



ClearStream 

**SECOND
QUARTER
MD&A
2022**



Management's Discussion and Analysis

July 28, 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 six months ended June 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 six months ended June 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 July 28, 2022 and is current to that date unless otherwise indicated.

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

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

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

Reportable Segments

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

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

Segment	Business Description
Maintenance and Construction Services	Operational, maintenance, turnaround and construction services to the conventional oil and gas, oilsands, and other industries as well as abandonment, decommissioning, and reclamation services.
Wear Technology Overlay Services	Custom fabrication services supporting pipeline and infrastructure projects, patented wear technology overlay services specializing in overlay pipe spools, pipe bends and plate.
Corporate	Provision of typical head office functions, including strategic planning, corporate communications, taxes, legal, marketing, finance, human resources and information technology.

Advisory regarding Forward-Looking Information

Certain information included in this MD&A may constitute “forward-looking information” within the meaning of Canadian securities laws. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other similar expressions concerning matters that are not historical facts. Specifically, this MD&A contains forward-looking information relating to: our business plans, strategies and objectives; that 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 June 30, 2023; our dividend policy; the effect of known claims and litigation on our financial position and results of operations; the pricing outlook for commodities in the end markets we serve; that our customers will increase spending on both maintenance and capital projects; and activity levels for the second half 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.

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue	\$ 173,195	\$ 96,596	\$ 283,043	\$ 178,800
Cost of revenue	(157,494)	(86,156)	(257,602)	(160,315)
Gross profit	15,701	10,440	25,441	18,485
Selling, general and administrative expenses	(9,799)	(6,586)	(17,851)	(12,554)
Long-term incentive plan expense	—	(800)	—	(800)
Amortization of intangible assets	(143)	(163)	(286)	(326)
Depreciation expense	(2,591)	(3,298)	(5,155)	(6,482)
Income from equity investment	15	326	52	387
Interest expense	(4,237)	(3,863)	(8,109)	(8,283)
Restructuring expenses	(56)	(184)	(2,826)	(588)
Impairment of right-of-use assets	—	—	—	(8,270)
Loss on contingent consideration liability	—	—	(161)	—
Gain on sale of property, plant and equipment	136	207	138	185
Income from government subsidies	—	4,415	—	11,170
(Loss) income from continuing operations	(974)	494	(8,757)	(7,076)
Add:				
Amortization of intangible assets	143	163	286	326
Depreciation expense	2,591	3,298	5,155	6,482
Long-term incentive plan expense	—	800	—	800
Interest expense	4,237	3,863	8,109	8,283
EBITDAS ⁽¹⁾	5,997	8,618	4,793	8,815
Add (deduct):				
Gain on sale of property, plant and equipment	(136)	(207)	(138)	(185)
Restructuring expenses	56	184	2,826	588
Income from government subsidies	—	(4,415)	—	(11,170)
One-time incurred expenses	1,991	268	3,272	359
Impairment of right-of-use assets	—	—	—	8,270
Loss on contingent consideration liability	—	—	161	—
Adjusted EBITDAS ⁽¹⁾	\$ 7,908	\$ 4,448	\$ 10,914	\$ 6,677

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

Net (loss) income per share (dollars)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Basic & Diluted:				
Continuing operations	\$ (0.01)	\$ 0.00	\$ (0.08)	\$ (0.06)
Discontinued operations	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Net (loss) income	\$ (0.01)	\$ 0.00	\$ (0.08)	\$ (0.06)

Selected Balance Sheet Accounts	June 30, December 31,	
	2022	2021
Total assets	\$ 251,554	\$ 205,454
ABL facility	17,188	—
Term loan facility	40,097	40,436
Senior secured debentures	114,297	109,744
Other secured borrowings	14,856	15,571
Shareholders' deficit	\$ 38,022	\$ 29,250

SECOND QUARTER 2022 RESULTS

Revenues for the three and six months ended June 30, 2022 were \$173,195 and \$283,043 compared to \$96,596 and \$178,800 for the same periods in 2021, representing an increase of 79.3% and 58.3%, respectively. The increase in revenue was driven by the strong market momentum in the first half of 2022, with an increase in activity across all areas of the business.

