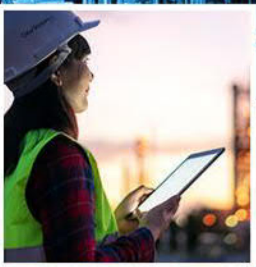

SECOND QUARTER

2021

Helping Customers
Bring Resources to Our world.

ClearStream Announces Second Quarter 2021 Financial Results

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

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

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

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

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

HIGHLIGHTS

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

Maintenance and Construction Services

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

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

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

Wear Technology Overlay Services

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

Environmental Services

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

SECOND QUARTER 2021 FINANCIAL RESULTS

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

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

2021 SUMMARY RESULTS COMMENTARY

Revenue for the three and six months ended June 30, 2021 was $96,596 and $178,800 compared to $81,037 and $207,836 for the same periods in 2020, representing an increase of 19.2% and decrease of 14.0%. The decrease in the six months ended June 30, 2021, in comparison to the same period in 2020, was driven by the macro-economic uncertainties and the economic impacts of the COVID-19 pandemic which started in mid-March 2020 and extended through Q1 2021. However, we have started to see a stabilization of the business and an increase in activity represented by revenue for the three months ended June 30, 2021, which increased by 19.2% in comparison to the three months ended June 30, 2020, 14.3% in comparison to the three months ended December 31, 2020, and 17.5% in comparison to the three months ended March 31, 2021.

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

OUTLOOK

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

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

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

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

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

Additional Information

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

About ClearStream Energy Services Inc.

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

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Advisory regarding Forward-Looking Information

Certain information included in this MD&A may constitute “forward-looking information” within the meaning of Canadian securities laws. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other similar expressions concerning matters that are not historical facts. This press release contains forward-looking information relating to: our business plans, strategies and objectives; the effects of the COVID-19 pandemic on global commerce and oil prices; that customers will remain cautious regarding their spending plans; that activity levels will recover in the second half of 2021 and into 2022; contract renewals and project awards, including the estimated value thereof and the timing of completing the associated work; that the demand for wear technology overlay services will increase as customers increase production levels; that the pace at which funding under federal and provincial programs for the closure and reclamation of oil and gas wells, pipelines and facilities is released will accelerate in 2022; that the adjustments to our cost structures have improved operational flexibility and reduced the fixed costs associated with our operations; that the investments being made to support our enterprise systems and digital strategy will drive longer-term efficiencies and competitiveness; the sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations, maintain compliance with our financial covenants and maintain a positive cash position through June 30, 2022; that governments will start to re-open their economies as the rate of vaccinations increases; that our customers who are involved in the energy industry will begin to increase their spending and address maintenance projects that have been deferred as they realize higher cash flows from the recovery in world oil prices; that activity levels will recover in the second half of 2021 as customers prioritize asset management and integrity services to increase operational reliability; that our customers will focus on improving their operational processes; and that we are well-positioned to consolidate further multiple services while generating efficiencies and cost reductions for our customers

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

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

Advisory regarding Non-Standard Measures

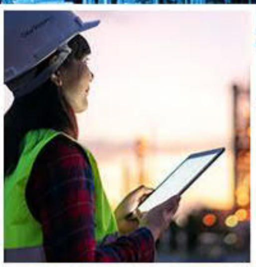
The terms ‘‘EBITDAS’’ and “Adjusted EBITDAS” (collectively, the ‘‘Non-standard measures’’) are financial measures used in this press release that are not standard measures under IFRS. ClearStream’s method of calculating Non-Standard Measures may differ from the methods used by other issuers. Therefore,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

EBITDAS refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery), share-based compensation, and other long-term incentive plans. EBITDAS is used by management and the directors of ClearStream as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDAS to monitor the performance of ClearStream’s reportable segments and believes that in addition to net income or loss and cash provided by operating activities, EBITDAS is a useful supplemental measure from which to determine ClearStream’s ability to generate cash available for debt service, working capital, capital expenditures and income taxes. ClearStream has provided a reconciliation of income (loss) from continuing operations to EBITDAS in its management's discussion and analysis of the operating and financial results for the three and six months ended June 30, 2021.

Adjusted EBITDAS refers to EBITDAS excluding the gain on sale of assets held for sale, impairment of goodwill and intangible assets, restructuring costs, gain on sale of property, plant and equipment, recovery of contingent consideration liability, other loss, one time incurred expenses, impairment of right-of-use assets, bargain purchase gain, gain on remeasurement of right-of-use assets, and government subsidies. ClearStream has used Adjusted EBITDAS as the basis for the analysis of its past operating financial performance. Adjusted EBITDAS is used by ClearStream and management believes it is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures, and income taxes. Adjusted EBITDAS is a measure that management believes facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors. ClearStream has provided a reconciliation of income (loss) from continuing operations to Adjusted EBITDAS in its management's discussion and analysis of the operating and financial results for the three and six months ended June 30, 2021.

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

ClearStream



SECOND QUARTER

MD&A 2021

Helping Customers
Bring Resources to Our world.

Management's Discussion and Analysis

July 29, 2021

The following is management's discussion and analysis ("MD&A") of the consolidated results of operations, balance sheets and cash flows of ClearStream Energy Services Inc. ("ClearStream" or the "Company") for the three and six months ended June 30, 2021 and 2020. This MD&A should be read in conjunction with ClearStream's unaudited condensed interim consolidated financial statements and the notes thereto for the three and six months ended June 30, 2021 and 2020 and the audited consolidated financial statements for the years ended December 31, 2020 and 2019.

All amounts in this MD&A are in Canadian dollars and expressed in thousands of dollars unless otherwise noted. The accompanying unaudited condensed interim consolidated financial statements of ClearStream have been prepared by and are the responsibility of management. The contents of this MD&A have been approved by the Board of Directors of ClearStream on the recommendation of its Audit Committee. This MD&A is dated July 29, 2021 and is current to that date unless otherwise indicated.

The unaudited 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 "Advisory regarding Non-Standard Measures".

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

Reportable Segments

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

ClearStream's operations, assets and employees are mainly located in Canada with some activity in the United States through its Universal Weld Overlays division. 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	Provision of typical head office functions, including strategic planning, corporate communications, taxes, legal, marketing, finance, human resources and information technology.

