ClearStream

THIRD QUARTER 2020

Helping Customers Bring Resources to Our World.

ClearStream Announces Third Quarter 2020 Financial Results

Revenues up 24% and Adjusted EBITDAS up 197% over Q2 2020

Calgary, Alberta (November 5, 2020) – ClearStream Energy Services Inc. ("ClearStream" or the "Company") (TSX: CSM) today announced its results for the three and nine months ended September 30, 2020. All amounts are in Canadian dollars and expressed in thousands of dollars unless otherwise noted.

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

"We saw a strong increase in activity levels in the third quarter as our customers resumed some maintenance and construction activity with the reopening of the economy and increased demand for oil and gas products. During the third quarter, we commenced work on 8 turnaround projects, with 7 being completed by quarter-end. The increase in activity levels allowed us to recall a portion of our workforce in order to execute those turnarounds during the quarter. After having reacted swiftly to unprecedented industry conditions in the second quarter, we have once again demonstrated our ability to rapidly deploy our teams and capabilities to effectively service our customers in the third quarter," said Yves Paletta, Chief Executive Officer.

"The COVID-19 pandemic continues to impact the global economy. While there has been some recovery in world oil prices, we expect that our customers who are involved in the energy sector will remain cautious regarding their spending plans for the next few quarters. We expect that activity levels will eventually recover in the second half of 2021 as customers prioritize asset management and integrity services to increase operational reliability. We remain focussed on the health and safety of our workforce and assisting our customers to conduct their operations in a safe, efficient and cost effective manner," added Mr Paletta.

HIGHLIGHTS

- Revenues for the three months ended September 30, 2020 were $100.8 million, representing an increase of $19.8 million or 24.3% over Q2 2020 and a decrease of $38.8 million or 27.8% over Q3 2019;
- Adjusted EBITDAS for the three months ended September 30, 2020 was $5.5 million, representing an increase of $3.6 million or 196.7% over Q2 2020 and a decrease of $5.3 million or 49.1% over Q3 2019;
- Liquidity remained strong with total cash and available credit facilities of $66.2 million at September 30, 2020, up from $51.5 million, at June 30, 2020;
- Between July 1 and October 31, 2020, we secured new project awards with upstream, midstream and downstream energy companies in Canada that are estimated to generate approximately $50 million in new backlog (there were no major contract renewals in that period). ClearStream's Flint, Wear, Universal Weld Overlays and Environmental Services divisions will be executing the work, which will consist of facility construction, maintenance, abrasion and corrosion resistant applications, and environmental professional services. A portion of the work has already commenced with the remainder expected to start in the fourth quarter of 2020.

<u>Maintenance and Construction Services (Flint and ClearWater)</u>

The recovery in activity levels for maintenance and construction services that began at the end of the second quarter continued into the third quarter. Some projects that had been postponed during the first half of 2020 were re-started in the third quarter. Bidding activity remains strong as customers prepare for maintenance and construction activity to resume once market visibility has improved. We remain focussed on consolidating various scopes of work with existing customers by cross-selling additional services to enable more efficient execution and lower costs on each work site.

<u>Wear Technology Overlay Services (ClearStream Wear and Universal Weld Overlays)</u>

Activity levels for weld technology overlay services remain well below historical levels as customers scaled back their production output and spending on consumables in response to weak oil prices. During the third quarter, we closed ClearStream Wear's locations in Nisku and Edmonton and consolidated all operations into the Sherwood Park location. By eliminating these two facilities, we have significantly improved production flexibility and reduced the fixed costs associated with ClearStream Wear's operations.

At Universal Weld Overlays, bidding activity remains strong, particularly for U.S customers. During the third quarter, the order backlog increased with the resulting work expected to be completed in the fourth quarter.

Environmental (ClearStream Environmental)

We are actively pursuing opportunities with our clients to secure funding under the federal and provincial programs for the closure and reclamation of oil and gas wells, pipelines and facilities in British Columbia, Alberta and Saskatchewan.

THIRD QUARTER 2020 FINANCIAL RESULTS

($ millions, except per share amounts)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Revenue						
Maintenance and Construction Services	94.7	126.0	(24.9)%	284.2	282.3	0.7 %
Wear Technology Overlay Services	6.7	14.9	(55.1)%	25.8	48.4	(46.6)%
Total	100.8	139.5	(27.8)%	308.6	327.2	(5.7)%
Gross Profit						
Maintenance and Construction Services	8.9	12.8	(30.6)%	20.9	25.3	(17.1)%
Wear Technology Overlay Services	1.1	3.7	(71.0)%	4.4	11.4	(61.7)%
Total	10.0	16.5	(39.6)%	25.3	36.7	(31.0)%
% of revenue	9.9 %	11.8 %	(16.4)%	8.2 %	11.2 %	(26.9)%
Selling, general and administrative expenses	4.6	5.7	(19.1)%	16.1	17.5	(8.2)%
% of revenue	4.6 %	4.1 %	12.0 %	5.2 %	5.3 %	(2.7)%
Adjusted EBITDAS						
Maintenance and Construction Services.	8.8	12.5	(29.9)%	20.8	24.4	(14.9)%
Wear Technology Overlay Services	1.1	3.5	(68.3)%	4.3	10.9	(60.3)%
Corporate	(4.4)	(5.2)	(15.9)%	(15.0)	(14.4)	4.4 %
Total	5.5	10.9	(49.1)%	10.0	20.9	(51.9)%
% of revenue	5.5 %	7.8 %	(29.4)%	3.3 %	6.4 %	(49.1)%
Income (loss) from continuing operations	9.7	0.9	945.9 %	1.7	3.8	(54.8)%
Net income (loss) per share from continuing operations (basic and diluted)	0.09	0.01	945.9 %	0.02	0.03	(56.5)%

Note:

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

Revenues for the three and nine months ended September 30, 2020 were $100,755 and $308,591 compared to $139,534 and $327,178 for the same periods in 2019, a decrease of 27.8% and 5.7%, respectively. We saw a strong increase in activity levels in the third quarter relative to the first half of 2020 as our customers resumed some maintenance and construction activity that had been previously deferred with the reopening of the economy and increased demand for petroleum and natural gas products. The revenue reduction for the three and nine months ended September 30, 2020, compared to the same periods in 2019, was driven by overall reduced customer spending and the postponement of scheduled maintenance and turnaround activities as a result of volatility in crude oil prices due to macro-economic uncertainty, the economic impact of the COVID-19 pandemic, and potential lack of storage capacity, forcing production shut-ins at various sites in Western Canada.

Gross profit for the three and nine months ended September 30, 2020 were $9,965 and $25,314 compared to $16,511 and $36,691 for the same periods in 2019, a decrease of 40% and 31%, respectively. Gross profit margins for the three and nine months ended September 30, 2020 were 9.9% and 8.2% compared to 11.8% and 11.2% for the same periods in 2019. The decrease for the three and nine months ended September 30, 2020 was due to a reduction in both the total volume and the volume of higher margin work in the Wear Technology Overlay Services segment where certain fixed costs are required to operate the facilities in addition to downward pressure on margins by customers in response to market uncertainty. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins across the whole business, we took immediate steps to adjust our cost structure, for which we will see the full benefit over the remainder of 2020. During the third quarter, we closed ClearStream Wear's locations in Nisku and Edmonton and consolidated all operations into the Sherwood Park location. By eliminating these two facilities, we have significantly improved production flexibility and reduced the fixed costs associated with ClearStream Wear's operations.

Selling, general and administrative (“SG&A”) expenses for the three and nine months ended September 30, 2020 were $4,631 and $16,063, in comparison to $5,726 and $17,497 for the same periods in 2019, a decrease of 19.1% and 8.2%, respectively. As a percentage of revenue, SG&A expenses for the three and nine months ended September 30, 2020 were 4.6% and 5.2% compared to 4.1% and 5.3% for the same periods in 2019. The increase in SG&A expenses as a percentage of revenue in the three months ended September 30, 2020 was due to the decline in revenue resulting from macro-economic uncertainty and the economic impact of the COVID-19 pandemic. Given the market uncertainty, we continued to right size our SG&A cost structures compared to the prior quarter and same period in 2019 as shown by the decrease in SG&A expenses in 2020 compared to the same periods in 2019.

For the three and nine months ended September 30, 2020, Adjusted EBITDAS were $5,531 and $10,047 compared to $10,858 and $20,907 for the same periods in 2019. As a percentage of revenue, Adjusted EBITDAS were 5.5% and 3.3% for the three and nine months ended September 30, 2020 compared to 7.8% and 6.4% for the same periods in 2019. Adjusted EBITDAS as a percentage of revenue decreased due to gross profit decreases in both the Maintenance and Construction Services segment and the Wear Technology Overlay Services segment.

Income from government subsidies represents the Canada Emergency Wage Subsidy ("CEWS") received from the Government of Canada to assist with the payment of employee wages as a result of the impact of the COVID-19 pandemic. During the three and nine months ended September 30, 2020, the Company qualified for CEWS and recorded grants of $14,905 and $23,481, respectively, in the Consolidated Interim Statements of Income and Comprehensive Income.

