ClearStream

ANNUAL REPORT 2016

Helping Customers
Bring Resources to Our World

Message to Shareholders

2016 was a year of change and challenges for ClearStream Energy Services. A significant portion of our customers operate within the energy sector and low oil and gas prices throughout most of 2016 led to difficult market conditions for ClearStream and its customer base. Our customers reduced spending in areas that drive demand for our business, including deferring maintenance and turnaround initiatives and cancelling facility and pipeline based projects. In addition, the Fort McMurray fires that severely impacted the region in May and June of 2016 interrupted ClearStream's operations for much of the second and third quarters of 2016. ClearStream responded to these difficult conditions through the continuation of cost cutting and efficiency initiatives that began in 2015. These initiatives included additional location closures and staffing reductions that were achieved through organizational efficiency improvements throughout the year.

Notwithstanding these challenges, 2016 was also a year of transformation for ClearStream with many accomplishments and successes. We completed the sale of all discontinued operations in the first quarter of 2016, which allowed the Company to focus solely on the ClearStream business. With the asset sales completed, the corporate head office was moved to Calgary from Toronto, which put us closer to our customer base and allowed us to reduce corporate overhead costs. In addition, we successfully refinanced all maturing debt during the first quarter of 2016 and obtained an asset based credit facility that will help the Company fund working capital needs going forward.

Significant progress was also made on business development initiatives during 2016. We expanded into the southern Saskatchewan market through a contract award with Yara Bell Plaine Inc., a Saskatchewan based Nitrogen Fertilizer Company, that is expected to generate $105 million of revenue over three years. This contract award was an important accomplishment for ClearStream as it expanded our geographical presence with a customer in a new industry.

ClearStream renewed a maintenance contract with a major oilsands producer in late 2016 that is expected to generate $390 million over the five-year term of the contract. Additionally, through a joint venture with SNC-Lavalin, ClearStream was awarded a five-year contract with a large integrated oil company to provide engineering and procurement services for maintenance and sustainment projects in the Fort McMurray region. These contract wins provide ClearStream with the stability to grow and maintain our presence in the Fort McMurray oilsands region for years to come.

Although 2016 was a challenging year for ClearStream financially, the significant strategic accomplishments achieved in 2016 have put ClearStream in a position to grow and succeed in 2017. We believe that ClearStream enters 2017 with an efficient cost structure, a strong contracted backlog of work with a stable customer base, and an experienced management team. These factors, combined with an improving economic environment, are expected to lead to improved financial results in 2017 compared to 2016. Given the volatility of oil and gas prices, which continues to drive demand for a large portion of our services, we must continue to focus on cost and efficiency improvements and manage the business cautiously in 2017.

The Canadian oil and gas industry experienced one of the worst downturns in history during 2016. Through cost reductions, cash flow management, customer retention, and an aggressive sales approach, ClearStream was able to survive very challenging market conditions in 2016. With the continued dedication and commitment of our people and the support of our customer base, shareholders, and lenders, I have confidence in ClearStream's ability to emerge from the 2016 downturn as a stronger organization.

Thank you for your continued support.

John W. Cooper
Chief Executive Officer

Forward-looking information

This report contains certain forward-looking information. Certain information included in this report may constitute forward-looking information within the meaning of 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. Forward-looking information may relate to management's future outlook and anticipated events or results and may include statements or information regarding the future plans or prospects of ClearStream and reflects management's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of ClearStream. Without limitation, information regarding the future operating results and economic performance of ClearStream constitute forward-looking information. Such forward-looking information reflects management's current beliefs and is based on information currently available to management of the Company. 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 risks related to investments, conditions of capital markets, economic conditions, commodity prices, dependence on key personnel, limited customer bases, interest rates, regulatory change, ability to meet working capital requirements and capital expenditures needs, factors relating to the weather and availability of labour. These factors should not be considered exhaustive. In addition, in evaluating this information, investors should specifically consider various factors, including the risks outlined under "Risk Factors," which may cause actual events or results to differ materially from any forward-looking statement. In formulating forward-looking information herein, management has assumed that business and economic conditions affecting ClearStream will continue substantially in the ordinary course, including without limitation with respect to general levels of economic activity, regulations, taxes and interest rates. Although the forward-looking information is based on what management of ClearStream consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management's assumptions may prove to be incorrect. This forward-looking information is made as of the date of this report, 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. ClearStream is providing the forward-looking financial information set out in this report for the purpose of providing investors with some context for the Outlook presented. Readers are cautioned that this information may not be appropriate for any other purpose.

Non-standard measures

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

EBITDA refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense and income tax expense (recovery). EBITDA is used by management and the directors of ClearStream (the "Directors") as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDA 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, EBITDA 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 EBITDA in its consolidated financial statements and MD&A.

Adjusted EBITDA refers to EBITDA excluding the loss of assets held for sale, impairment of goodwill and intangible assets, transaction costs, impairment of property, plant and equipment, restructuring costs and operating income from long-term investments in assets held for sale. ClearStream has used Adjusted EBITDA as the basis for the analysis of its past operating financial performance. Adjusted EBITDA is used by ClearStream and management believes it is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures, and income taxes. Adjusted EBITDA is a measure that management believes facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors. ClearStream has provided a reconciliation of income (loss) from continuing operations to Adjusted EBITDA in its MD&A.

Investors are cautioned that the Non-IFRS 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-IFRS measures should only be used in conjunction with the financial statements included in the MD&A and ClearStream's annual audited consolidated financial statements available on SEDAR at www.sedar.com or www.clearstreamenergy.ca.

Management's Discussion and Analysis

March 6, 2017

On October 13, 2016, Tuckamore Capital Management Inc. announced that it had filed articles of amendment changing its name to "ClearStream Energy Services Inc." ("ClearStream" or the "Company"). The shareholder approval required to authorize the change in the Company's name was obtained at the Company's annual and special meeting held on June 17, 2016. The Company's listed securities, consisting of the Company's common shares and its 10.0% second lien secured convertible debentures due 2026, began trading under the new name on October 18, 2016 under the trading symbols of "CSM" and "CSM.DB.A," respectively.

The following is management's discussion and analysis ("MD&A") of the consolidated results of operations, balance sheets and cash flows of ClearStream for the years ended December 31, 2016, 2015, and 2014. This MD&A should be read in conjunction with ClearStream's audited consolidated financial statements for the years ended December 31, 2016 and 2015.

All amounts in this MD&A are in Canadian dollars and expressed in thousands of dollars unless otherwise noted. The accompanying audited annual consolidated financial statements of ClearStream have been prepared by and are the responsibility of management. The contents of this MD&A have been approved by the Board of Directors of ClearStream on the recommendation of its Audit Committee. This MD&A is dated March 6, 2017 and is current to that date unless otherwise indicated.

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

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

REPORTABLE SEGMENTS

During the first quarter of 2016, ClearStream completed the sale of its interest in Gusgo, as well as substantially all of the net assets of Quantum Murray and Titan. Subsequent to these transactions, the Company's primary business has been to provide industrial services, primarily to the oil and gas industry.

Given the change in organizational structure, the Company considered and concluded that there was a change in its reportable segments. The reportable segments discussed 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 located in Canada. ClearStream utilizes EBITDA and Adjusted EBITDA as performance measures for its segmented results. These measures are considered to be non-standard measures under IFRS. Please refer to "Non-Standard Measures" for more information.

Segment	Business Description
Maintenance and Construction Services	Operational, maintenance, turnaround and construction services to the conventional oil and gas, oilsands, and other industries.
Wear, Fabrication and Transportation Services	Custom fabrication services supporting pipeline and infrastructure projects, patented wear overlay technology services specializing in overlay pipe spools, pipe bends and plate, and transportation and pipe logistics services to the drilling sector.
Corporate	ClearStream head office management, administrative, legal and interest expense costs.

2016 RESULTS – CONTINUING OPERATIONS

		2016		2015		2014
				Restated[1]		Restated[1]
Revenue	$	270,661	$	416,122	$	557,788
Cost of revenue		(245,750)		(362,429)		(480,913)
direct		(222,043)		(332,868)		(443,523)
indirect		(23,707)		(29,562)		(37,390)
Gross profit		24,911		53,693		76,875
Selling, general and administrative expenses		(17,382)		(22,362)		(24,368)
Amortization of intangible assets		(3,376)		(5,651)		(5,715)
Depreciation		(6,625)		(8,681)		(9,828)
Income from equity investment		(169)		(508)		282
Interest expense		(21,259)		(24,948)		(27,498)
Gain (loss) on sale of assets held for sale		1,260		(6,379)		-
Restructuring costs		(1,471)		(7,454)		-
Impairment of property, plant and equipment		-		(5,574)		-
Impairment of goodwill and intangible assets		(8,700)		(41,727)		(308)
Other income		623		-		-
(Loss) gain on sale of property, plant and equipment		(728)		340		512
Income tax recovery (expense) - current		(21)		2,050		(2,050)
Income tax recovery - deferred		-		2,766		6,799
(Loss) income from continuing operations		(32,937)		(64,436)		5,644
Add back:						
Interest expense		21,259		24,948		27,498
Amortization of intangible assets		3,376		5,651		5,715
Depreciation		6,625		8,681		9,828
Income tax (recovery) expense - current		21		(2,050)		2,050
Income tax recovery - deferred		-		(2,766)		(6,799)
EBITDA	$	(1,656)	$	(29,971)	$	43,936
Impairment of property, plant and equipment		-		5,574		-
Impairment of goodwill and intangible assets		8,700		41,727		308
Gain (loss) on sale of assets held for sale		(1,260)		6,379		-
Transaction costs		-		-		9,057
Restructuring costs		1,471		7,454		-
Operating income from long-term investments in assets held for sale		-		988		-
Adjusted EBITDA	$	7,255	$	32,151	$	53,301

(Loss) income per share						
Basic & Diluted:						
Continuing operations	$	(0.30)	$	(0.59)	$	0.06
Net loss	$	(0.42)	$	(1.14)	$	(0.19)

As at December 31,	2016	2015	2014
Total assets	134,842	253,538	391,732
Senior credit facility	-	58,482	67,253
8.00% secured debentures	-	174,311	166,845
Senior secured debentures	171,642	-	-
Convertible secured debentures	24,397	-	-
Shareholders' (deficit) equity	(103,514)	(65,056)	59,831

[1]Adjusted for discontinued operations and/or reclassification of selling, general and administrative expenses (see Note 27 of the Consolidated Financial Statements for December 31, 2016).

2016 RESULTS COMMENTARY

Revenues for the year ended December 31, 2016 were $270,661 compared to $416,122 in 2015 and $557,788 in 2014, a decrease of 35.0% from 2015 and a decrease of 51.5% from 2014. Reduced revenues in 2016, in comparison to both 2015 and 2014, are directly related to the impact of lower oil and gas prices that negatively impacted market conditions in 2016 for the oil and gas industry. Furthermore the Fort McMurray forest fires in May 2016 resulted in significantly reduced oil sands activity during the second and third quarter of 2016 and negatively impacted revenue in 2016 on a comparative basis.

Gross profit for the year ended December 31, 2016 was $24,911 compared to $53,693 in 2015 and $76,875 in 2014 after restatement. Gross profit margins were 9.2% compared to 12.9% in 2015 and 13.8% in 2014. The decline in gross profit margin in 2016, in comparison to 2015 and 2014, was largely due to reduced pricing which was necessary for customer retention in light of the decrease in customer demand during 2016. Furthermore the temporary impact of the 2016 Fort McMurray forest fires resulted in lower operating leverage on ClearStream's fixed cost structure. Absent the temporary impact of the Fort McMurray forest fires, management believes that fixed costs, which include indirect and selling, general and administrative expenses, would have decreased at the same rate as revenue.

Selling, general and administrative expenses for the year ended December 31, 2016 were $17,381, in comparison to $22,362 in 2015 and $24,368 in 2014. ClearStream continued to execute its cost reduction strategy in 2016, with the closure of three additional operating locations and further right sizing of staffing levels. In addition, the transition of the Company's head office function from Toronto to Calgary was completed by December 31, 2016 and, as such, the Company expects additional cost savings going forward.

ClearStream's continuing operations are now reported in its three segments: 1) Maintenance and Construction Services; 2) Wear, Fabrication and Transportation; and 3) Corporate. The financial results of these segments are discussed below in this MD&A.

Non-cash items that impacted the 2016 results were depreciation and amortization and write-down of goodwill. Depreciation and amortization was $10,001 for the year ended December 31, 2016 compared to $14,332 for 2015 and $15,543 for 2014. The decrease in depreciation and amortization expense is primarily related to the significant write-down of definite life intangibles and property, plant and equipment was recorded at December 31, 2015, which resulted in a lower opening net book value for these assets for 2016.

For the year ended December 31, 2016, interest costs, excluding accretion expense, were $18,733 compared with $17,483 in 2015 and with $18,620 in 2014. Non-cash accretion expense was $2,526 for 2016 compared to $7,465 for 2015 and $8,878 for 2014. Accretion expense relates to the debentures, which were recorded at their fair value, less financing costs, and accrete up to their face value using the effective interest method over their term. The change in interest expense relates to the net impact of debt restructuring initiatives that were completed in the first quarter of 2016.

Restructuring costs of $1,471 were recorded during 2016, in comparison to $7,454 in 2015 and $nil in 2014. These non-recurring restructuring costs are comprised of severance and location closure costs associated with right sizing and restructuring ClearStream's business.

Other income of $623 was recorded during the three months ended September 30, 2016 and represents an advance from our insurance company for lost operating profits due to the Fort McMurray fires. Discussions with our insurance company continue to be on-going regarding the recovery of additional lost profits. The extent of additional recoveries, if any, is not known at this time.

Financial results for 2016 include a net loss on the sale of property, plant and equipment for $728. This loss is largely driven by the sale of certain non-essential properties that have been disposed of as part of the Company's cost cutting and right sizing initiatives.

The net loss from continuing operations was $32,937 for the year ended December 31, 2016, compared to a restated net loss from continuing operations of $64,436 for 2015.

Adjusted EBITDA $000s	2016	2015 Restated[1]	2016 vs. 2015
ClearStream Industrial Services			
Maintenance and Construction	16,442	26,700	(10,258)
Wear, Fabrication & Transportation	6,725	22,814	(16,089)
Adjusted EBITDA from operations	23,167	49,514	(26,347)
Corporate	(15,912)	(17,363)	1,450
Adjusted EBITDA	7,255	32,151	(24,897)

[1]Adjusted for change in reportable operating segments (see Note 25 in the Consolidated Financial Statements for the year ended December 31, 2016).

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

	2016	2015 Restated[1]
Revenue	$ 224,875	$ 320,202
Cost of revenue	(206,792)	(289,837)
direct	(192,938)	(271,407)
indirect	(13,854)	(18,430)
Gross profit	18,083	30,365
Selling, general and administrative expenses	(2,103)	(3,949)
Amortization of intangible assets	(185)	(185)
Depreciation	(3,143)	(4,085)
Interest expense	(304)	(461)
Impairment of property, plant and equipment	-	(1,383)
Impairment of goodwill and intangible assets	-	(1,755)
Gain on sale of property, plant and equipment	462	284
Income tax expense - current	(59)	(89)
Income from continuing operations	12,751	18,742
Add back:		
Interest expense	304	461
Amortization of intangible assets	185	185
Depreciation	3,143	4,085
Income tax expense - current	59	89
EBITDA	$ 16,442	$ 23,562
Impairment of property, plant and equipment	-	1,383
Impairment of goodwill and intangible assets	-	1,755
Adjusted EBITDA	$ 16,442	$ 26,700

[1]Adjusted for reclassification of selling, general and administrative expenses (see Note 27 of the Consolidated Financial Statements for December 31, 2016).

REVENUES

Revenues for the Maintenance and Construction Services segment were $224,875 for the year ended December 31, 2016 compared with $320,202 in the prior year, which reflects a decrease of 29.8%.

During 2016, the reduced commodity price environment continued to have a negative impact on the oil and gas sector. ClearStream continued to experience maintenance and turnaround deferrals, as well as pressure to reduce pricing in response to the low demand. Furthermore, the Fort McMurray fires in 2016 had a significant negative impact on the maintenance and construction division throughout the second and third quarters of 2016.

GROSS PROFIT

Gross profit for the Maintenance and Construction Services segment was $18,083 for the year ended December 31, 2016 compared with $30,365 in 2015. Gross profit margin was 8.0% compared to 9.5% in 2015.