Advisory regarding Forward-Looking Information

Certain information included in this MD&A may constitute “forward-looking information” within the meaning of Canadian securities laws. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other similar expressions concerning matters that are not historical facts. Specifically, this MD&A contains forward-looking information relating to: our business plans, strategies and objectives; the effects of the COVID-19 pandemic on global commerce and oil prices; that the COVID-19 outbreak and other market conditions will have longer term impacts on our activity levels and margins; that the adjustments to our cost structures have improved operational flexibility and reduced the fixed costs associated with our operations; that the investments being made to support our enterprise systems and digital strategy will drive longer-term efficiencies and competitiveness; the sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations, maintain compliance with our financial covenants and maintain a positive cash position through June 30, 2022; the effect of known claims and litigation on our financial position and results of operations; that governments will start to re-open their economies as the rate of vaccinations increases; that our customers who are involved in the energy industry will begin to increase their spending and address maintenance projects that have been deferred as they realize higher cash flows from the recovery in world oil prices; that activity levels will recover in the second half of 2021 as customers prioritize asset management and integrity services to increase operational reliability; that our customers will focus on improving their operational processes; and that we are well-positioned to consolidate further multiple services while generating efficiencies and cost reductions for our customers.

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

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

Advisory regarding Non-Standard Measures

The terms ‘‘EBITDAS’’ 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 consolidated interim and annual financial statements available on SEDAR at www.sedar.com or on ClearStream’s website at www.clearstreamenergy.ca.

2021 SUMMARY OF RESULTS – CONTINUING OPERATIONS ($000's)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue	$ 96,596	$ 81,037	$ 178,800	$ 207,836
Cost of revenue	(86,156)	(75,007)	(160,315)	(192,486)
Gross profit	10,440	6,030	18,485	15,350
Selling, general and administrative expenses	(6,586)	(4,717)	(12,554)	(11,433)
Share-based compensation and other long-term incentive plans (expense) recovery	(800)	—	(800)	1,109
Amortization of intangible assets	(163)	(482)	(326)	(833)
Depreciation expense	(3,298)	(3,666)	(6,482)	(6,978)
Income from equity investment	326	140	387	189
Interest expense	(3,863)	(4,546)	(8,283)	(8,643)
Restructuring (expense) recovery	(184)	16	(588)	(397)
Impairment of intangible assets and goodwill	—	—	—	(5,000)
Impairment of right-of-use assets	—	—	(8,270)	—
Gain (loss) on sale of property, plant and equipment	207	(113)	185	27
Income tax recovery - current	—	65	—	65
Income from government subsidies	4,415	8,576	11,170	8,576
Income (loss) from continuing operations	494	1,303	(7,076)	(7,968)
Add:				
Amortization of intangible assets	163	482	326	833
Depreciation expense	3,298	3,666	6,482	6,978
Share-based compensation and other long-term incentive plans expense (recovery)	800	—	800	(1,109)
Interest expense	3,863	4,546	8,283	8,643
Income tax recovery - current	—	(65)	—	(65)
EBITDAS	8,618	9,932	8,815	7,312
(Gain) loss on sale of property, plant and equipment	(207)	113	(185)	(27)
Impairment of intangible assets and goodwill	—	—	—	5,000
Restructuring expense (recovery)	184	(16)	588	397
Income from government subsidies	(4,415)	(8,576)	(11,170)	(8,576)
One-time incurred expenses	268	411	359	411
Impairment of right-of-use assets	—	—	8,270	—
Adjusted EBITDAS	$ 4,448	$ 1,864	$ 6,677	$ 4,517

		Three months ended June 30,			Six months ended June 30,			
		2021		2020		2021		2020
Net income (loss) per share (dollars)								
Basic & Diluted:								
Continuing operations	$	0.00	$	0.01	$	(0.06)	$	(0.07)
Discontinued operations	$	(0.00)	$	(0.00)	$	(0.00)	$	(0.00)
Net income (loss) and comprehensive income (loss)	$	0.00	$	0.01	$	(0.06)	$	(0.07)

Selected Balance Sheet Accounts		June 30, 2021		December 31, 2020
Total assets	$	204,534	$	215,607
ABL facility		40,445		40,626
Senior secured debentures		105,317		105,173
Other secured borrowings		16,303		17,703
Shareholders' deficit	$	27,027	$	19,941

2021 RESULTS

Revenue for the three and six months ended June 30, 2021 was $96,596 and $178,800 compared to $81,037 and $207,836 for the same periods in 2020, representing an increase of 19.2% and decrease of 14%. The decrease in the six months ended June 30, 2021, in comparison to the same period in 2020, was driven by the macro-economic uncertainties and the economic impacts of the COVID-19 pandemic which started in mid-March 2020 and extended through Q1 2021. However, we have started to see a stabilization of the business and an increase in activity represented by revenue for the three months ended June 30, 2021, which increased by 19.2% in comparison to the three months ended June 30, 2020, 14.3% in comparison to the three months ended December 31, 2020, and 17.5% in comparison to the three months ended March 31, 2021.

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

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

Non-cash items that impacted the 2021 results were depreciation, amortization, and an impairment of right-of-use assets. For the three and six months ended June 30, 2021, depreciation and amortization expenses were $3,461 and $6,808 compared to $4,148 and $7,811 for the same periods in 2020. The decrease in depreciation and amortization expenses was due to the passage of time and regular reduction of asset values. The Company recognized an impairment of right-of-use assets in the six months ended June 30, 2021 of $8,270 of which the primary purpose was to earn sub-lease income. The term of the existing sub-lease agreement ended during the six months ended June 30, 2021 and with current market conditions the potential for these assets to generate sub-lease income in the future is uncertain. The right-of-use land and building impaired are included in the Corporate segment.

For the three and six months ended June 30, 2021, interest expenses were $3,863 and $8,283 compared to $4,546 and $8,643 for the same periods in 2020, representing a decrease of 15% and 4.2%. The decreases in the 2021 periods were due to nil being drawn on the revolving portion of the asset-based lending facility and reduced utilization and fees in comparison to the same periods in 2020.

Restructuring expenses of $184 and $588 were recorded during the three and six months ended June 30, 2021 compared to a $16 recovery and $397 expense for the same periods in 2020. The non-recurring restructuring expenses in 2021 and 2020 were related to cost reduction initiatives in response to changing market conditions.

