ClearStream

Second Quarter Financial Report

2019

Helping Customers

Bringing Resources to Our World

MESSAGE TO SHAREHOLDERS

Revenue from ClearStream's maintenance and turnaround services declined in the second quarter of 2019, as compared to the second quarter of 2018, due to the significantly higher demand for turnaround services in 2018. However, this was partially offset by market growth and market share gains in Northeast British Columbia and Northwest Alberta, as well as high utilization and strong performance in our Wear Technology business. ClearStream continued to protect and grow market share in the second quarter of 2019.

Despite the decline in revenue, gross margins and EBITDA increased due to a favorable change in revenue mix as we earned a larger proportion of our revenue in higher margin service areas. ClearStream has renewed all of its contracts over the past three years, which demonstrates our continued focus on client service and operational execution.

As part of our strategic plan for diversity and inclusion and to capture the growth in Northeast British Columbia, ClearStream established a joint venture with Blueberry River First Nations in the first quarter of 2019. We are pleased with the progress made since the launch of the joint venture. Through the joint venture and other initiatives, we are establishing ClearStream as the leading industrial provider of asset integrity services in Northeast British Columbia.

As part of our strategic growth plan, on June 28, 2019 we completed the acquisition of (i) certain assets of the production services division of AECOM Production Services Ltd. ("AECOM") for approximately $42 million, comprised of $18 million for the assets and $23.8 million for the working capital, and (ii) all of the issued and outstanding shares of Universal Weld Overlays Inc. ("UWO") for approximately $15.4 million, comprised of cash consideration of $12 million and $3.4 million for the working capital and subject to deferred consideration and earn-out adjustments which could result in an aggregate purchase price of up to $17.6 million.

The AECOM and UWO acquisitions were financed through a combination of equity financings of series 2 cumulative redeemable convertible preferred shares issued on a prospectus exempt basis to Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages, for aggregate gross proceeds of $32.2 million and, with respect to the AECOM acquisition, a new debt facility in the amount of $19 million from the Business Development Bank of Canada, and a portion of the proceeds of new term loan in the amount of $13.5 million made available under the amended credit facilities.

The production services business acquired from AECOM (the "Flint Business") operates in the mechanical services and electrical and instrumentation services sectors across Alberta. These services include the full project life cycle of construction and maintenance services such as: civil, fabrication and modularization, mechanical installations, facility construction, pipelining, electrical, instrumentation, high voltage and maintenance services. The Flint Business serves some of the largest upstream, midstream and downstream operators in Canada. As part of the transaction, the Company acquired the rights to the Flint brand in Canada. On July 2, 2019, ClearStream's maintenance and construction services non-union business was combined with the Flint Business and the combined business is now marketed as Flint, a division of ClearStream.

UWO is a specialty weld overlay fabricator that provides its customers with protection of pre-fabricated components for service in corrosive and erosive environments, and serves the following industries: oil and gas, pulp and paper, petrochemical, power, pipeline, mining, subsea, aerospace, and pressure vessel fabrication. UWO operates from Airdrie, Alberta and has been serving some of the largest upstream, midstream and downstream customers in Canada and the United States for the last 23 years.

The AECOM and UWO acquisitions complement existing service lines in addition to adding new service lines to further broaden business opportunities. Combined, the acquisitions are expected to:

- Expand the Customer Base – the acquisitions will provide the opportunity to work with some of the largest industrial and energy companies operating in Canada and the United States, which will provide existing and new clientele an enhanced integrated service offering.
- Enhance Operational Efficiencies – multiple near-term synergies and cost saving opportunities have been identified that may further enhance the economics of the acquisitions.
- Increase Financial Flexibility – the combination of the acquisitions and the related financings provides improved short and long-term balance sheet flexibility.
- Improve Local Community Presence and Customer Service – the AECOM acquisition will increase the number of district offices and capabilities for maintenance, turnaround and construction services in Western Canada while leveraging the well-recognized Flint brand.
- Complement Existing Service Lines – the UWO acquisition will complement the well-established Wear Technologies products and services for abrasion and corrosion resistance applications while leveraging the well-recognized UWO brand.

In addition, during the second quarter, as a result of continued decline in demand for fabrication services, management made a decision to close two business locations as the recent acquisitions added more fabrication capacity strategically located closer to key customer locations.

Overall market conditions continue to be uncertain, in light of commodity pricing volatility and the delays or obstacles encountered in building new export pipelines to bring product to markets. Therefore upstream, midstream and downstream companies are likely to maintain spending discipline for capital projects and focus instead on operational efficiencies and asset integrity. However, with the recent acquisitions generating more comprehensive service offerings, an increase in demand for our maintenance, turnaround, wear and environmental services is expected to continue in late 2019 and 2020.

Thank you for your continued support.

Yves Paletta
Chief Executive Officer

August 12, 2019

Management's Discussion and Analysis

August 12, 2019

The following is management's discussion and analysis ("MD&A") of the interim results of operations and balance sheet of ClearStream Energy Services Inc. ("ClearStream" or the "Company") for the three and six months ended June 30, 2019 and 2018. This MD&A should be read in conjunction with ClearStream's condensed interim consolidated financial statements and notes thereto for the three and six months ended June 30, 2019 and 2018 (the "Interim Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2018 and 2017 (the "Annual Financial Statements").

All amounts in this MD&A are in Canadian dollars and expressed in thousands of dollars unless otherwise noted. The Interim Financial Statements 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 August 12, 2019 and is current to that date unless otherwise indicated.

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Interim Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting.

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 "Non-Standard Measures" on page 6.

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

Reportable Segments

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

ClearStream's operations, assets and employees are located entirely in Canada. ClearStream utilizes EBITDAS and Adjusted EBITDAS as performance measures for its segmented results. These measures are considered to be non-standard measures under IFRS.

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

Note: The Environmental Services division has been included in the Wear and Fabrication Services segment; the financial results for this division were not significant to overall financial results for this segment during the periods ending June 30, 2019.

Forward-looking information

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

Non-standard measures

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

EBITDAS refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery) and stock based compensation. EBITDAS is used by management and the directors of ClearStream (the "Directors") as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses 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 loss from long-term investments, the gain on sale of assets, impairment of goodwill and intangible assets, restructuring costs, one-time non-recurring costs identified by management, and gain (loss) on sale of property, plant and equipment. ClearStream has used Adjusted EBITDAS as the basis for the analysis of its past operating financial performance. Adjusted EBITDAS is used by ClearStream and management believes it is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures, and income taxes. Adjusted EBITDAS is a measure that management believes facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors. ClearStream has provided a reconciliation of income (loss) from continuing operations to Adjusted EBITDAS in this MD&A.

Investors are cautioned that the Non-standard measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the shares. These Non-standard measures should only be used with reference to ClearStream's Interim Financial Statements and Annual Financial Statements available on SEDAR at www.sedar.com or on ClearStream's website at www.clearstreamenergy.ca.

