7,700)
Income from equity investments	1	509
Interest expense	(1,273)	(1,597)
Restructuring expense	(501)	(859)
Gain on sale of property, plant and equipment	615	316
Income from government subsidies	29,078	—
Income from continuing operations	46,140	21,585
Add:		
Amortization of intangible assets	261	142
Depreciation expense	8,888	7,700
Interest expense	1,273	1,597
EBITDAS	56,562	31,024
Gain on sale of property, plant and equipment	(615)	(316)
Restructuring expense	501	859
Income from government subsidies	(29,078)	—
One-time incurred expenses	386	—
Adjusted EBITDAS	$ 27,756	$ 31,567

Revenues

Revenues for the Maintenance and Construction Services segment were $361,816 for the year ended December 31, 2020 compared to $407,119 for the same period in 2019, which reflects a decrease of 11.1%. The decrease in 2020 was due to customers continuing to reduce spending and postponing a portion of their scheduled maintenance and turnaround activities. These postponements are a result of volatility in crude oil prices due to macro-economic uncertainty and the economic impact of the COVID-19 pandemic.

Gross Profit

Gross profit was $28,040 for the year ended December 31, 2020 compared to $32,068 for the same period in 2019, a decrease of 12.6%. Gross profit margin was 7.7% for the year ended December 31, 2020 compared to 7.9% for the same period in 2019. The decrease in gross profit margin was due to lower than anticipated volumes from our maintenance and turnaround business relative to indirect costs to manage this business as well as the downward market pressure on margins by our customers.

Selling, General and Administrative Expenses

SG&A expenses for the Maintenance and Construction Services segment were $671 for the year ended December 31, 2020, compared to $1,010 for the same period in 2019, a decrease of 33.6%. The decrease in SG&A expenses were primarily due to the impact of our cost mitigation initiatives in response to lower volumes from market uncertainty.

WEAR TECHNOLOGY OVERLAY SERVICES

For the year ended December 31,	2020	2019
Revenue	$ 33,406	$ 61,026
Cost of revenue	(27,760)	(42,699)
Gross profit	5,646	18,327
Selling, general and administrative expenses	(544)	(585)
Amortization of intangible assets	(1,563)	(881)
Depreciation expense	(3,410)	(4,003)
Interest and foreign exchange expense	(374)	(590)
Restructuring expense	(41)	(1,379)
Impairment of intangible assets and goodwill	(5,000)	—
Impairment of right-of-use assets	—	(1,680)
Recovery of contingent consideration liability	—	623
Loss on sale of property, plant and equipment	(359)	—
Income from government subsidies	2,484	—
(Loss) income from continuing operations	(3,161)	9,832
Add:		
Amortization of intangible assets	1,563	881
Depreciation expense	3,410	4,003
Interest expense	374	590
EBITDAS	2,186	15,306
Loss on sale of property, plant and equipment	359	—
Impairment of intangible assets and goodwill	5,000	—
Restructuring expense	41	1,379
Income from government subsidies	(2,484)	—
One time incurred expenses	379	—
Impairment of right-of-use assets	—	1,680
Recovery of contingent consideration liability	—	(623)
Adjusted EBITDAS	$ 5,481	$ 17,742

Revenues

Revenues for this segment for the year ended December 31, 2020 were $33,406, compared to $61,026 for the same period in 2019, a decrease of 45.3%. The decrease in 2020 was largely due to activity levels for weld technology overlay services remaining well below historical levels as customers scaled back their production output and decreased spending on consumables in response to weak oil prices. A further decrease in revenue for the period is due to the loss of revenue generated by some fabrication facilities that were closed in mid-2019.

Gross Profit

Gross profit was $5,646 for the year ended December 31, 2020, compared to $18,327 for the same period in 2019, a decrease of 69.2%. Gross profit margins were 16.9% for the year ended December 31, 2020 compared to 30% for the same period in 2019. The decrease in gross profit margin was due to increased competition, a higher proportion of lower margin work in our facilities, and the overall decline in volumes with certain fixed costs remaining steady. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins, we took immediate steps to adjust our cost structure and optimize our overlay manufacturing footprint by consolidating all operations into our facility in Sherwood Park resulting in the closure of the facilities in Edmonton and Nisku during the third quarter of 2020.

Selling, General and Administrative Expenses

SG&A expenses for the Wear Technology Overlay Services segment were $544 for the year ended December 31, 2020, compared to $585 for the same period in 2019.

CORPORATE

ClearStream's head office functions are located in Calgary, Alberta. The Corporate segment 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,	2020	2019
Selling, general and administrative expenses	$ (22,771)	$ (24,645)
Share-based compensation and other long-term incentive plans recovery (expense)	1,127	(1,162)
Depreciation expense	(2,639)	(2,164)
Interest expense	(17,381)	(17,802)
Restructuring expense	(2,099)	(6,124)
Recovery of contingent consideration liability	1,121	—
Bargain purchase gain	—	10,791
Gain on remeasurement of right-of-use assets	—	127
Loss on sale of property, plant and equipment	(102)	—
Income tax recovery - current	65	—
Income tax recovery - deferred	1,210	2,908
Income from government subsidies	1,959	—
Loss from continuing operations	(39,510)	(38,071)
Add:		
Depreciation expense	2,639	2,164
Share-based compensation and other long-term incentive plans (recovery) expense	(1,127)	1,162
Interest expense	17,381	17,802
Income tax recovery - current	(65)	—
Income tax recovery - deferred	(1,210)	(2,908)
EBITDAS	(21,892)	(19,851)
Loss on sale of property, plant and equipment	102	—
Restructuring expense	2,099	6,124
Income from government subsidies	(1,959)	—
One-time incurred expenses	58	1,617
Recovery of contingent consideration liability	(1,121)	—
Bargain purchase gain	—	(10,791)
Gain on remeasurement of right-of-use assets	—	(127)
Adjusted EBITDAS	$ (22,713)	$ (23,028)

Selling, General and Administrative Expenses

SG&A expenses were $22,771 for the year ended December 31, 2020 compared to $24,645 for the same period in 2019. SG&A expenses as a percentage of revenue were 5.8% for the year ended December 31, 2020 compared to 5.3% for the same period in 2019. This increase in SG&A expenses as a percentage of revenue in 2020 was due to the decline in revenue resulting from macro-economic uncertainty and the economic impact of the COVID-19 pandemic. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins, we took immediate steps to adjust our cost structure as shown by the decrease in total SG&A expenses in 2020 compared to the same period in 2019.

FOURTH QUARTER 2020 RESULTS

For three months ended December 31,	2020	2019
Revenue	$ 84,530	$ 137,066
Cost of revenue	(76,158)	(122,198)
Gross profit	8,372	14,868
Selling, general and administrative expenses	(7,923)	(9,912)
Share-based compensation and other long-term incentive plans recovery (expense)	18	(1,098)
Amortization of intangible assets	(495)	(313)
Depreciation expense	(3,791)	(3,974)
(Expense) income from equity investment	(127)	413
Interest expense	(5,630)	(6,060)
Restructuring expense	(1,153)	(2,829)
Recovery of contingent consideration liability	1,121	623
Bargain purchase loss	—	(1,481)
Gain on sale of property, plant and equipment	112	69
Income tax recovery (expense) - deferred	1,210	(755)
Income from government subsidies	10,040	—
Income (loss) from continuing operations	1,754	(10,449)
Add:		
Amortization of intangible assets	495	313
Depreciation expense	3,791	3,974
Share-based compensation and other long-term incentive plans (recovery) expense	(18)	1,098
Interest expense	5,630	6,060
Income tax (recovery) expense - deferred	(1,210)	755
EBITDAS	10,442	1,751
Gain on sale of property, plant and equipment	(112)	(69)
Restructuring expense	1,153	2,829
Income from government subsidies	(10,040)	—
One-time incurred expenses	155	—
Recovery of contingent consideration liability	(1,121)	(623)
Bargain purchase loss	—	1,481
Adjusted EBITDAS	$ 477	$ 5,369

FOURTH QUARTER 2020 RESULTS COMMENTARY

Revenues for the three months ended December 31, 2020 were $84,530 compared to $137,066 for the same period in 2019, a decrease of 38.3% on a year-over-year basis. This decrease for the three months ended December 31, 2020 in comparison to the same period in 2019, was driven by overall reduced customer spending as a result of the volatility in crude oil prices due to macro-economic uncertainty and the economic impact of the COVID-19 pandemic.