Income from continuing operations for the three and nine months ended September 30, 2020 was $9,685 and $1,716 compared to $926 and $3,795 for the same periods in 2019. The income variances are largely driven by the goodwill impairment loss and decrease to gross profit for the 2020 periods, offset by benefits received from the CEWS, the reversal of the share-based compensation and other long-term incentive plans, and the bargain purchase gain in 2019.

OUTLOOK

With the continuing measures to limit the spread of the virus, including travel restrictions, border closures, quarantines and social distancing, we expect the macro-economic environment to remain volatile with limited visibility for energy consumption to return to normal levels in the next few quarters. Upstream, midstream and downstream energy companies will continue to carefully manage spending for capital projects and operations where possible until further confidence in market stability has returned.

As with prior downturns in the oil and gas industry, the combined effect of the COVID-19 pandemic and the resulting collapse in world oil prices has tested and proved the resilience of ClearStream's business model. With energy transition and environmental considerations becoming increasingly important for all stakeholders in the energy sector, our customers will focus on improving their operational processes for greater efficiencies and reliability.

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

Additional Information

Our unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and the related Management's Discussion and Analysis of the operating and financial results can be accessed on our website at www.clearstreamenergy.ca and will be available shortly through SEDAR at www.sedar.com.

About ClearStream Energy Services Inc.

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

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Advisory regarding Forward-Looking Information

Certain information included in this press release may constitute “forward-looking information” within the meaning of Canadian securities laws. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other similar expressions concerning matters that are not historical facts. This press release contains forward-looking statements relating to but not limited to: our business plans, strategies and objectives; the effects of the COVID-19 pandemic on global commerce and oil prices; that customers in the energy sector will remain cautious regarding their spending plans for the next few quarters; that activity levels will recover in the second half of 2021; that customers will prioritize asset management and integrity services to increase operational reliability; contract renewals and project awards, including the estimated value thereof and the the timing of commencing the work associated therewith; that the consolidation of our wear technology overlay facilities has improved our production flexibility and reduced our fixed costs; that the COVID-19 outbreak and other market conditions will have longer term impacts on our activity levels and margins; that we will see the full benefit of the adjustments to our cost structure over the remainder of 2020; that the macro-economic environment will remain volatile with limited visibility for energy consumption to return to normal levels in the next few quarters; that energy companies will continue to carefully manage capital spending for capital projects and operations; that our customers will focus on improving their operational processes; and that we are well-positioned to consolidate further multiple services while generating efficiencies and cost reductions for our customers.

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

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

Advisory regarding Non-Standard Measures

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

EBITDAS refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery), share-based compensation, and other long-term incentive plans. EBITDAS is used by management and the directors of ClearStream as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDAS to monitor the performance of ClearStream's reportable segments and believes that in addition to net income or loss and cash provided by operating activities, EBITDAS is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures and income taxes. ClearStream has provided a reconciliation of income (loss) from continuing operations to EBITDAS in its management's discussion and analysis of the operating and financial results for the three and nine months ended September 30, 2020.

Adjusted EBITDAS refers to EBITDAS excluding the gain on sale of assets held for sale, impairment of goodwill and intangible assets, restructuring costs, gain on sale of property plant and equipment, recovery of contingent consideration liability, other loss, one time incurred expenses, impairment of right-of-use assets, bargain purchase gain, gain on remeasurement of right-of-use assets, and government subsidies. ClearStream has used Adjusted EBITDAS as the basis for the analysis of its past operating financial performance. Adjusted EBITDAS is used by ClearStream and management believes it is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures, and income taxes. Adjusted EBITDAS is a measure that management believes facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors. ClearStream has provided a reconciliation of income (loss) from continuing operations to Adjusted EBITDAS its management's discussion and analysis of the operating and financial results for the three and nine months ended September 30, 2020.

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

ClearStream

THIRD QUARTER
MD&A

2020

Helping Customers Bring Resources to Our World.

Management's Discussion and Analysis

November 5, 2020

The following is management's discussion and analysis ("MD&A") of the consolidated results of operations, balance sheets and cash flows of ClearStream Energy Services Inc. ("ClearStream" or the "Company") for the three and nine months ended September 30, 2020 and 2019. This MD&A should be read in conjunction with ClearStream's condensed consolidated interim unaudited financial statements and the notes thereto for the three and nine months ended September 30, 2020 and 2019 and the consolidated audited financial statements and the notes thereto for the years ended December 31, 2019 and 2018.

All amounts in this MD&A are in Canadian dollars and expressed in thousands of dollars unless otherwise noted. The accompanying condensed interim consolidated unaudited financial statements of ClearStream have been prepared by and are the responsibility of management. The contents of this MD&A have been approved by the Board of Directors of ClearStream on the recommendation of its Audit Committee. This MD&A is dated November 5, 2020 and is current to that date unless otherwise indicated.

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

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

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

Reportable Segments

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

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

Segment	Business Description
Maintenance and Construction Services	Operational, maintenance, turnaround and construction services to the conventional oil and gas, oilsands, and other industries as well as abandonment, decommissioning, and reclamation services.
Wear Technology Overlay Services	Custom fabrication services supporting pipeline and infrastructure projects, patented wear overlay technology services specializing in overlay pipe spools, pipe bends and plate.
Corporate	Head office management, administrative, legal and interest expenses.

Note: Certain amounts in the previous periods presented herein have been reclassified from the prior year to conform to the current period presentation. The Environmental Services division has been included in the Maintenance and Construction Services segment; the financial results for this division were not significant to overall financial results for this segment during the three and nine months ended September 30, 2020.

Advisory regarding Forward-Looking Information

Certain information included in this MD&A may constitute “forward-looking information” within the meaning of Canadian securities laws. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other similar expressions concerning matters that are not historical facts. Specifically, this MD&A contains forward-looking information relating to: our business plans, strategies and objectives; the effects of the COVID-19 pandemic on global commerce and oil prices; that the COVID-19 outbreak and other market conditions will have longer term impacts on our activity levels and margins; that we will see the full benefit of the adjustments to our cost structure over the remainder of 2020; that the consolidation of our wear technology overlay facilities has improved our production flexibility and reduced our fixed costs; the receipt of the Canada Emergency Wage Subsidy; the sufficiency of our cash flow from operations and available credit facilities to meet our short-term contractual obligations and maintain compliance with our financial covenants through September 30, 2021; the effect of known claims and litigation on our financial position and results of operations; that the macro-economic environment will remain volatile with limited visibility for energy consumption to return to normal levels in the next few quarters; that energy companies will continue to carefully manage capital spending for capital projects and operations; that our customers will focus on improving their operational processes; and that we are well-positioned to consolidate further multiple services while generating efficiencies and cost reductions for our customers.

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

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

Non-Standard Measures

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

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

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

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.

SUMMARY OF RESULTS – CONTINUING OPERATIONS ($000s)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	$ 100,755	$ 139,534	$ 308,591	$ 327,178
Cost of revenue	(90,790)	(123,023)	(283,277)	(290,487)
Gross profit	9,965	16,511	25,314	36,691
Selling, general and administrative expenses	(4,631)	(5,726)	(16,063)	(17,497)
Share-based compensation and other long-term incentive plans recovery (expense)	—	—	1,109	(64)
Amortization of intangible assets	(496)	(154)	(1,329)	(710)
Depreciation expense	(4,168)	(3,741)	(11,146)	(9,893)
(Loss) income from equity investment	(61)	71	128	96
Interest expense	(4,754)	(5,450)	(13,398)	(13,925)
Restructuring expense	(1,090)	(1,087)	(1,487)	(5,531)
Impairment of intangible assets and goodwill	—	—	(5,000)	—
Recovery (impairment) of right-of-use assets	—	362	—	(1,680)
Bargain purchase gain	—	—	—	12,272
Gain on remeasurement of right-of-use assets	—	—	—	127
Gain on sale of property, plant and equipment	15	140	42	247
Income tax recovery - current	—	—	65	—
Income tax recovery - deferred	—	—	—	3,663
Income from government subsidies	14,905	—	23,481	—
Income from continuing operations	9,685	926	1,716	3,795
Add:				
Amortization of intangible assets	496	154	1,329	710
Depreciation expense	4,168	3,741	11,146	9,893
Share-based compensation and other long-term incentive plans (recovery) expense	—	—	(1,109)	64
Interest expense	4,754	5,450	13,398	13,925
Income tax recovery - current	—	—	(65)	—
Income tax recovery - deferred	—	—	—	(3,663)
EBITDAS	19,103	10,272	26,415	24,725
Gain on sale of property, plant and equipment	(15)	(140)	(42)	(247)
Impairment of intangible assets and goodwill	—	—	5,000	—
Restructuring expense	1,090	1,088	1,487	5,531
Income from government subsidies	(14,905)	—	(23,481)	—
One-time incurred expenses	258	—	668	1,617
(Recovery) impairment of right-of-use assets	—	(362)	—	1,680
Bargain purchase gain	—	—	—	(12,272)
Gain on remeasurement of right-of-use assets	—	—	—	(127)
Adjusted EBITDAS	$ 5,531	$ 10,858	$ 10,047	$ 20,907

