ClearStream

ANNUAL REPORT 2017

Helping Customers
Bring Resources to Our World

MESSAGE TO SHAREHOLDERS

2017 was a year of progress and resilience for ClearStream. Progress was made in expanding our service lines, growing into new geographic regions, protecting market share through major contract renewals, and increasing our customer base with new contract wins. These achievements were accomplished despite a challenging operating environment. Although maintenance and turnaround demand increased in 2017 relative to 2016, overall demand for our services remained constrained throughout most of the year due to a lack of new oil and gas project growth. The maintenance business also remained very competitive during 2017, which placed downward pressure on pricing for our core services. We were able to persevere in this difficult operating environment by providing safe, timely and cost effective services to our customers during 2017.

ClearStream expanded its geographic footprint by winning contracts in Saskatchewan and Newfoundland during 2017. In addition to these major contract wins, a two-year pipeline logistics and inspection contract and a three year operational workforce management contract were won in late 2017. These new contracts are expected to generate $40 million of new revenue for ClearStream in 2018. ClearStream also expanded its service offering during 2017 by launching an environmental services division. This division provides project lifecycle consulting services for the land, environmental, regulatory, reclamation and remediation needs of our customers.

ClearStream was successful in protecting market share during 2017 as all expiring major contracts were renewed in 2017, including the renewal of a five year operational workforce management contract with a major Oilsands producer in the Fort McMurray region. This contract is expected to generate approximately $240 million of revenue over the five-year term of the contract.

In late 2017, management made a strategic decision to exit the transportation business. The sale of all transportation assets is expected to be completed in the first quarter of 2018. This sale will allow us to focus on our core strengths of Maintenance, Turnarounds, Workforce Management, Wear Technology, Fabrication and Environmental Services.

On January 16, 2018, ClearStream announced the completion of a refinancing transaction that will significantly improve balance sheet stability. As part of this transaction, $108.6 million of long-term debt was exchanged for a newly created series of Preferred Shares. In addition, the Company issued $19 million of Preferred Shares in exchange for cash proceeds that will be used to fund existing and future interest obligations.

We believe the refinancing transaction, combined with the successful completion of several strategic initiatives during 2017, positions ClearStream for continued growth in 2018.

Thank you for your continued support.

Dean MacDonald
Interim Chief Executive Officer and Executive Chairman

Forward-looking information

This MD&A contains certain forward-looking information. Certain information included in this MD&A 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 MD&A, and ClearStream does not assume any obligation to update or revise it to reflect new events or circumstances except as required by law. Undue reliance should not be placed on forward-looking information. ClearStream is providing the forward-looking financial information set out in this MD&A 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 ‘‘EBITDAS’’ and “Adjusted EBITDAS” (collectively the ‘‘Non-standard measures’’) are financial measures used in this MD&A that are not standard measures under IFRS. ClearStream’s method of calculating Non-standard measures may differ from the methods used by other issuers. Therefore, ClearStream’s Non-standard measures, as presented may not be comparable to similar measures presented by other issuers.

EBITDAS refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery) and stock based compensation. EBITDAS 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 EBITDAS to monitor the performance of ClearStream’s reportable segments and believes that in addition to net income or loss and cash provided by operating activities, EBITDAS is a useful supplemental measure from which to determine ClearStream’s ability to generate cash available for debt service, working capital, capital expenditures and income taxes. ClearStream has provided a reconciliation of income (loss) from continuing operations to EBITDAS in this MD&A.

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

Investors are cautioned that the Non-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

February 28, 2018

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, 2017, and 2016. This MD&A should be read in conjunction with ClearStream's audited consolidated financial statements for the years ended December 31, 2017 and 2016.

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 February 28, 2018 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

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 entirely in Canada. ClearStream utilizes EBITDAS and Adjusted EBITDAS as performance measures for its segmented results. These measures are considered to be non-standard measures under IFRS.

Segment	Business Description
Maintenance and Construction Services	Operational, maintenance, workforce management, 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.

Note: The Environmental Services division has been included in the Wear, Fabrication and Transportation Services segment; the financial results for this division were not significant to overall financial results for this segment during the periods ending December 31, 2017.

2017 RESULTS – CONTINUING OPERATIONS

		2017		2016		2015 Restated[1]
Revenue	$	357,147	$	270,661	$	416,122
Cost of revenue		(326,728)		(245,750)		(362,429)
Gross profit		30,419		24,911		53,693
Selling, general and administrative expenses		(18,866)		(17,382)		(22,362)
Share based compensation		(710)		-		-
Amortization of intangible assets		(3,445)		(3,376)		(5,651)
Depreciation		(5,264)		(6,625)		(8,681)
Income (loss) from equity investment		246		(169)		(508)
Interest expense		(21,474)		(21,259)		(24,948)
Gain (loss) on sale of assets held for sale		(570)		1,260		(6,379)
Restructuring costs		(1,414)		(1,471)		(7,454)
Impairment of property, plant and equipment, goodwill, and intangible assets		(7,685)		(8,700)		(47,301)
Other (loss) income		(5,778)		623		-
(Loss) gain on sale of property, plant and equipment		2,083		(728)		340
Income tax (expense) recovery - current		(2)		(21)		2,050
Income tax recovery - deferred		-		-		2,766
Loss from continuing operations		(32,460)		(32,937)		(64,436)
Add back:						
Share based compensation		710		-		-
Interest expense		21,474		21,259		24,948
Amortization of intangible assets		3,445		3,376		5,651
Depreciation		5,264		6,625		8,681
Income tax expense - current		2		21		(2,050)
Income tax recovery - deferred		-		-		(2,766)
EBITDAS	$	(1,565)	$	(1,656)	$	(29,971)
Other loss		5,778		-		-
Impairment of property, plant and equipment, goodwill, and intangible assets		7,685		8,700		47,301
Gain (loss) on sale of assets held for sale		570		(1,260)		6,379
Restructuring costs		1,414		1,471		7,454
Adjusted EBITDAS	$	13,882	$	7,255	$	32,151
Loss per share						
Basic & Diluted:						
Continuing operations	$	(0.30)	$	(0.30)	$	(0.59)
Net loss	$	(0.30)	$	(0.42)	$	(1.14)

[1]Adjusted for reclassification of selling, general and administrative expenses

Selected Annual Information						
As at December 31,		2017		2016		2015
Total Assets	$	132,643	$	134,842	$	253,538
Total Non-current Financial Liabilities		2,185		202,454		6,347
Shareholders' deficit		(138,888)		(103,514)		(65,056)

2017 RESULTS COMMENTARY

Revenues for the year ended December 31, 2017 were $357,147 compared to $270,661 in 2016 and $416,122 in 2015, an increase of 32.0% from 2016 and a decrease of 14.2% from 2015. Increased revenues in 2017, in comparison to 2016, relate to increased maintenance and turnaround demand and higher revenue in the Fort McMurray region. The Fort McMurray forest fires in 2016 resulted in reduced oil sands activity during the second and third quarters of 2016 and negatively impacted revenue in 2016 on a comparative basis. Compared to 2015, 2017 revenues were down due to the impact of lower oil and gas prices that negatively impacted demand for all service lines in 2017.

Gross profit for the year ended December 31, 2017 was $30,419 compared to $24,911 in 2016 and $53,693 in 2015. Gross profit margins were 8.5% compared to 9.2% in 2016 and 12.9% in 2015. The decline in gross profit margin in 2017, in comparison to 2016 and 2015, was largely due to reduced pricing which was necessary for customer retention in light of the competitive environment during 2017 and 2016. Furthermore, gross losses on two lump sum projects within the maintenance and construction division negatively impacted overall gross margins in 2017.

Selling, general and administrative (“SG&A”) expenses for the year ended December 31, 2017 were $18,866, in comparison to $17,382 in 2016 and $22,362 in 2015. SG&A costs were up by $1,484 in 2017 relative to 2016 due largely to increased professional fees. As a percentage of revenue, SG&A costs decreased to 5.3% in 2017 compared to 6.4% in 2016. SG&A costs in 2017 and 2016 were lower than 2015 as significant cost reduction strategies were executed in 2016 in response to challenging market conditions.

Share based compensation expense of $710 was recorded in 2017 and relates to the long-term incentive plans that were implemented by the Company in early 2017.

Depreciation and amortization was $8,709 for the year ended December 31, 2017 compared to $10,001 for 2016 and $14,332 for 2015. The decrease in depreciation and amortization expense is primarily related to the significant write-down of definite life intangible assets and property, plant and equipment that was recorded at December 31, 2015, which resulted in a lower opening net book value for these assets in 2016 and 2017. In addition, ClearStream has lowered capital spending programs in response to the challenging market conditions, which has reduced the depreciable asset base in 2017 relative to 2016 and 2015.

For the year ended December 31, 2017, interest costs, excluding accretion expense, were $20,525 compared with $18,733 in 2016 and $17,483 in 2015. The increase in interest expense in 2017 compared to 2016 relates to the drawdown on the Asset Based Lending (“ABL”) facility in the second half of 2017. The increase relative to 2015 is due to the net impact of debt restructuring initiatives that were completed in the first quarter of 2016 combined with the drawdown on the ABL facility in the second half of 2017. Non-cash accretion expense was $856 for 2017 compared to $2,526 for 2016 and $7,465 for 2015. 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.

Restructuring costs of $1,414 were recorded during 2017, in comparison to $1,471 in 2016 and $7,454 in 2015. These non-recurring restructuring costs are comprised of severance and location closure costs associated with right sizing and restructuring ClearStream's business. Restructuring costs in 2017 also includes costs associated with the refinancing transaction that closed in early 2018.