Gross profit for the three months ended December 31, 2020 was $8,372 compared to $14,868 for the same period in 2019. Gross margins were 9.9% for the three months ended December 31, 2020 compared to 10.8% in the same period in 2019. The decrease in gross margin in 2020 was due to a reduction in both the total volume and the volume of higher margin work in the Wear Technology Overlay Services segment where certain fixed costs are required to operate the facilities in addition to downward pressure on margins by customers in response to market uncertainty. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins across the whole business, we took immediate steps to adjust our cost structure as shown by the gross margin increasing to 9.9% for the three months ended December 31, 2020 from 8.6% for the year ended December 31, 2020.

SG&A expenses for the three months ended December 31, 2020 were $7,923 compared to $9,912 for the same period in 2019. As a percentage of revenue, SG&A expenses for the three months ended December 31, 2020 were 9.4% compared to 7.2% for the same period in 2019 due to the decline in revenue resulting from macro-economic uncertainty and the economic impact of the COVID-19 pandemic.

ADJUSTED EBITDAS

	Three months ended December 31,		Twelve months ended December 31,	
	2020	**2019**	**2020**	**2019**
Maintenance and Construction Services	$ 6,992	$ 10,382	$ 27,756	$ 31,567
Wear Technology Overlay Services	1,150	4,544	5,481	17,742
Adjusted EBITDAS from operations	8,142	14,926	33,237	49,309
Corporate	(7,665)	(9,557)	(22,713)	(23,028)
Adjusted EBITDAS	**$ 477**	**$ 5,369**	**$ 10,524**	**$ 26,282**

DISCONTINUED OPERATIONS

For the year ended December 31,	2020	2019
Gain from discontinued operations	$ 27	$ 1,940

The gain from discontinued operations in 2020 was due to a settlement relating to Quantum Murray offset by associated legal fees. The gain from discontinued operations in 2019 was due to the Company's share of an income tax reassessment won by Brompton, offset by expenses relating to the sale of businesses prior to March 2018. The Company continues to incur expenses relating to the sale of businesses that it owned prior to March 2018. These expenses consist largely of legal costs relating to Quantum Murray and legal proceedings that existed prior to the sale of the business.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31,	2020	2019
Cash provided by (used in) operating activities	$ 60,025	$ (20,171)
Cash used in investing activities	(948)	(57,974)
Cash (used in) provided by financing activities	(35,709)	74,416
Consolidated cash, end of period	$ 30,477	$ 7,109

The Company’s liquidity and cash flow provided by operations has been driven by a release of working capital as revenues for the year ended December 31, 2020 declined in comparison to the year ended December 31, 2019. This was further impacted by internal billing efficiencies realized in 2020 and the receipt of the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy.

The Company anticipates that its liquidity (cash on hand and available credit facilities) and cash flow from operations will be sufficient to meet its short-term contractual obligations and to maintain compliance with its financial covenants through December 31, 2021.

Investing Activities

Cash outflows related to investment activities during the year ended December 31, 2020 consisted of the purchase of assets and an installment payment towards the outstanding deferred consideration liability related to the acquisition of Universal Weld Overlays Inc., offset partially by proceeds from the disposal of certain assets as well as proceeds from equity investments.

Financing Activities

a. ABL Facility

ClearStream has an asset-based lending facility (the “ABL Facility”) comprised of (i) a revolving credit facility providing for maximum borrowings that range from $50,000 to $65,000 depending on the period (the “Revolving Facility”) with a syndicate of banks (the "Lenders") and (ii) a term loan facility providing for maximum borrowings of up to $40,500 (the “Term Loan Facility”) with Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages (“Canso”).

The ABL Facility provides for maximum borrowings under the Revolving Facility of $65,000 during the period commencing March 1, 2020 and ending September 30, 2020, $60,000 during the period commencing October 1, 2020 and ending December 31, 2020, and $50,000 during the period commencing January 1, 2021 and ending on the maturity date of the Revolving Facility. The Revolving Facility matures on March 23, 2021 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, 2020 was $49,054 (December 31, 2019 - $50,000). 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 Company and the other guarantors, being certain of the Company's 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, 2020, nil (December 31, 2019 - $27,825) was drawn on the Revolving Facility, and there were $3,125 (December 31, 2019 - $2,930) of letters of credit reducing the amount available to be drawn. As at December 31, 2020, the net unamortized amount of deferred financing costs was $113 (December 31, 2019 - $883).

At December 31, 2020, $40,500 (December 31, 2019 - $40,500) was 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 financial covenants applicable under the ABL Facility are as follows:

- The Company must maintain a fixed charge coverage ratio equal to or greater than 1.00:1.00 for each twelve month period calculated and tested as of the last day of each fiscal quarter (commencing March 31, 2020); and
- The Company must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $6,600 during the period commencing January 1, 2020 and ending December 31, 2020, and any fiscal year thereafter.

At December 31, 2020, ClearStream was in compliance with all financial covenants under the ABL Facility.

On March 3, 2021, the Company received confirmation from the lead lender under the ABL Facility that it had agreed to extend the maturity date of the Revolving Facility to March 23, 2022. The Company and the lead lender under the ABL Facility are preparing an amending agreement to effect the extension of the maturity date and certain other amendments. Due to the Company's current cash position, it was able to reduce the maximum borrowings available under the Revolving Facility to $15,000 effective March 23, 2021.

b. 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 certain assets of the production services division of AECOM Production Services Ltd. (the "AECOM PSD Business").

The $13,500 loan is repayable over 300 monthly payments of $45. 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. 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 real property and 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 on annual basis.

On March 30, 2020, the Company signed an agreement with BDC to postpone effective May 1, 2020 all principal payments on the loans for a period of six months with the postponed payments being added to the end of loan term. As a result, the final payment on the $13,500 loan will occur on September 2, 2045 and the final payment on the $5,500 loan will occur on September 28, 2025.

On May 13, 2020, the Company signed an agreement with BDC to postpone all interest payments on the loans for a period of six months with the amount of the deferred interest being payable at the end of the deferral period in twelve equal consecutive monthly installments.

At December 31, 2020, ClearStream was in compliance with all financial covenants under the loan agreements with BDC.

c. Senior Secured Debentures

On March 23, 2016, the Company issued 8.00% senior secured debentures due March 23, 2026 (the "Senior Secured Debentures") pursuant to a trust indenture between ClearStream, as issuer, and BNY Trust Company of Canada, as debenture trustee, as amended and supplemented (the "Senior Secured Indenture"), on a private placement basis to Canso. On June 2, 2020, the debenture trustee was changed to Computershare Trust Company of Canada.

The Senior Secured Debentures bear interest at an annual rate of 8.00% payable semi-annually in arrears on June 30 and December 31 in each year. The maturity date of the Senior Secured Debentures is March 23, 2026. The Senior Secured Debentures are redeemable at the option of the Company and, in certain circumstances, are mandatorily redeemable. The Senior Secured Debentures are secured by first-ranking liens over all of the property of the Company and its guarantor subsidiaries, other than certain limited classes of collateral over which the Company has granted a prior-ranking lien in favour of the ABL Facility and the BDC Facility. The Senior Secured Debentures provide for certain events of default and covenants of the Company, including financial and reporting covenants and restrictive covenants limiting the ability of the Company and its subsidiaries to make certain distributions and dispositions, incur indebtedness, grant liens and limitations with respect to acquisitions, mergers, investments, non-arm's length transactions, reorganizations and hedging arrangements (subject to certain exceptions).

