ClearStream

THIRD QUARTER 2022

ClearStream Announces Third Quarter 2022 Financial Results

Completes 10 Turnaround Projects and reports quarterly revenues of $172 million

Calgary, Alberta (November 3, 2022) – ClearStream Energy Services Inc. ("ClearStream" or the "Company") (TSX: CSM) today announced its results for the nine months ended September 30, 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.

"The high level of activity that we experienced in the second quarter continued in the third quarter as we reported revenues of $171.9 million, largely unchanged from the record set in the second quarter. Revenues for both the three and nine month periods ended September 30, 2022 increased by 58% from the same periods in 2021 as the market recovery from the pandemic lows continued," said Barry Card, Chief Executive Officer.

"In the third quarter, we successfully completed an additional 10 turnaround projects to build and maintain the integrity of our customers' infrastructure. When combined with the second quarter, we completed a total of 30 turnaround projects. We were able to recruit and grow our workforce to over 4,000 employees at the peak, to complete these projects. The commitment of our employees to safety allowed these projects to be delivered on time and with no incidents, representing best in class performance," added Mr. Card.

HIGHLIGHTS

- Revenues for the three months ended September 30, 2022 were $171.9 million, representing an increase of $63.3 million or 58.2% from Q3 2021 and a decrease of $1.3 million or 0.8% from Q2 2022.
- Gross profit for the three months ended September 30, 2022 was $20.6 million, representing an increase of $8.5 million or 70.1% from Q3 2021 and an increase of $4.9 million or 31.3% from Q2 2022.
- Gross profit margin for the three months ended September 30, 2022 was 12.0%, as compared to 11.2% in Q3 2021 and 9.1% in Q2 2022.
- Adjusted EBITDAS for the three months ended September 30, 2022 were $12.4 million, representing an increase of $6.4 million or 107.3% from Q3 2021 and an increase of $4.5 million or 56.6% from Q2 2022.
- Adjusted EBITDAS margin for the three months ended September 30, 2022 was 7.2%, representing an increase of 1.7% from Q3 2021 and an increase of 2.6% from Q2 2022.
- Selling, general and administrative expenses for three months ended September 30, 2022 were $10.0 million, representing an increase of $2.7 million or 36.5% from Q3 2021 and an increase of $0.2 million or 1.8% from Q2 2022. The increase is largely due to our business recovering and stabilizing 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. In addition, 2022 expenses are higher than 2021 due to ongoing investments being made to support the Company's enterprise systems and digital strategy to drive longer-term efficiencies and increase our cost competitiveness.
- Liquidity, including cash and available credit facilities, was $21.6 million at September 30, 2022, as compared to $33.7 million at December 31, 2021.
- New contract awards and renewals totaled approximately $350.0 million for the three months ended September 30, 2022 and $12.0 million for the month of October 2022. Approximately 40% of the work is expected to be completed in the next 12 months.

Maintenance and Construction Services

Revenues for the three months ended September 30, 2022 were $159.3 million, representing an increase of $60.0 million or 60.4% from Q3 2021 and a decrease of $0.9 million or 0.6% from Q2 2022. The increase relative to Q3 2021 was due to the completion of an additional 10 turnaround projects in the third quarter, which included two large projects. Gross profit margin for Q3 2022 was 11.2%, an increase of 2.7% from Q2 2022 and 2.0% from Q3 2021. 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 September 30, 2022 were $14.0 million, representing an increase of $3.5 million or 33.6% from Q3 2021 and a decrease of $0.3 million or 2.2% from Q2 2022. Gross profit margin for Q3 2022 was 19.1%, an increase of 4.5% from Q2 2022 and a decrease of 9.0% from Q3 2021. The decrease relative to Q3 2021 was primarily due to the mix of business, job margins being lower for certain projects and an increase in material costs. 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 enhance our professional services capabilities to service our growing customer base in this market segment. Our customers continue to allocate expenditures for the closure, reclamation and remediation of oil and gas wells, pipelines and facilities in Western Canada as they increase their focus on ESG (environmental, social and governance) matters. We expect this trend to continue notwithstanding the expiry of the government-funded programs at the end of 2022.

Corporate

On September 23, 2022, Murray Desrosiers, Senior Vice President and General Counsel, was appointed Senior Vice President, Legal and Corporate Development. In this new role, Murray will be responsible for the coordination and delivery of legal services, insurance, corporate development and strategic planning.

Also on September 23, 2022, Angela Thompson, Vice President, Environmental and Project Services was appointed Vice President, Corporate Services. In this new role, Angela will be responsible for Business Development and Proposals, Marketing and Communications, and will continue to lead Project Services (Project Controls, Estimating, and Supply Chain Management) and Environmental Services.

THIRD QUARTER 2022 FINANCIAL RESULTS

($ millions, except per share amounts)	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Revenue						
Maintenance and Construction Services	159.3	99.4	60.4 %	419.0	260.6	60.8 %
Wear Technology Overlay Services	14.0	10.4	33.6 %	40.6	28.8	40.9 %
Eliminations(1)	(1.4)	(1.2)	20.7 %	(4.7)	(2.0)	134.6 %
Total	171.9	108.6	58.2 %	454.9	287.4	58.3 %
Gross Profit						
Maintenance and Construction Services	17.9	9.2	95.5 %	38.9	22.7	71.8 %
Wear Technology Overlay Services	2.7	2.9	(9.3)%	7.1	8.0	(10.4)%
Total	20.6	12.1	70.1 %	46.1	30.6	50.5 %
Gross Profit Margin (% of revenue)						
Maintenance and Construction Services	11.3 %	9.2 %	2.0 %	9.3 %	8.7 %	0.6 %
Wear Technology Overlay Services	19.1 %	28.2 %	(9.0)%	17.6 %	27.6 %	(10.1)%
Total	12.0 %	11.2 %	0.8 %	10.1 %	10.6 %	(0.5)%
Selling, general and administrative expenses	10.0	7.3	36.5 %	27.8	19.9	40.1 %
% of revenue	5.8 %	6.7 %	(0.9)%	6.1 %	6.9 %	— %
Adjusted EBITDAS(2)						
Maintenance and Construction Services	17.8	9.1	95.2 %	38.6	22.8	69.4 %
Wear Technology Overlay Services	2.6	2.9	(9.4)%	6.9	7.7	(10.7)%
Corporate	(8.0)	(6.0)	33.6 %	(22.2)	(17.8)	(24.3)%
Total	12.4	6.0	107.3 %	23.3	12.7	84.1 %
% of revenue	7.2 %	5.5 %	1.7 %	5.1 %	4.4 %	0.7 %
Income (loss) from continuing operations	1.2	(2.2)	(152.7)%	(7.6)	(9.3)	(18.5)%
Net income (loss) per share (dollars) from continuing operations (basic and diluted)	0.01	(0.02)	(152.7)%	(0.07)	(0.08)	— %

(1) The eliminations includes eliminations of inter-segment transactions. ClearStream accounts for inter-segment sales based on transaction price.