Second Quarter 2019 Performance

Summary Results ($000's)

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Revenue	$ 103,690	$ 129,702	$ 187,644	$ 214,496
Cost of revenue	(92,119)	(122,993)	(167,355)	(200,968)
Gross profit	11,571	6,709	20,289	13,528
Selling, general & administrative	(6,730)	(4,494)	(11,880)	(9,169)
Stock based compensation	-	(76)	(64)	(155)
Amortization of intangible assets	(224)	(804)	(556)	(1,561)
Depreciation expense	(3,088)	(1,146)	(6,152)	(2,307)
Income from equity investment	-	72	25	104
Interest expense	(4,129)	(2,716)	(8,474)	(6,464)
(Loss) gain on sale of assets held for sale	-	(275)	-	757
Restructuring costs	(4,382)	(24)	(4,443)	(84)
Impairment of right-of-use assets	(2,042)	-	(2,042)	-
Bargain purchase gain	12,272	-	12,272	-
Gain on remeasurement of right-of-use assets	127	-	127	-
Gain on sale of property, plant and equipment	55	13	107	65
Income tax expense - current	-	(164)	-	(325)
Income tax recovery - deferred	3,663	-	3,663	
Other loss	-	(192)	-	(474)
Income (loss) from continuing operations	7,093	(3,097)	2,871	(6,085)
Add:				
Amortization	224	804	556	1,561
Depreciation expense	3,088	1,146	6,152	2,307
Stock based compensation	-	76	64	155
Interest expense	4,128	2,716	8,474	6,464
Income tax expense - current	-	164	-	325
Income tax recovery - deferred	(3,663)	-	(3,663)	-
EBITDAS	10,870	1,809	14,454	4,727
(Loss) gain on sale of assets held for sale	-	275	-	(757)
Gain on sale of property, plant and equipment	(55)	(13)	(107)	(65)
Restructuring costs	4,382	24	4,443	84
Other loss	-	192	-	474
One time incurred expenses	1,373	-	1,617	-
Impairment of right-of-use asset	2,042	-	2,042	-
Bargain purchase gain	(12,272)	-	(12,272)	-
Gain on remeasurement of right-of-use assets	(127)	-	(127)	-
Adjusted EBITDAS	$ 6,213	$ 2,287	$ 10,051	$ 4,463

Selected Balance Sheet Accounts

As at	June 30, 2019	December 31, 2018
Total assets	$ 247,078	$ 111,585
ABL facility	36,237	32,961
Senior secured debentures	96,804	96,746
Convertible secured debentures	-	852
Other secured borrowings	17,765	-
Shareholders' deficit	(13,472)	(58,437)

Second Quarter 2019 Results

Revenues for the three and six months ended June 30, 2019 were $103,690 and $187,644, as compared to $129,702 and $214,496 for the same periods in 2018, a decrease of 20% and 12.5%, respectively. This decrease in 2019, in comparison to 2018, is driven by decreased demand and lower revenue in the Fort McMurray region and in the fabrication business as the ClearWater division's large plant turnaround revenue executed in the first half of 2018 did not re-occur in 2019. This decrease was partially offset by an increase in Wear Technology and ClearStream divisional revenue.

Gross profit for the three and six months ended June 30, 2019 was $11,571 and $20,289, as compared to $6,709 and $13,528 for the same periods in 2018, an increase of 72.5% and 50%, respectively, despite the drop in revenue. The increase in gross profit related to the adoption of IFRS 16 (Leases), which decreased direct rent expense, and a favourable change in the sales mix resulting from a decrease in lower margin revenue from the ClearWater union business and an increase in higher margin revenue from the ClearStream and Wear Technology businesses with indirect costs remaining consistent.

Selling, general and administrative ("SG&A") expenses for the three and six months ended June 30, 2019 were $6,730 and $11,880, in comparison to $4,494 and $9,169 for the same periods in 2018. As a percentage of revenue, SG&A expenses increased to 6.5% and 6.3% in 2019 compared to 3.5% and 4.3% for the same periods in 2018. For the first half of 2019, SG&A expenses as a percentage of revenue were impacted by a decrease in the ClearWater division's large plant turnaround revenue in the first half of 2018 that did not re-occur in 2019 with SG&A expenses largely fixed. Also included in SG&A expenses are $1,617 of one-time expenses, including termination benefits. Excluding these one-time expenses, SG&A expenses as a percentage of revenue increased to 5.5% for the six months ended 2019 compared to 4.3% for the same period in 2018 or with comparable revenue SG&A expenses would have been 4.8% for the six months ended 2019, as compared to 4.3% for the same period in 2018. This increase in SG&A expenses was due to transition costs, including professional fees incurred in the Company's growth initiatives and other expenses to support business process improvements designed to increase operational effectiveness and lower operating costs going forward.

Non-cash items that impacted the 2019 results were depreciation and amortization. Depreciation and amortization was $6,708 for the six months ended June 30, 2019 compared to $3,868 for the same period in 2018. The increase in depreciation and amortization expense was largely due to the implementation of IFRS 16. In addition, ClearStream has lowered its maintenance capital spending programs in response to the challenging market conditions and directed its liquidity to support the closing of the AECOM and UWO acquisitions on June 28, 2019.

For the six months ended June 30, 2019, interest expenses were $8,474 compared to $6,464 for the same period in 2018. Interest expenses increased by $2,010 partially as result of the interest under impact of IFRS 16 of $890, deferred financing costs in the period and interest on the term loan facility obtained in the fourth quarter of 2018.

Restructuring costs of $4,443 were recorded during the six months ended June 30, 2019, in comparison to $84 in 2018. These non-recurring restructuring costs are related to the AECOM and UWO acquisitions which closed on June 28, 2019, as well as severance and other growth initiatives.

Income from continuing operations for the three and six months ended June 30, 2019 were $7,092 and $2,871, in comparison to losses of $3,097 and $6,085 for the same periods in 2018. The income variance is largely driven by the bargain purchase and deferred income tax recovery recognized through the AECOM and UWO acquisitions which closed on June 28, 2019, partially offset by the IFRS 16 impacts and increased restructuring costs.

The gain from discontinued operations was $2,334 for the six months ended June 30, 2019, compared to a loss of $300 for the same period in 2018. The gain in 2019 includes the Company's share of an income tax reassessment won by Brompton resulting in a recovery of $3,250, offset by expenses that the Company continues to incur relating

to the sale of the sale of businesses that it owned prior to March 2018. These expenses consist largely of legal, insurance, and consulting costs relating to the Quantum Murray earn-out and legal proceedings that existed prior to the sale of the business.

For the three and six months ended June 30, 2019, Adjusted EBITDAS was $6213 and $10,051, as compared to $2,287 and $4,463 for the same periods in 2018. Adjusted EBITDAS for the six months ended June 30, 2019 increased compared to 2018 due largely to a favourable change in the sales mix resulting from a decrease in lower margin revenue from the ClearWater union business and an increase in higher margin revenue from the ClearStream and Wear Technology businesses with indirect costs remaining consistent.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Revenue	$ 87,253	$ 118,461	$ 154,643	$ 187,719
Cost of revenue	(80,952)	(113,472)	(144,146)	(179,025)
Gross profit	6,302	4,989	10,498	8,694
Selling, general & administrative	(639)	(350)	(832)	(605)
Amortization of intangible assets	(182)	(603)	(451)	(1,204)
Depreciation expense	(1,039)	(705)	(2,389)	(1,499)
Income from equity investment	-	72	25	104
Interest expense	(301)	(81)	(633)	(133)
Restructuring costs	(361)	-	(369)	-
Gain (loss) on sale of property, plant and equipmer	55	(30)	107	-
Income tax recovery (expense)	-	2	-	(131)
Income from continuing operations	3,835	3,294	5,957	5,226
Add:				
Amortization	182	603	451	1,204
Depreciation expense	1,039	705	2,389	1,499
Interest expense	301	81	633	133
Income tax (recovery) expense	-	(2)	-	131
EBITDAS	5,356	4,681	9,429	8,193
Gain (loss) on sale of property, plant and equipmer	(55)	30	(107)	-
Restructuring costs	361	451	369	-
Adjusted EBITDAS	$ 5,661	5,162	$ 9,690	$ 8,193

REVENUES

Revenues for the Maintenance and Construction Services segment were $87,253 and $154,643 for the three and six months ended June 30, 2019, compared to $118,461 and $187,719 for the same periods in the prior year, reflecting decreases of 26.3% and 17.6%, respectively. These decreases are largely due to a decrease in maintenance demand in the ClearWater union business. Large plant turnarounds were completed in Alberta, Saskatchewan and Newfoundland during the six months ended 2018, which did not re-occur in 2019.

