ClearStream

ANNUAL REPORT

2018

Helping Customers

Bringing Resources to Our World

DEAR SHAREHOLDERS

2018 was a year of transition as we set the stage for the future of our Company. Progress was made in completing the largest number of turnarounds in the history of our organization, protecting market share through major contract renewals, and increasing our customer base with new contract wins. These achievements were accomplished despite a continued challenging environment with increased volatility for Oil & Gas prices impacting our client's cash flows. Maintenance and turnaround demand increased modestly in 2018 relative to 2017. Overall demand for our services in conjunction with market share gains obtained throughout 2018, led ClearStream to achieving a 40% improvement of revenue compared to the low revenue level of 2016. On January 2, 2019 ClearStream announced four significant contract renewals and new work with major Upstream, Midstream and Downstream Oil & Gas companies in Canada representing a 100% contract renewal rate for the third year in a row. We continue to have strong long-standing relationships with our tier-one customer base. As evidenced by our contract renewal rate, ClearStream is now well recognized as a trusted provider of industrial and asset integrity services to improve our customers' facilities and operations in a safe, efficient and cost effective manner.

However, the maintenance business remained very competitive during 2018, with continued downward pressure on pricing for our core services. This was further compounded by the unfavorable sales mix between union/non-union businesses impacting negatively our operating margins. We were able to persevere in this difficult operating environment by providing the required services on time and with the highest quality of standards thanks to our engaged and experienced workforce, while improving further yet again our safety performance in 2018 compared to prior years.

2018 was also a year of shifting our focus to strategic growth initiatives in our differentiated offerings and higher margin service lines, which include Wear Technology and Environmental Services. With the recent acquisition of AFX Materials and Fabrication Ltd., the manufacturing capacity of ClearStream's existing Wear technology business is expected to increase by 30%. In addition, the Company embarked into an important program of business process improvements to increase operational effectiveness and lower operating costs in order to remain ahead of the competition and maximize margins in this market environment. Asset utilization, manufacturing efficiencies, process standardization and automation as well as centralization across the organization are some of the key initiatives in focus that will be fully realised in 2019 and onwards.

On January 16, 2018, ClearStream completed a refinancing transaction that has significantly improved our 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 to fund existing and future interest obligations. We also continue to have strong financial support from our key stakeholders as evidenced by the $10 million term loan obtained on November 2, 2018.

There were significant changes in our Executive Leadership Team with the appointments of a Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer and General Counsel throughout 2018. With the new Executive Leadership Team focused on creating value for its shareholders, the support from our financial partners and our track record of strong operational execution through a broad range of service offerings, we are confident that ClearStream will continue to expand its scope of services and geographical footprint with more value-added solutions and technologies, thus positioning ClearStream for improved profitability in 2019.

Thank you for your continued support.

Yves Paletta

Chief Executive Officer

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 ClearStream. 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 of the Company, 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 considers 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, impairment of goodwill and intangible assets, restructuring costs, one-time non-recurring costs identified by management, and gain (loss) on sale of property, plant and equipment. 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-standard measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the shares. These Non-standard measures should only be used with reference to ClearStream’s Interim Financial Statements and Annual Financial Statements available on SEDAR at www.sedar.com or www.clearstreamenergy.ca.

Management's Discussion and Analysis

March 21, 2019

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, 2018, and 2017. This MD&A should be read in conjunction with ClearStream's audited consolidated financial statements for the years ended December 31, 2018 and 2017.

All amounts in this MD&A are in Canadian dollars and expressed in thousands of dollars unless otherwise noted. The accompanying audited annual consolidated financial statements of ClearStream have been prepared by and are the responsibility of management. The contents of this MD&A have been approved by the Board of Directors of ClearStream on the recommendation of its Audit Committee. This MD&A is dated March 21, 2019 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, turnaround and construction services to the conventional oil and gas, oilsands, and other industries.
Wear, Fabrication and transportation	Custom fabrication services supporting pipeline and infrastructure projects, patented wear overlay technology services specializing in overlay pipe spools, pipe bends and plate.
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, 2018.

2018 RESULTS – CONTINUING OPERATIONS

Summary Results ($000's)

		2018		2017
Revenues	$	378,332	$	357,147
Cost of revenues		(351,235)		(326,728)
Gross profit		27,097		30,419
Selling, general and administrative expenses		(21,359)		(18,866)
Stock based compensation recovery (expense)		97		(710)
Amortization of intangible assets		(1,371)		(3,445)
Depreciation expense		(4,948)		(5,264)
Income from equity investment		163		246
Interest expense		(12,537)		(21,474)
Gain (loss) on sale of assets		757		(570)
Restructuring costs		(165)		(1,414)
Impairment of goodwill and intangible assets		(17,733)		(7,685)
Gain on sale of property, plant and equipment		328		2,083
Income tax expense - current		459		(2)
Other loss		(860)		(5,778)
Net loss from continuing operations		(30,072)		(32,460)
Add:				
Amortization		1,371		3,445
Depreciation		4,948		5,264
Stock based compensation		(97)		710
Interest expense		12,537		21,474
Income tax expense - current		(459)		2
EBITDAS	$	(11,772)	$	(1,565)
Gain (loss) on sale of assets		(757)		570
Gain on sale of property, plant and equipment		(328)		(2,083)
Impairment of goodwill and intangible assets		17,733		7,685
Restructuring costs		165		1,414
Other loss		860		5,778
One-time incurred expenses		1,813		-
Adjusted EBITDAS	$	7,714	$	11,799

		2018		2017
Loss per share				
Basic & Diluted:				
Continuing operations	$	(0.28)	$	(0.30)
Net loss	$	(0.29)	$	0.33

Selected Balance Sheet Accounts

As at December 31,		2018		2017
Total assets	$	111,585	$	132,643
ABL facility		32,961		27,500
Senior secured debentures		96,746		171,988
Convertible secured debentures		852		24,999
Shareholders' deficit		(58,437)		(138,888)

2018 RESULTS COMMENTARY

Revenues for the year ended December 31, 2018 were $378,332 compared to $357,147 in 2017, an increase of 6% from 2017. The increase in 2018, in comparison to 2017, relates to increased turnaround demand and higher revenue in the Fort McMurray region. This increase was partially offset by the reduction in transportation revenue as this division was divested in Q1 2018.

Gross profit for the year ended December 31, 2018 was $27,097 compared to $30,419 in 2017. Gross profit margins were 7.2% compared to 8.5% in 2017. The decline in gross profit margin in 2018, in comparison to 2017, was largely due to reduced pricing which was necessary for customer retention. In addition, a larger proportion of revenue was earned in 2018 compared to 2017 in our ClearWater turnaround business, which is lower margin work due to the higher cost of labour associated with this type of service offering.

Selling, general and administrative (“SG&A”) costs for the year ended December 31, 2018 were $21,359, in comparison to $18,866 in 2017. SG&A costs were up by $2,493 in 2018 relative to 2017 due largely to increased transition costs including but not limited to professional fees incurred in the refinancing as well as in second half of 2018 related to growth initiatives. In addition, SG&A includes one-time expenses related to the acquisition of AFX, and other expenses to support business process improvements designed to increase operational effectiveness and lower operating costs going forward. As a percentage of revenue, SG&A costs slightly increased to 5.6% in 2018 compared to 5.3% in 2017. Included in 2018 SG&A costs are $729 in one-time expenses.

Non-cash items that impacted the 2018 results were depreciation and amortization and write-down of goodwill. Depreciation and amortization was $6,319 for the year ended December 31, 2018 compared to $8,709 for 2017. The decrease in depreciation and amortization expense were due to reduction in depreciable assets as result of the sale of Transportation division in the first quarter of 2018. In addition, ClearStream has lowered capital spending programs in response to the challenging market conditions, which has contributed to reduced depreciable asset base in 2018 relative to 2017.

For the year ended December 31, 2018, interest costs, excluding accretion expense, were $12,537 compared with $21,474 in 2017. Interest expense decreased due to the significant decline in debenture debt from the refinancing transaction that was completed in January of 2018. Non-cash accretion expense was $299 for 2018 compared to $856 for 2017. 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 $165 were recorded during 2018, in comparison to $1,414 in 2017. These non-recurring restructuring costs are comprised of severance and location closure costs. Restructuring costs in 2018 also includes costs associated with the refinancing transaction that closed in early 2018.

The loss from continuing operations was $30,072 in 2018, in comparison to $32,460 in 2017. The losses in 2018 include a $17,733 impairment write-down for goodwill relating to the Maintenance and Construction segment recorded in the third quarter of 2018.

The loss from discontinued operations was $1,495 and due to expenses that the Company continues to incur relating to the sale of the business prior to March 2018. 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. For the year ended December 31, 2017 a loss of $5,778 was recognized to provide for an onerous contract relating to the sale of the transportation division.

For the year ended December 31, 2018, adjusted EBITDAS was $7,431 compared to $11,799 in 2017. Adjusted EBITDAS for the year ended December 31, 2018, declined compared to 2017 due to lower gross margins in 2018 and increase in the SG&A.

Purchase of AFX

During the third quarter of 2018, ClearStream completed the acquisition of AFX for total consideration of up to $3.088. AFX is a specialized manufacturer of wear resistant chromium carbide overlay and structural steel fabrication with operations in Alberta. The acquisition is expected to increase the manufacturing capacity of ClearStream's existing Wear Technology business by 30%.

Refinancing Transaction

On January 16, 2018, ClearStream announced the completion of a refinancing transaction whereby Canso Investment Counsel Ltd. ("Canso"), one of the Company's major shareholders, exchanged 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 dividend. The Board of Directors of the Company does not intend to declare or pay any cash dividends until such a time the Company's balance sheet and liquidity position supports such a 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. As part of the refinancing transaction, ClearStream's ABL facility was amended and restated.