In June, 2020, Canso agreed to accept the issuance of an additional 3,956 Senior Secured Debentures on June 30, 2020 and 4,114 Senior Secured Debentures on December 31, 2020 at a principal amount of $1,000 per Senior Secured Debenture in order to satisfy the interest that would otherwise become due and payable on such dates (the "Payment in Kind Transactions"). The terms of the new Senior Secured Debentures issued pursuant to the Payment in Kind Transactions were the same as the existing Senior Secured Debentures in all material respects. In connection with the Payment in Kind Transactions, the Company entered into the Fifth Supplemental Senior Secured Indenture on June 2, 2020.

CONTRACTUAL OBLIGATIONS

The table below summarizes the Company's contractual obligations at December 31, 2020, on an undiscounted basis:

	Total	Less than One Year	One to Five Years	After Five Years
Accounts payable and accrued liabilities	$ 34,614	$ 34,614	$ —	$ —
Deferred consideration	866	433	433	—
Earn-out contingent liability	250	—	250	—
ABL facility	40,626	40,626	—	—
Lease liabilities	45,129	10,090	26,792	8,247
Other secured borrowings	17,905	1,457	5,784	10,665
Senior secured debentures	106,997	—	—	106,997
Total	$ 246,386	$ 87,219	$ 33,259	$ 125,908

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. Based on the current environment, significant market uncertainty exists that could impact the estimates and assumptions made by the ClearStream. 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 consolidated financial statements.

CONTINGENCIES

Contingencies are provided for when they are likely to occur and can be reasonably 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)

	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Revenue	$84,530	$100,755	$81,037	$126,799	$137,066	$139,542	$103,690	$83,954
Gross Profit Margin	$8,372	$9,965	$6,030	$9,319	$14,864	$15,831	$11,277	$8,424
Gross Profit Margin %	9.9%	9.9%	7.4%	7.3%	10.8%	11.3%	10.9%	10.0%
Net income (loss) from continuing operations	$1,754	$9,684	$1,303	$(9,272)	$(10,449)	$928	$7,091	$(4,222)
Net income (loss)	$1,722	$9,832	$1,299	$(9,357)	$(10,536)	$619	$6,785	$(1,580)
Net income (loss) per share from continuing operations	$0.02	$0.09	$0.01	$(0.08)	$(0.09)	$0.01	$0.06	$(0.04)
Net income (loss) per share	$0.02	$0.09	$0.01	$(0.09)	$(0.10)	$0.01	$0.06	$(0.01)

ClearStream's revenues are somewhat seasonal, in particular for the Maintenance and Construction Services segment. Typically, there are scheduled shutdown turnaround projects in the spring and fall which increase revenues over and above the standard maintenance and operational support services. In 2020, this trend was disrupted due to the COVID-19 pandemic causing the postponement of scheduled spring shutdown turnaround projects.

TRANSACTIONS WITH RELATED PARTIES

As at December 31, 2020, directors, officers and key employees beneficially held an aggregate of 11,868,442 common shares or 10.79% of the issued and outstanding common shares.

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 at December 31, 2020, the Company's issued and outstanding share capital included 109,992,668 common shares, 127,735 Series 1 preferred shares, and 40,111 Series 2 preferred shares.

(in thousands, except number of shares and per share amounts)	Preferred Shares Series I	Preferred Shares Series II	Common Shares
Balance as at January 1, 2019	127,753	—	109,941,241
Issued	—	40,111	—
Converted to Common shares	(18)	—	51,427
Balance as at December 31, 2019	127,735	40,111	109,992,668
Balance as at December 31, 2020	127,735	40,111	109,992,668

As at December 31, 2020, the accrued and unpaid dividends on the Series I and Series II preferred shares totaled $43,102 (2019 - $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 166,463,401 (2019 - 89,851,880) common shares would be issued, which represents approximately 151% (2019 - 82%) of the common shares outstanding as of December 31, 2020.

OUTLOOK

The second wave of the COVID-19 pandemic continues to impact both the local and global economy. The public health measures to limit the spread of the virus, including business restrictions, travel restrictions, border closures, quarantines and social distancing, will remain in place for the near-term to allow for the global distribution of vaccines for COVID-19. As the rate of vaccinations increases, we expect that governments will start to re-open their economies.

With the recovery in world oil prices, we expect that our customers who are involved in the energy sector will realize higher cash flows, begin to increase their spending and address maintenance projects that have been deferred. We expect that activity levels will recover in the second half of 2021 as customers prioritize asset management and integrity services to increase operational reliability.

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

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

ClearStream's business model continues to prove its resilience as we are working closely with our customers every day in managing their operations.

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.

- The outbreak of the COVID-19 pandemic and its impact on the global economy (including a material reduction in the demand for petroleum products) has impacted the Company's plans and activities by reducing the demand for its services and its gross profit margins. There can be no assurance that the Company will not continue to be impacted by adverse consequences that may be brought about by the COVID-19 pandemic. See "COVID-19 Pandemic" below.
- 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, 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 and British Columbia because a large percentage of the Company's revenues originate in those provinces.
- 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.

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, 2020, which is available on the SEDAR website at www.sedar.com.

COVID-19 Pandemic

The outbreak of the COVID-19 pandemic and its impact on the global economy (including a material reduction in the demand for petroleum products) has impacted the Company's plans and activities by reducing the demand for its services and its gross profit margins. The Company may face disruption to operations, supply chain delays, travel and trade restrictions and the impact on economic activity can be difficult to quantify. Such pandemics or diseases represent a serious threat to maintaining a skilled workforce and could be a major healthcare challenge for the Company. There can be no assurance that the Company's personnel will not be impacted by COVID-19 and ultimately that the Company would see its workforce productivity reduced. In addition, the COVID-19 pandemic has created a dramatic slowdown in both the global and local economy. The duration of the COVID-19 pandemic and the resulting travel restrictions, social distancing, Government response actions, business closures and business disruptions, can all have an impact on the Company's operations and access to capital.

There can be no assurance that the Company will not continue to be impacted by adverse consequences that may be brought about by the COVID-19 pandemic, including an extended period of low commodity prices further reducing the demand for its services and its gross profit margins which in turn will put pressure on its financial liquidity.

The full extent of the risks surrounding the severity and timing of the COVID-19 pandemic are continually evolving and are not fully known at this time; therefore, there is significant risk and uncertainty which may have a material and adverse affect on our operations. The following risks disclosed in our Annual Information Form for the year ended December 31, 2020 may be exacerbated as a result of the COVID-19 pandemic:

- The Company's credit facilities may not provide sufficient liquidity;

- 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 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;

- 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;

- The Company 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;
- Cyber attacks and loss of the Company’s information and computer systems as its workforce moves to remote connections could adversely affect the Company’s business; and
- The Company's business is subject to changes in general economic conditions over which it has little or no control.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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, 2020 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, 2020 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, 2020 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, 2020 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, 2020.

ClearStream

ANNUAL REPORT

FINANCIAL STATEMENTS 2020

Helping Customers
Bring Resources to Our world.

CONSOLIDATED FINANCIAL STATEMENTS OF

CLEARSTREAM ENERGY SERVICES INC.