GROSS PROFIT

Gross profit was $6,302 and $10,498 for the three and six months ended June 30, 2019, compared to $4,989 and $8,694 for the same periods in 2018. Gross profit margins increased by 71.5% and 46.6%, respectively, despite the drop in revenue. The gross margin increase was partially due to the adoption of IFRS 16 on January 1, 2019, which

decreased direct rent expense and increased six month gross profit by $1,256. In addition, the increase was due to a favourable change in the sales mix resulting from a decrease in lower margin revenue from the ClearWater union business and an increase in higher margin revenue from the ClearStream and Wear Technology businesses with indirect costs remaining consistent.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the Maintenance and Construction segment were $639 and $832 for the three and six months ended June 30 2019, compared to $350 and $605 for the same periods in 2018. SG&A expenses increased partially due to additional costs to support the revenue increase in the ClearStream division.

WEAR AND FABRICATION

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Revenue	$ 18,001	$ 11,450	$ 35,030	$ 26,986
Cost of revenue	(12,731)	(9,730)	(25,238)	(22,152)
Gross profit	5,269	1,720	9,791	4,834
Selling, general & administrative	(423)	(148)	(804)	(270)
Amortization of intangible assets	(43)	(201)	(106)	(357)
Depreciation expense	(1,047)	(336)	(1,877)	(649)
Interest expense	(135)	(19)	(289)	(27)
Gain on sale of assets held for sale	-	-	-	1,032
Impairment of right-of-use asset	(376)	-	(376)	-
Restructuring costs	(962)	-	(962)	-
Loss on sale of property, plant and equipment	-	(10)	-	-
Other loss	-	(192)	-	(474)
Income from continuing operations	2,284	814	5,378	4,089
Add:				
Amortization	43	201	106	357
Depreciation expense	1,047	336	1,877	649
Interest expense	135	19	289	27
EBITDAS	3,508	1,370	7,649	5,122
Gain on sale of assets held for sale	-	-	-	(1,032)
Impairment of right-of-use asset	376	-	376	-
Loss on sale of property, plant and equipment	-	10	-	-
Restructuring costs	962	-	962	-
Other loss	-	192	-	474
Adjusted EBITDAS	$ 4,846	$ 1,572	$ 8,987	$ 4,564

REVENUES

Revenues for this segment for the three and six months ended June 30, 2019 were $18,001 and $35,030, compared to $11,450 and $26,986 for the same periods in 2018. The increase in revenue was largely due to an overall increase in Wear Technology demand, including the additional capacity from the AFX acquisition completed in the third quarter of 2018. This increase offset the decrease in revenues in the Fabrication division due to lower demand in 2019.

GROSS PROFIT

Gross profit was $5,269 and $9,791 for the three and six months ended June 30, 2019, compared to $1,720 and $4,834 for the same periods in 2018. Gross profit margins were 29.3% and 28% for the three and six months ended June 30, 2019, compared to 15% and 17.9% for the same periods in 2018. The gross profit margin increase was largely due to the adoption of IRFS 16 on January 1, 2019, which decreased direct rent expense and increased six month gross profit by $1,376. The increase is also due to an overall increase in demand in the Wear division leading to higher utilization and improved manufacturing efficiencies as well as lower margin revenues from the Fabrication division.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the Wear and Fabrication segment for the six months ended June 30, 2019 increased compared to the prior periods due to an increase in operation facilities incurred costs to support increased revenue compared to 2018.

CORPORATE

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

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Selling, general & administrative	$ (5,668)	$ (3,995)	$ (10,244)	$ (8,294)
Stock based compensation	-	(76)	(64)	(155)
Depreciation expense	(1,003)	(105)	(1,887)	(159)
Interest expense	(3,693)	(2,615)	(7,553)	(6,304)
Loss on sale of assets held for sale	-	(277)	-	(275)
Restructuring costs	(3,060)	(24)	(3,113)	(84)
Impairment of right-of-use assets	(1,666)	-	(1,666)	-
Bargain purchase gain	12,272	-	12,272	-
Gain on remeasurement of right-of-use assets	127	-	127	-
Gain on sale of property, plant and equipment	-	53	-	65
Income tax recovery - deferred	3,663	(166)	3,663	(194)
Loss from continuing operations	973	(7,205)	(8,464)	(15,400)
Add:				
Depreciation expense	1,003	105	1,887	159
Stock based compensation	0	76	64	155
Interest expense	3,693	2,615	7,553	6,304
Income tax recovery - deferred	(3,663)	166	(3,663)	194
EBITDAS	2,005	(4,243)	(2,623)	(8,588)
Loss on sale of assets held for sale	-	277	-	275
Gain on sale of property, plant and equipment	-	(53)	-	(65)
Restructuring costs	3,060	24	3,113	84
Impairment of right-of-use assets	1,666	-	1,666	-
Bargain purchase gain	(12,272)	-	(12,272)	-
Gain on remeasurement of right-of-use assets	(127)	-	(127)	-
One-time incurred expenses	1,373	-	1,617	
Adjusted EBITDAS	$ (4,295)	$ (3,995)	$ (8,626)	$ (8,294)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses were $5,668 and $10,244 for the three and six months ended June 30, 2019, compared to $3,995 and $8,294 for the same periods in 2018. The increase compared to the same period in 2018 was due to transition costs, including professional fees incurred in the Company's growth initiatives and other expenses to support business process improvements designed to increase operational effectiveness and lower operating costs going forward. Also, included in SG&A expenses are $1,617 of one-time expenses, including termination benefits. Excluding these one-time expenses as a percentage of consolidated revenue, Corporate SG&A expenses were 4.6% for the six months ended June 30, 2019 compared to 3.9% in 2018.

DISCONTINUED OPERATIONS

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
(Loss) gain from Discontinued Operations	$ (308)	$ (113)	$ 2,334	$ (300)

The loss from discontinued operations is due to expenses that the Company continues to incur relating Quantum Murray. These expenses consist largely of legal, insurance, and consulting costs relating to the earn-out and legal proceedings that existed prior to the sale of the business.

LIQUIDITY AND CAPITAL RESOURCES

	Six months ended June 30	
	2019	2018
Cash used in operating activities	$ (8,426)	$ (26,531)
Cash (used in) provided by investing activities	(54,125)	3,339
Cash provided by financing activities	51,713	22,786
Decrease in cash	$ (10,838)	$ (406)

OPERATING ACTIVITIES

Cash used in continuing operations represents the net income incurred during the six months ended June 30, 2019 adjusted for interest and non-cash items, including depreciation, amortization and asset impairments. The cash provided by or used in discontinued operations includes the settlement of some of the legacy claims in 2019 and other expenses paid in 2019 relating to businesses that were sold prior to March 2018.

INVESTING ACTIVITIES

Cash used in investment activities consist of two strategic acquisitions closing in the second quarter 2019.

During the three months ended June 30, 2019, the Company entered into two business combinations expected to complement existing service lines and further broaden potential market opportunities. The Company incurred acquisition-related costs of $903 that are included in restructuring costs.

AECOM Production Services Asset Purchase

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

The total purchase price of $42,036 consists of cash and a post-closing working capital adjustment.

Universal Weld Overlay Share Purchase

On June 28, 2019, the Company acquired 100% of the issued and outstanding shares of Universal Weld Overlays Inc., 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 $17,580 consists of four components, including:

- Cash of $11,997;
- Deferred consideration of $1,250, which represents the fair value of three equal instalments of $433 due on June 28, 2020, 2021 and 2022;
- Expected working capital adjustment of $3,444, which is not included in deferred consideration; and
- Earn-out contingent liability of $889, 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 within the purchase or sale agreement).