On November 2, 2018 – the Company entered into a second amended and restated asset-based lending credit agreement dated November 2, 2018 (the "New Credit Agreement"). The New Credit Agreement amends and replaces the prior asset-based lending credit agreement entered into with the ABL Agent and other lenders dated January 16, 2018. The New Credit Agreement adds a new term credit facility (the "Term Facility") pursuant to which certain Term Lenders will provide a non-revolving term credit facility to the Company in the principal amount of $10,000,000. The proceeds of the Term Facility were used to reduce the outstanding amount of the revolving facility under the New Credit. The Term Facility matures on the earlier of (i) 180 days following the maturity date of the revolving facility under the New Credit Agreement; (ii) September 30, 2020; and (iii) the date on which the Term Facility is terminated earlier pursuant to the terms of the New Credit Agreement.

The other covenants, terms and conditions under the New Credit Agreement remain substantially unchanged from the prior credit agreement.

Sale of Transportation Assets

During the first quarter of 2018, ClearStream successfully completed the sale of its transportation assets for total consideration of $3,400. The completion of the sale marks the closure of the Transportation division in order to focus attention on ClearStream’s core business. A gain of $1,032 was recognized on the sale.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

	2018	2017
Revenues	318,873	286,433
Cost of revenues	(303,074)	(267,711)
Gross profit	15,799	18,722
Selling, general and administrative expenses	(1,093)	(1,977)
Amortization of intangible assets	(1,030)	(1,984)
Depreciation expense	(3,216)	(2,522)
Impairment of goodwill and intangible assets	(17,733)	(7,108)
Income from equity investments	163	246
Interest expense	(334)	(270)
Gain on sale of property, plant and equipment	318	1,968
Income tax expense	-	-
(Loss) Income from continuing operations	(7,126)	7,075
Add:		
Amortization of intangible assets	1,030	1,984
Depreciation expense	3,216	2,522
Interest expense	334	270
EBITDAS	(2,546)	11,851
Impairment of goodwill and intangible assets	17,733	7,108
Gain on sale of property, plant and equipment	(318)	(1,968)
One-time incurred expenses	801	-
Adjusted EBITDAS	15,670	16,991

REVENUES

Revenues for the Maintenance and Construction Services segment were $318,873 for the year ended December 31, 2018 compared to $286,433 in the prior year, which reflects an increase of 11%. Year-over-year demand growth for maintenance, workforce management and turnaround services drove a large portion of the revenue increase. Large plant turnarounds in Saskatchewan and Newfoundland were completed during the second quarter of 2018, which were incremental compared to 2017. Also demand for these services recovered in 2018 compared to 2017 due to slight improvements in commodity prices combined with maintenance requirements that could no longer be deferred.

GROSS PROFIT

Gross profit was $15,799 for the year ended December 31, 2018, compared to $18,722 in the prior year in the prior year. Gross profit margins for those same periods were 5.0% compared to 6.5% in 2017. Gross margins declined due to lower pricing and an unfavorable change in sales mix. Maintenance and construction services continue to be over-supplied relative to demand and, as a result, pricing levels declined compared to 2017. In addition, in the second and third quarter of 2018, we earned a larger proportion of revenue from work using union based employees, which is lower margin work due to the higher cost of labour associated with this type of work.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the Maintenance and Construction segment were $1,093 for the year ended December 31, 2018 compared to $1,977 in 2017, SG&A expenses decreased year over year basis mainly due to reductions in headcount and discretionary spending which started late of 2017 and early of 2018.

Write-down of Goodwill

ClearStream performed impairment tests as at December 31, 2018 as a result of the adverse economic impact that low commodity prices have had on ClearStream's financial results 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, a goodwill impairment loss of $17,733 was recorded in the third quarter of 2018 for the Maintenance and Construction segment. The goodwill impairment write-down is non-cash in nature and does not affect the Company's liquidity, cash flows from operating activities, or debt covenants and does not have an impact on the future operations of the Company.

Adjusted EBITDAS was $15,670 for the year ended December 31, 2018, compared to $16,991 in 2017. Adjusted EBITDAS for the year ended December 31, 2018, declined compared to 2017 due to lower gross margins in 2018.

WEAR, FABRICATION & TRANSPORTATION

	2018	2017
Revenues	61,335	72,824
Cost of revenues	(50,037)	(61,127)
Gross profit	11,298	11,697
Selling, general and administrative expenses	(1,137)	(778)
Amortization of intangible assets	(341)	(1,461)
Depreciation expense	(1,388)	(2,340)
Interest expense	(54)	(177)
(Loss) Gain on sale of property, plant and equipment	(2)	115
Impairment of goodwill and intangible assets	-	(577)
Other loss	(860)	(5,778)
Income tax expense	459	-
Gain on sale of assets	1,032	-
Income from continuing operations	9,007	701
Add:		
Amortization of intangible assets	341	1,461
Depreciation expense	1,388	2,340
Interest expense	54	177
Income tax expense	(459)	0
EBITDAS	10,331	4,679
Other loss	860	5,778
Impairment of goodwill and intangible assets	-	577
(Loss) Gain on sale of property, plant and equipment	2	(115)
Gain on sale of assets	(1,032)	-
Adjusted EBITDAS	10,161	10,919

ClearStream sold all transportation assets on January 1, 2018. Total proceeds received on the sale were $3,400 and a gain of $1,032 was recognized on the sale. The following table shows the year-over-year results with the transportation division excluded to facilitate a more relevant comparative analysis:

Financial Results Excluding Transportation

	2018	2017
Revenues	61,335	60,177
Cost of revenues	(50,037)	(48,585)
Gross Profit	11,298	11,592
Selling, general and administrative expenses	(1,137)	(449)
Adjusted EBITDAS	10,161	11,143

REVENUES

Excluding the Transportation division, revenues for this segment for the year ended December 31, 2018 were $61,335, compared to $60,177 in 2017. The slight increase in revenue was largely due to an increase in Wear Technology demand. AFX acquisition completed in third quarter of 2018 added additional 30% capacity which significantly contributed to such increase in revenue, this increase was offset by decrease in fabrication division due to lower demand in 2018.

GROSS PROFIT

Gross profit was $11,298 for the year ended December 31, 2018, compared to 11,697 in 2017. On a year-over-year basis, gross margins were relatively consistent compared to the prior year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Excluding the Transportation division, SG&A expenses for the Fabrication and Wear Technology segment for the year ended December 31, 2018 increased compared to the prior periods due to an increase in people costs.

The other loss of $860 for the year ended December 31, 2018 compared to $5,778 in 2017, relates to losses on a contract that was deemed to be onerous under IFRS after the sale of the transportation assets. The gain on sale of assets relates to the sale of the Transportation business that closed in early 2018.

CORPORATE

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

	2018	2017
Selling, general administrative expenses	(19,129)	(16,111)
Stock based compensation recovery (expense)	97	(710)
Depreciation expense	(344)	(402)
Interest expense	(12,149)	(21,027)
Loss from assets	(275)	(570)
Restructuring costs	(165)	(1,414)
Gain on sale of property, plant and equipment	12	-
Income tax expense	-	(2)
Loss from continuing operations	(31,953)	(40,236)
Add:		
Depreciation expense	344	402
Stock based compensation recovery (expense)	(97)	710
Interest expense	12,149	21,027
Income tax expense	-	2
EBITDAS	(19,557)	(18,095)
Loss from assets	275	570
Restructuring costs	165	1,414
Gain on sale of property, plant and equipment	(12)	-
One-time incurred expenses	967	-
Adjusted EBITDAS	(18,162)	(16,111)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses were $19,129 for the year ended December 31, 2018 compared to $16,111 in the prior year. SG&A costs increased on a year-over-year basis due to higher legal, consulting and people costs, incurred with the refinancing transaction as well as initiatives to support business process improvements designed to increase operational effectiveness and lower operating costs going forward. Included in SG&A costs are $729 in one-time expenses, which include costs related to the acquisition of AFX and other growth initiatives. As a percentage of consolidated revenue, Corporate SG&A costs is 5.5% in 2018 compared to 5.3% in 2017 were relatively consistent compared to the prior year.

FOURTH QUARTER 2018 RESULTS

Quarter ended December 31,	2018	2017
Revenues	77,840	81,972
Cost of revenues	(71,671)	(75,801)
Gross profit	6,169	6,171
Selling, general and administrative expenses	(6,561)	(5,014)
Stock based compensation recovery (expense)	240	(131)
Amortization of intangible assets	941	(857)
Depreciation	(1,433)	(1,337)
Income from equity investment	31	86
Interest expense	(3,036)	(5,786)
Loss on sale of assets	-	(283)
Restructuring costs	(38)	(587)
Impairment of goodwill and intangible assets	(265)	(7,685)
Gain (Loss) on sale of property, plant and equipment	52	(6)
Income tax expense - current	628	-
Other loss	(331)	(5,778)
Net loss from continuing operations	(3,603)	(21,207)
Add:		
Amortization	(941)	857
Depreciation	1,433	1,337
Stock based compensation	(240)	131
Interest expense	3,036	5,786
Income tax expense - current	(628)	-
EBITDAS	(943)	(13,096)
Loss on sale of assets	-	283
Gain (Loss) on sale of property, plant and equipment	(52)	6
Impairment of goodwill and intangible assets	265	7,685
Restructuring costs	38	587
Other loss	331	5,778
One-Time incurred expenses	1,530	-
Adjusted EBITDAS	1,169	1,243

FOURTH QUARTER RESULTS COMMENTARY

Revenues for the three months ended December 31, 2018 were $77,840 compared to $81,972 in 2017, a decrease of 5.0% on year-over-year basis. This decrease is due to witnessed declining in Fabrication division's revenue due to lower customer demand for this union service.