YEARS ENDED DECEMBER 31, 2020 AND 2019

Calgary, Canada

March 4, 2021

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, 2021

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, 2020 and 2019 and the consolidated statements of income (loss) and comprehensive income (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, 2020 and 2019, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
As at December 31, 2020, the carrying amounts of goodwill and indefinite life intangible assets were $7,949 and $1,574, respectively. For the year ended December 31, 2020, an impairment loss of $5,000 was recorded with respect to goodwill. Refer to Note 1 *Significant accounting policies* of the consolidated financial statements for a description of the Company's accounting policy for impairment of long-lived assets, indefinite life intangible assets and goodwill. Refer to Note 4 *Goodwill and intangible assets* of the consolidated financial statements for the Company's impairment disclosures. Goodwill and indefinite life intangible assets are tested at least annually for impairment. If the carrying amount of a cash generating unit ("CGU") or group of CGUs exceeds its recoverable amount, an impairment charge is recognized for the difference. The recoverable amounts of the Company's CGUs were determined based on their value in use which was estimated using a discounted cash flow approach. Auditing the Company's estimated recoverable amounts for the Wear and UWO CGUs was complex due to the subjective nature of the various management inputs and assumptions. Significant assumptions included earnings before income taxes, interest, depreciation and amortization ("EBITDA"), capital expenditures, growth rates, working capital and discount rates, which are affected by expectations about future market and economic conditions.	To test the estimated recoverable amounts of the CGUs, our audit procedures included, among others, assessing the significant assumptions discussed above and the underlying data used by the Company in its analysis: • We involved our valuation specialists to assess the methodology applied and the various inputs utilized in determining the discount rate by referencing current industry, economic, and comparable company information, and company and cash-flow specific risk premiums; • We assessed the historical accuracy of management's cash flow projections, including EBITDA, capital expenditures, and working capital by comparing them to actual historical performance; • We compared the growth rates to current industry, market and economic trends; • We performed sensitivity analysis on significant assumptions to evaluate the changes in the recoverable amounts of the CGUs that would arise from changes in those assumptions; and • We assessed the adequacy of the Company's disclosures included in the notes to the consolidated financial statements in relation to this matter.

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:

a. 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.

b. 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.

c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d. 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.

e. 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.

f. 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Ernst & Young LLP

Calgary, Canada

March 4, 2021

Consolidated Balance Sheets

(In thousands of Canadian dollars)

As at December 31,	Notes	2020	2019
Assets			
Cash		$ 30,477	$ 7,109
Restricted cash		—	805
Accounts receivable	19	89,508	138,638
Inventories	2	6,885	9,739
Prepaid expenses		1,813	1,888
Total current assets		128,683	158,178
Property, plant and equipment	3	72,688	78,244
Goodwill and intangible assets	4	13,842	20,332
Long-term investments		394	819
Total assets		**$ 215,607**	**$ 257,573**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities		$ 34,614	$ 57,472
Deferred consideration	5	802	1,158
Earn-out contingent liability	6	170	1,234
ABL facility	7	40,626	67,442
Current portion of lease liabilities	8	7,604	7,756
Current portion of provision		—	885
Current portion of other secured borrowings	7	1,679	1,322
Total current liabilities		85,495	137,269
Lease liabilities	8	28,858	28,278
Other secured borrowings	7	16,023	17,299
Senior secured debentures	7	105,173	96,955
Deferred tax liability	13	—	1,210
Total liabilities		235,549	281,011
Common shares	15	462,054	462,054
Preferred shares	15	141,933	141,933
Contributed surplus		20,679	20,679
Deficit		(644,608)	(648,104)
Total shareholders' deficit		(19,942)	(23,438)
Total liabilities and shareholders' deficit		**$ 215,607**	**$ 257,573**

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 Income (Loss) and Comprehensive Income (Loss)

(In thousands of Canadian dollars)

For the year ended December 31,	Notes	2020	2019
Revenue	10	$ 393,121	$ 464,252
Cost of revenue		(359,435)	(413,856)
Gross profit		33,686	50,396
Selling, general and administrative expenses	11	(23,986)	(26,240)
Share-based compensation and other long-term incentive plans recovery (expense)	17	1,127	(1,162)
Amortization of intangible assets	4	(1,824)	(1,023)
Depreciation expense	3	(14,937)	(13,867)
Income from equity investment		1	509
Interest expense	12	(19,028)	(19,989)
Restructuring costs	16	(2,641)	(8,361)
Impairment of goodwill and intangible assets	4	(5,000)	—
Impairment of right-of-use assets	3	—	(1,680)
Recovery of contingent consideration liability	6	1,121	623
Bargain purchase gain	9	—	10,791
Gain on remeasurement of right-of-use assets		—	127
Gain on sale of property, plant and equipment	3	154	316
Income from government subsidies	14	33,521	—
Income (loss) from continuing operations before taxes		2,194	(9,560)
Income tax recovery - current		65	—
Income tax recovery - deferred	13	1,210	2,908
Income (loss) from continuing operations		3,469	(6,652)
Gain from discontinued operations (net of income taxes)		27	1,940
Net income (loss) and comprehensive income (loss)		**$ 3,496**	**$ (4,712)**
Net income (loss) per share (dollars)			
Basic & diluted:			
Continuing operations		$ 0.03	$ (0.06)
Discontinued operations		$ 0.00	$ 0.02
Net income (loss)		$ 0.03	$ (0.04)

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 Common Shares	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Total Shareholders' Deficit
January 1, 2020		109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (648,104)	$ (23,438)
Net income		—	—	—	—	3,496	3,496
At December 31, 2020		109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (644,608)	$ (19,942)

	Notes	Number of Common 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)
Share-based compensation		—	—	—	(37)	—	(37)
Issuance of preferred shares	15	—	—	39,748	—	—	39,748
Conversion of preferred shares to common shares	15	51,427	18	(18)	—	—	—
At December 31, 2019		109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (648,104)	$ (23,438)

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		2020		2019
Operating activities:					
Net income (loss)		$	3,496		(4,712)
Adjustments for:					
Share-based compensation and other long-term incentive plans (recovery) expense	17		(1,127)		1,162
Amortization of intangible assets	4		1,824		1,023
Depreciation expense	3		14,937		13,867
Income from equity investments			(1)		(509)
Non-cash interest expense	7		10,065		3,314
Impairment of goodwill and intangible assets	4		5,000		—
Impairment of right-of-use assets	3		—		1,680
Recovery of contingent consideration liability			(1,121)		(623)
Gain on sale of property, plant and equipment	3		(154)		(316)
Gain on remeasurement of right-of-use assets			—		(127)
Bargain purchase gain	9		—		(10,791)
Deferred income tax recovery			(1,210)		(2,908)
Change in provision			—		883
Changes in non-cash working capital	20		28,316		(22,114)
Cash flow provided by (used in) operating activities		$	60,025	$	(20,171)
Investing activities:					
Acquisitions, net of cash acquired	9		—		(54,320)
Purchase of property, plant and equipment	3		(1,918)		(3,749)
Net proceeds on disposal of property, plant and equipment	3		1,312		1,915
Purchase of intangible assets	4		(335)		(374)
Proceeds from equity investment			426		—
Payment of deferred consideration	5		(433)		—
Transaction costs	9		—		(2,798)
Changes in non-cash working capital			—		1,352
Cash flow used in investing activities		$	(948)	$	(57,974)
Financing activities:					
Decrease in restricted cash			805		175
Repayment of other secured borrowings	7		(827)		(459)
Proceeds from the issuance of preferred shares			—		32,200
Proceeds from the issuance of other secured borrowings			—		19,000
Proceeds from the issuance of ABL term loans			—		30,500
Repayment of convertible debentures			—		(1,216)
Refinancing fees	7		(654)		(820)
Repayment of ABL facility	7		(26,942)		4,864
Repayment of lease liabilities	8		(8,091)		(9,828)
Cash flow (used in) provided by financing activities		$	(35,709)	$	74,416
Increase (decrease) in cash			23,368		(3,729)
Cash, beginning of year			7,109		10,838
Cash, end of year		$	30,477	$	7,109

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, 2020 and 2019

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 S.W., Calgary, Alberta. ClearStream is a fully-integrated provider of upstream, midstream, and downstream production services, which includes maintenance and turnarounds, facilities construction, welding and fabrication and environmental services with locations across Western Canada.

These consolidated financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of ClearStream on March 4, 2021.

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. 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, 2020. 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. 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 recognized based on 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, deferred consideration and earn-out liabilities. 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(g)). 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 Universal Weld Overlays Inc. ("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 Technology Overlay 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 Technology Overlay 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.

ii. 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. 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.