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income per share (dollars)				
Basic & Diluted:				
Continuing operations	$ 0.09	$ 0.01	$ 0.02	$ 0.03
Discontinued operations	$ —	$ —	$ —	$ 0.02
Net income and comprehensive income	$ 0.09	$ 0.06	$ 0.02	$ 0.05

Selected Balance Sheet Accounts	September 30, 2020	December 31, 2019
Total assets	$ 226,186	$ 257,573
ABL facility	41,160	67,442
Senior secured debentures	100,929	96,955
Other secured borrowings	18,036	18,621
Shareholders' deficit	$ (21,663)	$ (23,438)

THIRD QUARTER 2020 RESULTS

Revenues for the three and nine months ended September 30, 2020 were $100,755 and $308,591 compared to $139,534 and $327,178 for the same periods in 2019, a decrease of 27.8% and 5.7%, respectively. We saw a strong increase in activity levels in the third quarter relative to the first half of 2020 as our customers resumed some maintenance and construction activity that had been previously deferred with the reopening of the economy and increased demand for petroleum and natural gas products. The revenue reduction for the three and nine months ended September 30, 2020, compared to the same periods in 2019, was driven by overall reduced customer spending and the postponement of scheduled maintenance and turnaround activities as a result of volatility in crude oil prices due to macro-economic uncertainty, the economic impact of the COVID-19 pandemic, and potential lack of storage capacity, forcing production shut-ins at various sites in Western Canada.

Gross profit for the three and nine months ended September 30, 2020 were $9,965 and $25,314 compared to $16,511 and $36,691 for the same periods in 2019, a decrease of 39.6% and 31%, respectively. Gross profit margins for the three and nine months ended September 30, 2020 were 9.9% and 8.2% compared to 11.8% and 11.2% for the same periods in 2019. The decrease for the three and nine months ended September 30, 2020 was due to a reduction in both the total volume and the volume of higher margin work in the Wear Technology Overlay Services segment where certain fixed costs are required to operate the facilities in addition to downward pressure on margins by customers in response to market uncertainty. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins across the whole business, we took immediate steps to adjust our cost structure, for which we will see the full benefit over the remainder of 2020. During the third quarter, we closed ClearStream Wear's locations in Nisku and Edmonton and consolidated all operations into the Sherwood Park location. By eliminating these two facilities, we have significantly improved production flexibility and reduced the fixed costs associated with ClearStream Wear's operations.

Selling, general and administrative (“SG&A”) expenses for the three and nine months ended September 30, 2020 were $4,631 and $16,063, in comparison to $5,726 and $17,497 for the same periods in 2019, a decrease of 19.1% and 8.2%, respectively. As a percentage of revenue, SG&A expenses for the three and nine months ended September 30, 2020 were 4.6% and 5.2% compared to 4.1% and 5.3% for the same periods in 2019. The increase in SG&A expenses as a percentage of revenue in the three months ended September 30, 2020 was due to the decline in revenue resulting from macro-economic uncertainty and the economic impact of the COVID-19 pandemic. Given the market uncertainty, we continued to right size our SG&A cost structures compared to the prior quarter and same period in 2019 as shown by the decrease in SG&A expenses in 2020 compared to the same periods in 2019.

Non-cash items that impacted the 2020 results were depreciation, amortization, and the reversal of share-based compensation and other long-term incentive plans. For the three and nine months ended September 30, 2020, depreciation and amortization expense was $4,664 and $12,475 compared to $3,895 and $10,603 for the same periods in 2019, an increase of 19.7% and 17.7%, respectively. The increase in depreciation and amortization expense was largely due to the increase in asset values as a result of the acquisition of certain assets of the production services division of AECOM Production Services Ltd. (the "AECOM PSD Business") as well as additional 2020 capital expenditures. Recovery of the share-based compensation and other long-term incentive plans for the nine months ended September 30, 2020 of $1,109, in comparison to an expense of $64 for the same period in 2019, represents the change in the net present value of future cash payments expected to be earned under the Cumulative Value Creation Unit Plan. This amount will fluctuate period to period based on management’s best estimate of Adjusted EBITDAS over the performance period.

For the three and nine months ended September 30, 2020, interest expenses were $4,754 and $13,398 compared to $5,450 and $13,925 for the same periods in 2019, a decrease of 12.8% and 3.8%, respectively. These decreases were due to a reduction in amounts drawn on the ABL Facility as a result of the positive impacts of the wage subsidies and the release of working capital from the high revenue levels in the fourth quarter of 2019 and the first quarter of 2020.

Restructuring expense of $1,090 and $1,487 was recorded during the three and nine months ended September 30, 2020 compared to $1,087 and $5,531 for the same periods in 2019. The non-recurring restructuring expenses in 2019 were related to the acquisition of the AECOM PSD Business as well as termination benefits. The non-recurring restructuring expenses in 2020 were related to cost reduction initiatives in response to changing market conditions.

Impairment of $5,000 was recorded in the nine months ended September 30, 2020 as a result of the identification of indicators of impairment at March 31, 2020 related to the forecasted impact of the COVID-19 pandemic, which has decreased global demand for oil and gas and resulted in a reduction in long-term commodity price outlooks. Management therefore performed impairment tests as at March 31, 2020 for the Wear and UWO cash-generating units (“CGUs”), both of which are within the Wear Technology Overlay Services segment. This testing resulted in an impairment of the UWO CGU of $5,000 in the nine months ended September 30, 2020. No impairment was required for the Wear CGU.

Income from government subsidies represents the Canada Emergency Wage Subsidy ("CEWS") received from the Government of Canada to assist with the payment of employee wages as a result of the impact of the COVID-19 pandemic. During the three and nine months ended September 30, 2020, the Company qualified for CEWS and recorded grants of $14,905 and $23,481, respectively, in the Consolidated Interim Statements of Income and Comprehensive Income.

Income from continuing operations for the three and nine months ended September 30, 2020 was $9,685 and $1,716 compared to $926 and $3,795 for the same periods in 2019. The income variances are largely driven by the goodwill impairment loss and decrease to gross profit for the 2020 periods, offset by benefits received from the CEWS, the reversal of the share-based compensation and other long-term incentive plans, and the bargain purchase gain in 2019.

The gain from discontinued operations was $148 and $59 for the three and nine months ended September 30, 2020, compared to a loss of $307 and a gain of $2,027 for the same periods in 2019. The gain from discontinued operations in the three months ended September 30, 2020 was due to a settlement relating to Quantum Murray. The gain from discontinued operations in the nine months ended September 30, 2019 was due to the Company's share of an income tax reassessment won by Brompton, offset by expenses relating to the sale of businesses prior to March 2018. The Company continues to incur expenses relating to the sale of businesses that it owned prior to March 2018. These expenses consist largely of legal, insurance, and consulting costs relating to Quantum Murray and legal proceedings that existed prior to the sale of the business.

For the three and nine months ended September 30, 2020, Adjusted EBITDAS were $5,531 and $10,047 compared to $10,858 and $20,907 for the same periods in 2019. As a percentage of revenue, Adjusted EBITDAS were 5.5% and 3.3% for the three and nine months ended September 30, 2020 compared to 7.8% and 6.4% for the same periods in 2019. Adjusted EBITDAS as a percentage of revenue decreased due to gross profit decreases in both the Maintenance and Construction Services segment and the Wear Technology Overlay Services segment.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	$ 94,687	$ 126,025	$ 284,173	$ 282,251
Cost of revenue	(85,796)	(113,222)	(263,224)	(256,969)
Gross profit	8,891	12,803	20,949	25,282
Selling, general and administrative expenses	(143)	(358)	(544)	(974)
Amortization of intangible assets	(78)	(124)	(183)	(575)
Depreciation expense	(2,513)	(2,055)	(7,045)	(4,444)
(Loss) income from equity investments	(61)	71	128	96
Interest expense	(322)	(128)	(941)	(761)
Restructuring costs	(315)	—	(356)	(368)
(Loss) gain on sale of property, plant and equipment	(9)	139	149	247
Income from government subsidies	12,929	—	20,104	—
Income from continuing operations	18,379	10,348	32,261	18,502
Add:				
Amortization of intangible assets	78	124	183	575
Depreciation expense	2,513	2,055	7,045	4,444
Interest expense	322	128	941	761
EBITDAS	21,292	12,655	40,430	24,283
Loss (gain) on sale of property, plant and equipment	9	(139)	(149)	(247)
Restructuring costs	315	—	356	368
Income from government subsidies	(12,929)	—	(20,104)	—
One-time incurred expenses	81	—	231	—
Adjusted EBITDAS	$ 8,768	$ 12,516	$ 20,764	$ 24,404

Revenues

Revenues for the Maintenance and Construction Services segment were $94,687 and $284,173 for the three and nine months ended September 30, 2020 compared to $126,025 and $282,251 for the same periods in 2019, which reflects a decrease of 24.9% and an increase of 0.7%, respectively. This increase in the nine months ended September 30, 2020 was due to the acquisition of the AECOM PSD Business on June 28, 2019. Acquisition driven revenue increases were partially offset in the three months ended September 30, 2020 by reductions due to customers continuing to reduce spending and postponing a portion of their scheduled maintenance and turnaround activities. These postponements are a result of volatility in crude oil prices due to macro-economic uncertainty, the economic impact of the COVID-19 pandemic, and potential lack of storage capacity, forcing production shut-ins at various sites in Western Canada.