Gross profit for the three months ended December 31, 2018 was $6,169 compared to $6,171 in 2017. Gross margins were 7.9% for the three months ended December 31, 2018 compared to 7.5% in the fourth quarter of 2017. The increase in gross margins in the three months ended December 31, 2018 was due to realized efficiencies in all services lines.

SG&A for the three months ended December 31, 2018 was $6,561 compared to $5,014 in 2017; this increase is mainly due to one-time expenses, legal and consulting fees, incurred in the three months ended December 31, 2018 of $447 to support the AFX acquisition as well as a number of transformation and improvement initiatives.

Restructuring costs decreased significantly on a quarter-over-quarter basis as a majority of the ClearStream restructuring initiatives were implemented in last quarter of 2017 and first two quarters of 2018.

The decrease in interest expense relates to the costs of servicing the ABL facility in 2018, this decrease is primarily related to partial conversion of the senior debenture in first quarter of 2018.

Adjusted EBITDAS

Quarter ended December 31,	Q4 2018	Q4 2017	2018 vs. 2017
Maintenance and Construction	4,243	3,651	592
Wear, Fabrication & Transportation	1,767	1,311	456
Adjusted EBITDAS from operations	6,010	4,962	1,048
Corporate	(4,885)	(3,725)	(1,160)
Adjusted EBITDAS	**$1,125**	**$1,237**	**(112)**

Discontinued Operations

Quarter ended December 31,	2018	2017
Loss from discontinued operations	(610)	(3,445)

The loss of $610 was recorded during the fourth quarter of 2018, as discontinued operations is due to expenses that the Company continues to incur relating to sale of business prior to March 2016. 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.

LIQUIDITY AND CAPITAL RESOURCES

	2018	2017
Cash used in by operating activities	$ (12,151)	$ (27,724)
Total cash (used in) provided by investing activities	1,691	569
Total cash provided by financing activities	16,649	20,301
Consolidated cash as at December 31,	10,838	4,649

	2018	2017
Cash used in continuing operations before interest	$ 5,621	$ 11,611
Interest expense	(12,537)	(21,474)
Decrease in cash due to changes in working capital	(3,740)	(12,076)
Cash used in discontinued operations	(1,495)	(5,785)
Cash used in by operating activities	$ (12,151)	$ (27,724)

OPERATING ACTIVITIES

Cash used in continuing operations represents the net loss incurred during 2018 adjusted for interest and non-cash items, including depreciation, amortization and asset impairments. Total working capital is relatively consistent on a year-over-year basis. The cash used in discontinued operations includes the settlement of the some of the legacy claims in 2018 and other expenses paid in 2018 relating to businesses that were sold prior to March 2018.

INVESTING ACTIVITIES

Cash inflows related to investment activities consist of proceeds of $3,400 from the sale of transportation assets and $1,225 in proceeds from the early settlement of an earn-out receivable. These proceeds were offset partially by transaction costs of $1,060 paid on the transportation asset sale as well as $2,450 in cash paid for the acquisition of AFX.

The Company repaid $2,340 of the senior secured debentures with a portion of the proceeds on sale of transportation assets. The remaining cash from the sale was used to fund transaction costs and costs associated with closing down the transportation division.

Due to challenging market conditions, capital spending was kept to a minimum and non-essential operating assets were sold during 2018. As a result, cash proceeds on disposal net of asset purchases totaled $360.

Financing Activities in 2018

See a description of the refinancing transaction completed during the year under "Significant First Quarter 2018 Transactions." In addition, the Company received $8,000 of cash that must be used to fund interest obligations during 2018, which has been classified as restricted cash on the consolidated balance sheet. During the year ended December 31, 2018, interest of $7,911 was paid out of restricted cash. The Company also incurred approximately $3,441 in transaction costs associated with the refinancing transaction. On November 2, 2018 the company received $10 million term loan from one of our major stakeholders.

The balance on the ABL facility increased by $5,461 to $32,961 during the year ended December 31, 2018, which was used to partially fund the increase in working capital as well as the acquisition of AFX. At December 31, 2018, the ABL borrowing base is $29,690 leaving $4,481 of availability on the facility.

The financial covenants applicable under the 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; and
- ClearStream must not expand or become obligated for any capital expenditures in an aggregate amount exceeding $6,500 during any fiscal year.

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 (excluding any interest paid using proceeds from the preferred share issuance in January 2018);

At December 31, 2018, ClearStream's fixed charge coverage ratio was 1.00:1.00 for the cumulative period beginning on January 1, 2018 and ending on December 31, 2018. ClearStream was in compliance with all financial covenants under the ABL Facility as at December 31, 2018.

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 ABL Facility over the next twelve months. However, there continues to be a risk that the Company will not meet forecasted expectations and therefore breach financial covenants within the next twelve months.

On March 21, 2019 the company received confirmation from its lenders that the ABL facility had been approved for renewal until March 2020 at terms substantially the same as the existing facility.

Capital Leases

As part of its normal operations, ClearStream enters into finance leases as a way to finance capital initiatives, primarily for its vehicles and equipment. During 2018, ClearStream repaid $2,442 (2017 – 3,699) of finance lease obligations.

Summary of Contractual Obligations

ClearStream's contractual obligations for the years 2019 to 2023 and thereafter are as follows:

	2019	2020	2021	2022	2023	Thereafter
Accounts payable and accrued liabilities	28,417	-	-	-	-	-
ABL Facility	32,961	-	-	-	-	-
Senior secured debentures	-	-	-	-	-	96,746
Convertible secured debentures	-	-	-	-	-	852
Finance Lease Obligations	1,906	1,583	1,697	589	156	-
Operating leases	10,159	6,868	5,229	4,966	4,749	15,007
Total Contractual Obligations	$ 73,442	$ 8,451	$ 6,926	$ 5,555	$ 4,905	$ 112,605

ClearStream expects to meet its short-term contractual obligations through cash flow from operations, which includes collection of accounts receivable. In 2018, 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 and both debentures mature in 2026. On March 21, 2019 the company received confirmation from its lenders that the ABL facility had been approved for renewal until March 2020 at terms substantially the same as the existing facility.

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, including use of estimates and judgements, are described in note 1 of the annual financial statements.

Recently Adopted Accounting Pronouncements

IFRS 9 Financial Instruments

On January 1, 2018, ClearStream adopted IFRS 9 Financial Instruments ("IFRS 9"). IFRS 9 includes a new classification and measurement approach for financial assets and a forward-looking 'expected credit loss' model. IFRS 9 was applied retrospectively in accordance with transition requirements with no impact to opening retained earnings or comparative periods. The classification and measurement of financial instruments under IFRS 9 did not have a material impact on ClearStream's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

On January 1, 2018, ClearStream adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue from contracts with customers is recognized.

The Company has adopted IFRS 15 using the modified retrospective approach. Accordingly, the cumulative effect of initially applying IFRS 15 was recognized on January 1, 2018 as an adjustment to deficit. There were no adjustments recorded to deficit related to the timing or amounts of revenue recognized; however, ClearStream recorded an adjustment upon adoption of IFRS 15 of approximately $949 as a decrease to earn-out assets and an increase to deficit. Comparative information has not been restated and is reported under the previous revenue standard, IAS 18 Revenue.

New standards and interpretations not yet adopted

In January 2016, the IASB issued IFRS 16 Leases (“IFRS 16”) which replaces IAS 17 Leases and related interpretations. IFRS 16 provides a single accounting model for lessees that requires the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less, or the value of the underlying asset is low. The accounting treatment for lessors remains substantially unchanged, with the requirement to classify leases as either finance or operating being retained.

The Company will adopt the standard for the annual period beginning on January 1, 2019 and has selected the modified retrospective transition approach. The Company will apply the optional exemption for short-term leases.

The Company has completed its preliminary assessment and expects adoption of the standard to have a material impact on the following components of the consolidated financial statements of the Company:

Consolidated Balance Sheets: IFRS 16 requires the recognition of lease liabilities and right-of-use (ROU) assets for all leases except for those that qualify optional exemptions for short-term leases. The Company will recognize the lease liability at the present value of the remaining lease payments discounted using the Company’s incremental borrowing rate upon adoption of the new standard. Upon transition, the Company will measure the ROU assets equal to the lease liability, adjusted by the amount of any prepaid payments or onerous contracts recognized in the December 31, 2018 consolidated financial statements.

Consolidated Statements of Loss and Comprehensive Loss: Adoption of IFRS 16 will result in an increase to Depreciation and Amortization expense due to the recognition of ROU assets, an increase to interest expense from the unwinding of the discounted value of the lease liabilities and a decrease to selling, general and administrative expense, and cost of sales. The Company does not expect the standard to have a material impact on consolidated net earnings.

Consolidated Statements of Cash Flows: Due to the change in the presentation of former operating lease expenses, cash flow from operating activities will increase as a result of the decrease in cost of sales and selling, general and administrative expense, partially offset by an increase in interest expense included in operating activities for the company. Cash flow from financing activities will decrease due to the addition of principal payments for former operating leases. The overall impact to cash flow for the company will be unchanged.

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.