Pricing declines and lower revenues have led to declines in the gross profit margin. Considerable focus has been placed on cost controls and efforts to improve operational efficiencies. These initiatives have partially offset the declines experienced as a result of reduced pricing and business volumes.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Maintenance and Construction Services segment's selling, general and administrative expenses were $2,103 for the year ended December 31, 2016 compared to $3,949 in 2015. Selling, general and administrative expenses as a percentage of revenues were 0.9% for the year ended December 31, 2016 compared to 1.2% in 2015. The decrease in SG&A and SG&A as a percentage of revenues reflect the impact of cost rationalization process that management commenced in mid-2015 and continued to pursue throughout 2016. During 2016 management proceeded with the closure of three additional operating locations and continued to right size staff levels as a result of improved efficiencies and reduced business volumes.

WEAR, FABRICATION & TRANSPORTATION

	2016	2015 Restated[1]
Revenue	$ 49,349	$ 101,691
Cost of revenue	(42,154)	(77,802)
direct	(32,301)	(66,670)
indirect	(9,853)	(11,132)
Gross profit	7,195	23,889
Selling, general and administrative expenses	(621)	(1,131)
Amortization of intangible assets	(289)	(349)
Depreciation	(2,888)	(3,465)
Interest expense	(280)	(434)
Impairment of property, plant and equipment	-	(220)
Impairment of goodwill and intangible assets	-	(300)
Gain on sale of property, plant and equipment	151	56
Income from continuing operations	3,268	18,045
Add back:		
Interest expense	280	434
Amortization of intangible assets	289	349
Depreciation	2,888	3,465
EBITDA	$ 6,725	$ 22,293
Impairment of property, plant and equipment	-	220
Impairment of goodwill and intangible assets	-	300
Adjusted EBITDA	$ 6,725	$ 22,814

[1]Adjusted for reclassification of selling, general and administrative expenses (see Note 27 of the Consolidated Financial Statements for December 31, 2016).

REVENUES

Revenues for Wear, Fabrication and Transportation segment were $49,349 for the year ended December 31, 2016, compared to $101,691 for the prior year, representing a 51.5% reduction.

Revenues for Wear, Fabrication and Transportation segment are driven by project demand within the oil and gas sector. Given the weak oil and gas prices throughout most of 2016, new project development activity related to pipelines and infrastructure was minimal. As such, business volumes and pricing pressure have had a more drastic impact on this segment, in comparison to ClearStream's Maintenance and Construction segment. In addition, the Fort McMurray fires had a negative impact on this segment's revenues during the second and third quarters of 2016.

GROSS PROFIT

Gross profit for Wear, Fabrication and Transportation segment was $7,195 for the year ended December 31, 2016, compared to $23,889 for the prior year. Gross profit margin was 14.6% compared to 23.5% in 2015. Gross profit margins for this segment declined primarily due to lower pricing and revenue, which led to lower operating leverage on fixed costs. Fixed costs for the Wear, Fabrication and Transportation segment are generally higher than ClearStream's other segment due to the facilities and equipment needed to provide the relevant services for this division. Management reduced fixed costs for this segment significantly in 2016 and is continuing its effort to further rationalize its fixed costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Wear, Fabrication and Transportation segment's selling, general and administrative expenses were $621 for the year ended December 31, 2016 compared to $1,131 in 2015. Selling, general and administrative expenses as a percentage of revenues were 1.3% for the year ended December 31, 2016 compared to 1.1% in 2015. The decrease in SG&A is directly related to impact of the cost cutting measures that management implemented starting mid-2015 and continued to implement throughout 2016.

CORPORATE

ClearStream's head office functions were fully transitioned from its Toronto office to its Calgary office as of December 31, 2016. The tables below reflect the combined cost of both of the Company's Toronto and Calgary offices, as well as other corporate overhead expenses.

SUMMARY FINANCIAL TABLE ($000S)

		2016		2015 Restated[1]
Selling, general and administrative expenses		(15,025)		(17,363)
Amortization of intangible assets		(2,902)		(5,117)
Depreciation		(595)		(1,105)
Income from equity investment		(169)		-
Interest expense		(20,676)		(24,054)
Gain (loss) on sale of assets held for sale		1,260		(6,379)
Restructuring costs		(1,471)		(7,454)
Impairment of property, plant and equipment		-		(3,971)
Impairment of goodwill and intangible assets		(8,700)		(39,672)
Other income		623		-
Gain on sale of property, plant and equipment		(1,341)		-
Income tax recovery (expense) - current		(21)		2,050
Income tax recovery - deferred		-		2,766
Loss from continuing operations		(49,017)		(100,298)
Add back:				
Interest expense		20,676		24,054
Amortization of intangible assets		2,902		5,117
Depreciation		595		1,105
Income tax (recovery) expense - current		21		(2,050)
Income tax recovery - deferred		-		(2,766)
EBITDA	$	(24,823)	$	(74,838)
Impairment of property, plant and equipment		-		3,971
Impairment of goodwill and intangible assets		8,700		39,672
(Gain) loss on sale of assets held for sale		(1,260)		6,379
Restructuring costs		1,471		7,454
Adjusted EBITDA	$	(15,912)	$	(17,363)

[1]Adjusted for reclassification of selling, general and administrative expenses (see Note 27 of the Consolidated Financial Statements for December 31, 2016).

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $15,025 for the year ended December 31, 2016, compared to the restated amount of $17,363 for the prior year. The reduction in Corporate SG&A in 2016, compared to 2015, was achieved through negotiations with vendors to reduce their pricing, the full year impact of the 2015 location closures, the closure of three additional locations throughout 2016, and the impact of right sizing staff levels as a result of improved efficiencies and reduced business volumes.

WRITE-DOWN OF GOODWILL

A decrease in projected EBITDA resulted in a goodwill impairment of $8,700 during the first quarter of 2016. After this impairment, there remains $22,286 in goodwill at ClearStream.

All impairment losses are non-cash in nature and do not affect the Company's liquidity, cash flows from operating activities, or debt covenants and do not have an impact on the future operations of the Company.

FOURTH QUARTER 2016 RESULTS

Quarter ended December 31,		2016		2015
				Restated[1]
Revenue	$	72,913	$	88,956
Cost of revenue		(65,608)		(80,331)
direct		(59,871)		(73,352)
indirect		(5,737)		(6,979)
Gross profit		7,306		8,625
Selling, general and administrative expenses		(5,068)		(6,528)
Amortization of intangible assets		(858)		(1,422)
Depreciation		(1,960)		(2,670)
Income from equity investment		(76)		213
Interest expense		(5,075)		(6,141)
Gain (loss) on sale of assets held for sale		(66)		(6,274)
Restructuring costs		(1,126)		(4,565)
Impairment of property, plant and equipment		-		(5,574)
Impairment of goodwill and intangible assets		-		(41,727)
Other income		-		-
Gain (loss) on sale of property, plant and equipment		94		(5)
Income tax expense - current		-		2,234
Income tax recovery - deferred		-		(5,025)
Loss from continuing operations		(6,829)		(68,859)
Add back:				
Interest expense		5,075		6,141
Amortization of intangible assets		858		1,422
Depreciation		1,960		2,670
Income tax recovery - current		-		(2,234)
Income tax expense - deferred		-		5,025
EBITDA	$	1,064	$	(55,835)
Impairment of property, plant and equipment		-		5,574
Impairment of goodwill and intangible assets		-		41,727
Gain (loss) on sale of assets held for sale		66		6,274
Restructuring costs		1,126		4,565
Operating income from long-term investments in assets held for sale		-		83
Adjusted EBITDA	$	2,256	$	2,388

[1]Adjusted for reclassification of selling, general and administrative expenses (see Note 27 of the Consolidated Financial Statements for December 31, 2016).

FOURTH QUARTER RESULTS COMMENTARY

Revenues for the three months ended December 31, 2016 were $72,913 compared to $88,956 in 2015, a decrease of 18.0%. The decline in revenues over the same period in the prior year is market driven as a result of the impact of reduced commodity pricing on ClearStream's business. The Wear, Fabrication and Transportation segments continued to suffer from project cancellations and deferrals.

Gross profit for the three months ended December 31, 2016 was $7,306 compared to the restated amount of $8,625 in 2015, a decrease of 15.3%. Gross margins were 10.0% for the three months ended December 31, 2016 compared to 9.7% in the fourth quarter of 2015. The improvement in the gross profit margin is primarily related to the positive impact of the cost-cutting initiatives that management had commenced in mid-2015 and continued to pursue throughout 2016.

For the three months ended December 31, 2016, the two operating segments produced $6,352 of Adjusted EBITDA for ClearStream compared to $6,941 in 2015. Refer to the chart below for Adjusted EBITDA by segment.

The significant improvement in the Adjusted EBITDA in the Maintenance and Construction segment was partially caused by a fire at one of our major customers facilities that caused a disruption in activity for most of the fourth quarter of 2015. In addition, cost reduction initiatives began to have a positive year-over-year impact on gross profit margins during the fourth quarter of 2016.

The Wear, Fabrication and Transportation segment continued to be impacted by price reductions and reduced business volumes as a result of the negative market conditions, in particular for projects within the oil and gas sector. Negative market conditions were partially offset by cost cutting initiatives that were realized in the fourth quarter of 2016.

Corporate costs decreased significantly as management had realized the benefits of some of the cost cutting initiatives that commenced in mid-2015 and continued throughout 2016.

Depreciation and amortization was $2,818 for the three months ended December 31, 2016, compared to $4,092 for 2015. The significant decrease is directly a result of lower amortization of definite life intangibles and depreciation of property, plant and equipment as a result of the significant write-downs that were taken for the year ended December 31, 2015.

The change in interest expense relates to the net impact of debt restructuring initiatives that were completed in the first quarter of 2016. Restructuring costs decreased significantly on a quarter-over-quarter basis as a majority of the ClearStream restructuring initiatives were implemented in the fourth quarter of 2015.

Adjusted EBITDA	**Q4 2016**	**Q4 2015**	**2016 vs. 2015**
$000s		Restated[1]	
ClearStream Industrial Services			
Maintenance and Construction	4,496	609	3,887
Wear, Fabrication & Transportation	1,856	6,332	(4,476)
Adjusted EBITDA from operations	$ 6,352	$ 6,941	$ (589)
Corporate	(4,096)	(4,553)	457
Adjusted EBITDA	$ 2,256	$ 2,388	$ (132)

[1]Adjusted for change in reportable operating segments (refer to note 25 in the consolidated financial statements for the year ended December 31, 2016).

LIQUIDITY AND CAPITAL RESOURCES

	2016	2015
Cash provided by operating activities	$ 5,048	$ 15,566
Cash used in investing activities	14,553	2,701
Cash used in financing activities	(32,507)	(16,572)
Consolidated cash as at December 31	11,503	24,409

For the year ended December 31, 2016, the Company incurred a net loss of approximately $45,730 and had a shareholders' deficit of $103,514. The Company's operations continue to feel the effects of weak economic conditions in Alberta. During 2016, ClearStream successfully obtained amendments to the terms of its ABL Facility, which allowed it to remain in compliance with its covenants throughout the year. The Company's expects to remain in compliance with all financial covenants over the next twelve months; however, there is risk that the Company will not meet forecasted expectations and therefore breach financial covenants during 2017.

ClearStream is carefully monitoring its results and continues to take actions to mitigate the risk of a covenant breach, including reductions to operating and capital expenditures. The Company believes that it has a good relationship with its lenders and that, in the event that it concludes that a financial covenant would not be met, it could seek and receive future amendments to its covenants. It cannot be guaranteed that such amendment will be required or requested and similarly there can be no guarantee that such amendment would be received from the Company's lenders or that the conditions of such amendment could be fulfilled by the Company. In the event that an amendment was not received, the cross-default provisions in the senior secured debenture and convertible secured debenture would be triggered, requiring payment on demand. The possibility that a financial covenant may not be met results in a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

OPERATING ACTIVITIES AND CHANGE IN WORKING CAPITAL

Total working capital has decreased significantly on a year-over-year basis, due to the fact that all of ClearStream's debt which was recorded as current at December 31, 2015, was subsequently refinanced on March 23, 2016. As such, this debt is not classified as current for the year ended December 31, 2016. In addition, working capital has decreased significantly due to a decline in activity combined with improvements to cash flow management, collections, and billings timelines that have led to lower accounts receivable.

INVESTING ACTIVITIES

Due to weak market conditions, capital spending was kept to a minimum and non-essential operating assets were sold during 2016. As a result, ClearStream used $247 of net cash proceeds after the disposal and purchase of property, plant and equipment and intangible assets.

$14,800 of cash proceeds were received on the sale of Quantum Murray LP, Titan Supply LP and Gusgo during the first half of 2016.

FINANCING ACTIVITIES

In March 23, 2016, ClearStream entered into an agreement for an Asset Based Lending ("ABL") facility with a banking syndicate led by the Bank of Montreal. ClearStream will utilize the ABL Facility to fund working capital requirements. The services provided by ClearStream are labour intensive. Employees are remunerated every two weeks and clients typically pay invoices in 60 to 90 days. During peak business activity, such as the spring and fall shutdown/turnaround maintenance program of our customers, a higher number of employees are at customer sites, and this increases the need for working capital funding.

The amounts that can be drawn on the ABL facility, to a maximum of $60 million, are based primarily on eligible accounts receivable balances. The Company is required to satisfy certain covenants, including a fixed charge coverage ratio under the terms of the agreement. As at December 31, 2016, approximately $3,500 million was drawn on the ABL facility.

On March 23, 2016, the Company issued an aggregate of $176,228 principal amount of senior secured debentures to Canso Investment Counsel Ltd. (“Canso”), in its capacity as portfolio manager for and on behalf of certain accounts that it manages, on a private placement basis. The net proceeds of this issuance were used to completely repay the principal amount outstanding under the previous senior secured debentures.

On March 23, 2016, the Company issued an aggregate of $25,000 principal amount of convertible secured debentures to Canso on a private placement basis and an additional $10,000 principal amount of convertible secured debentures pursuant to a rights offering. Pursuant to the rights offering, the Company offered to its shareholders of record as of February 18, 2016 transferable rights to purchase up to $10,000 aggregate principal amount of convertible secured debentures for the same amount in gross proceeds. Each such shareholder was entitled to one right for each common share held. Every 1,099.41241 rights entitled an eligible rights holder to purchase $100 aggregate principal amount of convertible secured debentures at a subscription price of $100. The rights expired on March 17, 2016 and the rights offering, which was over-subscribed, closed on March 23, 2016, resulting in the issuance of:

- $1,969,000 aggregate principal amount of convertible secured debentures upon the exercise of the basic subscription privilege; and
- $8,030,400 aggregate principal amount of convertible secured debentures issued to over-subscribing purchasers on a pro-rata basis, pursuant to the additional subscription privilege.

The net proceeds of this issuance, together with the proceeds of asset sales, were used to completely repay the Company’s indebtedness under the senior credit agreement.

In connection with the various refinancing initiatives, ClearStream incurred $10,256 of refinancing fees during 2016.

As part of its normal operations, ClearStream enters into finances leases as a way to finance capital initiatives, primary for vehicles and equipment. During 2016, ClearStream repaid $5,416 (2015 – 5,591) of finance lease obligations.

SUMMARY OF CONTRACTUAL OBLIGATIONS

ClearStream’s contractual obligations for the years 2017 to 2021 and thereafter are as follows:

	2017	2018	2019	2020	2021	Thereafter	Total
Accounts payable and accrued liabilities	$ 26,848	$ -	$ -	$ -	$ -	$ -	$ 26,848
ABL facility	3,500	-	-	-	-	-	3,500
Senior secured debentures	-	-	-	-	-	176,228	176,228
Convertible secured debentures	-	-	-	-	-	35,000	35,000
Finance lease obligations	4,165	1,866	853	212	131	-	7,227
Operating leases	11,409	9,534	8,323	4,391	3,735	22,385	59,776
Total Contractual Obligations	$ 45,922	$ 11,400	$ 9,176	$ 4,603	$ 3,866	$ 233,613	$ 308,579

ClearStream expects to meet its short-term contractual obligations through cash flow from operations, which includes collection of accounts receivable.

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. Significant accounting policies and methods used in the preparation of the consolidated financial statements are described in note 1 in the December 31, 2016 consolidated financial statements. ClearStream evaluates its estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Included in the consolidated financial statements are estimates used in determining allowance for doubtful accounts, inventory valuation, the useful lives of property, plant and equipment and intangible assets, revenue recognition, income taxes, provisions, impairment, earn-outs, going concern assumptions and other matters. Actual results could differ from those estimates and assumptions.