Gross Profit

Gross profit was $8,891 and $20,949 for the three and nine months ended September 30, 2020 compared to $12,803 and $25,282 for the same periods in 2019, a decrease of 30.6% and 17.1%, respectively. Gross profit margins were 9.4% and 7.4% for the three and nine months ended September 30, 2020 compared to 10.2% and 9% for the same periods in 2019. The decrease in gross profit margins was due to lower than anticipated volumes from our maintenance and turnaround business relative to indirect costs to manage this business as well as the downward market pressure on margins by our customers.

Selling, General and Administrative Expenses

SG&A expenses for the Maintenance and Construction Services segment were $143 and $544 for the three and nine months ended September 30, 2020, compared to $358 and $974 for the same periods in 2019, a decrease of 60.2% and 44.2%, respectively. The decreases in SG&A expenses were primarily due to the effect of our cost mitigation initiatives in response to lower volumes from market uncertainty.

WEAR TECHNOLOGY OVERLAY SERVICES

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	$ 6,697	$ 14,922	$ 25,842	$ 48,369
Cost of revenue	(5,623)	(11,214)	(21,477)	(36,960)
Gross profit	1,074	3,708	4,365	11,409
Selling, general and administrative expenses	(136)	(196)	(413)	(492)
Amortization of intangible assets	(418)	(29)	(1,146)	(135)
Depreciation expense	(953)	(1,161)	(2,659)	(3,038)
Interest and foreign exchange expense	(126)	(138)	(261)	(427)
Restructuring (expense) recovery	(23)	—	94	(962)
Impairment of intangible assets and goodwill	—	—	(5,000)	—
Recovery (impairment) of right-of-use assets	—	362	—	(14)
Income from government subsidies	1,078	—	1,890	—
Income (loss) from continuing operations	496	2,546	(3,130)	6,341
Add:				
Amortization of intangible assets	418	29	1,146	135
Depreciation expense	953	1,161	2,659	3,038
Interest expense	126	138	261	427
EBITDAS	1,993	3,874	936	9,941
Impairment of intangible assets and goodwill	—	—	5,000	—
Restructuring expense (recovery)	23	—	(94)	962
Income from government subsidies	(1,078)	—	(1,890)	—
One time incurred expenses	177	—	379	—
(Recovery) impairment of right-of-use assets	—	(362)	—	14
Adjusted EBITDAS	$ 1,115	$ 3,512	$ 4,331	$ 10,917

Revenues

Revenues for this segment for the three and nine months ended September 30, 2020 were $6,697 and $25,842, compared to $14,922 and $48,369 for the same periods in 2019, a decrease of 55.1% and 46.6%, respectively. The decrease in revenue for both periods was due to activity levels for weld technology overlay services remaining well below historical levels as customers scaled back their production output and spending on consumables in response to weak oil prices.

Gross Profit

Gross profit was $1,074 and $4,365 for the three and nine months ended September 30, 2020, compared to $3,708 and $11,409 for the same periods in 2019, a decrease of 71% and 61.7%, respectively. Gross profit margins were 16% and 16.9% for the three and nine months ended September 30, 2020 compared to 24.8% and 23.6% for the same periods in 2019. The decrease in gross profit margins was due to increased competition, a higher proportion of lower margin work in our facilities, and the overall decline in volumes with certain fixed costs remaining steady. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins, we took immediate steps to adjust our cost structure and optimize our overlay manufacturing footprint by consolidating all operations into our facility in Sherwood Park resulting in the closure of the facilities in Edmonton and Nisku during the third quarter of 2020.

Selling, General and Administrative Expenses

SG&A expenses for the Wear Technology Overlay Services segment were $136 and $413 for the three and nine months ended September 30, 2020 compared to $196 and $492 for the same periods in 2019, a decrease of 30.8% and 16.0%, respectively.

CORPORATE

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Selling, general and administrative expenses	$ (4,352)	$ (5,172)	$ (15,106)	$ (16,030)
Share-based compensation and other long-term incentive plans recovery (expense)	—	—	1,109	(64)
Depreciation expense	(702)	(524)	(1,442)	(2,411)
Interest expense	(4,306)	(5,184)	(12,196)	(12,737)
Restructuring costs	(752)	(1,090)	(1,225)	(4,203)
Impairment of right-of-use assets	—	—	—	(1,666)
Bargain purchase gain	—	—	—	12,272
Gain on remeasurement of right-of-use assets	—	—	—	127
Gain (loss) on sale of property, plant and equipment	24	—	(107)	—
Income tax recovery - current	—	—	65	—
Income tax recovery - deferred	—	—	—	3,663
Income from government subsidies	898	—	1,487	—
Loss from continuing operations	(9,190)	(11,969)	(27,415)	(21,050)
Add:				
Depreciation expense	702	524	1,442	2,411
Share-based compensation and other long-term incentive plans (recovery) expense	—	—	(1,109)	64
Interest expense	4,306	5,184	12,196	12,737
Income tax recovery - current	—	—	(65)	—
Income tax recovery - deferred	—	—	—	(3,663)
EBITDAS	(4,182)	(6,262)	(14,951)	(9,500)
(Gain) loss on sale of property, plant and equipment	(24)	—	107	—
Restructuring costs	752	1,090	1,225	4,203
Income from government subsidies	(898)	—	(1,487)	—
One-time incurred expenses	—	—	58	1,617
Impairment of right-of-use assets	—	—	—	1,666
Bargain purchase gain	—	—	—	(12,272)
Gain on remeasurement of right-of-use assets	—	—	—	(127)
Adjusted EBITDAS	$ (4,352)	$ (5,172)	$ (15,048)	$ (14,413)

Selling, General and Administrative Expenses

SG&A expenses were $4,352 and $15,106 for the three and nine months ended September 30, 2020 compared to $5,172 and $16,030 for the same periods in 2019. SG&A expenses as a percentage of revenue were 4.3% and 4.9% for the three and nine months ended September 30, 2020 compared to 3.7% and 4.9% for the same periods in 2019. This increase in SG&A expenses as a percentage of revenue in the three months ended September 30, 2020 was due to the decline in revenue resulting from macro-economic uncertainty and the economic impact of the COVID-19 pandemic. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins, we took immediate steps to adjust our cost structure as shown by the decrease in SG&A expenses in 2020 compared to the same periods in 2019.

DISCONTINUED OPERATIONS

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Gain (loss) from discontinued operations	$ 148	$ (307)	$ 59	$ 2,027

The gain from discontinued operations in the three months ended September 30, 2020 was due to a settlement relating to Quantum Murray. The gain from discontinued operations in the nine months ended September 30, 2019 was due to the Company's share of an income tax reassessment won by Brompton, offset by expenses relating to the sale of businesses prior to March 2018. The Company continues to incur expenses relating to the sale of businesses that it owned prior to March 2018. These expenses consist largely of legal, insurance, and consulting costs relating to Quantum Murray and legal proceedings that existed prior to the sale of the business.

LIQUIDITY AND CAPITAL RESOURCES

For nine months ended September 30,	2020	2019
Cash provided by (used in) operating activities	$ 54,541	$ (27,229)
Cash used in investing activities	(1,006)	(55,839)
Cash (used in) provided by financing activities	(33,375)	72,230
Consolidated cash, end of period	$ 27,269	$ (10,838)

The Company’s liquidity and cash flow provided by operations has been driven by a significant release of working capital as revenues for the three and nine months ended September 30, 2020 declined from the fourth quarter of 2019 and the first quarter of 2020. This was further impacted by internal billing efficiencies realized in 2020 and the receipt of the Canada Emergency Wage Subsidy.

Depending on the severity and duration of the current market pullback, management has stress tested the Company's liquidity position to meet all commitments as well as created various levels of mitigation actions to respond to reductions in revenue.

Based on the current forecast, which assumes the continued receipt of funding available to ClearStream through the Canada Emergency Wage Subsidy program and the extension of the asset-based lending facility past March 2021 on same or similar terms, the Company anticipates having sufficient cash flow from operations and available credit facilities to meet its short-term contractual obligations and to maintain compliance with its financial covenants through September 30, 2021.

The potential impact that COVID-19 will have on our business or financial results cannot be reasonably estimated at this time. As such, any shutdowns requested or mandated by government authorities in response to any further outbreak of COVID-19 may have a material adverse affect on our planned operating activities.

Investing Activities

Cash outflows related to investment activities during the nine months ended September 30, 2020 consisted of the purchase of assets and an installment payment towards the outstanding deferred consideration liability related to the acquisition of Universal Weld Overlays Inc., offset partially by proceeds from the disposal of certain assets as well as dividend proceeds from an equity investment.