Impairment of goodwill of $5,000 was recorded for the six months ended June 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 had decreased global demand for oil and gas and resulted in a reduction in the long-term outlook for commodity prices. Management therefore performed impairment tests as at March 31, 2020 for the Wear and UWO cash-generating units (“CGUs”), both of which are within the Wear Technology Overlay Services segment. This testing resulted in an impairment of the UWO CGU of $5,000 in the six months ended June 30, 2020. No impairment was required for the Wear CGU.

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

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

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

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue	$ 87,259	$ 74,142	$ 161,294	$ 189,487
Cost of revenue	(79,680)	(68,832)	(147,823)	(177,427)
Gross profit	7,579	5,310	13,471	12,060
Selling, general and administrative expenses	(113)	(166)	(246)	(401)
Amortization of intangible assets	(48)	(65)	(96)	(104)
Depreciation expense	(2,259)	(2,148)	(4,099)	(4,278)
Income from equity investments	326	140	387	189
Interest expense	(193)	(304)	(459)	(619)
Restructuring expense	(8)	(24)	(2)	(41)
Gain on sale of property, plant and equipment	207	18	185	158
Income from government subsidies	3,831	7,175	9,509	7,175
Income from continuing operations	9,322	9,936	18,650	14,139
Add:				
Amortization of intangible assets	48	65	96	104
Depreciation expense	2,259	2,148	4,099	4,278
Interest expense	193	304	459	619
EBITDAS	11,822	12,453	23,304	19,140
Gain on sale of property, plant and equipment	(207)	(18)	(185)	(158)
Restructuring expense	8	24	2	41
Income from government subsidies	(3,831)	(7,175)	(9,509)	(7,175)
One-time incurred expenses	—	151	—	151
Adjusted EBITDAS	$ 7,792	$ 5,435	$ 13,612	$ 11,999

Revenues

Revenues for the Maintenance and Construction Services segment were $87,259 and $161,294 for the three and six months ended June 30, 2021 compared to $74,142 and $189,487 for the same periods in 2020, representing an increase of 17.7% and decrease of 14.9%. The decrease in the six months ended June 30, 2021 was due to reduced customer spending and the ongoing lower industry volume of certain scheduled maintenance activities starting in April 2020 and extending through Q1 2021. This was a result of volatility in crude oil prices due to macro-economic uncertainty and the economic impact of the COVID-19 pandemic. However, we have started to see a stabilization of our business as evidenced by the increase in revenues for the three months ended June 30, 2021 relative to the three month periods ended June 30, 2020, December 31, 2020 and March 31, 2021.

Gross Profit

Gross profit was $7,579 and $13,471 for the three and six months ended June 30, 2021 compared to $5,310 and $12,060 for the same periods in 2020, representing an increase of 42.7% and 11.7%. Gross profit margin was 9% and 8.4% for the three and six months ended June 30, 2021 compared to 7.2% and 6.4% for the same periods in 2020. The increase in gross profit margins were due to mitigation measures taken to lower cost structures in response to volume reductions and an increase in the number of higher margin projects.

Selling, General and Administrative Expenses

SG&A expenses for the Maintenance and Construction Services segment were $113 and $246 for the three and six months ended June 30, 2021, compared to $166 and $401 for the same periods in 2020, representing a decrease of 32% and 38.8%. The decreases in SG&A expenses were primarily due to the impact of our cost mitigation initiatives in response to lower volumes from market uncertainty.

WEAR TECHNOLOGY OVERLAY SERVICES

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue	$ 9,777	$ 7,377	$ 18,342	$ 19,144
Cost of revenue	(6,916)	(6,657)	(13,328)	(15,854)
Gross profit	2,861	720	5,014	3,290
Selling, general and administrative expenses	(70)	(127)	(142)	(278)
Amortization of intangible assets	(115)	(417)	(230)	(729)
Depreciation expense	(690)	(892)	(1,369)	(1,690)
Interest and foreign exchange expense	(95)	(214)	(183)	(135)
Restructuring (expense) recovery	(5)	132	(283)	117
Impairment of intangible assets and goodwill	—	—	—	(5,000)
Income from government subsidies	311	812	807	812
Income (loss) from continuing operations	2,197	14	3,614	(3,613)
Add:				
Amortization of intangible assets	115	417	230	729
Depreciation expense	690	892	1,369	1,690
Interest and foreign exchange expense	95	214	183	135
EBITDAS	3,097	1,537	5,396	(1,059)
Impairment of intangible assets and goodwill	—	—	—	5,000
Restructuring expense (recovery)	5	(132)	283	(117)
Income from government subsidies	(311)	(812)	(807)	(812)
One time incurred expenses	—	202	—	202
Adjusted EBITDAS	$ 2,791	$ 795	$ 4,872	$ 3,214

Revenues

Revenues for this segment for the three and six months ended June 30, 2021 were $9,777 and $18,342, compared to $7,377 and $19,144 for the same periods in 2020, representing an increase of 32.5% and a decrease of 4.2%. The decrease in the six months ended June 30, 2021 was due to activity levels for weld technology overlay services continuing to remain below historical levels as customers scaled back their production output and decreased spending on consumables in response to weak oil prices. However, we are starting to show signs of recovery in this segment as evidenced by an increase in revenue for each successive quarter since the third quarter of 2020.

Gross Profit

Gross profit was $2,861 and $5,014 for the three and six months ended June 30, 2021, compared to $720 and $3,290 for the same periods in 2020, representing an increase of 297.4% and 52.4%. Gross profit margins were 29.3% and 27.3% for the three and six months ended June 30, 2021 compared to 9.8% and 17.2% for the same periods in 2020. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins, 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. The increases in gross profit margins in the three and six months ended June 30, 2021 compared to the same periods in 2020 were due to cost efficiencies as well as an increase in the number of higher margin projects.

Selling, General and Administrative Expenses

SG&A expenses for the Wear Technology Overlay Services segment were $70 and $142 for the three and six months ended June 30, 2021, compared to $127 and $278 for the same periods in 2020. The decreases in SG&A expenses were primarily due to the impact of our cost mitigation initiatives in response to lower volumes from market uncertainty.

