ClearStream

FIRST QUARTER 2022

ClearStream

FIRST QUARTER

2022

ClearStream Announces First Quarter 2022 Financial Results

Records $110 million in revenue, the highest level for quarterly revenue since Q1 2020

Calgary, Alberta (May 5, 2022) – ClearStream Energy Services Inc. ("ClearStream" or the "Company") (TSX: CSM) today announced its results for the three months ended March 31, 2022. 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.

"Activity levels in the first quarter were strong as revenues grew by 8% from the fourth quarter of 2021 and represented the highest level for quarterly revenue since the first quarter of 2020, which was largely unaffected by the pandemic. We are actively working with our customers and suppliers to manage both the inflationary and labour supply pressures in the current market," said Barry Card, Interim Chief Executive Officer.

"The pricing for commodities in the end markets we serve continues to be strong and is anticipated to remain that way throughout the year. This is providing our customers with the confidence to increase their spending on both maintenance and capital projects, as evidenced by the 17 turnaround projects that we have scheduled for the second quarter. We are proud to partner with our customers on these important projects to build and maintain the integrity of their production infrastructure," added Mr. Card.

HIGHLIGHTS

- Revenues for the three months ended March 31, 2022 were $109.8 million, representing an increase of $27.6 million or 33.6% from Q1 2021.
- Gross profit for the three months ended March 31, 2022 was $9.7 million, representing an increase of $1.7 million or 21.1% from Q1 2021.
- Gross profit margin for the three months ended March 31, 2022 was 8.9%, as compared to 9.8% in Q1 2021.
- Adjusted EBITDAS for the three months ended March 31, 2022 was $3.0 million, representing an increase of $0.8 million or 34.9% from Q1 2021.
- Adjusted EBITDAS margin for the three months ended March 31, 2022 was 2.7%, unchanged from Q1 2021.
- Selling, general and administrative expenses for three months ended March 31, 2022 were $8.1 million, representing an increase of $2.1 million or 34.9% from Q1 2021. Consistent with the last three quarters in 2021, the increase is largely due to investments being made to support our enterprise systems and digital strategy to drive longer-term efficiencies and increase our cost competitiveness. As well our business has recovered and stabilized in 2022, therefore, certain elements of cost reductions in previous years have been reversed in order to support the increased volume of work in 2022.
- Liquidity remained strong with total cash and available credit facilities of $37.4 million at March 31, 2022, as compared to $33.7 million at December 31, 2021.
- New project awards and contract renewals were $96 million for the three months ended March 31, 2022 and $36 million for the month of April 2022. Approximately 80% of that work is expected to be completed in 2022.

Maintenance and Construction Services

Revenues for the three months ended March 31, 2022 were $99.4 million, representing an increase of 34.3% or $25.4 million from Q1 2021 and $5.4 million or 5.7% from Q4 2021. The increase was due to our customers increasing their spending on both maintenance and capital projects. We expect activity levels to remain high in the second quarter with 17 turnaround projects scheduled. We continue to focus on consolidating various scopes of work with existing or new customers by bundling our services in order to enable more efficient execution and lower costs for our customers on each work site.

Wear Technology Overlay Services

Revenues for the three months ended March 31, 2022 were $12.3 million, representing an increase of 43.0% or $3.7 million from Q1 2021 and 36.7% or $3.3 million from Q4 2021. Gross profit margin was lower as we completed more fabrication work, which has a lower margin than the specialty weld overlay products that we market under the brand name AssetArmor™. With the continued rise in global energy demand and commodity prices, we are seeing our customers in the oil sands operating at full production levels, which has started to increase the demand for our AssetArmor™ products.

Environmental Services

We continue to grow our capabilities by adding staff within our professional services. During the first quarter, we completed a large decommissioning project. We are seeing our customers continue to allocate expenditures for the closure, reclamation and remediation of oil and gas wells, pipelines and facilities in Western Canada. We expect this trend to continue with our clients regardless of the expiry of the government funded programs at the end of 2022 given the increased focus on ESG (environmental, social and governance) matters.

FIRST QUARTER 2022 FINANCIAL RESULTS

($ millions, except per share amounts)	Three months ended March 31,		
	2022	2021	% Change
Revenue			
Maintenance and Construction Services	99.4	74.0	34.3 %
Wear Technology Overlay Services	12.3	8.6	44.1 %
Total	109.8	82.2	33.6 %
Gross Profit			
Maintenance and Construction Services	7.4	5.9	24.9 %
Wear Technology Overlay Services	2.4	2.2	10.6 %
Total	9.7	8.0	21.1 %
Gross Profit Margin (% of revenue)			
Maintenance and Construction Services	7.4 %	8.0 %	(0.6)%
Wear Technology Overlay Services	19.3 %	25.1 %	(5.8)%
Total	8.9 %	9.8 %	(0.9)%
Selling, general and administrative expenses	8.1	6.0	34.9 %
% of revenue	7.3 %	7.3 %	— %
Adjusted EBITDAS *			
Maintenance and Construction Services	7.2	5.8	24.5 %
Wear Technology Overlay Services	2.3	2.1	10.9 %
Corporate	(6.5)	(5.7)	(15.4)%
Total	3.0	2.2	34.9 %
% of revenue	2.7 %	2.7 %	— %
Loss from continuing operations	(7.8)	(7.6)	2.8 %
Net loss per share (dollars) from continuing operations (basic and diluted)	(0.07)	(0.07)	— %

* “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.

Revenue for the three months ended March 31, 2022 was $109,848 compared to $82,204 for the three months ended March 31, 2021, representing an increase of 33.6%. The increase in revenue was driven by the strong market momentum in the first quarter in 2022, with an increase in activity across all areas of the business.

Gross profit for the three months ended March 31, 2022 was $9,740 compared to $8,045 for the three months ended March 31, 2021, representing an increase of 21.1%. Gross profit margin for the three months ended March 31, 2022 was 8.9% compared to 9.8% for the three months ended March 31, 2021. The decrease in gross profit margin was driven by a few factors including a change in the mix of services and products provided with lower gross profit margins as well as inflationary pressures on labour, equipment and materials. The recovery of these increases in costs are being built into contracts collaboratively with our customers on a go forward basis.