Financing Activities

a. ABL Facility

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

Pursuant to an amending agreement dated May 29, 2020, the Lenders and Canso have agreed to amend the ABL Facility to, among other things: (a) provide the option to defer interest owing on amounts drawn on the Revolving Facility at the end of May, June and July 2020 (with any such deferred amounts to be paid on August 31, 2020); (b) defer interest payments on amounts drawn on the Term Loan Facility from May 29, 2020 to March 31, 2021 (with such deferred amounts to be paid on March 31, 2021); (c) waive compliance with the fixed charge coverage ratio covenant for the fiscal quarter ending June 30, 2020; (d) defer the payment of certain fees (with any such deferred amounts to be paid on August 31, 2020); and (e) permit the Payment in Kind Transactions (as defined under Senior Secured Debentures below). Assuming that the amount drawn on the Term Loan Facility remains constant at $40,500 and based on the current interest rate, the deferred interest payments on the Term Loan Facility from May 29, 2020 to March 31, 2021 will total approximately $2,345. As of September 30, 2020, interest on the Term Loan Facility of $938 was deferred and accrued for in the ABL Facility payable balance.

Pursuant to an amending agreement dated March 20, 2020, the ABL Facility was amended to, among other things, adjust the maximum borrowings available under the Revolving Facility to $65,000 during the period commencing March 1, 2020 and ending September 30, 2020, $60,000 during the period commencing October 1, 2020 and ending December 31, 2020, and $50,000 during the period commencing January 1, 2021 and ending on the maturity date of the Revolving Facility. The amending agreement extended the maturity date of the Revolving Facility to March 23, 2021 and the Term Loan Facility to 180 days thereafter. It also amended the financial covenants to replace the quarterly minimum cumulative EBITDA covenant with a quarterly fixed charge coverage ratio covenant.

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 September 30, 2020 was $43,658 (December 31, 2019 - $50,000). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the 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 September 30, 2020, $nil (December 31, 2019 - $27,825) was drawn on the Revolving Facility, and there were $3,175 (December 31, 2019 - $2,930) of letters of credit reducing the amount available to be drawn. As at September 30, 2020, the net unamortized amount of deferred financing costs was $279 (December 31, 2019 - $883).

At September 30, 2020, $40,500 (December 31, 2019 - $40,500) was outstanding under the Term Loan Facility. The Term Loan Facility is required to be used for specific purposes and cannot be redrawn once repaid. The interest rate on the Term Loan Facility is equal to the interest rate on the Revolving Facility plus 2.0%.

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

- The Company must maintain a fixed charge coverage ratio equal to or greater than 1.00:1.00 for each twelve month period calculated and tested as of the last day of each fiscal quarter (commencing March 31, 2020); and

- The Company must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $6,600 during the period commencing January 1, 2020 and ending December 31, 2020, and any fiscal year thereafter.

At September 30, 2020, ClearStream was in compliance with all financial covenants under the ABL Facility.

b. Other Secured Borrowings

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

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

c. Senior Secured Debentures

Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, and as sole holder of the Senior Secured Debentures, agreed to accept the issuance of an additional 3,956 Senior Secured Debentures on June 30, 2020 and 4,114 Senior Secured Debentures on December 31, 2020 at a principal amount of $1,000 per Senior Secured Debenture in order to satisfy the interest that would otherwise become due and payable on such dates (the “Payment in Kind Transactions”). This will save ClearStream approximately $7,900 in cash. Following the Payment in Kind Transactions, ClearStream will have approximately $107,000 principal amount of Senior Secured Debentures outstanding at December 31, 2020.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

ClearStream prepares its consolidated financial statements in accordance with IFRS. The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements. Based on the current environment, significant market uncertainty exists that could impact the estimates and assumptions made by the ClearStream. Significant accounting policies and methods used in the preparation of the consolidated financial statements, including use of estimates and judgments, are described in note 1 of the condensed consolidated interim financial statements.

CONTINGENCIES

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

SUMMARY OF QUARTERLY RESULTS

($000s except unit amounts)

	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Revenue	100,755	81,037	126,799	137,066	139,542	103,690	83,954	77,840	85,996	129,702
Gross Profit Margin	9,965	6,030	9,319	15,158	16,127	11,571	8,718	6,169	7,400	6,709
Gross Profit Margin %	9.9 %	7.4 %	7.3 %	11.1 %	11.6 %	11.2 %	10.4 %	7.9 %	8.6 %	5.2 %
Net income (loss) from continuing operations	9,685	1,303	(9,272)	(10,449)	928	7,091	(4,222)	(3,153)	(20,834)	(3,097)
Net income (loss)	9,833	1,299	(9,357)	(10,536)	619	6,785	(1,580)	(2,543)	(20,694)	(3,210)
Net income (loss) per share from continuing operations	0.09	0.01	(0.08)	(0.09)	0.01	0.06	(0.04)	(0.03)	(0.19)	(0.03)
Net income (loss) per share	0.09	0.01	(0.09)	(0.10)	0.01	0.06	(0.01)	(0.02)	(0.19)	(0.03)

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

TRANSACTIONS WITH RELATED PARTIES

As at September 30, 2020, directors, officers and key employees beneficially held an aggregate of 11,868,442 common shares or 10.79% of the issued and outstanding common shares. Two leases for properties with quarterly rents of $78 and $100 are with a landlord in which certain directors of ClearStream hold an indirect minority interest. 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 at September 30, 2020, the Company's issued and outstanding share capital included 109,992,668 common shares, 127,735 Series 1 preferred shares, and 40,111 Series 2 preferred shares.

As at September 30, 2020, the accrued and unpaid dividends on the Series I and Series II preferred shares totaled $38,882. Assuming that the holders of the preferred shares exercise the right to convert such accrued and unpaid dividends into additional preferred shares and then convert such preferred shares into common shares, approximately 147,202,000 common shares would be issued, which represents approximately 134% of the common shares outstanding as of September 30, 2020.

OUTLOOK

With the continuing measures to limit the spread of the virus, including travel restrictions, border closures, quarantines and social distancing, we expect the macro-economic environment to remain volatile with limited visibility for energy consumption to return to normal levels in the next few quarters. Upstream, midstream and downstream energy companies will continue to carefully manage spending for capital projects and operations where possible until further confidence in market stability has returned.

As with prior downturns in the oil and gas industry, the combined effect of the COVID-19 pandemic and the resulting collapse in world oil prices has tested and proved the resilience of ClearStream's business model. With energy transition and environmental considerations becoming increasingly important for all stakeholders in the energy sector, our customers will focus on improving their operational processes for greater efficiencies and reliability.

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

RISK FACTORS

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

COVID-19 Pandemic

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

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

The full extent of the risks surrounding the severity and timing of the COVID-19 pandemic are continually evolving and are not fully known at this time; therefore, there is significant risk and uncertainty which may have a material and adverse affect on our operations. The following risks disclosed in our Annual Information Form for the year ended December 31, 2019 may be exacerbated as a result of the COVID-19 pandemic:

- The Company's credit facilities may not provide sufficient liquidity;
- Failure to comply with the covenants in the agreements governing the Company's debt could adversely affect the Company's financial condition;
- The Company's business depends on the oil and natural gas industry and particularly on the level of exploration, development and production for North American oil and natural gas, which is volatile;
- The Company relies on certain key personnel whose absence or loss could disrupt its operations and have a material adverse effect on its business;
- Since a significant portion of the Company's work is in the oil sands sector, the Company's performance is sensitive to factors affecting the oil sands sector, including temporary or permanent shutdown of projects due to downturns in oil and gas prices, natural disasters, mechanical breakdowns, technology failures or pressure from environmental activism;

- The Company may not be able to convert its backlog into revenue and cannot guarantee that the revenues projected in its backlog will be realized or, if realized, will result in profits;
- Cyber attacks and loss of the Company's information and computer systems as its workforce moves to remote connections could adversely affect the Company's business; and
- The Company's business is subject to changes in general economic conditions over which it has little or no control.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

We are required to comply with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". This instrument requires us to disclose in our interim MD&A any weaknesses in or changes to our internal control over financial reporting during the period that may have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. We confirm that no such weaknesses were identified in, or changes were made to, internal controls over financial reporting during the three months ended September 30, 2020.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ADDITIONAL INFORMATION

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

ClearStream

THIRD QUARTER
FINANCIAL STATEMENTS

2020

Helping Customers Bring Resources to Our World.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF

CLEARSTREAM ENERGY SERVICES INC.