Cost of Acquisition

	AECOM	UWO
Cash	$ 42,036	$ 11,997
Deferred consideration	-	1,250
Expected working capital adjustment	-	3,444
Earn-out contingent liability	-	889
	$ 42,036	**$ 17,580**

Identifiable Assets Acquired & Liabilities Assumed

	AECOM	UWO
Cash	$ -	$ 1,235
Accounts receivable	36,190	3,630
Inventories	22	125
Prepaid expenses and other	208	-
Accounts payable and accrued liabilities	(12,331)	(628)
Deferred revenue	(428)	-
Deferred tax liability	(3,662)	-
Property, plant and equipment	34,309	1,016
Goodwill and intangible assets	-	12,202
Bargain purchase gain	(12,272)	-
	$ 42,036	**$ 17,580**

The value of the assets and liabilities associated with both business combinations were not finalized by August 12, 2019 and are therefore preliminary figures. Any future changes in these amounts could affect the recorded cost of the acquisition and assets and liabilities acquired.

Bargain purchase gain

The bargain purchase gain of $12,272 from the AECOM acquisition represents the difference between the fair value of the identifiable assets and liabilities acquired and the total purchase price paid to AECOM. 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 and intangible assets

The goodwill of $5,906 recognized as part of the UWO acquisition is mainly attributed to expected future revenue growth, future market development and synergies expected from the integration of UWO into the operations of the Company.

FINANCING ACTIVITIES

a. ABL Facility

On June 26, 2019, the Company signed the Third Amended and Restated Credit Agreement. Under the new agreement, the Company received access to new term loan facilities providing up to $13,500 in additional financing and was permitted to execute the acquisitions disclosed in Note 2, the private placements and interest settlement disclosed in Note 6, and redeem the outstanding convertible secured debentures. The Company incurred $2,070 in deferred financing costs associated with the amendment to the ABL Facility that will be amortized over the life of the amended agreement.

The ABL Facility is comprised of a revolving credit facility providing for maximum borrowings of up to $50,000 (the "Revolving Facility") and term loan facilities providing for maximum borrowings of up to $23,500 (the "Term Loan Facilities"). The Revolving Facility matures on March 23, 2020 and the Term Loan Facilities mature 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 June 30, 2019 is $43,858 (December 31, 2018 - $29,690). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the borrower and the other guarantors, being the Company and certain of its direct and indirect subsidiaries. The interest rate on the Revolving Facility is prime plus 2.5%, increasing to prime plus 4.0% if the Revolving Facility is more than 50% drawn.

As at June 30, 2019, $14,807 (December 31, 2018 - $22,961) was drawn on the Revolving Facility, and there were $2,900 (December 31, 2018 - $2,250) of letters of credit further reducing the amount available to be drawn.

At June 30, 2019, $23,500 (December 31, 2018 - $10,000) is outstanding under the Term Loan Facilities. The Term Loan Facilities are required to be used for specific purposes and cannot be redrawn once repaid. The interest rate on the Term Loan Facilities is equal to the interest rate on the Revolving Facility plus 2.0%. Of the $13,500 most currently drawn in connection with the refinancing transactions on June 26, 2019, $10,000 was required to be used in connection with the AECOM transaction, $2,000 was required to be used to reduce the outstanding balance on the Revolving Facility and $1,500 was required to be used to redeem the convertible secured debentures.

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

- ClearStream must maintain a monthly minimum cumulative EBITDA commencing on March 31, 2019 as follows:

Month ending	Minimum cumulative EBITDA
March 31, 2019	$1,158
April 30, 2019	$1,832
May 31, 2019	$3,251
June 30, 2019	$7,945
July 31, 2019	$8,515
August 31, 2019	$9,459
September 30, 2019	$11,330

- ClearStream must maintain a quarterly minimum cumulative EBITDA commencing on December 31, 2019 and each quarter thereafter of not less than $13,404

- ClearStream must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $5,800 during the period commencing January 1, 2019 and ending February 29, 2020, and any fiscal year thereafter

At June 30, 2019, ClearStream was in compliance with all financial covenants under the ABL Facility.

b. Senior Secured Debentures

On June 26, 2019, the Company signed the Fourth Supplemental Senior Secured Indenture with written consent from holders of 100% of the outstanding principal amount. Under the new agreement, the Company was permitted to execute the acquisitions disclosed in Note 2, the private placements and interest settlement disclosed in Note 5, and redeem the outstanding convertible secured debentures.

The senior secured debenture agreement contains cross default provisions in an event of default under the ABL Facility. As the Company was in compliance following amendment of the ABL Facility, the senior secured debentures have been reclassified as current liabilities at the reporting date.

c. Convertible Secured Debentures

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

d. Other Secured Borrowings

On June 27, 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 AECOM transaction.

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

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

The loans are secured by a first security interest in the equipment acquired through the AECOM transaction 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.

Based on the annual audited financial statements starting as of December 31, 2019 the company must maintain a Fixed Charge Coverage Ratio equal to or greater than 1.10:1.00.

Critical Accounting Policies and Estimates

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

Recently Adopted Accounting Pronouncements

IFRS 16 Leases

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

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

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

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

The following table summarizes the difference between operating lease commitments disclosed applying IAS 17 at the previous annual reporting period and lease liabilities recognized in the consolidated statement of financial position on transition.

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

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

		January 1, 2019
Land	$	8,230
Building		32,945
Equipment		70
	$	**41,245**

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

CONTINGENCIES

ClearStream is subject to claims and litigation proceedings arising in the normal course of operations. These contingencies are provided for when they are likely to occur and can be reasonably estimated. Management believes that these claims are without merit and as such they are being rigorously defended.

Summary of Quarterly Results

($000s except unit amounts)

	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3
Revenues	$ 103,690	$ 83,954	$ 77,840	$85,996	$129,702	$ 84,794	$ 81,972	$ 85,927
Gross Margin	11,571	8,718	6,169	7,400	6,709	6,819	6,171	6,635
Gross Margin %	11.2%	10.4%	7.9%	8.6%	5.2%	8.0%	7.5%	7.7%
Net income (loss) from continuing operations	7,091	(4,222)	(3,153)	(20,834)	(3,097)	(2,988)	(21,207)	(6,120)
Net income (loss)	6,785	(1,580)	(2,543)	(20,694)	(3,210)	(3,175)	(22,345)	(6,170)
Gain (loss) per share from continuing operations	0.06	(0.04)	(0.03)	(0.19)	(0.03)	(0.03)	(0.19)	(0.06)
Gain (loss) per share	0.06	(0.01)	(0.02)	(0.19)	(0.03)	(0.03)	(0.20)	(0.06)

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

TRANSACTIONS WITH RELATED PARTIES

As of June 30, 2019, directors, officers and key employees beneficially held an aggregate of 11,873,654 common shares or 10.81% on a fully diluted basis. Two leases for property, with quarterly rents of $78 and $100 are with a landlord in which certain executives of ClearStream hold an indirect minority interest.

On June 27, 2019, the Company recognized termination benefits of $1,373, representing the fair value of expected payments to a Director in connection with their past service as an office. Under the agreement, the Director will receive quarterly payments from June 30, 2019 to December 31, 2021. At June 30, 2019, $1,123 was included in accounts payable and accrued liabilities.

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

SHARE CAPITAL

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

As of June 30, 2019, there were a 109,941,241 common shares, 127,565,000 Series 1 Preferred Shares and 40,111,000 Series 2 Preferred Shares issued and outstanding.

On June 26, 2019, ClearStream issued 40,111,000 Series 2 Preferred Shares to Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages, in exchange for $32,200 in cash, which was used to partially finance the acquisitions during the period and settlement of interest obligations of

$7,911 on the senior secured debentures due June 30, 2019 and December 31, 2019. The $4,007 to settle the future obligation is included in prepaid expenses and other.