Selling, general and administrative (“SG&A”) expenses for the three months ended March 31, 2022 were $8,052, in comparison to $5,969 for the same period in 2021, representing an increase of 34.9%. As a percentage of revenue, SG&A expenses for the three months ended March 31, 2022 were 7.3%, unchanged from the same period in 2021. The increase in SG&A expenses is largely due to the ongoing investments being made to support the Company's enterprise systems and digital strategy. These investments, which will extend throughout 2022, are expected to drive longer-term efficiencies and increase our cost competitiveness. In addition, certain elements of cost reductions in previous years have been reversed in order to support the increased volume of work anticipated in 2022.

For the three months ended March 31, 2022, Adjusted EBITDAS was $3,006 compared to $2,229 for the three months ended March 31, 2021. As a percentage of revenue, Adjusted EBITDAS was 2.7% for the three months ended March 31, 2022 unchanged from the same period in 2021.

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. The CEWS and CERS programs ended in 2021. Therefore, the Company did not have any income from government subsidies during the three months ended March 31, 2022, compared to$6,755 for the three months ended March 31, 2021.

Loss from continuing operations for the three months ended March 31, 2022 was $7,783 compared to loss of $7,569 for the three months ended March 31, 2021. The loss variance was driven by the reduction in government subsidies in 2022, an increase in SG&A expenses and an increase in restructuring expenses, partially offset by an increase in gross profit and the impairment of right-of-use assets recognized in 2021.

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”). As at March 31, 2022, the Company had $12.0 million of available capacity under the Revolving Facility, $40.5 million drawn on the Term Loan Facility and $25.4 million of cash on hand.

On March 30, 2022, the Company amended its Revolving Facility, extending the maturity date of the facility to April 14, 2022 from March 31, 2022.

On April 14, 2022, ClearStream completed the refinancing of its ABL facility (the “Refinancing”). ClearStream established a new $25 million asset-based revolving credit facility with a three-year term (the “New ABL Facility”) to replace the Revolving Facility.

The New ABL Facility provides for maximum borrowings up to $25 million with a Canadian chartered bank. The amount available under the New ABL Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable and inventories of ClearStream. The obligations under the New 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 maturity date of the New ABL Facility is April 14, 2025. The interest rate on the New ABL Facility is prime plus 2.5%.

The financial covenants applicable under the New ABL Facility are:

a. 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; and

b. The Company must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $10 million during any fiscal year.

As part of the Refinancing, the maturity date of the Term Loan Facility was extended from September 30, 2022 to October 14, 2025 and the interest rate was changed to a fixed rate of 8.0%.

The Company anticipates that its liquidity (cash on hand and available credit facilities) and cash flow from operations will be sufficient to meet its short-term contractual obligations and maintain compliance with its financial covenants through March 31, 2023.

As at March 31, 2022, issued and outstanding share capital included 110,001,239 common shares, 127,732 Series 1 preferred shares, and 40,111 Series 2 preferred shares.

The Series 1 preferred shares (having an aggregate value of $127.732 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 March 31, 2022, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $64.0 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 continued rise in energy demand and commodity prices continues to provide strong fundamentals for our customers in the energy industry. While these customers have been prioritizing debt repayment and returns to shareholders, they are starting to increase spending on both maintenance projects (to enhance operational reliability) and capital projects (to maintain/expand productive capacity). We expect activity levels to continue to recover throughout 2022.

Due to the war in Ukraine and the lingering effects of the COVID-19 pandemic, growth in our served markets continues to drive some near-term challenges, including inflationary pressure on labour, equipment and materials as well as supply chain disruptions. We are working closely with our customers and suppliers to manage these challenges. We are also enhancing our programs to attract, retain and develop our number one resource, our employees.

With energy transition and environmental considerations becoming increasingly important for all stakeholders in all industrial end markets, we expect that our customers will continue to focus on improving their operational processes for greater efficiencies and reliability, which aligns well with our service offerings.

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 19 operating facilities, we believe that ClearStream is well-positioned to further consolidate the 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 consolidated interim financial statements for the three months ended March 31, 2022 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, wear technology and environmental services that keep our clients moving forward. For more information about ClearStream, please visit www.clearstreamenergy.ca or contact:

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Advisory regarding Forward-Looking Information

Certain information included in this Press Release may constitute “forward-looking information” within the meaning of Canadian securities laws. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other similar expressions concerning matters that are not historical facts. This press release contains forward-looking information relating to: our business plans, strategies and objectives; that we are actively working with our customers and suppliers to manage both the inflationary and labour supply pressures in the current market; the pricing outook for commodities in the end markets we serve; that our customers will increase their spending on both maintenance and capital projects; the number of turnaround projects scheduled for the second quarter of 2022; contract renewals and project awards, including the estimated value thereof and the timing of completing the associated work; activity levels for maintenance and construction services in the second quarter of 2022; that the demand for our AssetArmor™ products will increase as customers increase production levels; that customers will increase expenditures for the closure, reclamation and remediation of oil and gas wells, pipelines and faciilties in Western Canada; that we will recover higher costs for labour, equipment and materials from our customers; that the investments being made to support our enterprise systems and digital strategy will drive longer-term efficiencies and increase our cost competitiveness; the sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations and maintain compliance with our financial covenants through March 31, 2023; that activity levels will recover throughout 2022; 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, compliance with debt covenants, access to credit facilities and other sources of capital for working capital requirements and capital expenditure needs, availability of labour, dependence on key personnel, economic conditions, commodity prices, interest rates, regulatory change, weather and risks related to the integration of acquired businesses. 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 the Non-Standard Measures may differ from the methods used by other issuers. Therefore, ClearStream’s Non-Standard Measures, as presented may not be comparable to similar measures presented by other issuers.

EBITDAS refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery), and other long-term incentive plan expenses. 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 months ended March 31, 2022.

Adjusted EBITDAS refers to EBITDAS excluding impairment of goodwill and intangible assets, restructuring expense, gain (loss) on sale of property, plant and equipment, recovery of contingent consideration liability, one time incurred expenses, impairment 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 a measure that management believes (i) 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, and (ii) 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 months ended March 31, 2022.