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

Revenues for the three and nine months ended September 30, 2022 were $171,883 and $454,927 compared to $108,647 and $287,447 for the same periods in 2021, representing an increase of 58.2% and 58.3%. The increase in revenue was driven by the strong market momentum in 2022, representing an increase in activity across all areas of the business with the largest increase occurring in the Maintenance and Construction Services segment.

Gross profit for the three and nine months ended September 30, 2022 was $20,617 and $46,059 compared to $12,124 and $30,610 for the same periods of 2021, representing an increase of 70.1% and 50.5%, respectively. Gross profit margin for the three and nine months ended September 30, 2022 was 12.0% and 10.1% compared to 11.2% and 10.6% for the same periods in 2021. The increase in gross profit and gross profit margin was primarily driven by an increase in the volume of work in the Maintenance and Construction Services segment combined with the recovery of the increased costs realized in the business, which have been built into contracts collaboratively with our customers.

Selling, general and administrative ("SG&A") expenses for the three and nine months ended September 30, 2022 were $9,970 and $27,821, in comparison to $7,302 and $19,856 for the same periods in 2021, representing an increase of 36.5% and 40.1%, respectively. As a percentage of revenue, SG&A expenses for the three and nine months ended September 30, 2022 were 5.8% and 6.1% compared to 6.7% and 6.9% for the same periods in 2021. Consistent with the last three quarters of 2021, the increase in SG&A expenses is partially 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 in 2022.

For the three and nine months ended September 30, 2022, Adjusted EBITDAS was $12,381 and $23,296 compared to $5,973 and $12,653 for the same periods in 2021. As a percentage of revenue, Adjusted EBITDAS was 7.2% and 5.1% for the three and nine months ended September 30, 2022 compared to 5.5% and 4.4% for the same periods 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 and nine months ended September 30, 2022, compared to $143 and $11,313 for the three and nine months ended September 30, 2021.

Income from continuing operations for the three months ended September 30, 2022 was $1,174 and loss from continuing operations for the nine months ended September 30, 2022 was $7,582 in comparison to losses of $2,227 and $9,300 for the same periods in 2021. The income variance was driven by a significant improvement in gross profit for the Maintenance and Construction Services segment and the impairment of right-of-use assets recognized in 2021, partially offset by the reduction in government subsidies in 2022, an increase in SG&A expenses and an increase in restructuring expenses.

LIQUIDITY AND CAPITAL RESOURCES

On October 5, 2022, ClearStream amended its asset-based revolving credit facility (the “ABL Facility”) with a Canadian charted bank to increase the maximum borrowings available thereunder to $50 million. The amount available under the ABL Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable of ClearStream and certain of its subsidiaries. The maturity date of the ABL Facility is April 14, 2025. The expanded ABL Facility will provide additional working capital needed to finance the higher level of activity experienced in 2022.

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 September 30, 2023.

As at September 30, 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 September 30, 2022, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $72.4 million. Any accrued and unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 and Series 2 preferred shares.

OUTLOOK

The return of global energy demand and the reality of a multi-year period of upstream oil and natural gas underinvestment has resulted in a shortage of oil and natural gas and higher commodity prices, providing a promising outlook for the services industry. The war in Ukraine and sanctions on Russian hydrocarbons have exacerbated the challenged supply situation and many importing countries are looking for alternative sources of supply, including North America, to fill the gap. At current commodity price levels, we anticipate continued high demand for our services as customers seek to maintain or incrementally grow production levels. However, broad economic concerns exist with respect to inflation, rising interest rates and geopolitical instability, the combination of which may lead to a global recession. These concerns may negatively impact the spending plans of our customers.

Despite some recent weakness, the pricing for commodities in the end markets we serve continues to be strong. While our 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 or expand production capacity). We expect activity levels to remain strong for the remainder of 2022.

ClearStream's business model continues to prove its resilience as we are working closely with our customers to help them effectively manage their operations. Our organic growth strategy involves cross-selling our suite of more than 40 services that encompass the full asset lifecycle to generate efficiencies and cost reductions for our customers and further expanding our reach into industrial markets. We are also continually working to improve our service delivery to anticipate our customer’s requirements and proactively meet their needs.

Additional Information

Our unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 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; contract renewals and project awards, including the estimated value thereof and the timing of completing the associated work; that the demand for our AssetArmor^{TM} products will increase as customers increase production levels; that customers will continue to allocate expenditures for the closure, reclamation and remediation of oil and gas wells, pipelines and facilities in Western Canada; 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 September 30, 2023; our dividend policy; the supply/demand fundamentals for oil and natural gas and its impact on the demand for our services; the pricing outlook for commodities in the end markets we serve; that broad economic concerns may negatively impact the spending plans of our customers; that our customers will increase spending on both maintenance and capital projects; and activity levels for the remainder of 2022.

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 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 and nine months ended September 30, 2022.

Adjusted EBITDAS refers to EBITDAS excluding impairment of goodwill and intangible assets, restructuring expense, gain (loss) on sale of property, plant and equipment, loss 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 and nine months ended September 30, 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

THIRD QUARTER MD&A 2022

Management's Discussion and Analysis

November 3, 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 and nine months ended September 30, 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 and nine months ended September 30, 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 November 3, 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, oil sands, 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 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 September 30, 2023; our dividend policy; the effect of known claims and litigation on our financial position and results of operations; the supply/demand fundamentals for oil and natural gas and its impact on the demand for our services; the pricing outlook for commodities in the end markets we serve; that broad economic concerns may negatively impact the spending plans of our customers; that our customers will increase spending on both maintenance and capital projects; and activity levels for the remainder of 2022.

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.

Advisory regarding Non-Standard Measures

The terms ‘‘EBITDAS’’ and “Adjusted EBITDAS” (collectively, the ‘‘Non-Standard Measures’’) are financial measures used in this MD&A that are not standard measures under IFRS. ClearStream’s method of calculating 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 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, loss 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.