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. Government Assistance

The Company recognizes government subsidies on an accrual basis when there is a reasonable assurance that it will comply with the conditions required to qualify for the subsidy and that the collection of the subsidy is also reasonably assured. Government subsidies are recognized on the Consolidated Balance Sheet under accounts receivable and are recognized on the Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) over the periods in which the expense that the subsidy is intended to offset are recognized.

q. Use of estimates and judgements

In March 2020, the World Health Organization declared a global pandemic related to the novel coronavirus known as COVID-19. Due to public health measures, the movement of people and goods has become restricted, and economic activity has significantly contracted in most countries around the world. In addition, there has been extreme volatility with crude oil prices due to a significant reduction in demand, increased supply from OPEC and Russia and a potential lack of storage capacity forcing production shut-ins. The rapid evolution of the COVID-19 pandemic combined with the drop in oil prices has created a requirement to proactively adapt to the current market environment. These uncertainties, which may persist beyond when it is determined how to contain the virus or treat its impact and further impacts from crude oil price volatility, may increase the complexity of estimates and assumptions used to prepare the consolidated financial statements, and changes to these assumptions could result in a material adjustment to the carrying amount of assets and liabilities within the next financial year. Examples of 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 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. 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.

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.

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 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.

2. Inventories

Inventories comprise the following:

As at December 31,		2020		2019
Raw materials	$	4,451	$	5,374
Work-in-progress		50		229
Finished goods		2,352		3,473
Parts and supplies		32		663
Total	$	6,885	$	9,739

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, 2020 is the cost of inventories of $13,174 (2019 - $34,558).

3. 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, 2019	$ 525	1,076	16,142	3,318	10,136	—	26,656	57,853
Adoption of IFRS 16	—	—	—	—	(10,136)	56,442	—	46,306
Additions	—	888	517	—	—	1,596	2,344	5,345
Acquisitions	18,230	—	1,327	—	—	2,567	13,447	35,571
Disposals	(264)	(58)	(5,167)	(787)	—	(792)	(1,306)	(8,374)
Revaluation	—	—	—	—	—	(10,275)	—	(10,275)
Balance as at December 31, 2019	**$ 18,491**	**$ 1,906**	**$ 12,819**	**$ 2,531**	**$ —**	**$ 49,538**	**$ 41,141**	**$126,426**
Additions	—	278	824	608	—	6,203	208	8,121
Remeasurement	—	—	—	—	—	2,418	—	2,418
Disposals	—	—	(675)	—	—	(697)	(1,928)	(3,300)
Asset class transfer	—	—	(403)	403	—	(7,037)	7,037	—
Balance as at December 31, 2020	**$ 18,491**	**$ 2,184**	**$ 12,565**	**$ 3,542**	**$ —**	**$ 50,425**	**$ 46,458**	**$133,665**
Accumulated Depreciation								
Balance as at January 1, 2019	$ 272	$ 767	$ 9,184	$ 2,891	$ 3,060	$ —	$ 18,161	$ 34,335
Adoption of IFRS 16	—	—	—	—	(3,060)	8,120	—	5,060
Depreciation	313	235	1,729	109	—	8,709	2,772	13,867
Disposals	(149)	(49)	(3,698)	(704)	—	(457)	(1,703)	(6,760)
Impairment	14	—	—	—	—	1,666	—	1,680
Balance as at December 31, 2019	**$ 450**	**$ 953**	**$ 7,215**	**$ 2,296**	**$ —**	**$ 18,038**	**$ 19,230**	**$ 48,182**
Depreciation	703	394	2,010	206	—	8,074	3,550	14,937
Disposals	—	—	(313)	—	—	(470)	(1,359)	(2,142)
Asset class transfer	—	—	(62)	—	—	(5,871)	5,933	—
Balance as at December 31, 2020	**$ 1,153**	**$ 1,347**	**$ 8,850**	**$ 2,502**	**$ —**	**$ 19,771**	**$ 27,354**	**$ 60,977**
Net book value								
As at December 31, 2019	**$ 18,041**	**$ 953**	**$ 5,604**	**$ 235**	**$ —**	**$ 31,500**	**$ 21,911**	**$ 78,244**
As at December 31, 2020	**$ 17,338**	**$ 837**	**$ 3,715**	**$ 1,040**	**$ —**	**$ 30,654**	**$ 19,104**	**$ 72,688**

a. Collateral:

As at December 31, 2020, property, plant and equipment included $15,249 subject to a general security agreement under the Senior Secured Debentures and the Convertible Secured Debentures (2019 - $12,145) and $26,785 subject to a general security agreement under the other secured borrowings (2019 - $30,022).

b. Disposals:

During the year ended December 31, 2020, the Company disposed of assets with a cost of $3,300 (2019 - $8,375) and accumulated depreciation of $2,142 (2019 - $6,760), for cash proceeds of $1,312 (2019 - $1,915), and recognized a net gain on sale of $154 (2019 - $316) and impairment loss of nil (2019 - $16).

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	10,136	56,442
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**	**$ 12,042**	**$ 49,538**
Remeasurement	2,418	—	—	2,418
Asset class transfer	—	—	(7,037)	(7,037)
Additions	3,506	—	2,698	6,204
Disposals	(114)	—	(583)	(697)
Balance as at December 31, 2020	**$ 43,237**	**$ 69**	**$ 7,120**	**$ 50,425**
Accumulated Depreciation				
Adoption of IFRS 16	5,060	—	3,060	8,120
Disposals	—	—	(457)	(457)
Depreciation	6,466	31	2,212	8,709
Impairment	1,666	—	—	1,666
Balance as at December 31, 2019	**$ 13,192**	**$ 31**	**$ 4,815**	**$ 18,038**
Disposals	(72)	—	(398)	(470)
Depreciation	5,594	24	2,456	8,074
Asset class transfer	—	—	(5,871)	(5,871)
Balance as at December 31, 2020	**$ 18,714**	**$ 55**	**$ 1,002**	**$ 19,771**
Net book value				
As at December 31, 2019	**$ 24,235**	**$ 38**	**$ 7,227**	**$ 31,500**
As at December 31, 2020	**$ 24,523**	**$ 14**	**$ 6,118**	**$ 30,654**

During the year ended December 31, 2020 the Company exercised options to extend the terms of certain building lease agreements representing lease modifications in accordance with IFRS 16, and therefore the lease liability and right-of-use assets were remeasured.

Information regarding lease liabilities can be found in Note 8.

4. Goodwill and intangible assets

	Goodwill	Customer relationships	Computer software	Brands	Intangible Total
Cost					
Balance as at January 1, 2019	$ 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**
Additions	—	—	335	—	335
Balance as at December 31, 2020	**$ 100,681**	**$ 87,852**	**$ 3,356**	**$ 16,487**	**$ 107,695**
Amortization and impairments					
Balance as at January 1, 2019	$ (87,732)	(81,828)	(2,558)	(14,568)	$ (98,954)
Amortization	—	(863)	(145)	(15)	(1,023)
Balance as at December 31, 2019	**$ (87,732)**	**(82,691)**	**(2,703)**	**(14,583)**	**$ (99,977)**
Amortization	—	(1,530)	(264)	(30)	(1,824)
Impairment	(5,000)	—	—	—	—
Balance as at December 31, 2020	**$ (92,732)**	**$ (84,221)**	**$ (2,967)**	**$ (14,613)**	**$ (101,801)**
Net book value					
As at December 31, 2019	**$ 12,949**	**$ 5,161**	**$ 318**	**$ 1,904**	**$ 7,383**
As at December 31, 2020	**$ 7,949**	**$ 3,631**	**$ 389**	**$ 1,874**	**$ 5,894**

ClearStream has five CGUs, one of which has intangible assets with an indefinite life. Goodwill is monitored by management at the CGU level. As at December 31, 2020, the ClearStream Wear Technologies LP ("Wear") CGU had indefinite life intangible assets of $1,574 (2019 - $1,574), the Wear CGU had goodwill of $4,297 (2019 - $4,297), and the UWO CGU had goodwill of $3,652 (2019 - $8,652).

ClearStream identified indicators of impairment at March 31, 2020 for the Wear and UWO CGUs as a result of the forecasted impact of the COVID-19 pandemic, which has decreased global demand for oil and gas, resulting in a reduction in long-term commodity price outlooks. ClearStream's customers' capital spending budgets have been reduced in the near-term and there is significant uncertainty as to the scale and duration of these developments.