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

FIRST QUARTER MD&A 2022

Management's Discussion and Analysis

May 5, 2022

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 months ended March 31, 2022 and 2021. This MD&A should be read in conjunction with ClearStream's unaudited condensed consolidated interim financial statements and the notes thereto for the three months ended March 31, 2022 and 2021 and the audited consolidated financial statements for the years ended December 31, 2021 and 2020.

All amounts in this MD&A are in Canadian dollars and expressed in thousands of dollars unless otherwise noted. The accompanying unaudited condensed consolidated interim 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 May 5, 2022 and is current to that date unless otherwise indicated.

The unaudited condensed consolidated interim 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 technology overlay 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; that we will recover higher costs for labour, equipment and materials from our customers; that the investments being made to support our enterprise systems and digital strategy will drive longer-term efficiencies and increase our cost competitiveness; the sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations and maintain compliance with our financial covenants through March 31, 2023; with respect to the Payment in Kind Transactions, the amount of cash that they will save, that they will preserve capital for ongoing operations and improve our financial situation and the principal amount of Senior Secured Debentures that will be outstanding following such transactions; the effect of known claims and litigation on our financial position and results of operations; that our customers will increase their spending on both maintenance and capital projects; that activity levels will recover throughout 2022; 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, compliance with debt covenants, access to credit facilities and other sources of capital for working capital requirements and capital expenditure needs, availability of labour, dependence on key personnel, economic conditions, commodity prices, interest rates, regulatory change, weather and risks related to the integration of acquired businesses. 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.

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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 the Non-Standard Measures may differ from the methods used by other issuers. Therefore, ClearStream’s Non-Standard Measures, as presented may not be comparable to similar measures presented by other issuers.

EBITDAS refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery), and other long-term incentive plan expenses. 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 impairment of goodwill and intangible assets, restructuring expense, gain (loss) on sale of property, plant and equipment, recovery of contingent consideration liability, one time incurred expenses, impairment 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 a measure that management believes (i) 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, and (ii) 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.

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FIRST QUARTER 2022 SUMMARY OF RESULTS – CONTINUING OPERATIONS ($000's)

For three months ended March 31,	2022	2021
Revenue	$ 109,848	$ 82,204
Cost of revenue	(100,108)	(74,159)
Gross profit	9,740	8,045
Selling, general and administrative expenses	(8,052)	(5,969)
Amortization of intangible assets	(143)	(162)
Depreciation expense	(2,564)	(3,184)
Income from equity investment	37	61
Interest expense	(3,872)	(4,420)
Restructuring expenses	(2,770)	(403)
Impairment of right-of-use assets	—	(8,270)
Loss on contingent consideration liability	(161)	—
Gain (loss) on sale of property, plant and equipment	2	(22)
Income from government subsidies	—	6,755
Loss from continuing operations	(7,783)	(7,569)
Add:		
Amortization of intangible assets	143	162
Depreciation expense	2,564	3,184
Interest expense	3,872	4,420
EBITDAS (1)	(1,204)	197
Add:		
(Gain) loss on sale of property, plant and equipment	(2)	22
Restructuring expense	2,770	403
Income from government subsidies	—	(6,755)
One-time incurred expenses	1,281	92
Impairment of right-of-use assets	—	8,270
Loss on contingent consideration liability	161	—
Adjusted EBITDAS (1)	$ 3,006	$ 2,229

(1) EBITDAS and Adjusted EBITDAS are not a standard measure under IFRS and they are defined in the section "Advisory regarding Non-Standard Measures".

Net loss per share (dollars)		
For three months ended March 31,	2022	2021
Basic & Diluted:		
Continuing operations	$ (0.07)	$ (0.07)
Net loss	$ (0.07)	$ (0.07)

Selected Balance Sheet Accounts	March 31, 2022	December 31, 2021
Total assets	$ 214,069	$ 205,454
ABL facility	39,913	40,436
Senior secured debentures	109,744	109,744
Other secured borrowings	15,211	15,571
Shareholders' deficit	37,046	29,250

FIRST QUARTER 2022 RESULTS

Revenue for the three months ended March 31, 2022 was $109,848 compared to $82,204 for the three months ended March 31, 2021, representing an increase of 33.6%. The increase in revenue was driven by the strong market momentum in the first quarter in 2022, with an increase in activity across all areas of the business.

Gross profit for the three months ended March 31, 2022 was $9,740 compared to $8,045 for the three months ended March 31, 2021, representing an increase of 21.1%. Gross profit margin for the three months ended March 31, 2022 was 8.9% compared to 9.8% for the three months ended March 31, 2021. The decrease in gross profit margin was driven by a few factors including a change in the mix of services and products provided with lower gross profit margins as well as inflationary pressures on labour, equipment and materials. The recovery of these increases in costs are being built into contracts collaboratively with our customers on a go forward basis.

Selling, general and administrative (“SG&A”) expenses for the three months ended March 31, 2022 were $8,052, in comparison to $5,969 for the same period in 2021, representing an increase of 34.9%. As a percentage of revenue, SG&A expenses for the three months ended March 31, 2022 were 7.3%, unchanged from the same period in 2021. Consistent with the last three quarters of 2021, the increase in SG&A expenses is largely due to the ongoing investments being made to support the Company's enterprise systems and digital strategy. These investments, which will extend throughout 2022, are expected to drive longer-term efficiencies and increase our cost competitiveness. In addition, certain elements of cost reductions in previous years have been reversed in order to support the increased volume of work anticipated in 2022.

Non-cash items that impacted the 2022 results were depreciation and amortization. For the three months ended March 31, 2022, depreciation and amortization expenses was $2,707 compared to $3,346 for the three months ended March 31, 2021. 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 three months ended March 31, 2021 of $8,270 of which the primary purpose was to earn sub-lease income. The term of the existing sub-lease agreement ended in early 2021 and the potential for these assets to generate sub-lease income in the future was determined to be uncertain as a result of market conditions.

For the three months ended March 31, 2022, interest expenses were $3,872 compared to $4,420 for the three months ended March 31, 2021, representing a decrease of 12.4%. The decrease in 2022 was due to no amounts being drawn on the revolving portion of the asset-based lending facility and reduced utilization and fees in comparison to first quarter of 2021.