A loss of $5,778 was recognized at December 31, 2017 to provide for an onerous contract relating to the sale of the transportation division. Income of $623 was recorded during 2016 for 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 2017 include a net gain on the sale of property, plant and equipment for $2,083 which was largely attributable to the sale of two non-essential properties in the first quarter of 2017.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

	2017	2016
Revenue	$ 286,433	$ 222,995
Cost of revenue	(267,711)	(205,279)
Gross profit	18,722	17,716
Selling, general and administrative expenses	(1,977)	(1,921)
Amortization of intangible assets	(1,984)	(1,944)
Depreciation	(2,522)	(3,142)
Income from equity investment	246	122
Interest expense	(270)	(303)
Impairment of intangible assets	(7,108)	-
Other income	-	623
Gain on sale of property, plant and equipment	1,968	462
Income before taxes	$ 7,075	$ 11,613
Income tax expense - current	-	(59)
Income from continuing operations	7,075	11,554
Add back:		
Interest expense	270	303
Amortization of intangible assets	1,984	1,944
Depreciation	2,522	3,142
Income tax expense - current	-	59
EBITDA	$ 11,851	$ 17,002
Impairment of intangible assets	7,108	-
Adjusted EBITDAS	$ 18,959	$ 17,002

2016 Comparatives have been changed to conform to the current year presentation.

REVENUES

Revenues for the Maintenance and Construction Services segment were $286,433 for the year ended December 31, 2017 compared with $222,995 in the prior year, which reflects an increase of 28.4%. Year-over-year demand growth for maintenance, workforce management and turnaround services drove a large portion of the revenue increase. Maintenance and turnaround programs were deferred in 2016 due to a weak commodity price environment that led to lower cash flows for our customers. Demand for these services recovered in 2017 due to slight improvements in commodity prices combined with maintenance requirements that could no longer be deferred.

A portion of the year-over-year revenue increase can also be attributed to a recovery of activity in the Fort McMurray region as the 2016 wildfires had a significant and negative impact on the maintenance and construction division in 2016. Lost revenue in 2016 due to the wildfires was approximately $25,000 for the Maintenance and Construction Services segment.

GROSS PROFIT

Gross profit for the Maintenance and Construction Services segment was $18,722 for the year ended December 31, 2017 compared to $17,716 in 2016. Gross profit margin was 6.5% compared to 7.9% in 2016. The decrease is due to a year-over-year decline in pricing combined with losses on certain lump sum contracts during 2017. These factors are partially offset by increased leverage on fixed costs due to the increase in revenue.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Maintenance and Construction Services segment's SG&A expenses were $1,977 for the year ended December 31, 2017 compared to $1,921 in 2016. SG&A expenses remained relatively consistent on a year-over-year basis and decreased slightly as a percentage of revenues from 0.9% to 0.7%.

WEAR, FABRICATION & TRANSPORTATION

		2017		2016
Revenue	$	72,824	$	49,349
Cost of revenue		(61,127)		(42,154)
Gross profit		11,697		7,195
Selling, general and administrative expenses		(778)		(621)
Amortization of intangible assets		(1,461)		(1,432)
Depreciation		(2,340)		(2,888)
Interest expense		(177)		(280)
Impairment of goodwill and intangible assets		(577)		(8,700)
Other loss		(5,778)		-
Gain on sale of property, plant and equipment		115		151
Income from continuing operations		701		(6,575)
Add back:				
Interest expense		177		280
Amortization of intangible assets		1,461		1,432
Depreciation		2,340		2,888
EBITDA	$	4,679	$	(1,975)
Impairment of goodwill and intangible assets		577		8,700
Other loss		5,778		-
Adjusted EBITDAS	$	11,034	$	6,725

REVENUES

Revenues for Wear, Fabrication and Transportation segment were $72,824 for the year ended December 31, 2017, compared to $49,349 for the prior year, representing a 47.6% increase. Revenue increased within all three divisions of this segment with the largest year-over-year increase in the Wear division. The Wear division benefitted from a rise in year-over-year demand caused by improvements in commodity prices. In addition, Wear demand recovered in 2017 as demand had dropped in 2016 due to the impact of the 2016 Fort McMurray wildfires. Lost Wear revenue in 2016 due to the wildfires was estimated at $5,000.

GROSS PROFIT

Gross profit for Wear, Fabrication and Transportation segment was $11,697 for the year ended December 31, 2017, compared to $7,195 for the prior year. Gross profit margin was 16.1% compared to 14.6% in 2016. Gross profit margins for this segment improved due to increased leverage on fixed costs from higher revenue. Cost reductions implemented in 2016 also favorably impacted this segment in 2017 through reduced indirect costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Wear, Fabrication and Transportation SG&A expenses were $778 for the year ended December 31, 2017 compared to $621 in 2016. The increase in SG&A is related to overhead increases that were needed in response to increased activity. SG&A expenses decreased as a percentage of revenue to 1.1% from 1.3%.

CORPORATE

The Corporate division provides typical head office functions including strategic planning, corporate communications, taxes, legal, marketing, finance, human resources and information technology for the entire organization.

	2017	2016
Selling, general and administrative expenses	(16,111)	(14,840)
Share based compensation	(710)	-
Depreciation	(402)	(595)
Loss from equity investment	-	(291)
Interest expense	(21,027)	(20,676)
Gain (loss) on sale of assets held for sale	(570)	1,260
Restructuring costs	(1,414)	(1,471)
Gain on sale of property, plant and equipment	-	(1,341)
Income tax expense - current	(2)	(21)
Loss from continuing operations	(40,236)	(37,975)
Add back:		
Interest expense	21,027	20,676
Depreciation	402	595
Income tax expense - current	2	21
EBITDA	$ (18,805)	$ (16,683)
Share based compensation	710	-
(Gain) loss on sale of assets held for sale	570	(1,260)
Restructuring costs	1,414	1,471
Adjusted EBITDAS	$ (16,111)	$ (16,472)

2016 Comparatives have been changed to conform to the current year presentation.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Corporate SG&A expenses were $16,111 for the year ended December 31, 2017, compared to $14,840 in the prior year. The $1,271 increase in 2017 relative to 2016 is due largely to increased professional fees. As a percentage of consolidated revenue, Corporate SG&A costs decreased to 4.5% in 2017 compared to 5.5% in 2016 as the Company focused on keeping corporate overhead costs relatively flat despite the increase in revenue.

See “2017 Results Commentary” on page 7 for an analysis of share based compensation, depreciation and amortization, interest expense and restructuring costs.

WRITE-DOWN OF INTANGIBLE ASSETS AND GOODWILL

ClearStream performed impairment tests as at December 31, 2017 as a result of the adverse economic impact that low commodity prices have had on ClearStream and the industries that it operates in. The adverse economic impacts include lower pricing and demand for goods and services provided to customers. As a result of the testing performed, an impairment loss of $7,685 was recorded at December 31, 2017. All of the impairment losses were allocated to intangible assets. A decrease in projected EBITDA resulted in a goodwill impairment of $8,700 during the first quarter of 2016.

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 2017 RESULTS

Quarter ended December 31,	2017	2016
Revenue	$ 81,972	$ 72,913
Cost of revenue	(75,801)	(65,608)
Gross profit	6,171	7,306
Selling, general and administrative expenses	(5,014)	(5,068)
Share based compensation	(131)	-
Amortization of intangible assets	(857)	(858)
Depreciation	(1,337)	(1,960)
Income (loss) from equity investment	86	(76)
Interest expense	(5,786)	(5,075)
Gain (loss) on sale of assets held for sale	(283)	(66)
Restructuring costs	(587)	(1,126)
Impairment of intangible assets	(7,685)	-
Other loss	(5,778)	-
Gain (loss) on sale of property, plant and equipment	(6)	94
Loss from continuing operations	(21,207)	(6,829)
Add back:		
Share based compensation	131	-
Interest expense	5,786	5,075
Amortization of intangible assets	857	858
Depreciation	1,337	1,960
EBITDAS	$ (13,096)	$ 1,064
Other loss	5,778	-
Impairment of intangible assets	7,685	-
Gain (loss) on sale of assets held for sale	283	66
Restructuring costs	587	1,126
Adjusted EBITDAS	$ 1,237	$ 2,256

FOURTH QUARTER RESULTS COMMENTARY

Revenues for the three months ended December 31, 2017 were $81,972 compared to $72,913 in 2016, an increase of 12.4%. Demand growth across both operating segments led to the increase in revenue, as our customers continued to spend more on maintenance programs during the fourth quarter of 2017 compared to 2016.

Gross profit for the three months ended December 31, 2017 was $6,171 compared to $7,306 in 2016. Gross margins were 7.5% for the three months ended December 31, 2017 compared to 10.0% in the fourth quarter of 2016. The decline in gross margins was due to pricing declines across all services lines combined with losses in the Transportation division. Given ClearStream's decision to sell all transportation assets, one-time expenses of approximately $300 were incurred in fourth quarter to shut down this business line. In addition, a loss of $5,778 was recognized during the fourth quarter of 2017 to provide for an onerous contract relating to the sale of the transportation division.

SG&A costs were relatively consistent on a year-over-year basis.

Restructuring costs of $587 were recorded during the fourth quarter of 2017 and include costs associated with the refinancing transaction that closed in early 2018. Restructuring costs in the fourth quarter of 2016 were largely comprised of severance and location closure costs associated with right sizing and restructuring ClearStream's business.

Depreciation and amortization was $2,194 for the three months ended December 31, 2017, compared to $2,818 for 2016. The decline is primarily related to a decrease in property, plant and equipment.

The increase in interest expense relates to the costs of servicing the ABL facility in 2017, which increased to $27,500 at the end of 2017 compared to $3,500 at the end of 2016. Restructuring costs decreased significantly on a quarter-over-quarter basis as a majority of the ClearStream restructuring initiatives were implemented in 2015 and 2016.