Management therefore performed impairment tests as at March 31, 2020 for the Wear and UWO CGUs, both of which are within the Wear Technology Overlay Services segment. This testing resulted in the carrying amount of the UWO CGU exceeding its recoverable amount by $5,000 and therefore the goodwill within that CGU was impaired by $5,000 in the year ended December 31, 2020.

Based on the results of the impairment test for the Wear CGU, the recoverable amount exceeded its carrying amount and no impairment was required to be recorded.

On December 31, 2020 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 further impairment.

Valuation technique

The recoverable amounts of ClearStream's CGUs were calculated based on value in use, which 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 and is updated quarterly by senior management based on actual results; anticipated future cash flows are updated to reflect any subsequent changes in expected 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%-4% thereafter for the Wear and UWO CGUs. 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.

Discount rate

ClearStream assumed post-tax discount rates of 18.5%-24.4% 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.

5. Deferred consideration

On June 28, 2019, the Company acquired 100% of the issued and outstanding shares of UWO. The total purchase price of $16,024 included deferred consideration of $1,114 (undiscounted - $1,300), which represents the fair value of three equal installments of $433 due on June 28, 2020, 2021 and 2022. The deferred consideration as at December 31, 2020 of $802 reflects the increase from acquisition date as a results of the passage of time less the first installment payment of $433.

6. Earn-out contingent liability

On June 28, 2019, the Company acquired 100% of the issued and outstanding shares of UWO. The total purchase price of $16,024 included an earn-out contingent liability of $861 (undiscounted - $1,612), which represented the fair value of the expected amount estimated by management at the acquisition date to be paid to the sellers on June 28, 2022. The maximum undiscounted earn-out is $2,000. The earn-out contingent liability has decreased from $1,234 (undiscounted - $2,000) at December 31, 2019 to $170 (undiscounted - $250) at December 31, 2020. The earn-out contingent liability will fluctuate depending on the EBITDA-based performance condition over the specified period and is therefore subject to estimation uncertainty.

7. ABL Facility and Other Borrowings

a. ABL Facility

ClearStream has an asset-based lending facility (the "ABL Facility") comprised of (i) a revolving credit facility providing for maximum borrowings that range from $50,000 to $65,000 depending on the period (the "Revolving Facility") with a syndicate of banks (the "Lenders") and (ii) a term loan facility providing for maximum borrowings of up to $40,500 (the "Term Loan Facility") with Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages ("Canso").

The ABL Facility provides for maximum borrowings under the Revolving Facility of $65,000 during the period commencing March 1, 2020 and ending September 30, 2020, $60,000 during the period commencing October 1, 2020 and ending December 31, 2020, and $50,000 during the period commencing January 1, 2021 and ending on the maturity date of the Revolving Facility. The Revolving Facility matures on March 23, 2021 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, 2020 was $49,054 (December 31, 2019 - $50,000). 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 Company and the other guarantors, being certain of the Company's 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, 2020, nil (December 31, 2019 - $27,825) was drawn on the Revolving Facility, and there were $3,125 (December 31, 2019 - $2,930) of letters of credit reducing the amount available to be drawn. As at December 31, 2020, the net unamortized amount of deferred financing costs was $113 (December 31, 2019 - $883).

At December 31, 2020, $40,500 (December 31, 2019 - $40,500) was 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 financial covenants applicable under the ABL Facility are as follows:

- The Company must maintain a fixed charge coverage ratio equal to or greater than 1.00:1.00 for each twelve month period calculated and tested as of the last day of each fiscal quarter (commencing March 31, 2020); and
- The Company must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $6,600 during the period commencing January 1, 2020 and ending December 31, 2020, and any fiscal year thereafter.

At December 31, 2020, ClearStream was in compliance with all financial covenants under the ABL Facility.

On March 3, 2021, the Company received confirmation from the lead lender under the ABL Facility that it had agreed to extend the maturity date of the Revolving Facility to March 23, 2022. The Company and the lead lender under the ABL Facility are preparing an amending agreement to effect the extension of the maturity date and certain other amendments. Due to the Company's current cash position, it was able to reduce the maximum borrowings available under the Revolving Facility to $15,000 effective March 23, 2021.

b. 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 certain assets of the production services division of AECOM Production Services Ltd. (the "AECOM PSD Business").

The $13,500 loan is repayable over 300 monthly payments of $45. 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. 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 real property and 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 on annual basis.

On March 30, 2020, the Company signed an agreement with BDC to postpone effective May 1, 2020 all principal payments on the loans for a period of six months with the postponed payments being added to the end of loan term. As a result, the final payment on the $13,500 loan will occur on September 2, 2045 and the final payment on the $5,500 loan will occur on September 28, 2025.

On May 13, 2020, the Company signed an agreement with BDC to postpone all interest payments on the loans for a period of six months with the amount of the deferred interest being payable at the end of the deferral period in twelve equal consecutive monthly installments.

At December 31, 2020, ClearStream was in compliance with all financial covenants under the loan agreements with BDC.

c. Senior Secured Debentures

Balance as at January 1, 2019	$	96,746
Accretion		209
Balance as at December 31, 2019	$	96,955
Accretion		149
Debentures issued to settle interest		8,069
Balance as at December 31, 2020	$	105,173

On March 23, 2016, the Company issued 8.00% senior secured debentures due March 23, 2026 (the "Senior Secured Debentures") pursuant to a trust indenture between ClearStream, as issuer, and BNY Trust Company of Canada, as debenture trustee, as amended and supplemented (the "Senior Secured Indenture"), on a private placement basis to Canso. On June 2, 2020, the debenture trustee was changed to Computershare Trust Company of Canada.

The Senior Secured Debentures bear interest at an annual rate of 8.00% payable semi-annually in arrears on June 30 and December 31 in each year. The maturity date of the Senior Secured Debentures is March 23, 2026. The Senior Secured Debentures are redeemable at the option of the Company and, in certain circumstances, are mandatorily redeemable. The Senior Secured Debentures are secured by first-ranking liens over all of the property of the Company and its guarantor subsidiaries, other than certain limited classes of collateral over which the Company has granted a prior-ranking lien in favour of the ABL Facility and the BDC Facility. The Senior Secured Debentures provide for certain events of default and covenants of the Company, including financial and reporting covenants and restrictive covenants limiting the ability of the Company and its subsidiaries to make certain distributions and dispositions, incur indebtedness, grant liens and limitations with respect to acquisitions, mergers, investments, non-arm's length transactions, reorganizations and hedging arrangements (subject to certain exceptions).

In June, 2020, Canso agreed to accept the issuance of an additional 3,956 Senior Secured Debentures on June 30, 2020 and 4,114 Senior Secured Debentures on December 31, 2020 at a principal amount of $1,000 per Senior Secured Debenture in order to satisfy the interest that would otherwise become due and payable on such dates (the "Payment in Kind Transactions"). The terms of the new Senior Secured Debentures issued pursuant to the Payment in Kind Transactions were the same as the existing Senior Secured Debentures in all material respects. In connection with the Payment in Kind Transactions, the Company entered into the Fifth Supplemental Senior Secured Indenture on June 2, 2020.

8. Leases

a. As a lessee

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

For the year ended December 31,		2020		2019
Depreciation of right-of-use assets	$	8,074	$	7,078
Interest expense on lease liabilities		2,868		2,555
Expense relating to leases of low value assets		7		17
Expense relating to variable lease payments not included in the measurement of the lease liability	$	204	$	576

Overall the variable payments constitute up to 3.8% (2019 - 5.9%) of the Company's entire lease payments. 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, 2020 was $10,529 (December 31, 2019 - $9,828).

Maturity analysis - contractual undiscounted cash flows

As at December 31,		
2021	$	10,090
2022		8,458
2023		7,410
2024		6,262
2025		4,661
After 2026		8,247
Total	**$**	**45,129**
Less: effects of discounting		(8,666)
Total discounted lease liabilities	**$**	**36,462**
Analyzed as:		
Current	$	7,604
Non-current	$	28,858

b. As a lessor

The Company has entered into operating lease agreements as a lessor with respect to some of its buildings that it is sub-leasing. Total income recognized from sub-leasing right-of-use assets for the year ending December 31, 2020 is $1,136 (2019 - $1,168), and has been recorded within Revenue. These leases do not include any variable payments. The undiscounted lease receivable within less than one year as at December 31, 2020 is $183.