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.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue	$ 171,883	$ 108,647	$ 454,927	$ 287,447
Cost of revenue	(151,266)	(96,523)	(408,868)	(256,837)
Gross profit	20,617	12,124	46,059	30,610
Selling, general and administrative expenses	(9,970)	(7,302)	(27,821)	(19,856)
Long-term incentive plan expense	(1,303)	(200)	(1,303)	(1,000)
Amortization of intangible assets	(143)	(176)	(430)	(502)
Depreciation expense	(2,766)	(2,858)	(7,920)	(9,340)
Income from equity investment	53	76	105	464
Interest expense	(4,260)	(3,737)	(12,369)	(12,020)
Restructuring expenses	(1,227)	(297)	(4,053)	(884)
Impairment of right-of-use assets	—	—	—	(8,270)
Recovery (loss) on contingent consideration liability	80	—	(81)	—
Gain on sale of property, plant and equipment	93	—	231	185
Income from government subsidies	—	143	—	11,313
Income (loss) from continuing operations	1,174	(2,227)	(7,582)	(9,300)
Add:				
Amortization of intangible assets	143	176	430	502
Depreciation expense	2,766	2,858	7,920	9,340
Long-term incentive plan expense	1,303	200	1,303	1,000
Interest expense	4,260	3,737	12,369	12,020
EBITDAS (1)	9,646	4,744	14,440	13,562
Add (deduct):				
Gain on sale of property, plant and equipment	(93)	—	(231)	(185)
Restructuring expenses	1,227	297	4,053	884
Income from government subsidies	—	(143)	—	(11,313)
One-time incurred expenses	1,681	1,075	4,953	1,435
Impairment of right-of-use assets	—	—	—	8,270
(Recovery) loss on contingent consideration liability	(80)	—	81	—
Adjusted EBITDAS (1)	$ 12,381	$ 5,973	$ 23,296	$ 12,653

(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 income (loss) per share (dollars)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Basic & Diluted:				
Continuing operations	$ 0.01	$ (0.02)	$ (0.07)	$ (0.08)
Net income (loss)	$ 0.01	$ (0.02)	$ (0.07)	$ (0.08)

Selected Balance Sheet Accounts	September 30, 2022	December 31, 2021
Total assets	$ 247,360	$ 205,454
ABL facility	9,429	—
Term loan facility	40,126	40,436
Senior secured debentures	114,299	109,744
Other secured borrowings	14,500	15,571
Shareholders' deficit	$ 36,849	$ 29,250

THIRD QUARTER 2022 RESULTS

Revenues for the three and nine months ended September 30, 2022 were $171,883 and $454,927 compared to $108,647 and $287,447 for the same periods in 2021, representing an increase of 58.2% and 58.3%, respectively. The increase in revenue was driven by the strong market momentum in 2022, representing an increase in activity across all areas of the business with the largest increase occurring in the Maintenance and Construction Services segment.

Gross profit for the three and nine months ended September 30, 2022 was $20,617 and $46,059 compared to $12,124 and $30,610 for the same periods of 2021, representing an increase of 70.1% and 50.5%, respectively. Gross profit margin for the three and nine months ended September 30, 2022 was 12.0% and 10.1% compared to 11.2% and 10.6% for the same periods in 2021. The increase in gross profit and gross profit margin was primarily driven by an increase in the volume of work in the Maintenance and Construction Services segment combined with the recovery of the increased costs realized in the business, which have been built into contracts collaboratively with our customers.

Selling, general and administrative (“SG&A”) expenses for the three and nine months ended September 30, 2022 were $9,970 and $27,821, in comparison to $7,302 and $19,856 for the same periods in 2021, representing an increase of 36.5% and 40.1%, respectively. As a percentage of revenue, SG&A expenses for the three and nine months ended September 30, 2022 were 5.8% and 6.1% compared to 6.7% and 6.9% for the same periods in 2021. Consistent with the last three quarters of 2021, the increase in SG&A expenses is partially 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 in 2022.

Non-cash items that have impacted the 2022 results were depreciation and amortization. For the three and nine months ended September 30, 2022, depreciation and amortization expenses were $2,909 and $8,350 compared to $3,034 and $9,842 for the same periods in 2021. The decrease in depreciation and amortization expenses is due to the passage of time and regular reduction of asset values.

For the three and nine months ended September 30, 2022, interest expenses were $4,260 and $12,369 compared to $3,737 and $12,020 for the same periods in 2021, representing an increase of 14.0% and 2.9%, respectively. The increase in the third quarter of 2022 was due to the Company utilizing its asset-based lending facility in 2022 with the increase in volume of work, compared to no amounts being drawn on the facility in the comparable period of 2021.

Restructuring expenses of $1,227 and $4,053 were recorded during the three and nine months ended September 30, 2022 compared to $297 and $884 for the same periods in 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 and nine months ended September 30, 2022, compared to $143 and $11,313 for the three and nine months ended September 30, 2021.

Income from continuing operations for the three months ended September 30, 2022 was $1,174 and loss from continuing operations for the nine months ended September 30, 2022 was $7,582 in comparison to losses of $2,227 and $9,300 for the same periods in 2021. The income variance was driven by a significant improvement in gross profit for the Maintenance and Construction Services segment and the impairment of right-of-use assets recognized in 2021, partially offset by the reduction in government subsidies in 2022, an increase in SG&A expenses and an increase in restructuring expenses.

For the three and nine months ended September 30, 2022, Adjusted EBITDAS was $12,381 and $23,296 compared to $5,973 and $12,653 for the same periods in 2021. As a percentage of revenue, Adjusted EBITDAS was 7.2% and 5.1% for the three and nine months ended September 30, 2022 compared to 5.5% and 4.4% for the same periods in 2021.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue	$ 159,318	$ 99,354	$ 419,019	$ 260,649
Cost of revenue	(141,371)	(90,173)	(380,091)	(237,995)
Gross profit	17,947	9,181	38,928	22,654
Selling, general and administrative expenses	(161)	(119)	(479)	(365)
Amortization of intangible assets	(28)	(61)	(85)	(157)
Depreciation expense	(1,863)	(1,868)	(5,235)	(5,924)
Income from equity investments	53	76	105	464
Interest expense	(236)	(201)	(655)	(645)
Restructuring expenses	(47)	—	(48)	(1)
Gain on sale of property, plant and equipment	93	—	231	185
Income from government subsidies	—	94	—	9,604
Income from continuing operations	15,758	7,102	32,762	25,815
Add:				
Amortization of intangible assets	28	61	85	157
Depreciation expense	1,863	1,868	5,235	5,924
Interest expense	236	201	655	645
EBITDAS (1)	17,885	9,232	38,737	32,541
Add (deduct):				
Gain on sale of property, plant and equipment	(93)	—	(231)	(185)
Restructuring expenses	47	—	48	1
Income from government subsidies	—	(94)	—	(9,604)
Adjusted EBITDAS (1)	$ 17,839	$ 9,138	$ 38,554	$ 22,753

(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 $159,318 and $419,019 for the three and nine months ended September 30, 2022, compared to $99,354 and $260,649 for the same periods in 2021, representing an increase of 60.4% and 60.8%, respectively. The increase was due to additional activity related to the ongoing market recovery from the COVID-19 pandemic.