Adjusted EBITDAS $000s	Q4 2017	Q4 2016	2017 vs. 2016
ClearStream Industrial Services			
Maintenance and Construction	3,651	4,496	(845)
Wear, Fabrication & Transportation	1,311	1,856	(545)
Adjusted EBITDAS from operations	$ 4,962	$ 6,352	$ (1,390)
Corporate	(3,725)	(4,096)	371
Adjusted EBITDAS	$ 1,237	$ 2,256	$ (1,019)

DISCONTINUED OPERATIONS

	2017	2016
Loss from discontinued operations	(3,445)	(12,793)

The loss from discontinued operations is due to changes in the value of the Quantum Murray earn-out asset combined with expenses that the Company continues to incur relating to Quantum Murray and other discontinued operations. These expenses consist largely of legal, insurance, and consulting costs relating to the Quantum Murray earn-out and legal proceedings that existed prior to the sale of the business, including the Brompton matter. For the year ended December 31, 2017, the loss from discontinued operations has decreased as the 2016 loss includes the operating losses of Quantum Murray prior to the sale on March 23, 2017 as well as costs associated with disposal of discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

	2017	2016
Cash (used in) provided by operating activities	$ (27,724)	$ 4,565
Cash provided by investing activities	569	15,036
Cash provided by (used in) financing activities	20,301	(32,507)
Consolidated cash as at December 31	4,649	11,503

OPERATING ACTIVITIES AND CHANGE IN WORKING CAPITAL

	2017	2016
Cash used in continuing operations before interest	$ 11,611	$ 9,618
Interest expense	(21,474)	(21,259)
Increase (decrease) in cash due to changes in working capital	(12,076)	24,569
Cash used in discontinued operations	(5,785)	(8,363)
Cash (used in) provided by operating activities	$ (27,724)	$ 4,565

Cash used in continuing operations represents the net loss incurred during 2017 adjusted for interest and non-cash items, including depreciation, amortization and asset impairments. Total working capital increased by $12,076 in 2017 due to the increase in revenue and overall activity levels. The cash used in discontinued operations includes the settlement of the Brompton Corp. claim for approximately $5 million plus legal costs, and other expenses paid in 2017 relating to businesses that were sold prior to March 2016.

INVESTING ACTIVITIES

Due to challenging market conditions, capital spending was kept to a minimum and non-essential operating assets were sold during 2017. As a result, cash proceeds on disposal net of asset purchases totaled $319.

During 2016, ClearStream received $14,800 of cash proceeds on the sale of Quantum Murray LP, Titan Supply LP and Gusgo, which represented the majority of the cash provided by investing activities in 2016.

FINANCING ACTIVITIES

<u>2016 Refinancing</u>

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. The ABL Facility is used to fund working capital requirements.

The amounts that can be drawn on the ABL facility, to a maximum of $50 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, 2017, $27,500 was drawn on the ABL facility and net $24,000 was drawn during 2017.

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 aggregate principal amount of convertible secured debentures upon the exercise of the basic subscription privilege; and
- $8,030 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.

Mandatory Redemption Provisions

The debenture arrangements are designed to ensure that debt balances are reduced as quickly as possible. Consequently, mandatory redemption provisions exist in the Company's Senior Secured Debenture agreement. The mandatory redemption provisions include:

- 100% of the net proceeds of any eligible property dispositions must be used to redeem the senior secured debentures; eligible property dispositions include asset sales in excess of $2,000;
- When the ratio of long-term debt to EBITDA is greater than 3.5:1.0, 75% of excess cash flow must be used to redeem the senior secured debentures;
- When the ratio of long-term debt to EBITDA is less than 3.5:1.0, 50% of excess cash flow must be used to redeem the senior secured debentures;

Excess cash flow represents cash available to the Company after interest, capital expenditures, capital lease payments, and income taxes, among other things.

ClearStream expects to trigger a mandatory redemption with the sale of transportation assets given that sale proceeds are expected to exceed $2,000.

The foregoing is a summary only of the applicable debt provisions and is subject to the terms of the Company's Senior Secured Debenture Agreement, which is available on the Company's profile on www.sedar.com.

Financial Covenants

The financial covenants applicable under the ABL Facility at December 31, 2017 were as follows:

- Minimum monthly EBITDA targets from July 2017 to December 2017, inclusive, where EBITDA is defined as net earnings, before depreciation and amortization, interest expense, income tax expense, and share based compensation;
- ClearStream must maintain a Fixed Charge Coverage Ratio of not less than 1.0:1.0 for each cumulative period beginning on May 1, 2017 and 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 1) $6,500 during any fiscal year, and 2) $100 during any calendar month between August 2017 and December 2017.

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) plus finance lease payments.

As at December 31, 2017, ClearStream was not in compliance with all financial covenants under the ABL Facility and therefore the amount drawn on the ABL Facility was reclassified as current. The cross-default provisions in the agreement results in an event of default under the ABL Facility being considered an event of default under both the senior secured and convertible secured debenture agreements; therefore, all debt was required to be classified as current at December 31, 2017.

2018 Refinancing

On January 16, 2018, ClearStream announced the completion of a refinancing transaction whereby Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, commenced the process to exchange a certain amount of ClearStream's debt for a newly created series of Preferred Shares and subscribed for additional Preferred Shares on a private placement basis.

As part of the refinancing transaction, Canso exchanged $75,000 of Senior Secured Debentures due 2026 for 75,000 Preferred Shares and $33,565 of Convertible Secured Debentures for 33,565 Preferred Shares. Additionally, ClearStream issued 19,000 Preferred Shares to Canso for cash proceeds of $19,000 on a private placement basis. The proceeds of the private placement were used to fund the interest obligations related to the Senior Secured Debentures and Convertible Secured Debentures. At December 31, 2017, these interest obligations were $8,799 and recorded in Accounts Payable and

Accrued Liabilities. The remaining proceeds of the private placement will be used to fund $8,000 of interest payable in 2018 under the remaining $100,000 of Senior Secured Debentures, and partially fund transaction costs relating to the refinancing transaction.

As part of the refinancing transaction, ClearStream's ABL facility was amended and restated. The key amendments included changes to financial covenants and changes to the calculation of the borrowing base that could provide ClearStream with additional borrowing capacity of up $7,500 that will be used to fund working capital requirements.

The covenants under the amended and restated ABL Facility are as follows:

- ClearStream must maintain a Fixed Charge Coverage Ratio of not less than 1.0:1.0 for each cumulative period beginning on May 1, 2017 and ending on the last day of each month until March 31, 2018;
- ClearStream must maintain a Fixed Charge Coverage Ratio of 1.0:1.0 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.

The amended and restated ABL Facility also amended the definition of Debt serving costs to exclude any interest paid using proceeds from the preferred share private placement.

At each reporting date, management makes an assessment as to whether ClearStream will continue to meet the going concern assumption over the next twelve months. Making this assessment requires significant judgment with respect to forecasted EBITDA and Debt Servicing Costs. Based on management's current forecast, ClearStream is expected to remain in compliance with the covenants under the amended and restated ABL Facility over the next twelve months. However, there is a risk that the Company will not meet forecasted expectations and therefore breach financial covenants during 2018.

Capital Leases

As part of its normal operations, ClearStream enters into finances leases as a way to finance capital initiatives, primary for vehicles and equipment. During 2017, ClearStream repaid $3,699 (2016 – 5,416) of finance lease obligations.

SUMMARY OF CONTRACTUAL OBLIGATIONS

ClearStream's contractual obligations for the years 2018 to 2022 and thereafter are as follows:

	2018	2019	2020	2021	2022	Thereafter	Total
Accounts payable and accrued liabilities	$ 36,276	$ -	$ -	$ -	$ -	$ -	$ 36,276
ABL facility	27,500	-	-	-	-	-	27,500
Senior secured debentures	176,228	-	-	-	-	-	176,228
Convertible secured debentures	35,000	-	-	-	-	-	35,000
Finance lease obligations	1,689	1,328	492	486	-	-	3,995
Operating leases	10,154	10,019	5,958	5,045	4,966	19,842	55,983
Total Contractual Obligations	$ 286,847	$ 11,347	$ 6,450	$ 5,531	$ 4,966	$ 19,842	$ 334,982

ClearStream expects to meet its short-term contractual obligations through cash flow from operations, which includes collection of accounts receivable. Subsequent to December 31, 2017, ClearStream completed a refinancing transaction that included an amendment and restatement of the ABL facility agreement. The refinancing transaction remedied the default under the debt agreements. As a result, the ABL facility, senior secured debentures and convertibles secured debentures are no longer due in 2018. The ABL agreement expires in March 2019 and both debentures mature in 2026. As part of the refinancing transaction, $33,565 of convertible secured debentures were converted to preferred shares. In addition, $19,000 of cash proceeds were obtained through a private placement issuance of preferred shares, the proceeds of which will be used to fund $8,800 of interest obligations included in accounts payable and accrued liabilities at December 31, 2017 and future interest payments in 2018.

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, 2017 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. The Company expects IFRS 9 will impact the Company's current policies and procedures regarding provisions on trade receivables. Trade receivables are recorded at the original invoice value less any amounts estimated to be uncollectable. Under IFRS 9, the expected loss impairment model replaces the current incurred loss model and is based on a forward looking approach, which includes earlier recognition of losses. However, given the short term nature of the Company's receivables, these changes are not expected to have a material financial impact.

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 has completed a formal assessment of the impact of adoption of IFRS 15 and does not expect a change to the timing or amounts of revenue recognized.

The Company does expect IFRS 15 to impact the measurement of contingent consideration received in an asset sale (i.e. the valuation of the earn-out assets). IFRS 15 requires consideration receivable on the disposal of an item of property, plant and equipment to be determined following IFRS 15 guidance for determining transaction price. IFRS 15 stipulates that the inclusion of variable consideration in the determination of transaction price occurs only if it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (i.e. the variable consideration constraint). If the consideration is variable, an entity must estimate the amount using either the "expected value" or "most likely method" under IFRS 15. A certain amount of variable consideration may be estimated in the transaction price, subject to the constraint requirement.