Summary of Quarterly Results

($000s except unit amounts)

	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Revenues	77,840	$85,996	$129,702	$ 84,794	$ 81,972	$ 85,927	$ 111,559	$ 77,689
Gross Margin	$6,169	$7,400	$6,709	6,819	6,171	6,635	11,073	6,540
Gross Margin %	7.9%	8.6%	5.2%	8.0%	7.5%	7.7%	9.9%	8.4%
Net loss from continuing operations	(3,153)	(20,834)	(3,097)	(2,988)	(21,207)	(6,120)	(1,510)	(3,623)
Net loss	(2,543)	(20,694)	(3,210)	(3,175)	(22,345)	(6,170)	(3,397)	(3,993)
Loss per share from continuing operations	(0.03)	(0.19)	(0.03)	(0.03)	(0.19)	(0.06)	(0.01)	(0.03)
Loss per share	(0.02)	(0.19)	(0.03)	(0.03)	(0.20)	(0.06)	(0.03)	(0.04)

ClearStream's revenues are somewhat seasonal, in particular for the Maintenance and Construction segment. 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.

TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2018, directors, officers and key employees beneficially hold an aggregate of 11,873,654 common shares or 10.81% 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 (2017 - $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

SUBSEQUENT EVENTS

Brompton Corp

In March 2015, the Company was advised by Brompton Corp. ("Brompton") that Brompton had received notices of reassessment from the Canada Revenue Agency (the "CRA") relating to Brompton's tax returns for the 2010 to 2014 taxation years. The Company previously held approximately 40% of the outstanding equity of Brompton (which it sold in September 2011).

Brompton requested the Company pay its share of the reassessment amount and through a court decision in February 2017, the Company was required to pay Brompton $4,969, which included taxes, interest, legal fees and costs for appeal. At December 31, 2017, the Company had fully paid Brompton's claim and recorded the cost through discontinued operations.

Brompton appealed the notice of reassessment and in October 2018, Brompton received an offer from CRA to settle its appeal.

In February 2019, the Company received a refund of $3,250, which represents 69% of the total payment previously made by Clearstream, and will have a positive impact on the Company's liquidity at the end of Q1 2019.

ABL renewal

On March 21, 2019, the company received confirmation from its lenders that the ABL facility has been approved for renewal until March 2020 at terms substantially the same as the existing facility.

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, 2018, there were 109,941,241 common shares issued and outstanding and nil preferred shares issued and outstanding. In 2018 and as part of the 2018 refinancing transaction, ClearStream issued 127,565 of newly created Series 1 Preferred Shares. Subsequent to the refinancing transaction an additional 188 preferred shares issued as result of converted debentures. The total outstanding preferred shares as at December 31, 2018 were 127,753.

OUTLOOK

Overall market conditions have started to witness some recovery with the rise in commodity prices. Our customers are expected to increase maintenance and capital spending in 2019 relative to 2018 as a result of healthier commodity prices and increased focus on operational reliability, but are likely to maintain spending discipline in light of commodity pricing volatility. As a result, stronger demand for our services is expected in 2019, particularly for the non-union maintenance and wear service lines. Market conditions are expected to remain difficult for our service lines that rely on major capital projects, including fabrication and construction. Notwithstanding, the sanctioning of the LNG Canada project as well as the increase of mid-stream infrastructure spending, necessary to improve market access for Canadian Oil & Gas products, are expected to impact favorably our market environment.

Improving market conditions and maintenance demand, combined with several meaningful contract wins, more favorable sales mix between union and non-union activities as well as internal business process improvements, are expected to result in an increase in 2019 profitability compared to 2018. However, our industry remains very competitive and we do not expect pricing to improve in 2019 relative to 2018. As a result, cost control will continue to be an area of focus for ClearStream in 2019.

Financial results for the first quarter of 2019 are expected to be similar to the first quarter of 2018. 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 2019.

ClearStream will continue to focus on the core aspects of our business including safety, cost control, and operational execution in 2019. We remain confident that improving market conditions and new contracts, combined with a focus on strong execution, will lead to stronger financial results in 2019.

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

In 2018, 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 31, 2018. 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 2018.

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 22% 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.

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

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.

DILUTION

Pursuant to the Refinancing Transaction completed on January 16, 2018, the Company issued 127,753 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, 2018. 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, 2018.

INVESTMENT ELIGIBILITY

There can be no assurance that 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.

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, 2018 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, 2018 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, 2018 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, 2018 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, 2018 AND 2017

Calgary, Canada

March 21, 2019

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.

Yves Paletta
Chief Executive Officer

Randy Watt
Chief Financial Officer

Calgary, Canada
March 21, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **ClearStream Energy Services Inc.**

Opinion

We have audited the consolidated financial statements of ClearStream Energy Services Inc. and its subsidiaries (collectively the "Company"), which comprise the consolidated balance sheets as at December 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, consolidated statements of shareholders' deficit and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert Jubenvill.

Ernst & Young LLP

Calgary, Canada

March 21, 2019

Consolidated Balance Sheets

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

As at December 31,	Notes	2018	2017
Assests			
Cash		$ 10,838	$ 4,649
Restricted cash	2	980	980
Accounts receivable	21	59,715	66,177
Inventories	3	5,734	4,304
Prepaid expenses and other		2,046	2,989
Earn-out assets	4	-	1,277
Assets held for sale	5	-	2,506
Total current assets		79,313	82,882
Property, plant and equipment	6	23,520	20,657
Goodwill and intangible assets	7	7,685	26,765
Earn-out assets	4	-	1,173
Long-term investments		438	575
Deferred financing costs	8	629	591
Total assets		**$ 111,585**	**$ 132,643**
Liabilities and Shareholders' Equity			
Accounts payable and accrued liabilities		$ 28,417	$ 36,276
Deferred revenue		21	146
Contingent consideration liability	22	638	-
Current portion of obligations under finance leases	11	1,777	1,462
Current liabilities of assets held for sale	5	-	1,197
ABL facility	8a	32,961	27,500
Senior secured debentures	8b	-	171,988
Convertible secured debentures	8c	-	24,999
Current portion of provision	9	1,072	1,196
Total current liabilities		64,886	264,764
Provision	9	3,989	4,582
Obligations under finance leases	11	3,549	2,185
Senior secured debentures	8b	96,746	-
Convertible secured debentures	8c	852	-
Total liabilities		$ 170,022	$ 271,531
Common shares	17	462,036	469,030
Preferred shares	10	102,203	-
Contributed surplus		20,716	2,958
Deficit		(643,392)	(610,876)
Total shareholders' deficit		(58,437)	(138,888)
Total liabilities and shareholders' deficit		**$ 111,585**	**$ 132,643**

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 *Sean McMaster, Director*

Consolidated Statements of Loss and Comprehensive Loss

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

For year ended December 31,	Notes		2018		2017
Revenue	13	$	378,332	$	357,147
Cost of revenue			(351,235)		(326,728)
Gross profit			27,097		30,419
Selling, general and administrative expenses	14		(21,359)		(18,866)
Share based compensation	19		97		(710)
Amortization of intangible assets	7		(1,371)		(3,445)
Depreciation expense	6		(4,948)		(5,264)
Income from equity investment			163		246
Interest expense	15		(12,537)		(21,474)
Gain (loss) on sale of assets	4,5		757		(570)
Restructuring costs	18		(165)		(1,414)
Impairment of intangible assets and goodwill	7		(17,733)		(7,685)
Other loss	9		(860)		(5,778)
Gain on sale of property, plant and equipment	6		328		2,083
Loss from continuing operations before taxes			(30,531)		(32,458)
Deferred income tax recovery	16		459		(2)
Loss from continuing operations			(30,072)		(32,460)
Loss from discontinued operations (net of income taxes)	25		(1,495)		(3,445)
Net loss and comprehensive loss		$	(31,567)	$	(35,905)
Loss per share (dollars)	**17**				
Basic & diluted:					
Continuing operations		$	(0.28)	$	(0.30)
Discontinued operations		$	(0.01)	$	(0.03)
Net loss		$	(0.29)	$	(0.33)

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)

	Notes	Number of shares		Common Shares		Preferred Shares		Contributed Surplus		Deficit		Total Shareholders' Deficit
At January 1, 2018		109,941	$	469,030	$	-	$	2,958	$	(610,876)	$	(138,888)
Net loss		-		-		-		-		(31,567)		(31,567)
Stock based compensation	19	-		-		-		51		-		51
Issuance of preferred shares	10	-		-		102,203		-		-		102,203
Equity component of convertible debentures	8c	-		(6,994)		-		6,994		-		-
Gain on debt extinguishment	8c	-		-		-		10,713		-		10,713
Impact of transition to IFRS 15	1	-		-		-		-		(949)		(949)
At December 31, 2018		109,941	$	462,036	$	102,203	$	20,716	$	(643,392)	$	(58,437)

	Notes	Number of shares		Common Shares		Preferred Shares		Contributed Surplus		Deficit		Total Shareholders' Deficit
At January 1, 2017		109,941	$	469,030	$	-	$	2,427	$	(574,971)	$	(103,514)
Net loss and comprehensive loss		-		-		-		-		(35,905)		(35,905)
Stock based compensation	19	-		-		-		531		-		531
At December 31, 2017		109,941	$	469,030	$	-	$	2,958	$	(610,876)	$	(138,888)