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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Selling, general and administrative expenses	$ (6,403)	$ (4,424)	$ (12,166)	$ (10,754)
Share-based compensation and other long-term incentive plans (expense) recovery	(800)	—	(800)	1,109
Depreciation expense	(349)	(626)	(1,014)	(1,010)
Interest expense	(3,575)	(4,028)	(7,641)	(7,889)
Restructuring expense	(171)	(92)	(303)	(473)
Impairment of right-of-use assets	—	—	(8,270)	—
Loss on sale of property, plant and equipment	—	(131)	—	(131)
Income tax recovery - current	—	65	—	65
Income from government subsidies	273	589	854	589
Loss from continuing operations	(11,025)	(8,647)	(29,340)	(18,494)
Add:				
Depreciation expense	349	626	1,014	1,010
Share-based compensation and other long-term incentive plans expense (recovery)	800	—	800	(1,109)
Interest expense	3,575	4,028	7,641	7,889
Income tax recovery - current	—	(65)	—	(65)
EBITDAS	(6,301)	(4,058)	(19,885)	(10,769)
Loss on sale of property, plant and equipment	—	131	—	131
Restructuring expense	171	92	303	473
Income from government subsidies	(273)	(589)	(854)	(589)
One-time incurred expenses	268	58	359	58
Impairment of right-of-use assets	—	—	8,270	—
Adjusted EBITDAS	$ (6,135)	$ (4,366)	$ (11,807)	$ (10,696)

Selling, General and Administrative Expenses

SG&A expenses were $6,403 and $12,166 for the three and six months ended June 30, 2021 compared to $4,424 and $10,754 for the same periods in 2020. SG&A expenses as a percentage of revenue were 6.6% and 6.8% for the three and six months ended June 30, 2021 compared to 5.5% and 5.2% for the same periods in 2020. In response to reduced operational volumes and macro-economic uncertainty in 2020, we focussed on right sizing our SG&A cost structures and a hold was put on all discretionary spending. However, as revenue and margins have started stabilizing throughout 2021, investments are being made now to support our enterprise systems and digital strategy to drive longer-term efficiencies and competitiveness in the future.

DISCONTINUED OPERATIONS

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Loss from discontinued operations	$ (7)	$ (4)	$ (10)	$ (89)

LIQUIDITY AND CAPITAL RESOURCES

For six months ended June 30,		2021		2020
Cash flow provided by operating activities	$	15,940	$	50,336
Cash flow used in investing activities		(63)		(655)
Cash flow used in financing activities		(5,304)		(32,354)
Consolidated cash, end of period	$	41,050	$	24,436

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

Investing Activities

Cash provided by investing activities during the three and six months ended June 30, 2021 consisted of the purchase of assets, offset by proceeds from the disposal of certain assets as well as proceeds from dividends from equity investments.

Financing Activities

a. ABL Facility

ClearStream has an asset-based lending facility (the “ABL Facility”) comprised of (i) a revolving credit facility providing for maximum borrowings up to $15,000 (the “Revolving Facility”) with a Canadian chartered bank (the "Lender") and (ii) a term loan facility providing for maximum borrowings of up to $40,500 (the “Term Loan Facility”) with Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages (“Canso”). The Revolving Facility matures on March 31, 2022 and the Term Loan Facility matures 180 days thereafter.

The amount available under the Revolving Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable of the Company. The Revolving Facility borrowing base as at June 30, 2021 was $15,000, (December 31, 2020 - $49,054). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the Company and the other guarantors, being certain of the Company's direct and indirect subsidiaries. The interest rate on the Revolving Facility is prime plus 2.5%, increasing to prime plus 4.0% if the Revolving Facility is more than 50% drawn.

As at June 30, 2021, nil (December 31, 2020 - nil) was drawn on the Revolving Facility, and there were $2,750 (December 31, 2020 - $3,125) of letters of credit reducing the amount available to be drawn. As at June 30, 2021, the net unamortized amount of deferred financing costs was $55 (December 31, 2020 - $113).

As at June 30, 2021, $40,500 (December 31, 2020 - $40,500) was outstanding under the Term Loan Facility. The Term Loan Facility is required to be used for specific purposes and cannot be redrawn once repaid. The interest rate on the Term Loan Facility is equal to the interest rate on the Revolving Facility plus 2.0%.

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

- The Company must maintain a fixed charge coverage ratio equal to or greater than 1.00:1.00 for each twelve month period calculated and tested as of the last day of each fiscal quarter (commencing March 31, 2021); 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, 2021 and ending December 31, 2021, and any fiscal year thereafter.

As at June 30, 2021, 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, with the final payment to occur on October 2, 2045. The interest rate on the loan is the BDC Floating Base Rate less 1.0%. Interest accrues and is payable monthly. The Company allocated $195 in deferred financing costs to this loan that will be amortized over the life of the loan.

The $5,500 loan is repayable over 72 monthly payments of $75, with the final payment to occur on March 28, 2025. The interest rate on the loan is the BDC Floating Base Rate less 0.5%. Interest accrues and is payable monthly. The Company allocated $85 in deferred financing costs to this loan that will be amortized over the life of the loan.

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

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

As at June 30, 2021, ClearStream was in compliance with all financial covenants under the loan agreements with BDC.

c. Senior Secured Debentures

On March 23, 2016, the Company issued 8% senior secured debentures due March 23, 2026 (the "Senior Secured Debentures") pursuant to a trust indenture between ClearStream, as issuer, and BNY Trust Company of Canada, as debenture trustee, as amended and supplemented (the "Senior Secured Indenture"), on a private placement basis to Canso. On June 2, 2020, the debenture trustee was changed to Computershare Trust Company of Canada.

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

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 unaudited condensed interim consolidated financial statements.

CONTINGENCIES

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

SUMMARY OF QUARTERLY RESULTS

($000s except unit amounts)

	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3
Revenue	$96,596	$82,204	$84,530	$100,755	$81,037	$126,799	$137,066	$139,542
Gross Profit Margin	$10,440	$8,045	$8,372	$9,965	$6,030	$9,319	$14,864	$15,831
Gross Profit Margin %	10.8%	9.8%	9.9%	9.9%	7.4%	7.3%	10.8%	11.3%
Net income (loss) from continuing operations	$494	$(7,569)	$1,754	$9,684	$1,303	$(9,272)	$(10,449)	$928
Net income (loss)	$487	$(7,572)	$1,722	$9,832	$1,299	$(9,357)	$(10,536)	$619
Net income (loss) per share from continuing operations	$0.00	$(0.07)	$0.02	$0.09	$0.01	$(0.08)	$(0.09)	$0.01
Net income (loss) per share	$0.00	$(0.07)	$0.02	$0.09	$0.01	$(0.09)	$(0.10)	$0.01

ClearStream's revenues are somewhat seasonal, in particular for the Maintenance and Construction Services segment. Typically, there are scheduled shutdown turnaround projects in the spring and fall which increase revenues over and above the standard maintenance and operational support services. In 2020, this trend was disrupted due to the COVID-19 pandemic causing the postponement of scheduled spring shutdown turnaround projects to 2020 Q3 as shown by the increased revenue in 2020 Q3 in comparison to other quarters in 2020.