The Gusgo earn-out will be measured using the "most likely method" under IFRS 15, which will result in valuation based on the expected amount to be received of $2,000. The Quantum Murray / Titan earn-out will be measured using the "expected value" method, which is expected to be constrained to nil given that it is not highly probable that a significant reversal in the amount recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Therefore, upon adoption of IFRS 15 under the modified retrospective approach, an adjustment of approximately $950 will be recorded as a decrease to earn-out assets and an increase to deficit at January 1, 2018.

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 in 2018.

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

	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Revenues	$ 81,972	$ 85,927	$111,559	$ 77,689	$ 72,913	$ 67,773	$ 61,335	$ 68,640
Gross Margin	6,171	6,635	11,073	6,540	7,305	6,824	5,465	5,316
Gross Margin %	7.5%	7.7%	9.9%	8.4%	10.0%	10.1%	8.9%	7.7%
Net loss from continuing operations	(21,207)	(6,120)	(1,510)	(3,623)	(6,829)	(4,625)	(5,391)	(16,092)
Net loss	(22,345)	(6,170)	(3,397)	(3,993)	(12,858)	(5,339)	(6,716)	(20,817)
Loss per share from continuing operations	(0.19)	(0.06)	(0.01)	(0.03)	(0.06)	(0.04)	(0.05)	(0.15)
Loss per share	(0.20)	(0.06)	(0.03)	(0.04)	(0.12)	(0.05)	(0.06)	(0.19)

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 in the third and fourth quarters of 2017 are partially due to a decrease in pricing within both operating segments. The third quarter of 2017 was also negatively impacted by losses on certain lump sum projects completed in that quarter. In addition, 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.

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.

TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2017, directors, officers and key employees beneficially hold an aggregate of 15,358,838 common shares or 14.0% on a fully diluted basis.

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 (2016 - $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.

For the year ended December 31, 2016, income from equity investments included $191 of rent expense paid to a company owned by the minority shareholder of Gusgo, and interest income included $59 charged to joint venture operating partners on advances.

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 December 31, 2017, 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.

Subsequent to December 31, 2017 and as part of the 2018 refinancing transaction, ClearStream issued 127,565 of newly created Series 1 Preferred Shares.

OUTLOOK

Overall market conditions have started to recover with the rise in oil prices. Our customers are expected to increase maintenance and capital spending in 2018 relative to 2017 as a result of healthier commodity prices. As a result, stronger demand for our services is expected in 2018, particularly for the maintenance and wear service lines. Market conditions are expected to remain difficult for our service lines that rely on new capital projects, including fabrication and construction.

Improving market conditions and maintenance demand, combined with several meaningful contract wins, are expected to result in an increase in 2018 revenue compared to 2017. Recent new contract awards are expected to generate $40 million of new revenue for ClearStream in 2018. However, our industry remains very competitive and we do not expect pricing to improve in 2018 relative to 2017. Gross margin improvement will only be achieved if we are able to keep fixed costs flat during 2018; cost control will continue to be an area of focus for ClearStream in 2018.

Financial results for the first quarter of 2018 are expected to be similar to the first quarter of 2017. Pricing levels are relatively consistent on a year-over-year basis and meaningful revenue increases from higher demand and new contract awards are not expected to occur until the second quarter of 2018.

ClearStream will continue to focus on the core aspects of our business including safety, cost control, and operational execution in 2018. We remain confident that improving market conditions and new contracts, combined with a focus on strong execution, will lead to stronger financial results in 2018.

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.

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.

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 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 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 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.

Change of Control

Subsequent to December 31, 2017, the Company issued 127,565 of Series 1 Preferred Shares. The terms of the Series 1 Preferred Shares provide for a 10% fixed cumulative preferential cash dividend payable when the Company shall have sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The Board of Directors of the Company does not intend to declare or pay any cash dividends until such time as the Company's balance sheet and liquidity position supports the payment. Any accrued but unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 Preferred Shares. Holders of the Series 1 Preferred Shares will have the right, at their option, to convert their Series 1 Preferred Shares into Common Shares at a price of $0.35 per Common Share, subject to adjustment in certain circumstances. Assuming that the holders of the Series 1 Preferred Shares exercise the right to convert all accrued dividends into Series 1 Preferred Shares at the end of every year, and no right of redemption or retraction is exercised under the Series 1 Preferred Shares, up to approximately 963,400,000 Common Shares would be issuable upon conversion of the face amount of Series 1 Preferred Shares after ten years, which represents approximately 877% of the issued and outstanding Common Shares as of December 18, 2017. Potentially almost all of these Common Shares could, subject to applicable securities laws, be issued to accounts managed by Canso. Canso, to the extent permitted under securities legislation, or any transferee of Canso's holdings, would then 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

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 outside of ClearStream's control.

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

ClearStream's operations 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 54% of ClearStream's revenues for 2017.

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 industries 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 regulation and initiatives

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, including 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 impact 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 impact 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 initiated the re-negotiation of the North American Free Trade Agreement ("NAFTA") in 2017, and indicated that if the re-negotiations are not successful, the U.S. may withdraw from NAFTA. As of the date of this AIF, the re-negotiations between the U.S., Canada and Mexico are still in progress, and at this time ClearStream is unable to predict what impact any such renegotiation or withdrawal may have.; However, in the event that any re-negotiation 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 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 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 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 Senior Secured Debentures and/or Convertible Secured Debentures when due will depend, in part, on the ability of the recent refinancing transaction 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 recent refinancing transactions, the Company may not be able to pay principal and interest on the Senior Secured Debentures and/or Convertible Secured Debentures.

COVENANT OBLIGATIONS

The Senior Secured Debentures, Convertible Secured Debentures and ABL Facility impose negative and positive covenants on the Company and specified events of default. A failure to comply with the Company's obligations under the Senior Secured Debentures, Convertible Secured Debentures, 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, 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, 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 the Convertibles Secured Debentures outstanding 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.

Pursuant to the Refinancing Transaction completed on January 16, 2018, the Company issued 127,565 Series 1 Preferred Shares, with almost all of the Series 1 Preferred Shares issued to accounts managed by Canso as portfolio manager. The Series 1 Preferred Shares are convertible to Common Shares at a price of $0.35 per Common Share. Accordingly, based upon this conversion right, there could be significant dilution to the current holders of Common Shares. Up to approximately 371,430,000 additional Common Shares would be issuable upon conversion of the face amount of Preferred Shares into Common Shares, representing approximately 338% of the issued and outstanding Common Shares as of December 31, 2017. In addition, the Series 1 Preferred Shares have 10% fixed cumulative preferential cash dividend payable when the Company shall have sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The board of directors of the Company does not intend to declare or pay any cash dividends until such time as the Company’s balance sheet and liquidity position supports the payment. Any accrued but unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 Preferred Shares. Assuming that the holders of the Series 1 Preferred Shares exercise the right to convert all accrued dividends into additional Series 1 Preferred Shares at the end of every year, up to approximately 963,400,000 Common Shares would be issuable upon conversion after ten years, which represents approximately 877% of the issued and outstanding Common Shares as of December 31, 2017.

Investment Eligibility

There can be no assurance that the Convertible Secured 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 Senior Secured Debentures and Convertible Secured Debentures, as they carry a fixed interest rate. Assuming all other factors remain unchanged, the market value of the Senior Secured Debentures and Convertible Secured 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, 2017 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, 2017 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, 2017 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, 2017 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

CONSOLIDATED FINANCIAL STATEMENTS OF

CLEARSTREAM ENERGY SERVICES INC.

YEARS ENDED DECEMBER 31, 2017 AND 2016

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 internal controls over financial reporting 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.

Dean MacDonald	Gary Summach
Interim Chief Executive Officer and Executive Chairman	Chief Financial Officer

Calgary, Canada
February 28, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of ClearStream Energy Services Inc.

We have audited the accompanying consolidated financial statements of ClearStream Energy Services Inc., which comprise the consolidated balance sheets as at December 31, 2017 and 2016 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Calgary, Canada
February 28, 2018

Chartered Professional Accountants

Consolidated Balance Sheets

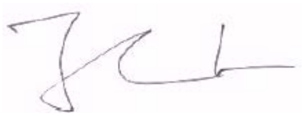
(In thousands of Canadian dollars)

As at December 31,	2017	2016
Cash	$ 4,649	$ 11,503
Restricted cash (note 2)	980	980
Accounts receivable (note 21)	66,177	46,928
Inventories (note 3)	4,304	3,000
Prepaid expenses and other	2,989	2,060
Earn-out assets (note 4)	1,277	1,608
Assets held for sale (note 11)	2,506	-
Total current assets	82,882	66,079
Property, plant and equipment, net (note 5)	20,657	24,745
Goodwill and intangible assets (note 6)	26,765	38,088
Earn-out assets (note 4)	1,173	4,056
Long-term investments	575	579
Deferred financing costs (note 7)	591	1,295
Total assets	**$ 132,643**	**$ 134,842**
Accounts payable and accrued liabilities	$ 36,276	$ 26,848
Deferred revenue	146	167
Current portion of obligations under finance leases (note 10)	1,462	3,902
Current liabilities of assets held for sale (note 11)	1,197	-
ABL facility (note 7)	27,500	-
Senior secured debentures (notes 7, 8)	171,988	-
Convertible secured debentures (notes 7, 9)	24,999	-
Provisions (note 11)	5,778	4,985
Total current liabilities	269,346	35,902
ABL facility (note 7)	-	3,500
Obligations under finance leases (note 10)	2,185	2,915
Senior secured debentures (notes 7, 8)	-	171,642
Convertible secured debentures (notes 7, 9)	-	24,397
Total liabilities	271,531	238,356
Shareholders' deficit	(138,888)	(103,514)
Total liabilities and shareholders' deficit	**$ 132,643**	**$ 134,842**

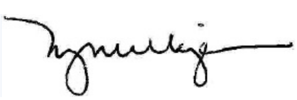
The accompanying notes are an integral part of these consolidated financial statements.