9. Business combinations

During the year ended December 31, 2019, the Company entered into two business combinations to complement existing service lines and further broaden potential market opportunities resulting in a bargain purchase gain of $10,791. The gain represents the difference between the fair value of the identifiable assets and liabilities acquired and the total purchase price paid for the AECOM Production Services Division. The bargain purchase gain arose primarily due to the strategic decision of the sellers to exit these assets due to a variety of factors.

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.

10. Revenue

The following are amounts for each significant category of revenue recognized during the years ended December 31, 2020 and 2019:

For the year ended December 31,		2020		2019
Rendering of services	$	345,154	$	399,455
Sales of goods		47,967	$	64,797
Total revenue	$	393,121	$	464,252

11. Selling, general & administrative expenses

For the year ended December 31,		2020		2019
Salaries & benefits	$	16,962	$	17,808
Occupancy and office costs		2,092		1,990
Professional fees		2,364		3,316
Travel & advertising		876		1,738
Insurance		1,692		1,388
Total	$	23,986	$	26,240

12. Interest expense

For the year ended December 31,		2020		2019
Interest expense on senior secured debentures	$	8,069	$	7,911
Interest expense on ABL facility		5,812		4,785
Interest expense on lease liabilities		2,868		3,419
Deferred financing costs amortized		1,356		1,822
Interest expense - other		150		129
Interest expense on other secured borrowings		744		502
Accretion expense		29		1,362
Interest expense on convertible secured debentures		—		58
Total interest expense	$	19,028	$	19,989

13. Income taxes

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

For the year ended December 31,		2020		2019
Loss from continuing operations before tax	$	2,194	$	(9,560)
Tax rate		24.50 %		26.74 %
Income tax recovery at statutory rates	$	537	$	(2,556)
Permanent differences		619		(2,226)
Change in rates on temporary differences		381		5,311
Deferred tax asset not recognized		(2,812)		(3,437)
Income tax (recovery) expense	$	(1,275)	$	(2,908)

The statutory rate declined from 26.74% to 24.50% due to the reduction of the Alberta income tax rates from 11% to 10% starting on January 1, 2020 and then 8% starting on on July 1, 2020.

Deferred income taxes have been recognized at December 31, 2020 and 2019 in respect of the following temporary differences:

As at December 31,		2020		2019
Property, plant and equipment	$	(34,105)	$	(22,070)
Intangible assets		—		(2,365)
Senior secured debentures		—		(3,731)
Non-capital losses		34,105		26,956
Deferred tax liability	$	—	$	(1,210)

A deferred tax asset has not been recognized in respect of the following deductible temporary differences:

As at December 31,		2020		2019
Intangible Assets	$	10,263	$	—
Senior secured debentures		4,487		—
Non-capital loss carryforward		48,618		107,346
Net capital loss carryforward		80,606		70,848
Lease liabilities		36,462		36,034
Other		4,662		6,522
Unrecognized deductible temporary differences	$	185,098	$	220,750

A deferred tax asset has been recognized in respect of $34,105 of non-capital losses and a deferred tax asset has not been recognized in respect of $48,618 of non-capital losses. The total of $82,723 non-capital losses begin to expire in 2035.

ClearStream has approximately $80,606 of net capital losses that have not been recognized in the consolidated financial statements as at December 31, 2020 (2019 - $70,848). There is no expiry of capital losses.

14. Income from government subsidies

Income from government subsidies represents the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") received from the Government of Canada to assist with the payment of employee wages and rent as a result of the impact of the COVID-19 pandemic. During the year ended December 31, 2020, the Company qualified for both CEWS and CERS and recorded total grants of $33,521 in the Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss).

As at December 31, 2020, included in accounts receivable was $663 of accrued income from government subsidies.

15. 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, 2020, issued and outstanding share capital included 109,992,668 common shares, 127,735 Series 1 preferred shares, and 40,111 Series 2 preferred shares.

The following table summarizes the number of preferred and common shares.

(in thousands, except number of shares and per share amounts)	Preferred Shares Series I	Preferred Shares Series II	Common Shares
Balance as at January 1, 2019	127,753	—	109,941,241
Issued	—	40,111	—
Converted to Common shares	(18)	—	51,427
Balance as at December 31, 2019	127,735	40,111	109,992,668
Balance as at December 31, 2020	127,735	40,111	109,992,668

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, 2020, the accrued and unpaid dividends on the Series I and Series II preferred shares totaled $43,102 (2019 - $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 166,463,401 (2019 - 89,851,880) common shares would be issued, which represents approximately 151% (2019 - 82%) of the common shares outstanding as of December 31, 2020.

In addition, Holders of the Series 1 and Series 2 Preferred Shares have the right, at their option, to convert their Preferred Shares into Common Shares at a price of $0.35 and $0.10 per Common Share, respectively, subject to adjustment in certain circumstances. The Series 1 and Series 2 Preferred Shares are redeemable by the Company for cash at 110% of the purchase price for such shares, plus accrued but unpaid dividends, once all of the outstanding Senior Secured Debentures have been repaid and are subject to repayment in the event of certain change of control transactions.

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 (2019 - 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% (2019 - 697%) of the Common Shares outstanding as of December 31, 2020.

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.

(in thousands, except number of shares and per share amounts)	2020	2019
Net income (loss) - basic and diluted	$ 3,496	$ (4,712)
Weighted average shares outstanding - basic and diluted	109,992,668	109,944,607
Net income (loss) per common shares - basic and diluted	$ 0.03	$ (0.04)

The only potentially dilutive securities as at December 31, 2020 were the preferred shares and stock options. All potentially dilutive securities were anti-dilutive for the year ended December 31, 2020.

16. Restructuring costs

Restructuring costs of $2,641 were recorded during the year ended December 31, 2020 (2019 - $8,361). The 2020 non-recurring restructuring costs are primarily related to the right sizing of our SG&A cost structures to mitigate the COVID-19 pandemic impacts including severance, office, and corporate legal structure consolidation costs. The 2019 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.

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

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, 2019	1,830,000	0.28
Forfeited	(200,000)	0.28
Balance as at December 31, 2020 and 2019	1,630,000	0.28
Exercisable as at December 31, 2020	—	—

The options outstanding at December 31, 2020 have a weighted average remaining contractual life of 1.1 years (2019 – 2.1 years). For the year ended December 31, 2020, the Company recognized nil of share-based compensation expense relating to stock options (2019 – $4).

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 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 carrying amount of nil (December 31, 2019 - $1,109) 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.

c. Restricted 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, 2020 the intrinsic value of the RSUs outstanding was nil (2019 - $90).

The following table summarizes the units outstanding:

	RSUs
Balance as at January 1, 2019	3,620,000
Forfeited	—
Balance as at December 31, 2019	3,620,000
Forfeited	(3,620,000)
Balance as at December 31, 2020	—
Exercisable as at December 31, 2020	—

ClearStream's five day weighted average closing share price at December 31, 2020 was $0.025 (2019 - $0.055). RSUs had fully vested as of December 31, 2020. For the year ended December 31, 2020, a recovery of $18 (2019 - $90 expense) of share-based compensation was recognized relating to RSUs.

18. 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, 2020 $476 (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, 2020 and 2019 are as follows:

For the year ended December 31,	2020	2019
Short-term employment benefits	$ 5,511	$ 3,989
Share-based compensation	—	1,162
Termination benefits	—	1,413
Total compensation	$ 5,511	$ 6,564

19. Financial instruments and risk management

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

a. 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, and liquidity 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,		2020		2019
Cash	$	30,477	$	7,109
Restricted cash		—		805
Accounts receivable		89,508		138,638
Total	$	119,985	$	146,551

Cash is held at Canadian Schedule A Banks and is 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 Canadian energy companies engaged in upstream, midstream and downstream activities, all of which have strong creditworthiness.