Gross profit for the three and six months ended June 30, 2022 was \$15,701 and \$25,441 compared to \$10,440 and \$18,485 for the same periods of 2021, representing an increase of 50.4% and 37.6%, respectively. Gross profit margin for the three and six months ended June 30, 2022 were 9.1% and 9.0% compared to 10.8% and 10.3% for the same periods in 2021. Consistent with Q1 2022, the decrease in gross profit margin was driven by a change in the mix of services and products provided with lower gross profit margins.

Selling, general and administrative ("SG&A") expenses for the three and six months ended June 30, 2022 were \$9,799 and \$17,851, in comparison to \$6,586 and \$12,554 for the same periods in 2021, representing an increase of 48.8% and 42.2%, respectively. As a percentage of revenue, SG&A expenses for the three and six months ended June 30, 2022 were 5.7% and 6.3% compared to 6.8% and 7.0% 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 impacted the 2022 results were depreciation and amortization. For the three and six months ended June 30, 2022, depreciation and amortization expenses were \$2,734 and \$5,441 compared to \$3,461 and \$6,808 for the same periods in 2021. The decrease in depreciation and amortization expenses was due to the passage of time and regular reduction of asset values. The Company recognized an impairment of right-of-use assets in the three months ended March 31, 2021 of \$8,270 of which the primary purpose was to earn sub-lease income. The term of the sub-lease agreement ended in early 2021 and the potential for these assets to generate sub-lease income in the future was determined to be uncertain as a result of market conditions.

For the three and six months ended June 30, 2022, interest expenses were \$4,237 and \$8,109 compared to \$3,863 and \$8,283 for the same periods in 2021, representing an increase of 9.7% and a decrease of 2.1%. The

increase in the second quarter of 2022 was due to the Company utilizing its asset-based lending facility in the second quarter of 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 \$56 and \$2,826 were recorded during the three and six months ended June 30, 2022 compared to \$184 and \$588 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 six months ended June 30, 2022, compared to \$4,415 and \$11,170 for the three and six months ended June 30, 2021.

Loss from continuing operations for the three and six months ended June 30, 2022 was \$974 and \$8,757 compared to income of \$494 and a loss of \$7,076 for the same periods in 2021. The loss variance was driven by the reduction in government subsidies in 2022, an increase in SG&A expenses and an increase in restructuring expenses, partially offset by an increase in gross profit and the impairment of right-of-use assets recognized in 2021.

For the three and six months ended June 30, 2022, Adjusted EBITDAS was \$7,908 and \$10,914 compared to \$4,448 and \$6,677 for the same periods in 2021. As a percentage of revenue, Adjusted EBITDAS was 4.6% and 3.9% for the three and six months ended June 30, 2022 compared to 4.6% and 3.7% for the same periods in 2021.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue	\$ 160,266	\$ 87,259	\$ 259,701	\$ 161,294
Cost of revenue	(146,643)	(79,680)	(238,720)	(147,823)
Gross profit	13,623	7,579	20,981	13,471
Selling, general and administrative expenses	(165)	(113)	(317)	(246)
Amortization of intangible assets	(28)	(48)	(56)	(96)
Depreciation expense	(1,695)	(2,259)	(3,372)	(4,099)
Income from equity investments	15	326	52	387
Interest expense	(221)	(193)	(442)	(459)
Restructuring expenses	(2)	(8)	(2)	(2)
Gain on sale of property, plant and equipment	136	207	138	185
Income from government subsidies	—	3,831	—	9,509
Income from continuing operations	11,663	9,322	16,982	18,650
Add:				
Amortization of intangible assets	28	48	56	96
Depreciation expense	1,695	2,259	3,372	4,099
Interest expense	221	193	442	459
EBITDAS ⁽¹⁾	13,607	11,822	20,852	23,304
Add (deduct):				
Gain on sale of property, plant and equipment	(136)	(207)	(138)	(185)
Restructuring expenses	2	8	2	2
Income from government subsidies	—	(3,831)	—	(9,509)
Adjusted EBITDAS ⁽¹⁾	\$ 13,473	\$ 7,792	\$ 20,716	\$ 13,612

