CLEARSTREAM ENERGY SERVICES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2016

Message to Shareholders

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

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

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

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

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

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

Thank you for your continued support.

John W. Cooper
Chief Executive Officer
March 6, 2017

Management’s Discussion and Analysis

March 6, 2017

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

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

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

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

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

Forward-looking information

This MD&A contains certain forward-looking information. Certain information included in this MD&A may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results and may include statements or information regarding the future plans or prospects of ClearStream and reflects management's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of ClearStream. Without limitation, information regarding the future operating results and economic performance of ClearStream constitute forward-looking information. Such forward-looking information reflects management's current beliefs and is based on information currently available to management of the Company. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information including risks related to investments, conditions of capital markets, economic conditions, commodity prices, dependence on key personnel, limited customer bases, interest rates, regulatory change, ability to meet working capital requirements and capital expenditures needs, factors relating to the weather and availability of labour. These factors should not be considered exhaustive. In addition, in evaluating this information, investors should specifically consider various factors, including the risks outlined under "Risk Factors," which may cause actual events or results to differ materially from any forward-looking statement. In formulating forward-looking information herein, management has assumed that business and economic conditions affecting ClearStream will continue substantially in the ordinary course, including without limitation with respect to general levels of economic activity, regulations, taxes and interest rates. Although the forward-looking information is based on what management of ClearStream consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management's assumptions may prove to be incorrect. This forward-looking information is made as of the date of this MD&A, and ClearStream does not assume any obligation to update or revise it to reflect new events or circumstances except as required by law. Undue reliance should not be placed on forward-looking information. ClearStream is providing the forward-looking financial information set out in this MD&A for the purpose of providing investors with some context for the Outlook presented. Readers are cautioned that this information may not be appropriate for any other purpose.

Non-standard measures

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

EBITDA refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense and income tax expense (recovery). EBITDA is used by management and the directors of ClearStream (the "Directors") as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDA to monitor the performance of ClearStream's reportable segments and believes that in addition to net income or loss and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures and income taxes. ClearStream has provided a reconciliation of income (loss) from continuing operations to EBITDA in its consolidated financial statements and MD&A.

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

Investors are cautioned that the Non-IFRS Measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the shares. These Non-IFRS measures should only be used in conjunction with the financial statements included in the MD&A and ClearStream's annual audited consolidated financial statements available on SEDAR at www.sedar.com or www.clearstreamenergy.ca.

REPORTABLE SEGMENTS

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

Given the change in organizational structure, the Company considered and concluded that there was a change in its reportable segments. The reportable segments discussed below, represent the reportable segments that the chief operating decision maker considers when reviewing the performance of ClearStream and deciding where to allocate resources.

ClearStream's operations, assets and employees are located in Canada. ClearStream utilizes EBITDA and Adjusted EBITDA as performance measures for its segmented results. These measures are considered to be non-standard measures under IFRS. Please refer to "Non-Standard Measures" for more information.

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

2016 RESULTS – CONTINUING OPERATIONS

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

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

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

[1]Adjusted for discontinued operations and/or reclassification of selling, general and administrative expenses (refer to Note 27 of the audited financial statements).

2016 RESULTS COMMENTARY

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

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

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

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

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

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

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

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

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

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

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

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

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

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

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

REVENUES

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

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

GROSS PROFIT

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

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

WEAR, FABRICATION & TRANSPORTATION

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

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

REVENUES

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

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

GROSS PROFIT

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

CORPORATE

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

SUMMARY FINANCIAL TABLE ($000S)

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

[1]Adjusted for discontinued operations and reclassification of selling, general and administrative expenses (refer to note 27 in the consolidated financial statements for the year ended December 31, 2016)..

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

WRITE-DOWN OF GOODWILL

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

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

FOURTH QUARTER 2016 RESULTS

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

[1]Adjusted for discontinued operations and reclassification of selling, general and administrative expenses (refer to note 27 in the consolidated financial statements for the year ended December 31, 2016).