Gross Profit

Gross profit was $17,947 and $38,928 for the three and nine months ended September 30, 2022, compared to $9,181 and $22,654 for the same periods in 2021, representing an increase of 95.5% and 71.8%, respectively. Gross profit margin was 11.3% and 9.3% for the three and nine months ended September 30, 2022 compared to 9.2% and 8.7% for the same periods in 2021. The increase in gross profit and gross profit margin for the nine months ended September 30, 2022 was due to the increase in the volume of activity related to the ongoing market recovery in 2022 and the recovery of the increased costs realized in the business, which have been built into contracts collaboratively with our customers. The increase in gross profit and gross profit margins for the three months ended September 30, 2022 was also due to higher margins realized on a couple major projects completed during the quarter.

WEAR TECHNOLOGY OVERLAY SERVICES

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Revenue	$ 13,955	$ 10,445	$ 40,573	$ 28,786
Cost of revenue	(11,285)	(7,502)	(33,442)	(20,830)
Gross profit	2,670	2,943	7,131	7,956
Selling, general and administrative expenses	(80)	(84)	(228)	(226)
Amortization of intangible assets	(115)	(115)	(345)	(345)
Depreciation expense	(650)	(695)	(1,928)	(2,063)
Interest expense	(19)	(48)	(146)	(231)
Restructuring expenses	(1)	—	(1)	(283)
Income from government subsidies	—	45	—	851
Income from continuing operations	1,805	2,046	4,483	5,659
Add:				
Amortization of intangible assets	115	115	345	345
Depreciation expense	650	695	1,928	2,063
Interest expense	19	48	146	231
EBITDAS (1)	2,589	2,904	6,902	8,298
Add (deduct):				
Restructuring expenses	1	—	1	283
Income from government subsidies	—	(45)	—	(851)
Adjusted EBITDAS (1)	$ 2,590	$ 2,859	$ 6,903	$ 7,730

(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 and nine months ended September 30, 2022 were $13,955 and $40,573, compared to $10,445 and $28,786 for the same periods in 2021, representing an increase of 33.6% and 40.9%, respectively. The increase was due to activity levels for wear technology overlay and fabrication services continuing to see a strong market recovery as customers in the oil sands are increasing their production levels.

Gross Profit

Gross profit was $2,670 and $7,131 for the three and nine months ended September 30, 2022, compared to $2,943 and $7,956 for the same periods in 2021, representing a decrease of 9.3% and 10.4%, respectively. Gross profit margin was 19.1% and 17.6% for the three and nine months ended September 30, 2022, compared to 28.2% and 27.6% for the same periods in 2021. The decrease in gross profit margin was primarily due to the mix of business, job margins being lower for certain projects 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.

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Selling, general and administrative expenses	$ (9,729)	$ (7,099)	$ (27,114)	$ (19,265)
Long-term incentive plan expense	(1,303)	(200)	(1,303)	(1,000)
Depreciation expense	(253)	(295)	(757)	(1,353)
Interest expense	(4,005)	(3,488)	(11,568)	(11,144)
Restructuring expenses	(1,179)	(297)	(4,004)	(600)
Impairment of right-of-use assets	—	—	—	(8,270)
Recovery (loss) on contingent consideration liability	80	—	(81)	—
Income from government subsidies	—	4	—	858
Loss from continuing operations	(16,389)	(11,375)	(44,827)	(40,774)
Add:				
Depreciation expense	253	295	757	1,353
Long-term incentive plan expense	1,303	200	1,303	1,000
Interest expense	4,005	3,488	11,568	11,144
EBITDAS (1)	(10,828)	(7,392)	(31,199)	(27,277)
Add (deduct):				
Restructuring expenses	1,179	297	4,004	600
Income from government subsidies	—	(4)	—	(858)
One-time incurred expenses	1,681	1,075	4,953	1,435
Impairment of right-of-use assets	—	—	—	8,270
(Recovery) loss on contingent consideration liability	(80)	—	81	—
Adjusted EBITDAS (1)	$ (8,048)	$ (6,024)	$ (22,161)	$ (17,830)

(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 $9,729 and $27,114 for the three and nine months ended September 30, 2022 compared to $7,099 and $19,265 for the same periods in 2021. SG&A expenses as a percentage of revenue were 5.7% and 6.0% for the three and nine months ended September 30, 2022 compared to 6.5% and 6.7% for the same periods 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 in 2022.

LIQUIDITY AND CAPITAL RESOURCES

For nine months ended September 30,		2022		2021
Cash flow (used in) provided by operating activities	$	(16,627)	$	8,233
Cash flow used in investing activities		(876)		(1,008)
Cash flow used in financing activities		(666)		(7,494)
Consolidated cash, end of period	$	3,511	$	30,208

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 September 30, 2023.

Investing Activities

Cash flow used in investing activities during the three and nine months ended September 30, 2022 consisted of the purchase of assets, partially offset by proceeds from the disposal of certain assets.

Financing Activities

On April 14, 2022, ClearStream completed the refinancing of its asset-based revolving credit facility by establishing a new $25,000 asset-based revolving credit facility with a three-year term to replace its existing $15,000 revolving facility that matured on April 14, 2022. As part of the refinancing, ClearStream also amended certain terms of the Term Loan Facility, as described in note b below.