The Series 2 preferred shares provide holders a 10% fixed cumulative preferential dividend that is only required to be settled in cash upon the sole determination of ClearStream's Board of Directors. Accrued but unpaid dividends are convertible into additional preferred shares with a value of $1,000 per share under certain circumstances. Holders of the Series 2 preferred shares have the right, as their option, to convert their preferred shares into common shares at a price of $0.10 per common share, subject to adjustments in certain circumstances.

The preferred shares are redeemable by the Company for cash at 100% of the purchase price for such shares, plus accrued but unpaid dividends, once all of the senior secured debentures have been repaid, as well as in the event of certain change of control transactions. As a result of none of the components of the preferred shares creating an unavoidable obligation to pay cash, the preferred shares are accounted for within shareholders' deficit, net of transaction costs.

OUTLOOK

Overall market conditions continue to be uncertain, in light of commodity pricing volatility and lack of infrastructure build up to bring product to markets. Therefore upstream, midstream and downstream companies are likely to maintain spending discipline for capital projects and focus instead on operational efficiencies and asset integrity. However, with the recent acquisitions generating a more comprehensive service offerings, an increase in demand for our maintenance, turnaround, wear and environmental service line services is expected in late 2019 and 2020.

The AECOM and UWO acquisitions complement existing service lines in addition to adding new service lines to further broaden business opportunities. Combined, the acquisitions are expected to:

- Expand the Customer Base – the acquisitions will provide the opportunity to work with some of the largest industrial and energy companies operating in Canada and the United States, which will provide existing and new clientele an enhanced integrated service offering.
- Enhance Operational Efficiencies – multiple near-term synergies and cost saving opportunities have been identified that may further enhance the economics of the acquisitions.
- Increase Financial Flexibility – the combination of the acquisitions and the related financings provides improved short and long-term balance sheet flexibility.
- Improve Local Community Presence and Customer Service – the AECOM acquisition will increase the number of district offices and capabilities for maintenance, turnaround and construction services in Western Canada while leveraging the well-recognized Flint brand.
- Complement Existing Service Lines – the UWO acquisition will complement the well-established Wear Technologies products and services for abrasion and corrosion resistance applications while leveraging the well-recognized UWO brand.

Improving momentum for maintenance and turnaround demand, combined with the successful integration of the acquisitions, are expected to result in an increase in 2019 profitability compared to 2018.

RISK FACTORS

There are no updates to ClearStream's risk factors. For further discussion, refer to ClearStream's MD&A or AIF dated March 21, 2019 for the year ended December 31, 2018.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

ClearStream's management, including its CEO and CFO, have evaluated the effectiveness of ClearStream's disclosure controls and procedures as at December 31, 2018 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 quarter ended June 30, 2019 with securities regulators, including this MD&A and the accompanying unaudited 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 quarter ended June 30, 2019 that have materially affected or are reasonably likely to materially affect internal controls over financial reporting. Furthermore, ClearStream's management, including its CEO and CFO, have evaluated the effectiveness of ClearStream's internal control over financial reporting 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 relating to ClearStream including ClearStream's AIF is on SEDAR at www.sedar.com or on our website www.clearstreamenergy.ca.

ClearStream

Condensed Consolidated Interim Financial Statements for

Three and six months ended June 30, 2019 and 2018

Helping Customers

Bringing Resources to Our World

CLEARSTREAM ENERGY SERVICES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(UNAUDITED)

CLEARSTREAM ENERGY SERVICES INC.

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)

(Unaudited)

	Notes	June 30, 2019	December 31, 2018
Assets			
Cash		$ -	$ 10,838
Restricted cash		984	980
Accounts receivable		123,818	59,715
Inventories		7,569	5,734
Prepaid expenses and other	3	7,362	2,046
Total current assets		139,733	79,313
Property, plant and equipment, net	4	87,178	23,520
Goodwill and intangible assets	2	19,704	7,685
Long-term investments		463	438
Total assets		**$ 247,078**	**$ 110,956**
Liabilities and Shareholders' Equity			
Bank indebtedness		$ 3,350	$ -
Accounts payable and accrued liabilities		56,081	28,417
Deferred revenue		443	21
Deferred consideration	2	4,694	-
Earn-out contingent liability	2	1,527	638
ABL facility	5a	36,237	32,332
Current portion of lease liabilities	1b	7,324	1,777
Current portion of provision	7	1,274	1,072
Current portion of other secured borrowings	5d	955	-
Total current liabilities		111,885	64,257
Lease liabilities	1b	34,095	3,549
Other secured borrowings	5d	17,765	-
Provision		-	3,989
Senior secured debentures	5b	96,804	96,746
Convertible secured debentures	5c	-	852
Total liabilities		$ 260,549	$ 169,393
Common shares		462,036	462,036
Preferred shares	6	141,951	102,203
Contributed surplus		20,728	20,716
Deficit		(638,186)	(643,392)
Total shareholders' deficit		(13,471)	(58,437)
Total liabilities and shareholders' deficit		**$ 247,078**	**$ 110,956**

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

CLEARSTREAM ENERGY SERVICES INC.

Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(In thousands of Canadian dollars)

(Unaudited)

		Three months ended June 30		Six months ended June 30	
	Notes	2019	2018	2019	2018
Revenue	9	$ 103,690	$ 129,702	$ 187,644	$ 214,496
Cost of revenue		(92,119)	(122,993)	(167,355)	(200,968)
Gross profit		11,571	6,709	20,289	13,528
Selling, general and administrative expenses	8, 10	(6,730)	(4,494)	(11,880)	(9,169)
Share based compensation		-	(76)	(64)	(155)
Amortization of intangible assets		(224)	(804)	(556)	(1,561)
Depreciation expense	1b, 4	(3,088)	(1,146)	(6,152)	(2,307)
Income from equity investment		-	72	25	104
Interest expense		(4,130)	(2,716)	(8,475)	(6,464)
(Loss) gain on sale of assets held for sale		-	(275)	-	757
Restructuring costs	2, 7	(4,382)	(24)	(4,443)	(84)
Other loss		-	(192)	-	(474)
Impairment of right-of-use assets	4	(2,042)	-	(2,042)	-
Bargain purchase gain	2	12,272	-	12,272	-
Gain on remeasurement of right-of-use assets	4	127	-	127	-
Gain on sale of property, plant and equipment	4	55	13	107	65
Income (loss) from continuing operations before taxes		3,429	(2,933)	(792)	(5,760)
Income tax expense - current		-	(164)	-	(325)
Income tax recovery - deferred		3,663	-	3,663	-
Income (loss) from continuing operations		7,092	(3,097)	2,871	(6,085)
(Loss) gain from discontinued operations (net of income taxes)		(308)	(113)	2,334	(300)
Net income (loss) and comprehensive income (loss)		$ 6,784	$ (3,210)	$ 5,205	$ (6,385)
Net income (loss) per share (dollars)					
Basic & diluted:					
Continuing operations		$ 0.06	$ (0.03)	$ 0.03	$ (0.07)
Discontinued operations		-$ 0.00	-$ 0.00	$ 0.02	-$ 0.00
Net income (loss)		$ 0.06	$ (0.03)	$ 0.05	$ (0.06)

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

CLEARSTREAM ENERGY SERVICES INC.

Consolidated Interim Statements of Shareholders' Deficit

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

(Unaudited)

	Notes	Number of shares	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Total Shareholders' Deficit
At December 31, 2018		109,941,241	$ 462,036	$ 102,203	$ 20,716	$ (643,392)	$ (58,437)
Net income		-	-	-	-	5,205	5,205
Issuance of preferred shares	6	-	-	39,748	-	-	39,748
Stock based compensation		-	-	-	12	-	12
At June 30, 2019		109,941,241	$ 462,036	$ 141,951	$ 20,728	$ (638,187)	$ (13,472)

	Notes	Number of shares	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Total Shareholders' Deficit
At December 31, 2017		109,941,241	$ 469,030	$ -	$ 2,958	$ (610,876)	$ (138,888)
Net loss and comprehensive loss		-	-	-	-	(6,385)	(6,385)
Stock based compensation		-	-	-	175	-	175
Issuance of preferred shares		-	-	102,130	-	-	102,130
Equity component of convertible debentures		-	(6,994)	-	6,994	-	-
Gain on debt extinguishment		-	-	-	10,713	-	10,713
Impact of transition to IFRS 15		-	-	-	-	(949)	(949)
At June 30, 2018		109,941,241	$ 462,036	$ 102,130	$ 20,840	$ (618,210)	$ (33,204)

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

CLEARSTREAM ENERGY SERVICES INC.