ADDITIONAL INFORMATION

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

International Financial Reporting Standard 9, Financial Instruments

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Management will complete a formal assessment of the impact of adoption of IFRS 9 on the Company commencing in Q2 2017.

International Financial Reporting Standard 15, Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Management will complete a formal assessment of the impact of adoption of IFRS 15 on the Company commencing in Q2 2017.

International Financial Reporting Standard 16, Leases

IFRS 16 *Leases* provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company will complete an assessment of the impact of adoption of IFRS 16 following the completion of its assessments described above for IFRS 9 and IFRS 15.

SUMMARY OF QUARTERLY RESULTS – ($000S EXCEPT UNIT AMOUNTS)

	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4 Restated[1]	2015 Q3 Restated[1]	2015 Q2 Restated[1]	2015 Q1 Restated[1]
Revenues	$ 72,913	$ 67,773	$ 61,335	$ 68,640	$ 88,956	$ 116,662	$ 118,536	$ 91,968
Gross Margin	7,306	6,824	5,465	5,316	8,626	18,407	14,884	11,776
Gross Margin %	10.0%	10.1%	8.9%	7.7%	9.7%	15.8%	12.6%	12.8%
Net (loss) income from continuing operations	(6,829)	(4,625)	(5,391)	(16,092)	(68,041)	3,675	1,510	(1,580)
Net loss	(12,858)	(5,339)	(6,716)	(20,817)	(107,848)	(6,350)	(6,274)	(4,415)
Income (loss) per unit from continuing operations	(0.06)	(0.04)	(0.05)	(0.15)	(0.62)	0.03	0.01	(0.01)
Income (loss) per unit	(0.12)	(0.05)	(0.06)	(0.19)	(0.98)	(0.06)	(0.06)	(0.04)

[1]Please note that some of the figures above have been restated from those published in previous periods to categorize certain expenses previously classified as selling, general and administrative to cost of revenues. This change enhances the comparability of the Company's financial results with that of its competitors and more accurately reflects the function of the relevant expenses. Please refer to the consolidated financial statements for the year ended December 31, 2016 for more information.

Revenues at ClearStream are somewhat seasonal. Typically there are scheduled shutdown/turnaround projects in the spring and fall which increases revenues over and above the standard maintenance and operational support services.

Gross margin percentage fluctuations by quarter are usually a function of revenue mix. Notwithstanding this, the first quarter of each year will usually show lower gross margin percentages as the employer portion of payroll and benefit costs will not be maximized until later that year.

The gross margin percentage reductions from Q4 2015 to Q2 2016 are reflective of a decrease in business volumes and price reductions granted to customers as a result of the impact of reduced commodity prices on ClearStream's business. In addition to this, ClearStream's revenues were negatively impacted in the second and third quarters of 2016 as a result of the impact of the Fort McMurray wildfires on ClearStream's business.

Although the gross margins percentages in Q3 and Q4 2016 are lower than those prior to Q3 2015, they showed some improvement over those experienced from Q4 2015 to Q2 2016. The margin improvement reflects the realization of the impact of management's cost cutting initiatives and the partial return of business volumes that were lost as a result of the Fort McMurray forest fires.

CONTINGENCIES

ClearStream is subject to claims and litigation proceedings arising in the normal course of operations. These contingencies are provided for when they are likely to occur and can be reasonably estimated. Management believes that these claims are without merit and as such they are being rigorously defended.

In March 2015, the Company was advised by Brompton Corp. ("Brompton") that Brompton has received notices of reassessment from the Canada Revenue Agency (the "CRA") in which the CRA has denied the deduction to Brompton of certain non-capital losses and other tax attributes in computing Brompton's income for the 2010 to 2014 taxation years. Tuckamore Holdings LP, a wholly-owned subsidiary of the Company, previously held approximately 40% of the outstanding equity of Brompton. The Company sold its equity in Brompton in September 2011.

On June 12, 2015, Brompton served the Company and certain of its affiliates with a Statement of Claim seeking, among other things, indemnification in the amount of 40% of the CRA's notices of reassessment for the 2010-2012 taxation years. On July 13, 2015, the Company served its Statement of Defence denying Brompton's allegations and relying on, among other things, a corresponding warranty and indemnity provided by Brompton to ClearStream. Brompton brought a motion for summary judgment, which was heard in August and September, 2016. In February 2017, the court granted summary judgment in favour of Brompton, ruling that the Company is required to indemnify Brompton. The Company has appealed the decision to the Court of Appeal. Pending the outcome of the appeal, enforcement of any order and costs pursuant to the motion for summary judgment will be stayed. The Company has accrued for the estimated potential liability with respect to this matter as at

December 31, 2016 with the corresponding loss recorded in discontinued operations. The estimated liability at December 31, 2016 is $4,985, which includes taxes, interest, legal fees and costs for appeal.

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

As of December 31, 2016, directors, officers and key employees beneficially hold an aggregate of 15,363,838 common shares or 14.0% on a fully diluted basis.

TRANSACTIONS

Income from equity investments includes $191 of rent expense paid to a company owned by the minority shareholder of Gusgo for the year ended December 31, 2016 (2015 - $836). Interest charged to joint venture operating partners on advances was $59 (2015 - $229). Two operating leases for property, with annual rents of $312 and $400 are with a landlord in which certain executives of ClearStream hold an indirect minority interest (2015 - $312 and $400). These transactions occurred in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties.

SHARE CAPITAL

The authorized share capital of the Company consists of: (i) an unlimited number of common shares, and (ii) preferred shares issuable in series to be limited in number to an amount equal to not more than one half of the issued and outstanding common shares at the time of issuance of such preferred shares. As of the date hereof, there were 109,941,241 common shares issued and outstanding and nil preferred shares issued and outstanding. If all of the $35,000 Convertible Debentures were converted, there would be 209,941,241 common shares outstanding. The number of common shares outstanding would increase if ClearStream chose to settle interest payments on the Convertible Debentures through the issue of Convertible Debentures.

OUTLOOK

Oil and gas prices increased during the fourth quarter of 2016 and have stabilized in early 2017. This improved oil and gas price environment has led to increased demand from our customers for maintenance related services in early 2017 and we expect this trend to hold throughout 2017. We also expect to see a meaningful rise in facility turnaround demand during spring and fall turnaround seasons in 2017. Our customers deferred maintenance and turnaround spending in 2016 due challenging market conditions and with improved and stable market conditions in 2017, we expect to see a significant portion of these deferred programs executed in 2017.

The commodity price recovery has also led to moderate growth in facility and pipeline based project demand in early 2017. However, the bidding process for projects remains very competitive and we do not expect prices to increase in the first half of 2017.

For the first quarter of 2017, we expect revenue and EBITDA to be higher on both a year-over-year and sequential basis. We recently announced a major new contract win in Saskatchewan, the renewal of a large maintenance contract in Fort McMurray, and a new five-year contract award through a joint venture with SNC-Lavalin. These accomplishments, combined with an improving and stable market environment, have set the stage for improved financial results in 2017 compared to 2016. However, demand for our services continues to be driven by oil and gas prices that are volatile and unpredictable. Given this uncertainty, ClearStream management will continue to focus on cost management, customer retention, process and efficiency improvements, and diversification of our revenue stream into new geographies and markets outside of oil and gas.

RISK FACTORS

An investment in shares of ClearStream involves a number of risks. In addition to the other information contained in this MD&A and ClearStream's other publicly filed disclosure documents, investors should give careful consideration to the following factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. Any of the matters highlighted in these risk factors could have a material adverse effect on ClearStream's results of operations, business prospects or financial condition.

ClearStream's financial results are impacted by the performance of each of its Operating Partnerships, and, subsequent to March 23, 2016, ClearStream is the Company's primary asset.

Please refer to the AIF dated March 6, 2017 for a discussion of Risk Factors particular to the Operating Partnerships, and, subsequent to March 6, 2017, ClearStream as the Company's primary asset, and its direct and indirect subsidiaries, and ClearStream.

Risks Relating to the Company

Refinancing Transactions May Not Improve the Company's Financial Condition

The Refinancing Transactions may not improve the Company's liquidity and operating flexibility or allow it to continue operating its business in the normal course. Deterioration in the Company's consolidated revenues and relationships with suppliers, or the inability of the Company to successfully manage costs, liquidity and results of operations, or the impact of external factors beyond the control of the Company such as further deterioration in general economic conditions (including commodity prices such as oil and natural gas), may have a material adverse effect on the Company and may result in the Company not being able to pay its debts as they become due. While the Company had positive cash flows from operations for the financial year ended December 31, 2016, there can be no assurance that the Company will be able to maintain positive cash flow from operations in subsequent financial periods.

There are no assurances that the Company will be able to achieve or maintain compliance with the terms, conditions and covenants contained in the Convertible Secured Indenture, Senior Secured Indenture, and the new ABL Facility and any such non-compliance could lead to defaults thereunder which could materially adversely affect the Company's financial condition, liquidity and results of operations. A failure to comply with the obligations in the Convertible Secured Indenture, Senior Secured Indenture, and/or the New ABL Facility could result in an event of default that, if not cured or waived, could permit acceleration of the Company's obligations thereunder. If the indebtedness under the Convertible Secured Indenture, Senior Secured Indenture, and/or the New ABL Facility were to be accelerated, there can be no assurance that the assets would be sufficient to repay in full that indebtedness.

The degree to which the Company is leveraged could have important consequences to shareholders, including the following: (i) the ability to obtain additional financing for working capital, capital expenditures or acquisitions; (ii) a material portion of cash flow from operations may need to be dedicated to payment of the principal of and interest on indebtedness, thereby reducing funds available for future operations; (iii) the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. The ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flows, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The Refinancing Transactions Could Result in a Change of Control of the Company

In connection with the Refinancing Transactions, the Company issued a significant number of Convertible Secured Debentures to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages. In addition, the Company may be required to issue additional Convertible Secured Debentures to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, as PIK Debentures. Assuming that: (a) all interest on the Convertible Secured Debentures is paid as PIK Debentures over the term of the Convertible Secured Debentures to maturity; (b) no Convertible Secured Debentures are redeemed; (c) all Convertible Secured Debentures are converted immediately prior to maturity; and (d) there is no adjustment to the conversion price of the Convertible Secured Debentures, a maximum of **260,273,493** common shares of the Company may be issued to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages (to the extent permitted under securities legislation), or any transferee of Canso's holdings, upon conversion of the Convertible Secured Debentures that were issued pursuant to the Refinancing Transactions. Canso, to the extent permitted under securities legislation, or any transferee of Canso's holdings, will be in a position to unilaterally elect a majority of the directors of the Company should it choose to do so.

Volatility of Industry Conditions Relating to ClearStream

The demand, pricing and terms for oilfield services largely depend upon the level of oil and gas industry activity. Industry conditions are influenced by numerous factors over which ClearStream will have no control, including: the level of oil and gas prices; expectations about future oil and gas prices; the cost of exploring for, producing and delivering oil and gas; the expected rates of declining current production; the discovery rates of new oil and gas reserves; available pipeline and other oil and gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and gas companies to raise equity capital or debt financing.

The level of activity in the oil and gas exploration and production industry is volatile. No assurance can be given that expected trends in oil and gas production activities will continue or that demand for oilfield services will reflect the level of activity in the industry. Crude oil and natural gas prices have historically been volatile and are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to concerns of oversupply, the current state of the world economics, actions taken by the Organization of the Petroleum Exporting Countries, and ongoing credit and liquidity concerns within the industry. Any prolonged substantial reduction in oil and natural gas prices would likely adversely affect oil and gas production levels and therefore adversely affect the demand for services to oil and gas customers. A material decline or sustained depression in oil or gas prices or industry activity could have a material adverse effect on ClearStream's business, financial condition, results of operations and cash flows. The business and activities of ClearStream are directly affected by fluctuations in levels of exploration, development and production activity carried on by its customers.

In addition, demand for the services provided by ClearStream is directly impacted by the prices that ClearStream's customers receive for the crude oil and natural gas they produce and the prices received have a direct correlation to the cash flow available to invest in transportation, equipment rental and other oilfield services provided by ClearStream. The markets for oil and natural gas are separate and distinct. Oil is a global commodity with a vast distribution network. As natural gas is most economically transported in its gaseous state via pipeline, its market is dependent on pipeline infrastructure and is subject to regional supply and demand factors. However, recent developments in the transportation of liquefied natural gas ("LNG") in ocean going tanker ships have introduced an element of globalization to the natural gas market. Crude oil and natural gas prices are quite volatile, which accounts for much of the cyclical nature of the oilfield services business. World crude oil prices and North American natural gas prices, including LNG, are not subject to control by ClearStream.

Condition of Capital Markets

While the Company has successfully restructured its balance sheet, the majority of cash flow, and all asset sale proceeds, if any, is anticipated to be used to pay down debt for the foreseeable future.

Dependence on Key Personnel

The success of the Company depends on its respective senior management team and other key employees, including its ability to retain and attract skilled management and employees. The loss of the services of key personnel could have a material adverse effect on the business, financial condition, results of operations or future prospects of the Company. In addition, growth plans may require additional employees, increase the demand on Management and produce risks in both productivity and retention levels. The Company may not be able to attract and retain additional qualified management and employees as needed in the future. There can be no assurance that the Company will be able to effectively manage its future business plan, and any failure to do so could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

General Economic Factors

The Company's business is subject to changes in general economic conditions including but not limited to, recessionary or inflationary trends, equity market levels, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence.

Customer Contracts

The business operations of ClearStream depend on its ability to perform under the agreements with its customers and the ability to attract new business. The key factors, which determine whether a client continues to use ClearStream, are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, reputation for safety performance and competitive pricing. Although Clearstream's key customer relationships are measured in decades, there can be no assurance that ClearStream's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on ClearStream's business, financial condition, results of operations and cash flows.

Customer Concentration

Large contracts often create a situation where a significant portion of ClearStream's main revenue and accounts receivables may be from a small number of customers increasing the risks of economic dependence and concentration of credit. ClearStream is economically dependent upon its top three clients who made up approximately 61% of ClearStream's revenues for 2016.

Labour

The success of the Company depends on its ability to maintain productivity and profitability. The productivity and profitability of ClearStream may be limited by its ability to employ, train and retain the skilled personnel necessary to meet its requirements. ClearStream cannot be certain that it will be able to maintain the adequate skilled labour force necessary to operate efficiently and to support its growth strategy. As well, ClearStream cannot be certain that its labour expenses will not increase as a result of shortage in the supply of these skilled personnel. Labour shortages or increased labour costs could impair the ability of ClearStream to maintain or grow its business.

Approximately 34% of ClearStream's hourly employees, workers in both ClearWater Fabrication and ClearWater Energy Services, are subject to collective agreements to which it is a party or is otherwise subject. Any work stoppage resulting from a strike or lockout could have a material adverse effect on the Company's business, financial condition and results of operations, including increased labour costs and service disruptions. In addition, ClearStream's clients employ workers under collective agreements. Any work stoppage or labour disruption experienced by ClearStream's key clients could significantly reduce the demand for ClearStream's services.

Regulation

The Company is subject to a variety of federal, provincial and local laws, regulations, and guidelines and may become subject to additional laws, regulations and guidelines in the future, particularly as a result of acquisitions. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Company. Although such expenditures historically have not been material, such laws and regulations are subject to change. Accordingly, it is impossible for the Company to predict the cost or impact of such laws and regulations on its future operations.

Competition

The businesses in which ClearStream operates are highly competitive. It often competes with companies that are much larger and have greater resources than ClearStream. There can be no assurance that the Company will be able to successfully compete against its competitors or that such competition will not have a material adverse effect on its business, financial condition, results of operations and cash flows.

Seasonality

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. Spring break-up during the second quarter leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of oilfield services. The duration of this period will have a direct impact on some of the services that ClearStream provides. Spring break-up occurs earlier in the year in south-eastern Alberta than it does in northern Alberta. The timing and duration of spring break-up is dependent on weather patterns but it generally occurs in April and May. Additionally, if an unseasonably warm winter prevents sufficient freezing, ClearStream may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. The demand for oilfield services may also be affected by the severity of the Canadian winters. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which can have a material adverse effect on ClearStream's business, financial condition, results of operations and cash flows.

Sources, Pricing and Availability of Equipment and Equipment Parts

ClearStream sources its equipment and equipment parts from a variety of suppliers. Should any suppliers of ClearStream be unable to provide the necessary equipment or parts or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services or in the time required to find new suppliers could have a material adverse effect on ClearStream's business, financial condition, results of operations and cash flows.