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)

(Unaudited)

	Notes	September 30, 2020	December 31, 2019
Assets			
Cash		$ 27,269	$ 7,109
Restricted cash		—	805
Accounts receivable	13	96,956	138,638
Inventories	2	8,267	9,739
Prepaid expenses		2,070	1,888
Total current assets		134,562	158,178
Property, plant and equipment	3	76,740	78,244
Goodwill and intangible assets	4	14,337	20,332
Long-term investments		547	819
Total assets		**$ 226,186**	**$ 257,573**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities		$ 46,433	$ 57,472
Deferred consideration	5	786	1,158
Earn-out contingent liability	6	532	1,234
ABL facility	7	41,160	67,442
Current portion of lease liabilities		7,164	7,756
Current portion of provision		—	885
Current portion of other secured borrowings	7	1,572	1,322
Total current liabilities		97,647	137,269
Lease liabilities		31,599	28,278
Other secured borrowings	7	16,464	17,299
Senior secured debentures	7	100,929	96,955
Deferred tax liability		1,210	1,210
Total liabilities		247,849	281,011
Common shares	11	462,054	462,054
Preferred shares	11	141,933	141,933
Contributed surplus		20,679	20,679
Deficit		(646,329)	(648,104)
Total shareholders' deficit		(21,663)	(23,438)
Total liabilities and shareholders' deficit		**$ 226,186**	**$ 257,573**

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

Consolidated Interim Statements of Income and Comprehensive Income

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenue	8	$ 100,755	$ 139,534	$ 308,591	$ 327,178
Cost of revenue		(90,790)	(123,023)	(283,277)	(290,487)
Gross profit		9,965	16,511	25,314	36,691
Selling, general and administrative expenses	9	(4,631)	(5,726)	(16,063)	(17,497)
Share-based compensation and other long-term incentive plans recovery (expense)	12	—	—	1,109	(64)
Amortization of intangible assets	4	(496)	(154)	(1,329)	(710)
Depreciation expense	3	(4,168)	(3,741)	(11,146)	(9,893)
(Loss) income from equity investment		(61)	71	128	96
Interest expense		(4,754)	(5,450)	(13,398)	(13,925)
Restructuring costs		(1,090)	(1,087)	(1,487)	(5,531)
Impairment of goodwill and intangible assets	4	—	—	(5,000)	—
Recovery (impairment) of right-of-use assets		—	362	—	(1,680)
Bargain purchase gain		—	—	—	12,272
Gain on remeasurement of right-of-use assets		—	—	—	127
Gain on sale of property, plant and equipment		15	140	42	247
Income from government subsidies	10	14,905	—	23,481	—
Income from continuing operations before taxes		9,685	926	1,651	132
Income tax recovery - current		—	—	65	—
Income tax recovery - deferred		—	—	—	3,663
Income from continuing operations		9,685	926	1,716	3,795
Gain (loss) from discontinued operations (net of income taxes)		148	(307)	59	2,027
Net income and comprehensive income		$ 9,833	$ 619	$ 1,775	$ 5,822
Net income per share (dollars)					
Basic & diluted:					
Continuing operations		$ 0.09	$ 0.01	$ 0.02	$ 0.03
Discontinued operations		$ 0.00	$ 0.00	$ 0.00	$ 0.02
Net income		$ 0.09	$ 0.01	$ 0.02	$ 0.05

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

Consolidated Interim Statements of Shareholders' Deficit

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

(Unaudited)

	Notes	Number of Common Shares	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Total Shareholders' Deficit
December 31, 2019		109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (648,104)	$ (23,438)
Net income		—	—	—	—	1,775	1,775
At September 30, 2020		109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (646,329)	$ (21,663)

	Notes	Number of Common Shares	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Total Shareholders' Deficit
December 31, 2018		109,941,241	$ 462,036	$ 102,203	$ 20,716	$ (643,392)	$ (58,437)
Net income		—	—	—	—	5,822	5,822
Share-based compensation		—	—	—	12	—	12
Issuance of preferred shares	11	—	—	39,748	—	—	39,748
At September 30, 2019		109,941,241	$ 462,036	$ 141,951	$ 20,728	$ (637,571)	$ (12,855)

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

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

For nine months ended September 30,	Notes		2020		2019
Operating activities:					
Net income		$	1,775		5,822
Adjustments for:					
Share-based compensation and other long-term incentive plans (recovery) expense			(1,109)		64
Amortization of intangible assets	4		1,329		710
Depreciation expense	3		11,146		9,893
Income from equity investments			(128)		(96)
Accretion (recovery) expense			(204)		427
Non-cash interest expense	7		3,956		—
Impairment of goodwill and intangible assets			5,000		—
Impairment of right-of-use assets			—		1,680
Amortization of deferred financing costs			1,187		633
Recovery of contingent consideration liability			(702)		—
Gain on sale of property, plant and equipment	3		(42)		(247)
Gain on remeasurement of right-of-use assets			—		(127)
Bargain purchase gain			—		(12,272)
Deferred income tax recovery			—		(3,663)
Change in provision			—		735
Changes in non-cash working capital			32,333		(30,789)
Cash flow provided by (used in) operating activities		$	54,541	$	(27,229)
Investing activities:					
Acquisitions, net of cash acquired			—		(54,033)
Purchase of property, plant and equipment	3		(1,188)		(3,203)
Net proceeds on disposal of property, plant and equipment	3		550		1,767
Purchase of intangible assets	4		(335)		(370)
Dividend proceeds from equity investment			400		—
Payment of deferred consideration	5		(433)		—
Cash flow used in investing activities		$	(1,006)	$	(55,839)
Financing activities:					
Decrease (increase) in restricted cash			805		(4)
Repayment of other secured borrowings			(505)		—
Proceeds from the issuance of preferred shares			—		32,200
Proceeds from the issuance of other secured borrowings			—		19,000
Proceeds from the issuance of ABL term loans			—		30,500
Increase in bank indebtedness			—		8,936
Repayment of convertible debentures			—		(1,216)
Refinancing fees	7		(583)		(2,637)
Repayment of ABL facility	7		(26,517)		(6,960)
Repayment of lease liabilities			(6,575)		(7,589)
Cash flow (used in) provided by financing activities		$	(33,375)	$	72,230
Increase (decrease) in cash			20,160		(10,838)
Cash, beginning of period			7,109		10,838
Cash, end of period		$	27,269	$	—

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

These condensed consolidated interim financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of ClearStream on November 5, 2020.

1 Significant accounting policies

a. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Financial Accounting Standards Board. Accordingly, certain information normally disclosed in annual consolidated financial statements has 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, 2019. These interim financial statements follow the same accounting policies and methods of computations as the most recent annual consolidated financial statements.

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 from the prior year to conform to the current period presentation.

b. Use of estimates and judgements

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

c. IFRS Standards in effect but not previously applicable

IAS 20 - Government Assistance

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

2. Inventories

Inventories comprise the following:

	September 30, 2020	December 31, 2019
Raw materials	$ 5,271	$ 5,374
Work-in-progress	50	229
Finished goods	2,910	3,473
Parts and supplies	36	663
Total	$ 8,267	$ 9,739

3. Property, plant and equipment

	Land and buildings	Computer hardware	Furniture, tools and equipment	Leasehold improvements	Right-of-use assets	Automotive and heavy equipment	Total
Cost							
Balance as at December 31, 2019	**$ 19,505**	**$ 2,574**	**$ 17,091**	**$ 8,006**	**$ 63,834**	**$ 34,254**	**$ 145,264**
Additions	—	187	793	—	6,203	208	7,391
Remeasurement	—	—	—	—	2,798	—	2,798
Disposals	—	—	(7)	—	(592)	(725)	(1,324)
Asset class transfer	—	—	—	—	(6,873)	6,873	—
Balance as at September 30, 2020	**$ 19,505**	**$ 2,761**	**$ 17,877**	**$ 8,006**	**$ 65,370**	**$ 40,610**	**$ 154,129**
Accumulated Depreciation							
Balance as at December 31, 2019	**$ 763**	**$ 1,434**	**$ 9,089**	**$ 7,909**	**$ 27,757**	**$ 20,068**	**$ 67,020**
Depreciation	527	311	1,471	97	6,166	2,574	11,146
Disposals	—	—	(8)	—	(441)	(328)	(777)
Asset class transfer	—	—	(63)	—	(5,382)	5,445	—
Balance as at September 30, 2020	**$ 1,290**	**$ 1,745**	**$ 10,489**	**$ 8,006**	**$ 28,100**	**$ 27,759**	**$ 77,389**
Net book value							
As at December 31, 2019	**$ 18,742**	**$ 1,140**	**$ 8,002**	**$ 97**	**$ 36,077**	**$ 14,186**	**$ 78,244**
As at September 30, 2020	**$ 18,215**	**$ 1,016**	**$ 7,388**	**$ —**	**$ 37,270**	**$ 12,851**	**$ 76,740**

Right-of-use assets consist of the following:

	Land and buildings	Furniture, tools and equipment	Automotive and heavy equipment	Total
Cost				
Balance as at December 31, 2019	**$ 37,427**	**$ 69**	**$ 26,338**	**$ 63,834**
Remeasurement	2,798	—	—	2,798
Asset class transfer	—	—	(6,873)	(6,873)
Additions	3,506	—	2,697	6,203
Disposals	(114)	—	(478)	(592)
Balance as at September 30, 2020	**$ 43,617**	**$ 69**	**$ 21,684**	**$ 65,370**
Accumulated Depreciation				
Balance as at December 31, 2019	**$ 13,192**	**$ 31**	**$ 14,534**	**$ 27,757**
Disposals	(72)	—	(369)	(441)
Depreciation	4,233	19	1,914	6,166
Asset class transfer	—	—	(5,382)	(5,382)
Balance as at September 30, 2020	**$ 17,353**	**$ 50**	**$ 10,697**	**$ 28,100**
Net book value				
As at December 31, 2019	**$ 24,235**	**$ 38**	**$ 11,804**	**$ 36,077**
As at September 30, 2020	**$ 26,264**	**$ 19**	**$ 10,987**	**$ 37,270**

During the nine months ended September 30, 2020, the Company exercised options to extend the lease terms for three property leases and one building lease. These lease modifications resulted in a total increase to the Company's lease liability of $2,923 and related right-of-use assets of $2,798, with the difference of $125 reflecting a lease incentive included in accounts receivable at September 30, 2020.