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

		Six months ended June 30	
	Notes	2019	2018
Operating activities:			
Net income		$ 5,205	$ (6,385)
Loss (gain) from discontinued operations (net of income tax)		(2,334)	300
Adjustments for:			
Stock based compensation		64	155
Amortization of intangible assets		556	1,561
Amortization of deferred financing costs		522	303
Income from equity investments		(25)	(104)
Depreciation expense	1b, 4	6,152	2,307
Accretion expense		427	174
Other loss		-	474
Onerous lease payments		-	(960)
Loss (Gain) on sale of assets held for sale		-	(757)
Gain on sale of property, plant and equipment	4	(107)	(65)
Gain on remeasurement of right-of-use assets	4	(127)	-
Impairment of right-of-use assets	4	2,042	-
Bargain purchase gain	2	(12,272)	-
Deferred income tax recovery		(3,663)	
Changes in non-cash working capital		(8,473)	(23,234)
Change in provision	7	1,274	
Cash generated from (used in) discontinued operations		2,334	(300)
Cash flow used in operating activities		$ (8,426)	$ (26,531)
Investing activities:			
Acquisitions, net of cash acquired	2	(52,798)	-
Purchase of property, plant and equipment		(1,119)	(454)
Proceeds on disposal of property, plant and equipment		162	228
Purchase of intangible assets		(370)	-
Proceeds on the disposition of businesses		-	4,625
Transaction costs		-	(1,060)
Cash flow (used in) provided by investing activities		$ (54,125)	$ 3,339
Financing activities:			
Increase in restricted cash		(4)	(4,077)
Increase in bank indebtedness		3,350	-
Proceeds from the issuance of preferred shares	6	32,200	19,000
Proceeds from the issuance of other secured borrowings	5d	19,000	-
Proceeds from the issuance of ABL term loans	5a	13,500	-
Repayment of ABL facility	5a	(8,154)	14,000
Repayment of senior secured debentures	5b	-	(2,340)
Repayment of convertible debentures	5c	(1,216)	-
Refinancing fees	5	(2,637)	(3,677)
Repayment of obligations under lease liability	1b	(4,326)	(1,212)
Changes in non-cash working capital		-	1,092
Cash flow provided by financing activities		$ 51,713	$ 22,786
Decrease in cash		(10,838)	(406)
Cash, beginning of the period		10,838	4,649
Cash, end of the period		$ -	$ 4,243

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

CLEARSTREAM ENERGY SERVICES INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

(Unaudited)

Reporting Entity

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

These condensed consolidated interim financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of ClearStream on July 31, 2019.

The Maintenance and Construction services segment's revenues and profits are impacted by seasonality. Peak business activity for this segment is typically highest during the second and third quarters when spring and fall facility shutdowns take place.

1. Significant accounting policies

a. Basis of Presentation

These condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Financial Accounting Standards Board ("IASB"). Accordingly, certain information normally disclosed in annual consolidated financial statements, have been omitted or condensed. The interim financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2018. These interim financial statements follow the same accounting policies and methods of computations as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policy discussed in Note 1 (b) below.

These interim financial statements have been prepared on a historical cost basis and presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated.

Certain amounts in the previous periods' presented herein have been reclassified to conform to the current period presentation.

b. Recently Adopted Accounting Pronouncements

<u>IFRS 16 Leases</u>

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

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

of-use asset at the date of initial application.

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

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

The following table summarizes the difference between operating lease commitments disclosed applying IAS 17 at the previous annual reporting period and lease liabilities recognized in the consolidated statement of financial position on transition.

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

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

		January 1, 2019
Land		8,230
Building		32,945
Equipment		70
	$	**41,245**

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

Update to Significant Accounting Policies

The Company has revised the description of its accounting policy for leases as follows:

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 to 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.

The Company has elected to not recognize right-of-use assets and lease liabilities for contracts that have a lease term of 12 months or less, do not contain a purchase option and leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases as a Lessor

The Company enters into sub-lease agreements as a lessor with respect to some of its buildings. When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Leases for which the Company is a lessor are classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the lease. Amounts due from lessees under finance leases are recognized as receivables of the Company net investment in the leases. Finance lease income is allocated to reflect a constant periodic gain over the life of the leases.

c. New standards and interpretations not yet adopted

As at the date of the authorization of these interim consolidated financial statements, there were no new standards, interpretations or amendments relevant to the Company's operations issued that were not yet effective for the period ended June 30, 2019 and have not been applied in preparing these interim consolidated financial statements

2. Business Combinations

During the three months ended June 30, 2019, the Company entered into two business combinations expected to complement existing service lines and further broaden potential market opportunities. The Company incurred acquisition-related costs of $903 that are included in restructuring costs.

AECOM Production Services Asset Purchase

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

The total purchase price of $42,036 consists of cash and a post-closing working capital adjustment.

Universal Weld Overlay Share Purchase

On June 28, 2019, the Company acquired 100% of the issued and outstanding shares of Universal Weld Overlays Inc. ("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 $17,580 consists of four components, including:

- Cash of $11,997;
- Deferred consideration of $1,250, which represents the fair value of three equal instalments of $433 due on June 28, 2020, 2021 and 2022;
- Expected working capital adjustment of $3,444, which is not included in deferred consideration; and
- Earn-out contingent liability of $889, which represents the fair value of the expected payout to the sellers on June 28, 2020, based on management's best estimate of performance against agreed targets for average three-year EBITDA (as defined within the purchase or sale agreement).

Cost of Acquisition

	AECOM	UWO
Cash	$ 42,036	$ 11,997
Deferred consideration	-	1,250
Expected working capital adjustment	-	3,444
Earn-out contingent liability	-	889
	$ 42,036	**$ 17,580**

Identifiable Assets Acquired & Liabilities Assumed

	AECOM	UWO
Cash	$ -	$ 1,235
Accounts receivable	36,190	3,630
Inventories	22	125
Prepaid expenses and other	208	-
Accounts payable and accrued liabilities	(12,331)	(628)
Deferred revenue	(428)	-
Deferred tax liability	(3,662)	-
Property, plant and equipment	34,309	1,016
Goodwill and intangible assets	-	12,202
Bargain purchase gain	(12,272)	-
	$ 42,036	**$ 17,580**

The value of the assets and liabilities associated with both business combinations were not finalized by August 12, 2019 and are therefore preliminary figures. Any future changes in these amounts could affect the recorded cost of the acquisition and assets and liabilities acquired.

Bargain purchase gain

The bargain purchase gain of $12,272 from the AECOM acquisition represents the difference between the fair value of the identifiable assets and liabilities acquired and the total purchase price paid to AECOM. 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.

The effect on revenue and earnings before interest, tax, depreciation and amortization, respectively, from the AECOM acquisition date to June 30, 2019 was not material. If the acquisition had taken place on January 1, 2019, management estimates that the AECOM operations would have contributed an incremental $68,133 to pro forma revenue and $4,458 to 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.

The effect on revenue and earnings before interest, tax, depreciation and amortization, respectively, from the UWO acquisition date to June 30, 2019 was not material. If the acquisition had taken place on January 1, 2019, management estimates that the UWO operations would have contributed an incremental $5,783 to pro forma revenue and $1,889 to 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.