Project Risk

A portion of ClearStream's revenues is derived from stand-alone construction projects under a "lump sum" contracting strategy. Although these projects provide opportunities for increased revenue and profit contributions they can occasionally result in significant losses. Although "lump sum" projects do not represent a high percentage of the work ClearStream performs, ClearStream may experience periods of irregular or reduced revenues. The recording of the results of these project contracts can distort revenues and earnings on both a quarterly and an annual basis and can, in some cases, make it difficult to compare the financial results between reporting periods.

ENVIRONMENTAL

The operations of ClearStream are, and will continue to be, affected in varying degrees by federal and provincial statutes and regulations regarding the protection of the environment. Changes to existing statutes or regulations could have a negative impact on development projects, includes those in the regions where the Company operates. Furthermore, under existing legislation, all capital projects in the Alberta oil sands are subject to regulatory approval. Planned capital projects that have not yet obtained regulatory approval will require such approvals in order to proceed.

No assurance can be given that future environmental approvals, laws or regulations will not adversely impact the ability of ClearStream's customers to develop and operate in the regions where they operate.

UNEXPECTED ADJUSTMENTS AND CANCELLATIONS IN BACKLOG

ClearStream may not be able to convert its backlog into revenue and cannot guarantee that the revenues projected in its backlog will be realized or, if realized, will result in profits. This is a fundamental condition of the energy services industry. Projects may remain in its backlog for an extended period of time. ClearStream includes in its backlog binding and non-binding letters of intent, work orders and cost reimbursable contracts, which may be different than the items other issuers include in backlog. In addition, as many of ClearStream's clients have the right to terminate their contracts on short notice, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in its backlog and with respect to backlog evidenced by a non-binding letter of intent, the formal contract respecting same may never be finalized, resulting in such engagement being terminated. Backlog reductions can adversely affect the revenue and profit ClearStream actually receives from projects reflected in its backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of the Company's backlog and the revenues and profits that ClearStream actually receives. Additionally, in the event of a project cancellation, the Company may be reimbursed for certain costs, but typically has no contractual rights to the total revenue that was expected to be derived from such project.

PRICE AND AVAILABILITY OF ALTERNATIVE FUELS

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. ClearStream cannot predict the impact of changing demand for oil and gas products, and any major changes may have a material adverse effect on ClearStream's business, financial condition, results of operations and cash flows.

AVAILABILITY OF FUTURE FINANCING

As of the date hereof, the Company's principal source of funds is cash generated from operations. The Company however, may require additional equity or debt financing to meet its financing requirements. There can be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Company, in which event the financial condition of the Company may be materially adversely affected.

POTENTIAL FUTURE DEVELOPMENTS

Management of the Company, in the ordinary course of business, regularly explores potential strategic opportunities and transactions. The public announcement of any of these or similar strategic opportunities or transactions might have a significant effect on the price of the Company's securities. The Company's practice is not to publicly disclose the pursuit of a potential strategic opportunity or transaction unless and until a definitive binding agreement is reached unless otherwise required by applicable law. There can be no assurance that investors who buy or sell securities of the Company are doing so at a time when the Company is not pursuing a particular strategic opportunity or transaction that when announced, would have a significant effect on the price of the Company's securities.

CYBER SECURITY RISK

The Company utilizes a number of information technology systems for the management and operation of its business and is subject to a variety of information technology and system risks as part of its normal operations, including potential breakdown, invasion, virus, cyber-attack, cyber fraud, security breach and destruction or interruption of the Company's information technology systems by third parties or insiders.

Although the Company has security measures and controls in place that are designed to mitigate these risks, a breach of its security measures and/or loss of information could occur and could lead to a number of adverse consequences, including but not limited to: the unavailability, disruption or loss of key functionalities within the information technology systems, the unauthorized disclosure, corruption or loss of material and confidential information, breach of privacy laws and a disruption to the Company's business activities.

The Company attempts to prevent such breaches through, among other things, the implementation of various technology security measures, segregation of control systems from its general business network, engaging skilled consultants and employees to manage the Company's technology applications, conducting periodic audits and adopting policies and procedures as appropriate. To date, the Company has not been subject to a cyber security breach that has resulted in a material impact on its business or operations; however, there is no guarantee that the measures the Company takes to protect its information technology systems will be effective in protecting against a breach in the future.

POLITICAL RISK

Recent political events in the United States have led to uncertainty regarding the position the U.S. will take with respect to world affairs and events, especially current and future trade relationships with Canada and other countries. In particular, the current U.S. administration has indicated its intention to renegotiate or withdraw from the North American Free Trade Agreement. However, there have been no formal steps taken in this regard to date. As such, at this time ClearStream is unable to predict what impact any such renegotiation or withdrawal may have; however, in the event that any renegotiation or withdrawal impacts the exports of energy resources to the U.S. or Mexico this could have a material adverse effect on ClearStream's business and financial condition by negatively impacting ClearStream's customers' cash flow and production levels.

Risks Relating to the Company's Corporate Structure

POTENTIAL SALES OF ADDITIONAL SHARES

The Company may issue additional Shares or securities exchangeable for or convertible into shares in the future. Such additional Shares may be issued without the approval of shareholders. The shareholders will have no pre-emptive rights in connection with such additional issues. Additional issuance of Shares will result in the dilution of the interests of shareholders.

INCOME TAX MATTERS

Although the Company and its subsidiaries are of the view that all expenses to be claimed by them in the determination of their respective incomes under the *Income Tax Act* (Canada) (the "Tax Act") are reasonable and deductible in accordance with the applicable provisions of the Tax Act, and that the allocation of partnership income for purposes of the Tax Act are reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the Canada Revenue Agency (the "CRA") will agree with the expenses claimed or such allocation of partnership income. If CRA successfully challenges the deductibility of such expenses or the allocation of such income, the allocation of taxable income to the Company and its subsidiaries may change.

Elections have been made under the Tax Act such that the transactions under which the Company acquired its interest in certain Operating Partnerships may be effected on a tax-deferred basis. The adjusted cost base of any property transferred to an Operating Partnership pursuant to such agreements may be less than its fair market value, such that a gain may be realized on the future sale of the property.

The past acquisitions of the operating partnerships involved various structuring events to complete the transactions in a tax effective manner. These transactions involved interpretations of the Tax Act which could, if interpreted differently, result in additional tax liabilities.

Risks Relating to Common Shares of the Company

UNPREDICTABILITY AND VOLATILITY OF COMMON SHARE PRICE

A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the common shares of the Company will trade cannot be predicted. The market price of the common shares of the Company could be subject to significant fluctuations in response to variations in quarterly operating results and other factors. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the common shares of the Company.

RESTRICTIONS ON POTENTIAL GROWTH

The use of operating cash flow to reduce debt will make additional capital and operating expenditures somewhat dependent on increased cash flow. Lack of those funds could limit the future growth of ClearStream and its cash flow.

Risks Relating to the Senior Secured Debentures and the Convertible Secured Debentures

PRIOR RANKING INDEBTEDNESS AND INSOLVENCY LAWS

The first priority security interest on the assets of ClearStream held by the Senior Debenture Trustee on behalf of holders of Senior Secured Debentures could mean that such assets will not be available to satisfy any obligations owing on the Convertible Secured Debentures. In addition, the security interest on the assets of ClearStream held by the Convertible Debenture Trustee on behalf of holders of Convertible Secured Debentures does not extend to collateral securing the New ABL Facility. As a result, in the event of a liquidation of the Company and/or certain subsidiaries of the Company, it is possible that the holders of Convertible Secured Debentures would not recover the full or any amount of their investment.

In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Company and the other obligors, and their respective property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Company or the other obligors, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Company or the other obligors, holders of Senior Secured Debentures will receive payment to the extent of their security interest in the assets of the obligors granted to them, before the holders of Convertible Secured Debentures are entitled to receive any payment or distribution of any kind or character.

Under various Canadian bankruptcy, insolvency and restructuring statutes or Canadian federal or provincial receivership laws, including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Canada Business Corporations Act*, the Winding-up and Restructuring Act, and various provincial corporate statutes (collectively, "Canadian Insolvency and Restructuring Laws"), the Convertible Debenture Trustee's rights and ability to repossess its security from any obligor may be significantly impaired or delayed. Moreover, Canadian Insolvency and Restructuring Laws may permit the obligors to continue to retain and to use their assets, and the proceeds, products, rents, or profits of their assets, even though the obligors are in default under the Indentures or the New Debentures. In view of the broad discretionary powers of courts under Canadian Insolvency and Restructuring Laws, it is impossible to predict how long payments under the New Debentures could be delayed following commencement of a proceeding under Canadian Insolvency and Restructuring Laws or whether or when the Trustees would be able to repossess or dispose of the assets over which it holds a security interest. The powers of the court under Canadian Insolvency and Restructuring Laws are exercised broadly to protect a debtor and its estate from actions taken by creditors and others.

Canadian Insolvency and Restructuring Laws also contain provisions enabling an obligor or obligors to prepare and file a proposal or a plan of arrangement or reorganization for consideration by all or some of its creditors, to be voted on by the various classes of creditors affected thereby. Such a restructuring proposal or plan of arrangement or reorganization, if accepted by the requisite majority of each class of affected creditors and if approved by the relevant Canadian court, would be binding on all creditors of the applicable obligor within the affected classes, including potentially all holders of the New Debentures. Such a proposal or plan of arrangement or reorganization may have the effect of compromising certain rights available to holders of the New Debentures or the Trustees.

Payment of Interest

The Company's ability to pay principal and interest on the New Debentures when due will depend, in part, on the ability of the Refinancing Transactions to improve the Company's financial condition over the long term. In the event that the financial condition of the Company does not improve, or deteriorates following the closing of the Refinancing Transactions, the Company may not be able to pay principal and interest on the New Debentures.

Covenant Obligations

The Indentures and the New Debentures will impose negative and positive covenants on the Company and specified events of default. A failure to comply with the Company's obligations under the Indentures, the New ABL Facility and any other credit arrangements, as applicable, could result in a default or cross-default which would have a material adverse effect on the Company and its ability to operate as a going concern.

Redemption Prior to Maturity

Except upon the occurrence of a Change of Control (as defined in the Convertible Secured Indenture), the Convertible Secured Debentures will not be redeemable on or before the fifth anniversary of the Effective Date and, thereafter, they become redeemable at the election of the Company, in whole or in part, at any time on or before the business day before their maturity sate. Holders of Convertible Secured Debentures should assume that the Company will exercise this redemption option if the Company is able to refinance at a lower interest rate or it is otherwise in the interests of the Company to redeem the Convertible Secured Debentures.

Inability of the Company to Purchase Debentures

Upon the occurrence of a Change of Control (as defined in the Convertible Secured Indenture), the Company will be required to make an offer to purchase all of the Convertible Secured Debentures then outstanding at a price equal to 115% of the principal amount thereof, plus accrued and unpaid interest. It is possible that following a Change of Control, the Company will not have sufficient funds to make the required repurchase of Convertibles Secured Debentures or that restrictions contained in other indebtedness will restrict those purchases.

DILUTION

The Company will issue common shares of the Company in connection with any conversion of the Convertible Secured Debentures resulting in the dilution of a shareholder's current percentage ownership in the Company.

INVESTMENT ELIGIBILITY

There can be no assurance that the Convertible Secured Debentures, the PIK Debentures and the Common Shares will continue to be "qualified investments" under the Tax Act for trusts governed by RRSPs, RRIFs, TFSAs, registered education savings plans, registered disability savings plans and deferred profit sharing plans (collectively, "Registered Plans"). The Tax Act imposes penalties where trusts governed by Registered Plans acquire or hold non-qualified investments.

MARKET VALUE FLUCTUATION

Prevailing interest rates will affect the market value of the New Debentures, as they carry a fixed interest rate. Assuming all other factors remain unchanged, the market value of the New Debentures, which carry a fixed interest rate, will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

TRADING MARKET FOR THE CONVERTIBLE SECURED DEBENTURES

Although the Convertible Secured Debentures are listed on the TSX, the Company cannot be sure that an active trading market will develop for the Convertible Secured Debentures. In such case, holders of the Convertible Secured Debentures may not be able to resell their Convertible Secured Debentures at their fair market value or at all. Future trading prices of the Convertible Secured Debentures will depend on many factors, including, among other things, prevailing interest rates, the Company's operating results and the market for similar securities.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

National Instrument 51-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 51-109"), issued by the CSA requires CEOs and CFOs to certify that they are responsible for establishing and maintaining the disclosure controls and procedures for the issuer, that disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's disclosure controls and procedures, and that their conclusions about effectiveness of those disclosure controls and procedures at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

ClearStream's management, including its CEO and CFO, have evaluated the effectiveness of ClearStream's disclosure controls and procedures as at December 31, 2016 and have concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by ClearStream in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended. The CEO and CFO have certified the appropriateness of the financial disclosures in ClearStream's filings for the year ended December 31, 2016 with securities regulators, including this MD&A and the accompanying audited consolidated financial statements and that they are responsible for the design of the disclosure controls and procedures.

NI 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting for the issuer, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, and that the issuer has disclosed any changes in its internal controls during its most recent year end that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

There have been no changes in internal controls over financial reporting during the year ended December 31, 2016 that have materially affected or are reasonably likely to materially affect internal controls over financial reporting. Furthermore, ClearStream's management, including its CEO and CFO, have evaluated the effectiveness of ClearStream's internal control over financial reporting as at December 31, 2016 and have concluded that those controls were effective

Due to the inherent limitations common to all control systems, management acknowledges that disclosure controls and procedures and internal control over financial reporting may not prevent or detect all misstatements. Accordingly, management's evaluation of our disclosure controls and procedures and internal control over financial reporting provide reasonable, not absolute, assurance that misstatements resulting from fraud or error will be detected.

ADDITIONAL INFORMATION

Additional information relating to ClearStream including ClearStream's AIF is on SEDAR at www.sedar.com or on our website www.ClearStreamenergy.ca

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements of ClearStream Energy Services Inc. ("ClearStream") and all of the information in the annual report are the responsibility of management, including responsibility for establishing and maintaining disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance that the information used internally by management and disclosed externally is complete and reliable in all material respects. Management has evaluated the effectiveness of the disclosure controls and procedures and has concluded that they are effective.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain estimates that are based on management's best judgments. Actual results may differ from these estimates and judgments. Management has ensured that the consolidated financial statements are presented fairly in all material respects.

Management has developed and maintains a system of internal control to provide reasonable assurance that ClearStream's assets are safeguarded, transactions are accurately recorded, and the consolidated financial statements report ClearStream's operating and financial results in a timely manner. Financial information presented elsewhere in the annual report has been prepared on a consistent basis with that in the consolidated financial statements.

The Board of Directors of ClearStream annually appoints an Audit Committee (the "Committee") comprised of Independent Directors. This Committee meets regularly with management and the auditors to review significant accounting, reporting and internal control matters. The auditors have unrestricted access to the Committee. The Committee reviews the consolidated financial statements, Management's Discussion & Analysis, the external auditors' report and the annual report. The Committee reports its findings to the Board of Directors for their consideration in approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

Ernst & Young LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Ernst & Young LLP has provided an independent auditors' report.

John W. Cooper Chief Executive Officer	Gary Summach Chief Financial Officer

Calgary, Canada
March 6, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of ClearStream Energy Services Inc. (formerly "Tuckamore Capital Management Inc.")