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,	Notes		2018		2017
Operating activities:					
Net loss		$	(31,567)	$	(35,905)
Loss from discontinued operations (net of income tax)			1,495		3,445
Adjustments for:					
Stock based compensation	19		51		531
Amortization of intangible assets	7		1,371		3,445
Depreciation	6		4,948		5,264
Income from equity investments			(163)		(246)
Accretion expense	8b,8c		299		949
Other loss	9		860		-
Impairment of goodwill and intangible assets			17,733		7,685
Onerous lease payments	9		(1,577)		5,778
Amortization of deferred financing costs	8a		719		704
(Gain) loss on sale of assets held for sale	4,5		(757)		570
Gain on sale of property, plant and equipment	6		(328)		(2,083)
Changes in non-cash working capital	23		(3,740)		(12,076)
Cash used in discontinued operations			(1,495)		(5,785)
Cash flow used in operating activities		$	(12,151)	$	(27,724)
Investing activities:					
Purchase of property, plant and equipment	6		(937)		(2,681)
Net proceeds on disposal of property, plant and equipment			575		3,063
Purchase of intangible assets			-		(63)
Dividend proceeds from equity investment			300		250
Acquisitions	22		(2,450)		-
Proceeds on the disposition of businesses	5		4,625		-
Transaction costs	5		(1,060)		-
Changes in non-cash working capital	22		638		
Cash flow provided by investing activities		$	1,691	$	569
Financing activities:					
Proceeds from the issuance of preferred shares	10		19,000		-
Repayment of senior secured debentures	8b		(2,340)		-
Refinancing fees	8b		(3,441)		-
Transactions costs			(682)		-
Repayment of ABL facility	8		5,461		24,000
Repayment of obligations under finance leases	11		(2,442)		(3,699)
Changes in non-cash working capital	23		1,093		-
Cash flow provided by financing activities		$	16,649	$	20,301
Increase in cash			6,189		(6,854)
Cash, beginning of year			4,649		11,503
Cash, end of year		$	10,838	$	4,649
Supplemental cash flow information:					
Interest paid		$	11,602	$	11,021
Supplemental disclosure of non-cash financing and investing activities:					
Acquisition of property, plant and equipment through finance leases		$	4,126	$	1,708

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

CLEARSTREAM ENERGY SERVICES INC.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars)

Years ended December 31, 2018 and 2017

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 environmental services with locations across Western Canada.

These annual consolidated financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of ClearStream on March 21, 2019.

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, other than as described in Note 1(r).

b. Principles of Consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2018. 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

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 amortized cost.

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 amortized cost and subsequently measured using the effective interest rate method, net of any impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the accounts receivables. For accounts receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized in the consolidated statement of net loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(ii) 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.

(iii) 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.

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 class	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	The shorter of expected useful life or term of 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 class	Basis	Rate / Term
Customer relationships	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. The majority of the revenue within the Maintenance and Construction segment relates to contracts with customers to perform services based on cost plus an agreed-upon margin.

Wear and Fabrication services revenue includes the sale of goods with respect to general and modular fabrication; custom fabrication services supporting pipeline and infrastructure projects; and patented wear overlay technology services that specialize in overlay pipe spools, pipe bends and plate. The majority of revenue within the Wear and Fabrication segment relates to contracts with customers to construct goods to client specifications for an agreed-upon price.

Revenue from the sale of services

Performance obligations arising from contracts with customers require ClearStream to provide labour hours and rental of equipment as requested. Each individual contract may contain multiple performance obligations and at contract inception, consideration is variable as the total number of hours required is not fixed. However, under the terms of its contracts with customers, ClearStream has the right to consideration in an amount that corresponds directly with the value to its customers of performance completed to date, and therefore recognizes revenue over time based on the amount ClearStream has the right to invoice.

Revenue from the sale of goods

At the inception of each contract with a customer, ClearStream identifies the distinct performance obligations based on promises to transfer distinct goods to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. ClearStream's performance obligations are generally satisfied over time as work progresses because of continuous transfer of control to the customer. For contracts with multiple performance obligations, the contract's transaction price is allocated to each performance obligation using the Company's best estimate of the standalone selling price of each distinct good in the contract.

Transfer of control is measured utilizing an input method to measure progress for contracts based on an analysis of costs incurred to date compared to total estimated costs. These costs, once incurred, are considered a measure of progress and are expensed in the period in which they are incurred. Total estimated project costs and resulting contract income are affected by changes in the expected cost of materials and labor, productivity, scheduling and other factors. Additionally, external factors such as customer requirements and other factors outside of ClearStream's control may affect the progress and estimated cost of a project's completion and, therefore, the timing and amount of revenue and income recognition. Changes in total estimated contract cost and losses, if any, are recognized in the period they are determined.

Earn-out assets

Earn-out assets arise as a result of contingent consideration received in an asset sale and are, by their nature, variable consideration arising from contracts with customers. ClearStream uses either the "expected value" or "most likely method" to measure variable consideration related to earn-out assets depending on the contractual terms of the contingent consideration. Variable consideration is only recognized to the extent that 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).

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 fair value, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Impairment provisions for trade receivables are recognized based on the simplified approach within IFRS 9 using the lifetime expected credit losses.

VIII. 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. Recently Adopted Accounting Pronouncements

a. <u>IFRS 9 Financial Instruments</u>

On January 1, 2018, ClearStream adopted IFRS 9 *Financial Instruments* ("IFRS 9"). IFRS 9 includes a new classification and measurement approach for financial assets and a forward-looking 'expected credit loss' model. IFRS 9 was applied retrospectively in accordance with transition requirements with no impact to opening retained earnings or comparative periods. The classification and measurement of financial instruments under IFRS 9 did not have a material impact on ClearStream's consolidated financial statements.

b. IFRS 15 Revenue from Contracts with Customers
On January 1, 2018, ClearStream adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue from contracts with customers is recognized.

The Company has adopted IFRS 15 using the modified retrospective approach. Accordingly, the cumulative effect of initially applying IFRS 15 was recognized on January 1, 2018 as an adjustment to deficit. There were no adjustments recorded to deficit related to the timing or amounts of revenue recognized; however, ClearStream recorded an adjustment upon adoption of IFRS 15 of approximately $949 as a decrease to earn-out assets and an increase to deficit. Comparative information has not been restated and is reported under the previous revenue standard, IAS 18 Revenue.

s. New standards and interpretations not yet adopted

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16") which replaces IAS 17 *Leases* and related interpretations. IFRS 16 provides a single accounting model for lessees that requires the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less, or the value of the underlying asset is low. The accounting treatment for lessors remains substantially unchanged, with the requirement to classify leases as either finance or operating being retained.

The Company will adopt the standard for the annual period beginning on January 1, 2019 and has selected the modified retrospective transition approach. The Company will apply the optional exemption for short-term leases.

The Company has completed its preliminary assessment and expects adoption of the standard to have a material impact on the following components of the consolidated financial statements of the Company:

Consolidated Balance Sheets: IFRS 16 requires the recognition of lease liabilities and right-of-use (ROU) assets for all leases except for those that qualify optional exemptions for short-term leases. The Company will recognize the lease liability at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate upon adoption of the new standard. Upon transition, the Company will measure the ROU assets equal to the lease liability, adjusted by the amount of any prepaid payments or onerous contracts recognized in the December 31, 2018 consolidated financial statements.

Consolidated Statements of Loss and Comprehensive Loss: Adoption of IFRS 16 will result in an increase to Depreciation and Amortization expense due to the recognition of ROU assets, an increase to interest expense from the unwinding of the discounted value of the lease liabilities and a decrease to selling, general and administrative expense, and cost of sales.

Consolidated Statements of Cash Flows: Due to the change in the presentation of former operating lease expenses, cash flow from operating activities will increase as a result of the decrease in cost of sales and selling, general and administrative expense, partially offset by an increase in interest expense included in operating activities for the company. Cash flow from financing activities will decrease due to the addition of principal payments for former operating leases. The overall impact to cash flow for the Company will be unchanged.

2. Restricted cash

Restricted cash of $980 at December 31, 2018 (2017 - $980) is backing letters of credit and cash in trust held on behalf of insurance providers.

3. Inventories

Inventories comprise the following:

As at December 31,		2018		2017
Raw materials	$	3,324	$	1,979
Work-in-progress		202		298
Finished goods		1,281		1,192
Parts and supplies		927		835
Total	$	5,734	$	4,304

Work in progress includes amounts for work performed in excess of amounts billed for contracts accounted for using the percentage of completion method. Included in cost of revenues for the year ended December 31, 2018 is the cost of inventories of $15,373 (2017 - $15,053).

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, ClearStream was entitled to an earn-out of $1,500 if a customer of Gusgo exercised its option to renew an existing contract at December 31, 2018. During the second quarter of 2018, the Company negotiated an early settlement of the earn-out for $1,225. As a result, a loss on sale of assets held for sale of $275 was recorded in the statement of loss for the year ended December 31, 2018.

b) Quantum Murray and Titan earn-out

As a result of the sale of the majority of the net assets of Quantum Murray and Titan in March 2016, ClearStream is entitled to an earn-out of up to approximately $6,200 if certain pre-determined free cash flow targets are achieved for the years ended March 31, 2019, 2018 and 2017. For the years ended March 31, 2018 and 2017 the free cash flow targets were not met and no earn-out was received. As a result, the earn-out amount for the first and second years can instead be earned in the year ending March 31, 2019 if the free cash flow in 2019 exceeds that year's target combined with the targets for the year ended March 31, 2018 and 2017.

The variable consideration available to ClearStream as a result of the Quantum Murray and Titan earn-out was measured at December 31, 2018 using the “expected value method”, which was determined to be $nil (December 31, 2017 - $1,173) as a result of the application of the variable consideration constraint.

5. Assets held for sale

On March 14, 2018, the Company sold the assets and ongoing business operations of the Transportation Cash Generating Unit (“CGU”) for cash consideration of $3,400, excluding transaction costs of $1,060, and recognized a gain on disposal in the amount of $1,032 within the Statement of Loss. The non-current assets and liabilities of the Transportation CGU were classified as held for sale as at December 31, 2017. The results of the Transportation CGU are not presented within discontinued operations based on management’s determination that the CGU did not represent a major component of ClearStream’s operations.