Commitments (Note 12)

Signed on behalf of the Board of Directors,



Fraser Clarke, Director



Peggy Mulligan, Dir

Consolidated Statements of Loss and Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)

For year ended December 31,		2017		2016
Revenue (note 13)	$	357,147	$	270,661
Cost of revenue		(326,728)		(245,750)
Gross profit		30,419		24,911
Selling, general and administrative expenses (note 14)		(18,866)		(17,382)
Share based compensation (note 19)		(710)		-
Amortization of intangible assets (note 6)		(3,445)		(3,376)
Depreciation (note 5)		(5,264)		(6,625)
Income (loss) from equity investment		246		(169)
Interest expense (note 15)		(21,474)		(21,259)
Gain (loss) on sale of assets held for sale		(570)		1,260
Restructuring costs (note 18)		(1,414)		(1,471)
Impairment of intangible assets (note 6)		(7,685)		(8,700)
Other (loss) income (note 11)		(5,778)		623
(Loss) gain on sale of property, plant and equipment (note 5)		2,083		(728)
Loss before taxes		(32,458)		(32,916)
Income tax expense - current (note 16)		(2)		(21)
Loss from continuing operations		(32,460)		(32,937)
Loss from discontinued operations (net of income taxes) (note 11)		(3,445)		(12,793)
Net loss and comprehensive loss	$	(35,905)	$	(45,730)
Loss per share (note 17)				
Basic & Diluted:				
Continuing operations	$	(0.30)	$	(0.30)
Discontinued operations	$	(0.03)	$	(0.12)
Net loss	$	(0.33)	$	(0.42)

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

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, 2017	109,941,241	$469,030	$ (574,971)	$ 2,427	$ (103,514)
Net loss and comprehensive loss	-	-	(35,905)	-	(35,905)
Share based compensation (note 19)	-	-	-	531	531
Balance - December 31, 2017	109,941,241	$469,030	$ (610,876)	$ 2,958	$ (138,888)

	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)

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

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

For the year ended December 31,	2017	2016
Operating activities:		
Net loss for the year	$ (35,905)	$ (45,730)
Loss from discontinued operations (net of income tax) (note 11)	3,445	12,793
Items not affecting cash:		
Share based compensation (note 19)	531	-
Amortization of intangible assets (note 6)	3,445	3,376
Depreciation (note 5)	5,264	6,625
Income from equity investments	(246)	169
Non-cash accretion expense (note 15)	949	2,526
Amortization of deferred financing costs (note 15)	704	432
(Gain) loss on sale of assets held for sale (note 11)	570	(1,260)
Loss (gain) on sale of property, plant and equipment (note 5)	(2,083)	728
Impairment of goodwill and intangible assets (note 6)	7,685	8,700
Loss on onerous lease (note 11)	5,778	-
Changes in non-cash working capital (note 22)	(12,076)	24,569
Advances to discontinued operations	-	(3,931)
Cash used in discontinued operations (note 11)	(5,785)	(4,432)
Total cash (used in) provided by operating activities	(27,724)	4,565
Investing activities:		
Purchase of property, plant and equipment (note 5)	(2,681)	(1,417)
Proceeds on disposition of property, plant and equipment, net (note 5)	3,063	1,927
Proceeds on disposition of businesses (note 11)	-	14,800
Purchase of intangibles (note 6)	(63)	(274)
Dividend proceeds from equity investments	250	-
Total cash provided by investing activities	569	15,036
Financing activities:		
Repayment of senior credit facility	-	(58,735)
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)	24,000	3,500
Decrease in restricted cash (note 2)	-	3,400
Repayment of obligations under finance leases (note 10)	(3,699)	(5,416)
Total cash provided by (used in) financing activities	20,301	(32,507)
Decrease in cash	(6,854)	(12,906)
Cash beginning of year	11,503	24,409
Cash end of year	$ 4,649	$ 11,503
Supplemental cash flow information:		
Interest paid	$ 11,021	$ 9,404
Supplemental disclosure of non-cash financing and investing activities:		
Acquisition of property, plant and equipment through finance leases	$ 1,708	$ 1,201

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

Notes to Consolidated Financial Statements
(In thousands of Canadian dollars)
Years ended December 31, 2017 and 2016

ClearStream Energy Services Inc. ("ClearStream" or the "Company") is a corporation formed pursuant to the Business Corporations Act (Ontario). The head office is located at 311 – 6th Avenue, Calgary, Alberta. 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 internal restructuring and dispositions in 2016 (Note 11), the Company'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 February 28, 2018.

1. Significant accounting policies

a) Basis of Presentation

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

b) Principles of Consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2017. The Company conducts business through numerous subsidiaries, all of which are wholly-owned and 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.

c) 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.

d) 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.

e) 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.

f) 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

g) 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(h)). 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%

h) 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 FVLCD 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 FVLCD.

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.

i) Revenue recognition

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. 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.

(i) Revenue from the sale of services

Revenue from the sale of services is recognized as services are performed and related costs and hours are incurred.

(ii) Revenue from the sale of goods

Revenue from sale of goods is recorded using the percentage of completion method, which is assessed by an analysis of costs incurred to date compared to total estimated 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 are estimated losses on all uncompleted contracts are made in the period in which such losses are determined.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the excess is recorded on the consolidated balance sheet as accounts receivable (see Note 13). For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the excess is shown on the consolidated balance sheet as deferred revenue.

j) 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.

k) 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.

l) Share based compensation

ClearStream has a stock option plan, a Restricted Share Unit ("RSU") plan and a Performance Share Unit ("PSU") plan, described in note 19.

Employees, directors and consultants of the Company may receive remuneration in the form of share-based payment transactions for services rendered. Equity-settled awards are recorded in the consolidated statement of loss for awards granted, with a corresponding amount reflected in contributed surplus. The fair value of equity-settled awards is estimated, at the date of grant, using the Black-Scholes pricing model, and amortized over the expected vesting period using the graded vesting method. Market vesting conditions are factored into the fair value of share-based payments on the date of grant and no subsequent adjustments are made to reflect the occurrence or non-occurrence of those conditions. Performance vesting conditions are adjusted at each reporting date to reflect the actual number of awards expected to vest.

Share-based awards that can be settled in either cash or equity at the sole discretion of ClearStream are classified as equity-settled if management and the Board of Directors do not intend to settle the awards in cash (and there is no history of settling those awards in cash).

Cash-settled RSUs are recorded at their fair value at each reporting date through the consolidated statement of loss, with a corresponding amount reflected as a liability. The fair value of RSUs approximates the intrinsic value as the awards have no exercise price. Share-based payment expense (recovery) is recognized over the vesting period of the RSUs, using the graded vesting method.

m) 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.

n) 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.

o) 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.

p) 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.

q) 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.

r) 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, 2017 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. Based on the assessment completed by the Company, IFRS 9 will impact the Company's current policies and procedures regarding provisions on trade receivables. Trade receivables are recorded at the original invoice value less any amounts estimated to be uncollectable. Under IFRS 9, the expected loss impairment model replaces the current incurred loss model and is based on a forward looking approach, which includes earlier recognition of losses. However, given the short term nature of the Company's receivables, these changes will not have a material financial impact.

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 has completed a formal assessment of the impact of adoption of IFRS 15 and has concluded it will not have a material effect on the timing or amounts of revenue recognized.

Based on the assessment completed by the Company, IFRS 15 will impact the measurement of contingent consideration received in an asset sale (i.e. the valuation of the earn-out assets (note 4)). IFRS 15 requires consideration receivable on the disposal of an item of property, plant and equipment to be determined following IFRS 15 guidance for determining transaction price. IFRS 15 stipulates that the inclusion of variable consideration in the determination of transaction price occurs only if it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (i.e. the variable consideration constraint). If the consideration is variable, an entity must estimate the amount using either the "expected value" or "most likely method" under IFRS 15. A certain amount of variable consideration may be estimated in the transaction price, subject to the constraint requirement.

The Gusgo earn-out will be measured using the "most likely method" under IFRS 15, which will result in valuation based on the expected amount to be received of $2,000. The Quantum Murray earn-out will be measured using the "expected value" method, which is expected to be constrained to nil given that it is not highly probable that a significant reversal in the amount recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Therefore, upon adoption of IFRS 15 under the modified retrospective approach, an adjustment of approximately $950 will be recorded as a decrease to earn-out assets and an increase to deficit at January 1, 2018.

c. IFRS 16 Lease

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 in 2018.

2. Restricted cash

Restricted cash of $980 at December 31, 2017 (2016 - $980) 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, 2017	December 31, 2016
Raw materials	1,979	1,583
Work-in-progress	298	175
Finished goods	1,192	831
Parts and supplies	835	411
Total inventories	$ 4,304	$ 3,000

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

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 11), 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, 2017 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%. The discount rate applied is consistent with the rate implied in the sale transaction.

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
Accretion (recorded as gain on sale of assets held for sale)		265
Reclassified to accounts receivable		(500)
Fair value of Gusgo earn-out at December 31, 2017	$	1,277

The contract renewal required to achieve the first year earn-out was met at December 31, 2017, and therefore $500 was reclassified to accounts receivable. This amount was collected by ClearStream subsequent to December 31, 2017.