Goodwill and intangible assets

The goodwill of $5,906 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.

3. Prepaid expenses and other

Prepaid expenses and other of $7,362 at June 30, 2019 (December 31, 2018 - $2,046) include prepaid interest on the senior debentures up to December 31, 2019 of $4,007.

	June 30, 2019	December 31, 2018
Prepaid expenses and other	$ 3,354	$ 2,046
Prepaid interest on senior debentures	4,007	-
Total prepaid expenses and other	$ 7,362	$ 2,046

4. Property, plant and equipment

Cost as at December 31, 2018	$ 76,691
IFRS 16 Transition adjustments as at January 1, 2019 (Note	41,245
Remeasurement of right-of-use assets	(5,981)
Acquisitions (Note 2)	35,325
Additions	1,316
Disposals	(580)
Cost as at June 30, 2019	$ 148,016
Accumulated depreciation as at January 1, 2019	53,171
Depreciation	6,152
Disposals	(527)
Impairment	2,042
Accumulated depreciation as at June 30, 2019	$ 60,838
Net book value, December 31, 2018	23,520
Net book value, June 30, 2019	$ 87,178

Reassessment of renewal option and impairment

After closing two business locations as part of a formal restructuring plan, the Company reassessed plans to renew property leases and determined that it would no longer execute the five-year renewal option on one lease. The associated lease liability and right-of-use building were reduced by $6,108 and $5,981 on remeasurement during the

three months ended June 30, 2019.

The Company recognized an impairment charge of $1,666 during the three months ended June 30, 2019 representing the carrying value of right-of-use buildings that hold operations closed prior to the expiry of associated property leases. The recoverable value was determined to be $nil based on the value-in-use at the closure dates.

The Company also recognized an impairment charge of $376 during the three months ended June 30, 2019 representing right-of-use equipment intended to be disposed as part of the restructuring. The recoverable value was determined to be $811 based on the estimated fair value less cost of disposal.

The right-of-use buildings and equipment impaired are included in the Wear & Fabrication segment.

5. Refinancing transactions

a. ABL Facility

On June 26, 2019, the Company signed the Third Amended and Restated Credit Agreement. Under the new agreement, the Company received access to new Term Loan Facilities providing up to $13,500 in additional financing and was permitted to execute the acquisitions disclosed in Note 2, the private placements and interest settlement disclosed in Note 6, and redeem the outstanding convertible secured debentures. The Company incurred $2,070 in deferred financing costs associated with the amendment to the ABL Facility that will be amortized over the life of the amended agreement.

The ABL Facility is comprised of a revolving credit facility providing for maximum borrowings of up to $50,000 (the "Revolving Facility") and Term Loan Facilities providing for maximum borrowings of up to $23,500 (the "Term Loan Facilities"). The Revolving Facility matures on March 23, 2020 and the Term Loan Facilities mature 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 June 30, 2019 is $43,858 (December 31, 2018 - $29,690). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the borrower and the other guarantors, being the Company and certain of its direct and indirect subsidiaries. The interest rate on the Revolving Facility is prime plus 2.5%, increasing to prime plus 4.0% if the Revolving Facility is more than 50% drawn.

As at June 30, 2019, $18,157 (December 31, 2018 - $22,961) was drawn on the Revolving Facility, and there were $2,900 (December 31, 2018 - $2,250) of letters of credit further reducing the amount available to be drawn.

At June 30, 2019, $23,500 (December 31, 2018 - $10,000) is outstanding under the Term Loan Facilities. The Term Loan Facilities are required to be used for specific purposes and cannot be redrawn once repaid. The interest rate on the Term Loan Facilities is equal to the interest rate on the Revolving Facility plus 2.0%. Of the $13,500 most currently drawn in connection with the refinancing transactions on June 26, 2019, $10,000 was required to be used in connection with the AECOM acquisition, $2,000 was required to be used to reduce the outstanding balance on the Revolving Facility and $1,500 was required to be used to redeem the convertible secured debentures.

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

- ClearStream must maintain a monthly minimum cumulative EBITDA commencing on March 31, 2019 as follows:

Month ending	Minimum cumulative EBITDA
March 31, 2019	$1,158
April 30, 2019	$1,832
May 31, 2019	$3,251
June 30, 2019	$7,945
July 31, 2019	$8,515
August 31, 2019	$9,459
September 30, 2019	$11,330

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

At June 30, 2019, ClearStream was in compliance with all financial covenants under the ABL Facility.

b. Senior Secured Debentures

On June 26, 2019, the Company signed the Fourth Supplemental Senior Secured Indenture with written consent from holders of 100% of the outstanding principal amount. Under the new agreement, the Company was permitted to execute the acquisitions disclosed in Note 2, the private placements and interest settlement disclosed in Note 6, and redeem the outstanding convertible secured debentures.

The senior secured debenture agreement contains cross default provisions in an event of default under the ABL Facility. As the Company was in compliance following amendment of the ABL Facility, the senior secured debentures have been reclassified as non-current liabilities at the reporting date.

c. Convertible Secured Debentures

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

d. Other Secured Borrowings

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

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

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

The loans are secured by a first security interest in the equipment acquired through the AECOM acquisition 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.

Based on the annual audited financial statements starting as of December 31, 2019 the company must maintain a Fixed Charge Coverage Ratio equal to or greater than 1.10:1.00.

6. Preferred shares

On June 27, 2019, ClearStream issued 40,111 Series 2 preferred shares to Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages, in exchange for $32,200 in cash used to partially finance the acquisitions during the period and settlement of interest obligations of $7,911 on the senior secured debentures due June 30, 2019 and December 31, 2019. The $4,007 to settle the future obligation is included in prepaid expenses and other (Note 3).

The Series 2 preferred shares provide holders a 10% fixed cumulative preferential dividend that is only required to be settled in cash upon the sole determination of ClearStream's Board of Directors. Accrued but unpaid dividends are convertible into additional preferred shares with a value of $1,000 per share under certain circumstances. Holders of the preferred shares have the right, as their option, to convert their preferred shares into common shares at a price of $0.10 per common share, subject to adjustments in certain circumstances.

The Series 2 preferred shares are redeemable by the Company for cash at 100% of the purchase price for such shares, plus accrued but unpaid dividends, once all of the senior secured debentures have been repaid, as well as in the event of certain change of control transactions. As a result of none of the components of the preferred shares creating an unavoidable obligation to pay cash, the preferred shares are accounted for within shareholders' deficit, net of transaction costs.

7. Provisions

At June 30, 2019, $1,274 was recognized as a restructuring provision in connection with the closure of two business locations as part of a formal plan to reorganize the Company following the AECOM and UWO acquisitions. The estimated costs recognized mainly consist of salaries and termination benefits of personnel in connection with ongoing closure activities that are expected to be incurred over the subsequent 36 months.

8. Related party disclosures

On June 27, 2019, the Company recognized termination benefits of $1,373, representing the fair value of expected payments to a Director in connection with the past service. Under the agreement, the Director will receive quarterly payments from June 30, 2019 to December 31, 2021. At June 30, 2019, $1,123 was included in accounts payable and accrued liabilities.