6. Property, plant and equipment

	Equipment under finance lease	Land and buildings	Computer hardware	Furniture, tools and equipment	Leasehold improvements	Automotive and heavy equipment	Total
Cost							
Balance at January 1, 2017	$ 27,107	2,622	1,432	15,413	8,680	26,664	81,918
Additions	1,726	-	225	2,108	55	292	4,406
Disposal	(397)	(1,083)	-	(5)	-	(1,442)	(2,927)
Reclassed as held for sale	(8,106)	-	(79)	(136)	(122)	(5,111)	(13,554)
Balance as December 31, 2017	$ 20,330	1,539	1,578	17,380	8,613	20,403	69,843
Additions	4,126	-	166	3,329	180	255	8,056
Disposal	(24)	-	-	(295)	-	(888)	(1,207)
Balance as December 31, 2018	$ 24,432	$ 1,539	$ 1,744	$ 20,414	$ 8,793	$ 19,770	$ 76,691
Accumulated Depreciation							
Balance at January 1, 2017	(15,777)	(1,151)	(1,119)	(8,504)	(8,280)	(22,342)	(57,173)
Depreciation for the year	(1,691)	(44)	(88)	(1,432)	(191)	(1,817)	(5,263)
Disposal	328	633	-	1	-	985	1,947
Reclassed as held for sale	6,415	-	79	108	86	4,615	11,303
Balance as December 31, 2017	$ (10,725)	(562)	(1,128)	(9,828)	(8,385)	(18,559)	(49,186)
Depreciation for the year	(2,070)	(23)	(120)	(1,435)	(119)	(1,182)	(4,948)
Disposal	16	-	-	204	-	743	963
Balance as December 31, 2018	$ (12,779)	$ (585)	$ (1,248)	$ (11,060)	$ (8,504)	$ (18,998)	$ (53,172)
Net book value							
At December 31, 2017	$ 9,605	$ 977	$ 450	$ 7,552	$ 228	$ 1,844	$ 20,657
At December 31, 2018	$ 11,653	$ 954	$ 496	$ 9,354	$ 290	$ 772	$ 23,520

a) Collateral:

As at December 31, 2018, property, plant and equipment included $11,867 subject to a general security agreement under the Senior Secured Debentures and the Convertible Secured Debentures (December 31, 2017 - $11,070).

b) Disposals:

During the year ended December 31, 2018, the Company disposed of assets with a cost of $1,207 (2017 - $2,927) and accumulated depreciation of $963 (2017 - $1,946), for cash proceeds of $575 (2017 - $3,063), and recognized a net gain on sale of $328 (2017 – net gain $2,083).

7. Goodwill and intangible assets

	Goodwill	Customer relationships	Computer software	Brands	Intangible Total
Cost					
Balance at January 1, 2017	$ 92,029	83,552	2,657	16,142	102,351
Additions	-	-	63	-	63
At December 31, 2017	$ 92,029	$ 83,552	$ 2,720	$ 16,142	$ 102,414
Disposals	-	-	(73)	-	(73)
Balance at December 31, 2018	$ 92,029	$ 83,552	$ 2,648	$ 16,142	$ 102,342
Amortization and impairments					
Balance at January 1, 2017	(69,743)	(70,752)	(2,407)	(13,390)	(86,549)
Amortization for the year	-	(3,272)	(173)	-	(3,445)
Impairment	-	(6,507)	-	(1,178)	(7,685)
Reclassed as asset for sale	(256)				
At December 31, 2017	$ (69,999)	(80,531)	(2,580)	(14,568)	(97,679)
Amortization for the year	-	(1,298)	(74)	-	(1,371)
Disposals	-	-	96	-	96
Impairment	(17,733)	-	-	-	-
Balance at December 31, 2018	$ (87,732)	$ (81,829)	$ (2,558)	$ (14,568)	$ (98,954)
Net book value					
At December 31, 2017	$ 22,030	$ 3,021	$ 140	$ 1,574	$ 4,735
At December 31, 2018	$ 4,297	$ 1,723	$ 90	$ 1,574	$ 3,387

ClearStream has five CGUs, one of which has intangible assets with an indefinite life. Goodwill is monitored by management at the operating segment level. As at December 31, 2018, the Wear CGU had indefinite life intangible assets of $1,574 (2017 - $1,574) and the Wear & Fabrication group of CGUs had goodwill of $4,297 (2017 - $4,297). The Maintenance & Construction operating segment had goodwill of nil at December 31, 2018 (2017 - $17,733).

ClearStream identified indicators of impairment at September 30, 2018 as a result of actual results for the nine months ended September 30, 2018 being materially below budget. Management therefore performed impairment tests as at September 30, 2018 at the CGU level as well as at the operating segment level. This testing identified goodwill impairment in the Maintenance & Construction segment of approximately $17,733 to reduce the carrying amount of the segment to its recoverable amount of $42,898.

ClearStream also performed impairment tests at December 31, 2018 (its annual testing date) for its Wear CGU (containing indefinite life intangible assets) and its Wear and Fabrication group of CGUs containing goodwill, which did not result in any additional impairment.

ClearStream's annual impairment testing at December 31, 2017 resulted in an impairment loss of $7,108 within the Oilsands CGU and $577 within the Fabrication CGU. The recoverable amounts at December 31, 2017 were $10,663 and $6,672 for the Oilsands and Fabrication CGUs, respectively.

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 for 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.

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. 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 11.0%-13.0% 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.

The recoverable amount of the Wear and Fabrication group of CGUs (based on fair value less costs of disposal) exceeded its carrying amount by approximately $3,292 at December 31, 2018. If the discount rate were increased by 10 basis points, the excess of recoverable amount over carrying value would be reduced to nil.

Allocation of impairment

The DCF method resulted in impairment losses in 2017 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 arms 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 during the year ended December 31, 2017 in the Oilsands and Fabrication CGUs (including $1,178 of indefinite life intangible assets within the Oilsands CGU).

8. ABL facility and debentures

a) ABL Facility

The ABL Facility is comprised of a revolving facility providing for maximum borrowings of up to $50,000 (the “Revolving Facility”) and a term loan facility of $10,000 (the “Term Loan Facility”). The Revolving Facility matures on March 23, 2019 and the Term Loan Facility matures on September 19, 2019. (See note 26).

The amount available to be drawn under the Revolving Facility will vary from time to time, based upon a borrowing base determined with reference to the accounts receivable of the Company. The Revolving Facility borrowing base as at December 31, 2018 is $29,690 (December 31, 2017 - $34,629). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the borrower and the other guarantors, being the Company and certain of its direct and indirect subsidiaries. The ABL Facility contains and provides for certain covenants, such as the maintenance of fixed charge coverage ratios, financial reporting and events of default as are customary in transactions of this nature. The interest rate on the Revolving Facility is prime plus 2.5%, increasing to prime plus 4% if the Revolving Facility is more than 50% drawn.

The amount of the Term Loan Facility was required to be used to reduce amounts outstanding under the Revolving Facility. The term loan was fully drawn at December 31, 2018 and cannot be redrawn once repaid. The interest rate on the Term Loan Facility is equal to the interest rate on the Revolving Facility plus 200 basis points.

As at December 31, 2018, $22,961 (December 31, 2017 - $27,500) was drawn on the Revolving Facility, and there were $2,250 of letters of credit further reducing the amount available to be drawn. Accordingly $4,479 was available on the Revolving Facility (December 31, 2017 - $3,459). Including the $10,000 outstanding on the Term Loan Facility (December 31, 2017 - $nil), the total amounts drawn on the ABL Facility was $32,961 at December 31, 2018 (December 31, 2017 - $27,500). The Company incurred $1,727 in deferred financing fees associated with the ABL Facility in 2016 and an additional $743 in fees in 2018. These costs are being amortized over the term of the facility. As at December 31, 2018, the net unamortized amount of deferred financing costs was $629 (December 31, 2017 - $591). The financial covenants applicable under the ABL Facility are as follows:

- 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; and
- ClearStream must not expand or become obligated for any capital expenditures in an aggregate amount exceeding $6,500 during any fiscal year.

The Fixed Charge Coverage Ratio is defined as follows:

- Earnings before interest, taxes, depreciation and amortization excluding non-cash gains or losses and non-recurring items at the discretion of the lenders (“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 (excluding any interest paid using proceeds from the preferred share issuance in January 2018 (refer to Note 10)

At December 31, 2018, ClearStream’s fixed charge coverage ratio was 1.01:1.00. ClearStream was in compliance with all financial covenants under the ABL Facility as at December 31, 2018.

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.

b) Senior Secured Debentures

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 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. The maturity date of the Senior Secured

Debentures is March 23, 2026. The Senior Secured Debentures are redeemable at the option of the Company and, in certain circumstances, are mandatorily redeemable. The Senior Secured Debentures are secured by first-ranking liens over all of the property of the Company and its guarantor subsidiaries, other than certain limited classes of collateral over which the Company has granted a prior-ranking lien in favour of the ABL Agent which secures the Company's obligations under the ABL Facility. The Senior Secured Debentures provide for certain events of default and covenants of the Company which are customary for transactions 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 in 2016. These costs are recorded net of the principal balance of the senior secured debentures and will be accreted over the term of Senior Secured Debentures.

On January 16, 2018, as part of a refinancing transaction, the Company exchanged $75,000 of the Senior Secured Debentures due 2026 for 75,000 Preferred Shares (refer to Note 10). This was accounted for as an extinguishment of a portion of the senior secured debentures, whereby the difference between the carrying amount of those exchanged debentures and the fair value of the preferred shares issued was recognized within contributed surplus due to the conclusion that the holders of the senior secured debentures were acting within their capacity as shareholders for purposes of the transaction. Transaction costs incurred on the restructuring (including the extinguishment of the convertible secured debentures as described in Note 8(c)) of approximately $3,441 were also recorded within contributed surplus, consistent with the treatment of the gain of approximately $10,713.