We have audited the accompanying consolidated financial statements of ClearStream Energy Services Inc., which comprise the consolidated balance sheets as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, shareholders' deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ClearStream Energy Services Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1(b) to the consolidated financial statements, which indicates that the Company incurred a net loss of $45,730 during the year ended December 31, 2016 and continues to feel the effects of weak economic conditions. As stated in Note1 (b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Ernst & Young LLP

Calgary, Canada
March 6, 2017

Chartered Professional Accountants

CLEARSTREAM ENERGY SERVICES INC.
(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)

Consolidated Balance Sheets
(In thousands of Canadian dollars)

As at December 31,	2016	2015
Cash	$ 11,503	$ 24,409
Restricted cash (note 2)	980	4,380
Accounts receivable (note 22)	46,928	76,089
Inventories (note 3)	3,000	3,114
Prepaid expenses and other	2,060	2,471
Earn-out assets (note 4)	1,608	-
Assets held for sale (note 12)	-	54,310
Total current assets	66,079	164,773
Property, plant and equipment, net (note 5)	24,745	30,873
Goodwill and intangible assets (note 6)	38,088	49,892
Earn-out assets (note 4)	4,056	-
Long-term investments (note 24)	579	8,000
Deferred financing costs (note 7)	1,295	-
Total assets	**$ 134,842**	**$ 253,538**
Accounts payable and accrued liabilities	$ 26,848	$ 32,132
Deferred revenue	167	-
Current portion of obligations under finance leases (note 11)	3,902	4,685
8.00% secured debentures (note 8)	-	174,311
Senior credit facility (note 10)	-	58,482
Current liabilities of assets held for sale (note 12)	-	42,637
Provision (note 13)	4,985	-
Total current liabilities	35,902	312,247
ABL facility (note 7)	3,500	-
Obligations under finance leases (note 11)	2,915	6,347
Senior secured debentures (note 8)	171,642	-
Convertible secured debentures (note 9)	24,397	-
Total liabilities	238,356	318,594
Shareholders' deficit	(103,514)	(65,056)
Total liabilities and shareholders' deficit	**$ 134,842**	**$ 253,538**

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

Commitments (Note 13)

Signed on behalf of the Board of Directors,

Fraser Clarke, Director

Peggy Mulligan, Director

CLEARSTREAM ENERGY SERVICES INC.
(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)

Consolidated Statements of Loss and Comprehensive Loss

(In thousands of Canadian dollars, except per share amounts)

For year ended December 31,	2016	2015
		Restated (Note 27)
Revenue (note 14)	$ 270,661	$ 416,122
Cost of revenue	(245,750)	(362,429)
Gross profit	24,911	53,693
Selling, general and administrative expenses (note 15)	(17,382)	(22,362)
Amortization of intangible assets (note 6)	(3,376)	(5,651)
Depreciation (note 5)	(6,625)	(8,681)
Income from equity investment (note 24)	(169)	(508)
Interest expense (note 16)	(21,259)	(24,948)
Gain (loss) on sale of assets held for sale (note 12)	1,260	(6,379)
Restructuring costs (note 19)	(1,471)	(7,454)
Impairment of property, plant and equipment (note 5)	-	(5,574)
Impairment of goodwill and intangible assets (note 6)	(8,700)	(41,727)
Other income	623	-
(Loss) gain on sale of property, plant and equipment (note 5)	(728)	340
Loss before taxes	(32,916)	(69,252)
Income tax recovery (expense) - current (note 17)	(21)	2,050
Income tax recovery - deferred (note 17)	-	2,766
Loss from continuing operations	(32,937)	(64,436)
Loss from discontinued operations (net of income taxes) (note 12)	(12,793)	(60,451)
Net loss and comprehensive loss	$ (45,730)	$ (124,887)
Loss per share (note 18)		
Basic & Diluted:		
Continuing operations	$ (0.30)	$ (0.59)
Discontinued operations	$ (0.12)	$ (0.55)
Net loss	$ (0.42)	$ (1.14)

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

CLEARSTREAM ENERGY SERVICES INC.
(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)

Consolidated Statements of Shareholders' Deficit

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

	Number of shares	Share Capital	Deficit	Contributed Surplus	Total Shareholders' Deficit
Balance - January 1, 2016	109,941,241	$461,758	$ (529,241)	$ 2,427	$ (65,056)
Net loss and comprehensive loss	-	-	(45,730)	-	(45,730)
Equity component of the convertible debentures (note 9)	-	7,272	-	-	7,272
Balance - December 31, 2016	109,941,241	$469,030	$ (574,971)	$ 2,427	$ (103,514)

	Number of shares	Share Capital	Deficit	Contributed Surplus	Total Shareholders' Deficit
Balance - January 1, 2015	109,941,241	$461,758	$ (404,354)	$ 2,427	$ 59,831
Net loss and comprehensive loss	-	-	(124,887)	-	(124,887)
Balance - December 31, 2015	109,941,241	$461,758	$ (529,241)	$ 2,427	$ (65,056)

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

CLEARSTREAM ENERGY SERVICES INC.
(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

For the year ended December 31,	2016	2015
Operating activities:		
Net loss for the year	$ (45,730)	$ (124,887)
Loss from discontinued operations (net of income tax) (note 12)	12,793	60,451
Items not affecting cash:		
Amortization of intangible assets (note 6)	3,376	5,651
Depreciation (note 5)	6,625	8,681
Deferred income tax recovery (note 17)	-	(2,766)
Income from equity investments (note 24)	169	(3,434)
Non-cash accretion expense (note 16)	2,526	7,465
Amortization of deferred financing costs (note 16)	432	558
(Gain) loss on sale of assets held for sale (note 12)	(1,260)	6,379
Loss (gain) on sale of property, plant and equipment (note 5)	728	(340)
Impairment of property, plant and equipment (note 5)	-	5,574
Impairment of goodwill and intangible assets (note 6)	8,700	41,727
Changes in non-cash working capital (note 23)	24,569	29,701
Advances to discontinued operations	(3,931)	(20,677)
Cash (used in) provided by discontinued operations (note 12)	(4,432)	1,482
Total cash provided by operating activities	4,565	15,566
Investing activities:		
Distributions from long-term investments	-	1,740
Purchase of property, plant and equipment (note 5)	(1,417)	(3,260)
Proceeds on disposition of property, plant and equipment, net (note 5)	1,927	311
Proceeds on disposition of businesses (note 12)	14,800	4,750
Purchase of intangibles (note 6)	(274)	(108)
Cash used in discontinued operations (note 12)	-	(732)
Total cash provided by investing activities	15,036	2,701
Financing activities:		
Repayment of senior credit facility (note 10)	(58,735)	(8,934)
Repayment of 8.00% secured debentures (note 8)	(176,228)	-
Proceeds from the issuance of senior secured debentures (note 8)	176,228	-
Proceeds from the issuance of convertible secured debentures (note 9)	35,000	-
Refinancing fees (ABL facility, senior and convertible secured debentures)	(10,256)	-
Advance on ABL facility (note 7)	3,500	-
Decrease (increase) in restricted cash (note 2)	3,400	(1,430)
Repayment of obligations under finance leases (note 11)	(5,416)	(5,591)
Cash used in discontinued operations (note 12)	-	(617)
Total cash used in financing activities	(32,507)	(16,572)
(Decrease) increase in cash	(12,906)	1,695
Cash beginning of year	24,409	22,714
Cash end of year	$ 11,503	$ 24,409
Supplemental cash flow information:		
Interest paid	$ 9,404	$ 16,925
Supplemental disclosure of non-cash financing and investing activities:		
Acquisition of property, plant and equipment through finance leases	$ 1,201	$ 2,003

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

ClearStream Energy Services Inc. ("ClearStream" or the "Company"), formerly Tuckamore Capital Management Inc., is a corporation formed pursuant to the Business Corporations Act (Ontario). The registered office is located at Suite 2950, 130 King Street West, Toronto, Ontario. ClearStream is a fully-integrated provider of midstream production services, which includes maintenance and turnarounds, facilities construction, welding and fabrication, and transportation, with locations across Western Canada. Prior to the recent internal restructuring and dispositions (Note 12), ClearStream's primary function was to invest in securities of private businesses, either through limited partnerships or corporations.

These annual consolidated financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of ClearStream on March 6, 2017.

1. Significant accounting policies

a) Basis of Presentation

These consolidated financial statements are prepared on a historical cost basis (except as described in Note 22) in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies that follow have been consistently applied to all years presented.

b) Going Concern Uncertainty

The consolidated financial statements are prepared on a going concern basis. The going concern basis assumes that the Company will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the year ended December 31, 2016, the Company incurred a net loss of approximately $45,730 and had a shareholders' deficit of $103,514. The Company's operations continue to feel the effects of weak economic conditions in Alberta. During 2016, ClearStream successfully obtained amendments to the terms of its ABL Facility, which allowed it to remain in compliance with its covenants throughout the year. The Company's expects to remain in compliance with all financial covenants over the next twelve months; however, there is risk that the Company will not meet forecasted expectations and therefore breach financial covenants during 2017.

ClearStream is carefully monitoring its results and continues to take actions to mitigate the risk of a covenant breach, including reductions to operating and capital expenditures. The Company believes that it has a good relationship with its lenders and that, in the event that it concludes that a financial covenant would not be met, it could seek and receive future amendments to its covenants. It cannot be guaranteed that such amendment will be required or requested and similarly there can be no guarantee that such amendment would be received from the Company's lenders or that the conditions of such amendment could be fulfilled by the Company. In the event that an amendment was not received, the cross-default provisions in the senior secured debenture and convertible secured debenture would be triggered, requiring payment on demand. The possibility that a financial covenant may not be met results in a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

c) Principles of Consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2016. The Company conducts business through numerous subsidiaries, all of which are wholly-owned therefore controlled, by the Company. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated on consolidation.

d) Investment in associates and joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Company's investments in its joint ventures are accounted for using the equity method.

e) Financial instruments

(i) Financial assets

Financial assets are classified as financial assets at their fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. Embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. Financial assets and financial liabilities are recognized on the Company's consolidated balance sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Cash and restricted cash

Cash and restricted cash are comprised of cash on deposit with financial institutions. These are measured at fair value with any gains and losses recorded through net income in the period in which they arise.

Accounts receivable

Accounts receivable, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, net of any impairment.

A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of net loss. When a loan and receivable is uncollectible, it is written off against the allowance account for loans and receivables.

Earn-out financial assets

Earn-out financial assets represent contractual rights to receive cash whereby an agreement for the sale of a business includes clauses that require the buyer to transfer cash to the seller contingent on specified events in the future. When the underlying contingency is based on a financial variable (including variables that expose the buyer to risks and rewards arising from the contract), the contract meets the definition of a derivative and is recorded at fair value through profit and loss.

Financial liabilities

Financial liabilities include accounts payable, the ABL Facility, senior secured debentures and convertible secured debentures. Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Fair value hierarchy

The Company uses a three level hierarchy to categorize the significance of the inputs used in measuring the fair value of financial instruments. The three levels of the fair value hierarchy are:

Level 1 – Where financial instruments are traded in active financial markets, fair value is determined by reference to the appropriate quoted unadjusted market price at the reporting date. Active markets are those in which transactions occur in significant frequency and volume to provide pricing information on an ongoing basis.

Level 2 – If there is no active market, fair value is established using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including quoted forward prices, time value, volatility factors and broker quotations.

Level 3 – Valuations in this level are those with inputs that are not based on observable market data and which are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value. Level 3 instruments may include items based on pricing services or broker quotes where the Company is unable to verify the observability of inputs into their prices. Level 3 instruments include longer-term transactions, transactions in less active markets or transactions at locations for which pricing information is not available. In these instances, internally developed methodologies are used to determine fair value which primarily includes extrapolation of observable future prices to similar location, similar instruments or later time periods.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The Company's cash and restricted cash have been assessed using the fair value hierarchy and have been classified as level 1; the Company's earn-out financial assets have been classified as level 3.

f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes the costs to purchase and other costs incurred in bringing the inventories to their present location. Costs such as storage costs and administrative overheads that do not directly contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned by using specific identification of their individual costs. The weighted average cost formula is used for inventories other than those dealt with by the specific identification of cost formula.

g) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Equipment under finance lease is initially recorded at the present value of minimum lease payments at the inception of the lease.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year and adjusted prospectively, if appropriate.

Depreciation is calculated following the method that best reflects usage and annual rates based on the estimated useful lives of the assets as follows:

Asset	Basis	Rate
Equipment under finance lease	Declining balance	15% - 30%
Furniture, tools and equipment	Declining balance	10% - 50%
Computer hardware	Declining balance	20% - 30%
Automotive & heavy equipment	Declining balance	15% - 30%
Buildings	Declining balance	5% - 10%
Leasehold improvements	Straight-line	Shorter of expected useful life or term of the lease

h) Intangible assets

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are initially recorded at their fair value. Intangible assets with determinable useful lives, such as customer relationships, management contracts, computer software and sales orders, are amortized over their useful lives. Intangible assets having an indefinite life, such as brands, are not amortized but are subject to an annual impairment test (refer to Note 1(i)). The Company expects to renew the registration of the brand names indefinitely, and expects these assets to generate economic benefit in perpetuity. As such, the Company assessed brand name intangible assets as having indefinite useful lives.

Some intangible assets are contained in a physical form, such as a compact disc in the case of computer software. When the software is not an integral part of the related hardware, computer software is treated as an intangible asset.

Intangible assets with determinable lives are amortized using the following methods and rates based on the estimated useful life of the asset as follows:

Asset	Basis	Rate / Term
Customer relationships/management contracts/sales orders	Straight-line	2 – 10 years
Computer software	Declining balance	30% - 100%

i) Impairment of long-lived assets, indefinite life intangible assets and goodwill

Assets with definite useful lives, including property, plant and equipment and intangible assets, are amortized over their estimated useful lives. Long-lived assets are assessed for impairment at each balance sheet date, or whenever events or changes in circumstances occur, to assess whether there is an indication that such assets may not be recoverable.

If indicators of impairment exist, an estimate of the recoverable amount is made. If the carrying amount of an asset or cash generating unit ("CGU") exceeds its recoverable amount, an impairment charge is recognized for the amount by which the carrying amount exceeds the recoverable amount.

Goodwill and indefinite life intangible assets are not amortized and are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. For the purposes of impairment testing, goodwill is allocated to the CGU or group of CGUs whose acquisition gave rise to the goodwill. Assessment of goodwill impairment is performed at the level at which goodwill is monitored for internal management purposes, which is the operating segment level. Goodwill impairment is determined by assessing whether the carrying amount of the CGU or relevant group of CGUs exceeds the recoverable amount. Indefinite life intangible impairment is determined by assessing whether the carrying amount of the CGU to which those indefinite life intangible assets relate exceeds the recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). If it is not possible to estimate the recoverable amount of an individual asset, the CGU to which the asset belongs is tested for impairment. The FVLCS excludes any costs with respect to restructuring, employee severance and termination benefits. VIU is determined using the estimated future cash flows generated from use and eventual disposition of an asset or CGU discounted to their present value using a post-tax discount rate and excludes any costs with respect to restructuring, employee severance and termination benefits.

Assets to be disposed of are presented separately in the consolidated balance sheet and reported at the lower of the carrying amount or FVLCS.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, ClearStream estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumption used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined net of depreciation had the impairment loss not been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

j) Revenue recognition

(i) Maintenance and Construction Services

Maintenance and construction services revenue includes revenue from contracts entered into to provide maintenance and construction services to various industries, including energy, mining, agriculture, pulp and paper and petrochemical. Revenue from such contracts is recorded either using (i) the percentage of completion method or (ii) as services are performed and related costs and hours are incurred. The stage of completion is assessed by an analysis of costs incurred to date compared to total costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Provisions for estimated losses on all uncompleted contracts are made in the period in which such losses are determined.

(ii) Wear, Fabrication & Transportation Services

Wear, fabrication and transportation services revenue includes sale of goods with respect to general and modular fabrication; custom fabrication services supporting pipeline and infrastructure projects; patented wear overlay technology services that specialized in overlay pipe spools, pipe bends and plate; and transportation and pipe logistics services to the drilling sector. Revenue from sale of goods and services is recognized when significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, and is measured at the fair value of the consideration received or receivable.

k) Income taxes

Income tax expense or recovery comprises current and deferred taxes. Current tax is the expected tax payable or recoverable on the taxable income for the year and is recognized in the period to which it relates. Amounts included in current tax reflect the income tax expense or recovery relating to the taxable income of ClearStream and its subsidiaries.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if ClearStream has a legally enforceable right to offset current tax assets/liabilities and if the corresponding deferred tax assets and liabilities relate to the income taxes raised by the same taxation authority on either the same taxable entity or different taxable entities that intend to settle their current tax assets and liabilities either on a net basis or simultaneously.