Restructuring expenses of $2,770 were recorded during the three months ended March 31, 2022 compared to $403 for the three months ended March 31, 2021. The non-recurring restructuring expenses in 2022 were primarily related to a management change that occurred in March 2022.

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. The CEWS and CERS programs ended in 2021. Therefore, the Company did not have any income from government subsidies during the three months ended March 31, 2022, compared to $6,755 for the three months ended March 31, 2021.

Loss from continuing operations for the three months ended March 31, 2022 was $7,783 compared to loss of $7,569 for the three months ended March 31, 2021. The loss variance was driven by the reduction in government subsidies in 2022, an increase in SG&A expenses and an increase in restructuring expenses, partially offset by an increase in gross profit and the impairment of right-of-use assets recognized in 2021.

For the three months ended March 31, 2022, Adjusted EBITDAS was $3,006 compared to $2,229 for the three months ended March 31, 2021. As a percentage of revenue, Adjusted EBITDAS was 2.7% for the three months ended March 31, 2022 unchanged from the same period in 2021.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

For three months ended March 31,	2022	2021
Revenue	$ 99,436	$ 74,035
Cost of revenue	(92,077)	(68,143)
Gross profit	7,359	5,892
Selling, general and administrative expenses	(152)	(133)
Amortization of intangible assets	(28)	(47)
Depreciation expense	(1,677)	(1,839)
Income from equity investments	37	61
Interest expense	(234)	(266)
Restructuring recovery	—	6
Gain (loss) on sale of property, plant and equipment	2	(22)
Income from government subsidies	—	5,678
Income from continuing operations	5,307	9,330
Add:		
Amortization of intangible assets	28	47
Depreciation expense	1,677	1,839
Interest expense	234	266
EBITDAS (1)	7,246	11,482
Add:		
(Gain) loss on sale of property, plant and equipment	(2)	22
Restructuring recovery	—	(6)
Income from government subsidies	—	(5,678)
Adjusted EBITDAS (1)	$ 7,244	$ 5,820

(1) EBITDAS and Adjusted EBITDAS are not a standard measure under IFRS and they are defined in the section "Advisory regarding Non-Standard Measures".

Revenues

Revenues for the Maintenance and Construction Services segment were $99,436 for the three months ended March 31, 2022, compared to $74,035 for the three months ended March 31, 2021, representing an increase of 34.3%. The increase was due to an increase in activity related to the ongoing market recovery from COVID-19.

Gross Profit

Gross profit was $7,359 for the three months ended March 31, 2022, compared to $5,892 for the three months ended March 31, 2021, representing an increase of 24.9%. Gross profit margin was 7.4% for the three months ended March 31, 2022 compared to 8.0% for the three months ended March 31, 2021. The decrease in gross profit margin for the three months ended March 31, 2022 was due to the labour, equipment and materials margin on certain projects being lower in three months ended March 31, 2022 than in the same period in 2021 and a market that is still recovering in various geographic areas.

WEAR TECHNOLOGY OVERLAY SERVICES

For three months ended March 31,		2022		2021
Revenue	$	12,341	$	8,565
Cost of revenue		(9,960)		(6,412)
Gross profit		2,381		2,153
Selling, general and administrative expenses		(74)		(72)
Amortization of intangible assets		(115)		(115)
Depreciation expense		(637)		(679)
Interest expense		(90)		(88)
Restructuring expenses		—		(277)
Income from government subsidies		—		496
Income from continuing operations		1,465		1,418
Add:				
Amortization of intangible assets		115		115
Depreciation expense		637		679
Interest expense		90		88
EBITDAS (1)		2,307		2,300
Add:				
Restructuring expense		—		277
Income from government subsidies		—		(496)
Adjusted EBITDAS (1)	$	2,307	$	2,081

(1) EBITDAS and Adjusted EBITDAS are not a standard measure under IFRS and they are defined in the section "Advisory regarding Non-Standard Measures".

Revenues

Revenues for this segment for the three months ended March 31, 2022 were $12,341, compared to $8,565 for the three months ended March 31, 2021, representing an increase of 44.1%. The increase was due to activity levels for wear technology overlay services continuing to see a strong market recovery as customers in the oil sands are operating at full production levels.

Gross Profit

Gross profit was $2,381 for the three months ended March 31, 2022, compared to $2,153 for the three months ended March 31, 2021, representing an increase of 10.6%. Gross profit margin was 19.3% for the three months ended March 31, 2022, compared to 25.1% for the three months ended March 31, 2021. The decrease in gross profit margin was primarily due to job margins being lower for certain fabrication products and an increase in material costs.

CORPORATE

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

For three months ended March 31,	2022	2021
Selling, general and administrative expenses	$ (7,826)	$ (5,764)
Depreciation expense	(250)	(666)
Interest expense	(3,548)	(4,066)
Restructuring expenses	(2,770)	(132)
Impairment of right-of-use assets	—	(8,270)
Loss on contingent consideration liability	(161)	—
Income from government subsidies	—	581
Loss from continuing operations	(14,555)	(18,317)
Add:		
Depreciation expense	250	666
Interest expense	3,548	4,066
EBITDAS (1)	(10,757)	(13,585)
Add:		
Restructuring expenses	2,770	132
Income from government subsidies	—	(581)
One-time incurred expenses	1,281	92
Impairment of right-of-use assets	—	8,270
Loss on contingent consideration liability	161	—
Adjusted EBITDAS (1)	$ (6,545)	$ (5,672)

(1) EBITDAS and Adjusted EBITDAS are not a standard measure under IFRS and they are defined in the section "Advisory regarding Non-Standard Measures".

Selling, General and Administrative Expenses

SG&A expenses were $7,826 for the three months ended March 31, 2022 compared to $5,764 for the three months ended March 31, 2021. SG&A expenses as a percentage of revenue were 7.1% for the three months ended March 31, 2022 compared to 7.0% for the three months ended March 31, 2021. The increase in SG&A expenses is largely due to the ongoing investments being made to support the Company's enterprise systems and digital strategy. These investments, which will extend throughout 2022, are expected to drive longer-term efficiencies and increase our cost competitiveness. In addition, certain elements of cost reductions in previous years have been reversed in order to support the increased volume of work anticipated in 2022.