TRANSACTIONS WITH RELATED PARTIES

As at June 30, 2021, directors, officers and key employees beneficially held an aggregate of 7,732,907 common shares, representing approximately 7% of the issued and outstanding common shares.

SHARE CAPITAL

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

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

	Preferred Shares Series 1	Preferred Shares Series 2	Common Shares
Balance as at December 31, 2020	127,735	40,111	109,992,668
Balance as at June 30, 2021	127,735	40,111	109,992,668

The Series 1 and Series 2 Preferred Shares have a 10% fixed cumulative preferential cash dividend payable when the Company shall have sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The board of directors of the Company does not intend to declare or pay any cash dividends until such time as the Company's balance sheet and liquidity position supports the payment. Any accrued and unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 and Series 2 Preferred Shares.

As at June 30, 2021, the accrued and unpaid dividends on the Series 1 and Series 2 preferred shares totaled $51,403 (December 31, 2020 - $43,102). 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 204,348,142 (December 31, 2020 - 166,463,401) common shares would be issued, which represents approximately 186% (December 31, 2020 - 151%) of the common shares outstanding as at June 30, 2021.

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

Based upon the conversion rights of the Series 1 and Series 2 Preferred Shares there could be significant dilution to the current holders of Common Shares. Up to approximately 766,067,000 (December 31, 2020 - 766,067,000) additional Common Shares would be issuable upon conversion of the face amount of the Preferred Shares into Common Shares, representing approximately 697% (December 31, 2020 - 697%) of the Common Shares outstanding as at June 30, 2021.

The only potentially dilutive securities as at June 30, 2021 were the preferred shares and stock options. All potentially dilutive securities were anti-dilutive for the three and six months ended June 30, 2021.

OUTLOOK

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

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

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

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

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

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

COVID-19 Pandemic

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

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

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

- The Company’s credit facilities may not provide sufficient liquidity;
- Failure to comply with the covenants in the agreements governing the Company’s debt could adversely affect the Company’s financial condition;
- The Company’s business depends on the oil and natural gas industry and particularly on the level of exploration, development and production for North American oil and natural gas, which is volatile;
- The Company relies on certain key personnel whose absence or loss could disrupt its operations and have a material adverse effect on its business;
- Since a significant portion of the Company’s work is in the oil sands sector, the Company’s performance is sensitive to factors affecting the oil sands sector, including temporary or permanent shutdown of projects due to downturns in oil and gas prices, natural disasters, mechanical breakdowns, technology failures or pressure from environmental activism;
- The Company may not be able to convert its backlog into revenue and cannot guarantee that the revenues projected in its backlog will be realized or, if realized, will result in profits;
- Cyber attacks and loss of the Company’s information and computer systems as its workforce moves to remote connections could adversely affect the Company’s business; and
- The Company's business is subject to changes in general economic conditions over which it has little or no control.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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 June 30, 2021.

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.

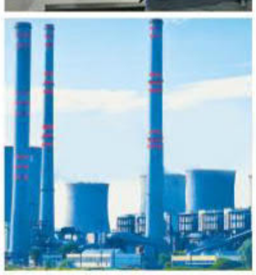
ADDITIONAL INFORMATION

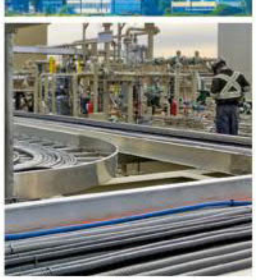
Additional information relating to ClearStream is available in our Annual Information Form for the year ended December 31, 2020.

ClearStream

SECOND QUARTER

FINANCIAL STATEMENTS 2021





Helping Customers
Bring Resources to Our world.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF

CLEARSTREAM ENERGY SERVICES INC.

THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(UNAUDITED)

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)

(Unaudited)

	Notes	June 30, 2021	December 31, 2020
Assets			
Cash		$ 41,050	$ 30,477
Accounts receivable	9	81,832	89,508
Inventories		5,539	6,885
Prepaid expenses		2,628	1,813
Total current assets		131,049	128,683
Property, plant and equipment	2	59,166	72,688
Goodwill and intangible assets		13,538	13,842
Long-term investments		781	394
Total assets		**$ 204,534**	**$ 215,607**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities	6	$ 34,826	$ 34,613
Deferred consideration		400	802
Earn-out contingent liability		201	170
Current portion of ABL facility	3	—	40,626
Current portion of lease liabilities		7,363	7,604
Current portion of other secured borrowings	3	1,524	1,679
Total current liabilities		**44,314**	**85,494**
Lease liabilities		26,705	28,858
Other secured borrowings	3	14,780	16,023
ABL facility	3	40,445	—
Senior secured debentures	3	105,317	105,173
Total liabilities		231,561	235,548
Common shares	8	462,054	462,054
Preferred shares	8	141,933	141,933
Contributed surplus		20,679	20,679
Deficit		(651,693)	(644,607)
Total shareholders' deficit		(27,027)	(19,941)
Total liabilities and shareholders' deficit		**$ 204,534**	**$ 215,607**

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

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

(In thousands of Canadian dollars)