The fair value of $1,277 at December 31, 2017 represents the remaining year two earn-out and is recorded as a current earn-out asset. The fair value of $1,512 at December 31, 2016 represented both years one and two of the earn-out; $426 was recorded as current with the remaining $1,086 recorded as non-current. If the discount rate was increased by 5%, the fair value of the Gusgo earn-out at December 31, 2017 would have been $53 (2016 - $104) 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 11), 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. For the year ended March 31, 2017, the free cash flow target was not met and no earn-out was received. As a result, the earn-out amount for the first year can instead be earned in either of the years ending March 31, 2018 or 2019 if the free cash flow in 2018 or 2019 exceeds that year's target combined with the target for the year ended March 31, 2017. If the free cash flow target is not met for the year ended March 31, 2018, the earn-out amounts for the first two years can instead be earned in the year ended March 31, 2019 (if the free cash flow in 2019 exceeds that year's target combined with the target for the years ended March 31, 2017 and 2018).

The fair value of this earn-out at December 31, 2017 was calculated using a discounted cash flow model with a discount rate of 25% (December 31, 2016 – 30%). Management's estimate of the likelihood of achieving the earn-outs is based on free cash flow forecasts provided by Quantum Murray and adjusted to reflect forecast risk based on the actual results of the March 31, 2017 earn-out. This estimate was reduced to 25% during the year ended December 31, 2017 (December 31, 2016 – 100%).

The discount rate reflects the rate of return required by private equity investors, adjusted for the risk inherent in the discounted cash flow assumptions used by management described above.

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
Accretion		704
Change in estimates		(3,687)
Fair value of Quantum Murray earn-out at December 31, 2017	$	1,173

The change in estimates of $3,687 in 2017 (2016 - $628) reflects the impact of changes in key observable inputs resulting from actual results during 2017 as well as an updated free cash flow forecast received during the fourth quarter of 2017 (2016 – resulting from an updated free cash flow forecast received during the fourth quarter of 2016).

At December 31, 2017, the Quantum Murray earn-out asset of $1,173 (2016 - $4,156) is recorded as non-current (2016 - $1,182 current and $2,970 non-current). If the discount rate was increased by 5% at December 31, 2017, the fair value of the Quantum Murray earn-out at December 31, 2017 would be $79 (2016 - $224) lower. If the estimated likelihood of achieving the earn-outs was reduced by 10%, the fair value of the Quantum Murray earn-out at December 31, 2017 would be $469 (2016 - $415) lower.

Under IFRS 15, the Quantum Murray earn-out will be measured using the “expected value” method, which is expected to be nil given that it is not highly probable that a significant reversal in the amount recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Therefore, upon adoption of IFRS 15, the Quantum Murray earn-out will be written down to nil as of January 1, 2018.

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, 2016	26,891	14,798	1,430	28,608	4,476	8,536	84,739
Additions	907	615	2	658	-	144	2,326
Disposals	(691)	-	-	(2,602)	(1,854)	-	(5,147)
Balance as December 31, 2016	27,107	15,413	1,432	26,664	2,622	8,680	81,918
Additions	1,726	2,108	225	292	-	55	4,406
Disposals	(397)	(5)	-	(1,442)	(1,083)	-	(2,927)
Reclassed as held for sale	(8,106)	(136)	(79)	(5,111)	-	(122)	(13,554)
Balance as December 31, 2017	20,330	17,380	1,578	20,403	1,539	8,613	69,843
Accumulated Depreciation							
Balance at January 1, 2016	(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)	(231)	(6,625)
Disposals	1,335	-	-	1,093	64	-	2,492
Reclassed as held for sale	-	-	-	826	-	-	826
Balance at December 31, 2016	(15,777)	(8,504)	(1,119)	(22,342)	(1,151)	(8,280)	(57,173)
Depreciation for the year	(1,691)	(1,432)	(88)	(1,817)	(44)	(191)	(5,263)
Disposals	328	1	-	985	633	-	1,947
Reclassed as held for sale	6,415	108	79	4,615	-	86	11,303
Balance at December 31, 2017	(10,725)	(9,827)	(1,128)	(18,559)	(562)	(8,385)	(49,186)
Net book value							
At December 31, 2016	11,330	6,909	313	4,322	1,471	400	24,745
At December 31, 2017	9,605	7,553	450	1,844	977	228	20,657

a) Collateral:

As at December 31, 2017, property, plant and equipment included $11,070 subject to a general security agreement under the Senior Secured Debentures and the Convertible Secured Debentures (December 31, 2016 - $13,202).

b) Disposals:

During the year ended December 31, 2017, the Company disposed of assets with a cost of $2,927 (2016 - $5,147) and accumulated depreciation of $1,946 (2016 - $2,492), for cash proceeds of $3,063 (2016 - $1,927), and recognized a net gain on sale of $2,083 (2016 – net loss $728).

6. Goodwill and intangible assets

	Goodwill	Customer relationships	Computer software	Brands	Intangible Total
Cost					
Balance at January 1, 2016	$ 92,029	$ 83,420	$ 2,515	$ 16,142	$ 102,077
Additions	-	132	142	-	274
Balance at December 31, 2016	$ 92,029	$ 83,552	$ 2,657	$ 16,142	$ 102,35
Additions	-	-	63	-	63
Balance at December 31, 2017	$ 92,029	$ 83,552	$ 2,720	$ 16,142	$ 102,41
Amortization and impairments					
Balance at January 1, 2016	$ (61,043)	$ (67,521)	$ (2,262)	$ (13,390)	$ (83,17
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)	$ (86,549)
Amortization for the year	-	(3,272)	(173)	-	(3,44
Reclassed as assets held for sale	(256)	-	-	-	
Impairment	-	(6,507)	-	(1,178)	(7,68
Balance at December 31, 2017	$ (69,999)	$ (80,531)	$ (2,580)	$ (14,568)	$ (97,679)
Net book value					
At December 31, 2016	$ 22,286	$ 12,800	$ 250	$ 2,752	$ 15,802
At December 31, 2017	$ 22,030	$ 3,021	$ 140	$ 1,574	$ 4,735

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, 2017 are identified separately in the table below.

As at December 31,	2017		2016	
	Indefinite life intangibles	**Goodwill**	**Indefinite life intangibles**	**Goodwill**
Wear	1,574	-	1,574	-
Transportation	-	-	-	-
Fabrication	-	-	-	-
Wear, Fabrication and Transportation	1,574	4,306	1,574	4,562
Oilsands	-	-	1,178	-
Conventional	-	-	-	-
Maintenance and Construction Services	-	17,724	1,178	17,724
Total	1,574	22,030	2,752	22,286

As at December 31, 2017, $256 of goodwill allocated to the Transportation CGU was reclassified as Assets Held for Sale (Note 11).

Impairment Testing

ClearStream performed its annual impairment tests as at December 31, 2017 for its CGUs containing indefinite life intangible assets and its operating segments containing goodwill. This testing identified impairment in the Oilsands and Fabrication CGUs, which is primarily the result of reduced gross margin realized throughout 2017 that is expected to continue in the forecast period due to reductions in pricing for purposes of customer retention. As a result of the testing performed, an impairment loss of $7,108 within the Oilsands CGU and $577 within the Fabrication

CGU (2016 – nil for all CGUs) was recorded at December 31, 2017. The recoverable amounts at December 31, 2017 were $10,663 and $6,672 for the Oilsands and Fabrication CGUs, respectively.

There was no impairment of goodwill at December 31, 2017 (2016 – goodwill impairment of $8,700 for the Wear, Fabrication and Transportation segment).

The valuation techniques, significant assumptions and sensitivities applied in the 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, which is considered to be a level three estimate. The fair value less costs of disposal was determined through a discounted cash flow ("DCF") approach all CGUs.

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.

Allocation of impairment

The DCF method resulted in impairment losses for the Oilsands and Fabrication CGUs. In order to determine the allocation of the impairment loss, ClearStream assessed the fair value less costs of disposal of the property, plant and equipment within the two CGUs by estimating the proceeds the Company could obtain if selling the assets at auction or through an arm's length transaction. Based on this methodology, the fair value less costs of disposal exceeded the carrying amounts for property, plant and equipment for both CGUs. Therefore, all of the impairment losses were allocated to intangible assets and those intangible assets were written-off entirely in the Oilsands and Fabrication CGUs (including $1,178 of indefinite life intangible assets within the Oilsands CGU).

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 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

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 post-tax discount rates of 11%-13% in order to calculate the present value of projected future cash flows. The discount rates represent a weighted average cost of capital ("WACC") for comparable companies operating in similar industries based on publicly available information for each CGU. 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, adjusted for risks specific to each CGU.

Management does not believe that any reasonably possible changes in key assumptions would result in the carrying amounts of its other CGUs (or groups of CGUs) exceeding their recoverable amounts.

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 $50,000 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, 2017, the borrowing base was $34,629 (2016 - $13,896). 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, 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, 2017, the net unamortized amount of deferred financing fees was $591 (2016 - $1,295).

On January 16, 2018, the ABL facility was amended and restated as part of a refinancing transaction (see Note 25). The key amendments included changes to financial covenants and changes to the calculation of the borrowing base that will provide the Company with additional funds available under the ABL facility.

The financial covenants applicable under the ABL Facility at December 31, 2017 were as follows:

- Minimum monthly EBITDA targets from July 2017 to December 2017, inclusive, where EBITDA is defined as net earnings, before depreciation and amortization, interest expense, income tax expense, and share based compensation;
- ClearStream must maintain a Fixed Charge Coverage Ratio of not less than 1.0:1.0 for each cumulative period beginning on May 1, 2017 and 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 1) $6,500 during any fiscal year, and 2) $100 during any calendar month between August 2017 and December 2017.

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) plus finance lease payments.