LIQUIDITY AND CAPITAL RESOURCES

For the three months ended March 31,	2022	2021
Cash flow provided by operating activities	$ 7,228	$ 22,829
Cash flow (used in) provided by investing activities	(355)	879
Cash flow used in financing activities	(3,112)	(2,980)
Consolidated cash, end of period	$ 25,441	$ 51,205

The Company anticipates that its liquidity (cash on hand and available credit facilities) and cash flow from operations will be sufficient to meet its short-term contractual obligations and maintain compliance with its financial covenants through March 31, 2023.

Investing Activities

Cash flow used in investing activities during the three months ended March 31, 2022 consisted of the purchase of assets, offset by proceeds from the disposal of certain assets.

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 April 14, 2022 and the Term Loan Facility matures 180 days thereafter.

In March 2022, the Company amended its Revolving Facility, extending the maturity date of the facility to April 14, 2022 from March 31, 2022. The amended agreement contains substantially similar terms and conditions as the previous agreement.

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 March 31, 2022 was $15,000 (December 31, 2021 - $15,000). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the Company and the other guarantors, being certain of the Company's direct and indirect subsidiaries. The interest rate on the Revolving Facility is prime plus 2.5%, increasing to prime plus 4.0% if the Revolving Facility is more than 50% drawn.

As at March 31, 2022, nil (December 31, 2021 - nil) was drawn on the Revolving Facility, and there were $2,450 (December 31, 2021 - $2,450) of letters of credit reducing the amount available to be drawn. As at March 31, 2022, the net unamortized amount of deferred financing costs was $587 (December 31, 2021 - $64).

As at March 31, 2022, $40,500 (December 31, 2021 - $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; and
- The Company must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $6,600 for the fiscal year.

As at March 31, 2022, ClearStream was in compliance with all financial covenants under the ABL Facility.

On April 14, 2022, ClearStream completed the refinancing of its asset-based revolving credit facility (the “Refinancing”). ClearStream established a new $25,000 asset-based revolving credit facility with a three-year term (the “New ABL Facility”) to replace its existing $15,000 revolving facility that was to mature on April 14, 2022 (the “ABL Facility”) and amended certain terms of the Term Loan Facility.

The New ABL Facility consists of a revolving facility for maximum borrowings up to $25,000 with a Canadian chartered bank (the “New Lender”). The amount available under the New ABL Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable and inventories of ClearStream. The obligations under the New 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 maturity date of the New ABL Facility is April 14, 2025. The interest rate on the New ABL Facility is prime plus 2.5%.

The financial covenants applicable under the New ABL Facility are:

- 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; and
- The Company must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $10,000 during any fiscal year.

As a result of the Refinancing, the letters of credit outstanding under the previous ABL Facility were secured by cash collateral of $3,200.

As part of the Refinancing, the maturity date of the Term Loan Facility was extended from September 30, 2022 to October 14, 2025. The interest rate on the Term Loan Facility was also amended to a fixed rate of 8.0%.

a. 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 loan agreements with BDC require the Company to maintain a fixed charge coverage ratio equal to or greater than 1.00:1.00 on annual basis.

As at March 31, 2022, ClearStream was in compliance with all financial covenants under the loan agreements with BDC.

b. 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 in arrears on June 30 and December 31 of each year. 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).

On December 10, 2021, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages and sole holder of the Senior Secured Debentures, agreed to accept the issuance of an additional 4,449 Senior Secured Debentures on June 30, 2022 and 4,627 Senior Secured Debentures on December 31, 2022 at a principal amount of $1,000 per Senior Secured Debenture in order to satisfy the interest that would otherwise become due and payable on such dates (the "Payment in Kind Transactions").

The Payment in Kind Transactions will save ClearStream approximately $9.1 million in cash in 2022, preserve this capital for its ongoing operations and improve its financial situation. In addition, the Payment in Kind Transactions will assist ClearStream to maintain compliance with the covenants under the ABL Facility. Following the Payment in Kind Transactions, the principal amount of Senior Secured Debentures outstanding will be approximately $115.7 million at June 30, 2022 and $120.3 million at December 31, 2022.

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 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 annual consolidated financial statements for the year ended December 31, 2021.

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)

	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2
Revenue	$109,848	$101,955	$108,647	$96,596	$82,204	$84,530	$100,755	$81,037
Gross Profit Margin	$9,740	$9,728	$12,124	$10,440	$8,045	$8,372	$9,965	$6,030
Gross Profit Margin %	8.9 %	9.5 %	11.2 %	10.8 %	9.8 %	9.9 %	9.9 %	7.4 %
Net (loss) income from continuing operations	$(7,783)	$5	$(2,227)	$494	$(7,569)	$1,754	$9,684	$1,303
Net (loss) income	$(7,796)	$4	$(2,228)	$487	$(7,572)	$1,722	$9,832	$1,299
Net (loss) income per share from continuing operations	$(0.07)	$0.00	$(0.02)	$0.00	$(0.07)	$0.02	$0.09	$0.01
Net (loss) income per share	$(0.07)	$0.00	$(0.02)	$0.00	$(0.07)	$0.02	$0.09	$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 and 2021, this trend was disrupted due to the COVID-19 pandemic causing the postponement of scheduled spring shutdown turnaround projects to the third quarter as shown by the increased revenue in the third quarter in comparison to the second quarter of 2021 and 2020.

TRANSACTIONS WITH RELATED PARTIES

As at March 31, 2022, directors and officers beneficially held an aggregate of 7,632,907 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.

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

	Preferred Shares Series 1	Preferred Shares Series 2	Common Shares
Balance as at December 31, 2021	127,735	40,111	109,992,668
Converted to common shares	(3)	—	8,571
Balance as at March 31, 2022	127,732	40,111	110,001,239

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 March 31, 2022, the accrued and unpaid dividends on the Series 1 and Series 2 preferred shares totaled $64,025 (December 31, 2021 - $59,886). 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 261,959,231 (December 31, 2021 - 242,857,143) common shares would be issued, which represents approximately 238% (December 31, 2021 - 221%) of the common shares outstanding as at March 31, 2022.

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. During the three months ended March 31, 2022, 8,571 common shares were issued upon conversion of 3 Series 1 Preferred Shares.