A deferred tax asset is recognized to the extent it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

l) Leases

The classification of a lease arrangement is based on the substance of the arrangement at the inception date. Leases entered into by ClearStream as the lessee, which transfer substantially all the benefits and risks of ownership to the lessee, are recorded as finance lease obligations and included in property, plant and equipment. All other leases are classified as operating leases under which leasing costs are recorded as expenses in the period in which they are incurred. In instances where there are periods of lease incentives, the benefit is allocated over the term of the lease.

m) Stock-based compensation

Employees, directors and consultants of the Company may receive remuneration in the form of share-based payment transactions for services rendered. Share-based payments are recorded in the consolidated statement of net loss for options granted, with a corresponding amount reflected in contributed surplus. The fair value of stock-based payments is estimated, at the date of grant, using the Black-Scholes pricing model, and amortized over the options' vesting period using the graded vesting method.

n) Income (loss) per share

The income (loss) per share of ClearStream is computed by dividing ClearStream's income (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted income (loss) per share is determined by adjusting the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares, using the treasury stock method.

o) Provisions

A provision is recognized if, as a result of a past event, ClearStream has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

p) Assets Held for Sale and Discontinued Operations

Assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale arrangement will be made or that it will be withdrawn. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and FVLCD. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense. Assets or disposal groups meeting the definition of held for sale can be comprised of a separate line of business (e.g. Operating Partnership) or investments accounted for under the equity method. In the consolidated balance sheet for the current period, assets and liabilities meeting the definition of held for sale are reported separately from the assets and liabilities of continuing operations. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Those disposal groups that meet the definition of a component (i.e. represent a separate major line of business or geographical area of operations) are reclassified in the consolidated statement of loss for the current and comparative periods as discontinued operations. Income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting income or loss (after taxes) is reported separately in the consolidated statements of loss. Investments accounted for under the equity method typically do not meet the definition of a component and therefore are not reclassified as discontinued operations.

q) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange for control of the acquiree. Transaction costs directly attributable to the acquisition are expensed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured as the excess of the fair value of consideration paid over the fair value of the net identifiable tangible and intangible assets acquired. If the fair value of consideration paid is less than the fair value of the net identifiable tangible and intangible assets acquired, the difference is recognized directly in net income as a bargain purchase gain.

r) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment in future periods to the carrying amount of the asset or liability affected.

Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

(i) Depreciation and amortization

Measurement of the net book value of property, plant and equipment and intangible assets requires the Company to make estimates of the expected useful lives of the assets, method of depreciation and amortization and whether impairment in value has occurred. Residual values of the assets, estimates useful lives and depreciation and amortization methodology are reviewed annually with prospective application of any changes, if deemed appropriate. Changes to estimates and specifically those related to automotive and heavy equipment, which could be significant, could be caused by a variety of factors, including changes to the physical life of the assets or changes in the nature of the utilization of the assets. A change in any of the estimates would result in a change in the amount of depreciation or amortization and, as a result, a charge to net income recorded in the period in which the change occurs.

(ii) Revenue recognition – percentage of completion

The nature of certain of the Company's contracts with customers is such that revenue is earned over time as the related good is produced. In these instances, revenue is recognized as work is completed and this requires management to make a number of estimates and assumptions surrounding the expected profitability of the contract, the estimated degree of completion based on hours and costs incurred and other detailed factors. Although these factors are routinely reviewed as part of the project management process, changes in these estimates or assumptions could lead to changes in revenues recognized in a given period.

(iii) Determination of cash generating units ("CGUs")

Assets are grouped into CGUs that have been identified as being the smallest identifiable group of assets that generate cash inflows that are independent of cash flows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations. Factors considered in the classification include the integration between assets, the ability of management to allocate finite resources to complete future projects or contracts, and the way in which management monitors the operations. The recoverability of the Company's assets is assessed at the CGU level and therefore the determination of a CGU could have a significant effect on impairment losses or reversals.

(iv) Income taxes

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carried forward tax losses can be utilized. Assessing the recoverability of deferred taxes requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted earnings before interest, depreciation and amortization ("EBITDA") and the application of existing tax laws.

The carrying amount of deferred tax assets is reviewed each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income taxes contain uncertainties because of the assumptions made about when deferred tax assets are likely to reverse, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain.

(v) Provisions and contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. Judgment and estimates are necessary to determine the likelihood that a pending litigation or other claim will succeed or a liability will arise and to quantify the possible range of the final settlement.

(vi) Impairment of non-financial assets

With respect to property, plant and equipment and definite life intangible assets, judgment is applied by management in assessing whether there are any indicators of impairment at each reporting date that would require a full impairment test to be performed. Impairment indicators include, but are not limited to, a significant decline in an asset's market value, significant adverse changes in the technological, market, economic or legal environment in which the assets are operated, evidence of obsolescence or physical damage of an asset, significant changes in the planned use of an asset, or ongoing under-performance of an asset. Application of these factors to the facts and circumstances of a particular asset requires a significant amount of judgment.

Should an impairment test be required, the determination of the magnitude of impairment involves the use of estimates, assumptions and judgments on highly uncertain matters particularly with respect to estimating the recoverable amount of a CGU or a group of CGUs. Such estimates, assumption and judgments include, but are not limited to: the choice of discount rates that reflect appropriate asset-specific risks, timing of revenue and customer turnover, inflation factors for projected costs and the level of capital expenditures required in future periods to maintain operations.

(vii) Carrying amount of accounts receivable

Initially recorded at historical cost, the carrying amount of accounts receivable is affected by management's best estimate of the provision for doubtful accounts, which is considered on a case-by-case basis when accounts receivable are past due or when objective evidence is received that a customer will default. Management makes these assessments after taking into consideration the customer's payment history and credit worthiness as well as the current economic environment in which the customer operates.

(viii) Earn-out financial assets

At each reporting date, management assesses the likelihood that the conditions required for the Company to obtain earn-out financial assets will be achieved. These assessments are based on information made available to management by the acquirers of the disposed businesses as well as any publicly-available information. Management also determines an appropriate asset-specific discount rate to apply at each reporting date to reflect the risks inherent in the estimated cash flows. As a result, determining an estimate of the fair value of the earn-out financial assets requires a significant amount of judgment based on unobservable inputs and may result in significant changes in future periods.

(ix) Going concern

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities and commitments in the normal course of business within the foreseeable future. Management uses judgment to assess the Company's ability to continue as a going concern and the conditions that cast doubt upon the use of the going concern assumption (Note 1(b)).

s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations were not yet effective as at January 1, 2016 and have not been applied in preparing these annual consolidated financial statements. ClearStream's intention is to adopt the standards when they become effective.

The following is a brief summary of the new standards:

a. IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(In thousands of Canadian dollars)

Management will complete a formal assessment of the impact of adoption of IFRS 9 on the Company commencing in Q2 2017.

b. IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Management will complete a formal assessment of the impact of adoption of IFRS 15 on the Company commencing in Q2 2017.

c.* IFRS 16 *Leases

IFRS 16 *Leases* provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company will complete an assessment of the impact of adoption of IFRS 16 following the completion of its assessments described above for IFRS 9 and IFRS 15.

2. Restricted cash

Restricted cash of $980 at December 31, 2016 (2015 - $4,380) is backing letters of credit and cash in trust held on behalf of insurance providers. Letters of credit are predominately used to secure cash management services.

3. Inventories

Inventories comprise the following:

	December 31, 2016	December 31, 2015
Raw materials	1,583	1,731
Work-in-progress	175	169
Finished goods	831	366
Parts and supplies	411	848
Total inventories	$ 3,000	$ 3,114

Work in progress includes amounts for work performed in excess of amounts billed for contracts accounted for using the percentage of completion method.

(In thousands of Canadian dollars)

Included in cost of revenues is the cost of inventories of $15,348 (2015 - $21,162).

4. Earn-out assets

(a) Gusgo Transport LP ("Gusgo") earn-out

As a result of the sale of its 80% interest in Gusgo in March 2016 (Note 12), ClearStream is entitled to an earn-out of approximately $2,000 if a customer of Gusgo exercises its option to renew an existing contract at December 31, 2017 and 2018. The fair value of this earn-out at December 31, 2016 was calculated using a discounted cash flow model assuming that the contract will be renewed (based on historical experience) with the amount to be paid to ClearStream discounted at a rate of 17.5%.

Initial fair value of Gusgo earn-out upon disposition	$	1,340
Accretion (recorded as gain on sale of assets held for sale)		172
Fair value of Gusgo earn-out at December 31, 2016	$	1,512

Of the fair value of $1,512 at December 31, 2016, approximately $426 is recorded as current earn-out assets with the remaining $1,086 recorded as non-current. If the discount rate used to perform this calculation was 5% higher, the fair value of the Gusgo earn-out at December 31, 2016 would have been $105 lower.

(b) Quantum Murray LP and Titan Supply LP (collectively, "Quantum Murray") earn-out

As a result of the sale of the majority of the net assets of Quantum Murray in March 2016 (Note 12), ClearStream is entitled to an earn-out of approximately $6,200 if certain pre-determined free cash flow targets are achieved for the years ended March 31, 2017, 2018, and 2019. The fair value of this earn-out at December 31, 2016 was calculated using a discounted cash flow model assuming that the required free cash flow targets will be achieved. The free-cash flow forecast used to calculate the 2017 portion of the Quantum Murray earn-out is discounted at a rate of 6%, whereas the free cash flow forecasts used to calculate the 2018 and 2019 portion of the Quantum Murray earn-outs are discounted at a rate of 30%. The difference in the discount rates reflect the risks associated with the free cash flow forecast and the inherent uncertainty of forecasting future results for similar businesses.

Initial fair value of Quantum Murray earn-out upon disposition	$	4,240
Accretion		544
Change in estimates		(628)
Fair value of Quantum Murray earn-out at December 31, 2016	$	4,156

The change in estimates of $628 reflects the impact of changes in key observable inputs as a result of an updated free cash flow forecast received for the fourth quarter of 2016.

Of the fair value of $4,156 at December 31, 2016, approximately $1,182 is recorded as current earn-out assets with the remaining $2,970 recorded as non-current. If the discount rates used to perform this calculation were 5% higher, the fair value of the Quantum Murray earn-out at December 31, 2016 would be $224 lower.

(In thousands of Canadian dollars)

5. Property, plant and equipment

	Equipment under finance lease	Furniture, tools and equipment	Computer hardware	Automotive and heavy equipment	Land and buildings	Leasehold improvements	Total
Cost							
Balance at January 1, 2015	$ 34,676	$ 14,754	$ 4,213	$ 56,449	$ 5,952	$ 11,885	$ 127,929
Additions	2,003	1,187	195	1,106	-	772	5,263
Disposals	(1,815)	(174)	(54)	(3,017)	(1,476)	(168)	(6,704)
Reclassed as discontinued operations and held for sale	(7,973)	(969)	(2,924)	(25,930)	-	(3,953)	(41,749)
Balance as December 31, 2015	$ 26,891	$ 14,798	$ 1,430	$ 28,608	$ 4,476	$ 8,536	$ 84,739
Additions	909	615	2	658	-	144	2,326
Disposals	(691)	-	-	(2,602)	(1,854)	-	(5,147)
Balance as December 31, 2016	$ 27,109	$ 15,413	$ 1,432	$ 26,664	$ 2,622	$ 8,680	$ 81,918
Accumulated Depreciation							
Balance at January 1, 2015	$ (14,166)	$ (7,306)	$ (3,316)	$ (38,816)	$ (1,816)	$ (6,355)	$ (71,775)
Depreciation for the year	(3,774)	(1,027)	(109)	(2,917)	(87)	(767)	(8,681)
Disposals	1,135	47	53	2,343	773	106	4,457
Reclassed as discontinued operations and held for sale	2,706	845	2,318	18,295	-	3,543	27,707
Impairment	(16)	-	-	(982)	-	(4,576)	(5,574)
Balance at December 31, 2015	$ (14,115)	$ (7,441)	$ (1,054)	$ (22,077)	$ (1,130)	$ (8,049)	$ (53,866)
Depreciation for the year	(2,997)	(1,063)	(65)	(2,184)	(85)	(232)	(6,625)
Disposals	1,335	-	-	1,093	64	-	2,492
Reclassed as discontinued operations and held for sale	-	-	-	826	-	-	826
Balance at December 31, 2016	$ (15,777)	$ (8,504)	$ (1,119)	$ (22,342)	$ (1,151)	$ (8,281)	$ (57,173)
Net book value							
At December 31, 2015	$ 12,776	$ 7,357	$ 376	$ 6,531	$ 3,346	$ 487	$ 30,873
At December 31, 2016	$ 11,332	$ 6,909	$ 313	$ 4,322	$ 1,471	$ 399	$ 24,745

a) Collateral:

As at December 31, 2016, property, plant and equipment included $13,202 subject to a general security agreement under the Senior Secured Debentures and the Convertible Secured Debentures (December 31, 2015 - $19,985 under the senior credit facility).

b) Impairment:

At December 31, 2016, management concluded there were no indicators of impairment or impairment reversal with respect to its cash generating units containing property, plant and equipment.

At December 31, 2015, as a result of adverse economic effects arising from the lower commodity prices, the Company was required to perform an impairment test under IAS 36 *Impairment of Assets*. ClearStream recorded non-cash impairment of $3,220 and $2,354 related to the Transportation and Conventional CGUs, respectively. The impairment was calculated on a fair value less costs of disposal basis. This was determined using level 3 inputs under IFRS, including fixed asset appraisals and auction results for certain types of equipment. The impairment charge recorded was most sensitive to the fixed asset appraisals and auction results used to determine the recoverable amounts of the individual assets.

(In thousands of Canadian dollars)

c) Disposals:

During the year ended December 31, 2016, the Company disposed of assets with a cost of $5,147 and accumulated depreciation of $2,492, for proceeds of $1,927, and recognized a net loss on sale of $728.

6. Goodwill and intangible assets

	Goodwill	Customer relationships	Computer software	Brands	Sales Orders	Management Contracts	Intangible Total
Cost							
Balance at January 1, 2015	$ 92,029	$ 131,740	$ 3,092	$ 16,474	$ 2,444	$ 2,000	$ 155,750
Additions	-	-	108	-	-	-	108
Reclassed as discontinued operations and held for sale	-	(48,320)	(685)	(332)	(1,339)	(2,000)	(52,676)
Balance at December 31, 2015	$ 92,029	$ 83,420	$ 2,515	$ 16,142	$ 1,105		$ - 103,18
Additions	-	132	142	-	-	-	274
Balance at December 31, 2016	$ 92,029	$ 83,552	$ 2,657	$ 16,142	$ 1,105		$ - 103,45
Amortization and impairments							
Balance at January 1, 2015	$ (30,903)	$ (97,156)	$ (2,254)	$ (13,390)	$ (2,444)	$ (2,000)	$ (117,24
Amortization for the year	-	(5,509)	(142)	-	-	-	(5,6
Impairment	(30,140)	(11,587)	-	-	-	-	(11,5
Reclassed as discontinued operations and held for sale	-	46,731	134	-	1,339	2,000	50,20
Balance at December 31, 2015	$ (61,043)	$ (67,521)	$ (2,262)	$ (13,390)	$ (1,105)	$ -	$ (84,278)
Amortization for the year	-	(3,231)	(145)				(3,37
Impairment	(8,700)			-	-	-	
Balance at December 31, 2016	$ (69,743)	$ (70,752)	$ (2,407)	$ (13,390)	$ (1,105)	$ -	$ (87,654)
Net book value							
At December 31, 2015	$ 30,986	$ 15,899	$ 253	$ 2,752	$ -	$ -	$ 18,904
At December 31, 2016	$ 22,286	$ 12,800	$ 250	$ 2,752	$ -	$ -	$ 15,802

ClearStream has five CGUs, two of which have intangible assets with an indefinite life. Goodwill is monitored by management at the operating segment level. The carrying amounts of goodwill and the indefinite life intangible assets at December 31, 2016 are identified separately in the table below. As a result of the change in ClearStream's operating segments in March 2016 (refer to Note 25), ClearStream reallocated goodwill using the relative fair value approach for the revised operating segments.

Operating Partner	**Indefinite life intangibles**	**Goodwill**
ClearStream		
Wear	1,574	-
Transportation	-	-
Fabrication	-	-
Wear, Fabrication and Transportation	1,574	4,562
Oilsands	1,178	-
Conventional	-	-
Maintenance and Construction Services	1,178	17,724
Total	$ 2,752	$ 22,286

(a) Definite life intangible assets

At December 31, 2016, management concluded there were no indicators of impairment or impairment reversal with respect to its cash generating units containing definite life intangible assets.

At December 31, 2015, as a result of adverse economic effects arising from the lower commodity prices, the Company was required to perform an impairment test under IAS 36 *Impairment of Assets*. ClearStream recorded non-cash impairment of $1,226 and $10,361 related to the Transportation and Conventional CGUs, respectively. The impairment was calculated primarily on a value-in-use basis. The inputs used to perform the value-in-use analysis are the same inputs that were used for ClearStream's annual impairment test for goodwill and intangibles with an indefinite life. Please refer to Note 6(b) for more details.