During the year ended December 31, 2018, the Company repaid $2,340 of Senior Secured Debentures with a portion of the consideration received from the sale of the assets of the Transportation CGU (Note 5).

Balance at December 31, 2017	$ 171,988
Accretion	248
Extinguishment of debt, net of deferred financing costs	(73,205)
Debt repayment, net of deferred financing fees	(2,285)
Balance as of December 31, 2018	$ 96,746

c) 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 debentures pursuant to a rights offering, a portion of which were also issued to Canso.

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. 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 maturity date of the Convertible Secured Debentures is March 23, 2026. 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 convertible into common shares of the Company at an initial conversion price of $0.35 per common share (subject to adjustment in certain circumstances). The Convertible Secured Debentures 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. 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 transactions of this nature substantially similar to the events of default and covenants provided in respect of the Senior Secured Debentures.

The Company incurred $3,708 in deferred financing fees associated with the Convertible Secured Debentures in 2016. These costs are recorded net of the principal balance of the Convertible Secured Debentures and will be accreted over the term of Convertible Secured Debentures.

On January 16, 2018, as part of a refinancing transaction, the Company exchanged convertible secured debentures with a principal amount of $33,565 (of which $25,743 was applied to the liability component) for 33,565 Preferred Shares (refer to Note 10). This was accounted for as an extinguishment of a portion of the convertible secured debentures, whereby the difference between the carrying amount of those exchanged debentures and the fair value of the preferred shares issued was recognized within contributed surplus due to the conclusion that the holders of the senior secured debentures were acting within their capacity as shareholders for purposes of the transaction. Transaction costs on the restructuring (including the extinguishment of the senior secured debentures as described in Note 8(b)) incurred of approximately $3,441 were also recorded within contributed surplus, consistent with the treatment of the gain of approximately $10,713. During the year ended December 31, 2018 additional $130 of convertible debentures were converted to cash and preferred shares.

Liability component of convertible secured debentures		
As at January 1, 2017	$	24,397
Accretion		602
As at December 31, 2017	$	24,999
Accretion		51
Settled for cash and preferred shares		(130)
Extinguishment of debt, net of deferred financing fees		(24,068)
As at December 31, 2018	$	852

9. Provision

At December 31, 2017, a property rental contract related to the Transportation CGU was deemed to be onerous and therefore a provision of $5,778 was recorded. The following table outlines the changes to the provision recorded during the year ended December 31, 2018:

Opening balance, at December 31, 2017	$	5,778
Changes in estimated future cash flows		163
Cash payments		(1,577)
Accretion		697
Balance at December 31, 2018	$	5,061

At December 31, 2018, $1,072 of the provision was classified as current (December 31, 2017 - $1,196).

10. Preferred shares

On January 16, 2018, ClearStream issued 108,565 preferred shares to Canso in exchange for the extinguishment of $75,000 principal amount senior secured debentures and $33,565 principal amount convertible secured debentures (refer to Notes 8(b) and (c)). An additional 19,000 preferred shares were issued on the same date to Canso in exchange for cash consideration of $19,000. The cash proceeds were used to fund the interest obligations related to the senior secured debentures and convertible secured debentures at December 31, 2017 of $8,799. The remaining cash proceeds was used to fund transaction costs and $8,000 of interest on the remaining outstanding debentures during the year ended December 31, 2018.

The preferred shares provide for a 10% fixed cumulative preferential dividend that is only required to be paid in cash upon sole determination by ClearStream's Board of Directors. Any accrued but unpaid dividends are convertible in certain circumstances at the option of the holder into additional preferred shares equal to $1,000 per preferred share. Holders of the preferred shares 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 a result of the dividends being payable in cash only at the sole discretion of ClearStream's Board of Directors and the fact that any accrued but unpaid dividends are convertible into additional preferred shares at a fixed rate of $1,000 per preferred share, the preferred shares are accounted for within shareholders' equity.

Upon issuance, the preferred shares were measured at fair value of $800 per preferred share, which was estimated using a discounted cash flow methodology based on key assumptions including: length of time the preferred shares are expected to be outstanding before conversion, redemption and/or an alternative restructuring event; and the discount rate applied. Subsequent to the refinancing transaction an additional 188 preferred shares issued as result of converted debentures. The total outstanding preferred shares as at December 31, 2018 were 127,753.

11. 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,		2018
2019		1,906
2020		1,583
2021		1,697
2022		589
2023		156
Total minimum lease payments		5,931
Less amount representing interest (at rates ranging from 1% to 16%)		605
Present value of net minimum finance lease payments		5,326
Less current portion of obligations under finance leases		1,777
Long-term portion of obligation under finance leases	$	3,549

Interest of $605 for the year ended December 31, 2018 (2017 - $396) relating to finance lease obligations has been included in interest expense.

12. Commitments

ClearStream is committed to payments under operating leases for equipment, office premises and land through 2029 in total of approximately $46,978. 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,		2018
2019	$	10,159
2020		6,868
2021		5,229
2022		4,966
2023		4,749
Thereafter		15,007
Total commitments under operating leases	$	46,978
Last year of commitment		2029

13. Revenue

The following are amounts for each significant category of revenue recognized during the years ended December 31, 2018 and 2017:

For the year ended December 31,	2018	2017
Rendering of services	309,240	283,453
Sales of goods	69,092	73,694
Total revenue	378,332	357,147

As at December 31, 2018, there was $5,345 (2017 - $9,542) 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,		2018		2017
Salaries & benefits	$	10,818	$	8,784
Occupancy costs		2,227		1,758
Professional Fees		4,749		1,996
Travel		1,733		1,506
Repairs & maintenance		269		674
Insurance		1,391		1,194
Other		172		2,954
	$	21,359	$	18,866

15. Interest expense

For the year ended December 31,	Note		2018		2017
Interest expense on senior secured debentures	8b	$	7,911	$	14,098
Interest expense on convertible secured debentures	8c		504		3,500
Interest expense on ABL facility	8a		2,764		1,631
Interest expense on finance leases	11		339		396
Interest expense - other			2		196
Deferred financing costs amortized	8a		719		704
Accretion expense related to debentures	8b and 8c		299		949
		$	12,537	$	21,474

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,	2018	2017
Loss from continuing operations before tax	$ (30,531)	$ (32,458)
Tax rate	27.00%	26.91%
Income tax recovery at statutory rates	$ (8,243)	$ (8,734)
Permanent differences	4,875	1,341
Change in tax rates on temporary differences	142	3
Deferred tax asset not recognized	2,767	7,392
Income tax (recovery) expense	$ (459)	$ 2

The benefit of the following temporary differences not recognized:

December 31	2018	2017
Fixed assets	$ (1,687)	$ (2,704)
Intangible assets	22,599	21,000
Debentures	(3,941)	(4,240)
Net operating losses	125,979	140,473
Other	15,079	3,027
Total temporary differences not benefitted	$ 158,029	$ 157,556

Net operating losses of $125,979 will begin to expire in 2035.

ClearStream has approximately $137,391 of capital losses that have not been recognized in the consolidated financial statements as at December 31, 2018 (2017 - $135,121). 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. 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, 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, 2018, there were 109,941,241 common shares issued and outstanding. In 2018 and as part of the 2018 refinancing transaction, ClearStream issued 127,565 of newly created Series 1 Preferred Shares. Subsequent to the refinancing transaction an additional 188 preferred shares issued as result of converted debentures. The total outstanding preferred shares as at December 31, 2018 were 127,753.

Pursuant to the Refinancing Transaction completed on January 16, 2018, the Company issued 127,753 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, 2018. 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, 2018.

The only potentially dilutive securities as at December 31, 2018 were the preferred shares, convertible secured debentures, stock options, and performance share units. 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, 2018, the Company incurred restructuring costs of $165 (2017 - $1,414). These are costs that were required in response to the potential impact of a prolonged period of reduced oil prices. 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.

Stock Options

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	6,560,000	0.28
Forfeited	(3,400,000)	0.28
Balance as at December 31, 2017	3,160,000	0.28
Forfeited	(1,330,000)	0.28
Balance as at December 31, 2018	1,830,000	0.28
Exercisable as at December 31, 2018	-	-

The options outstanding at December 31, 2018 have a weighted average remaining contractual life of 3.1 years (December 31, 2017 – 4.08 years). For the year ended December 31, 2018, the Company recognized $143 of share based compensation expense relating to stock options (2017 – expense of $395). The fair value of the stock options granted during the year ended December 31, 2017 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 share (%)	100%
Expected dividend yield	0.00%
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.

Restricted Share Units and Performance 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, 2018 the intrinsic value of the RSUs outstanding was $31 (December 31, 2017 - $392).

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.

The following table summarizes the units outstanding:

	RSUs	PSUs
Balance as at January 1, 2017	-	-
Granted	5,510,000	4,070,000
Forfeited in 2017	(1,160,000)	(2,330,000)
Balance as at December 31, 2017	4,350,000	1,740,000
Forfeited	(730,000)	(1,390,000)
Balance as at December 31, 2018	3,620,000	350,000
Exercisable as at December 31, 2018	-	-

ClearStream's five day weighted average closing share price at December 31, 2018 was $0.01 (December 31, 2017 - $0.09). The weighted average remaining contractual life of the outstanding RSUs as at December 31, 2018 was 0.7 years (December 31, 2017 – 1.4 years). The weighted average remaining contractual life of the outstanding PSUs as at December 31, 2018, was 0.5 years (December 31, 2017 – 1.4 years). For the year ended December 31, 2018, a recovery of $148 of share based compensation was recognized relating to RSUs (2017 – expense of $180) and a recovery of $92 of share based compensation was recognized relating to PSUs (2017 – expense of $136).