As at December 31, 2017, ClearStream was not in compliance with all financial covenants under the ABL Facility and therefore the amount drawn on the ABL Facility was reclassified as current. The cross-default provisions in the agreement results in an event of default under the ABL Facility being considered an event of default under both the senior secured and convertible secured debenture agreements; therefore, all debt was required to be classified as current at December 31, 2017. Subsequent to year-end, ClearStream remedied the non-compliance and default under its debt agreements by completing a refinancing transaction (note 25) that amended and restated the existing ABL Facility agreement. The covenants under the amended and restated ABL Facility are as follows:

- ClearStream must maintain a Fixed Charge Coverage Ratio of not less than 1.0:1.0 for each cumulative period beginning on May 1, 2017 and ending on the last day of each month until March 31, 2018;
- ClearStream must maintain a Fixed Charge Coverage Ratio of 1.0:1.0 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.

The amended and restated ABL Facility also amended the definition of Debt serving costs to exclude any interest paid using proceeds from the preferred share private placement (note 25).

At each reporting date, management makes an assessment as to whether ClearStream will continue to meet the going concern assumption over the next twelve months. Making this assessment requires significant judgment with respect to forecasted EBITDA and Debt Servicing Costs. Based on management's current forecast, ClearStream is expected to remain in compliance with the covenants under the amended and restated ABL Facility over the next twelve months. However, there is a risk that the Company will not meet forecasted expectations and therefore breach financial covenants during 2018.

8. Senior secured debentures

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, 2017.

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,	2017	2016
Principal balance of senior secured debentures	$ 176,288	$ 176,288
Deferred financing fees, net of accumulated amortization	(4,300)	(4,646)
Senior secured debentures, net	$ 171,988	$ 171,642

Subsequent Event

On January 16, 2018, as part of a refinancing transaction, the Company exchanged $75,000 of Senior Secured Debentures due 2026 for 75,000 Preferred Shares (see Note 25).

9. Convertible secured debentures

On March 23, 2016, the Company issued an aggregate of $25,000 principal amount of convertible secured debentures to Canso 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 11), were used to completely repay the Company's indebtedness under the senior credit facility in 2016.

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.

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.

Liability component of convertible secured debentures	
As at March 23, 2016	$ 24,024
Accretion	373
As at December 31, 2016	$ 24,397
Accretion	602
As at December 31, 2017	$ 24,999

Subsequent Event

On January 16, 2018, as part of a refinancing transaction, the Company exchanged $33,565 of Convertible Secured Debentures due 2026 for 33,565 Preferred Shares (see Note 25).

10. Obligations under finance leases

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

As at December 31,		2017
2017		-
2018		1,689
2019		1,328
2020		492
2021		486
Total minimum lease payments		3,995
Less amount representing interest (at rates ranging from 4% to 15%)		348
Present value of net minimum finance lease payments		3,647
Less current portion of obligations under finance leases		1,462
Long-term portion of obligation under finance leases	$	2,185

Interest of $396 for the year ended December 31, 2017 (2016 - $567) relating to finance lease obligations has been included in interest expense.

11. Assets Held for Sale and Discontinued operations

In 2017, ClearStream began a process to dispose of its Transportation CGU (included within the Wear, Fabrication and Transportation operating segment). Bids were received from interested parties in the fourth quarter of 2017 and the Board of Directors approved the sale of the Transportation CGU in December 2017. The transaction is expected to close in March 2018; as a result, the non-current assets and liabilities of the Transportation CGU have been classified as held for sale at December 31, 2017. The fair value less costs of disposal estimated for the Transportation CGU based on the expected cash sales price, less forecasted costs of disposal, exceeded the carrying amount of the Transportation CGU and therefore no impairment was recorded for the year ended December 31, 2017. The results of the Transportation CGU for the years ended December 31, 2017 and 2016 are not presented within discontinued operations based on management's determination that the CGU did not represent a major component of ClearStream's operations. Additionally, due to the pending sale of assets, a contract related to the transportation CGU is deemed to be an onerous contract at December 31, 2017. A liability for $5,778 has been recorded on the consolidated balance sheet as a Provision and the related income statement impact has been record as Other Loss in the consolidated statement of loss.

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 revenue and expenses related to Quantum Murray's operations are presented within 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 (including expenses incurred related to operations sold prior to January 1, 2016 previously presented within discontinued operations) included in the Corporate operating segment for the years ended December 31, 2017 and 2016:

For the year ended December 31,	2017	2016
Revenue	-	29,179
Expenses	-	(30,700)
Loss before taxes	-	(1,521)
Loss on sale of discontinued operations	(3,445)	(6,287)
Provision for Brompton claim	-	(4,985)
Net loss from discontinued operations	$ (3,445)	$ (12,793)

On June 12, 2015, Brompton Corp. ("Brompton") served the Company and certain of its affiliates with a Statement of Claim seeking, among other things, indemnification for the Company's 40% share of the Canada Revenue Agency's notices of reassessment relating to the 2010-2012 taxation years. In February 2017, the court granted judgment in favour of Brompton, ruling that the Company is required to indemnify Brompton; a provision was recorded at December 31, 2016 based on the estimated potential liability at that time. The Company appealed the decision to the Court of Appeal during 2017 but the Court of Appeal dismissed the appeal and upheld the decision to grant judgment in favour of Brompton in the amount of $4,969. At December 31, 2017, the Company has fully paid Brompton's claim.

12. Commitments

ClearStream is committed to payments under operating leases for equipment, office premises and land through 2029 in total of approximately $55,983. 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:

As at December 31,	2017
2017	-
2018	10,154
2019	10,019
2020	5,958
2021	5,045
2022	4,966
Thereafter	19,842
Total commitments under operating leases	$ 55,983
Last year of commitment	2029

13. Revenue

The following are amounts for each significant category of revenue recognized during the years ended December 31, 2017 and 2016:

For the year ended December 31,		2017		2016
Rendering of services	$	283,453	$	222,107
Sales of goods		73,694		48,554
Total revenue	$	357,147	$	270,661

As at December 31, 2017, there was $9,542 (2016 - $4,668) of accounts receivable recognized in excess of progress billings in accordance with revenue recorded following the percentage of completion method.

14. Selling, general & administrative expenses

For the year ended December 31,		2017		2016
Salaries & benefits	$	8,784	$	7,620
Occupancy costs		1,758		1,326
Consulting		1,194		1,264
Travel		1,506		1,401
Repairs & maintenance		674		662
Office expenses		1,194		1,035
Audit & accounting		802		677
Other		2,954		3,397
	$	18,866	$	17,382

15. Interest expense

ClearStream has recorded interest expense in relation to the following:

For the year ended December 31,	2017	2016
Interest expense on senior credit facility	$ -	$ 436
Interest expense on 8.00% secured debentures	-	3,167
Interest expense on senior secured debentures (notes 7, 8)	14,098	10,931
Interest expense on convertible secured debentures (notes 7, 9)	3,500	2,699
Interest expense on ABL facility (note 7)	1,631	304
Interest expense on finance leases (note 10)	396	567
Interest expense - other	196	197
Deferred financing costs amortized (note 7)	704	432
Accretion expense related to debentures (notes 8 and 9)	949	2,526
Interest expense	$ 21,474	$ 21,259

16. Income taxes

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

For the year ended December 31,	2017	2016
Loss from continuing operations before tax	(32,458)	(32,916)
Tax rate	26.91%	26.95%
Income tax recovery at statutory rates	(8,734)	$ (8,871)
Permanent differences	1,341	2,082
Change in tax rates on temporary differences	3	42
Deferred tax asset not recognized	10,116	5,989
True up	(2,724)	-
Other adjustments related to disposals	-	779
Income tax expense	$ 2	$ 21

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

December 31	2017	2016
Fixed assets	$ (3,240)	$ (1,554)
Intangible assets	21,000	12,003
Debentures	(4,240)	(5,189)
Net operating losses	134,695	104,672
Assets held for sale	535	-
Other	8,805	4,620
Total temporary differences not benefitted	$ 157,556	$ 114,553

Net operating losses of $134,695 will begin to expire in 2034.

ClearStream has approximately $135,121 of capital losses that have not been recognized in the consolidated financial statements as at December 31, 2017 (2016 - $140,909). There is no expiry of capital losses.

The provision for income taxes is based on judgments in applying income tax law and estimates on the timing and likelihood of reversal of temporary differences between the accounting and tax bases of assets and liabilities. ClearStream's refinancing transaction that occurred subsequent to year-end (Note 25) could have a significant impact on the availability of its existing tax pools and the tax authorities have not concluded on management's tax treatment of this event. The provision for income taxes is based on ClearStream's interpretation of the tax legislation and regulations which is also subject to change. ClearStream recognizes a tax provision when a payment to tax authorities is considered more likely than not.

17. 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, 2017 and 2016, 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, 2017 were the convertible secured debentures, stock options, and performance share units (2016 – convertible secured debentures). As a result of the net losses incurred in all periods presented, all potentially dilutive securities were anti-dilutive.

18. Restructuring costs

During the year ended December 31, 2017, the Company incurred restructuring costs of $1,414 (2016 - $1,471). 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.

19. Share based compensation

In addition to the Incentive Option Plan ("IOP") previously approved by the shareholders of ClearStream on November 30, 2009, the Board of Directors approved the Performance Share Unit ("PSU") and Restricted Share Unit ("RSU") Plan on January 31, 2017. The aggregate number of shares that may be acquired upon exercise of all share based compensation granted pursuant to the IOP and PSU/RSU plans shall not exceed 10% of the aggregate number of common shares outstanding.