On October 5, 2022, ClearStream and its lender agreed to amend the asset-based revolving credit facility to increase the maximum borrowings available thereunder to $50,000.

a. ABL Facility

ClearStream has an asset-based revolving credit facility (the "ABL Facility") providing for maximum borrowings up to $25,000 with a Canadian chartered bank (the "Lender"). The ABL Facility matures on April 14, 2025. Pursuant to an amending agreement dated June 23, 2022, the ABL Facility was amended to increase the maximum borrowings available thereunder to $30,000 during the period commencing on June 23, 2022 and ending on November 30, 2022.

On October 6, 2022, the Company completed an amendment to the ABL Facility increasing the maximum borrowing to $50,000 through maturity on April 14, 2025. The increase in the asset-based revolving credit facility is to support the higher level of activity experienced in 2022 and expected to continue in future years.

The amount available under the ABL Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable of the Company. The ABL Facility borrowing base as at September 30, 2022 was $30,000 (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 of the Company and the other guarantors, being certain of the Company's direct subsidiaries. The interest rate on the ABL Facility is the Lender's prime rate plus 2.5%.

As at September 30, 2022, $9,950 (December 31, 2021 - nil) was drawn on the ABL Facility, and there were $1,147 (December 31, 2021 - $2,450) of letters of credit reducing the amount available to be drawn. As at September 30, 2022, the net amount of deferred financing costs were $521 (December 31, 2021 - $64).

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 $10,000 for the fiscal year.

As at September 30, 2022, ClearStream was in compliance with all financial covenants under the ABL Facility.

As a result of the refinancing, the letters of credit outstanding under the prior asset-based revolving lending facility in the amount of $2,300 are secured by cash collateral of $2,300.

b. Term Loan Facility

ClearStream has 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 Term Loan Facility matures on the earlier of (a) the date that is 180 days following the maturity date of the ABL Facility and (b) October 14, 2025.

As at September 30, 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 a fixed rate of 8.0%. The net amount of deferred financing costs were $374 as at September 30, 2022 (December 31, 2021 - nil).

c. 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, the Term Loan Facility, the 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 for each twelve month period calculated and tested as of the last day of each fiscal year.

As at September 30, 2022, ClearStream was in compliance with all financial covenants under the loan agreements with BDC.

d. Senior Secured Debentures

On March 23, 2016, the Company issued 8.0% 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 8.0% 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, the Term Loan 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"). The terms of the new Senior Secured Debentures issued pursuant to the Payment in Kind Transaction will be the same as the existing Senior Secured Debentures in all material respects. In connection with the Payment in Kind Transaction, the Company entered into the Seventh Supplemental Senior Secured Indenture effective as of December 15, 2021.

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

($000s except unit amounts)	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4
Revenue ($)	171,883	173,195	109,848	101,955	108,647	96,596	82,204	84,530
Gross Profit ($)	20,617	15,701	9,740	9,728	12,124	10,440	8,045	8,372
Gross Profit Margin (%)	12.0	9.1	8.9	9.5	11.2	10.8	9.8	9.9
Net income (loss) from continuing operations ($)	1,174	(974)	(7,783)	5	(2,227)	494	(7,569)	1,754
Net income (loss) ($)	1,172	(976)	(7,796)	4	(2,228)	487	(7,572)	1,722
Net income (loss) per share from continuing operations ($)	0.01	(0.01)	(0.07)	0.00	(0.02)	0.00	(0.07)	0.02
Net income (loss) per share ($)	0.01	(0.01)	(0.07)	0.00	(0.02)	0.00	(0.07)	0.02

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 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. The seasonality trend has returned with larger volumes experienced in the second and third quarter of 2022.

TRANSACTIONS WITH RELATED PARTIES

As at September 30, 2022, directors and officers beneficially held an aggregate of 7,632,907 common shares, representing approximately 6.9% 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		Common
	Series 1	Series 2	Shares
Balance as at December 31, 2021	127,735	40,111	109,992,668
Converted to common shares	(3)	—	8,571
Balance as at September 30, 2022	127,732	40,111	110,001,239

The Series 1 and Series 2 Preferred Shares have a 10.0% 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 September 30, 2022, the accrued and unpaid dividends on the Series 1 and Series 2 preferred shares totaled $72,441 (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 300,367,099 (December 31, 2021 - 242,857,143) common shares would be issued, which represents approximately 273.1% (December 31, 2021 - 221.0%) of the common shares outstanding as at September 30, 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 nine months ended September 30, 2022, 8,571 common shares were issued upon conversion of three 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 696.5% (December 31, 2021 - 696.5%) of the Common Shares outstanding as at September 30, 2022.

OUTLOOK

The return of global energy demand and the reality of a multi-year period of upstream oil and natural gas underinvestment has resulted in a shortage of oil and natural gas and higher commodity prices, providing a promising outlook for the services industry. The war in Ukraine and sanctions on Russian hydrocarbons have exacerbated the challenged supply situation and many importing countries are looking for alternative sources of supply, including North America, to fill the gap. At current commodity price levels, we anticipate continued high demand for our services as customers seek to maintain or incrementally grow production levels. However, broad economic concerns exist with respect to inflation, rising interest rates and geopolitical instability, the combination of which may lead to a global recession. These concerns may negatively impact the spending plans of our customers.

Despite some recent weakness, the pricing for commodities in the end markets we serve continues to be strong. While our 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 or expand production capacity). We expect activity levels to remain strong for the remainder of 2022.

ClearStream's business model continues to prove its resilience as we are working closely with our customers to help them effectively manage their operations. Our organic growth strategy involves cross-selling our suite of more than 40 services that encompass the full asset lifecycle to generate efficiencies and cost reductions for our customers and further expanding our reach into industrial markets. We are also continually working to improve our service delivery to anticipate our customer’s requirements and proactively meet their needs.

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 nine months ended September 30, 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

THIRD QUARTER FINANCIAL STATEMENTS 2022

THIRD QUARTER

2022

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF

CLEARSTREAM ENERGY SERVICES INC.