(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Notes	**2021**	**2020**	**2021**	**2020**
Revenue	4	$ 96,596	$ 81,037	$ 178,800	$ 207,836
Cost of revenue		(86,156)	(75,007)	(160,315)	(192,486)
Gross profit		10,440	6,030	18,485	15,350
Selling, general and administrative expenses	5	(6,586)	(4,717)	(12,554)	(11,433)
Share-based compensation and other long-term incentive plans (expense) recovery	6	(800)	—	(800)	1,109
Amortization of intangible assets		(163)	(482)	(326)	(833)
Depreciation expense	2	(3,298)	(3,666)	(6,482)	(6,978)
Income from equity investment		326	140	387	189
Interest expense		(3,863)	(4,546)	(8,283)	(8,643)
Restructuring (expense) recovery		(184)	16	(588)	(397)
Impairment of goodwill and intangible assets		—	—	—	(5,000)
Impairment of right-of-use assets	2	—	—	(8,270)	—
Gain (loss) on sale of property, plant and equipment	2	207	(113)	185	27
Income from government subsidies	7	4,415	8,576	11,170	8,576
Income (loss) from continuing operations before taxes		494	1,238	(7,076)	(8,034)
Income tax recovery - current		—	65	—	65
Income (loss) from continuing operations		494	1,303	(7,076)	(7,969)
Loss from discontinued operations (net of income taxes)		(7)	(4)	(10)	(89)
Net income (loss) and comprehensive income (loss)		**$ 487**	**$ 1,299**	**$ (7,086)**	**$ (8,057)**
Net income (loss) per share (dollars)					
Basic & diluted:					
Continuing operations		$ 0.00	$ 0.01	$ (0.06)	$ (0.07)
Discontinued operations		$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Net income (loss)		$ 0.00	$ 0.01	$ (0.06)	$ (0.07)

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, 2020		109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (644,607)	$ (19,941)
Net loss		—	—	—	—	(7,086)	(7,086)
At June 30, 2021		109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (651,693)	$ (27,027)

	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	$ (648,105)	$ (23,439)
Net loss		—	—	—	—	(8,057)	(8,057)
At June 30, 2020		109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (656,162)	$ (31,496)

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 six months ended June 30,	Notes	2021	2020
Operating activities:			
Net loss		$ (7,086)	$ (8,057)
Adjustments for:			
Share-based compensation and other long-term incentive plans expense (recovery)		800	(1,109)
Amortization of intangible assets		326	833
Depreciation expense	2	6,482	6,978
Income from equity investments		(387)	(189)
Accretion expense (recovery)		216	(233)
Non-cash interest expense	3	—	3,956
Impairment of goodwill and intangible assets		—	5,000
Impairment of right-of-use assets	2	8,270	—
Amortization of deferred financing costs		140	931
Recovery of contingent consideration liability		—	(731)
Gain on sale of property, plant and equipment	2	(185)	(27)
Deferred interest payments		(138)	—
Changes in non-cash working capital		7,502	42,984
Cash flow provided by operating activities		$ 15,940	$ 50,336
Investing activities:			
Purchase of property, plant and equipment	2	(1,206)	(784)
Net proceeds on disposal of property, plant and equipment	2	1,598	490
Purchase of intangible assets		(22)	(328)
Proceeds from equity investment		—	400
Payment of deferred consideration		(433)	(433)
Cash flow used in investing activities		$ (63)	$ (655)
Financing activities:			
Decrease in restricted cash		—	805
Repayment of other secured borrowings	3	(1,261)	(505)
Refinancing fees	3	(82)	(570)
Repayment of ABL facility	3	(126)	(27,464)
Repayment of lease liabilities		(3,835)	(4,620)
Cash flow used in financing activities		$ (5,304)	$ (32,354)
Increase in cash		10,573	17,327
Cash, beginning of period		30,477	7,109
Cash, end of period		$ 41,050	$ 24,436

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 (Alberta). The head office is located at Bow Valley Square 2, Suite 3500, 205 - 5th Avenue S.W., Calgary, Alberta T2P 2V7. 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 unaudited condensed interim consolidated financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of ClearStream on July 29, 2021.

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 ("IASB"). 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, 2020. 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.

2. 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, 2020	**$ 18,491**	**$ 2,184**	**$ 12,565**	**$ 3,542**	**$ 50,425**	**$ 46,458**	**$133,665**
Additions	—	44	1,017	—	1,438	145	2,644
Impairment	—	—	—	—	(8,270)	—	(8,270)
Disposals	—	(581)	(291)	(2,808)	(2,036)	(4,073)	(9,789)
Asset class transfer	—	—	574	—	(645)	71	—
Balance as at June 30, 2021	**$ 18,491**	**$ 1,647**	**$ 13,865**	**$ 734**	**$ 40,912**	**$ 42,601**	**$118,250**
Accumulated Depreciation							
Balance as at December 31, 2020	**$ 1,153**	**$ 1,347**	**$ 8,850**	**$ 2,502**	**$ 19,771**	**$ 27,354**	**$ 60,977**
Depreciation	330	143	618	497	3,225	1,669	6,482
Disposals	—	(580)	(291)	(2,808)	(2,036)	(2,660)	(8,375)
Asset class transfer	—	—	545	—	(597)	52	—
Balance as at June 30, 2021	**$ 1,483**	**$ 910**	**$ 9,722**	**$ 191**	**$ 20,363**	**$ 26,415**	**$ 59,084**
Net book value							
As at December 31, 2020	**$ 17,338**	**$ 837**	**$ 3,715**	**$ 1,040**	**$ 30,654**	**$ 19,104**	**$ 72,688**
As at June 30, 2021	**$ 17,008**	**$ 737**	**$ 4,143**	**$ 543**	**$ 20,549**	**$ 16,186**	**$ 59,166**

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, 2020	**$ 43,237**	**$ 69**	**$ 7,120**	**$ 50,425**
Impairment	(8,270)	—	—	(8,270)
Asset class transfer	—	—	(645)	(645)
Additions	820	—	618	1,438
Disposals	(2,036)	—	—	(2,036)
Balance as at June 30, 2021	**$ 33,751**	**$ 69**	**$ 7,093**	**$ 40,912**
Accumulated Depreciation				
Balance as at December 31, 2020	**$ 18,714**	**$ 55**	**$ 1,002**	**$ 19,771**
Disposals	(2,036)	—	—	(2,036)
Depreciation	2,276	6	943	3,225
Asset class transfer	—	—	(597)	(597)
Balance as at June 30, 2021	**$ 18,954**	**$ 61**	**$ 1,348**	**$ 20,363**
Net book value				
As at December 31, 2020	**$ 24,523**	**$ 14**	**$ 6,118**	**$ 30,654**
As at June 30, 2021	**$ 14,797**	**$ 8**	**$ 5,745**	**$ 20,549**

The Company recognized an impairment charge of $8,270 during the six months ended June 30, 2021 representing right-of-use assets with the primary purpose of earning sub-lease income coming to term without exercising extension options of the associated property leases. In the short-term, sub-lease income is no longer expected to be earned by the right-of-use assets. The recoverable amount was determined to be nil based on the estimated value-in-use at the termination dates. The right-of-use land and building impaired are included in the Corporate segment.