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 766,059,000 (December 31, 2021 - 766,067,000) additional Common Shares would be issuable upon conversion of the face amount of the Preferred Shares into Common Shares, representing approximately 696% (December 31, 2021 - 696%) of the Common Shares outstanding as at March 31, 2022.

OUTLOOK

The continued rise in energy demand and commodity prices continues to provide strong fundamentals for our customers in the energy industry. While these customers have been prioritizing debt repayment and returns to shareholders, they are starting to increase spending on both maintenance projects (to enhance operational reliability) and capital projects (to maintain/expand productive capacity). We expect activity levels to continue to recover throughout 2022.

Due to the war in Ukraine and the lingering effects of the COVID-19 pandemic, growth in our served markets continues to drive some near-term challenges, including inflationary pressure on labour, equipment and materials as well as supply chain disruptions. We are working closely with our customers and suppliers to manage these challenges. We are also enhancing our programs to attract, retain and develop our number one resource, our employees.

With energy transition and environmental considerations becoming increasingly important for all stakeholders in all industrial end markets, we expect that our customers will continue to focus on improving their operational processes for greater efficiencies and reliability, which aligns well with our service offerings.

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 19 operating facilities, we believe that ClearStream is well-positioned to further consolidate the 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

The Company's risk factors have not changed materially from those disclosed in the "Risk Factors" section of the MD&A for the year ended December 31, 2021.

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, 2021, which is available on the SEDAR website at www.sedar.com.

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 March 31, 2022.

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 the Company is available in the Company's Annual Information Form for the year ended December 31, 2021.

ClearStream

FIRST QUARTER FINANCIAL STATEMENTS 2022

FIRST QUARTER

2022

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF

CLEARSTREAM ENERGY SERVICES INC.

THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(UNAUDITED)

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)

(Unaudited)

	Notes	March 31, 2022	December 31, 2021
Assets			
Cash		$ 25,441	$ 21,680
Accounts receivable	8	112,440	107,178
Inventories		5,921	5,532
Prepaid expenses		2,039	2,061
Total current assets		145,841	136,451
Property, plant and equipment	2	54,296	54,965
Goodwill and intangible assets		13,217	13,360
Long-term investments		715	678
Total assets		**$ 214,069**	**$ 205,454**
Liabilities and shareholders' deficit			
Accounts payable and accrued liabilities		$ 52,656	$ 34,869
Deferred consideration		425	416
Earn-out contingent liability		224	63
ABL facility	3	39,913	40,436
Current portion of lease liabilities		7,524	7,514
Current portion of other secured borrowings	3	1,437	1,437
Total current liabilities		102,179	84,735
Long-term incentive plans liability		2,239	2,239
Lease liabilities		23,179	23,852
Other secured borrowings	3	13,774	14,134
Senior secured debentures	3	109,744	109,744
Total liabilities		251,115	234,704
Common shares	6	462,057	462,054
Preferred shares	6	141,930	141,933
Contributed surplus		20,679	20,679
Deficit		(661,712)	(653,916)
Total shareholders' deficit		(37,046)	(29,250)
Total liabilities and shareholders' deficit		**$ 214,069**	**$ 205,454**

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

Consolidated Interim Statements of Loss and Comprehensive Loss

(In thousands of Canadian dollars)

(Unaudited)

For three months ended March 31,	Notes		2022		2021
Revenue	4	$	109,848	$	82,204
Cost of revenue			(100,108)		(74,159)
Gross profit			9,740		8,045
Selling, general and administrative expenses	5		(8,052)		(5,969)
Amortization of intangible assets			(143)		(162)
Depreciation expense	2		(2,564)		(3,184)
Income from equity investment			37		61
Interest expense			(3,872)		(4,420)
Restructuring expenses	7		(2,770)		(403)
Impairment of right-of-use assets			—		(8,270)
Loss on contingent consideration liability			(161)		—
Gain (loss) on sale of property, plant and equipment			2		(22)
Income from government subsidies			—		6,755
Loss from continuing operations			(7,783)		(7,569)
Loss from discontinued operations (net of income taxes)			(13)		(3)
Net loss and comprehensive loss		**$**	**(7,796)**	**$**	**(7,572)**
Net loss per share (dollars)					
Basic & diluted:					
Continuing operations		$	(0.07)	$	(0.07)
Discontinued operations		$	(0.00)	$	(0.00)
Net loss		$	(0.07)	$	(0.07)

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

Consolidated Interim Statements of Shareholders' Deficit

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

(Unaudited)

		Number of Common Shares	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Total Shareholders' Deficit
December 31, 2021		109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (653,916)	$ (29,250)
Net loss		—	—	—	—	(7,796)	(7,796)
Conversion of preferred shares to common shares	6	8,571	3	(3)	—	—	—
At March 31, 2022		110,001,239	$ 462,057	$ 141,930	$ 20,679	$ (661,712)	$ (37,046)

	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	$ (644,606)	$ (19,940)
Net loss	—	—	—	—	(7,572)	(7,572)
At March 31, 2021	109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (652,178)	$ (27,512)

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

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

For three months ended March 31,	Notes		2022		2021
Operating activities:					
Net loss		$	(7,796)	$	(7,572)
Adjustments for:					
Amortization of intangible assets			143		162
Depreciation expense	2		2,564		3,184
Income from equity investments			(37)		(61)
Accretion expense			10		45
Impairment of right-of-use assets			—		8,270
Amortization of deferred financing costs			27		158
Loss on contingent consideration liability			161		—
(Gain) loss on sale of property, plant and equipment			(2)		22
Deferred interest payments			—		(69)
Changes in non-cash working capital			12,158		18,690
Cash flow provided by operating activities		$	7,228	$	22,829
Investing activities:					
Purchase of property, plant and equipment			(386)		(350)
Net proceeds on disposal of property, plant and equipment			31		1,251
Purchase of intangible assets			—		(22)
Cash flow (used in) provided by investing activities		$	(355)	$	879
Financing activities:					
Repayment of other secured borrowings			(360)		(851)
Refinancing fees			(551)		(78)
Repayment of ABL facility			—		(126)
Repayment of lease liabilities			(2,201)		(1,925)
Cash flow used in financing activities		$	(3,112)	$	(2,980)
Increase in cash			3,761		20,728
Cash, beginning of period			21,680		30,477
Cash, end of period		$	25,441	$	51,205

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

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, wear technologies, facilities construction, welding and fabrication, and environmental services with locations across Western Canada.