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(UNAUDITED)

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)

(Unaudited)

	Notes	September 30, 2022	December 31, 2021
Assets			
Cash		$ 3,511	$ 21,680
Restricted cash	2	2,300	—
Accounts receivable	9	167,256	107,178
Inventories		6,056	5,532
Prepaid expenses		3,059	2,061
Total current assets		182,182	136,451
Property, plant and equipment	3	51,815	54,965
Goodwill and intangible assets		12,930	13,360
Long-term investments		433	678
Total assets		**$ 247,360**	**$ 205,454**
Liabilities and shareholders' deficit			
Accounts payable and accrued liabilities		$ 75,415	$ 34,869
Term loan facility	4	—	40,436
Deferred consideration		—	416
Earn-out contingent liability		—	63
Current portion of lease liabilities		7,466	7,514
Current portion of other secured borrowings	4	1,437	1,437
Total current liabilities		84,318	84,735
Long-term incentive plan liability		1,621	2,239
ABL facility	4	9,429	—
Term loan facility	4	40,126	—
Lease liabilities		21,353	23,852
Other secured borrowings	4	13,063	14,134
Senior secured debentures	4	114,299	109,744
Total liabilities		284,209	234,704
Common shares	7	462,057	462,054
Preferred shares	7	141,930	141,933
Contributed surplus		20,679	20,679
Deficit		(661,515)	(653,916)
Total shareholders' deficit		(36,849)	(29,250)
Total liabilities and shareholders' deficit		**$ 247,360**	**$ 205,454**

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

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

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Revenue	5	$ 171,883	$ 108,647	$ 454,927	$ 287,447
Cost of revenue		(151,266)	(96,523)	(408,868)	(256,837)
Gross profit		20,617	12,124	46,059	30,610
Selling, general and administrative expenses	6	(9,970)	(7,302)	(27,821)	(19,856)
Long-term incentive plan expense		(1,303)	(200)	(1,303)	(1,000)
Amortization of intangible assets		(143)	(176)	(430)	(502)
Depreciation expense	3	(2,766)	(2,858)	(7,920)	(9,340)
Income from equity investment		53	76	105	464
Interest expense		(4,260)	(3,737)	(12,369)	(12,020)
Restructuring expenses	8	(1,227)	(297)	(4,053)	(884)
Impairment of right-of-use assets		—	—	—	(8,270)
Recovery (loss) on contingent consideration liability		80	—	(81)	—
Gain on sale of property, plant and equipment		93	—	231	185
Income from government subsidies		—	143	—	11,313
Income (loss) from continuing operations		1,174	(2,227)	(7,582)	(9,300)
Loss from discontinued operations (net of income taxes)		(2)	(1)	(17)	(11)
Net income (loss) and comprehensive income (loss)		**$ 1,172**	**$ (2,228)**	**$ (7,599)**	**$ (9,311)**
Net income (loss) per share (dollars)					
Basic & diluted:					
Continuing operations		$ 0.01	$ (0.02)	$ (0.07)	$ (0.08)
Discontinued operations		$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Net income (loss)		$ 0.01	$ (0.02)	$ (0.07)	$ (0.08)

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)

	Notes	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		—	—	—	—	(7,599)	(7,599)
Conversion of preferred shares to common shares	7	8,571	3	(3)	—	—	—
At September 30, 2022		110,001,239	$ 462,057	$ 141,930	$ 20,679	$ (661,515)	$ (36,849)

	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	—	—	—	—	(9,311)	(9,311)
At September 30, 2021	109,992,668	$ 462,054	$ 141,933	$ 20,679	$ (653,917)	$ (29,251)

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 nine months ended September 30,	Notes	2022	2021
Operating activities:			
Net loss		$ (7,599)	$ (9,311)
Adjustments for:			
Long-term incentive plan expense		1,303	1,000
Amortization of intangible assets		430	502
Depreciation expense	3	7,920	9,340
Income from equity investment		(105)	(464)
Accretion expense		143	247
Non-cash interest expense	4	4,449	—
Impairment of right-of-use assets		—	8,270
Payment of earn-out		(157)	—
Amortization of deferred financing costs		148	161
Loss on contingent consideration liability		81	—
Gain on sale of property, plant and equipment	3	(231)	(185)
Deferred interest payments		—	(208)
Changes in non-cash working capital		(23,009)	(1,119)
Cash flow (used in) provided by operating activities		(16,627)	8,233
Investing activities:			
Acquisitions, net of cash acquired		—	(1,197)
Purchase of property, plant and equipment	3	(1,328)	(1,204)
Net proceeds on disposal of property, plant and equipment	3	535	1,598
Purchase of intangible assets		—	(22)
Proceeds from equity investment		350	250
Payment of deferred consideration		(433)	(433)
Cash flow used in investing activities		(876)	(1,008)
Financing activities:			
Increase in restricted cash	2	(2,300)	—
Repayment of other secured borrowings	4	(1,080)	(1,575)
Increase in ABL facility	4	9,950	—
Refinancing fees	4	(979)	(82)
Repayment of prior ABL facility	4	—	(126)
Repayment of lease liabilities		(6,257)	(5,711)
Cash flow used in financing activities		(666)	(7,494)
Decrease in cash		(18,169)	(269)
Cash, beginning of period		21,680	30,477
Cash, end of period		$ 3,511	$ 30,208

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 continued under 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 ("interim financial statements") were authorized for issuance in accordance with a resolution of the Board of Directors of ClearStream on November 3, 2022.

1. Significant accounting policies

a. Basis of presentation

These 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 an historical cost basis and presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated.

2. Restricted cash

On April 14, 2022, ClearStream established a new asset-based revolving credit facility with a three-year term to replace the asset-based revolving credit facility that was to mature on April 14, 2022 (the “Prior ABL Facility”). Restricted cash of $2,300 as at September 30, 2022 was used as collateral to secure the outstanding letters of credit of $2,300 that remains outstanding with the Prior ABL facility lender.

3. Property, plant and equipment

	Land and buildings	Computer hardware	Furniture, tools and equipment	Leasehold improve-ments	Right-of-use assets	Automotive and heavy equipment	Total
Cost							
As at December 31, 2021	$ 18,491	$ 1,803	$ 13,922	$ 749	$ 41,950	$ 42,694	$ 119,609
Additions	—	61	946	—	3,832	321	5,160
Disposals	—	(26)	(27)	(96)	(157)	(900)	(1,206)
Asset class transfer	—	—	—	—	(3,050)	3,050	—
As at September 30, 2022	$ 18,491	$ 1,838	$ 14,841	$ 653	$ 42,575	$ 45,165	$ 123,563
Accumulated Depreciation							
As at December 31, 2021	$ 1,814	$ 1,063	$ 10,377	$ 261	$ 23,277	$ 27,852	$ 64,644
Depreciation	466	197	740	99	4,352	2,066	7,920
Disposals	—	(26)	(26)	(96)	(86)	(582)	(816)
Asset class transfer	—	—	—	—	(2,191)	2,191	—
As at September 30, 2022	$ 2,280	$ 1,234	$ 11,091	$ 264	$ 25,352	$ 31,527	$ 71,748
Net book value							
As at December 31, 2021	$ 16,677	$ 740	$ 3,545	$ 488	$ 18,673	$ 14,842	$ 54,965
As at September 30, 2022	$ 16,211	$ 604	$ 3,750	$ 389	$ 17,223	$ 13,638	$ 51,815