4. Goodwill and intangible assets

	Goodwill	Intangible Total	Total
Cost			
Balance as at December 31, 2019	**$ 100,681**	**$ 107,360**	**$ 208,041**
Additions	—	335	335
Balance as at September 30, 2020	**$ 100,681**	**$ 107,695**	**$ 208,376**
Amortization and impairments			
Balance as at December 31, 2019	**$ (87,732)**	**$ (99,977)**	**$ (187,710)**
Amortization	—	(1,329)	(1,329)
Impairment	(5,000)	—	(5,000)
Balance as at September 30, 2020	**$ (92,732)**	**$ (101,306)**	**$ (194,039)**
Net book value			
As at December 31, 2019	**$ 12,949**	**$ 7,383**	**$ 20,332**
As at September 30, 2020	**$ 7,949**	**$ 6,389**	**$ 14,337**

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

Management therefore performed impairment tests as at March 31, 2020 for the Wear and UWO CGUs, both of which are within the Wear Technology Overlay Services segment. This testing resulted in the carrying amount of the UWO CGU exceeding its recoverable amount by $5,000 and therefore the goodwill within that CGU was impaired by $5,000 in the nine months ended September 30, 2020.

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

ClearStream assessed its CGUs for indicators of impairment at September 30, 2020 and none were identified; therefore, no further impairment testing was required.

Valuation technique

The recoverable amounts of ClearStream's CGUs were calculated based on fair value less costs of disposal, which is considered to be a level three estimate. The fair value less costs of disposal was determined through a discounted cash flow ("DCF") approach for all CGUs. The DCF method involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about earnings before taxes, interest, depreciation and amortization ("EBITDA"), capital expenditures, growth rates, working capital and discount rates.

Projected EBITDA and Capital Expenditures

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

Growth rate and terminal value

ClearStream used projected EBITDA and capital expenditures for the following year and applied a perpetual long-term growth rate of 2% thereafter for the Wear and UWO CGUs. The perpetual growth rates are management's estimate of long-term inflation and productivity growth in the industry and geographic locations in which it operates.

Discount rate

ClearStream assumed post-tax discount rates of 20.5%-27.9% in order to calculate the present value of projected future cash flows. The discount rates represent a weighted average cost of capital ("WACC") for comparable companies operating in similar industries based on publicly available information for each CGU. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate, adjusted for risks specific to each CGU.

The recoverable amount of the Wear CGU exceeded its carrying amount by approximately $12,200 at March 31, 2020. If the discount rate applied to the Wear CGU increased by 10%, the excess of recoverable amount over carrying value would be reduced to nil.

5. Deferred consideration

On June 28, 2019, the Company acquired 100% of the issued and outstanding shares of UWO. The total purchase price of $16,024 included deferred consideration of $1,114 (undiscounted - $1,300), which represents the fair value of three equal installments of $433 due on June 28, 2020, 2021 and 2022. The deferred consideration as at September 30, 2020 of $786 reflects the increase from acquisition date as a results of the passage of time less the first installment payment of $433.

6. Earn-out contingent liability

On June 28, 2019, the Company acquired 100% of the issued and outstanding shares of Universal Weld Overlays Inc. The total purchase price of $16,024 included an earn-out contingent liability of $861 (undiscounted - $1,612), which represented the fair value of the expected amount estimated by management at the acquisition date to be paid to the sellers on June 28, 2022. The maximum undiscounted earn-out is $2,000. The earn-out contingent liability has decreased from $861 (undiscounted - $1,612) at December 31, 2019 to $532 (undiscounted - $790) at September 30, 2020.

7. ABL Facility and Other Borrowings

a. ABL Facility

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

Pursuant to an amending agreement dated May 29, 2020, the Lenders and Canso have agreed to amend the ABL Facility to, among other things: (a) provide the option to defer interest owing on amounts drawn on the Revolving Facility at the end of May, June and July 2020 (with any such deferred amounts to be paid on August 31, 2020); (b) defer interest payments on amounts drawn on the Term Loan Facility from May 29, 2020 to March 31, 2021 (with such deferred amounts to be paid on March 31, 2021); (c) waive compliance with the fixed charge coverage ratio covenant for the fiscal quarter ending June 30, 2020; (d) defer the payment of certain fees (with any such deferred amounts to be paid on August 31, 2020); and (e) permit the Payment in Kind Transactions (as defined under Senior Secured Debentures below). Assuming that the amount drawn on the Term Loan Facility remains constant at $40,500 and based on the current interest rate, the deferred interest payments on the Term Loan Facility from May 29, 2020 to March 31, 2021 will total approximately $2,345. As of September 30, 2020, interest on the Term Loan Facility of $938 was deferred and accrued for in the ABL Facility payable balance.

Pursuant to an amending agreement dated March 20, 2020, the ABL Facility was amended to, among other things, adjust the maximum borrowings available under the Revolving Facility to $65,000 during the period commencing March 1, 2020 and ending September 30, 2020, $60,000 during the period commencing October 1, 2020 and ending December 31, 2020, and $50,000 during the period commencing January 1, 2021 and ending on the maturity date of the Revolving Facility. The amending agreement extended the maturity date of the Revolving Facility to March 23, 2021 and the Term Loan Facility to 180 days thereafter. It also amended the financial covenants to replace the quarterly minimum cumulative EBITDA covenant with a quarterly fixed charge coverage ratio covenant.

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 September 30, 2020 was $43,658 (December 31, 2019 - $50,000). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the 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 September 30, 2020, $nil (December 31, 2019 - $27,825) was drawn on the Revolving Facility, and there were $3,175 (December 31, 2019 - $2,930) of letters of credit reducing the amount available to be drawn. As at September 30, 2020, the net unamortized amount of deferred financing costs was $279 (December 31, 2019 - $883).

At September 30, 2020, $40,500 (December 31, 2019 - $40,500) was outstanding under the Term Loan Facility. The Term Loan Facility is required to be used for specific purposes and cannot be redrawn once repaid. The interest rate on the Term Loan Facility is equal to the interest rate on the Revolving Facility plus 2.0%.

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

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

At September 30, 2020, ClearStream was in compliance with all financial covenants under the ABL Facility.

b. Other Secured Borrowings

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

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

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

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

The loans require the Company to maintain a fixed charge coverage ratio equal to or greater than 1.10:1.00 on annual basis.

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

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

At September 30, 2020, ClearStream was in compliance with all financial covenants under the loan agreements with BDC.

c. Senior Secured Debentures

Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, and as sole holder of the Senior Secured Debentures, agreed to accept the issuance of an additional 3,956 Senior Secured Debentures on June 30, 2020 and 4,114 Senior Secured Debentures on December 31, 2020 at a principal amount of $1,000 per Senior Secured Debenture in order to satisfy the interest that would otherwise become due and payable on such dates (the “Payment in Kind Transactions”). This will save ClearStream approximately $7,900 in cash. Following the Payment in Kind

Transactions, ClearStream will have approximately $107,000 principal amount of Senior Secured Debentures outstanding at December 31, 2020.

8. Revenue

	Three months ended September 30,				Nine months ended September 30,			
		2020		2019		2020		2019
Rendering of services	$	94,058	$	123,435	$	282,749	$	276,049
Sales of goods		6,697		16,099		25,842	$	51,129
Total revenue	$	100,755	$	139,534	$	308,591	$	327,178

9. Selling, general & administrative expenses

	Three months ended September 30,				Nine months ended September 30,			
		2020		2019		2020		2019
Salaries & benefits	$	3,095	$	3,545	$	10,870	$	11,132
Occupancy and office costs		488		596		1,414		1,484
Professional fees		378		578		1,783		2,587
Travel & advertising		149		551		645		1,135
Insurance		521		456		1,351		1,159
Total	$	4,631	$	5,726	$	16,063	$	17,497

10. Income from government subsidies

Income from government subsidies represents the Canada Emergency Wage Subsidy ("CEWS") received from the Government of Canada to assist with the payment of employee wages as a result of the impact of the COVID-19 pandemic. During the three and nine months ended September 30, 2020, the Company qualified for CEWS and recorded grants of $14,905 and $23,481, respectively, in the Consolidated Interim Statements of Income and Comprehensive Income.