(b) Goodwill and indefinite life intangible assets

ClearStream performed impairment tests as at March 31, 2016 as a result of identifying indicators of impairment across all operating segments and CGUs. This resulted in goodwill impairment of approximately $8,700 within the Wear, Fabrication and Transportation segment. The recoverable value for the Wear, Fabrication and Transportation group of CGUs is $34,131. ClearStream also performed its annual impairment test over goodwill and indefinite life intangible assets as at December 31, 2016, which did not result in any additional impairment. The valuation techniques, significant assumptions and sensitivities applied in the goodwill and indefinite life intangible asset impairment tests are described below:

Valuation technique

The recoverable amounts of ClearStream's operating segments and CGUs were calculated based on fair value less costs of disposal. The fair value less costs of disposal for all CGUs was determined through a discounted cash flow ("DCF") approach other than for Transportation, where the fair value less costs of disposal was determined based on fixed asset appraisals and auction results for certain types of equipment.

The DCF method involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about earnings before taxes, interest, depreciation and amortization ("EBITDA"), capital expenditures, growth rates, working capital and discount rates.

Projected EBITDA and Capital Expenditures

Projected EBITDA and capital expenditures are based on ClearStream's internal budget for the following year and take into consideration past experience, economic trends and market/industry trends at the time at which the budget is developed. The annual budget is developed during the fourth quarter of the previous year and is approved by the Board of Directors. The budget is also updated quarterly by senior management and these updates are used to assess impairment during the year, if necessary. The anticipated future cash flows are updated to reflect any subsequent changes in demand for products and services.

Growth rate and terminal value

As described above, ClearStream used projected EBITDA and capital expenditures for the following year and applied a perpetual long-term growth rate of 2% thereafter. The perpetual growth rates are management's estimate of long-term inflation and productivity growth in the industry and geographic locations in which it operates. In arriving at its forecasts, ClearStream considered past experience, inflation as well as industry and market trends.

Discount rate

ClearStream assumed a post-tax discount rate of 11%-15% in order to calculate the present value of projected future cash flows. The discount rate represented a weighted average cost of capital ("WACC") for comparable companies operating in similar industries based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate.

Management has considered reasonably possible changes in assumptions for the recoverable amounts of its operating segments and CGUs. In all of these scenarios, with the exception of those discussed above, the recoverable amount was greater than the carrying amount, providing evidence that there is no further impairment.

7. Asset-based lending facility ("ABL Facility")

On March 23, 2016, ClearStream Energy Holdings LP, a subsidiary of ClearStream, entered into an ABL Facility agreement. The ABL Facility is a revolving facility providing for maximum borrowings of up to $60,000 and carries a term of three years. The amount available to be drawn under the ABL Facility will vary from time to time, based upon a borrowing base determined with reference to the accounts receivable of ClearStream. At December 31, 2016, the available borrowing base was $10,396. 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 borrower and the other guarantors, being the Company and certain of its direct and indirect subsidiaries. The ABL Facility contains and provides for certain covenants, such as the maintenance of fixed charge coverage ratios, financial reporting and events of default as are customary in facilities of this nature. The interest rate on the ABL Facility is prime plus 2.5%, increasing to prime plus 4% if the ABL Facility is more than 50% drawn.

The Company incurred $1,727 in deferred financing fees associated with the ABL Facility. These costs are being amortized over the term of the ABL Facility and as at December 31, 2016, the net unamortized amount of deferred financing fees was $1,295.

As at December 31, 2016, ClearStream was in compliance with its financial covenants under the ABL Facility. The financial covenants applicable under the ABL Facility are as follows:

- ClearStream must meet minimum monthly EBITDA targets from November 2016 to April 2017, inclusive, where EBITDA is defined as net earnings, before depreciation and amortization, interest expense and income tax expense;
- Beginning on May 1, 2017, ClearStream must maintain a Fixed Charge Coverage Ratio of not less than 1.0:1.0 for each cumulative period ending on the last day of each month until March 31, 2018;
- ClearStream must maintain a Fixed Charge Coverage Ratio of 1.1:1.0 for each twelve month period ending on and after April 30, 2018;
- ClearStream must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $6,500 during any fiscal year.

(In thousands of Canadian dollars)

The Fixed Charge Coverage Ratio is defined as follows:

- EBITDA less cash taxes paid, dividends paid and capital expenditures,

  divided by:

- Debt servicing costs, which is the interest paid or payable on all debt balances for the relevant period (not including the amortization of deferred financing costs and accretion)

8. Senior secured debentures

(a) Senior secured debentures due 2026

On March 23, 2016, the Company issued an aggregate of $176,228 principal amount of senior secured debentures to Canso Investment Counsel Ltd. ("Canso") on a private placement basis. The net proceeds of this issuance were used to completely repay the principal amount outstanding under the previous senior secured debentures (due 2016). Canso is also a shareholder of the Company at December 31, 2016.

The senior secured debentures bear interest at an annual rate of 8.00% payable semi-annually in arrears on June 30 and December 31 in each year and have a maturity date of March 23, 2026. The senior secured debentures are redeemable at the option of the Company and, in certain circumstances, are mandatorily redeemable. They 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 agent which secure the Company's obligations under the ABL Facility (refer to Note 7). The senior secured debentures provide for certain events of default and covenants of the Company which are customary for debentures of this nature, 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).

The Company incurred $4,821 in deferred financing fees associated with the Senior Secured Debentures. The principal balance is recorded net of these costs and will be accreted using the effective interest method over the term of Senior Secured Debentures.

	As at December 31, 2016
Principal balance of senior secured debentures	$ 176,288
Deferred financing fees, net of accumulated amortization	$ (4,646)
Senior secured debentures, net	$ 171,642

(b) 8.00% Senior Secured Debentures due 2016

The Company had previously issued senior secured debentures in an aggregate principal amount of $176,228 pursuant to a secured trust indenture dated as of March 23, 2011. The Company called for redemption of these senior secured debentures on March 21, 2016 and they were repaid in full (outstanding principal and accrued interest) on March 23, 2016. The balance at December 31, 2015 was the aggregate principal amount, less $1,917 which was expensed in 2016.

9. Convertible secured debentures

On March 23, 2016, the Company issued an aggregate of $25,000 principal amount of convertible secured debentures to Canso on a private placement basis and an additional $10,000 principal amount of convertible secured debentures pursuant to a rights offering. Pursuant to the rights offering, the Company offered to its shareholders of record as of February 18, 2016 transferable rights to purchase up to $10,000 aggregate principal amount of convertible secured debentures for the same amount in gross proceeds. Each such shareholder was entitled to one right for each common share held. Every 1,099.41241 rights entitled an eligible rights holder to purchase $100 aggregate principal amount of convertible secured debentures at a subscription price of $100. The rights expired on March 17, 2016 and the rights offering, which was over-subscribed, closed on March 23, 2016, resulting in the issuance of:

- $1,969,000 aggregate principal amount of convertible secured debentures upon the exercise of the basic subscription privilege; and
- $8,030,400 aggregate principal amount of convertible secured debentures issued to over-subscribing purchasers on a pro-rata basis, pursuant to the additional subscription privilege.

The net proceeds of this issuance, together with the proceeds of asset sales (refer to Note 12), were used to completely repay the Company's indebtedness under the senior credit agreement.

The convertible secured debentures bear interest at an annual rate of 10.00% payable semi-annually in arrears on June 30 and December 31 in each year and have a maturity date of March 23, 2026. The Company may elect to satisfy any interest payment obligation by issuing additional convertible secured debentures which will be subject to the same terms and conditions as previously issued convertible secured debentures. The Company may redeem the convertible secured debentures, in whole or in part from time to time, after March 23, 2021. The convertible secured debentures are also convertible into common shares of the Company at an initial conversion price of $0.35 per common share (subject to adjustment in certain circumstances). They are secured by liens over all of the property of the Company and its guarantor subsidiaries, other than property over which security has been granted in favour of the ABL agent in respect of the ABL Facility (refer to Note 7). The security granted in connection with the convertible secured debentures is subordinate to the security granted in connection with the senior secured debentures. The convertible secured debentures provide for events of default and covenants of the Company which are customary for debentures of this nature and are substantially similar to the events of default and covenants provided in respect of the senior secured debentures.

As a result of the conversion option described above, the Company was required to separate the liability and equity components of these convertible secured debentures using the residual value method. Under this method, the value of the equity component of $8,133 was determined by deducting the fair value of the liability component from the principal amount of the convertible secured debentures. The fair value of the liability component of $26,867 was computed as the present value of future principal and interest payments discounted at a rate of 15% per annum.

(In thousands of Canadian dollars)

The Company incurred $3,708 in deferred financing fees associated with the convertible secured debentures. The principal balance is recorded net of these costs and will be accreted using the effective interest method over the term of Convertible Secured Debentures. Debenture issue costs of $854 were allocated to the equity component.

	For the year ended December 31, 2016
Opening liability component of convertible secured debentures	$ 24,024
Accretion	$ 373
Closing liability component of convertible secured debentures	$ 24,397

10. Senior credit facility

Advances outstanding under the senior credit facility as at December 31, 2015 totaled $58,735. At that time, the entire balance of the senior credit agreement was a revolving facility and was fully drawn. The balance of deferred financing fees related to the senior credit facility was $253 at December 31, 2015.

During 2016, the Company completely and permanently repaid all indebtedness outstanding under the senior credit agreement through a combination of proceeds from asset sales (refer to Note 12), proceeds from the issuance of convertible debentures and cash on hand.

11. Obligations under finance leases

Finance lease obligations relate to vehicles and heavy equipment. ClearStream's future minimum payments are as follows:

	December 31, 2016	December 31, 2015
2016	-	5,247
2017	4,165	3,751
2018	1,866	2,062
2019	853	713
2020	212	270
2021	131	-
Total minimum lease payments	7,227	12,043
Less amount representing interest (at rates ranging from 4% to 15%)	410	1,011
Present value of net minimum finance lease payments	6,817	11,032
Less current portion of obligations under finance leases	3,902	4,685
Long-term portion of obligation under finance leases	$ 2,915	$ 6,347

Interest of $567 for the year ended December 31, 2016 (2015 - $817) relating to finance lease obligations has been included in interest expense.

12. Assets held for sale and discontinued operations

On April 23, 2015 RGC Canada LP ("RGC"), an 80% joint venture of the Company, entered into an agreement to sell its 45% interest in RLogstics for $1,900. The proceeds were first used to settle $1,350 in advances owing to RGC from RLogistics, with the balance being used to purchase RGC's partnership interest in RLogistics of approximately ($194).

On July 31, 2015 the Company sold its 80% interest in IC Group for proceeds of $2,500. The proceeds were used to repay $2,450 of the senior credit facility, with the balance being retained for the payment of transaction costs.

On September 30, 2015 the Company sold its 100% interest in Gemma Communications ("Gemma") for proceeds of up to $7,000. The transaction consideration consisted of an initial purchase price of $4,000, of which $2,500 was paid at closing with the remainder payable in instalments, plus an earn out of up to $3,000 based on future revenues up to December 2016. To estimate the fair value of the contingent consideration, management applied a deterministic approach. The fair value measurement was categorized as a level 3 measurement under IFRS 13 due to the fact that the inputs cannot be corroborated by market data. This approach required management to estimate the payout associated with the probability-weighted average of outcomes. Judgement was required in estimating the quarterly revenues of Gemma from October 1, 2015 to December 31, 2016 and it was determined that the earn-out conditions would not be met. As such, management determined the purchase price of this transaction to be approximately $2,500. Cash proceeds of $2,500 were used to repay $2,300 of the senior credit facility, with the balance being retained for the payment of transaction costs.

On March 23, 2016, ClearStream sold the majority of the assets of Quantum Murray LP ("Quantum Murray") and Titan Supply LP ("Titan") for cash proceeds of $8,800 and assumption of debt of approximately $3,000, (as well as the earn-out financial asset as described in Note 4). The sale of Titan's assets resulted in an accounting gain of approximately $327, recorded as a gain on sale of assets held for sale. The sale of Quantum Murray's assets resulted in an accounting loss of approximately $4,432, recorded as a loss from discontinued operations.

On March 7, 2016, ClearStream sold its 80% interest in Gusgo as well as certain other related subsidiaries for cash proceeds of $4,000, with an additional $2,000 which was received on May 31, 2016 (as well as the earn-out financial asset as described in Note 4). The sale of Gusgo resulted in an accounting gain of approximately $540, recorded as a gain on sale of assets held for sale.

The following table shows the revenue and loss from discontinued operations included in the Corporate operating segment for the years ended December 31, 2016 and 2015:

(In thousands of Canadian dollars)

For the year ended December 31,	2016	2015
Revenue	29,179	144,173
Expenses	(30,700)	(181,913)
Loss before taxes	(1,521)	(37,740)
Impairment loss recognized on the remeasurement of net assets to FVLCS	-	(15,842)
Loss on sale of discontinued operations	(6,287)	(3,350)
Loss from equity investments	-	(221)
Provision for Brompton claim (note 13)	(4,985)	-
Income tax (expense) recovery - deferred	-	(3,298)
Net loss from discontinued operations	$ (12,793)	$ (60,451)

The major classes of assets and liabilities of Quantum Murray and Titan at December 31, 2015 that were classified as discontinued operations and held for sale were as follows:

As at December 31,	2015
Assets	
Accounts receivable	34,448
Inventory	13,777
Prepaids & Other Assets	2,302
Long-term investments	3,783
	54,310
Liabilities	
Accounts payable & accrued liabilities	32,119
Deferred Revenue	4,645
Capital lease obligation	2,872
Other liabilities	3,001
	42,637
Net assets directly associated with the disposal group	11,673

The net cash flows incurred by Quantum Murray and Titan are, as follows:

For the year ended December 31,	2015
Operating	1,482
Investing	(732)
Financing	(617)
Net cash (outflow) / inflow	133

(In thousands of Canadian dollars)

Upon reclassification of Quantum Murray and Titan as assets held for sale at December 31, 2015, the fair value less costs of disposal of the net assets being disposed was lower than the carrying amount. The short-fall of $22,221 was recorded as an impairment charge to the assets of Quantum Murray in the amount of $15,842 by reducing non-current assets, with any remainder being used to reduce the value of current assets. The carrying amount of the long-term investment in Titan was written-down by $6,379.

13. Commitments and contingencies

(a) Commitments

ClearStream is committed to payments under operating leases for equipment, office premises and land through 2029 in total of approximately $59,776. Operating lease payments are based on contracts currently in place. Changes to these contracts may result in changes to future commitments. The minimum annual payments exclusive of operating costs under these lease arrangements are as follows:

	December 31, 2016	December 31, 2015
2016	-	12,454
2017	11,409	10,921
2018	9,534	8,531
2019	8,323	5,773
2020	4,391	4,351
2021	3,735	3,786
Thereafter	22,385	21,908
Total commitments under operating leases	$ 59,776	$ 67,724
Last year of commitment	2029	2029

(b) Contingencies

In March 2015, the Company was advised by Brompton Corp. (“Brompton”) that Brompton had received notices of reassessment from the Canada Revenue Agency (the “CRA”) in which the CRA denied the deduction to Brompton of certain non-capital losses and other tax attributes in computing Brompton’s income for the 2010 to 2014 taxation years. Tuckamore Holdings LP, a wholly-owned subsidiary of the Company, previously held approximately 40% of the outstanding equity of Brompton. The Company sold its investment in Brompton in September 2011, at which time the financial results of Brompton were reclassified as discontinued operations.

On June 12, 2015, Brompton served the Company and certain of its affiliates with a Statement of Claim seeking, among other things, indemnification in the amount of 40% of the CRA’s notices of reassessment for the 2010-2012 taxation years. On July 13, 2015, the Company served its Statement of Defence denying Brompton’s allegations and relying on, among other things, a corresponding warranty and indemnity provided by Brompton to ClearStream. Brompton brought a motion for summary judgment, which was heard in August and September 2016. In February 2017, the court granted judgment in favour of Brompton, ruling that the Company is required to indemnify Brompton. The Company has appealed the decision to the Court of Appeals. Pending the outcome of the appeal, enforcement of any order and costs pursuant to the motion for judgment will be stayed. The Company has accrued for the estimated potential liability with respect to this matter as at December 31, 2016 with the corresponding loss recorded in discontinued operations. The estimated liability at December 31, 2016 is $4,985, which includes taxes, interest, legal fees and costs for appeal.