Right-of-use assets consist of the following:

	Land and buildings	Furniture, tools and equipment	Automotive and heavy equipment	Total
Cost				
As at December 31, 2021	$ 34,185	$ 69	$ 7,696	$ 41,950
Asset class transfer	—	—	(3,050)	(3,050)
Additions	221	—	3,611	3,832
Disposals	—	—	(157)	(157)
As at September 30, 2022	$ 34,406	$ 69	$ 8,100	$ 42,575
Accumulated Depreciation				
As at December 31, 2021	$ 20,823	$ 65	$ 2,389	$ 23,277
Asset class transfer	—	—	(2,191)	(2,191)
Depreciation	2,862	2	1,488	4,352
Disposals	—	—	(86)	(86)
As at September 30, 2022	$ 23,685	$ 67	$ 1,600	$ 25,352
Net book value				
As at December 31, 2021	$ 13,362	$ 4	$ 5,307	$ 18,673
As at September 30, 2022	$ 10,721	$ 2	$ 6,500	$ 17,223

4. ABL facility, term loan facility and other borrowings

On April 14, 2022, ClearStream completed the refinancing of its asset-based revolving credit facility by establishing a new $25,000 asset-based revolving credit facility with a three-year term, as described in note 4a below, to replace its existing $15,000 revolving facility that matured on April 14, 2022. In connection with the refinancing, ClearStream also amended certain terms of its term loan facility as described in note 4b below.

a. ABL Facility

ClearStream has an asset-based revolving credit facility (the "ABL Facility") providing for maximum borrowings up to $25,000 with a Canadian chartered bank (the "Lender"). The ABL Facility matures on April 14, 2025. Pursuant to an amending agreement dated June 23, 2022, the ABL Facility was amended to increase the maximum borrowings available thereunder to $30,000 during the period commencing on June 23, 2022 and ending on November 30, 2022.

The amount available under the ABL Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable of the Company. The ABL Facility borrowing base as at September 30, 2022 was $30,000 (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 of the Company and the other guarantors, being certain of the Company's direct subsidiaries. The interest rate on the ABL Facility is the Lender's prime rate plus 2.5%.

As at September 30, 2022, $9,950 (December 31, 2021 - nil) was drawn on the ABL Facility, and there were $1,147 (December 31, 2021 - $2,450) of letters of credit reducing the amount available to be drawn. As at September 30, 2022, the net amount of deferred financing costs were $521 (December 31, 2021 - $64).

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 $10,000 for the fiscal year.

As at September 30, 2022, ClearStream was in compliance with all financial covenants under the ABL Facility.

As a result of the refinancing, the letters of credit outstanding under the Prior ABL Facility in the amount of $2,300 are secured by cash collateral of $2,300 (see Note 2).

b. Term Loan Facility

ClearStream has 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 Term Loan Facility matures on the earlier of (a) the date that is 180 days following the maturity date of the ABL Facility and (b) October 14, 2025.

As at September 30, 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 a fixed rate of 8.0%. The net amount of deferred financing costs were $374 as at September 30, 2022 (December 31, 2021 - nil).

c. 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, the Term Loan Facility, the 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 for each twelve month period calculated and tested as of the last day of each fiscal year.

As at September 30, 2022, ClearStream was in compliance with all financial covenants under the loan agreements with BDC.

d. 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
Accretion		106
Debentures issued to settle interest		4,449
Balance as at September 30, 2022	$	114,299

On March 23, 2016, the Company issued 8.0% 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 8.0% 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, the Term Loan 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"). The terms of the new Senior Secured Debentures issued pursuant to the Payment in Kind Transaction will be the same as the existing Senior Secured Debentures in all material respects. In connection with the Payment in Kind Transaction, the Company entered into the Seventh Supplemental Senior Secured Indenture effective as of December 15, 2021.

5. Revenue

The following are amounts for each significant category of revenue recognized during the three and nine months ended September 30, 2022 and 2021:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Rendering of services	$ 152,986	$ 95,728	$ 402,997	$ 249,872
Sales of goods	18,897	12,919	51,930	37,575
Total	$ 171,883	$ 108,647	$ 454,927	$ 287,447

6. Selling, general and administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Salaries and benefits	$ 6,723	$ 4,916	$ 17,979	$ 13,765
Occupancy and office costs	793	620	2,321	1,884
Professional fees	1,594	1,071	5,074	2,303
Travel and advertising	395	316	1,212	729
Insurance	454	379	1,200	1,175
Other	11	—	35	—
Total	$ 9,970	$ 7,302	$ 27,821	$ 19,856

7. 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 outstanding.

	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 September 30, 2022	127,732	40,111	110,001,239

The Series 1 and Series 2 Preferred Shares have a 10.0% 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 September 30, 2022, the accrued and unpaid dividends on the Series 1 and Series 2 preferred shares totaled $72,441 (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 300,367,099 (December 31, 2021 - 242,857,143) common shares would be issued, which represents approximately 273.1% (December 31, 2021 - 221.0%) of the common shares outstanding as at September 30, 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 nine months ended September 30, 2022, 8,571 common shares were issued upon conversion of three 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 696.5% (December 31, 2021 - 696.5%) of the Common Shares outstanding as at September 30, 2022.

The only potentially dilutive securities as at September 30, 2022 were the preferred shares. All potentially dilutive securities were anti-dilutive for the three and nine months ended September 30, 2022.

8. Restructuring expenses

Restructuring expenses of $4,053 were recorded during the nine months ended September 30, 2022 (September 30, 2021 - $884). The non-recurring restructuring expenses in 2022 were primarily related to a management change that occurred in March 2022.

9. Financial instruments and risk management

Financial instruments consist of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, the ABL Facility, the Term Loan Facility, the Senior Secured Debentures and other secured borrowings.

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:

	September 30, 2022	December 31, 2021
Cash	$ 3,511	$ 21,680
Restricted cash	2,300	—
Accounts receivable	167,256	107,178
Total	$ 173,067	$ 128,858

Cash and restricted cash are held at Canadian Schedule A Banks and are therefore considered low credit risk.