(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 \$160,266 and \$259,701 for the three and six months ended June 30, 2022, compared to \$87,259 and \$161,294 for the same periods in 2021, representing an increase of 83.7% and 61.0%, respectively. The increase was due to additional activity related to the ongoing market recovery from the COVID-19 pandemic.

Gross Profit

Gross profit was \$13,623 and \$20,981 for the three and six months ended June 30, 2022, compared to \$7,579 and \$13,471 for the same periods in 2021, representing an increase of 79.7% and 55.7%, respectively. Gross profit margin was 8.5% and 8.1% for the three and six months ended June 30, 2022 compared to 8.7% and 8.4% for the same periods in 2021. The increase in gross profit for the six months ended June 30, 2022 was due to the increase in volumes of activity related to the ongoing market recovery seen in the first half of 2022. Gross profit margins in 2022 are relatively consistent with 2021.

WEAR TECHNOLOGY OVERLAY SERVICES

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue	\$ 14,276	\$ 9,777	\$ 26,617	\$ 18,342
Cost of revenue	(12,198)	(6,916)	(22,157)	(13,328)
Gross profit	2,078	2,861	4,460	5,014
Selling, general and administrative expenses	(74)	(70)	(148)	(142)
Amortization of intangible assets	(115)	(115)	(230)	(230)
Depreciation expense	(643)	(690)	(1,280)	(1,369)
Interest expense	(53)	(95)	(138)	(183)
Restructuring expenses	—	(5)	—	(283)
Income from government subsidies	—	311	—	807
Income from continuing operations	1,193	2,197	2,664	3,614
Add:				
Amortization of intangible assets	115	115	230	230
Depreciation expense	643	690	1,280	1,369
Interest expense	53	95	138	183
EBITDAS ⁽¹⁾	2,004	3,097	4,312	5,396
Add (deduct):				
Restructuring expenses	—	5	—	283
Income from government subsidies	—	(311)	—	(807)
Adjusted EBITDAS ⁽¹⁾	\$ 2,004	\$ 2,791	\$ 4,312	\$ 4,872

(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 six months ended June 30, 2022 were \$14,276 and \$26,617, compared to \$9,777 and \$18,342 for the same periods in 2021, representing an increase of 46.0% and 45.1%, 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 \$2,078 and \$4,460 for the three and six months ended June 30, 2022, compared to \$2,861 and \$5,014 for the same periods in 2021, representing a decrease of 27.4% and 11.0%, respectively. Gross profit margin was 14.6% and 16.8% for the three and six months ended June 30, 2022, compared to 29.3% and 27.3% for the same periods in 2021. The decrease in gross profit margin was primarily due to 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 June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Selling, general and administrative expenses	\$ (9,560)	\$ (6,403)	\$ (17,386)	\$ (12,166)
Long-term incentive plan expense	—	(800)	—	(800)
Depreciation expense	(253)	(349)	(503)	(1,014)
Interest expense	(3,963)	(3,575)	(7,529)	(7,641)
Restructuring expenses	(54)	(171)	(2,824)	(303)
Impairment of right-of-use assets	—	—	—	(8,270)
Loss on contingent consideration liability	—	—	(161)	—
Income from government subsidies	—	273	—	854
Loss from continuing operations	(13,830)	(11,025)	(28,403)	(29,340)
Add:				
Depreciation expense	253	349	503	1,014
Long-term incentive plan expense	—	800	—	800
Interest expense	3,963	3,575	7,529	7,641
EBITDAS ⁽¹⁾	(9,614)	(6,301)	(20,371)	(19,885)
Add (deduct):				
Restructuring expenses	54	171	2,824	303
Income from government subsidies	—	(273)	—	(854)
One-time incurred expenses	1,991	268	3,272	359
Impairment of right-of-use assets	—	—	—	8,270
Loss on contingent consideration liability	—	—	161	—
Adjusted EBITDAS ⁽¹⁾	\$ (7,569)	\$ (6,135)	\$ (14,114)	\$ (11,807)