<u>Stock Options</u>

The Company's IOP allows for the issuance of stock options to employees, consultants and directors of the Company. The options vest based on service requirements over either two-year or three-year periods; the options expire five years from the date of grant. The summary of stock option activity is presented below:

	Number of stock options	Weighted average exercise price
Balance as at January 1, 2017	-	-
Granted on January 31, 2017	6,560,000	0.28
Forfeited	(3,400,000)	0.28
Balance as at December 31, 2017	3,160,000	0.28
Exerciseable as at December 31, 2017	-	-

The options outstanding at December 31, 2017 have a weighted average remaining contractual life of 4.08 years. The fair value of the stock options granted during the year ended December 31, 2017 of $0.19 per option was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	0.5%
Expected life (months)	48
Estimated volatility of underlying common shares (%)	100.0%
Expected dividend yield	0.0%
Exercise price	0.28
Share price	0.28

Volatility of ClearStream's common shares was estimated using the Company's actual historical volatility as well as the volatility of peer group companies with similar corporate structure, operations and size. For the year ended December 31, 2017, the Company recognized $395 of share based compensation expense relating to stock options.

Restricted Share Units

RSUs vest based on service requirements over either two-year or three-year periods and are settled in cash by multiplying the numbers of units with the Company's share price based on the volume weighted-average trading price for the five trading days preceding the vesting date of the award. The fair value of the RSUs is based on the market value of the Company's common shares at the reporting date. As at December 31, 2017, the intrinsic value of the RSUs outstanding was $392.

	Number of RSUs
Balance as at January 1, 2017	-
Granted on January 31, 2017	5,510,000
Forfeited	(1,160,000)
Balance as at December 31, 2017	4,350,000
Exerciseable as at December 31, 2017	-

ClearStream's five day weighted average closing share price at December 31, 2017 was $0.09. The weighted average remaining contractual life of the outstanding RSUs as at December 31, 2017 was 1.4 years. For the year ended December 31, 2017, $180 of share based compensation expense was recognized relating to RSUs.

Performance Share Units

PSUs vest based on service requirements over either two-year or three-year periods. The number of PSUs that will vest on the applicable vesting dates is dependent upon both an EBITDA-based performance condition and a market condition based on the Company’s share price. PSUs can be settled in cash or equity on the vesting date, at the discretion of the Board of Directors, by multiplying the number of units with the Company’s share price based on the volume weighted-average trading price for the five trading days preceding the vesting date of the award.

	Number of PSUs
Balance as at January 1, 2017	-
Granted on January 31, 2017	4,070,000
Forfeited	(2,330,000)
Balance as at December 31, 2017	1,740,000
Exerciseable as at December 31, 2017	-

The fair value of the PSUs granted during the year ended December 31, 2017 of $0.25 per option was estimated on the date of grant based on the Company’s weighted-average five day trading price preceding that date, adjusted for the likelihood of achieving the market condition based on the Company’s share price.

The weighted average remaining contractual life of the outstanding PSUs as at December 31, 2017 was 1.4 years.

The number of PSUs estimated to vest is estimated at each reporting date based on management’s assessment of the likelihood of achieving the EBITDA-based performance condition. For the year ended December 31, 2017, the Company incurred $136 of share based compensation expense relating to PSUs using an estimated likelihood of achieving the EBITDA-based performance condition of 75%.

20. Related party disclosures

a) Other related party transactions

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 (2016 - $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.

For the year ended December 31, 2016, income from equity investments includes $191 of rent expense paid to a company owned by the minority shareholder of Gusgo, and interest charged to joint venture operating partners on advances was $59.

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, 2017 and 2016 are as follows:

For the year ended December 31,	2017	2016
Short-term employment benefits	$ 2,238	$ 3,808
Share based compensation	438	-
Termination benefits	180	1,503
Total compensation	$ 2,856	$ 5,311

21.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, 2017 was $32,500 (2016 - $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.

(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:

As at December 31,	2017	2016
Cash	$ 4,649	$ 11,503
Restricted cash	980	980
Accounts receivable	66,177	46,928
Earn-out assets	2,450	5,664
Total	$ 74,256	$ 65,075

Cash and restricted cash are held at Canadian Schedule A Banks and therefore are considered to have 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, 2017, approximately $49,344 (2016 - $31,072) related to trade receivables and $16,833 (2016 - $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, 2017, approximately $2,272 (2016 - $5,620) of ClearStream's trade receivables had been outstanding longer than 90 days. 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 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 54.2% of consolidated revenue (2016 – 61.1%) and 48.6% of the consolidated accounts receivable for ClearStream (2016 – 60.4%). More specifically, ClearStream's largest customer within the Maintenance & Construction operating segment accounted for 32.9% or $117,498 of ClearStream's consolidated revenue for the year ended December 31, 2017 (2016 – 43.5% or $118,548).

(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. See Note 7 for additional information on the classification of the ABL Facility, the senior secured debentures, and convertible secured debentures.

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. At December 31, 2017, the available unutilized amount under the ABL facility was $6,568 (2016 - $10,396).

22. Supplemental cash flow information

(a) Changes in non-cash working capital

	2017	2016
Accounts receivable	$ (19,249)	$ 29,161
Inventories	(1,304)	114
Prepaid expenses	(929)	411
Accounts payable and accrued liabilities	9,427	(5,284)
Deferred revenue	(21)	167
Total changes in non-cash balances	$ (12,076)	$ 24,569

(b) Changes in liabilities arising from financing activities

	ABL facility	Obligations under finance leases	Senior and convertible secured debentures	Total liabilities from financing activities
Balance as at January 1, 2017	3,500	6,817	196,039	206,356
Borrowings	24,000	1,726	-	25,726
Repayments	-	(3,699)	-	(3,699)
Non-cash changes	-	(1,197)	948	(249)
Balance as at December 31, 2017	27,500	3,647	196,987	228,134

23. Segmented Information

As at December 31, 2017, 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.

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.

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, 2017	Maintenance and Construction Services	Wear, Fabrication & Transportation	Corporate	Eliminations	Total
Revenue	$ 286,433	$ 72,824	$ -	$ (2,110)	$ 357,147
Cost of revenue	(267,711)	(61,127)	-	2,110	(326,728)
Gross profit	18,722	11,697	-	-	30,419
Selling, general and administrative expenses	(1,977)	(778)	(16,111)	-	(18,866)
Share based compensation	-	-	(710)	-	(710)
Amortization of intangible assets	(1,984)	(1,461)	-	-	(3,445)
Depreciation	(2,522)	(2,340)	(402)	-	(5,264)
Income from equity investment	246	-	-	-	246
Interest expense	(270)	(177)	(21,027)	-	(21,474)
Loss on sale from assets held for sale	-	-	(570)	-	(570)
Restructuring costs	-	-	(1,414)	-	(1,414)
Other loss	-	(5,778)	-	-	(5,778)
Impairment of intangible assets	(7,108)	(577)	-	-	(7,685)
Gain on sale of property, plant and equipment	1,968	115	-	-	2,083
Income (loss) before taxes	$ 7,075	$ 701	$ (40,234)	$ -	$ (32,458)
Income tax expense - current	-	-	(2)	-	(2)
Income (loss) from continuing operations	7,075	701	(40,236)	-	(32,460)

Year Ended December 31, 2016	Maintenance and Construction Services	Wear, Fabrication & Transportation	Corporate	Eliminations	Total
Revenue	$ 222,995	$ 49,349	$ -	$ (1,683)	$ 270,661
Cost of revenue	(205,279)	(42,154)	-	1,683	(245,750)
Gross profit	17,716	7,195	-	-	24,911
Selling, general and administrative expenses	(1,921)	(621)	(14,840)	-	(17,382)
Amortization of intangible assets	(1,944)	(1,432)	-	-	(3,376)
Depreciation	(3,142)	(2,888)	(595)	-	(6,625)
Income from equity investment	122	-	(291)	-	(169)
Interest expense	(303)	(280)	(20,676)	-	(21,259)
Gain on sale from assets held for sale	-	-	1,260	-	1,260
Restructuring costs	-	-	(1,471)	-	(1,471)
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	$ 11,613	$ (6,575)	$ (37,954)	$ -	$ (32,916)
Income tax expense - current	-	-	(21)	-	(21)
Income (loss) from continuing operations	11,613	(6,575)	(37,975)	-	(32,937)

24. 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.

25. Subsequent Event

Refinancing Transaction

On January 16, 2018, ClearStream announced the completion of a refinancing transaction whereby Canso, commenced the process to exchange a certain amount of ClearStream's debt for a newly created series of Preferred Shares and subscribed for additional Preferred Shares on a private placement basis.

The terms of the new Preferred Shares provide for a 10% fixed cumulative preferential cash dividend payable. The board of directors of the Company does not intend to declare or pay any cash dividends until such time as the Company's balance sheet and liquidity position supports the payment. Any accrued but unpaid dividends are convertible in certain circumstances at the option of the holder into additional Preferred Shares. Holders of the Preferred Shares will have the right, at their option, to convert their Preferred Shares into Common Shares at a price of $0.35 per Common Share, subject to adjustment in certain circumstances. The Preferred Shares are redeemable by the Company in cash at 110% of the purchase price for such shares, plus accrued but unpaid dividends once all of the outstanding Senior Secured Debentures have been repaid and are subject to repayment in the event of certain change of control transactions.

As part of the refinancing transaction, Canso exchanged $75,000 of Senior Secured Debentures due 2026 for 75,000 Preferred Shares and $33,565 of Convertible Secured Debentures for 33,565 Preferred Shares. Additionally, ClearStream issued 19,000 Preferred Shares to Canso for proceeds of $19,000 on a private placement basis. The proceeds of the private placement were used to fund the interest obligations related to the Senior Secured Debentures and Convertible Secured Debentures. At December 31, 2017, these interest obligations were $8,799 and recorded in Accounts Payable and Accrued Liabilities. The remaining proceeds of the private placement will be used to fund $8,000 of interest payable in 2018 under the remaining $100,000 of Senior Secured Debentures, and partially fund transaction costs relating the refinancing transaction. As part of the refinancing transaction, ClearStream's ABL facility was amended and restated (see Note 7).

ClearStream

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