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 (2017 - $312 and $400). These transactions occurred in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties.

b) Compensation for key management personnel

ClearStream's key management personnel are comprised of officers and directors. The remuneration for these key management personnel during the years ended December 31, 2018 and 2017 are as follows:

For the year ended December 31,	2018	2017
Short-term employment benefits	$ 3,852	$ 2,238
Share based compensation	(97)	438
Termination benefits	-	180
Total compensation	$ 3,755	$ 2,856

21. Financial instruments and risk management

Financial instruments consist of cash, restricted cash, accounts receivable, accounts payable, ABL Facility, Senior Secured Debentures and Convertible Secured Debentures.

a) Fair values of financial assets and liabilities

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.

b) Risk management

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

i) Credit risk

The Company has exposure to credit risk, which is the risk of financial loss to ClearStream if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from ClearStream's accounts receivable. The following table outlines ClearStream's maximum exposure to credit risk:

As at December 31,		2018		2017
Cash	$	10,838	$	4,649
Restricted cash		980		980
Accounts receivable		59,715		66,177
Earn-out assets		-		2,450
Total	$	71,533	$	74,256

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

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

Of the total balance of accounts receivable at December 31, 2018, $45,741 (December 31, 2017 - $49,344) related to trade receivables and $13,974 (December 31, 2017 - $16,833) 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, 2018, approximately $1,809 of ClearStream's trade receivables had been outstanding longer than 90 days (December 31, 2017 - $2,272). Subsequent to December 31, 2018, $1,302 of the $1,809 over 90 days was collected. Management has fully evaluated the outstanding receivables as at December 31, 2018 and has determined that the lifetime expected credit losses of the trade receivables was immaterial.

ii) Customer concentration risk

Revenues of ClearStream are concentrated, with its top three customers representing 54% of consolidated revenue (2017 – 54%) and 40% of the consolidated accounts receivable for ClearStream (2017 – 49%). More specifically, ClearStream's largest customer within the Maintenance & Construction operating segment accounted for 31% or $119,005 of ClearStream's consolidated revenue for the year ended December 31, 2018 (2017 – 33% or $117,498).

iii) Liquidity risk

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

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

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

ClearStream manages its liquidity risk by continuously monitoring forecast and actual gross profit and cash flows from operations.

The Company has been working with its lenders with respect to obtaining an extension of its ABL Facility (which has a maturity date of March 23, 2019). Based on confirmation received from its lenders, the Company currently expects to extend the ABL Facility to March 22, 2020 on similar terms as its existing arrangement.

22. Acquisition of AFX

On September 24, 2018, ClearStream completed the acquisition, and thereby obtained control, of AFX Materials and Fabrication Ltd. ("AFX") through the purchase of 100% of its share capital. AFX is a specialized manufacturer of wear resistant chromium carbide overlay and structural steel fabrication with operations in Alberta. The acquisition is expected to increase the manufacturing capacity of ClearStream's existing Wear Technology business by 30%. Total consideration transferred was approximately $3,088, comprised of $2,450 of cash and up to $638 in contingent consideration if AFX achieves a certain pre-determined cash flow target within one year of the transaction closing. Management has estimated the fair value of the contingent consideration based on acquisition-date forecasts which indicate the target is likely to be achieved.

The acquisition was accounted for following the acquisition method as at the closing date of September 24, 2018. Determinations of fair value often require management to make assumptions and estimates about future events. Changes in any of the assumptions or estimates used in determining the fair values of acquired assets and liabilities could impact the carrying amounts assigned accordingly. ClearStream continues to work with AFX to finalize certain working capital amount and has provisionally allocated the consideration transferred, subject to changes in estimates, as follows:

Cash	$	32
Accounts receivable		621
Other current assets		16
Property, plant and equipment		2,995
Accounts payable and accrued liabilities		($117)
Deferred income tax liability		($459)
Total identifiable net assets	$	3,088

Given that the operations of AFX, upon the date of acquisition, were combined with those of ClearStream's existing Wear Technologies business, it is impracticable to determine the revenue included in the consolidated financial statements in respect of AFX from September 24, 2018 to December 31, 2018 (or as though the business combination had closed on January 1, 2018). Similarly, it is impracticable to determine any measure of profit or loss in respect of AFX for the same periods.

23. Supplemental cash flow information

a. Changes in non-cash working capital

		2018		2017
Accounts receivable	$	6,462	$	(19,249)
Inventories		(1,430)		(1,304)
Prepaid expenses		943		(929)
Accounts payable and accrued liabilities		(7,859)		9,427
Deferred revenue		(125)		(21)
Total changes in non-cash balances	$	(2,009)	$	(12,076)

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
Borrowings	5,461	4,106	-	9,567
Repayments		(2,442)	-	(2,442)
Cash and preferred share conversion	-	-	(2,415)	(2,415)
Extinguishment of debt, net of deferred financing fees	-	-	(97,273)	(97,273)
Non-cash changes	-	51	-	51
Accretion	-	-	299	299
Balance as at December 31, 2018	$ 32,961	$ 5,362	$ 97,598	$ 135,921

24. Segmented information

ClearStream has three reportable 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 division, which includes the union and non-union CGUs 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 oilsands markets.

The Wear and Fabrication division, which includes the Wear, Fabrication and Environmental CGUs specializes in the supply and fabrication of overlay pipe spools, pipe bends, wear plate, welding services, custom fabrication, pipe management and storage services. Environmental Services group provides regulatory and environmental advisory services focused on servicing our clients across various end markets such as Oil & Gas, Power, Government, Mining and Forestry.

The Corporate division is a standard head office function which deals with strategic planning, corporate communications, taxes, legal, marketing, finance, financing (including interest expense), human resources and information technology for the entire organization.

The Eliminations column includes adjustments required to account for joint ventures as equity investments, and eliminations of interdivisional transactions. ClearStream accounts for intersegment sales based on transaction price.

Year Ended December 31, 2018	Maintenance and Construction Services	Wear, Fabrication	Corporate	Eliminations	Total
Revenues	$ 318,873	$ 61,335	-	$ (1,876)	$ 378,332
Cost of revenues	(303,074)	(50,037)	-	1,876	(351,235)
Gross profit	15,799	11,298	-	-	27,097
Selling, general and administrative expenses	(1,093)	(1,137)	(19,129)	-	(21,359)
Stock based compensation recovery	-	-	97	-	97
Amortization of intangible assets	(1,030)	(341)	-	-	(1,371)
Depreciation	(3,216)	(1,388)	(344)	-	(4,948)
Income from equity investment	163	-	-	-	163
Interest expense	(334)	(54)	(12,149)	-	(12,537)
Gain on sale of assets	-	1,032	(275)	-	757
Restructuring costs	-	-	(165)	-	(165)
Impairment of goodwill and intangible assets	(17,733)	-	-	-	(17,733)
Gain (loss) on sale of property, plant and equipment	318	(2)	12	-	328
Other loss	-	(860)	-	-	(860)
Income (loss) before taxes	(7,126)	8,548	(31,953)	-	(30,531)
Deferred income tax recovery	-	459	-	-	459
Income (loss) from continuing operations	(7,126)	9,007	(31,953)	-	(30,072)

Year Ended December 31, 2017	Maintenance and Construction Services	Wear, Fabrication & Transportation	Corporate	Eliminations	Total
Revenues	$ 286,433	$ 72,824	-	$ (2,110)	$ 357,147
Cost of revenues	(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)
Stock based compensation recovery	-	-	(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	0	-	-	246
Interest expense	(270)	(177)	(21,027)	-	(21,474)
Gain on sale of assets	-	-	(570)	-	(570)
Restructuring costs	-	-	(1,414)	-	(1,414)
Impairment of goodwill and intangible assets	(7,108)	(577)	-	-	(7,685)
Gain (loss) on sale of property, plant and equipment	1,968	115	-	-	2,083
Other loss	-	(5,778)	-	-	(5,778)
Income (loss) before taxes	7,075	701	(40,234)	-	(32,458)
Income tax recovery (expense) - current	-	-	(2)	-	(2)
Income (loss) from continuing operations	7,075	701	(40,236)	-	(32,460)

25. Discontinued operations

The loss from discontinued operations was $1,495 and due to SG&A expenses that the Company continues to incur relating to sale of business prior to March 2016. 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.

26. Subsequent events

a. Brompton Corp

In March 2015, the Company was advised by Brompton Corp. ("Brompton") that Brompton had received notices of reassessment from the Canada Revenue Agency (the "CRA") relating to Brompton's tax returns for the 2010 to 2014 taxation years. The Company previously held approximately 40% of the outstanding equity of Brompton (which it sold in September 2011). Brompton requested the Company pay its share of the reassessment amount and through a court decision in February 2017, the Company was required to pay Brompton $4,969, which included taxes, interest, legal fees and costs for appeal. At December 31, 2017, the Company had fully paid Brompton's claim and recorded the cost through discontinued operations. Brompton appealed the notice of reassessment and in October 2018, Brompton received an offer from CRA to settle its appeal.

In February 2019, the Company received a refund of $3,250, which represents 69% of the total payment previously made by ClearStream.

b. ABL renewal

On March 21, 2019, the company received confirmation from its lenders that the ABL facility has been approved for renewal until March 2020 at terms substantially the same as the existing facility.

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