These unaudited condensed consolidated interim financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of ClearStream on May 5, 2022.

1. Significant accounting policies

a. Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Financial Accounting Standards Board ("IASB"). Accordingly, certain information normally disclosed in annual consolidated financial statements 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, 2021. 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.

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, 2021	**$ 18,491**	**$ 1,803**	**$ 13,922**	**$ 749**	**$ 41,950**	**$ 42,694**	**$119,609**
Additions	—	—	225	—	1,538	161	1,924
Disposals	—	—	—	—	(39)	—	(39)
Balance as at March 31, 2022	**$ 18,491**	**$ 1,803**	**$ 14,147**	**$ 749**	**$ 43,449**	**$ 42,855**	**$121,494**
Accumulated Depreciation							
Balance as at December 31, 2021	**$ 1,814**	**$ 1,063**	**$ 10,377**	**$ 261**	**$ 23,277**	**$ 27,852**	**$ 64,644**
Depreciation	155	62	228	33	1,420	666	2,564
Disposals	—	—	—	—	(10)	—	(10)
Balance as at March 31, 2022	**$ 1,969**	**$ 1,125**	**$ 10,605**	**$ 294**	**$ 24,687**	**$ 28,518**	**$ 67,198**
Net book value							
As at December 31, 2021	**$ 16,677**	**$ 740**	**$ 3,545**	**$ 488**	**$ 18,673**	**$ 14,842**	**$ 54,965**
As at March 31, 2022	**$ 16,522**	**$ 678**	**$ 3,542**	**$ 455**	**$ 18,762**	**$ 14,337**	**$ 54,296**

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, 2021	**$ 34,185**	**$ 69**	**$ 7,696**	**$ 41,950**
Additions	221	—	1,317	1,538
Disposals	—	—	(39)	(39)
Balance as at March 31, 2022	**$ 34,406**	**$ 69**	**$ 8,974**	**$ 43,449**
Accumulated Depreciation				
Balance as at December 31, 2021	**$ 20,823**	**$ 65**	**$ 2,389**	**$ 23,277**
Depreciation	954	1	465	1,420
Disposals	—	—	(10)	(10)
Balance as at March 31, 2022	**$ 21,777**	**$ 66**	**$ 2,844**	**$ 24,687**
Net book value				
As at December 31, 2021	**$ 13,362**	**$ 4**	**$ 5,307**	**$ 18,673**
As at March 31, 2022	**$ 12,629**	**$ 3**	**$ 6,130**	**$ 18,762**

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 April 14, 2022 and the Term Loan Facility matures 180 days thereafter.

In March 2022, the Company amended its Revolving Facility, extending the maturity date of the facility to April 14, 2022 from March 31, 2022. The amended agreement contains substantially similar terms and conditions as the previous agreement.

On April 14, 2022, the Company completed the refinancing of a new $25,000 asset-based revolving credit facility with a three-year term to replace its existing $15,000 Revolving Facility that was to mature on April 14, 2022. See note 10, Subsequent Event, for additional information related to the refinancing.

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 March 31, 2022 was $15,000 (December 31, 2021 - $15,000). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the Company and the other guarantors, being certain of the Company's direct and indirect subsidiaries. The interest rate on the Revolving Facility is prime plus 2.5%, increasing to prime plus 4.0% if the Revolving Facility is more than 50% drawn.

As at March 31, 2022, nil (December 31, 2021 - nil) was drawn on the Revolving Facility, and there were $2,450 (December 31, 2021 - $2,450) of letters of credit reducing the amount available to be drawn. As at March 31, 2022, the net unamortized amount of deferred financing costs was $587 (December 31, 2021 - $64).

As at March 31, 2022, $40,500 (December 31, 2021 - $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; and
- The Company must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $6,600 for the fiscal year.

As at March 31, 2022, 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 loan agreements with BDC require the Company to maintain a fixed charge coverage ratio equal to or greater than 1.00:1.00 on annual basis.

As at March 31, 2022, ClearStream was in compliance with all financial covenants under the loan agreements with BDC.

c. Senior Secured Debentures

Balance as at January 1, 2021	$	105,173
Accretion		293
Debentures issued to settle interest		4,278
Balance as at December 31, 2021	$	109,744
Balance as at March 31, 2022	$	109,744

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 in arrears on June 30 and December 31 of each year. 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).

On December 10, 2021, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages and sole holder of the Senior Secured Debentures, agreed to accept the issuance of an additional 4,449 Senior Secured Debentures on June 30, 2022 and 4,627 Senior Secured Debentures on December 31, 2022 at a principal amount of $1,000 per Senior Secured Debenture in order to satisfy the interest that would otherwise become due and payable on such dates (the "Payment in Kind Transaction").

4. Revenue

The following are amounts for each significant category of revenue recognized during the three months ended March 31, 2022 and 2021:

For three months ended March 31,	2022	2021
Rendering of services	$ 94,410	$ 70,096
Sales of goods	15,438	12,108
Total	$ 109,848	$ 82,204

5. Selling, general and administrative expenses

For three months ended March 31,	2022	2021
Salaries and benefits	$ 5,304	$ 4,069
Occupancy and office costs	713	704
Professional fees	1,312	613
Travel and advertising	351	166
Insurance	372	417
Total	$ 8,052	$ 5,969

6. Share capital and loss per share

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

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

	Preferred Shares Series 1	Preferred Shares Series 2	Common Shares
Balance as at December 31, 2021	127,735	40,111	109,992,668
Converted to common shares	(3)	—	8,571
Balance as at March 31, 2022	127,732	40,111	110,001,239

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 March 31, 2022, the accrued and unpaid dividends on the Series 1 and Series 2 preferred shares totaled $64,025 (December 31, 2021 - $59,886). 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 261,959,231 (December 31, 2021 - 242,857,143) common shares would be issued, which represents approximately 238% (December 31, 2021 - 221%) of the common shares outstanding as at March 31, 2022.

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. During the three months ended March 31, 2022, 8,571 common shares were issued upon conversion of 3 Series 1 Preferred Shares.