Of the total balance of accounts receivable at December 31, 2020, $73,704 (December 31, 2019 - $99,305) related to trade receivables and $15,804 (December 31, 2019 - $39,333) 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, 2020, approximately $5,884 of ClearStream's trade receivables had been outstanding longer than 90 days (December 31, 2019 - $5,856). Subsequent to December 31, 2020, $2,938 of the $5,884 over 90 days was collected. Management has fully evaluated the outstanding receivables as at December 31, 2020 and has determined that the lifetime expected credit losses of the trade receivables was immaterial at this time.

ii. Customer concentration risk

Revenues of ClearStream are concentrated, with its top three customers representing 24.9% of consolidated revenue (2019 – 39.1%) and 26.3% of the consolidated accounts receivable for ClearStream (2019 – 24%). More specifically, ClearStream's largest customer within the Maintenance & Construction operating segment accounted for 10.3% or $40,309 of ClearStream's consolidated revenue for the year ended December 31, 2020 (2019 – 19.7% or $91,365).

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.

The table below summarizes the contractual maturity profile of the ClearStream's financial liabilities at December 31, 2020, on an undiscounted basis:

	Total	Less than One Year	One to Five Years	After Five Years
Accounts payable and accrued liabilities	$ 34,614	$ 34,614	$ —	$ —
Deferred consideration	866	433	433	—
Earn-out contingent liability	250	—	250	—
ABL facility	40,626	40,626	—	—
Lease liabilities	45,129	10,090	26,792	8,247
Other secured borrowings	17,905	1,457	5,784	10,665
Senior secured debentures	106,997	—	—	106,997
Total	$ 246,386	$ 87,219	$ 33,259	$ 125,908

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.

The Company anticipates that its liquidity (cash on hand and available credit facilities) and cash flow from operations will be sufficient to meet its short-term contractual obligations and to maintain compliance with its financial covenants through December 31, 2021.

20. Supplemental cash flow information

a. Changes in non-cash working capital

As at December 31,	2020	2019
Accounts receivables	$ 49,130	$ (38,388)
Inventories	2,854	(3,880)
Prepaid expenses	75	4,115
Accounts payable and accrued liabilities	(22,858)	16,039
Provision	(885)	—
Total changes in non-cash balances	$ 28,316	$ (22,114)

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, 2019	$ 32,322	$ 5,326	$ 97,598	$ —	$ 135,246
Borrowings	35,374	1,609	—	19,000	55,983
Deferred financing	(254)	—	—	(280)	(534)
Repayment	—	(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
Borrowings	—	8,752	—	—	8,752
Repayments	(26,942)	(8,091)	—	(827)	(35,860)
Interest settled for additional senior secured debentures	—	—	8,069	—	8,069
Non-cash changes	126	(233)	149	(91)	(49)
Balance as at December 31, 2020	$ 40,626	$ 36,462	$ 105,173	$ 17,703	$ 199,964

21. 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 five operating segments, which are aggregated into two reportable segments, as follows:

- The Maintenance and Construction Services 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 Canadian energy companies engaged in upstream, midstream and downstream activities. The Maintenance and Construction reportable segment consists of the Union and Non-union operating segments as well as the Environmental operating segment on the basis of the similarities in their service offerings, customers and business environment.
- The Wear Technology Overlay Services segment specializes in the supply and fabrication of overlay pipe spools, pipe bends, wear plates and vessels for corrosion and abrasion resistant applications across various end markets. This reportable segment consists of the Wear and UWO CGUs on the basis of similarities in their service offerings, customers and technologies.

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 inter-divisional transactions. ClearStream accounts for inter-segment sales based on transaction price.

For year ended December 31, 2020	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenues	$ 361,816	$ 33,406	$ —	$ (2,101)	$ 393,121
Cost of revenues	(333,776)	(27,760)	—	2,101	(359,435)
Gross profit	28,040	5,646	—	—	33,686
Selling, general & administrative expenses	(671)	(544)	(22,771)	—	(23,986)
Share-based compensation and other long-term incentive plans recovery	—	—	1,127	—	1,127
Amortization of intangible assets	(261)	(1,563)	—	—	(1,824)
Depreciation expense	(8,888)	(3,410)	(2,639)	—	(14,937)
Income from equity investment	1	—	—	—	1
Interest expense	(1,273)	(374)	(17,381)	—	(19,028)
Restructuring expense	(501)	(41)	(2,099)	—	(2,641)
Impairment of intangible assets and goodwill	—	(5,000)	—	—	(5,000)
Recovery of contingent consideration liability	—	—	1,121	—	1,121
Gain (loss) on sale of property, plant and equipment	615	(359)	(102)	—	154
Income from government subsidies	29,078	2,484	1,959	—	33,521
Income (loss) before taxes	46,140	(3,161)	(40,785)	—	2,194
Income tax recovery - current	—	—	65	—	65
Income tax recovery - deferred	—	—	1,210	—	1,210
Income (loss) from continuing operations	$ 46,140	$ (3,161)	$ (39,510)	$ —	$ 3,469

For year ended December 31, 2019	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenues	$ 407,119	$ 61,026	$ —	$ (3,894)	$ 464,251
Cost of revenues	(375,051)	(42,699)	—	3,894	(413,856)
Gross profit	32,068	18,327	—	—	50,395
Selling, general and administrative expenses	(1,010)	(585)	(24,645)	—	(26,240)
Share-based compensation and other long-term incentive plans expense	—	—	(1,162)	—	(1,162)
Amortization of intangible assets	(142)	(881)	—	—	(1,023)
Depreciation expense	(7,699)	(4,003)	(2,164)	—	(13,867)
Income from equity investment	509	—	—	—	509
Interest expense	(1,597)	(590)	(17,802)	—	(19,989)
Restructuring expense	(856)	(1,379)	(6,124)	—	(8,359)
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 property, plant and equipment	316	—	—	—	316
Income (loss) income before taxes	21,587	9,832	(40,980)	—	(9,560)
Income tax recovery - deferred	—	—	2,908	—	2,908
Income (loss) from continuing operations	$ 21,587	$ 9,832	$ (38,072)	$ —	$ (6,652)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Sean McMaster (1) (2)
Chair of the Board

Jordan Bitove (2) (3)
Director

H. Fraser Clarke (1) (2)
Director

Karl Johannson (1) (2) (3)
Director

Dean MacDonald (3)
Director

Yves Paletta
Director

Notes:
(1) Member of the Audit Committee
(2) Member of the Corporate Governance and Compensation Committee
(3) Member of the Health, Safety and Environment Committee

HEAD OFFICE

ClearStream Energy Services Inc.
Intact Place, East Tower
1650, 311 – 6th Avenue S.W.
Calgary, Alberta T2P 3H2
T: 587-318-0997
F: 587-475-2181
www.clearstreamenergy.ca

BANKERS

Bank of Montreal
Alberta Treasury Branches

AUDITORS

Ernst & Young LLP

OFFICERS

Yves Paletta
Chief Executive Officer

Randy Watt
Chief Financial Officer

Neil Wotton
Chief Operating Officer

Barry Card
Chief Commercial Officer

Murray Desrosiers
Senior Vice President and General Counsel

Deloris Hetherington
Vice President, Human Resources

Angela Martens
Vice President, Finance and Corporate Controlling

Brad Naeth
Vice President, Wear Technology Overlay

Herb Thomas
Vice President, Operations (Flint)

Angela Thompson
Vice President, Project Services

Clint Tisnic
Vice President, Operational Finance

LEGAL COUNSEL

Blake, Cassels & Graydon LLP
McCarthy Tetrault LLP

TRANSFER AGENT

Computershare Investor Services Inc.

EXCHANGE LISTING

Toronto Stock Exchange
Symbol: CSM

ClearStream

Corporate Office

Suite 1650, 311 - 6th Avenue SW
Calgary, AB, Canada

Tel: 587.318.0997
InvestorRelations@clearstreamenergy.ca

CLEARSTREAMENERGY.CA