(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 \$9,560 and \$17,386 for the three and six months ended June 30, 2022 compared to \$6,403 and \$12,166 for the same periods in 2021. SG&A expenses as a percentage of revenue were 5.5% and 6.1% for the three and six months ended June 30, 2022 compared to 6.6% and 6.8% 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 six months ended June 30,	2022	2021
Cash flow (used in) provided by operating activities	\$ (26,218)	\$ 15,940
Cash flow used in investing activities	(1,029)	(63)
Cash flow provided by (used in) financing activities	8,675	(5,304)
Consolidated cash, end of period	\$ 3,108	\$ 41,050

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 June 30, 2023.

Investing Activities

Cash flow used in investing activities during the three and six months ended June 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. ClearStream established a new \$25,000 asset-based revolving credit facility with a three-year term, as described in a below, to replace its existing \$15,000 revolving facility that matured on April 14, 2022 and amended certain terms of the Term Loan Facility as described in b below.

a. ABL Facility

ClearStream has an asset-based revolving lending 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 June 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 and inventories of the Company and the other guarantors, being certain of the Company's direct subsidiaries. The interest rate on the ABL Facility is prime plus 2.5%.

As at June 30, 2022, \$17,760 (December 31, 2021 - nil) was drawn on the ABL Facility, and there were \$747 (December 31, 2021 - \$2,450) of letters of credit reducing the amount available to be drawn. As at June 30, 2022, the net amount of deferred financing costs were \$572 (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 June 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 of \$2,450 and credit cards outstanding under the prior asset-based revolving lending facility are secured by cash collateral of \$3,200.

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 June 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 \$403 as at June 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 June 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 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3
Revenue (\$)	173,195	109,848	101,955	108,647	96,596	82,204	84,530	100,755
Gross Profit (\$)	15,701	9,740	9,728	12,124	10,440	8,045	8,372	9,965
Gross Profit Margin (%)	9.1	8.9	9.5	11.2	10.8	9.8	9.9	9.9
Net (loss) income from continuing operations (\$)	(974)	(7,783)	5	(2,227)	494	(7,569)	1,754	9,684
Net (loss) income (\$)	(976)	(7,796)	4	(2,228)	487	(7,572)	1,722	9,832
Net (loss) income per share from continuing operations (\$)	(0.01)	(0.07)	0.00	(0.02)	0.00	(0.07)	0.02	0.09
Net (loss) income per share (\$)	(0.01)	(0.07)	0.00	(0.02)	0.00	(0.07)	0.02	0.09

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 quarter of 2022.

TRANSACTIONS WITH RELATED PARTIES

As at June 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 Shares
	Series 1	Series 2	
Balance as at December 31, 2021	127,735	40,111	109,992,668
Converted to common shares	(3)	—	8,571
Balance as at June 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 June 30, 2022, the accrued and unpaid dividends on the Series 1 and Series 2 preferred shares totaled \$68,210 (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 281,058,225 (December 31, 2021 - 242,857,143) common shares would be issued, which represents approximately 255.5% (December 31, 2021 - 221.0%) of the common shares outstanding as at June 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 six months ended June 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 June 30, 2022.

OUTLOOK

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. We are also continually working to improve our service delivery to anticipate our customer's requirements and proactively meet their needs.

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/expand production capacity). We expect activity levels to remain strong in the second half of 2022.

The growth in our served markets continues to drive some near-term challenges, including inflationary pressure on labour, equipment and materials as well as supply chain disruptions. We are working closely with our customers and suppliers to manage these challenges. We are also enhancing our programs to attract, retain and develop our number one resource, our employees, as we strive to become the "employer of choice".

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 six months ended June 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.