11. Share capital and loss per share

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

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

	Preferred Shares Series I	Preferred Shares Series II	Common Shares
Balance as at January 1, 2019	127,753	—	109,941,241
Issued	—	40,111	—
Converted to Common shares	(18)	—	51,427
Balance as at December 31, 2019	127,735	40,111	109,992,668
Balance as at September 30, 2020	127,735	40,111	109,992,668

As at September 30, 2020, the accrued and unpaid dividends on the Series I and Series II preferred shares totaled $38,882. Assuming that the holders of the preferred shares exercise the right to convert such accrued and unpaid dividends into additional preferred shares and then convert such preferred shares into common shares, approximately 147,202,000 common shares would be issued, which represents approximately 134% of the common shares outstanding as of September 30, 2020.

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

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

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

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

The carrying amount of nil (December 31, 2019 - $1,109) is recorded as accounts payable and accrued liabilities, and represents the net present value of future cash payments expected to be earned under the program based on management’s best estimate of EBITDA over the performance period, adjusted for the portion of the performance period that has been completed. The fair value of the CVCUs approximates their intrinsic value as the awards have no exercise price.

The only potentially dilutive securities as at September 30, 2020 were the preferred shares and stock options. All potentially dilutive securities were anti-dilutive for the three and nine months ended September 30, 2020.

13. Financial instruments and risk management

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

a. Risk management

ClearStream’s Board of Directors has overall responsibility for the establishment and oversight of ClearStream’s risk management framework. ClearStream has exposure to credit risk and liquidity risk.

i. Credit risk

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

	September 30, 2020	December 31, 2019
Cash	$ 27,269	$ 7,109
Restricted cash	—	805
Accounts receivable	96,956	138,638
Total	$ 124,225	$ 146,552

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

ClearStream has a credit policy under which each new customer is analyzed individually for creditworthiness before standard payment terms and conditions are offered. ClearStream’s exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. When available, ClearStream reviews credit bureau ratings, bank accounts and financial information for each new customer. ClearStream’s customers are primarily Canadian energy companies engaged in upstream, midstream and downstream activities, all of which have strong creditworthiness.

Of the total balance of accounts receivable at September 30, 2020, $60,931 (December 31, 2019 - $99,305) related to trade receivables and $36,025 (December 31, 2019 - $39,333) related to accrued revenue (i.e. for work performed but not yet invoiced).

Trade receivables are non-interest bearing and generally due on 30-90 day terms. As at September 30, 2020, approximately $3,668 of ClearStream's trade receivables had been outstanding longer than 90 days (December 31, 2019 - $5,856). Management has fully evaluated the outstanding receivables as at September 30, 2020 and has determined that the lifetime expected credit losses of the trade receivables was immaterial at this time.

ii. Liquidity risk

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

All of ClearStream's financial liabilities are current with the exception of its senior secured debentures, due March 2026, lease liabilities, which are repayable in monthly installment payments over the course of several years, and other secured borrowings, which are repayable in monthly installment payments through December 2025 and September 2045.

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

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

The Company's liquidity and cash flow provided by operations has been driven by a significant release of working capital as revenues for the three and nine months ended September 30, 2020 declined from the fourth quarter of 2019 and the first quarter of 2020. This was further impacted by internal billing efficiencies realized in 2020 and the receipt of the Canada Emergency Wage Subsidy.

Depending on the severity and duration of the current market pullback, management has stress tested the Company's liquidity position to meet all commitments as well as created various levels of mitigation actions to respond to reductions in revenue.

Based on the current forecast, which assumes the continued receipt of funding available to ClearStream through the Canada Emergency Wage Subsidy program and the extension of the asset-based lending facility past March 2021 on same or similar terms, the Company anticipates having sufficient cash flow from operations and available credit facilities to meet its short-term contractual obligations and to maintain compliance with its financial covenants through September 30, 2021.

The potential impact that COVID-19 will have on our business or financial results cannot be reasonably estimated at this time. As such, any shutdowns requested or mandated by government authorities in response to any further outbreak of COVID-19 may have a material adverse affect on our planned operating activities.

14. Segment information

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

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

- The Maintenance and Construction Services segment is a fully integrated provider of maintenance and construction services to the energy industry. This segment provides maintenance services, welding, fabrication, machining, construction, turnaround services, and a resource/labour supply to Canadian energy companies engaged in upstream, midstream and downstream activities. The Maintenance and Construction reportable segment consists of the Union and Non-union operating segments as well as the Environmental operating segment on the basis of the similarities in their service offerings, customers and business environment.
- The Wear Technology Overlay Services segment specializes in the supply and fabrication of overlay pipe spools, pipe bends, wear plates and vessels for corrosion and abrasion resistant applications across various end markets. This reportable segment consists of the Wear and UWO CGUs on the basis of similarities in their service offerings, customers and technologies.

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

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

For the three months ended September 30, 2020	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenues	$ 94,687	$ 6,697	$ —	$ (629)	$ 100,755
Cost of revenues	(85,796)	(5,623)	—	629	(90,790)
Gross profit	8,891	1,074	—	—	9,965
Selling, general & administrative expenses	(143)	(136)	(4,352)	—	(4,631)
Amortization of intangible assets	(78)	(418)	—	—	(496)
Depreciation expense	(2,513)	(953)	(702)	—	(4,168)
Loss from equity investment	(61)	—	—	—	(61)
Interest expense	(322)	(126)	(4,306)	—	(4,754)
Restructuring expense	(315)	(23)	(752)	—	(1,090)
(Loss) gain on sale of property, plant and equipment	(9)	—	24	—	15
Income from government subsidies	12,929	1,078	898	—	14,905
Income (loss) from continuing operations	$ 18,379	$ 496	$ (9,190)	$ —	$ 9,685

For the three months ended September 30, 2019	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenues	$ 126,025	$ 14,922	$ —	$ (1,413)	$ 139,534
Cost of revenues	(113,222)	(11,214)	—	1,413	(123,023)
Gross profit	12,803	3,708	—	—	16,511
Selling, general and administrative expenses	(358)	(196)	(5,172)	—	(5,726)
Amortization of intangible assets	(125)	(29)	—	—	(154)
Depreciation expense	(2,055)	(1,161)	(524)	—	(3,741)
Income from equity investment	71	—	—	—	71
Interest expense	(128)	(138)	(5,184)	—	(5,450)
Restructuring expense	—	—	(1,087)	—	(1,086)
Recovery of right-of-use assets	—	362	—	—	362
Gain on sale property, plant and equipment	140	—	—	—	140
Income (loss) from continuing operations	$ 10,346	$ 2,546	$ (11,966)	$ —	$ 926

For the nine months ended September 30, 2020	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenues	$ 284,173	$ 25,842	$ —	$ (1,424)	$ 308,591
Cost of revenues	(263,224)	(21,477)	—	1,424	(283,277)
Gross profit	20,949	4,365	—	—	25,314
Selling, general & administrative expenses	(544)	(413)	(15,106)	—	(16,063)
Share-based compensation and other long-term incentive plans	—	—	1,109	—	1,109
Amortization of intangible assets	(183)	(1,146)	—	—	(1,329)
Depreciation expense	(7,045)	(2,659)	(1,442)	—	(11,146)
Income from equity investment	128	—	—	—	128
Interest expense	(941)	(261)	(12,196)	—	(13,398)
Restructuring (expense) recovery	(356)	94	(1,225)	—	(1,487)
Impairment of intangible assets and goodwill	—	(5,000)	—	—	(5,000)
Gain (loss) on sale of property, plant and equipment	149	—	(107)	—	42
Income from government subsidies	20,104	1,890	1,487	—	23,481
Income (loss) before taxes	32,261	(3,130)	(27,480)	—	1,651
Income tax recovery - current	—	—	65	—	65
Income (loss) from continuing operations	$ 32,261	$ (3,130)	$ (27,415)	$ —	$ 1,716

For the nine months ended September 30, 2019	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenues	$ 282,251	$ 48,369	$ —	$ (3,442)	$ 327,178
Cost of revenues	(256,969)	(36,960)	—	3,442	(290,487)
Gross profit	25,282	11,409	—	—	36,691
Selling, general and administrative expenses	(975)	(492)	(16,030)	—	(17,497)
Share-based compensation and other long-term incentive plans	—	—	(64)	—	(64)
Amortization of intangible assets	(575)	(135)	—	—	(710)
Depreciation expense	(4,443)	(3,038)	(2,411)	—	(9,893)
Income from equity investment	96	—	—	—	96
Interest expense	(761)	(427)	(12,737)	—	(13,925)
Restructuring expense	(366)	(962)	(4,203)	—	(5,531)
Impairment of right-of-use assets	—	(14)	(1,666)	—	(1,680)
Bargain purchase gain	—	—	12,272	—	12,272
Gain on remeasurement of right-of-use assets	—	—	127	—	127
Gain on sale property, plant and equipment	247	—	—	—	247
Income (loss) income before taxes	18,504	6,341	(24,713)	—	132
Income tax recovery - deferred	—	—	3,663	—	3,663
Income (loss) from continuing operations	$ 18,504	$ 6,341	$ (21,050)	$ —	$ 3,795

THIRD QUARTER 2020

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