FOURTH QUARTER RESULTS COMMENTARY

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

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

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

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

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

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

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

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

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

[1]Adjusted for change in reportable operating segments (refer to note 27 in the consolidated financial statements for the year ended December 31, 2016).

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

OPERATING ACTIVITIES AND CHANGE IN WORKING CAPITAL

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

INVESTING ACTIVITIES

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

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

FINANCING ACTIVITIES

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

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

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

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

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

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

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

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

SUMMARY OF CONTRACTUAL OBLIGATIONS

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

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

ClearStream prepares its consolidated financial statements in accordance with IFRS. The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements. Significant accounting policies and methods used in the preparation of the consolidated financial statements are described in note 1 in the December 31, 2016 consolidated financial statements. ClearStream evaluates its estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Included in the consolidated financial statements are estimates used in determining allowance for doubtful accounts, inventory valuation, the useful lives of property, plant and equipment and intangible assets, revenue recognition, income taxes, provisions, impairment, earn-outs, going concern assumptions and other matters. Actual results could differ from those estimates and assumptions.

ADDITIONAL INFORMATION

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

International Financial Reporting Standard 9, Financial Instruments

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

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

International Financial Reporting Standard 15, Revenue from Contracts with Customers

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

International Financial Reporting Standard 16, Leases

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

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

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

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

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

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

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

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

CONTINGENCIES

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

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

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

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

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

TRANSACTIONS

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

SHARE CAPITAL

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

OUTLOOK

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

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

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

RISK FACTORS

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

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

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

Risks Relating to the Company

REFINANCING TRANSACTIONS MAY NOT IMPROVE THE COMPANY'S FINANCIAL CONDITION

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

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

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

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

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

Volatility of Industry Conditions Relating to ClearStream

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

The level of activity in the oil and gas exploration and production industry is volatile. No assurance can be given that expected trends in oil and gas production activities will continue or that demand for oilfield services will reflect the level of activity in the industry. Crude oil and natural gas prices have historically been volatile and are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to concerns of oversupply, the current state of the world economics, actions taken by the

Organization of the Petroleum Exporting Countries, and ongoing credit and liquidity concerns within the industry. Any prolonged substantial reduction in oil and natural gas prices would likely adversely affect oil and gas production levels and therefore adversely affect the demand for services to oil and gas customers. A material decline or sustained depression in oil or gas prices or industry activity could have a material adverse effect on ClearStream's business, financial condition, results of operations and cash flows. The business and activities of ClearStream are directly affected by fluctuations in levels of exploration, development and production activity carried on by its customers.

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

Condition of Capital Markets

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

Dependence on Key Personnel

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

General Economic Factors

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

Customer Contracts

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

CUSTOMER CONCENTRATION

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

LABOUR

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

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

REGULATION

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

COMPETITION

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

SEASONALITY

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

SOURCES, PRICING AND AVAILABILITY OF EQUIPMENT AND EQUIPMENT PARTS

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

PROJECT RISK

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

ENVIRONMENTAL

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

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

UNEXPECTED ADJUSTMENTS AND CANCELLATIONS IN BACKLOG

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

Price and Availability of Alternative Fuels

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

Availability of Future Financing

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

Potential Future Developments

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

CYBER SECURITY RISK

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

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

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

POLITICAL RISK

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

Risks Relating to the Company's Corporate Structure

POTENTIAL SALES OF ADDITIONAL SHARES

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

INCOME TAX MATTERS

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

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

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

Risks Relating to Common Shares of the Company

UNPREDICTABILITY AND VOLATILITY OF COMMON SHARE PRICE

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

Restrictions on potential growth

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

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

Prior Ranking Indebtedness and Insolvency Laws

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

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

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

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

Payment of Interest

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

Covenant Obligations

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

Redemption Prior to Maturity

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

Inability of the Company to Purchase Debentures

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

Dilution

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

Investment Eligibility

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

Market Value Fluctuation

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

Trading Market for the Convertible Secured Debentures

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

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

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

ADDITIONAL INFORMATION

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