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

Of the total balance of accounts receivable at September 30, 2022, $118,047 (December 31, 2021 - $72,205) related to trade receivables and $49,209 (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 September 30, 2022, approximately $9,930 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 September 30, 2022 and has determined that the lifetime expected credit losses of the trade receivables is immaterial at this time.

ii. Interest rate risk

Interest rate risk arises from the possibility of the future cash flows of a financial instrument fluctuating as a result of changes in the market rates of interest. ClearStream is subject to interest rate risk on its ABL facility and other secured borrowings. The required cash flow to service certain credit facilities will fluctuate as a result of changes in market rates.

A 1% increase in interest rates in the year, assuming debt patterns are consistent with those that actually occurred in 2022, when annualized, would have resulted in a 2022 net income sensitivity of approximately $147 (2021 - $563).

iii. Liquidity risk

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

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

ClearStream manages its liquidity risk by continuously monitoring forecast and actual gross profit and cash flows from operations. The Company anticipates that its liquidity (cash on hand and available credit facilities) and cash flows from operations will be sufficient to meet its short-term contractual obligations and to maintain compliance with its financial covenants through September 30, 2023.

There are no material changes to customer concentration for the three and nine months ended September 30, 2022.

10. Segment information

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

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

- The Maintenance and Construction Services segment is a fully integrated provider of maintenance and construction services to the energy 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 September 30, 2022	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenue	$ 159,318	$ 13,955	$ —	$ (1,390)	$ 171,883
Cost of revenue	(141,371)	(11,285)	—	1,390	(151,266)
Gross profit	17,947	2,670	—	—	20,617
Selling, general and administrative expenses	(161)	(80)	(9,729)	—	(9,970)
Long-term incentive plan expense	—	—	(1,303)	—	(1,303)
Amortization of intangible assets	(28)	(115)	—	—	(143)
Depreciation expense	(1,863)	(650)	(253)	—	(2,766)
Income from equity investment	53	—	—	—	53
Interest expense	(236)	(19)	(4,005)	—	(4,260)
Restructuring expenses	(47)	(1)	(1,179)	—	(1,227)
Recovery of contingent consideration liability	—	—	80	—	80
Gain on sale of property, plant and equipment	93	—	—	—	93
Income (loss) from continuing operations	$ 15,758	$ 1,805	$ (16,389)	$ —	$ 1,174

For the three months ended September 30, 2021	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenue	$ 99,354	$ 10,445	$ —	$ (1,152)	$ 108,647
Cost of revenue	(90,173)	(7,502)	—	1,152	(96,523)
Gross profit	9,181	2,943	—	—	12,124
Selling, general and administrative expenses	(119)	(84)	(7,099)	—	(7,302)
Long-term incentive plan expense	—	—	(200)	—	(200)
Amortization of intangible assets	(61)	(115)	—	—	(176)
Depreciation expense	(1,868)	(695)	(295)	—	(2,858)
Income from equity investment	76	—	—	—	76
Interest expense	(201)	(48)	(3,488)	—	(3,737)
Restructuring expenses	—	—	(297)	—	(297)
Income from government subsidies	94	45	4	—	143
Income (loss) from continuing operations	$ 7,102	$ 2,046	$ (11,375)	$ —	$ (2,227)

For the nine months ended September 30, 2022	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenue	$ 419,019	$ 40,573	$ —	$ (4,665)	$ 454,927
Cost of revenue	(380,091)	(33,442)	—	4,665	(408,868)
Gross profit	38,928	7,131	—	—	46,059
Selling, general and administrative expenses	(479)	(228)	(27,114)	—	(27,821)
Long-term incentive plan expense	—	—	(1,303)	—	(1,303)
Amortization of intangible assets	(85)	(345)	—	—	(430)
Depreciation expense	(5,235)	(1,928)	(757)	—	(7,920)
Income from equity investment	105	—	—	—	105
Interest expense	(655)	(146)	(11,568)	—	(12,369)
Restructuring expenses	(48)	(1)	(4,004)	—	(4,053)
Loss on contingent consideration liability	—	—	(81)	—	(81)
Gain on sale of property, plant and equipment	231	—	—	—	231
Income (loss) from continuing operations	$ 32,762	$ 4,483	$ (44,827)	$ —	$ (7,582)

For the nine months ended September 30, 2021	Maintenance and Construction Services	Wear Technology Overlay services	Corporate	Eliminations	Total
Revenue	$ 260,649	$ 28,786	$ —	$ (1,988)	$ 287,447
Cost of revenue	(237,995)	(20,830)	—	1,988	(256,837)
Gross profit	22,654	7,956	—	—	30,610
Selling, general and administrative expenses	(365)	(226)	(19,265)	—	(19,856)
Long-term incentive plan expense	—	—	(1,000)	—	(1,000)
Amortization of intangible assets	(157)	(345)	—	—	(502)
Depreciation expense	(5,924)	(2,063)	(1,353)	—	(9,340)
Income from equity investment	464	—	—	—	464
Interest expense	(645)	(231)	(11,144)	—	(12,020)
Restructuring expenses	(1)	(283)	(600)	—	(884)
Impairment of right-of-use assets	—	—	(8,270)	—	(8,270)
Gain on sale property, plant and equipment	185	—	—	—	185
Income from government subsidies	9,604	851	858	—	11,313
Income (loss) from continuing operations	$ 25,815	$ 5,659	$ (40,774)	$ —	$ (9,300)

11. Subsequent Event

On October 5, 2022, ClearStream and its lender agreed to amend the asset-based revolving credit facility to increase the maximum borrowings available thereunder to $50,000.

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

TD Canada Trust

AUDITORS

Ernst & Young LLP

OFFICERS

Barry Card
Chief Executive Officer

Randy Watt
Chief Financial Officer

Neil Wotton
Chief Operating Officer

Murray Desrosiers
Senior Vice President, Legal and Corporate Development

Deloris Hetherington
Vice President, Human Resources

Brad Naeth
Vice President, Wear Technology Overlay

Kelly Siemens
Vice President, Finance and Corporate Controlling

Herb Thomas
Vice President, Operations (Flint)

Angela Thompson
Vice President, Corporate Services

Clint Tisnic
Vice President, Operational Finance

LEGAL COUNSEL

Blake, Cassels & Graydon LLP
McCarthy Tetrault LLP

TRANSFER AGENT

Computershare Investor Services Inc.

EXCHANGE LISTING

Toronto Stock Exchange
Symbol: CSM

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ClearStream

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