(In thousands of Canadian dollars)

14. Revenue

The following are amounts for each significant category of revenue recognized during the years ended December 31, 2016 and December 31, 2015:

For the year ended December 31,		2016		2015
Rendering of services	$	222,107	$	255,843
Sales of goods		48,554		160,279
Total revenue	$	270,661	$	416,122

15. Selling, general & administrative expenses

For the year ended December 31,		2016		2015
				Restated (Note 27)
Salaries & benefits	$	7,620	$	8,260
Occupancy costs		1,326		1,691
Consulting		1,264		1,283
Travel		1,401		1,920
Repairs & maintenance		662		1,080
Office expenses		1,035		1,444
Audit & accounting		677		1,195
Other		3,397		5,488
	$	17,382	$	22,362

16. Interest expense

ClearStream has recorded interest expense in relation to the following:

For the year ended December 31,		2016		2015
Interest expense on senior credit facility (note 10)	$	436	$	1,983
Interest expense on 8.00% secured debentures (note 8)		3,167		14,098
Interest expense on senior secured debentures (note 8)		10,931		-
Interest expense on convertible secured debentures (note 9)		2,699		-
Interest expense on ABL facility (note 7)		304		-
Interest expense on finance leases (note 11)		567		817
Interest expense - other		197		27
Deferred financing costs amortized (note 7)		432		558
Accretion expense related to debentures (notes 8 and 9)		2,526		7,465
Interest expense	$	21,259	$	24,948

(In thousands of Canadian dollars)

17. Income taxes

The reconciliation of statutory income tax rates to ClearStream's effective tax rate is as follows:

For the year ended December 31,		2016		2015
Loss from continuing operations before tax		(32,916)		(69,252)
Tax rate		26.95%		26.10%
Income tax recovery at statutory rates	$	(8,871)	$	(18,075)
Permanent differences		2,082		8,058
Change in tax rates on temporary differences		42		(653)
Deferred tax asset not recognized		5,989		5,467
Other adjustments related to disposals		779		387
Income tax expense (recovery)	$	21	$	(4,816)

The benefit of the following temporary differences have not been recognized:

December 31		2016		2015
Fixed assets	$	(1,554)	$	(1,393)
Intangible assets		12,003		14,000
Debentures		(5,189)		(1,918)
Net operating losses		104,672		54,174
Other		4,620		1,080
Total temporary differences not recognized	$	114,553	$	65,943

Net operating losses of $104,672 will begin to expire in 2034.

ClearStream has approximately $140,909 of capital losses that have not been recognized in the consolidated financial statements as at December 31, 2016 (2015 - $132,693). There is no expiry of capital losses.

18. Share capital and loss per share

The authorized share capital of the Company consists of: (i) an unlimited number of common shares with no par value and (ii) preferred shares (with no par value) issuable in series to be limited in number of an amount equal to not more than one half of the limited and outstanding shares at the time of issuance of such preferred share. As at December 31, 2016 and 2015, there were 109,941,241 shares issued and outstanding and no preferred shares issued and outstanding.

The only potentially dilutive securities as at December 31, 2016 were the convertible secured debentures (2015 – shares issuable under stock options). As a result of the net losses incurred in all periods presented, all potentially dilutive securities were anti-dilutive.

19. Restructuring costs

During the year ended December 31, 2016, the Company incurred restructuring costs of $1,471 (2015 - $7,454). These are costs that were required in response to the potential impact of a prolonged period of reduced oil prices on ClearStream's business and costs associated with the wind-up of its Toronto head office. A majority of these costs are related to severance as a result of headcount reductions and location closures.

(In thousands of Canadian dollars)

20. Stock-based compensation

On November 30, 2009 the shareholders of ClearStream approved an Incentive Option Plan ("IOP"). Pursuant to the IOP, 7,050,000 shares were listed and reserved for issuance upon the exercise of the stock options granted. On March 25, 2011, the IOP was amended to permit the adoption of a new Management Incentive Plan ("MIP"). Pursuant to the MIP, 7,150,000 shares were listed and reserved for issuance upon the exercise of stock options. The term and conditions of the grants are as follows:

Plan	Grant date	Number of options	Exercise price	Vesting dates	Contractual life of options
IOP	January 13, 2010	7,000,000	$0.403	2010 to 2013	5 years
	March 25, 2011	50,000	$0.358	50% vest on March 25, 2012 50% vest on March 25, 2013	5 years
MIP	March 25, 2011	7,150,000	$0.358	50% vest on March 25, 2012 50% vest on March 25, 2013	5 years
Total options granted		14,200,000			

The changes in outstanding options under both the IOP and MIP plans are detailed below:

	IOP		MIP		
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Total
Outstanding at December 31, 2014	$0.403	6,200,000		7,100,000	13,300,000
Exercised during 2014	$0.358	(6,200,000)	$0.358	(6,950,000)	(13,150,000)
Outstanding at December 31, 2014		-		150,000	150,000
Exercised during 2015		-		-	-
Exercisable at December 31, 2015		-		150,000	150,000
Expired during 2016				(150,000)	(150,000)
Exercisable at December 31, 2016		-		-	-

No new stock options were granted during the years ended December 31, 2016 or December 31, 2015 and there were no options outstanding at December 31, 2016.

Subsequent to December 31, 2016, the Company issued 6,560 stock options under the IOP to senior management at an exercise price of $0.28 per share. In addition, subsequent to December 31, 2016, the Board of Directors approved a Performance Share Unit ("PSU") and Restricted Share Unit ("RSU") Plan. 4,070 PSUs and 5,510 RSUs were issued to senior management under the terms of the plan. The RSUs must be settled in cash and the PSUs can be settled in cash or common shares at the discretion of the Board of Directors.

(In thousands of Canadian dollars)

21. Related party disclosures

a) Other related party transactions

Income from equity investments includes $191 of rent expense paid to a company owned by the minority shareholder of Gusgo for the year ended December 31, 2016 (2015 - $836). Interest charged to joint venture operating partners on advances was $59 (2015 - $229). Two operating leases for property, with annual rents of $312 and $400 are with a landlord in which certain executives of ClearStream hold an indirect minority interest (2015 - $312 and $400). These transactions occurred in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties.

b) Compensation for key management personnel

ClearStream's key management personnel are comprised of officers and directors. Prior to the disposition of previous Operating Partnerships that was completed in March 2016, key management personnel also included officers and Vice Presidents at each Operating Partnership. The remuneration for these key management personnel during the years ended December 31, 2016 and December 31, 2015 are as follows:

For the year ended December 31,	2016	2015
Short-term employment benefits	$ 3,808	$ 6,512
Termination benefits	1,503	3,530
Total compensation	$ 5,311	$ 10,042

22. Financial instruments and risk management

Financial instruments consist of cash, restricted cash, accounts receivable, earn-out financial assets, accounts payable, ABL Facility, Senior Secured Debentures and Convertible Secured Debentures.

a) Fair values of financial assets and liabilities

The fair value of the earn-out financial assets is determined using Level 3 inputs, including an estimate of future financial performance of previously owned Operating Partnerships and an estimate of the likelihood of achieving earn-out conditions.

The fair value of the ABL Facility approximates its carrying amount, excluding the effect of deferred financing fees, due to its nature as a revolving facility subject to variable interest rates. The fair value of the Convertible Secured Debentures at December 31, 2016 was $32,500 based on the closing price of the Convertible Secured Debentures on the Toronto Stock Exchange (a Level 1 input).

b) Risk management

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

(In thousands of Canadian dollars)

(i) Credit risk

Credit risk 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 at December 31, 2016:

Cash	$	11,503
Restricted cash		980
Accounts receivable		46,928
Earn-out assets		5,664
Total	$	65,075

Cash and restricted cash are held at Canadian Schedule A Banks and therefore are 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 multinational oil and gas and construction companies, all of which have strong creditworthiness.

Of the total balance of accounts receivable at December 31, 2016, approximately $31,072 related to trade receivables and $15,856 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 December 31, 2016, approximately $5,620 of ClearStream's trade receivables had been outstanding longer than 90 days (2015 - $6,478). Management has fully evaluated the outstanding balance of trade receivables and believes that it is collectable based on settlement agreements or ongoing discussions with counterparties.

Earn-out financial assets will be payable to ClearStream by two counterparties if specified conditions are met through 2017 to 2019. Although the two counterparties are private entities, ClearStream continues to evaluate the potential for credit risk based on publicly available information and through ongoing discussions with the management of those entities.

(ii) Customer concentration risk

Revenues of ClearStream are concentrated, with its top three customers representing 61.1% of consolidated revenue (2015 – 54.7%) and 60.4% of the consolidated accounts receivable for ClearStream (2015 – 32.1%). More specifically, ClearStream's largest customer within the Maintenance & Construction operating segment accounted for 43.5% or $118,548 of ClearStream's consolidated revenue for the year ended December 31, 2016 (2015 – 32.2% or $133,786).

(In thousands of Canadian dollars)

(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.

All of ClearStream's financial liabilities are current with the exception of its ABL Facility which matures in 2019 and its senior secured debentures and convertible secured debentures, which are both due in March 2026.

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.

23. Changes in non-cash working capital

	2016	2015
Accounts receivable	$ 29,161	$ 36,218
Inventories	114	1,349
Prepaid expenses	411	94
Other current assets	-	563
Accounts payable and accrued liabilities	(5,284)	(8,013)
Deferred revenue	167	(510)
Total changes in non-cash balances	$ 24,569	$ 29,701

24. Long-term Investments

At December 31, 2016, ClearStream held a 50% interest in a joint venture. At December 31, 2015, Tuckamore held an 80% interest in Gusgo, a 92% interest in Titan and a nominal interest in other joint arrangements and associates, from continuing operations. The summarized financial information for ClearStream's joint arrangements and associates, from continuing operations, at 100% is as follows:

(In thousands of Canadian dollars)

As at December 31,		2016		2015
Current assets	$	1,201	$	4,030
Property, plant and equipment	$	4	$	968
Goodwill and intangibles		-		4,628
Other assets		-		1,843
Total Assets	$	1,205	$	11,469
Current liabilities	$	47	$	1,324
Total Liabilities	$	47	$	1,324
Total Equity	$	1,158	$	10,145
Attributable to:				
ClearStream		579		8,000
Joint arrangement / associate partners	$	579	$	2,145

For the year ended December 31,		2016		2015
Revenues	$	11,882	$	46,871
Expenses		11,882		46,707
Net income	$	(0)	$	164
Attributable to:				
ClearStream	$	(169)	$	(508)
Joint arrangement / associate partners	$	169	$	672

For the year ended December 31,		2016		2015
Cash flows provided by operating activities	$	93	$	3,551
Cash flows used in financing activities		-		(2,429)
Cash flows used in investing activities		-		(338)
Net increase in cash	$	93	$	784

25. Segmented Information

During 2016, as a result of the sale of ClearStream's interest in Gusgo as well as substantially all of the net assets of Quantum Murray and Titan, there was a change in the Company's operating segments. The operating segments discussed below represent the segments that ClearStream's chief operating decision maker considers when reviewing the performance of the Company and in determining where to allocate resources. The comparative 2015 results were restated to conform to the current period presentation.

As at December 31, 2016, ClearStream has three operating segments, each of which has separate operational management and management reporting information. All or substantially all of ClearStream's operations, assets and employees are located in Canada.

(In thousands of Canadian dollars)

The Maintenance and Construction segment is a fully integrated provider of maintenance and construction services to the energy industry. This division provides maintenance services, welding, fabrication, machining, construction, turnaround services and a resource/labour supply to companies in the conventional oil and gas and oil sands markets.

The Wear, Fabrication and Transportation segment specializes in the supply, fabrication and transportation of overlay pipe spools, pipe bends, wear plate, welding services, custom fabrication, pipe management and storage services.

The Corporate division provides typical head office functions including strategic planning, corporate communications, taxes, legal, marketing, finance, financing (including interest expense), human resources and information technology for the entire organization. The eliminations column represents adjustments required to reconcile ClearStream's segmented reporting, to the loss from continuing operations. This column represents interdivisional eliminations and adjustments required to account for joint ventures as equity investments. Any assets held for sale in continuing operations for the first half of 2016 and for the comparative period have been recorded in the Corporate segment.

ClearStream accounts for intersegment sales based on the transaction price. Eliminations in the table below represent the elimination of these intersegment sales.

Year Ended December 31, 2016	Maintenance and Construction Services	Wear, Fabrication & Transportation	Corporate	Eliminations	Total
Revenue	$ 224,875	$ 49,349	$ -	$ (3,563)	$ 270,661
Cost of revenue	(206,792)	(42,154)	-	3,196	(245,750)
Gross profit	18,083	7,195	-	(367)	24,911
Selling, general and administrative expenses	(2,103)	(621)	(14,840)	182	(17,382)
Amortization of intangible assets	(185)	(289)	(2,902)	-	(3,376)
Depreciation	(3,143)	(2,888)	(595)	1	(6,625)
Income from equity investment	-	-	(291)	122	(169)
Interest expense	(304)	(280)	(20,676)	1	(21,259)
Gain on sale from assets held for sale	-	-	1,260	-	1,260
Restructuring costs	-	-	(1,471)	-	(1,471)
Write-down of property, plant and equipment	-	-	-	-	-
Write-down of goodwill and intangible assets	-	-	(8,700)	-	(8,700)
Other income	-	-	623	-	623
Gain (loss) on sale of property, plant and equipment	462	151	(1,341)	-	(728)
Income (loss) before taxes	$ 12,810	$ 3,268	$ (48,933)	$ (61)	$ (32,916)
Income tax recovery (expense) - current	(59)	-	(21)	59	(21)
Income tax recovery (expense) - deferred	-	-	-	-	-
Income (loss) from continuing operations	12,751	3,268	(48,954)	(2)	(32,937)

CLEARSTREAM ENERGY SERVICES INC.
(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars)
Years ended December 31, 2016 and 2015

Year Ended December 31, 2015	Maintenance and Construction Services	Wear, Fabrication & Transportation	Corporate	Eliminations	Total
Revenue	$ 320,202	$ 101,691	$ -	$ (5,771)	$ 416,122
Cost of revenue (restated - note 27)	(289,837)	(77,802)	-	5,210	(362,429)
Gross profit	30,365	23,889	-	(561)	53,693
Selling, general and administrative expenses (restated - note 27)	(3,949)	(1,131)	(17,363)	81	(22,362)
Amortization of intangible assets	(185)	(349)	(5,117)	-	(5,651)
Depreciation	(4,085)	(3,465)	(1,105)	(27)	(8,681)
Income from equity investment	-	-	-	(508)	(508)
Interest expense	(461)	(434)	(24,054)	1	(24,948)
Loss on sale from assets held for sale	-	-	(6,379)	-	(6,379)
Restructuring costs	-	-	(7,454)	-	(7,454)
Write-down of property, plant and equipment	(1,383)	(220)	(3,971)	-	(5,574)
Write-down of goodwill and intangible assets	(1,755)	(300)	(39,672)	-	(41,727)
Gain on sale of property, plant and equipment	284	56	-	-	340
Income (loss) before taxes	$ 18,831	$ 18,045	$ (105,114)	$ (1,014)	$ (69,252)
Income tax recovery (expense) - current	(89)	-	2,050	89	2,050
Income tax recovery (expense) - deferred	-	-	2,766	-	2,766
Income (loss) from continuing operations	18,742	18,045	(100,298)	(925)	(64,436)

26. Capital management

ClearStream's capital structure is comprised of shareholders' equity and short and long-term debt. ClearStream's objectives when managing capital are to support its ability to continue as a going concern in order to provide optimal returns for shareholders. Maintaining liquidity, managing financial risks and optimizing the cost of capital are key factors that set the framework for ClearStream capital management strategy.

ClearStream is not subject to any externally imposed capital requirements other than standard and restrictive financial covenants on its ABL facility, senior secured debentures, and convertible secured debentures.

27. Comparative figures

Certain expenses previously classified as selling, general and administrative have been reclassified to cost of revenues. For the year ended December 31, 2015, $29,562 of costs previously in selling, general and administrative expenses, were reclassified to cost of revenues. This change enhances the comparability of the Company's financial results with that of its competitors and more accurately reflects the function of the relevant expenses.

ClearStream

Corporate Office

Suite 415, 311 - 6th Avenue SW
Calgary, Alberta, Canada
T2P 3H2

Tel: 587-318-0997

InvestorRelations@clearstreamenergy.ca

Visit us online

ClearStreamEnergy.ca