9. Revenue

The following are amounts for each significant category of revenue recognized during the periods ended June 30, 2019 and 2018:

	Three months ended, June 30		Six months ended, June 30	
	2019	2018	2019	2018
Rendering of services	$ 85,690	$ 118,474	$ 150,958	$ 187,719
Sales of goods	18,000	11,228	36,686	26,777
Total revenue	$ 103,690	$ 129,702	$ 187,644	$ 214,496

10. Selling, general & administrative expenses

	Three months ended, June 30		Six months ended, June 30	
	2019	2018	2019	2018
Salaries & benefits	$ 5,370	$ 2,800	8,265	$ 5,711
Occupancy costs	120	201	370	576
Professional fees	541	661	1,548	1,240
Travel & advertising	314	340	584	622
Repairs & maintenance	60	100	129	263
Office	137	141	258	219
Insurance	188	251	726	538
	$ 6,730	$ 4,494	$ 11,880	$ 9,169

11. Financial instruments and risk management

Financial instruments consist of cash, restricted cash, accounts receivable, bank indebtedness, accounts payable, ABL Facility, Senior Secured Debentures and other secured borrowings.

a. Fair values of financial assets and liabilities

The fair value of the ABL Facility approximates its carrying amount, excluding the effect of deferred financing fees, due to its nature as a revolving facility subject to variable interest rates.

b. Risk management

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

c. 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:

	June 30, 2019	December 31, 2018
Cash	$ -	$ 10,838
Restricted cash	984	980
Accounts receivable	123,818	59,715
	$ 124,802	$ 71,533

Cash and restricted cash are held at Canadian Schedule A Banks and are therefore considered to have minimal amount of credit risk.

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

Of the total balance of accounts receivable at June 30, 2019, $75,424 (December 31, 2018 - $45,741) related to trade receivables and $48,394 (December 31, 2018 - $13,974) related to accrued revenue (i.e. for work performed but not

yet invoiced).

Trade receivables are non-interest bearing and generally due on 30-90 day terms. As at June 30, 2019, approximately $2,642 of ClearStream's trade receivables had been outstanding longer than 90 days (December 31, 2018 - $1,809). Management has fully evaluated the outstanding receivables as at June 30, 2019 and has determined that the lifetime expected credit losses of the trade receivables was immaterial.

d. 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.

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.

There were no material changes to customer concentration or liquidity risk for the 6 months ended June 30 2019.

12. Segment information

ClearStream has three reportable operating segments, each of which has separate operational management and management reporting information. All or substantially all of ClearStream's operations, assets and employees are located in Canada.

The Maintenance and Construction division, which includes the union and non-union CGUs, is a fully integrated provider of maintenance and construction services to the energy industry. This division provides maintenance services, welding, fabrication, machining, construction, turnaround services and a resource/labour supply to companies in the conventional oil and gas and oilsands markets.

The Wear and Fabrication division, which includes the Wear, Fabrication and Environmental CGUs, specializes in the supply and fabrication of overlay pipe spools, pipe bends, wear plate, welding services, custom fabrication, pipe management and storage services. The Environmental Services group provides regulatory and environmental advisory services focused on servicing our clients across various end markets such as Oil & Gas, Power, Government, Mining and Forestry.

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 in the table below includes adjustments required to account for joint ventures as equity investments, and eliminations of interdivisional transactions. ClearStream accounts for intersegment sales based on transaction price.

Three months ended June 30, 2019	Maintenance and Construction Services	Wear, Fabrication, and Environmental	Corporate	Eliminations	Total
Revenue	$ 87,253	$ 18,001	$ -	$ (1,564)	$ 103,690
Cost of revenue	(80,952)	(12,731)	-	1,564	(92,119)
Gross profit	6,302	5,270	-	-	11,571
Selling, general and administrative expenses	(639)	(423)	(5,668)	-	(6,730)
Amortization of intangible assets	(182)	(43)	-	-	(224)
Depreciation expense	(1,039)	(1,047)	(1,003)	-	(3,088)
Interest expense	(301)	(135)	(3,693)	-	(4,128)
Restructuring costs	(361)	(962)	(3,060)	-	(4,382)
Impairment of right-of-use asset	-	(376)	(1,666)	-	(2,042)
Bargain purchase gain	-	-	12,272	-	12,272
Gain on remeasurement of right-of-use assets	-	-	127	-	127
Gain on sale of property, plant and equipment	55	-	-	-	55
Income before taxes	3,836	2,285	(2,690)	-	3,430
Income tax recovery - deferred	-	-	3,663	-	3,663
Income from continuing operations	$ 3,836	$ 2,285	$ 973	$ -	$ 7,092

Three months ended June 30, 2018	Maintenance and Construction Services	Wear, Fabrication, and Environmental	Corporate	Eliminations	Total
Revenues	$ 118,461	$ 11,450	$ -	$ (209)	$ 129,702
Cost of revenues	(113,472)	(9,730)	-	209	(122,993)
Gross profit	4,989	1,720	-	-	6,709
Selling, general and administrative expenses	(350)	(148)	(3,996)	-	(4,494)
Stock based compensation recovery	-	-	(76)	-	(76)
Amortization of intangible assets	(603)	(201)	-	-	(804)
Depreciation	(705)	(336)	(105)	-	(1,146)
Income from equity investment	72	-	-	-	72
Interest expense	(81)	(19)	(2,616)	-	(2,716)
Loss on sale of assets held for sale	-	-	(275)	-	(275)
Restructuring costs	-	-	(24)	-	(24)
(Loss) gain on sale of property, plant and equipment	(30)	(10)	53	-	13
Other loss	-	(192)	-	-	(192)
Income (loss) before taxes	3,292	814	(7,039)	-	(2,933)
Income tax expense - current		-	(164)	-	(164)
Income (loss) from continuing operations	$ 3,292	$ 814	$ (7,203)	$ -	$ (3,097)

Six months ended June 30, 2019	Maintenance and Construction Services	Wear, Fabrication, and Environmental	Corporate	Eliminations	Total
Revenue	$ 154,643	$ 35,030	$ -	$ (2,029)	$ 187,644
Cost of revenue	(144,146)	(25,238)	-	2,029	(167,355)
Gross profit	10,498	9,791	-	-	20,289
Selling, general and administrative expenses	(832)	(804)	(10,244)	-	(11,880)
Stock based compensation	-	-	(64)	-	(64)
Amortization of intangible assets	(451)	(106)	-	-	(556)
Depreciation expense	(2,389)	(1,877)	(1,887)	-	(6,152)
Income from equity investment	25	-	-	-	25
Interest expense	(633)	(289)	(7,553)	-	(8,474)
Restructuring costs	(369)	(962)	(3,113)	-	(4,443)
Impairment of right-of-use assets	-	(376)	(1,666)	-	(2,042)
Bargain purchase gain	-	-	12,272	-	12,272
Gain on remeasurement of right-of-use assets	-	-	127	-	127
Gain on sale of property, plant and equipment	107	-	-	-	107
Income (loss) before taxes	5,957	5,378	(12,127)	-	(792)
Income tax recovery - deferred	-	-	3,663	-	3,663
Income (loss) from continuing operations	$ 5,957	$ 5,378	$ (8,464)	$ -	$ 2,871

Six months ended June 30, 2018	Maintenance and Construction Services	Wear, Fabrication, and Environmental	Corporate	Eliminations	Total
Revenues	$ 187,719	$ 26,986	$ -	$ (209)	$ 214,496
Cost of revenues	(179,025)	(22,152)	-	209	(200,968)
Gross profit	8,694	4,834	-	-	13,528
Selling, general and administrative expenses	(605)	(270)	(8,294)	-	(9,169)
Stock based compensation recovery	-	-	(155)	-	(155)
Amortization of intangible assets	(1,204)	(357)	-	-	(1,561)
Depreciation	(1,499)	(649)	(159)	-	(2,307)
Income from equity investment	104	-	-	-	104
Interest expense	(133)	(27)	(6,304)	-	(6,464)
Gain (loss) on sale of assets held for sale	-	1,032	(275)	-	757
Restructuring costs	-	-	(84)	-	(84)
Gain on sale of property, plant and equipment	-	-	65	-	65
Other loss	-	(474)	-	-	(474)
Income (loss) before taxes	5,357	4,089	(15,206)	-	(5,760)
Income tax expense - current	(131)	-	(194)	-	(325)
Income (loss) from continuing operations	$ 5,226	$ 4,089	$ (15,400)	$ -	$ (6,085)

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