3. ABL Facility and Other Borrowings

a. ABL Facility

ClearStream has an asset-based lending facility (the “ABL Facility”) comprised of (i) a revolving credit facility providing for maximum borrowings up to $15,000 (the “Revolving Facility”) with a Canadian chartered bank (the "Lender") and (ii) a term loan facility providing for maximum borrowings of up to $40,500 (the “Term Loan Facility”) with Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages (“Canso”). The Revolving Facility matures on March 31, 2022 and the Term Loan Facility matures 180 days thereafter.

The amount available under the Revolving Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable of the Company. The Revolving Facility borrowing base as at June 30, 2021 was $15,000, (December 31, 2020 - $49,054). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the Company and the other guarantors, being certain of the Company's direct and indirect subsidiaries. The interest rate on the Revolving Facility is prime plus 2.5%, increasing to prime plus 4.0% if the Revolving Facility is more than 50% drawn.

As at June 30, 2021, nil (December 31, 2020 - nil) was drawn on the Revolving Facility, and there were $2,750 (December 31, 2020 - $3,125) of letters of credit reducing the amount available to be drawn. As at June 30, 2021, the net unamortized amount of deferred financing costs was $55 (December 31, 2020 - $113).

As at June 30, 2021, $40,500 (December 31, 2020 - $40,500) was outstanding under the Term Loan Facility. The Term Loan Facility is required to be used for specific purposes and cannot be redrawn once repaid. The interest rate on the Term Loan Facility is equal to the interest rate on the Revolving Facility plus 2.0%.

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

- The Company must maintain a fixed charge coverage ratio equal to or greater than 1.00:1.00 for each twelve month period calculated and tested as of the last day of each fiscal quarter (commencing March 31, 2021); 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, 2021 and ending December 31, 2021, and any fiscal year thereafter.

As at June 30, 2021, 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, with the final payment to occur on October 2, 2045. The interest rate on the loan is the BDC Floating Base Rate less 1.0%. Interest accrues and is payable monthly. The Company allocated $195 in deferred financing costs to this loan that will be amortized over the life of the loan.

The $5,500 loan is repayable over 72 monthly payments of $75, with the final payment to occur on March 28, 2025. The interest rate on the loan is the BDC Floating Base Rate less 0.5%. Interest accrues and is payable monthly. The Company allocated $85 in deferred financing costs to this loan that will be amortized over the life of the loan.

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

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

As at June 30, 2021, ClearStream was in compliance with all financial covenants under the loan agreements with BDC.

c. Senior Secured Debentures

Balance as at January 1, 2020	$	96,955
Accretion		149
Debentures issued to settle interest		8,069
Balance as at December 31, 2020	$	105,173
Accretion		144
Balance as at June 30, 2021	$	105,317

On March 23, 2016, the Company issued 8% senior secured debentures due March 23, 2026 (the "Senior Secured Debentures") pursuant to a trust indenture between ClearStream, as issuer, and BNY Trust Company of Canada, as debenture trustee, as amended and supplemented (the "Senior Secured Indenture"), on a private placement basis to Canso. On June 2, 2020, the debenture trustee was changed to Computershare Trust Company of Canada.

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

4. Revenue

The following are amounts for each significant category of revenue recognized during the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Rendering of services	$ 84,047	$ 73,660	$ 154,143	$ 188,692
Sales of goods	12,549	7,377	24,657	19,144
Total revenue	$ 96,596	$ 81,037	$ 178,800	$ 207,836

5. Selling, general & administrative expenses

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Salaries & benefits	$ 4,781	$ 2,948	$ 8,849	$ 7,777
Occupancy and office costs	560	451	1,264	925
Professional fees	618	692	1,232	1,405
Travel & advertising	247	172	413	496
Insurance	380	454	796	830
Total	$ 6,586	$ 4,717	$ 12,554	$ 11,433

6. Performance Incentive Plan

The Board of Directors approved the Performance Incentive Plan ("PIP") on March 4, 2021.

The PIP provides eligible participants with a cash settlement that varies depending on certain criteria including EBITDA-based performance conditions and other Company based key performance indicators and is therefore subject to estimation uncertainty. Eligibility is based on service conditions ending two and three years after the start of the performance period.

The carrying amount of $800 (December 31, 2020 - nil) is recorded as accounts payable and accrued liabilities, and represents the net present value of estimated future cash payments expected to be earned under the program based on management's best estimate of the performance criteria over the performance periods ending December 31, 2022 and 2023, adjusted for the portion of the performance period that has been completed. PIP awards are payable within one month following approval of the Company's annual financial statements for those years.

7. Income from government subsidies

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

At June 30, 2021 $1,337 (December 31, 2020 - $663) of government subsidies were accrued and included in accounts receivable.

8. Share capital and loss per share

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

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

The Series 1 and Series 2 Preferred Shares have a 10% fixed cumulative preferential cash dividend payable when the Company shall have sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The board of directors of the Company does not intend to declare or pay any cash dividends until such time as the Company's balance sheet and liquidity position supports the payment. Any accrued and unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 and Series 2 Preferred Shares.

As at June 30, 2021, the accrued and unpaid dividends on the Series 1 and Series 2 preferred shares totaled $51,403 (December 31, 2020 - $43,102). 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 204,348,142 (December 31, 2020 - 166,463,401) common shares would be issued, which represents approximately 186% (December 31, 2020 - 151%) of the common shares outstanding as at June 30, 2021.

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

Based upon the conversion rights of the Series 1 and Series 2 Preferred Shares there could be significant dilution to the current holders of Common Shares. Up to approximately 766,067,000 (December 31, 2020 - 766,067,000) additional Common Shares would be issuable upon conversion of the face amount of the Preferred Shares into Common Shares, representing approximately 697% (December 31, 2020 - 697%) of the Common Shares outstanding as at June 30, 2021.

The only potentially dilutive securities as at June 30, 2021 were the preferred shares and stock options. All potentially dilutive securities were anti-dilutive for the three and six months ended June 30, 2021.