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 766,059,000 (December 31, 2021 - 766,067,000) additional Common Shares would be issuable upon conversion of the face amount of the Preferred Shares into Common Shares, representing approximately 696% (December 31, 2021 - 696%) of the Common Shares outstanding as at March 31, 2022.

The only potentially dilutive securities as at March 31, 2022 were the preferred shares. All potentially dilutive securities were anti-dilutive for the three months ended March 31, 2022.

7. Restructuring expenses

Restructuring expenses of $2,770 were recorded during the three months ended March 31, 2022 (March 31, 2021 - $403). The non-recurring restructuring expenses in 2022 were primarily related to a management change that occurred in March 2022.

8. Financial instruments and risk management

Financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, ABL Facility, senior secured debentures, other secured borrowings, deferred consideration and earn-out contingent 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, interest rate 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:

	March 31, 2022	December 31, 2021
Cash	$ 25,441	$ 21,680
Accounts receivable	112,440	107,178
Total	$ 137,881	$ 128,858

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 March 31, 2022, $67,809 (December 31, 2021 - $72,205) related to trade receivables and $44,631 (December 31, 2021 - $34,973) 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 March 31, 2022, approximately $3,503 of ClearStream's trade receivables had been outstanding longer than 90 days (December 31, 2021 - $4,846). Management has fully evaluated the outstanding receivables as at March 31, 2022 and has determined that the lifetime expected credit losses of the trade receivables is 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.

On April 14, 2022, the Company completed the refinancing with a Canadian chartered bank of a new $25,000 asset-based revolving credit facility with a three-year term to replace its existing $15,000 asset-based revolving credit facility that was to mature on April 14, 2022. See note 10, Subsequent Event, for additional information related to the refinancing.

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 and interest rate risk for the three months ended March 31, 2022.

9. 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 and industrial markets. This segment provides maintenance services, welding, fabrication, machining, construction, turnaround services, heavy equipment operators and a resource/labour supply. 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

operating segments 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 eliminations of inter segment transactions. ClearStream accounts for inter-segment sales based on transaction price.

For the three months ended March 31, 2022	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenue	$ 99,436	$ 12,341	$ —	$ (1,929)	$ 109,848
Cost of revenue	(92,077)	(9,960)	—	1,929	(100,108)
Gross profit	7,359	2,381	—	—	9,740
Selling, general and administrative expenses	(152)	(74)	(7,826)	—	(8,052)
Amortization of intangible assets	(28)	(115)	—	—	(143)
Depreciation expense	(1,677)	(637)	(250)	—	(2,564)
Income from equity investment	37	—	—	—	37
Interest expense	(234)	(90)	(3,548)	—	(3,872)
Restructuring expenses	—	—	(2,770)	—	(2,770)
Loss on contingent consideration liability	—	—	(161)	—	(161)
Gain on sale of property, plant and equipment	2	—	—	—	2
Income (loss) from continuing operations	$ 5,307	$ 1,465	$ (14,555)	$ —	$ (7,783)

For the three months ended March 31, 2021		Maintenance and Construction Services		Wear Technology Overlay services		Corporate		Eliminations		Total
Revenue	$	74,035	$	8,565	$	—	$	(396)	$	82,204
Cost of revenue		(68,143)		(6,412)		—		396		(74,159)
Gross profit		5,892		2,153		—		—		8,045
Selling, general and administrative expenses		(133)		(72)		(5,764)		—		(5,969)
Amortization of intangible assets		(47)		(115)		—		—		(162)
Depreciation expense		(1,839)		(679)		(666)		—		(3,184)
Income from equity investment		61		—		—		—		61
Interest expense		(266)		(88)		(4,066)		—		(4,420)
Restructuring expenses		6		(277)		(132)		—		(403)
Impairment of right-of-use assets		—		—		(8,270)		—		(8,270)
Loss on sale property, plant and equipment		(22)		—		—		—		(22)
Income from government subsidies		5,678		496		581		—		6,755
Income (loss) from continuing operations	$	9,330	$	1,418	$	(18,317)	$	—	$	(7,569)

10. Subsequent Event

On April 14, 2022, ClearStream completed the refinancing of its asset-based revolving credit facility (the "Refinancing"). ClearStream established a new $25,000 asset-based revolving credit facility with a three-year term (the "New ABL Facility") to replace its existing $15,000 revolving facility that was to mature on April 14, 2022 (the "ABL Facility") and amended certain terms of the Term Loan Facility.

a. ABL Facility

The New ABL Facility consists of a revolving facility for maximum borrowings up to $25,000 with a Canadian chartered bank (the "New Lender"). The amount available under the New ABL Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable and inventories of ClearStream. The obligations under the New 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. The maturity date of the New ABL Facility is April 14, 2025. The interest rate on the New ABL Facility is prime plus 2.5%.

The financial covenants applicable under the New ABL Facility are:

a. 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; and

b. The Company must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $10,000 during any fiscal year.

As a result of the Refinancing, the letters of credit outstanding under the previous ABL Facility were secured by cash collateral of $3,200.

b. Term Loan Facility

As part of the Refinancing, the maturity date of the Term Loan Facility was extended from September 30, 2022 to October 14, 2025. The interest rate on the Term Loan Facility was also amended to a fixed rate of 8.0%.

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

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
TD Canada Trust

AUDITORS

Ernst & Young LLP

OFFICERS

Barry Card
Interim Chief Executive Officer

Randy Watt
Chief Financial Officer

Neil Wotton
Chief Operating Officer

Murray Desrosiers
Senior Vice President and General Counsel

Deloris Hetherington
Vice President, Human Resources

Brad Naeth
Vice President, Wear Technology Overlay

Herb Thomas
Vice President, Operations (Flint)

Angela Thompson
Vice President, Environmental and Project Services

Clint Tisnic
Vice President, Operational Finance

Kelly Siemens
Vice President, Finance and Corporate Controlling

LEGAL COUNSEL

Blake, Cassels & Graydon LLP
McCarthy Tetrault LLP

TRANSFER AGENT

Computershare Investor Services Inc.

EXCHANGE LISTING

Toronto Stock Exchange
Symbol: CSM

clearstreamenergy.com

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Corporate Office

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