9. Financial instruments and risk management

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

a. Risk management

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

i. Credit risk

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

	June 30, 2021	December 31, 2020
Cash	$ 41,050	$ 30,477
Accounts receivable	81,832	89,508
Total	$ 122,882	$ 119,985

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 June 30, 2021, $55,578 (December 31, 2020 - $73,704) related to trade receivables and $26,254 (December 31, 2020 - $15,804) related to accrued revenue (i.e., for work performed but not yet invoiced).

Trade receivables are non-interest bearing and generally due on 30-90 day terms. As at June 30, 2021, approximately $1,429 of ClearStream's trade receivables had been outstanding longer than 90 days

(December 31, 2020 - $5,884). Management has fully evaluated the outstanding receivables as at June 30, 2021 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.

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

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

There are no material changes to customer concentration or liquidity risk for three and six months ended June 30, 2021.

10. 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, heavy equipment operators 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 June 30, 2021	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenues	$ 87,259	$ 9,777	$ —	$ (440)	$ 96,596
Cost of revenues	(79,680)	(6,916)	—	440	(86,156)
Gross profit	7,579	2,861	—	—	10,440
Selling, general & administrative expenses	(113)	(70)	(6,403)	—	(6,586)
Share-based compensation and other long-term incentive plans recovery	—	—	(800)	—	(800)
Amortization of intangible assets	(48)	(115)	—	—	(163)
Depreciation expense	(2,259)	(690)	(349)	—	(3,298)
Income from equity investment	326	—	—	—	326
Interest expense	(193)	(95)	(3,575)	—	(3,863)
Restructuring expense	(8)	(5)	(171)	—	(184)
Gain on sale of property, plant and equipment	207	—	—	—	207
Income from government subsidies	3,831	311	273	—	4,415
Income (loss) from continuing operations	$ 9,322	$ 2,197	$ (11,025)	$ —	$ 494

For the three months ended June 30, 2020	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenues	$ 74,142	$ 7,377	$ —	$ (482)	$ 81,037
Cost of revenues	(68,832)	(6,657)	—	482	(75,007)
Gross profit	5,310	720	—	—	6,030
Selling, general and administrative expenses	(166)	(127)	(4,424)	—	(4,717)
Amortization of intangible assets	(65)	(417)	—	—	(482)
Depreciation expense	(2,148)	(892)	(626)	—	(3,666)
Income from equity investment	140	—	—	—	140
Interest expense	(304)	(214)	(4,028)	—	(4,546)
Restructuring (expense) recovery	(24)	132	(92)	—	16
Gain (loss) on sale property, plant and equipment	18	—	(131)	—	(113)
Income from government subsidies	7,175	812	589	—	8,576
Income (loss) before taxes	9,936	14	(8,712)	—	1,238
Income tax recovery - current	—	—	65	—	65
Income (loss) from continuing operations	$ 9,936	$ 14	$ (8,647)	$ —	$ 1,303

For the six months ended June 30, 2021	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenues	$ 161,294	$ 18,342	$ —	$ (836)	$178,800
Cost of revenues	(147,823)	(13,328)	—	836	(160,315)
Gross profit	13,471	5,014	—	—	18,485
Selling, general & administrative expenses	(246)	(142)	(12,166)	—	(12,554)
Share-based compensation and other long-term incentive plans recovery	—	—	(800)	—	(800)
Amortization of intangible assets	(96)	(230)	—	—	(326)
Depreciation expense	(4,099)	(1,369)	(1,014)	—	(6,482)
Income from equity investment	387	—	—	—	387
Interest expense	(459)	(183)	(7,641)	—	(8,283)
Restructuring expense	(2)	(283)	(303)	—	(588)
Impairment of right-of-use assets	—	—	(8,270)	—	(8,270)
Gain on sale of property, plant and equipment	185	—	—	—	185
Income from government subsidies	9,509	807	854	—	11,170
Income (loss) from continuing operations	$ 18,650	$ 3,614	$ (29,340)	$ —	$ (7,076)

For the six months ended June 30, 2020	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenues	$ 189,487	$ 19,144	$ —	$ (795)	$207,836
Cost of revenues	(177,427)	(15,854)	—	795	(192,486)
Gross profit	12,060	3,290	—	—	15,350
Selling, general and administrative expenses	(401)	(278)	(10,754)	—	(11,433)
Share-based compensation and other long-term incentive plans recovery	—	—	1,109	—	1,109
Amortization of intangible assets	(104)	(729)	—	—	(833)
Depreciation expense	(4,278)	(1,690)	(1,010)	—	(6,978)
Income from equity investment	189	—	—	—	189
Interest expense	(619)	(135)	(7,889)	—	(8,643)
Restructuring (expense) recovery	(41)	117	(473)	—	(397)
Impairment of goodwill and intangible assets	—	(5,000)	—	—	(5,000)
Gain (loss) on sale property, plant and equipment	158	—	(131)	—	27
Income from government subsidies	7,175	812	589	—	8,576
Income (loss) income before taxes	14,139	(3,613)	(18,559)	—	(8,033)
Income tax recovery - current	—	—	65	—	65
Income (loss) from continuing operations	$ 14,139	$ (3,613)	$ (18,494)	$ —	$ (7,968)

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Jordan Bitove (2) (3)
Director

H. Fraser Clarke (1) (2)
Director

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

Dean MacDonald (3)
Director

Yves Paletta
Director

Notes:

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

HEAD OFFICE

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BANKER

Bank of Montreal

AUDITORS

Ernst & Young LLP

OFFICERS

Yves Paletta
Chief Executive Officer

Randy Watt
Chief Financial Officer

Neil Wotton
Chief Operating Officer

Barry Card
Chief Commercial Officer

Murray Desrosiers
Senior Vice President and General Counsel

Deloris Hetherington
Vice President, Human Resources

Angela Martens
Vice President, Finance and Corporate Controlling

Brad Naeth
Vice President, Wear Technology Overlay

Herb Thomas
Vice President, Operations (Flint)

Angela Thompson
Vice President, Project Services

Clint Tisnic
Vice President, Operational Finance

LEGAL COUNSEL

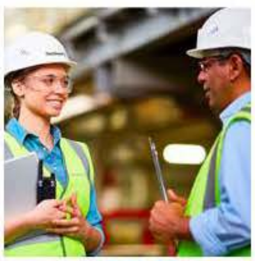
Blake, Cassels & Graydon LLP
McCarthy Tetrault LLP

TRANSFER AGENT

Computershare Investor Services Inc.

EXCHANGE LISTING

Toronto Stock Exchange
Symbol: CSM



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